

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

October 16, 2008

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 365 (the "District") met in regular session, open to the public, on the 16th day of October, 2008, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Joe Myers	President
Megan Bradley	Vice President
Alan Silverman	Assistant Vice President
Matthew Lund	Secretary
Mike Vandewater	Assistant Secretary

and all of the above were present, except Director Lund, thus constituting a quorum.

Also present at the meeting were Brian Bare of SWWC Services, Inc.; Michael Keefe of Bob Leared Interests, Inc.; Caleb Franklin of TBG Partners ("TBG"); Chris Burke of Sander Engineering Corporation ("SEC"); Shirley McLennan of McLennan & Associates; Greg Coleman of Beazer Homes ("Beazer"); and Susan Edwards, Alia Vinson, and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the September 25, 2008, regular meeting as amended. Upon a motion made by Director Silverman and seconded by Director Vandewater, the Board voted unanimously to approve the minutes of the September 25, 2008, regular meeting, as amended.

TAX REPORT

Mr. Keefe distributed the District's monthly tax report reflecting that 99.317% of the 2007 taxes had been collected as of September 30, 2008. After discussion, Director Vandewater moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Silverman seconded the motion, which passed unanimously. Copies of the tax assessor/collector's report and the delinquent account list are attached.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ADOPT ORDER LEVYING TAXES, AND AUTHORIZE EXECUTION OF AMENDMENT TO INFORMATION FORM

The Board opened the public hearing on the District's proposed tax levy. Mr. Keefe confirmed that notice of the proposed levy had been published. Upon receipt of no comments from the public, the Board considered an Order Levying Taxes, reflecting a tax rate of \$0.55 per \$100 valuation consisting of \$0.24 for debt service and \$0.29 for operations and maintenance. Upon a motion made by Director Bradley and seconded by Director Vandewater, the Board unanimously adopted the Order Levying Taxes.

BOOKKEEPER'S REPORT

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparison, and the bills and checks for presented for payment. Ms. McLennan also discussed the new FDIC limits for deposits. After review of the invoices and corresponding checks, and upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to approve the bookkeeper's report and the checks presented for payment. A copy of the bookkeeper's report is attached.

RESOLUTION AUTHORIZING PARTICIPATION IN TEXSTAR

Ms. Edwards reviewed with the Board a resolution authorizing application, subsequent deposit, and participation in TexStar. Ms. McLennan stated that the program is similar to TexPool and that both TexStar and TexPool are not federally insured. Ms. Edwards reviewed Mr. Kavanaugh's previous recommendation in the September, 2008, minutes to diversify the District's funds. Ms. McLennan said that she would bring the application packet to the November Board meeting. Upon a motion made by Director Silverman and seconded by Director Vandewater, the Board voted unanimously to authorize application, subsequent deposit, and participation in TexStar and to authorize the District's bookkeeper to take the necessary steps to enroll the District.

ENGAGE COMPANY TO CONDUCT ARBITRAGE REBATE STUDY FOR SERIES 1998 BONDS

Ms. Edwards reviewed a proposal and requested the Board's authorization to engage the services of OmniCap, LLP to prepare an analysis to determine if an arbitrage rebate payment is due to the Internal Revenue Service regarding the District's Series 1998 Bonds. She stated that payments, if any, are due to the Internal Revenue Service sixty days after the fifth anniversary of the Bonds. Following review and discussion, Director Bradley moved to approve the proposal from OmniCap, L.L.P., as presented,

regarding the District's Series 1998 Bonds. Director Vandewater seconded the motion, which passed by unanimous vote.

OPERATIONS REPORT

Mr. Bare reviewed the written operations report with the Board, a copy of which is attached. He reviewed routine maintenance and repairs in the District, including lighting at the wastewater treatment plant and preventative maintenance on pumps and generators. Mr. Bare also discussed expenses for relocating a 12-inch waterline along Spring Cypress as part of the realignment project at a cost of \$16,000. Ms. Edwards stated that these relocation costs should be paid from the joint water plant account because this waterline is a joint facility.

The Board also discussed utility invoicing during Hurricane Ike. Mr. Bare said that residents can call SWWC and have penalties waived upon request due to the circumstances created by Hurricane Ike.

Director Myers also requested that the District's operator clarify on page three of his report the water production accountability and the water purchased by Harris County Municipal Utility District No. 364 ("District No. 364").

Upon a motion made by Director Bradley and seconded by Director Vandewater, the Board voted unanimously to approve the operator's report.

HEARING ON TERMINATION OF WATER SERVICE

The Board conducted a hearing on the termination of utility service to delinquent accounts. Mr. Bare reported that the persons on the attached termination list were mailed written notice prior to this meeting in accordance with the Rate Order, notifying them of the opportunity to appear before the Board of Directors to explain, contest, or correct the utility service bill and to show reason why utility service should not be terminated for reason of nonpayment. Director Bradley moved that, since the customers on the attached list were neither present at the meeting nor had presented any statement on the matter, utility service should be terminated in accordance with procedures set forth in the Rate Order. Director Vandewater seconded the motion, which carried unanimously. A copy of the termination list is attached.

ENGINEER'S REPORT

The Board reviewed a written engineer's report submitted by SEC on the status of various projects in the District as follows in these minutes. A copy of the engineer's report is attached.

STORMWATER CHANNEL FACILITIES

Mr. Burke discussed the proposal from Seaback Maintenance to mow around the top of the Dry Creek detention basin and the area adjacent to Jarvis Road for \$275 per cut with a finish mower discussed previously at the September meeting. He also reviewed with the Board a ditch and detention pond repair list and said that SEC was preparing plans for a bid package as previously discussed with the Board. Upon a motion made by Director Vandewater and seconded by Director Silverman, the Board voted unanimously to approve an expense of \$275 per cut to mow around the top of the Dry Creek detention basin and the area adjacent to Jarvis Road.

ACCESS ROAD AT WASTEWATER PLANT

The Board next discussed the status of the construction of the access road at the wastewater treatment plant. Mr. Burke reported that the original contractor recut the drainage swales and put in some concrete by hand. Mr. Burke said that the current contractor took out an area of slope paving in order to meet grade. Mr. Burke presented Change Order No. 2 for slope paving for a net increase to the original contract in the amount of \$3,582.50, or in the alternative, pinned sod for a net change to the original contract in the amount of \$500. After discussion, the Board concurred to sod the area and have the contractor pin down the sod. Mr. Burke said that the sod may not hold the runoff and that eventually concrete may have to be installed. Upon a motion made by Director Vandewater and seconded by Director Silverman, the Board voted unanimously to approve Change Order No. 2 for installation of pinned sod for a net change to the original contract in the amount of \$500.00.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

The Board discussed the status of the widening by Harris County of Spring Cypress Road. Mr. Burke stated that bids will be received on October 30, 2008, and that SEC will send bids and other costs to Harris County to incorporate into the reimbursement agreement between the District and Harris County. Mr. Burke said that he had spoken with Mike Reily of Harris County Public Infrastructure, who said that Harris County is pricing new driveway turnouts to the water plant. Mr. Burke said that the new turnouts would be deducted from the project amounts submitted by the District for reimbursement.

REPAIR OF BASIN LEAKS AT WASTEWATER TREATMENT PLANT

Mr. Burke resubmitted an Epoxy Designs invoice for the original work authorized by the Board. He said that a proposal for additional repairs on the cold joints of the chlorine contact basin had not yet been received.

JARVIS ROAD IMPROVEMENTS

No action was taken by the Board.

UTILITY COMMITMENT REQUESTS

No requests were submitted. Accordingly, no Board action was taken.

GIS HOSTING

No new information was available. Accordingly, no Board action was taken.

WATER PLANT CAPACITY ANALYSIS

Mr. Burke presented a water plant capacity analysis in response to the previous analysis prepared and submitted to the Board by Jones & Carter. Mr. Burke said that he used a measure of 450 gallons per day for planning purposes instead of 560 gallons per day as originally proposed by District No. 364's engineer, Jones & Carter. Mr. Burke said that SEC took all of the meters in the District, removed commercial and irrigation meters, and divided that number of meters by monthly water use. The Board and Ms. Edwards reviewed the joint agreement and concurred that 560 gallons per day was originally intended as a parenthetical based on commercial uses and was not intended as an overall measure. Ms. Edwards clarified that the original intent was a percentage basis and recommended a letter agreement between the parties to clarify that percentages determine capacity. Mr. Burke added that he would do an effluent flow and loading study to look at the effect upon the wastewater treatment plant. Following discussion, Director Vandewater moved to authorize ABHR, one director, and the District's engineer to meet with District No. 364 and clarify the understood intent of the joint agreement regarding plant capacities after Mr. Burke analyzes wastewater flows. Director Silverman seconded the motion which passed unanimously.

AUXILIARY POWER FOR WATER PLANT NO. 1, WASTEWATER TREATMENT PLANT, LIFT STATION NO. 2 AND THE PARK AT ARBORDALE LIFT STATION

Mr. Burke discussed auxiliary power options including: (1) replacing or converting existing fuel generators with/to natural gas generators; (2) adding a second fuel tank to each facility to be used for emergency events; and (3) adding a second, smaller generator at the water plant to run the booster pumps only in order to minimize use of diesel. Mr. Burke also discussed the difficulty of natural gas conversion kits, new emission standards for natural gas generators as of January, 2009, operating costs and average horsepower for each type of auxiliary power. Following discussion, the Board concurred in a request that the District engineer obtain a proposal to add a second fuel tank to each facility to be used for emergency events.

DEEDS AND EASEMENTS

Ms. Vinson discussed with the Board deeds conveying property to the District for the regional detention basin, the commercial ditch, and the lift station no. 2 site on Barker Cypress. Ms. Vinson updated the Board regarding the status of obtaining proof of title work and environmental surveys from Jefferson Development Company. She said that no documents have been provided to date. Upon a motion made by Director Silverman and seconded by Director Vandewater, the Board authorized ABHR to obtain a title commitment and a Phase 1 environmental survey in an amount not to exceed \$10,000.

Upon a motion made by Director Vandewater and seconded by Director Silverman, the Board voted unanimously to approve the engineer's report.

DEVELOPER'S REPORT

Mr. Coleman updated the Board with regard to the construction of facilities to serve The Park at Arbordale. Mr. Coleman's report is attached. No Board action was taken on this agenda item.

TBG REPORT

Mr. Franklin updated the Board on the status of various projects in the District as follows in these minutes.

PHASE 2 TRAIL IMPROVEMENTS

Mr. Franklin reported that the contractor, D.L. Meacham, has agreed to credit the District in the amount of approximately \$1,100 for failed trees and was working on the Change Order for same. Mr. Franklin said that the contractor had agreed to replace at no cost the two crepe myrtles that died when moved temporarily during the bridge installation. No Board action was taken for this agenda item.

FENCING PROJECT AT THE DETENTION BASIN

Mr. Franklin presented a proposal from American Wall Systems in the amount of \$1,000.00 to repair the fence and remove a fallen tree. No Board action was taken as the proposal was previously approved at the September meeting.

PHASE 3 TRAIL CONSTRUCTION

There was no discussion regarding the Phase 3 trail construction.

RECREATIONAL EASEMENT TO HARRIS COUNTY NO. 364

Ms. Vinson updated the Board regarding the revisions to the recreational easement for District No. 364. The Board discussed revising the easement to be a non-exclusive easement for public use in order to preserve Cole's Crossing Homeowners' Association's ("HOA") ability to maintain the easement area and to allow the possibility of the HOA adding improvements, such as benches, to the easement area. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to execute and record the non-exclusive public easement, as revised.

DETENTION BASIN PARK CONCEPTUAL PLAN

There was no discussion regarding this agenda item.

CONSTRUCTION OF SPLASH PAD

There was no discussion regarding this agenda item.

RECYCLING PROPOSALS

The Board discussed community recycling. Specifically, the Board discussed a proposal from Residential Recycling of Texas, which included a conditional buyback of the recycling bins. Director Bradley stated that the cost to the District will be \$25,000 for a six month trial period. The Board also discussed dates for pickup of recycled materials. Following discussion, Director Bradley moved to authorize ABHR to contact Residential Recycling of Texas to request a contract to include a conditional buyback of the recycling bins and a termination clause.

JOINT MEETING CALENDAR FOR 2009

The Board concurred to continue with joint meetings on the second Thursday of the month quarterly and to authorize ABHR to submit a calendar to counsel for No. 364 reflecting the joint meeting dates for 2009.

SECURITY CONTRACT WITH HARRIS COUNTY SHERIFF'S OFFICE

The Board concurred to defer action on this agenda item.

HURRICANE IKE, STATUS OF DISTRICT FACILITIES AND EMERGENCY PREPAREDNESS

Ms. Edwards discussed securing eligibility for FEMA funds in the Public Assistance Program and submitting application materials to the Governor's Division of Emergency Management. She explained that following the initial application, the District will be required to provide additional information and backup data relating to

reimbursable expenses. She said that application forms for Emergency Declaration EM-3294-TX and DR-1791-TX had been submitted on behalf of the District. Director Myers stated that the expense of debris removal shared with the HOA is not eligible for reimbursement through FEMA.

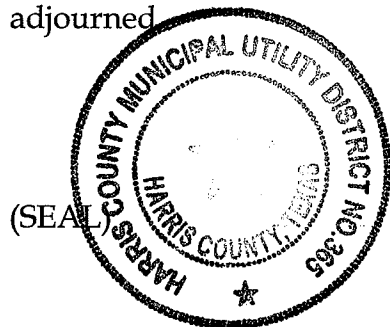
CONVENE EXECUTIVE SESSION PURSUANT TO SECTION 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE OR VALUE OF REAL PROPERTY

The Board concurred it was not necessary to convene in executive session pursuant to Section 551.072, Texas Government Code.

SUCH OTHER MATTERS

Ms. Edwards discussed participation in the Houston Galveston Subsidence District's WaterWise Program for 114 students at Sampson Elementary School at a cost of \$34.50 per student. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to request a contract from the Houston Galveston Subsidence District for participation in the WaterWise program.

There being no further business to come before the Board, the meeting was adjourned



Matthew R. L.
Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

tax assessor/collector's report and delinquent account list	1
Order Levying Taxes	2
bookkeeper's report	2
operations report.....	3
termination list	3
engineer's report	3
Mr. Coleman's report on The Park at Arbordale	6