

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

December 18, 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 18th day of December, 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 Silverman, thus constituting a quorum.

Also present at the meeting were Brian Bare of SWWC Services, Inc. ("SWWC"); Michael Keefe of Bob Leared Interests, Inc.; John Wallace of TBG Partners ("TBG"); Chris Burke of Sander Engineering Corporation ("SEC"); Shirley McLennan of McLennan & Associates; Greg Coleman of Beazer Homes ("Beazer"); Sherri Greenwood of BKD, LLP ("BKD"); 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 November 20, 2008, regular meeting. Upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the minutes of the November 20, 2008, meeting as submitted.

TAX ASSESSMENT AND COLLECTIONS MATTERS, INCLUDING DELINQUENT TAX COLLECTIONS, INSTALLMENT AGREEMENTS, AND PAYMENT OF TAX BILLS

Mr. Keefe distributed the District's monthly tax report reflecting that 99.445% of the 2007 taxes and 2.4% of the 2008 taxes had been collected as of November 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 Lund seconded the motion, which passed unanimously. Copies of the tax assessor/collector's report and the delinquent tax report are attached.

APPROVE DEPOSITORY PLEDGE AGREEMENT WITH BANK OF TEXAS

Ms. Vinson said that ABHR had audited the District's depository pledge agreements and determined that the Depository Pledge Agreement with Bank of Texas was compliant with Public Funds Investment Act and FIRREA requirements, but was more than 5 years old and needed to be updated. Upon a motion by Director Vandewater and a second by Director Bradley, the Board voted unanimously to approve a revised Depository Pledge Agreement with Bank of Texas.

FINANCIAL AND BOOKKEEPING MATTERS, INCLUDING PAYMENT OF THE BILLS AND REVIEW OF INVESTMENTS

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparison, and the bills and checks presented for payment. Ms. McLennan reported that the District had received a mowing reimbursement payment from Harris County Flood Control District and the Board directed Ms. McLennan to prepare payment to Harris County Municipal Utility District No. 364 ("No. 364") of a pro rata share of the reimbursement pursuant to percentages in the joint facilities agreement between the districts. Ms. McLennan reported that costs related to the wastewater treatment plant access road repair are being paid from the District's operating fund and then No. 364 is being invoiced for its pro rata share of the costs pursuant to the joint facilities agreement. After review of the invoices and corresponding checks, and upon a motion made by Director Lund 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.

APPROVE AUDIT FOR FISCAL YEAR ENDED AUGUST 31, 2008

Ms. Greenwood reviewed a draft audit of the District's funds for the fiscal year ending August 31, 2008, a copy of which is attached to these minutes. She also presented a Statement of Accounting Standards No. 114 letter wherein she advised that the consultants of the District fully cooperated with the auditor.

Upon a motion made by Director Bradley, seconded by Director Lund, the Board voted unanimously to approve the audit and management letter subject to final review and comments.

REVIEW ARBITRAGE REBATE STUDY FOR SERIES 1998 BONDS

The Board concurred to defer action on this agenda item pending receipt of the study.

OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER FACILITIES, BILLINGS, REPAIRS AND MAINTENANCE

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 fire hydrant repairs, replacing a wheel on the gate at the water well, repairing lighting at the wastewater treatment plant, and removing debris from the lift station pump. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to approve the operator's report.

The Board also requested that SWWC identify and replace missing blue reflectors in the pavement adjacent to fire hydrants. The directors also discussed pursuing repairs needed to the drinking fountain at the trailhead at Cole's Crossing Drive under the contractor's warranty.

HEARING ON TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS AND AUTHORIZE TERMINATION OF 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 Vandewater 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 Lund 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.

MAINTENANCE OF STORMWATER CHANNEL FACILITIES

Mr. Burke said that SEC is preparing plans and specifications for a bid package as previously discussed with the Board. He also said that he had no update yet regarding removal of the fuel adjustment surcharge from Seaback's invoices.

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 said that construction was complete and that SEC would inspect the facilities next week.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

The Board discussed the status of the widening of Spring Cypress Road by Harris County. Mr. Burke said that SWWC was relocating a fire hydrant that was not included in the drawings and that he would submit the removal cost to Harris County for an adjustment to the reimbursement. Mr. Burke said that he had received correspondence for the new driveway turnout and that the estimate for the turnout is \$7,000. The Board discussed and concurred to move forward with the turnout, requesting that Harris County deduct the turnout cost from the amount to be reimbursed to the District. Mr. Burke said that he would submit the reimbursable costs to Harris County and request a revised contract.

REPAIR OF BASIN LEAKS AT WASTEWATER TREATMENT PLANT

The Board took no action on this agenda item regarding the wastewater treatment plant. Mr. Burke did report that there is a leak in the ground storage tank at water plant number 2 and requested permission to take the tank down and inspect it for leaks. The Board concurred that SEC take down the tank and inspect it for leaks.

JARVIS ROAD IMPROVEMENTS

No action was taken by the Board.

UTILITY COMMITMENT REQUESTS

Mr. Burke presented a request from Harris County Municipal Utility District No. 500 requesting 280,000 gallons per day of wastewater capacity. He reported that the District does not have the capacity requested. The Board concurred to deny the request.

GIS HOSTING

The Board discussed models by Klaunch & Miller available for review. No Board action was taken on this agenda item.

WATER PLANT CAPACITY ANALYSIS

Mr. Burke said that SWWC is performing a 28 day influent sampling at the wastewater treatment plant and will report to the Board in January.

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

Ms. Edwards reported that notices of interest for Hazard Mitigation Grants need to be filed by January 9, 2009. Mr. Burke is completing the District's notice of interest. Ms. Edwards updated the Board regarding Harris County's intention to file an aggregate claim on behalf of all Harris County utility districts. There was no action on this agenda item.

PERENNIAL SEEDING ON DETENTION BASIN SOUTH SLOPE

Director Lund said Seaback Maintenance had ordered the seed and would contact him when the seed was delivered to meet and discuss the application area. The Board also discussed the mowing of the channels and detention areas and concurred to eliminate mowing during December, January, and February.

DEEDS AND EASEMENTS

Ms. Edwards updated the Board regarding 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. Edwards said that ABHR had obtained title work and was awaiting receipt of an environmental survey.

Ms. Vinson discussed with the Board correspondence received from No. 364 regarding a recreational easement conveyed by the District to the public. Following discussion, the Board directed ABHR send a response to No. 364 expressing that the easement granted is adequate for the construction of trail facilities as discussed.

Following discussion, Director Lund moved to approve the engineer's report. Director Vandewater seconded the motion which passed unanimously.

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. Wallace updated the Board on the status of various projects in the District as follows below.

PHASE 2 TRAIL IMPROVEMENTS

Mr. Wallace reported that the work was complete and presented for the Board's approval a Certificate of Final Acceptance. He also reviewed with the Board a final

payment calculation representing that the District owes an additional \$593.25. A copy of the calculation is attached to these minutes. Upon a motion by Director Lund and a second by Director Vandewater, the Board voted unanimously to approve and execute the certificate of final acceptance and authorize a final payment to D.L. Meacham in the amount of \$593.25.

FENCING PROJECT AT THE DETENTION BASIN

Mr. Wallace reported that storm repairs have been made for fence damage, but that he has not yet received a final invoice from contractor. No Board action was taken.

PHASE 3 TRAIL CONSTRUCTION

The Board discussed the reconvening of the joint trail committee.

DETENTION BASIN PARK CONCEPTUAL PLAN

Director Myers reported that he met with Merrie Talley-Pope to discuss the detention basin park conceptual plan and grant application. He said that he requested that Ms. Talley-Pope submit an all-inclusive proposal for the grant application and create a separate matrix outlining those functions to be done prior to and following a grant award. The Board discussed the design portions of the grant application that may be recoverable if the District forgoes the grant application process and undertakes the construction of the park area as a District project. Director Myers said that Ms. Talley-Pope was meeting with representatives of Texas Parks and Wildlife to discuss the park design and would report back to the Board regarding reception of the presentation.

UPDATE ON COORDINATION WITH HARRIS COUNTY PRECINCT 3 FOR LANDSCAPING AND TRAIL PROJECT

No action was taken on this agenda item.

CONSTRUCTION OF SPLASH PAD

Director Bradley reported that she is still considering possible locations for the facility. She reported that she has asked Michael Murr to submit a proposal for preparation of a conceptual plan of the facility.

RECYCLING CONTRACT

Director Bradley confirmed that pickup would begin January 9, 2009. She said that she would send a flyer to SWWC by December 22, 2008, for a separate mailing to District residents. Mr. Bare estimated the cost of a separate mailing at \$1.00 per household.

SECURITY CONTRACT WITH HARRIS COUNTY SHERIFF'S OFFICE

Ms. Edwards reviewed with the Board a security contract for 2009 with Harris County Sheriff's Office for one security patrol officer. She also discussed correspondence from Harris County indicating that the true cost to the County of the patrol services will be audited in 2009 and notifying the District of a possibly significant increase to patrol fees beginning in 2010 accordingly. Following discussion, Director Lund moved to approve the contract. Director Vandewater seconded the motion, which passed unanimously.

JOINT FACILITIES 2009 MEETING CALENDAR

The Board concurred to meet quarterly with No. 364 on the 2nd Wednesday of January, April, July, and October at 7:00 p.m.

JOINT MEETING AGENDA FOR JANUARY

The Board concurred to carry forward the agenda items from the previous joint meeting agenda and add an agenda item to discuss silt fencing in the District stormwater channels.

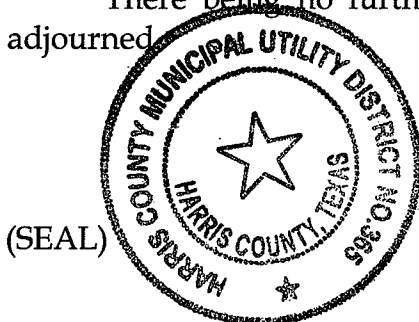
REVIEW TRAVEL REIMBURSEMENT GUIDELINES FOR THE ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE

Ms. Edwards discussed with the Board the District's Travel Reimbursement Guidelines with respect to the upcoming Association of Water Board Directors winter conference in Austin. No Board action was taken on this agenda item.

AUTHORIZE EXECUTION OF SUPPLEMENTAL ENGAGEMENT LETTER WITH ALLEN BOONE HUMPHRIES ROBINSON LLP FOR LEGISLATIVE MONITORING

Ms. Edwards discussed with the Board a supplemental engagement letter with ABHR for monitoring legislation affecting the District. Following discussion, Director Bradley moved to decline the engagement letter. Director Vandewater seconded the motion, which passed unanimously.

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




Secretary, Board of Directors

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