

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## MINUTES OF BOARD OF DIRECTORS MEETING

September 2, 2004

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public, at 6:30 p.m., at Graceview Baptist Church, 25510 Tomball Parkway, Tomball, Texas on Thursday, September 2, 2004, pursuant to notice of said meeting posted in accordance with Chapter 551 of the Texas Government Code; whereupon the roll was called of the members of the Board, to-wit:

Roy P. Lackey	President
Tiffani C. Bishop	Vice President/Investment Officer
Sharon L. Cook	Secretary
Michael J. Ward	Treasurer
Drexel Moerbe	Assistant Secretary

All members of the Board were present. Consultants attending were: Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer, P.E. of Pate Engineers, Inc. ("Engineer"); and Andrew P. Johnson, III, and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

Developers in attendance were: Jeff Moody of KB Home ("KB"); Sam Yager and A.J. Sullivan of Sam Yager Inc./Willow Falls Development, Ltd. ("Willow Falls"); Erik Haaland of RPDC, Inc. ("RPDC"); and David Garrett of Great America Company ("Great America").

The President, after finding that notice of the meeting was posted as required by law and determining that a quorum of the Board was present, called the meeting to order at 6:50 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENT. There were no members of the general public present to address the Board.

2. MINUTES. The Board first considered approval of the minutes of the meeting of August 5, 2004, previously distributed to the Board. Ms. Corprew explained that since the draft of the minutes had been forwarded to the Board, Director Lackey requested a revision to page 3. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved the minutes of August 5, 2004, as corrected.

3. OPERATOR'S REPORT. The President next recognized Mr. Plunkett, who presented the monthly Operations Report, a copy of which is attached hereto as Exhibit "A." Mr. Plunkett first reviewed the monthly Operations Report and then presented the Termination List and the following discussion items:

a. Superior Water Rating. Mr. Plunkett told the Board that he has forwarded a letter to the Texas Commission on Environmental Quality (the "TCEQ") informing

them that the District has met the qualifications for obtaining a superior water rating and is, therefore, requesting that the TCEQ designate it as such. A copy of the letter to the TCEQ is attached to the Operator's Report.

b. Water Conservation Flyer. Director Ward suggested the Board include the water conservation flyer on the District's web site rather than go to the expense of mailing it to each customer, and the Board agreed. Mr. Plunkett agreed to include a note on the customers' bills suggesting they visit the District's web site for additional information.

c. Estimated Fixed Costs for Water and Sanitary Sewer Service. Next, Mr. Plunkett reported that he has determined that the estimated fixed cost to deliver water to District customers is \$0.79 per 1,000 gallons and the estimated fixed costs to provide sanitary sewer service is \$1.62 per 1,000 gallons. A copy of the analysis is attached to the Operator's Report.

d. Water Plant No. 1 Leak. Mr. Plunkett then reported that he had found a pinhole leak in the galvanized tank at the Water Plant which means the tank will have to be emptied so a full inspection of the tank can be done. In the meantime, it has been temporarily repaired.

e. Harris County Emergency Services District No. 11. Mr. Plunkett stated that the local emergency medical service has been converted to a taxing unit and, therefore, he suggests omitting the voluntary contribution item from the customers' bills beginning in December 2004.

f. Willow Falls/Stonepine Detention Basins. Then, Mr. Plunkett reported that the Willow Falls and Stonepine detention basins need to be de-silted at an estimated cost of \$14,595 and \$7,728 respectively. A copy of the estimate from Champions Hydro-Lawn, Inc. is attached hereto as Exhibit "B" (the "Champions proposal").

Upon motion by Director Bishop, seconded by Director Ward, after full discussion and with all Directors present voting aye, the Board approved the Operator's Report and the Champions proposal and authorized the termination of delinquent accounts listed on the Termination List in accordance with the District's Rate Order.

4. ENGINEER'S REPORT. The President next recognized Mr. Boozer, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "C." Attached to the Engineer's Report are copies of the pay estimates, change orders, utility commitments, and the recommendation of award of contracts discussed therein. Mr. Boozer reviewed the Report as follows:

a. Engineer's Action Items. Mr. Boozer explained that the District's Engineer is requesting the following actions be taken by the Board at tonight's meeting: (1) approve Pay Application No. 8 to Nunn Constructors, Ltd. for the Water Plant No. 1 booster pump additions and hydropneumatic tank replacement in the amount of

\$31,252.79; (2) approve and award the contract for Water Plant No. 2 construction to Industrial TX Corporation ("Industrial"); (3) approve Pay Application No. 8 to N&S Construction Co., LLC for the Wastewater Treatment Plant expansion in the amount of \$237,718.67; (4) approve Change Order No. 2 for the Wastewater Treatment Plant expansion in the amount of \$47,828.23; (5) authorize the Engineer to revise the outfall channel rehabilitation plans and to re-bid the project; (6) approve the Water and Wastewater Capacity Commitment for the Willow Falls, Section 3 subdivision; (7) approve Pay Application No. 2 to Lecon, Inc. for the Ashford Place detention facilities to serve Ashford Place subdivision in the amount of \$294,663.60; (8) approve Pay Application No. 2 for the water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 1 to Triple B Services in the amount of \$313,334.82; and (9) approve Pay Application No. 8 and Final for the Northern Point Sanitary Lift Station and Storm Water Pump Station to Liftwater Construction, Inc. ("Liftwater") in the amount of \$70,697.00 (collectively referred to herein as the "Engineer Action Items").

b. Water Plant No. 2 Site. Mr. Boozer directed the Board's attention to the bid tabulation and engineer recommendation attached to the Engineer's Report and explained that bids for the Water Plant No. 2 construction contract were received on August 6, 2004, and that the apparent low bidder was Industrial, in the amount of \$2,226,529. Mr. Boozer also reported that the plans still have not been approved and signed by the City of Houston but expects to get this soon. Ms. Corprew reported that there is an issue regarding the surety on the payment and performance bond that needs to be resolved before the contract is finalized and the project commenced. She, therefore, recommended the Board award the contract to Industrial subject to the surety issue being resolved. The Board agreed.

c. Bond Application No. 8. Mr. Boozer then directed the Board's attention to the Bond Issue Requirement (the "BIR") attached to the Engineer's Report, and explained that the BIR has been forwarded to the District's Financial Advisor for review. Mr. Boozer stated that he is considering the inclusion of development projects in Pinecrest Forest, Section 12; Willow Falls, Sections 1 and 2; Stonepine, Section 1; Stonepine 12-inch off-site water line; Northpointe East, Section 4; Northern Point, Section 1; NewQuest Properties 29-acre commercial tract; Focus 4.11-acre commercial tract; and the related detention facilities and lift stations for a total bond issue of \$8,260,000.

d. Generator Platform at Northern Point Lift Station. Mr. Boozer then requested the Board authorize the Engineer and Bookkeeper to prepare a purchase order for the construction of the generator platform at the Northern Point Lift Station as previously discussed. Director Lackey reported that he had received an estimate of \$7,500 from Deer Park Construction for the project and that the project could be done as soon as Liftwater is no longer working in the area.

e. Northern Point Sanitary Lift Station and Storm Water Pump Station. With regard to the approval of the Pay Application No. 8 and Final for the Northern Point Sanitary Lift Station and Storm Water Pump Station, Mr. Boozer explained that he is

recommending approval of this Pay Application, subject to the final inspection being completed.

f. Water and Wastewater Capacity Commitment for Willow Falls, Section 3 Subdivision (the "Utility Commitment"). Next, Mr. Boozer presented for the Board's approval the Utility Commitment, a copy of which is attached hereto as Exhibit "D" and explained that Willow Falls has requested a commitment for 112 single family equivalent connections for Section 3.

Upon motion by Director Ward, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report, as presented, and the Engineer's Action Items, as discussed, and authorized the Engineer and Bookkeeper to prepare a purchase order for the generator platform project to Deer Park Construction.

5. DEVELOPERS' REPORT. The Developers provided the following information regarding their respective projects:

a. Northern Point Subdivision. Mr. Moody reported that of the 137 lots platted in Section 1, there are 38 home starts and 37 completed. In Section 2 there are 127 lots platted, in Section 3 there are 107 lots platted and in Section 4 there are 113 lots platted. Director Lackey expressed his concern about the amount of mulch and dirt that is washing off into the drainage system from this project. Mr. Moody agreed to check into this.

b. Willow Falls Subdivision. Mr. Sullivan reported that of the 206 lots in Sections 1 and 2, 75 homes are completed and sales are going better than expected. Furthermore, the preliminary plat of Section 3 is done, reported Mr. Sullivan.

c. Stonepine Subdivision. Then, Mr. Haaland reported that Stonepine, Section 1 has only 15 lots remaining. Mr. Haaland also reported that Harris County is going to widen the intersection at Boudreaux Road and Hufsmith Kohrville.

d. Ashford Place Subdivision. Mr. Garrett reported that the storm sewer line and the off-site work is all that is left to do with regard to the construction of facilities to serve the subdivision and that they should be ready to start selling lots around the end of November. With regard to the off-site easement acquisitions, Mr. Garrett reported that he had had the Kauachi storm sewer easement executed and is ready for the Board to approve it tonight. No further progress has been made with the other easements, however, he reported.

6. ATTORNEY'S REPORT. The President next recognized Ms. Corprew, who presented the Attorney's Report, a copy of which is attached hereto as Exhibit "E," and reported as follows:

a. Klare Sanitary Control Easement. Ms. Corprew reported that Mr. Klare has agreed to accept the District's offer to pay the appraised value for the Sanitary Control Easement for Water Well No. 5, so the necessary documents have been

forwarded to him for execution. Ms. Corprew requested the Board authorize the payment to Mr. Klare subject to the receipt of the executed easement.

b. Kauachi Storm Sewer Easement. Next, Ms. Corprew reported that Mr. Garrett obtained the signatures of Mr. and Mrs. Kauachi on the storm sewer easement needed to serve the Ashford Place subdivision and that it is now ready for the Board to accept at tonight's meeting. A copy of such easement is attached hereto as Exhibit "F."

c. Insurance Rider for Security. Ms. Corprew then recalled that the Board decided at the August 19, 2004 meeting to purchase an insurance rider for law enforcement legal liability coverage and a \$1,000 bond for each deputy working in the District, including Andrew Dunn. This item is on the agenda for formal approval at tonight's meeting, explained Ms. Corprew.

d. No Trespass Signage. Ms. Corprew next explained that she and Director Lackey had discussed the District's signage at the detention basins and Director Lackey's concern that it was not adequate. Director Lackey stated that he recently met with the justice of the peace at Harris County Precinct 4 and that he recommended the District's name be added to the signs and that a sign be placed at each access point.

e. District Web Site. The Board then discussed the District's web site. Director Lackey suggested that something be added to the web site stating that motorized vehicles are not allowed on District property. The Board agreed and also agreed that minutes should only be added to the web site after they have been approved by the Board.

Upon motion by Director Ward, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board: (1) approved the Attorney's Report; (2) approved the payment to Marvin Klare for the Sanitary Control Easement, subject to the receipt of the fully executed documents; (3) accepted the Kauachi Storm Sewer Easement; (4) approved the purchase of an insurance rider for law enforcement legal liability coverage and a \$1,000 bond for each deputy working in the District, including Andrew Dunn; and (5) authorized the Operator to revise the no trespass signs as discussed.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned at 8:50 p.m.

PASSED and APPROVED this the \_\_\_\_ day of \_\_\_\_\_, 2004.

/s/ Secretary, Board of Directors

(SEAL)

EXHIBITS

- A - Operator's Report
- B - Proposal from Champions Hydro-Lawn, Inc.
- C - Engineer's Report
- D - Water and Wastewater Capacity Commitment for Willow Falls, Section 3 Subdivision
- E - Attorney's Report
- F - Kauachi Storm Sewer Easement for benefit of Ashford Place subdivision