

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

### MINUTES OF BOARD OF DIRECTORS MEETING

May 18, 2006

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, 22510 Tomball Parkway, Tomball, Texas, on Thursday, May 18, 2006, pursuant to the 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
Allison Dunn	Assistant Secretary
Michael J. Ward	Treasurer

All members of the Board were present with the exception of Director Ward. Consultants in attendance were: Wendee Gamble of Municipal Accounts & Consulting, L.P. ("Bookkeeper"); Ben Pawlak of Bob Leared Interests Inc. ("Tax Assessor/Collector"); Floyd Mechler of AquaSurance, LLC ("AquaSurance"); Dan McDonald and Frank Johnson of Anco-Wessendorff Insurance ("Anco"); and Kaye C. Corprew, attorney, and Marian D Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorneys").

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 and declared it open for such business as may come before it at 7:10 p.m.

1. PUBLIC COMMENT. There were no public comments.
2. CANVASS RETURN OF DIRECTORS ELECTION. The Board then recognized the Attorney, who explained that the biennial Directors Election had been held in the District on Saturday, May 13, 2006, for the purpose of electing two (2) directors to the Board. Ms. Henderson went on to explain that according to the election returns, 58 votes had been cast for Allison Dunn, 45 votes for Roy Lackey, 32 votes for Christian Goedde and 13 votes for Blair Fesler. Ms. Henderson also stated that no provisional ballots had been cast. Ms. Corprew stated that based on such returns, Ms. Dunn and Mr. Lackey had been elected to the Board to serve a four (4) year term of office to expire in May, 2010. Upon motion by Director Cook, seconded by Director Bishop with all Directors present voting aye, the Board declared Mr. Lackey and Ms. Dunn the official winners of the 2006 Directors Election and adopted the Order Canvassing Returns and Declaring Results of Directors Election evidencing same, a copy of which is attached hereto as Exhibit "A".

3. QUALIFICATION OF DIRECTORS. Directors Lackey and Dunn then executed their Statements of Elected Officers, Oaths of Office and Affidavits of Director's Qualifications. Ms. Corprew then explained that the Oaths of Office will be filed with the Secretary of State, as required by law. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and the question being put to the Board, the Board voted unanimously to accept the executed Qualification Affidavits, Statements of Elected Officer, Oaths of Office and Certificate of Election and to authorize Ms. Corprew to file the Oaths of Office with the Secretary of State, as required by law.

4. ELECTION OF OFFICERS. Ms. Corprew next explained that the Directors Election is an opportunity for the Board to reorganize by electing new officers or the Board may choose to maintain the same slate of officers. Discussion ensued and it was the consensus of the Board to table the matter until all Directors are present.

5. REVIEW TIME SHEETS AND APPROVE PAYMENT TO ELECTION OFFICIALS. Ms. Henderson next presented the Statement of Compensation completed by the Election Officials and explained that she had forwarded a copy to the Bookkeeper earlier so that the checks could be disbursed upon the Board's approval. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized disbursement of the checks to the Election Officials as indicated on the Statement of Compensation, a copy of which is attached hereto as Exhibit "B", for their time as election judges and for their mileage to and from election training.

6. CONSTABLE'S REPORT. The Harris County Constable's Report was tabled due to Mr. Dunn's absence.

7. MINUTES OF PREVIOUS MEETINGS. The Board next considered approval of the minutes of the April 6, 2006 and April 20, 2006 meetings. Upon motion by Director Dunn, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the minutes of the April 6, 2006 meeting, as presented, and approved the minutes of the April 20, 2006 meeting, with corrections noted.

8. TAX ASSESSOR/COLLECTOR'S REPORT. The President next recognized Mr. Pawlak, who presented the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "C". Mr. Pawlak first reviewed the written report and presented checks numbered 1479 through 1489, inclusive, from the Tax Account for approval. Mr. Pawlak then reported that the District had received a letter from a taxpayer at 20019 Mamouth Drive requesting waiver of penalty and interest in the amount \$110.00 on his account due to a Harris County Appraisal District ("HCAD") error. The Board queried Mr. Pawlak on whether or not there truly had been an error by HCAD, which is a legal basis for waiving the penalty and interest on delinquent taxes. Upon confirmation of the error by HCAD, Director Bishop moved that the District waive the penalty and interest on the account, Director Cook seconded the motion, and with all Directors present voting aye, the motion carried.

Mr. Pawlak next reported that notices from HCAD had been sent out to all residents and he is expecting the preliminary values as early as next month. Mr. Pawlak also cautioned the Board that he is anticipating a record year for protests. Upon motion by Director Dunn, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented.

9. BOOKKEEPER'S REPORT. Ms. Gamble next presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "D". Ms. Gamble presented checks numbered 4893 through 4965, inclusive, for payment on the Operating Account and checks numbered 1393 and 1394, from the Capital Projects Account for approval. Director Lackey noted that the invoice from Gateman, Inc. included sales tax in error as the District is tax-exempt. Ms. Gamble then voided check numbered 4912 in the amount of \$549.81 to Gateman, Inc., and replaced it with check numbered 4966 in the amount of \$523.00. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Bookkeepers Report with corrections noted.

10. ORDER ADOPTING BUDGET FOR FISCAL YEAR ENDING MAY 31, 2007. Ms. Gamble then directed the Board's attention to the proposed budget for the fiscal year ending May 31, 2007, a copy of which is attached to the Bookkeeper's Report. Ms. Gamble explained that she has made the changes discussed at the April 20, 2006 meeting. Ms. Corprew next presented the Board with an Order Adopting Budget for Fiscal Year Ending May 31, 2007, a copy of which is attached hereto as Exhibit "E". Upon motion by Director Dunn, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board adopted the Order Adopting Budget for Fiscal Year Ending May 31, 2007, as presented.

[Mr. Pawlak left the meeting during the Bookkeeper's Report at 7:58 p.m.]

11. INSURANCE RENEWAL. Ms. Corprew next distributed an insurance proposal comparison chart, a copy of which is attached hereto as Exhibit "F", to the Board outlining the coverages proposed by the three (3) insurance agencies, AquaSurance, Anco-Wessendorff and Harco Insurance Services ("Harco"). Ms. Corprew also stated that at the Board's request she had invited a representative from each of the insurance agencies to attend the meeting tonight to give a 10-minute presentation to the Board. Ms. Henderson reported that she had received a telephone call from the representative for Harco just as she was leaving her office for tonight's meeting and that unfortunately no one from Harco would be attending tonight's meeting. Director Lackey then stated that the Board would hear from Anco first and then AquaSurance. Mr. Mechler then stepped out of the room so that the Board could speak with the Anco representatives.

Mr. McDonald of Anco addressed the Board, reviewed the high points of Anco's proposal for insurance coverage to the District and fielded questions from the Board and Ms. Corprew regarding Anco's proposal. Mr. McDonald and Mr. Johnson then departed the meeting.

Mr. Mechler re-entered the meeting and reviewed AquaSurance's proposal for coverage to the District. Mr. Mechler stated that he believes the coverage proposed by AquaSurance is better suited to the District since it offers earth movement coverage, includes the use of infrared scanning for electrical shorts, has a lower deductible for boiler and machinery coverage and since AquaSurance's proposed coverage does not have a "failure to supply exclusion" which both the Anco and Harco coverages do. Mr. Mechler also pointed out that AquaSurance's endorsement distinguishes between a blockage in a sewer line versus a homeowner's plumbing problem. Mr. Mechler thanked the Board and departed the meeting at 8:37 p.m.

Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board decided to accept the proposal for renewal of the District's insurance coverages for the policy term June 1, 2006 through June 1, 2007 submitted by AquaSurance.

12. NORTHPOINTE EAST LIFT STATION. Director Lackey next reported that the bid opening with respect to the modifications to the Northpointe East Lift Station to accommodate the standby generator will be held at 2:00 p.m. on Tuesday, May 30, 2006. Director Lackey also stated that it would be a good idea to have the District's Engineer to prepare drawings necessary to upgrade the remaining lift station as well so that it too could benefit from the truck mounted standby generator. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized the Engineer to prepare drawings necessary to upgrade the lift station.

13. SANTIKOS INVESTMENTS, INC. Director Dunn stated that Shane Campbell from Santikos has not responded to her latest emails regarding the security concerns of the District with the opening of a multi-screen movie theatre in the District. Discussion then ensued regarding amending the Rate Order to insure that high yield commercial customers pay their fair share of the security patrol service in the District since they would undoubtedly place a strain on the existing security patrol.

14. ASSOCIATION OF WATER BOARD DIRECTORS ("AWBD"). Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the attendance of all five Directors of the Association of Water Board Directors - Texas Summer Conference to be held in Galveston, Texas at the end of June.

15. ATTORNEY'S REPORT.

a. Compromise Settlement Agreement and Mutual Release With Industrial Tx With Respect To Water Plant No. 2 Project. Ms. Corprew reported that the Agreement has been fully executed and that since Industrial TX had failed to achieve the substantial completion status of the project by the agreed upon deadline, the clock has commenced to run on the \$400.00 per day liquidated damages.

b. Director's Expense Reimbursement Policy. Ms. Corprew requested that this item be tabled until the next meeting.

16. OLD BUSINESS. Director Lackey next presented a handout regarding garbage collection that will be uploaded to the District's website to inform residents of the pick-up schedule, as well as the do's and don'ts regarding heavy trash pick-up and holiday service.

17. ELECTION SIGNS. Director Lackey next reported that he had purchased 50 generic election signs that read "Water District Election Today" which they had placed throughout the eight (8) subdivisions in the District for the 2006 Directors Election. He stated that the signs had been taken up after the election and could be reused at future District elections. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board authorized reimbursement to Directors Lackey for the signs.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion, Director Lackey adjourned the meeting at 9:10 p.m.

Passed and approved this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

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Secretary, Board of Directors

EXHIBITS:

- A - Order Canvassing Returns and Declaring Results of Directors Election
- B - Statement of Compensation
- C - Tax Assessor/Collector's Report
- D - Bookkeeper's Report
- E - Order Adopting Budget for Fiscal Year Ending May 31, 2007
- F - Insurance Comparison Summary