

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## MINUTES OF BOARD OF DIRECTORS MEETING

July 20, 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, July 20, 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
Michael J. Ward	Treasurer
Allison V. Dunn	Assistant Secretary

All members of the Board were present with the exception of Director Bishop. Also attending were Wendee Gamble of Municipal Accounts and Consulting ("Bookkeeper"); Rusty Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); and Andrew P. Johnson, III, 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 7:22 p.m.

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

2. MINUTES OF PREVIOUS MEETING. The Board next considered approval of the minutes of the May 18, 2006, June 6, 2006 and June 15, 2006 meetings. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes of the May 18, 2006 and June 6, 2006 meetings as presented. Discussion next ensued regarding the minutes of the June 15, 2006 meeting. The Board first reviewed the blacklined draft of the minutes with corrections noted by Director Lackey and upon motion by Director Ward, seconded by Director Cook, with all Directors present voting aye, the Board approved the minutes of the June 15, 2006 meeting with corrections shown on the blacklined copy.

3. TAX ASSESSOR/COLLECTOR'S REPORT. The President then called on Mr. Leared to present the Tax Assessor/Collector's Report. Mr. Leared first stated that due to scheduling changes that he would be attending the meetings instead of Mr. Pawlak. Mr. Leared then reviewed the Tax Assessor/Collector's Report with the

Board, a copy of which is attached hereto as Exhibit "A". Discussion ensued regarding the check to Harco Insurance Services for the Tax Assessor/Collector's Bond. Director Lackey questioned whether or not the \$10,000.00 bond was sufficient to cover the amount of funds handled by the Tax Assessor/Collector on behalf of the District. Mr. Johnson stated that \$10,000.00 was the minimum required by the statute. Mr. Leared added that Bob Leared Interests also has a \$2,000,000. Upon motion by Director Cook, seconded by Director Ward, after further discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented, authorized payment of checks numbered 1506 through 1512, inclusive, from the Tax Account. Mr. Leared then requested that the hearing for delinquent taxpayers be conducted at the second meeting in August.

4. BOOKKEEPER'S REPORT. Ms. Gamble next presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B". Ms. Gamble presented checks numbered 5037 through 5089, inclusive, for payment for the District's Operating Account; checks numbered 1398 through 1401, inclusive from the Capital Projects Account; and checks numbered 1001 and 1002 from the Debt Service Fund, for approval. Ms. Gamble then reviewed the Investment Report and Funds Balances with the Board, a copy of which is attached hereto as Exhibit "C". Ms. Gamble reported that the District earned \$112,014 in interest for the second quarter of 2006. Discussion ensued regarding the overage in the Debt Service Fund and Director Lackey requested a recommendation from the attorney regarding buying down the District's debt to reduce the overage in the Debt Service Fund but leaving sufficient funds in case of a catastrophe. Upon motion by Director Ward, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented.

5. NEW BUSINESS.

- a. Bond Issue No. 9. The President again recognized Mr. Johnson who stated that the District's Engineer had completed the application for Bond Issue No. 9 and requested that the Board adopt the Order Authorizing Application to Texas Commission On Environmental Quality. Upon motion by Director Dunn, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board adopted the Order as presented, a copy of which is attached hereto as Exhibit "D".
- b. Repairs To District Facilities. Director Lackey next reported that the final inspection of Water Plant No. 2 was conducted on July 19, 2006 and that although Water Plant No. 2 is on-line the plant is receiving too much voltage Reliant is therefore, working to correct the situation. Director Lackey explained that the transformers will be re-tapped to a safer level and that they are currently running 10% over voltage which causes the motors to overheat by 25%, thus shortening the life of the motors.

- c. Hurricane Preparedness. Discussion next ensued regarding making modifications to ensure that the District's facilities can continue to function in the event of a hurricane. Director Lackey stated that the District needs to make modifications to receptacles at lift stations to utilize the new trailer-mounted generator. Discussion ensued regarding purchasing fuel filters to have on hand for the generators. Upon motion by Director Ward, seconded by Director Cook, after further discussion and with all Directors present voting aye, the Board authorized the purchase of fuel filters for the District. And, upon motion by Director Lackey, seconded by Director Ward, with all Directors present voting aye, the Board authorized repairs to the Northpointe East Lift Station and to modify the remaining lift stations to utilize the trailer-mounted generator.

6. OLD BUSINESS.

- a. District Maintenance Building. Director Lackey next updated the Board on the status of bids for construction of the District's Maintenance Building and reported that bidders were told to hold onto the bid package for further information since it has been determined that the Engineer cannot do a design/build project for the District. Director Lackey reported that he had contacted R. D. Weiler, an architect recommended by Mr. Johnson and Ms. Henderson, to look at the plans for the Maintenance Building. Director Lackey stressed that he has not authorized the architect to do anything but review the existing plans. Director Ward asked how the District's Engineer could work on the Maintenance Building for two years without being told that they did not have the authority to do a design build. Director Lackey stated that he and Mr. Stendahl will meet with Mr. Weiler at 11:00 a.m. next Tuesday to discuss the matter. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized engagement of Mr. Weiler to review and seal the existing plans for the District's Maintenance Building in an amount not to exceed \$5,000.00.
- b. District's Website. Discussion next ensued regarding the District's website. Director Cook noted that the garbage schedule still had not been uploaded to the website. Ms. Henderson stated that she will check with the webmaster to determine the cause of the delay.
- c. Participation In Harris-Galveston Subsidence District's Water Wise Program. Director Dunn updated the Board on the status of the Water Wise Education Program in conjunction with the National Night Out in Northpoint East Subdivision.

7. ATTORNEY'S REPORT. The President next recognized Mr. Johnson who presented the Attorney's report. Mr. Johnson requested that the Board table approval

of the amendment to the Rate Order until the Operator and Bookkeeper verify that the amount of the increase requested is sufficient to cover the District's administrative costs relating to the North Harris County Regional Water Authority pumpage fee. Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Attorney's report as presented.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Dunn, seconded by Director Cook, with all Directors present voting aye, the President adjourned the meeting at 9:05 p.m.

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

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Secretary, Board of Directors

**EXHIBITS:**

- A - Tax Assessor/Collector's Report
- B - Bookkeeper's Report
- C - Quarterly Investment Report
- D - Order Authorizing Bond Application