

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

### MINUTES OF BOARD OF DIRECTORS MEETING

August 3, 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 August 3, 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 Dunn	Assistant Secretary

All members of the Board were present. Also attending were Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Eric Johnson, P.E. and Mark Stendahl, P.E. of Pate Engineers, Inc. ("Engineer"); A. J. Sullivan and Tony Padua of Sam Yager, Inc. ("Yager"); Mr. J. Franks; and Kaye C. Corprew, attorney and Marian D. Henderson, paralegal of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

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 6:45 p.m.

1. PUBLIC COMMENT. There was no public comment.
2. APPROVE MINUTES. 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 July 6, 2006 meeting.
3. PAYMENT OF INVOICES. No invoices were presented for payment.
4. 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".
  - a. Report on Monthly Operations. Mr. Plunkett reported that the District had a 93.92% accountability rate with 2,786 accounts. Mr. Plunkett pointed out that the accountability rate was lower because the Operator had flushed the fire hydrants.

b. Status of items to be repaired and/or replaced at District facilities. Mr. Plunkett next reported that Water Well #4 failed and the Operator requested and received permission to put Water Well #5 in service. Mr. Plunkett also reported that the bleach system was being installed at Water Plant #1. Director Cook noted that grass was growing over the curb on Sandy Stream and Waterflower.

c. Termination of service and/or write off of delinquent accounts. The Board next reviewed the Cut-off List, a copy of which is attached to the Operator's Report. Director Bishop questioned the delinquent account for KB Home for Northern Point Homeowners Association at 19731-1/2 Bold River.

Upon motion by Director Dunn, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Operator's Report, authorized termination of service of delinquent customers in accordance with the provisions of the District's Rate Order.

5. ENGINEER'S REPORT. The President then recognized Messrs. Stendahl and Johnson, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "B".

a. Engineer's Action Items. Mr. Stendahl first directed the Board's attention to Pay Application No. 14 and Final with respect to Water Plant No. 2 in the amount of \$93,926.80 which includes a reduction for liquidated damages due by the Contractor for the period of May 12 through June 15 in the amount of \$13,600.00 (34 days @ \$400.00 per day). Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Pay Application No. 14 and Final as reduced for the liquidated damages.

b. Trailer-mounted Engine Generator Set. Mr. Stendahl reported that the contractor had signed the contract and that they had been given the notice to proceed.

c. Architectural design plans for construction of District maintenance building. Director Lackey reported that he and Mr. Stendahl had met with Dick Weiler on Tuesday and his bid to complete the project through construction is \$17,500.00, a copy of which is attached hereto as Exhibit "B-1". Discussion ensued regarding timing of completion of the building and how to store the trailer-mounted generator until such time as the maintenance building is completed. It was the consensus of the Board to store the generator at Water Plant #2. The Board then discussed securing the generator to prevent loss due to theft. Director Ward suggested that the Board invite Mr. Weiler to attend the next meeting to negotiate the price to complete the architectural design and plans for the maintenance building.

d. Motor Control Center and Controls Replacement at Water Plant No.1. Mr. Stendahl reported that they have requested a proposal from Coastal Bend Consultants for the design of the Motor Control Center.

e. Engineering design plans for Wastewater Treatment Plant Expansion, Phase IV, to 1.2 million gallons per day. Mr. Stendahl reported that the design work is continuing and that the 70% review meeting with the Board President and Operator has been scheduled for August 10, 2006. Mr. Stendahl stated that mid-October is still the target date for submittal of the plans to the review agencies.

f. Boudreaux Road Outfall Drainage Control Improvements. Mr. Johnson reported on the status of plans and requested approval of engineering design and construction phase services related to the project.

g. Water Well No. 4. Mr. Stendahl next reported that a motor is out of service at Water Well No. 4. Director Lackey added that the District lost 50% of its capacity to make water with that one well. Mr. Stendahl requested that the District declare an emergency to enable him to get the repairs made as soon as possible. Mr. Stendahl stated that the motor would be sent to Maryland for analysis. Director Ward stated that in the future it might be a good idea to have a standby pump. Mr. Stendahl stated that he would get a price on a 200 horse power rebuilt and new motor. Upon motion by Director Bishop, seconded by Director Cook, with all Directors present voting aye, the Board declared the repair on the well pump motor to be an emergency. Discussion then ensued regarding investigation of a site for a proposed Water Well No. 6.

h. Bond Application No. 9. Mr. Johnson reported that the work is approximately 90% complete on Bond Application No. 9 and that a draft of the report had been distributed to the District's consultants for review and also emailed to the Board members that afternoon.

i. Various roadway projects for acceptance by Harris County, including Northpointe Boulevard (Focus Tract) and Northpointe East, Sections 1, 2 and 3. Mr. Johnson directed the Board's attention to a chart attached to the Engineer's Report showing the status of various streets within the District and where they are in the process of be accepted for maintenance by Harris County.

j. Site Development. Mr. Johnson also reported that he had received an inquiry from a developer with respect to the site north of Tomball Ford relative who expressed an interest in annexation.

Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Engineer's Report as presented, including approval of Pay Application No. 14 and Final with respect to Water Plant No. 2 and authorized the Engineering proposal related to Channel M122 Maintenance.

6. DEVELOPERS REPORT. The President next recognized Mr. Padau who reported that homebuilding is strong for Willow Falls and that the new model home has been completed. Mr. Padau added that Willow Falls was projecting 10 units per month in home starts and sales. Kimball Hill is the builder.

7. ATTORNEY'S REPORT. Ms. Corprew stated that the only item under her report was the amendment to the Rate Order regarding security fees and North Harris County Regional Water Authority pumpage fees. Ms. Corprew stated that she would prefer the Board not act upon the matter at this time to allow her to get with the Bookkeeper and Operator to insure that the District's administrative costs are covered in any proposed increase. Director Dunn added that she had finally spoken with Shane Campbell of Santikos Development and that he stated that he would get back with her within the next couple of weeks regarding the District's security concerns. Upon motion by Director Bishop, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the Attorney's Report as presented.

8. WATERWISE PROGRAM. Director Dunn updated the Board on the status of the District's participation in the Waterwise Program and discussions with the Harris-Galveston Coastal Subsidence District.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Bishop, seconded by Director Cook, with all Directors present voting aye, the President adjourned the meeting at 9:30 p.m.

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

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Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B - Engineer's Report
- B-1- R. D. Weiler's Architectural Proposal