

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

September 21, 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, September 21, 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. Consultants attending were Wendee Gamble of Municipal Accounts and Consulting ("Bookkeeper"); Rusty Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Mark Stendahl of Pate Engineers, Inc. ("Engineer"); R. Craig Rathmann of Rathmann & Associates ("Financial Advisor"); Sgt. Richard Hill of Harris County Constable's Department, Precinct Four (the "Constable Department"); Andrew Dunn, the District's liaison with the Constable Department; 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 7:00 p.m.

1. PUBLIC COMMENT. There was no public comment.
2. CONSTABLE DEPARTMENT'S REPORT. The President first recognized Sgt. Hill who presented and reviewed with the Board the Constable Department's Report regarding security patrol within the District. Mr. Dunn reported that the District is getting very close to exceeding contract time and that is the reason why he has been requesting that the District consider adding a fifth contract deputy to its contract with the County. [Sgt. Hill and Mr. Dunn departed the meeting at 7:25 p.m.]
3. MINUTES OF PREVIOUS MEETING. The Board next tabled approval of the minutes of the August 17, 2006 meeting.

4. ENGINEER'S REPORT. Mr. Stendahl presented a proposal for the replacement of the Motor Control Center and Auto Sensory Control Panel at Water Plant No. 1 from Coastal Bend Consultants, Inc. in the amount of \$18,600 with installation costs of \$3,530 per design, plus Pate Engineering fees and expenses for electrical design, supervision and advertising in the estimated amount of \$24,390, a copy of which proposal is attached hereto as Exhibit "A". Upon motion by Director Ward, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board accepted the proposals and authorized the Engineer to proceed with the upgrades at a total estimated project cost of \$44,990.

5. TAX ASSESSOR/COLLECTOR'S REPORT. The President then called on Mr. Leared to present the Tax Assessor/Collector's Report. Mr. Leared then reviewed the Tax Assessor/Collector's Report with the Board, a copy of which is attached hereto as Exhibit "B". Upon motion by Director Cook, seconded by Director Bishop, 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 1523 through 1525, inclusive, from the Tax Account.

6. TAX RATE RECOMMENDATION. The President next recognized Mr. Rathmann, who presented and reviewed with the Board the tax rate recommendation for 2006, a copy of which is attached hereto as Exhibit "C". Mr. Rathmann recommended a debt service tax rate of \$0.92 plus a maintenance and operations tax rate of \$0.12 for a total tax levy of \$1.04 per \$100 assessed value. Discussion ensued regarding the Debt Service Fund Balance and Mr. Rathmann cautioned the Board that the rating companies like to see a six-month to one-year coverage in the fund balance. Mr. Rathmann added that the District's fund balance coverage is right at one-year. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the 2006 tax rate recommendation and authorized the Tax Assessor/Collector to publish the District's 2006 tax rate recommendation and notice of hearing for the adoption of same at the October 19, 2006 Board meeting.

7. Proposed Annexation of 50-Acre Tract. Mr. Johnson reported that he had received another phone call from a developer interested in the 50-acre annexation tract. Discussion ensued regarding the cost of providing service to the property. The Board expressed concern that the added value to the District may not justify the cost of adding an additional water well to serve the property. Mr. Rathmann explained the mechanics of insuring that the new development takes the risk of development furnishing services to the new area rather than the existing tax base. Mr. Johnson stated that he and Mr. Rathmann could design a package that would protect the District. Discussion ensued further and the Board agreed to look at the annexation.

[Messrs. Rathmann and Leared departed the meeting at 8:25 p.m.]

8. BOOKKEEPER'S REPORT. Ms. Gamble next presented the Book-keeper's Report, a copy of which is attached hereto as Exhibit "D". Ms. Gamble presented checks numbered 5085, 5150, and 5155 through 5224, inclusive, for payment

on the Operating Account and checks numbered 1405 and 1406, inclusive from the Capital Projects Account. Ms. Gamble then reviewed the Investment Report and Funds Balances with the Board, a copy of which is attached to the Bookkeeper's Report. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented and the issuance of checks presented therein.

9. NEW BUSINESS.

- a. Repairs to District Facilities. Director Lackey reported on the status of the repairs to the Water Well No. 4 pump motor. He stated that the estimated cost of the repair is \$130,000 and that an insurance claim had been filed. Director Lackey also reported that the building for the bleach facilities has been completed at Water Plant No. 1.
- b. Annual Review of Consultants' Contracts. Mr. Johnson reminded the Board that the annual review of consultants contracts was an annual agenda item and requirement by the Texas Commission on Environmental Quality and that this was an opportunity for the Board to address any concerns it has with any of its consultants. Mr. Johnson also stated that this review of contracts does not preclude the Board from reviewing a consultant at any time in the future. Discussion ensued and upon motion by Director Cook, seconded by Director Ward, with all Directors present voting aye, the Board expressed confidence in all of its consultants and decided not to review any particular consultant at this time.

[Ms. Gamble departed the meeting at 9:00 p.m.]

10. OLD BUSINESS.

- a. District Maintenance Building. Director Lackey reported that the project should go out for bid at the end of October.
- b. Effect of high voltage electrical service to District facilities. Director Lackey reported that he had received the high voltage recorder, however, he has not installed it yet.
- c. District's Website. Director Cook stated that she will email the webmaster regarding placing a survey regarding recycling services on the District's website.
- d. Participation in Harris-Galveston Subsidence District's WaterWise Program. Director Dunn directed the Board's attention to the invoice for the District's participation in the WaterWise Program. Director Dunn cautioned the District that the cost turned out to be \$32.75 per kit for 197 kits for a total of \$6,451.75. Director Dunn also reported that she had attended the presentation at the elementary school with

the representative from the WaterWise Program and that the children were very excited to receive their kits. The Board noted that the budget would have to be amended to reflect the higher costs for the participation in the WaterWise Program.

11. ATTORNEY'S REPORT. The President next recognized Mr. Johnson who stated that he had nothing more to report at this time. Upon motion by Director Bishop, seconded by Director Ward, with all Directors present voting aye, the Board approved the Attorney's Report.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the President adjourned the meeting at 9:11 p.m.

Passed and approved this _____ day of _____, 2006.

Secretary, Board of Directors

EXHIBITS:

- A - Engineer's Report
- B - Tax Assessor/Collector's Report
- C - Tax Rate Recommendation
- D - Bookkeeper's Report