

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## MINUTES OF BOARD OF DIRECTORS MEETING

February 15, 2007

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, February 15, 2007, 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"); Andrew Dunn, District resident and liaison with the Harris County Constable's Department (the "Constable"); Corporal Hill of the Harris County Constable's Department; R. D. Weiler of R. D. Weiler & Associates ("Architect"); Rusty Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Mark Stendahl of Pate Engineers, Inc. ("Engineer"); and Kaye C. Corprew, attorney, and Marian D Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorneys").

Also attending the meeting were Jean M. Casagrande with Streettalk Insurance; Eve Messina with Frank Elementary School ("Frank Elementary"); Sheila Estis, resident of Willow Falls Subdivision; Roy Hall, resident of Northpointe East Subdivision; Arthur Pfeffer and John Caves, residents of Three Lakes Subdivision.

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 6:48 p.m.

1. EXECUTIVE SESSION. At 6:49 p.m., the President called an Executive Session pursuant to 551.071(a) (1) to seek advice from counsel regarding real estate negotiations with respect to Water Well No. 6 site acquisition. The Board, Engineers and Attorneys adjourned to another room for discussion. At 7:16 p.m., the President declared the Executive Session over and reconvened the meeting in open session where no action was taken.

[Mr. Stendahl departed the meeting at this time.]

2. PUBLIC COMMENT. The President recognized Mr. Arthur Pfeffer who stated that he has been a resident of Three Lakes Subdivision for the past five years and that he has had some problems with his water pressure and with sand in his water. Director Lackey stated that Eagle Water Management, the District's Operator, had installed a filter as a diagnostic aid and nothing has been observed to date indicating that the water has anything in it. Roy indicated the

problem appears to be internal to Mr. Pfeffer's home. The Operator will continue to monitor the water quality on a weekly basis on an undetermined time.

3. FRANK ELEMENTARY SCHOOL PRESENTATION. The President next recognized Ms. Casagrande, Ms. Messina and Ms. Estis. Ms. Messina stated that she will be the principal of Frank Elementary which is currently under construction and will serve students from Stonepine and Willow Falls Subdivisions who are currently attending Khorville Elementary School in the District. Ms. Casagrande noted that Khorville Elementary School is overcrowded and Klein Independent School District ("Klein") is constructing Frank Elementary to serve approximately 350 students from the District along with students from other overcrowded elementary schools around the Gleannloch Farms area. Ms. Casagrande then made a PowerPoint presentation regarding the need and benefit of playgrounds for neighborhood and school use. Ms. Casagrande stated that Klein will not pay for playground equipment and, therefore, the individual schools have to raise the funds to provide playground equipment. She added that Frank Elementary has a group of parents who are currently working to raise funds for the playground. Ms. Corprew asked whether the playground would be open after school hours. Ms. Messina replied that the playground will be available after school hours for students and parents. Director Lackey asked about the cost of the playground and the date the school needs to have the funds available. Ms. Casagrande responded that June 15, 2007 is the drop dead date to get donations in because the school will need to place the order six weeks in advance of school opening. A copy of information regarding the school presented by Ms. Casagrande is attached hereto as Exhibit "A". The Board thanked the group for the presentation and stated that they would have to take the matter under advisement and seek the advice of their attorney as to whether or not they could legally make such a donation.

4. CONSTABLE'S REPORT. The President then recognized Corporal Hill who presented the Constable's Report. Corporal Hill reviewed the crime statistics for the District for the month of January.

[Mr. Dunn and Corporal Hill then departed the meeting.]

5. MINUTES OF PREVIOUS MEETING. The Board next considered approval of the minutes of the January 18, 2007 Board meeting. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes as presented.

[Ms. Casagrande, Ms. Messina and Ms. Estis departed the meeting at 7:48 p.m.]

6. TAX ASSESSOR/COLLECTOR'S REPORT. Mr. Leared next presented and reviewed with the Board, the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "B". Upon motion by Director Cook, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented.

7. RESOLUTION IMPLEMENTING PENALTY ON 2006 DELINQUENT TAXES AND CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES. Ms. Corprew then explained that pursuant to Sections 6.30, 33.07, 33.08 and 33.11 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2006 real

property taxes that remain delinquent as of July 1, 2007 and an additional 20% penalty on 2006 personal property taxes that remain delinquent as of April 1, 2007, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board adopted the Resolution as presented, a copy of which is attached hereto as Exhibit "C".

8. RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2007 TAX YEAR. The Board next considered approval of tax exemptions for the 2007 tax year, including homestead exemptions, exemptions for residents 65 years of age and older and exemptions for disabled residents. Mr. Leared explained that last year, the Board granted an exemption of \$3,000 for residents 65 years of age and older and for disabled residents. The Board decided to continue to grant the same exemptions for the 2007 tax year as the exemptions that were granted for the 2006 tax year. Upon motion by Director Ward, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Resolution Concerning Exemptions from Taxation for 2007 Tax Year, a copy of which is attached hereto as Exhibit "D".

9. RESOLUTION AUTHORIZING PETITION CHALLENGING APPRAISAL RECORDS FOR 2007 TAX YEAR. Next, the Board considered the Resolution Authorizing Petition Challenging Appraisal Records for 2007 Tax Year, a copy of which is attached hereto as Exhibit "E". Mr. Leared explained that such petition allows the District's Tax Assessor/Collector to file a petition with Harris County Appraisal District challenging a ruling, an exemption etcetera on behalf of the District, as needed, without further Board action. Upon motion by Director Bishop, seconded by Director Cook, with all Directors present voting aye, the Board adopted the Resolution as presented.

[The remaining residents and Mr. Leared departed the meeting at 8:08 p.m.]

10. DISTRICT MAINTENANCE BUILDING. Mr. Weiler next presented and reviewed the bids received for construction of the District maintenance building on Tuesday, February 13, 2007, a copy of which is attached hereto as Exhibit "F". Director Bishop asked how the District would be paying for the building. Ms. Corprew explained that the Series 2005 Bonds included approximately \$50,000 for the building and that surplus funds from the same Bonds could be used to pay the remainder of it, provided the Board adopt the appropriate resolution authorizing such action at a future meeting. Upon motion by Director Ward to accept the proposal of Four Seasons Development Co., Inc. as the low bidder in the amount of \$222,000.00, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board accepted the bid subject to the contractor supplying the District with the requisite insurance certificates.

11. BOOKKEEPER'S REPORT. Director Lackey then recognized Ms. Gamble who presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "G". Ms. Gamble reported that the Bookkeeper has been experiencing problems with federal investments purchased through JP Morgan Securities, Inc. and suggested that the Board consider other brokers for federal investments. Upon motion by Director Ward, seconded by Director

Cook, after discussion and with all Directors present voting aye, the Board adopted the Bookkeeper's Report, as presented.

12. NEW BUSINESS. Discussion next ensued regarding Frank Elementary's request for a donation for playground equipment. Ms. Corprew explained that the District may be allowed to donate money to Frank Elementary, provided: (1) it can conclude that the playground is a public purpose which provides a direct benefit for a significant part of the District and is directly connected with the District and (2) the District can insure that Frank Elementary carries out the public purpose. The consensus of the Board was that the District could not justify the expense because the school is not located within the boundaries of the District and that it was highly unlikely that the playground would be utilized by residents of the District after hours and on weekends. Director Bishop further stated that even though the school would be benefiting students from two subdivisions, there would be no benefit to a substantial portion of the District to justify the expenditure.

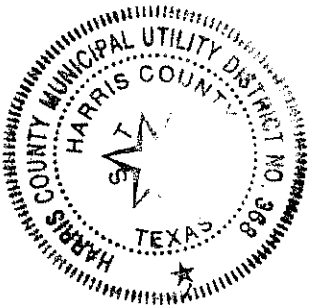
[Ms. Gamble left the meeting at 9:01 p.m.]

13. ATTORNEY'S REPORT. Ms. Corprew presented the Board with a new agreement for general counsel and bond counsel services with the District. Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Director present voting aye, the Board approved the new general counsel and bond counsel fee agreement, a copy of which is attached hereto as Exhibit "H".

14. WATER WELL NO. 1. Director Lackey reported that the O'Quinn law firm has recently settled a lawsuit against Exxon for the residents of Three Lakes Subdivision and stated that the District might have a claim against Exxon for the benzene contamination of Water Well No. 1, provided the statute of limitation has not run. Director Lackey went on to explain that he has asked the Attorneys to look into this matter.

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 9:11 p.m.

Passed and approved this 15<sup>th</sup> day of March, 2007.



  
Secretary, Board of Directors

**EXHIBITS:**

- A - Frank Elementary School Presentation**
- B - Tax Assessor/Collector's Report**
- C - Resolution Authorizing Additional 20% Penalty**
- D - Order Setting Ad Valorem Tax Exemptions**
- E - Resolution Authorizing Tax Assessor/Collector to Challenge Appraisal District Records**
- F - District Maintenance Building Bid**
- G - Bookkeeper's Report**
- H - Attorney's Engagement Letter**