

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## MINUTES OF BOARD OF DIRECTORS MEETING

March 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, March 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"); Rusty Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Mark Stendahl, P.E. ("Consulting Engineer"); and Andrew P. Johnson, III, Ann M. Levy and Kaye C. Corprew, attorneys, and Marian D Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorneys").

Also attending the meeting were Tony Padau of Sam Yager Interests and Alan Green, a resident of Pinecrest Forest 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 6:50 p.m.

1. PUBLIC COMMENT. The President first recognized Mr. Green who addressed the Board regarding storm water drainage and the availability of on-line bill payments. [Director Ward arrived during the discussion.]

2. DEBT SERVICE AND CAPITAL PROJECT FUNDS ANALYSIS. The President next recognized Ms. Levy and Mr. Johnson who presented an Executive Summary of Memorandum Concerning Debt Service Funds and Capital Projects Funds, a copy of which is attached hereto as Exhibit "A", and explained the steps involved in performing the analysis contained therein. Discussion ensued regarding various fund balances and the most efficient way to reduce the fund balances. Ms. Levy suggested that the District reduce the current bond application by utilizing surplus funds. [Mr. Johnson and Ms. Levy departed the meeting at 7:32 p.m.]

3. CONSTABLE'S REPORT. The President then recognized Mr. Dunn who presented the Constable's Report for the District for the month of February. Mr. Dunn reported that the District experienced a spike in crime during the month of February. Director Lackey stated that he had a meeting with Captain Cannon at Precinct 4 and was told that the District's Interlocal Agreement for Law Enforcement Services is the best contract that the Constable has in place in the terms of the way the contract is managed. Ms. Corprew then recalled that the Board had previously discussed the possibility of offering a reward for information leading to the arrest of persons suspected of perpetrating a crime in the District, then inquired as to whether or not the District might be able to utilize the Crime Stoppers program. Mr. Dunn stated that he would speak with Captain Cannon to see whether monies donated to the program by the District could be designated for use in the District.

[Mr. Dunn departed the meeting.]

4. MINUTES OF PREVIOUS MEETING. The Board next considered approval of the minutes of the February 15, 2007 Board meeting. Upon motion by Director Dunn, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes as presented.

5. 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". Mr. Leared reported that the certified taxable value for 2006 is \$355,460,484. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report, as presented, and authorized the issuance of checks presented for payment.

6. BOOKKEEPER'S REPORT. Ms. Gamble then presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "C". Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report, as presented, and authorized the issuance of checks presented for payment.

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

7. NEW BUSINESS.

- a. Proposals for Contract to Lower Pump Bowl Assembly at Water Well No. 5. Mr. Stendahl reported that he solicited four (4) proposals and received only one (1) from Bussell & Sons, LLC to lower the pump bowl assembly at Water Well No. 5 in the amount of \$19,500.00. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board accepted the proposal of \$19,500.00 from Bussell & Sons, LLC, a copy of which is attached hereto as Exhibit "D".
- b. Surplus Construction Funds Assessment. Mr. Stendahl next presented the Board with a Surplus Construction Funds Assessment he prepared following the meeting among Ms. Levy, Mr. Johnson, Ms. Corprew, Ms. Henderson, Directors Lackey and Bishop, Ms. Gamble and Mr. E. Johnson at the

Attorney's office last week, a copy of which assessment is attached hereto as Exhibit "E". Mr. Stendahl explained that he has identified approximately \$600,000 in maintenance projects that could be funded from surplus funds from prior bond issues in order to reimburse the District's Operating Account, if needed.

- c. Renewal of District's Insurance Coverage for Policy Term June 1, 2007 Through June 1, 2008. Ms. Corprew reminded the Board that their current insurance is slated to expire on June 1 and asked whether or not the Board wished to solicit proposals from various agencies for the renewal or simply request a proposal from the District's current agency. Discussion ensued and it was the consensus of the Board to solicit proposals from various agencies.

8. OLD BUSINESS.

- a. Proposed Water Well No. 6 and/or Purchase of Surface Water from North Harris County Regional Water Authority. Ms. Corprew stated that this matter should be discussed in Executive Session.
- b. Executive Session. At 8:52 p.m., the President called an Executive Session pursuant to 551.072 to seek advice from counsel regarding real estate negotiations with respect to Water Well No. 6 site acquisition. All attendees were dismissed, with the exception of the Board, Consulting Engineer, Bookkeeper and Attorneys. At 9:08 p.m., the President declared the Executive Session over and reconvened the meeting in open session. No action was taken.
- c. Repairs to District Facilities. Next, Director Lackey reported that the air conditioning unit has been delivered to Water Plant No. 2; however, it has not been installed.

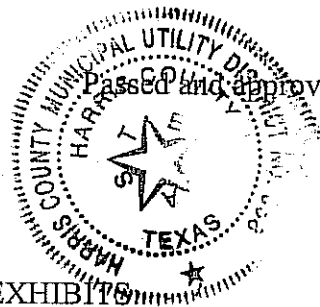
9. ATTORNEY'S REPORT. Ms. Corprew next presented the Attorney's Report, as follows:

- a. Debt Service Fund and Capital Projects Fund, Including Engagement of Firm to Perform Rebate Calculations. Ms. Corprew first reiterated Ms. Levy's comments with respect to the Debt Service Fund and Capital Projects Fund balances. Discussion then ensued regarding engagement of a firm to perform the rebate calculation. It was the consensus of the Board to allow Ms. Levy to contact several firms and make a recommendation to the Board.
- b. Resolution Authorizing Use of Surplus Funds Without Application to Texas Commission On Environmental Quality (the "TCEQ"). The Board discussed using a portion of the surplus funds as discussed in paragraph 7.b above. Upon motion by Director Cook, seconded by Director Lackey, 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 "F".

- c. Resolution Authorizing Application to TCEQ for Release of Funds from Escrow. Ms. Corprew recommended the Board adopt a Resolution to obtain the release of the funds placed in escrow by the TCEQ from the Series 2005 Bonds for the District's maintenance building. Upon motion by Director Lackey, seconded by Director Ward, 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 "G".
- d. Resolution Amending Resolution Authorizing Application to TCEQ for Approval of District's Ninth Bond Issue. Ms. Corprew explained that since the amount of the proposed bond issue has changed and the Board has decided to use surplus funds to pay for a portion of the projects included in the application, the Resolution should be amended. Upon motion by Director Ward, seconded by Director Lackey, 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 "H".
- e. Potential Litigation Regarding Damages to Water Well No. 1. Ms. Corprew stated that she did not have anything new to report on the matter.
- f. Strategic Partnership Agreement. Ms. Corprew next presented a list of businesses believed to be located within the boundaries of the District received from the City of Houston for review. Discussion ensued regarding verification of the list and Directors Cook and Bishop stated that they will undertake to verify the businesses on the list and report back to Ms. Corprew by the deadline stated therein.

Upon motion by Director Ward, seconded by Director Cook, 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 Ward, with all Directors present voting aye, the President adjourned the meeting at 9:24 p.m.



Passed and approved this 19<sup>th</sup> day of April, 2007.

  
Secretary, Board of Directors

EXHIBITS

- A - Debt Service and Capital Project Funds Analysis
- B - Tax Assessor/Collector's Report
- C - Bookkeeper's Report
- D - Bussell & Sons, LLC Proposal to lower pump bowl assembly
- E - Surplus Construction Funds Assessment
- F - Resolution Authorizing Use of Surplus Funds
- G - Resolution Authorizing Application to TCEQ for Release of Funds from Escrow
- H - Resolution Amending Resolution Authorizing Application to TCEQ for Approval of Ninth Bond Issue