

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## MINUTES OF BOARD OF DIRECTORS MEETING

May 17, 2007

The Board of Directors (the "Board") of the Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public, at 6:30 p.m. on Thursday, May 17, 2007 at the District's regular meeting place, Graceview Baptist Church, 25510 Tomball Parkway, Tomball, Texas, 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 in attendance were: Mark T. Stendahl, P.E., consulting engineer; Wendee Gamble of Municipal Accounts & Consulting ("Bookkeeper"); Andrew Dunn, District resident and liaison with Harris County Constable's Office (the "Constable"); Noel Barfoot with McCall Gibson & Company ("Auditor"); Andrew P. Johnson, III and Kaye C. Corprew, attorneys, 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 at 6:57 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. There was no public comment.
2. ENGAGE AUDITOR. The President first recognized Mr. Barfoot who presented and reviewed with the Board the proposal to conduct the District's audit for the fiscal year ending May 31, 2007, a copy of which is attached hereto as Exhibit "A". Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board accepted the proposal of McCall Gibson & Company to perform the audit.
3. CONSTABLE'S REPORT. Mr. Dunn next presented the Constable's Report with the Board. Mr. Dunn then stated that the schedule has been readjusted for the evening shift to curtail an increase in activity during those hours and that bicycle units will also start patrolling in certain areas of the District. Mr. Dunn also reported that he spoke briefly with Crime Stoppers and that they are very anxious to come out and explain the program to the District. Mr. Dunn went on to explain that if the District decides to place money with Crime Stoppers for a reward, the money could be designated for a particular felony offense occurring in the District and if the case were to go unsolved, the District could request that the money be utilized for a different felony in the District or that the funds be returned to the District.

On a different note, Mr. Dunn stated that he thinks it is time for the District to make a decision on whether or not they want to promote Cpl. Richard Hill to sergeant to keep him on the District's contract and explained the timing involved to the Board. Director Lackey asked what type of time frame the District has in promoting Cpl. Richard Hill. Discussion ensued and it was the consensus of the Board to promote Cpl. Hill to sergeant effective July 1, 2007. Upon motion by Director Ward, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board authorized the Attorney to forward a request to the Constable's Office that Cpt. Hill be promoted to sergeant, effective July 1, 2007 and that the District's Interlocal Agreement for Law Enforcement Services be amended accordingly.

Director Dunn then noted that the movie theatre has applied for a mixed drink permit and after hours permit. Discussion then ensued regarding the security issues with the theatre and now added danger of drunk drivers through the neighborhoods of the District. Director Ward stated that what they are all afraid of is that once the theatre is open, patrol officers will be pulled from the subdivisions for problems at the theatre. Mr. Johnson stated that if there is a nexus between higher crimes and certain types of businesses then you can charge them more money because those types of businesses are costing you more money. Discussion continued on methods of estimating the water usage and security requirements of the theatre. The Board agreed to attempt to get additional information regarding the owner's plans for security at the movie theatre. [Mr. Barfoot departed the meeting at 8:08 p.m.]

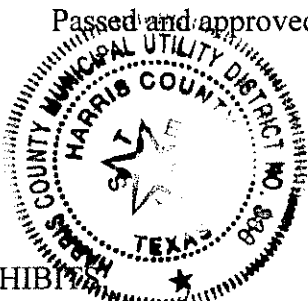
4. APPROVAL OF MINUTES. Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes of the April 19, 2007 Board meeting with corrections noted.
5. TAX ASSESSOR/COLLECTOR'S REPORT. The President next recognized Mr. Leared who presented the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "B". Mr. Leared reported that the District's 2006 collection rate was 93.4% as of April 30, 2007. Upon motion by Director Bishop, 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 payment checks numbered 1586 through 1597, inclusive, from the Tax Account.
6. NEW BUSINESS.
  - a. Wastewater Treatment Plant – Phase IV Expansion. Mr. Stendahl next presented the Board with bids received for construction of the expansion of the Wastewater Treatment Plant, a copy of which is attached hereto as Exhibit "C". Mr. Stendahl explained that there had been only three bidders and N&S Construction was the low bidder at \$3,139,875. Mr. Stendahl also pointed out that the bids were all in excess of the Engineer's estimate of \$2.7 million included in Bond Application No. 9. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board accepted the bid submitted by N&S Construction Co., L.P.

- b. Renewal of Electrical Service Contract. Ms. Corprew next directed the Board's attention to the report submitted by Dick Lewis at American Enerpower, a copy of which is attached hereto as Exhibit "D". Discussion ensued regarding the term of the contract and whether or not the District would be better served to go with a short-term or a longer period. Ms. Gamble stated that the Board might consider going with a shorter term and shopping the different pools that are available next May. The Board decided to table the decision on the matter until Mr. Lewis can attend a meeting and explain the options to the District.
  - c. Resolution Authorizing Reimbursement of General Fund from Future Tax Exempt Bonds for Costs Relating to 12-inch Water Line Project Along SH 249. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Resolution as presented, a copy of which is attached hereto as Exhibit "E".
  - d. Resolution Authorizing Reimbursement of General Fund from Future Tax Exempt Bonds for Costs Relating to Water Well No. 6, including Transmission Line and Land. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Resolution as presented, a copy of which is attached hereto as Exhibit "F".
  - e. Authorize Attendance at Association of Water Board Directors Summer Conference. Upon motion by Director Bishop, seconded by Director Cook, with all Directors present voting aye, the Board authorized the attendance at the Summer Conference for all Directors wishing to attend.
7. BOOKKEEPER'S REPORT. The President next recognized Ms. Gamble, who presented and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "G". Ms. Gamble then reviewed the proposed budget, a copy of which is attached as Exhibit "H", and explained the adjustments made since the last meeting. Discussion then ensued regarding the District's reserve fund and whether or not such amount is adequate. Director Bishop then questioned the check to Pate Engineers, Inc. regarding billing for 59 hours of work that was not assigned to a project and billed to miscellaneous. 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 payment of checks numbered 5684 through 5749, inclusive, and voided check numbered 5750 payable to Pate Engineers pending receipt of an explanation of the charges, from the Bookkeeper's Report, approved the Investment Report, and adopted the Budget for the fiscal year ending May 31, 2008. [Ms. Gamble departed the meeting at this time, 9:17 p.m.]
  8. EXECUTIVE SESSION. At 9:21 p.m., the President called an Executive Session pursuant to Section 551.072 of the Texas Government Code 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 and Attorneys.

9. RECONVENE IN OPEN SESSION. At 9:57 p.m., the President declared the Execution Session ended and reconvened the meeting in Open Session. Upon motion by Director Cook, seconded by Director Ward, with all Directors present voting aye, the Board authorized the Attorneys, Consulting Engineer and Directors Lackey and Bishop to negotiate the purchase of a site for Water Well Site No. 6.
  
10. PROPOSED OUT-OF-DISTRICT SERVICE. Director Lackey next reported that he had been contacted by Abrey Rubinsky, attorney for Northwest Harris County Municipal Utility District No. 15, requesting water service from the District to serve 850 connections. Discussion ensued whether or not the District should continue its existing policy of not providing out-of-District service. Mr. Johnson explained the possibilities regarding tax revenue if the District opted to annex the property rather than serving out-of-District properties. Mr. Johnson also stated that Steve Alvis with NewQuest Properties had contacted him and indicated that he wants to create a public improvement district. Director Bishop stated that she would like to know for certain what the development plans are for their property before committing to serve the property. Mr. Johnson agreed to forward a letter to Mr. Alvis informing him that the District is willing to perform a feasibility study for serving the NewQuest tract subject to them agreeing to annexation of the tract and upon receipt of a deposit for paying the District's expenses.

There being no further business to come before the Board, upon motion by Director Ward, the President adjourned the meeting at 10:20 p.m.

Passed and approved this 7<sup>th</sup> day of June, 2007.



*Sharon L. Cook*  
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 Secretary, Board of Directors

EXHIBIT

- A -- Audit Proposal
- B -- Tax Assessor/Collector Report
- C -- Bids for construction of Wastewater Treatment Plant
- D -- Electrical service cost comparison
- E -- Resolution Authorizing Reimbursement of General Fund from Future Tax Exempt Bonds Relating to 12-inch Water Line Project Along SH 249
- F -- Resolution Authorizing Reimbursement of General Fund from Future Tax Exempt Bonds for Costs Relating to Water Well No. 6, including Transmission Line and Land
- G -- Bookkeeper's Report
- H -- Budget for FYE 5/31/08