

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

May 3, 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, May 3, 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 Dunn	Assistant Secretary

All members of the Board were present. Also attending were Mr. Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Mr. Mark T. Stendahl, P.E. ("Consulting Engineer"); Ms. Christina Cook, District resident; and Ms. Kaye C. Corprew, attorney, and Ms. Melisa Montague, 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 6:51 p.m.

1. PUBLIC COMMENT. As no persons were present to provide public comment, the President directed the Board to proceed with the agenda.
2. APPROVE MINUTES. The Board first considered approval of the minutes of the April 5, 2007 meeting. The Board determined to table the matter until the May 17, 2007 meeting.
3. 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 104% accountability rate with 2,957 accounts. Mr. Plunkett explained that the reason that the accountability rate had been so high is due to rainfall differences when reading meters.
 - b. Notice of Violation. Mr. Plunkett next reported that the District received a Notice of Violation, a copy of which is attached as Exhibit "B." Mr. Plunkett explained that there is not a violation, but a data entry backlog at the Texas Commission on Environmental Quality (the "TCEQ"). Mr. Plunkett stated that the recently extracted samples did not show any violations and the data will be forwarded to the TCEQ.

- c. District Wells. Mr. Plunkett then reported that Well No. 2 is submerged 46 feet and the Well Nos. 3 and 4 are submerged 54 feet. Mr. Stendahl stated that the wells are going to be sitting a little higher now due to all of the rainfall and that when the weather is drier, the wells will sink lower. Director Lackey asked if the wells are being measured every six (6) months to which Mr. Plunkett replied in the affirmative.
- d. Sanitary Sewer Backups. Mr. Plunkett then reported that there had been a sanitary sewer backup causing a manhole to overflow on Sunday, April 8, 2007 and another backup on Tuesday, April 10, 2007. Mr. Plunkett reported that both had been taken care of and reported to the insurance company, but that it is not necessary to file a claim since the damage had been less than the deductible. Mr. Plunkett then reported that Graceview Baptist Church had a backup in a line that runs through the woods. Mr. Plunkett stated that tests were conducted on the line and that stoppages had been found. Mr. Plunkett explained that due to intrusion of roots, that there are many issues with the line and that the line would need a lot of work. Mr. Plunkett suggested that the line be abandoned and a new line be installed near the future Boudreaux Road.
- e. Water Smart Application. Mr. Plunkett then stated that the District's application for the Association of Water Board Directors-Texas Water Smart Program had been submitted by the April 2, 2007 deadline.
- f. Garbage Pickup at the Wastewater Treatment Plant. Next, Mr. Plunkett reported that he had tried to change the District's contract for trash removal at the WWTP to Waste Corporation of Texas, L.P., but that such company does not pick up single dumpsters and, therefore, the contract will remain with Republic Waste.
- g. Theft of Water. Mr. Plunkett then reported on the theft of water from two (2) vacant houses located at 19511 and 19515 Sandy Stream. Mr. Plunkett stated the meters have been pulled and that the Constable is involved in the case.
- h. Sponsorship of Champions Ward Boy Scout Troop. Mr. Plunkett next reported that the Champions Ward Boy Scout Troop has requested that they be allowed to paint the fire hydrants in the District in order to raise money to construct a Frisbee® golf area at a local school. Director Lackey suggested that the District have the boy scout troop paint 35 fire hydrants in the District at \$15.00 per fire hydrant.
- i. Water Pressure. Next, Director Bishop reported that she had recently noticed that the water pressure had surged at her home. Mr. Plunkett explained that there had been an air leak at Water Plant No. 1, which had caused a surge in pressure.
- j. Termination of Service and/or Write-Off of Delinquent Accounts. Finally, the Operator directed the Board's attention to the Cut-off List, a copy of which is attached to the Operator's Report.

Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Operator's Report, authorized

termination of service of the District's delinquent customers in accordance with the provisions of the District's Rate Order, and authorized the Champions Ward Boy Scout Troop to paint 35 hydrants in the District \$15.00 per fire hydrant.

4. ENGINEER'S REPORT. The President then recognized Mr. Stendahl, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "C."

- a. Water Quality Monitoring for Well Nos. 2, 3, 4, and 5. Mr. Stendahl first reported that no harmful chemicals had been detected in water samples taken on April 13, 2007 at Well Nos. 2, 3, 4, and 5.
- b. Capital Improvement Report. Mr. Stendahl then presented a Capital Improvement Report, a copy of which is attached to the Engineer's Report. Mr. Stendahl stated that this will be continuously updated in red so that the Board can easily see the updates.
- c. GASB 34. Mr. Stendahl reported that while compiling the sewer data for the standby power assessment, he became aware that the information used in the District's audit for the GASB 34 compliance is incomplete. Mr. Stendahl then presented a spreadsheet regarding same, a copy of which is attached to the Engineer's Report. Mr. Stendahl stated that he is working with Mr. Michael M. McCall of McCall, Gibson & Company, PLLC, the District's auditor, to get a more comprehensive inventory completed by May 31, 2007.
- d. District Maintenance Building. Mr. Stendahl next reported that a pre-construction meeting regarding the construction had been held on March 29, 2007 at the office of the architect, R.D. Weiler, and that the contractor has begun moving equipment onsite. Mr. Stendahl stated that signed drawings from Harris County for building permit purposes are expected the week of May 7, 2007 with no significant comments or revisions.
- e. Water Well No. 5 Maintenance. Mr. Stendahl next reported that the contractor to lower the pump bowl, Bussell & Sons, had advised him that the repairs should be completed by May 11, 2007.
- f. Motor Control Center (Water Plant No. 1). Mr. Stendahl then reported that the meeting to establish the control requirements for Water Well No. 6 had been held and that the design for the motor control center, which will be at Water Plant No. 1, is complete. Mr. Stendahl stated that this project will be bid mid-summer for construction to begin in the fall and be completed prior to the high water demand period of 2008.
- g. WWTP – Phase 4 Expansion. Mr. Stendahl next reported that advertisement for bids for the WWTP – Phase 4 expansion project is complete, including the pre-bid conference. Mr. Stendahl stated that the bid opening is scheduled for May 16, 2007 for a tentative award of contract to be made at the May 17, 2007 meeting.
- h. Channel M-122 Maintenance. Mr. Stendahl stated that a pre-construction meeting for the maintenance of Drainage Channel M-122 had been held on April 26, 2007.

Mr. Stendhal reported that the contractor, Cross Contracting Services, Ltd., has begun moving equipment onto the site. Mr. Stendahl further stated that he is continuing to work on the drainage study and is currently entering data into and verifying the information setup in the computer model.

- i. Bond Application Report. Mr. Stendahl reported that he met with Ms. Corprew on April 12, 2007 to review the bond application. Ms. Corprew and the District's financial advisor, Mr. Craig Rathmann, have provided additional information and Mr. Stendahl anticipates receiving Ms. Corprew's full review within the week and that upon receipt of the full review, he will see that the documents are finalized and submitted to the TCEQ.
- j. 2008 TPDES Wastewater Discharge Permit Renewal. Mr. Stendahl stated that the wastewater discharge permit is set to expire on March 1, 2008. Accordingly, Mr. Stendahl requested authorization to prepare and submit the renewal package to the TCEQ. Mr. Stendahl stated that the renewal is estimated to cost \$9,200.00 for hourly service and the additional permit fees, advertising fees, copies, deliveries, etc., bring the total estimate to \$10,600.00.
- k. 12" Water Line Adjacent to State Highway 249. Mr. Stendahl stated that design of the 12" water line project along SH 249 is approximately 10% complete. Mr. Stendahl anticipates submittal of the preliminary plans to the City of Houston and Harris County for review by the end of June.
- l. Street Acceptance. Mr. Stendahl presented an updated summary sheet detailing the status of streets that are currently in the process of being inspected and accepted by Harris County, a copy of which is attached to the Engineer's Report.

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 and authorized the Engineer to prepare and submit the wastewater discharge permit renewal application to the TCEQ.

5. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who presented and reviewed with the Board the Attorney's Report.

- a. Insurance Renewal. Ms. Corprew recalled that three insurance proposals from the Essential Group ("Essential"), Anco-McDonald Waterworks Insurance Services LLC ("Anco") and AquaSurance, LLC ("AquaSurance") had been distributed to the Board at the April 19, 2007 meeting. Ms. Corprew then reported on the insurance renewal and explained that the District's portable generator had been added to the proposals for Essential and Anco. Ms. Corprew stated that although the generator had been added last year to the District policy with AquaSurance, the amount to be insured had been incorrect and will need to be changed no matter which insurance agent with which the District decides to contract. Discussion ensued regarding the underwriting companies that Essential uses and their business ratings and Ms. Corprew distributed a spreadsheet, a copy of which is attached, regarding this matter. Upon motion by Director Ward, seconded by Director Cook, after full discussion and the question being put to the Board, the

Board voted unanimously to accept the proposal for insurance renewal from Essential, a copy of which is attached as Exhibit "D."

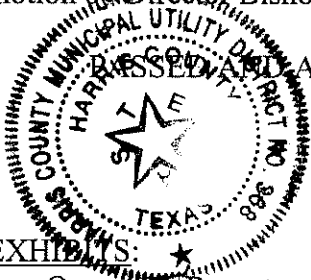
- b. Authorization Letter. Ms. Corprew then presented an Authorization Letter to give American Enerpower, the District's electricity broker, the authority to check pricing on the District's behalf. Upon motion by Director Ward, seconded by Director Cook, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the President to execute the Authorization Letter.

6. EXECUTIVE SESSION. At 8:28 p.m., the President called an Executive Session pursuant to Subsection 551.072 of the Texas Government Code, of the Open Meetings Act, to discuss matters within attorney-client privilege, including real estate matters. Mr. Plunkett and Ms. Cook were dismissed, and the attendees for the executive session were the Board, the Consulting Engineers and the Attorneys.

7. RECONVENE IN OPEN SESSION. At 9:03 p.m., the President declared the Executive Session over and reconvened the meeting in open session. Upon motion by Director Ward, seconded by Director Cook, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the Attorney and Engineers to pursue property for the site for Water Well No. 6.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Bishop, the President adjourned the meeting at 10:04 p.m.

PASSED AND APPROVED this 7th day of June, 2007.



Shaun L. Cook
Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B - Notice of Violation
- C - Engineer's Report
- D - Essential insurance renewal proposal