

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## MINUTES OF BOARD OF DIRECTORS MEETING

June 7, 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, June 7, 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 Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Mark T. Stendahl, P.E., consulting engineer ("Engineer") and representative of Pate Engineers, Inc. ("Pate"); Andrew Dunn, District's liaison to Harris County Constable's Department; Cary Dunham, developer with Dungrove, LLC ("Dungrove"); Gina Barnes, developer with KB Home Lone Star ("KB"); John Emerald, Mike and Jayne Watzlavick, Stacey Lindahl, Ronda Mullis and Shelley Albrecht, residents of subdivision near proposed water well #6 site; and Kaye C. Corprew, attorney, and Marian D. Henderson, 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 6:41 p.m.

1. PUBLIC COMMENT. The President recognized the residents of the Hollow Glen, Section 2 subdivision in which a tract that the District had considered purchasing as the Water Well No. 6 site is located. Mr. Emerald addressed the Board on behalf of the residents and requested that the Board look elsewhere for a water well site. Director Lackey assured the residents that although the District had considered acquiring a tract in the Hollow Glen subdivision, after performing their due diligence, the District has decided not to pursue the purchase of such tract at this time. [The residents departed the meeting at 6:46 p.m.]

2. APPROVE MINUTES. The Board then considered approval of the minutes of the April 5, May 3, and May 17, 2007 Board meetings previously distributed to the Board. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes of the May 3, 2007 meeting subject to corrections noted and approved the minutes of the April 5 and May 17, 2007 meetings as presented. [Mr. Dunn departed the meeting at this time, 6:53 p.m.]

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 102.45% accountability rate with 2,978 accounts.
- b. Consumer Confidence Report. Mr. Plunkett next presented the Board with a draft of the Consumer Confidence Report ("CCR"), a copy of which is attached hereto as Exhibit "B", and explained that it needs to be approved by the Board then distributed to the District's customers by July 1, 2007.
- c. Water Well No. 4. Mr. Plunkett next reported that the insurance claim for the mechanical seal failure with respect to Water Well No. 4 has been finalized and final payment from the Chubb Group of Insurance Companies ("Chubb") is \$99,600, less the \$10,000 deductible, for a total insurance payment of \$89,600. A copy of the Chubb transmittal letter and Claim Adjustment Worksheet is attached hereto as Exhibit "C".
- d. Manhole Inspections. Mr. Plunkett reported that the Operator has performed an inspection of most of the manholes and performed a visual inspection of the lines that could be seen through the manholes. Mr. Plunkett explained that based upon such inspection, the Operator recommends that the District authorize cleaning of the sanitary sewer lines in the older sections of the District, Three Lakes, Sections One and Two and make any necessary repairs.
- e. Houston Garden Center ("HGC") Tap. Mr. Plunkett then inquired about the status of the HGC water line easement since he cannot install permanent service to the HGC tract until the easement has been conveyed. Ms. Corprew stated that the Attorney is working with the HGC attorney to finalize the terms of the easement and explained that HGC does not want to grant an exclusive easement to the District. Ms. Corprew reported that she explained to the HGC attorney that the District requires an exclusive easement and that it is not negotiable. Mr. Plunkett was instructed to notify HGC of the tap fee for the permanent service.
- f. Miscellaneous. Director Dunn questioned the Operator about posting signs around the Northpoint East Detention Pond that state that motorized vehicles are not allowed in the area. Director Bishop then reported that the Pinecrest Community Association has requested that the District make a contribution to its 4<sup>th</sup> of July parade. Discussion ensued and it was the consensus of the Board that the District could utilize the 4<sup>th</sup> of July parade as an opportunity to spread information regarding water conservation. Directors Lackey and Ward stated that they would man a Water Smart table/booth during the parade. Mr. Plunkett stated that he would check to see what free literature can be obtained from the North Harris County Regional Water Authority to be distributed to the residents.

- g. Termination of Service and/or Write-Off of Delinquent Accounts. Mr. Plunkett next 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 Bishop, after discussion and with all Directors present voting aye, the Board approved the Operator's Report, authorized the Operator to clean the sanitary sewer lines in Three Lakes, Sections 1 and 2 and authorized termination of service of the District's delinquent customers in accordance with the provisions of the District's Rate Order.

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 "D."

- 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 May 10, 2007 at Well Nos. 2, 3, 4, and 5.
- b. Capital Improvement Report. Mr. Stendahl then presented the Capital Improvement Report, a copy of which is attached to the Engineer's Report, and reported that this report will be continuously updated to keep the Board informed of on-going construction, current utility design work and improvements needed in the foreseeable future.
- c. GASB 34 Information. Mr. Stendahl reported that he is working with the District's auditor to get a more comprehensive facilities inventory completed prior to the completion of the Audit Report for the fiscal year ended May 31, 2007.
- d. Water Well No. 5 Maintenance. Mr. Stendahl reported that the repairs to Water Well No. 5 have been completed and the well is back in service.
- e. Motor Control Center (Water Plant No. 1). Mr. Stendahl then reported that advertising for the Motor Control Center at Water Plant No. 1 will commence the week of June 11, 2007. The project will be bid mid-summer for construction to begin this fall and completed prior to high water demand period of 2008.
- f. Wastewater Treatment Plant ("WWTP") – Phase 4 Expansion. Mr. Stendahl next reported that contract documents for the WWTP expansion project have been forwarded to N&S Construction for execution, bonds and insurance.
- g. Channel M-122 Maintenance. Mr. Stendahl presented Pay Application No. 1, a copy of which is attached hereto as "Exhibit "E", in the amount of \$79,362.00 for maintenance of the drainage channel and a proposal from Tolunay-Wong Engineers for laboratory testing of the Channel M-122 and recommended approval of same by the Board. Pate is continuing work on the drainage study and has completed entering data into the computer model.

- h. Bond Application Report. Mr. Stendahl reported that the Bond Application Report has been completed and will be hand delivered to the Texas Commission on Environmental Quality in Austin tomorrow, June 8, 2007.
- i. 2008 TPDES Wastewater Discharge Permit Renewal. Mr. Stendahl stated that the application for renewal of the District's discharge permit is being prepared.
- j. 12" Water Line Adjacent to State Highway 249. Mr. Stendahl stated that the engineering plans for the 12" water line along State Highway 249 cannot go any further until the easements have been conveyed to the District.
- k. 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 Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Engineer's report, Pay Application No. 1 for Channel M-122 Maintenance and the proposal from Tolunay-Wong for laboratory testing of Channel M-122.

5. DEVELOPER'S REPORT. The President next recognized the various developers present who reported the following:

a. Cobblestone. Mr. Dunham reported that the property is under contract with a builder of senior living properties, Templeton Development Corporation, and presented pictures of projects under construction in California and Nevada, copies of which are attached hereto as Exhibit "F".

b. Willow Falls. Mr. Padau reported that sales were a bit sluggish and that Willow Falls is currently holding off from advertising for Section 5 until the builder sells more homes in the current section.

c. KB Homes. Ms. Barnes presented and reviewed with the Board a written report, a copy of which is attached hereto as Exhibit "G". Director Dunn questioned Ms. Barnes regarding the homes in Northpointe East and emphasized that only the existing model homes received a variance and that all the remaining homes to be built by KB Homes have to comply with the deed restrictions. Ms. Barnes stated that she would follow-up on the inquiry.

[Mr. Dunham, Mr. Padau and Ms. Barnes departed the meeting at 7:48 p.m.]

6. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who stated that all items under her report should be discussed in executive session.

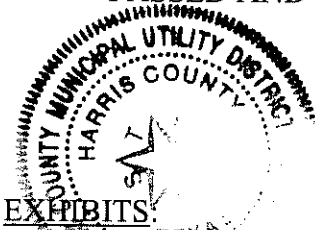
7. EXECUTIVE SESSION. At 8:00 p.m., the President called an Executive Session pursuant to Subsection 551.072 of the Texas Government Code, of the Open Meetings Act, to

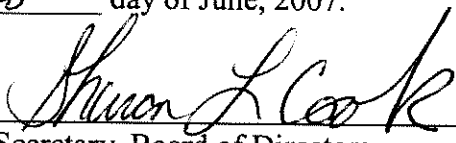
discuss matters within attorney-client privilege, including real estate matters. Attendees for the executive session were the Board, the Engineer, Attorneys and Operator.

8. RECONVENE IN OPEN SESSION. At 9:12 p.m., the President declared the Executive Session over and reconvened the meeting in open session. Upon motion by Director Cook, seconded by Director Ward and with all Directors present voting aye, the Board authorized proceeding with negotiations for Water Well No. 6 site and with respect to the Alsay, Inc. final pay application, to deduct expenses incurred by the Engineer, Pate, and Attorneys relating to the project from Alsay's final payment.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, the President adjourned the meeting at 9:23 p.m.

PASSED AND APPROVED this 28<sup>th</sup> day of June, 2007.



  
Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B - Consumer Confidence Report
- C - Chubb Insurance Claim Settlement Statement
- D - Engineer's Report
- E - Pay Application No. 1 for Channel M-122 Maintenance
- F - Templeton Development Corporation sites
- G - KB Homes Development Report