

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## Minutes of Meeting Thursday, March 6, 2008

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, March 6, 2008 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 for Pate Engineer, Inc. (the "Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Andrew Dunn, the District's liaison to the Harris County Constable's Office; Cpl. Mike Swindler of the Harris County Constable's Office, Precinct 4; Gina Barnes of KB Home Lone Star, Inc. ("KB Home"); Tony Padua of Sam Yager, Inc. ("Willow Falls"); Andrew P. Johnson, III, 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 at 6:57 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. There was no public comment.
2. HARRIS COUNTY CONSTABLE'S REPORT. The Constable's Report was tabled until March 20, 2008.
3. MINUTES. The minutes were tabled to the March 20th meeting.
4. OPERATOR'S REPORT. Mr. Plunkett presented and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "A". Mr. Plunkett reported that some foam blew over the wall of the Wastewater Treatment Plant on Sunday night due to the high winds and Source Point came out to clean it up on Monday. Water Well No. 4 is in service with the rental pump installed. Mr. Plunkett stated that Harris County will be having their hazardous waste disposal again at the Barbara Bush Library on Cypresswood and asked whether or not the Board wished to have an insert placed in the next water and sewer service bill to notify customers of the event. Mr. Plunkett then directed the Board's attention to a customer complaint received from Ronald and Julie Grabau alleging that the Operator flooded their house at 19115 Copper Bean Drive, a copy of which is attached hereto as Exhibit "B". Mr. Plunkett explained that they always make sure that there is no water flowing through the meter.

Mr. Plunkett stated that he spoke with the wife, the husband and the realtor and got three different stories. The Grabau's estimated the damage to their home at approximately \$5,000.00. Mr. Johnson advised the Board that the District is not liable for the alleged damage to the Grabau's home. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented, authorized the hazardous waste disposal insert for the next water/sewer service bill and authorized termination to the accounts listed on the Termination List in accordance with the provisions of the District's Rate Order.

5. ENGINEER'S REPORT. Mr. Stendahl next presented the Engineer's Report, a copy of which is attached hereto as Exhibit "C".

- a. Water Quality Monitoring. Mr. Stendahl reported that the test results for February 2008 have not been received.
- b. Capital Improvements Report. Mr. Stendahl reported that the Capital Improvement Report has been updated in conjunction with the construction funds assessment now being conducted by him and Ms. Turner. Mr. Stendahl added that henceforth, the Capital Improvement Report will be presented at the second meeting of the month commencing March 20, 2008.
- c. Water Well No. 6. Mr. Stendahl reported that the well collector design is 80% complete and that the preliminary plans were submitted to the City of Houston and Harris County for review on March 3, 2008.
- d. Water Plant No. 1 – Motor Control Center. The North Harris County Regional Water Authority (the "Authority") has recently stated that the schedule for their work at Water Plant No. 2 is forthcoming and that they will remain flexible with the scheduling to avoid simultaneous outages.
- e. Wastewater Treatment Plant – Phase 4 Expansion. Mr. Stendahl presented Pay Request No. 6 from N&S Construction in the amount of \$72,335.65 and recommended payment. Mr. Stendahl reported that the project is approximately 26% complete including this payment; however, 47% of the contract time has expired including recommended time extensions. Mr. Stendahl also reported that he has requested an updated construction schedule from the contractor.
- f. 12" Water Line Adjacent to State Highway 249. Mr. Stendahl reported that design of the project is approximately 90% and Pate has received comments from the City of Houston and Harris County and is in the process of revising the plans accordingly. Discussion ensued whether or not the District should continue to pursue the remaining easements or wait until Bond Issue No. 10 is issued due to the acquisition costs. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized the Attorney and Engineer to go forward with the acquisition of the Durdin Waterline Easement along State Highway 249.

- g. Water Well No. 4 Motor Repair. Mr. Stendahl reported that Layne Texas has installed the temporary motor and pump and the rental pump is now in operation. Mr. Stendahl stated that the Board should consider installing the same type motor as the one being installed in Well No. 6, a line shaft. Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board voted to install a line shaft at Well No. 4.
- h. Bond Issue No. 10. Mr. Stendahl reported that the aggregate principal amount of Bond Issue No. 10 will be closer to the \$7 million number than the \$8 million number. Mr. Stendahl stated that the bond application will be coordinated with the Capital Improvement Project report and the construction funds assessment and should be presented to the Board on March 20, 2008.
- i. Development Projects:
- 1) Harris County Street Acceptance Status. Mr. Stendahl presented and reviewed the updated spreadsheet detailing the status of the street acceptance in the District. Mr. Johnson reported that the Greater Houston Business Association is very interested in the manner in which the County is accepting streets and what is understood by the developers. Mr. Johnson also reported that there is talk in the development community as to whether or not you condition reimbursement on acceptance of the streets. Mr. Johnson stated that as of yesterday, the County will start tweaking their policy to take care of the issue.
  - 2) Ashford Place, Section 4. Mr. Stendahl reported that plans have been approved by the City of Houston and that the Engineer is holding plans per the Developer's direction.
  - 3) Willow Falls Subdivision. Mr. Stendahl directed the Board's attention to Pay Application No. 1 (Final) for the Boudreaux Road Drainage Facilities construction, a copy of which is attached to the Engineer's Report. Mr. Padua reported that Willow Falls is advertising Section 5 now and will open bids in early April. Willow Falls had an increase in sales – sold twice as many this year as the same time last year. Mr. Padua added that the expected delivery time is September to deliver the new lots to the builder. Willow Falls is requesting to be included in Bond Issue No. 10. Mr. Stendahl stated that Mr. Johnson has projected Section 4 and 5, water, sewer and drainage in the draft bond application.
  - 4) Northern Point. Ms. Barnes stated that she had nothing new to report but wanted to request that the Board try and issue Bond Issue No. 10 prior to November 30, 2008, KB Home's fiscal year end. Mr. Johnson stated that the Board will try and keep the developer's fiscal year ends in mind, however, the timing of Bond Issue No. 10 will depend upon the Financial

Advisor's assessment of value to support the debt service without an increase in taxes, and of course, the bond market.

j. Annexation Tracts & Feasibility:

- 1) 29-Acre Todd Tract (South of Ashford Place). Mr. Stendahl reported that the tract has been purchased by Ismail Bhai and that he intends to sell the 15-acre easterly portion to Klein ISD.
- 2) 55-Acre Woodmere Development Tract (North of Ashford Place). The Engineer has revised the District's boundary map to include the Woodmere tract and will finalize the updated description and map upon receipt of the recently recorded Water Well No. 6 and Water Plant No. 2 annexations. Bids for clearing and grubbing of the tract will be opened on March 25, 2008.
- 3) Water Plant No. 2 Site and Water Well No. 6 Site. Annexation documents have been filed with the City of Houston.

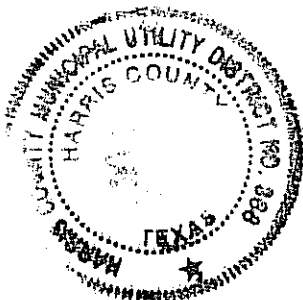
Upon motion by Director Ward, seconded by Director Cook, with all Directors present voting aye, the Board approved Pay Request No. 6 from N&S Construction for the Wastewater Treatment Plant Expansion in the amount of \$72,335.65, approved Pay Request No. 1 (Final) from CenterTex Constructors for the Boudreaux Road Drainage Facilities project at Willow Falls in the amount of \$20,544.00, and approved the Engineer's Report as presented.

[Ms. Barnes and Mr. Padua departed the meeting at 8:04 p.m.]

6. GENERAL BUSINESS. Nothing to report. [Mr. Dunn and Cpl. Swindler departed the meeting at 8:05 p.m.]
7. ATTORNEY'S REPORT. Mr. Johnson presented JRPB's request for a rate increase, a copy of which is attached hereto as Exhibit "D". Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the requested increase.

There being no further business to come before the Board, upon motion by Director Cook, the President adjourned the meeting at 8:20 p.m.

Passed and approved this 3rd day of April, 2008.



  
Secretary, Board of Directors

**EXHIBITS:**

- A -- Operator's Report
- B -- Grabau Letter
- C -- Engineer's Report
- D -- Attorney Fee Increase