

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## Minutes of Meeting Thursday, May 1, 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, May 1, 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 Engineers, Inc. ("Pate") (the "Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Andrew Dunn, the District's liaison to the Harris County Constable's Office; Sgt. Richard Hill of the Harris County Constable's Office, Precinct 4; Gina Barnes of KB Home Lone Star, Inc. ("KB"); Cary Dunham of Dungle L.L.C. ("Cobblestone"); Trent Rosenthal and Peter Reeves of Exaro Construction Company, L.L.C. ("Exaro"); 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 at 6:48 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. Director Lackey first recognized Mr. Rosenthal who addressed the Board regarding Exaro's bid on the Willow Falls Subdivision, Section 5, water, sanitary sewer and drainage facilities project (the "Willow Falls Project") and requested that the Board reconsider the decision to award the contract for the Willow Falls Project to the second lowest bidder rather than the low bidder, Exaro. Ms. Corprew explained that the law allows municipal utility districts, such as the District, to award a construction contract to any responsible person or persons that, in the Board's judgment, will be most advantageous to the District and result in the best and most economical completion of the District's proposed facilities. Ms. Corprew went on to explain that the Board is not required to select the low bidder. Mr. Rosenthal stated that he believes the Board had insufficient information regarding his company and that is why Exaro lost the bid. Director Ward asked what information the Contractor felt that the Board did not have and may have needed to make a decision. Director Ward then revealed that he was the Director who had researched Exaro through the use of construction based internet sites on low bidders of previously awarded contracts outside the District and not from personal contact with any construction industry personnel. Director Ward further stated that he did not feel comfortable recommending that the Board go with Exaro since it had been in business for such a short time and because of their inexperience. Mr. Reeves then

addressed the Board regarding the experience of Exaro personnel and the strength of the company. Mr. Rosenthal again requested that the Board reconsider their decision.

Ms. Corprew then explained to the Board that should a Director desire to have the award of the contract for the Willow Falls Project reconsidered, then such Director should make a motion requesting that a discussion and possible action item be included on the agenda for the May 15, 2008 Board meeting. Ms. Corprew went on to explain that should no Director second such motion or make such motion, such action or inaction will determine that there will be no further deliberation of this matter. No motion was made and no further action was taken. [Mr. Rosenthal and Mr. Reeves departed the meeting at 7:03 p.m.]

2. 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".

- a. General Operations. Mr. Plunkett reported that the bill vs. produced water accountability rating was 91.21% for the month of April with 3,177 total accounts with no excursions at the Wastewater Treatment Plant.
- b. Repairs and/or Replacements at District Facilities. Mr. Plunkett reported that he had received a notice from the North Harris County Regional Water Authority ("RWA") that the District has to convert to chloramine. Mr. Plunkett also reported that the RWA is working on the ground storage tank tie-in at Water Plant No. 2.
- c. Proposed Operator Rate Increase. Finally, Mr. Plunkett presented the Board with Eagle Water Management, Inc.'s new proposed Schedule of Rates for the District, a copy of which is attached hereto as Exhibit "B". In reviewing the new Schedule of Rates, the Board noted that the Operator will commence charging \$5.00 for termination letters and that the District's Rate Order should also be amended to pass the charge through to those delinquent customers.

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 as presented, approved the Operator's new Schedule of Rates, and authorized termination to the accounts listed on the Termination List in accordance with the provisions of the District's Rate Order.

3. 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 April 2008 for Water Wells 2, 3, 4 and 5 as being non-detects for benzene, toluene, ethyl benzene, or xylene. Mr. Stendahl then directed the Board's attention to the Sanitary Sewer Evaluation Summary for Three Lakes and requested emergency repairs on Gladewater and at Houston Garden Center. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors

present voting aye, the Board authorized the emergency repairs as recommended by the Engineer. A copy of the Sanitary Sewer Evaluation Summary for Three Lakes is attached hereto as Exhibit "D".

- b. Stand-by Power Generators. Mr. Stendahl reported that all requisite approvals have been received. Advertisements will appear on May 8 and May 15, 2008, with the pre-bid conference scheduled for 3:00 p.m. on May 15, 2008 at Pate.
- c. Water Well No. 6. Mr. Stendahl presented Change Order No. 1 in the amount of \$47,310.00 with respect to electrical changes and larger generator needed for the 250 HP well motor and for contractor markup on the allowance for BL Technologies to perform the controls installation for Well No. 6 and modification to the controls at Water Treatment Plant No. 1 and Water Treatment Plant No. 2 to accommodate Water Well No. 6.
- d. Water Plant No. 1 – Motor Control Center. The Motor Control Center and controls components have been tested and are in operation. The additional heat tracing and 110v circuits are yet to be installed.
- e. Wastewater Treatment Plant – Phase 4 Expansion. Mr. Stendahl reported that a meeting will be held on May 2, 2008 at the contractor's office to review a new project schedule and to determine the likely completion date.
- f. 12" Water Line Adjacent to State Highway 249. Mr. Stendahl reported that Pate has received comments from the City of Houston and Harris County and has revised the plans accordingly. The City of Houston will require the water line easements to be in place prior to granting plan approval. All easements have been obtained with the exception of two and JRPB is in the process of obtaining the remaining two easements.
- g. Water Well No. 4 Motor Repair. Layne-Texas expects the replacement work to commence on May 15, 2008.
- h. Water Treatment Plant No. 1 Tank Inspection. Mr. Stendahl next presented and reviewed with the Board, the 3-Year Tank Inspection Report at Water Treatment Plant No. 1, a copy of which is attached hereto as Exhibit "E". Discussion ensued regarding the findings and recommendations resulting in Mr. Stendahl stating that he will bring a proposal for the repairs/replacement at the May 15, 2008 Board of Directors meeting. Mr. Stendahl also reported that a placeholder budget of \$250,000 has been added to the Bond Issue No. 10 worksheet and the Capital Improvement Plan Report.
- 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.

- 2) Ashford Place, Section 4. Plans have been approved by the City of Houston and Pate is holding plans per the Developer's direction.
- 3) Willow Falls Subdivision.
  - (i) Willow Falls, Section 4. Plans have been approved and are on hold per the Developer's direction.
  - (ii) Willow Falls, Section 5. Plans have been approved by the City of Houston and by Harris County. Bids were opened on April 2, 2008. Pate is preparing the construction contracts.
- 4) Northern Point. Ms. Barnes presented and reviewed with the Board, KB Home's development report, a copy of which is attached hereto as Exhibit "F". Ms. Barnes reported that 8 homes were sold in February, 3 in March and 8 in April 2008.

j. Annexation Tracts & Feasibility:

- 1) 55-Acre Woodmere Development Tract (North of Ashford Place). Pate has revised the District's boundary map to include the tract and will finalize the updated description and map upon receipt of the recorded boundary from the Water Plant No. 2 Site and Water Well No. 6 Site annexations.
- 2) Water Plant No. 2 Site and Water Well No. 6 Site. Pate has revised the description and boundary map at the City of Houston's direction.

Upon motion by Director Ward, seconded by Director Dunn, with all Directors present voting aye, the Board approved the Engineer's report, all the action items, including painting the hydro-pneumatic tanks at Water Plant No. 1.

4. GENERAL BUSINESS:

- a. Payment of Invoices. There being no invoices presented for payment.
- b. Insurance Proposals. Ms. Henderson reported that proposals had been solicited from The Essential Insurance Group, AquaSurance Inc. and Anco-McDonald Waterworks Insurance Services, L.L.C. and that she had received all but one which she will send to the Directors next week along with a comparison of the coverages.

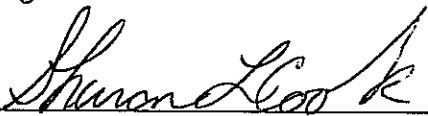
5. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who presented the Attorney's Report, as follows:

- a. Waterline Easements along State Hwy 249. Ms. Corprew updated the Board on the status of procuring the waterline easements along State Hwy 249, including the Hillegeist and JR 27909 LLC easements. Ms. Corprew reported that Mr. Blake Hillegeist is coming to her office Friday morning to execute the easement and easement agreement and presented same for the Board's approval and execution. Upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the Board approved the Waterline Easement and the Easement Agreement and authorized the execution of same, copies of which are attached hereto as Exhibit "G".
- b. Easements for Cobblestone Development tract. Ms. Corprew requested Board authorization to have an appraisal done of the Dia-Den Ltd. waterline and sanitary sewer easements. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized the appraisal.

In conclusion, Director Ward announced that he was scheduled to close on the sale of his house located within the boundaries of the District tomorrow, Friday, May 2<sup>nd</sup>, and then tendered his resignation to the Board. Director Ward explained that when he first moved from the District, his intent was to rent his house out for a couple of years until the real estate market bounced back, but he received an offer that he couldn't refuse. The Board expressed their sorrow at his leaving and gratitude for the years of dedication that he had rendered to the District.

There being no further business to come before the Board, upon motion by Director Cook, the President adjourned the meeting at 8:24 p.m.

Passed and approved this 15<sup>th</sup> day of May, 2008.

  
Secretary, Board of Directors

EXHIBITS:

- A -- Operator's Report
- B -- Eagle Water Management's New Rate Schedule
- C -- Engineer's Report
- D -- Sanitary Sewer Evaluation Summary for Three Lakes
- E -- 3-Year Tank Inspection Report
- F -- Northern Point Development Report
- G -- Hillegeist Easement Agreement
- H -- Hillegeist Waterline Easement

