

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, August 7, 2014

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. on Thursday, August 7, 2014, 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
Eric Daniel	Treasurer
Allison V. Dunn	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Consultants in attendance were: Matt Carpenter, P.E. of IDS Engineering Group ("IDS" or "Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Eagle" or "Operator"); and Andrew P. Johnson, III, attorney, Cody Johnson, law clerk, and Mirna Croon, paralegal, of Johnson Petrov LLP ("Attorney").

The President called the meeting to order at 6:40 p.m., and in accordance with the notice posted pursuant to law, the following business was transacted:

- I. **Public Comment.** There was no public comment.
- II. **General Business.**
 - A. **District's Website.** There were no matters to report.
 - B. **Pay Bills and Pay Estimates.** Upon motion by Director Cook, seconded by Director Daniel, after full discussion and with all Directors present voting aye, the Board approved check no. 12469 for a customer's deposit refund.
 - C. **Amend to Rate Order, if needed.** No action was taken on this matter.
- III. **Operator's Report.** The President next recognized Mr. Plunkett who presented to and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "A". Mr. Plunkett reviewed the productivity report which indicated that the District's billed vs. produced water accountability was 99.5% for the period from June 15, 2014 through July 14, 2014. Mr. Plunkett noted that during the last month 89.07% of the District's water came from the surface water source with the remainder from the District's groundwater wells. There were no excursions the previous month.

Next, Mr. Plunkett asked the Board for submission of the District's Water Conservation Plan ("WCP") to the Texas Water Development Board ("TWDB"), subject to any additional changes by the District's Attorney and/or Engineer.

Mr. Plunkett then reviewed correspondence from a customer requesting an adjustment in his water bill for the previous month. Mr. Plunkett reported that the customer's average consumption ranges from 4,000 to 7,000 gallons per month; however the meter read for the previous month indicated 27,000 gallons of water per month. Mr. Plunkett stated that the second meter reading was still high although according to the customer, the house is vacant.

Discussion ensued after which the Operator recommended the Board authorize adjustment of the bill by averaging the amount of water used in the previous two (2) months.

Next, Director Lackey informed the Board regarding recent power supply issues at the Wastewater Treatment Plant and Water Plant ("WP") No. 2 and reported on his correspondence with CenterPoint regarding such matter. Director Lackey stated that multiple crews are working to balance the circuit and according to CenterPoint, the electric circuit should be completely balanced by Monday, August 11, 2014. Director Lackey stated that he will meet with the Vice President of CenterPoint at WP No. 2 to inspect the voltage. CenterPoint is in the process of reporting the issue to the Electric Reliability Council of Texas and the District will be copied on such correspondence.

Mr. Plunkett then reviewed with the Board the Termination List, a copy of which is attached to the Operator's Report, and affirmed that all Customers on the list were at least sixty (60) days past due and had been notified in writing of their right to attend this meeting to address the Board.

Next, Mr. Plunkett reported that the Attorney has obtained a copy of the water well permit from the Harris Galveston Subsidence District for the Houston Garden Center ("HGC"). Mr. Plunkett stated that the District may require that HGC convert to surface water. Extensive discussion ensued regarding such requirement. Mr. Plunkett noted that the District needs to ensure there is no cross-connection between the ground and surface water sources and following discussion, the Board authorized the Operator to conduct regular inspections of the HGC well to ensure no cross-connection, and to obtain the water well maintenance report and water well completion data.

Next, upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board (i) approved the WCP and submittal of same to the TWDB, subject to any additional changes by the District's Attorney and/or Engineer; (ii) authorized adjustment of the customer's bill previously discussed, as recommended by the Operator; (iii) approved the Operator's Report as presented; and (iv) authorized termination of service to customers listed on the Termination List, in accordance with provisions of the District's Rate Order.

IV. **Engineer's Report.** Mr. Carpenter presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "B".

- A. Operations Committee Meeting. The Operations Committee meeting has been scheduled for August 20, 2014.
- B. Grand Parkway. Mr. Carpenter reported that the utility relocation plans have been approved by the City of Houston and Harris County. Mr. Carpenter reviewed a bid tabulation for the project, a copy of which is attached to the Engineer's Report. Mr. Carpenter stated that IDS recommends the Board award the contract to the low bidder, McDonald Municipal and Industrial ("McDonald"), in the amount of \$265,959. Mr. Carpenter reminded the Board that the Texas Department of Transportation will reimburse the District for 100 percent of the costs upon completion of the project.

Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board awarded the contract to McDonald, as recommended by IDS.

- C. Boudreaux Road Extension. Mr. Carpenter reported that the construction of utility relocations is complete.
- D. Gladewater Drainage. Mr. Carpenter reported that IDS is planning to inspect the storm sewers in the next phase of televising and cleaning of the sanitary sewer system. IDS will finalize its recommendations once the lines have been televised.
- E. Proposed annexations. Mr. Carpenter stated that IDS is updating the District's boundary map in regards to the two (2) proposed annexations – Ashford Grove East and HMT.
- F. Water Quality Monitoring for Water Wells Nos. 2, 3, 4, 5, and 6. Mr. Carpenter reported that the July 2014 laboratory test results for benzene, toluene, ethyl benzene, or xylene (BTEX) in Water Wells Nos. 2, 3, 4, 5, and 6 are non-detect.
- G. Phase 2 Sanitary Sewer Cleaning and Televising. Mr. Carpenter reported that the Operator is nearly complete with the recommended repairs.
- H. Phase 3 Sanitary Sewer Cleaning and Televising. Mr. Carpenter reported that plans for televising and cleaning are complete and a bid opening should be held prior to the next Board meeting.
- I. Wastewater Treatment Plant Odor Control. Mr. Carpenter reported that the plans and specifications will be reviewed with Director Lackey in the next week or two.
- J. Sandy Stream Sewer Capacity Evaluation: Upsize required for Dungrove tract. There were no new matters to report.
- K. Wastewater Treatment Plant ("WWTP") Grit Pump Failure. Mr. Carpenter reported that the new equipment has been delivered to Northside Electric.

- L. Willow Falls, Section 4, WS&D. Mr. Carpenter reported that the sanitary sewer and storm sewer construction is complete. The contractor is currently working to install waterlines.
- M. NorthPointe Center – Phase 2 (Santikos). There were no new matters to report.
- N. 68-Acre New Quest Property. Mr. Carpenter reported that IDS has completed the capacity analysis for the water capacity request and determined that the District will ultimately have 400 equivalent single family connections ("ESFC") in surplus capacity. In order to provide the total of 592 ESFCs requested, the District would need to update its elevated storage tank variance, as this is the limiting component. IDS has compiled all construction costs for the WP facilities since the District's inception and calculated a cost per connection amount to \$2,355.75. A copy of the analysis is attached to the Engineer's Report.

Mr. Johnson reported on his correspondence with the Developer of the New Quest property stating that the Developer is not willing to share the District's Strategic Partnership Agreement revenue. Extensive discussion then ensued regarding the calculation of the WP capacities and costs for the New Quest property.

Upon motion by Director Dunn, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board authorized the District's consultants to prepare reports necessary to calculate a fee charged to the New Quest property for water service.

- O. 136-Acre Finger Tract. There were no additional matters to report.
- P. HMT Property. Mr. Carpenter reported that IDS has presented engineering proposals to HMT and is waiting on HMT's authorization to proceed with preparation of an annexation feasibility study.
- Q. Ashford Grove East. Mr. Carpenter reported that IDS is in the process of preparing a feasibility study.

Upon motion by Director Bishop, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report.

- V. **Developer's Report.** There was no report.
- VI. **Attorney's Report.**

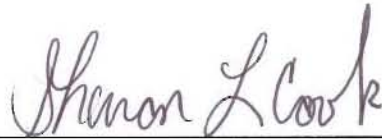
- A. Arbitrage Compliance Specialist ("ACS") Report for Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"). Mr. Johnson presented to and reviewed the ACS Report for the Series 2004 Bonds. He stated that ACS has determined that the District does not owe any arbitrage rebate to the Internal Revenue Service. Upon motion by Director Cook, seconded by Director Dunn, after full discussion and

with all Directors present voting aye, the Board approved the ACS Report, a copy of which is attached hereto as Exhibit "C".

- B. Real Estate Matters Update. There were no matters to report.
 - C. Condemnation of Easements by the TxDOT. There were no additional matters to report.
 - D. Approval of minutes of the July 17, 2014 Board meeting. Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board approved the minutes of the July 17, 2014 Board meeting, as amended.
- VII. Adjournment. The Board adjourned the meeting at 8:35 p.m.

[EXECUTION PAGE FOLLOWS]

Passed and approved this 21st day of August, 2014.



Secretary, Board of Directors

Exhibits:

- "A" – Operator's Report
- "B" – Engineer's Report
- "C" – ACS Report