

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

May 1, 2008

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 165 (the "District") met in regular session, open to the public, on the 1st day of May, 2008, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, and the roll was called of the members of the Board:

Jacqueline Jackson	President
Alan Bentson	Vice President
Ira Rabourn	Secretary/Treasurer/Investment Officer
Reginald Cobb	Assistant Vice President
Miranda Bussey	Assistant Secretary

and all of the above were present.

Also present at the meeting were Erin Garcia of Myrtle Cruz, Inc.; Cathy Falke of SWWC Services, Inc. ("SWWC"); David Keel of KMS Engineering, LLP ("KMS"); Patty Rodriguez of Bob Leared Interests, Inc.; Robert DeForest of KGA Design; Greg Coleman of Beazer Homes; and Lynne Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

EXECUTIVE SESSION REGARDING PENDING OR CONTEMPLATED LITIGATION

The Board determined that it was unnecessary to convene in Executive Session pursuant to Chapter 551.071, Texas Government Code, to discuss pending or contemplated litigation.

COMMENTS FROM THE PUBLIC

There was no comment from the public.

MINUTES

The Board considered approving the minutes of the April 3, 2008 regular meeting. Revisions were requested by Director Rabourn. After review and discussion, Director Rabourn moved that the Board approve the minutes of the April 3, 2008 as amended. Director Bentson seconded the motion, which passed unanimously.

BOOKKEEPER'S REPORT

Ms. Garcia reviewed the bookkeeper's report, the District's budget, and corresponding checks with the Board including handwritten check number 7593 in the amount of \$1,530.61 to Myrtle Cruz, Inc. A copy of the bookkeeper's report is attached. Ms. Garcia also discussed with the Board an adjustment to the budget wherein items were moved out of the district operator's maintenance budget. Ms. Humphries and Ms. Garcia also discussed with the Board the pending drainage construction reimbursement with District No. 433 and discussed the payment triggering mechanisms within the written agreement. Following review and discussion, Director Cobb moved to accept the bookkeeper's report. Director Bentson seconded the motion, which was unanimously approved.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Rodriguez presented the tax assessor/collector's report, a copy of which is attached, and reviewed the checks presented for payment from the tax account. Ms. Rodriguez presented to and reviewed with the Board a delinquent taxpayer report for the District and specifically discussed unpaid accounts of D.R. Horton, Obra Homes and Beazer Homes. Mr. Coleman said that the unpaid accounts were for properties that had been sold and said that the new owners should be notified.

Upon a motion by Director Bentson and a second by Director Cobb, the Board voted unanimously to accept the tax assessor/collector's report and to approve payment of the bills presented.

OPERATOR'S REPORT

Ms. Falke presented the operator's report, a copy of which is attached. She stated that the District's 4-month accountability is 93.2%. Ms. Falke also discussed with the Board outstanding backcharges, and specifically backcharges in the amount of \$6,000 owed by Obra Homes. Ms. Humphries requested that the backup information for the Obra backcharges be forwarded to ABHR for the filing of a claim under a reported bankruptcy action.

Ms. Falke and Mr. Keel discussed with the Board repair of the pumping equipment at water well number 1 and said that the repair would be submitted to insurance for payment following repair.

Ms. Falke reported that the 2008 Water Smart Application had been filed and was pending approval. She said that the District would again support the 5th grade Water Conservation Program at Andre Elementary.

Upon a motion by Director Rabourn and a second by Director Cobb, the Board voted unanimously to approve the operator's report.

APPROVE CONSUMER CONFIDENCE REPORT AND AUTHORIZE OPERATOR TO MAIL AND FILE

Ms. Falke reviewed a proposed Consumer Confidence Report (the "Report") with the Board. After discussion, Director Rabourn moved to: (1) approve the operator's report, (2) mail the Report to District customers with the regular utility invoicing, and (3) to file the Report with the Texas Commission on Environmental Quality ("TCEQ"). The motion was seconded by Director Cobb and passed unanimously.

HEARING ON TERMINATION OF WATER SERVICE

The Board conducted a hearing on the termination of utility service to delinquent accounts. Ms. Falke reported that the residents on the termination list were mailed written notice prior to the meeting in accordance with the Rate Order, notifying them of the opportunity to appear before the Board to explain, contest, or correct the utility service bill and to show reason why utility service should not be terminated for reason of nonpayment. Director Rabourn moved that, since the residents on the attached list were neither present at the meeting nor had presented any statement on the matter, utility service should be terminated in accordance with the procedures set forth in the Rate Order. Director Cobb seconded the motion, which carried unanimously.

MASTER PARKS PLAN

Mr. DeForest said that he was waiting on a letter of no objection for the Amhurst project with regard to providing detention for the park. He said that he anticipates having the contract ready for signature by the next meeting. Ms. Humphries requested that the payment and performance bonds be forwarded to ABHR for review to confirm that the bonds meet the District requirements for the surety.

Mr. DeForest next reviewed the design for a proposed park within Cypress Springs. The Board discussed potential deed restrictions. Mr. Keel said that the park area in Cypress Springs was platted as an unrestricted reserve. Ms. Miller said that Sari Lagrone was engaged to search title records to determine whether there were any applicable deed restrictions that apply to the park area. The Board asked Ms. Humphries to investigate this issue.

DISCUSS DISTRICT WEBSITE AND AUTHORIZE APPROPRIATE ACTION

No report was given.

DEVELOPMENT IN THE DISTRICT

The Board received reports on development and sales within the District from Messrs. Coleman and Keel.

ENGINEER'S REPORT

Mr. Keel presented the engineer's report, a copy of which is attached, and reviewed the status of construction projects in the District.

Mr. Keel reviewed bids received for the construction of an off-site water line. After review and discussion, based on the engineer's recommendation, and because it would result in the best and most economical completion of the project, Director Rabourn moved to award the contract to Clearwater Utilities in the amount of \$417,879.20 subject to review of the payment and performance bonds by ABHR and to approve a corresponding letter financing agreement for the project with Canyon Lakes 1892. The motion was seconded by Director Cobb, and passed unanimously.

Mr. Keel next reported to the Board regarding rehabilitation of water plant no. 1 and presented and recommended payment of Pay Estimate No. 6 in the amount of \$57,286.00 to W.W. Payton Corporation.

Mr. Keel reported to the Board regarding the construction of improvements to Langham Creek Phase I and presented and recommended and presented and recommended approval of Change Order No. 2 reducing retainage amount within the contract from 5% to 1 ½%.

Mr. Keel also presented storm water quality permit applications for the interceptors at Tealbrook and College Park West and requested approval and execution of same.

Following review and discussion, Director Rabourn made a motion to: (1) accept the engineer's report, and based on the engineer's recommendations; (2) authorize payment of construction items described herein subject to review and approval by KMS; (3) authorize change orders subject to review and approval by KMS; (4) approve storm water quality permit applications for the interceptors at Tealbrook and College Park West and authorize execution of same; and (5) approve letter financing agreements related to construction activity. Director Cobb seconded the motion, which passed unanimously.

UPDATE ON BOND APPLICATION NO. 9 AND APPROVE PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE

Ms. Bartholomew updated the Board on the status of the bond application and reviewed the Preliminary Official Statement ("POS") for the Series 2008 Bond with the Board. She discussed the closing schedule with the Board. Ms. Bartholomew discussed with the Board a pending application for elevated tank exemption and the current bond insurance market and corresponding premiums. Ms. Bartholomew also discussed a revision to the preliminary statement to discuss the financial status of Obra Homes. After review and discussion, Director Bentson moved to approve the POS, subject to revisions with regard to Obra Homes as discussed and attorney final review. Director Cobb seconded the motion, which carried unanimously.

AUTHORIZE ADVERTISEMENT FOR THE SALE OF THE SERIES 2007 BONDS AND SCHEDULE BOND SALE

Ms. Bartholomew discussed with the Board the requirements for advertising for the sale of the bonds and requested authorization to advertise the sale of the bonds. After review and discussion, Director Bentson moved to authorize the financial advisor to advertise the sale of the bonds and schedule the bond sale for Thursday, June 5, 2007 at 6:00 p.m. subject to receipt of approval from the TCEQ of the elevated tank exemption. Director Cobb seconded the motion, which carried unanimously.

APPOINT PAYING AGENT/REGISTRAR

Ms. Bartholomew recommended that the Board appoint Bank of New York to be the Paying Agent/Registrar for the Series 2008 Bonds. Director Bentson then moved that the Board appoint Bank of New York to be the Paying Agent/Registrar for the Series 2008 Bonds. Director Cobb seconded the motion, which carried unanimously.

AUTHORIZE FINANCIAL ADVISOR TO BID ON BONDS AND ADOPT RESOLUTION AUTHORIZING FINANCIAL ADVISOR TO BID ON SERIES 2008 BONDS

Ms. Bartholomew requested authorization for RBC to submit a bid for the District's Series 2008 Bonds and presented a Resolution Authorizing the Financial Advisor to Bid on the District's Series 2008 Bonds ("Resolution"). After review and discussion, Director Bentson moved to authorize the financial advisor to bid on the Series 2008 Bonds and adopt the Resolution. Director Cobb seconded the motion, which carried unanimously.

ENGAGE AUDITOR TO PREPARE DEVELOPER REIMBURSEMENT AUDIT

Ms. Humphries discussed with the Board the engagement terms and conditions with BKD, LLP to conduct the developer reimbursement audit for the 2008 Bond

Anticipation Note with regard to Bond Issue No. 10. After review and discussion, Director Bentson moved that the Board engage BKD, LLP to conduct the developer reimbursement audit for the bond anticipation note. Director Cobb seconded the motion, which carried unanimously.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

Director Rabourn reported on recent activities of the West Harris County Regional Water Authority. Mr. Keel discussed with the Board a schedule for construction of the next water plant and the District's possible water supply feed down West or Fry Road.

REPORTS FROM DISTRICT DIRECTORS AND CONSULTANTS

There being no further business to consider, the Board concurred to adjourn the meeting.



Jack Rabourn
Secretary, Board of Directors

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