

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

July 2, 2014

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 2nd day of July, 2014, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Alan Bentson	President
David Molina	Vice President
Wayne Green	Secretary
Janet Davidson	Assistant Secretary
Keith Maddox	Assistant Vice President

and all of the above were present except Director Molina, thus constituting a quorum.

Also present at the meeting were Lori Buckner of Myrtle Cruz, Inc.; David Keel of DAC Services, Inc. ("DAC"); Patty Rodriguez of Bob Leared Interests, Inc.; Chris Hoffman and Donnice Hoffman of H2O Consulting, Inc. ("H2O"); Stephen Eustis of RBC Capital Markets; Ron Brooks of Affinity Development; Greg Sissel of BKD, LLP; Keith Schoonover, consultant for Beazer Homes of Texas; Mike Christopher of Jones & Carter, Inc.; Blake Kridel of Storm Water Solutions, LP; and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

There was no public comment.

MINUTES

The Board considered approving the minutes of the June 5, 2014, regular meeting. After review and discussion, Director Davidson moved to approve the minutes, as submitted. Director Maddox seconded the motion, which passed unanimously.

DEVELOPER REIMBURSEMENT REPORT

Mr. Sissel reviewed a draft of a developer reimbursement audit setting forth the amounts to be reimbursed to Beazer Homes, BG CLW Investments, Inc., Canyon Lakes 1892, Canyon Lakes West Section 3, Ltd. and CLW 4&5 Associates from the proceeds of

the Series 2014A Bonds. After review, Director Davidson moved to approve the developer reimbursement report subject to final review by ABHR and authorize disbursement of funds subject to receipt of a signed receipt by the developer receiving funds. Director Maddox seconded the motion, which carried unanimously.

SALE OF THE DISTRICT'S \$3,840,000 UNLIMITED TAX BONDS, SERIES 2014B

Mr. Eustis reviewed bids received for the sale of the District's \$3,840,000 Unlimited Tax Bonds, Series 2014B, and stated that the low bidder was SAMCO Capital Markets, with a net effective interest rate of 3.799262%. Following review and discussion, Director Davidson moved that the Board award the sale of the District's \$3,840,000 Unlimited Tax Bonds, Series 2014B to First Southwest Company. Director Maddox seconded the motion, which was passed unanimously. Mr. Eustis also confirmed a commitment for coverage from Assured Guaranty Corporation.

RESOLUTION AUTHORIZING THE ISSUANCE OF THE DISTRICT'S \$6,785,000 UNLIMITED TAX BONDS, SERIES 2014A

Mr. Eustis reviewed the Resolution Authorizing the Issuance of the District's \$3,840,000 Unlimited Tax Bonds, Series 2014B. After review and discussion, Director Davidson moved that the Board adopt the Resolution Authorizing the Issuance of the District's \$3,840,000 Unlimited Tax Bonds, Series 2014B. Director Maddox seconded the motion, which was approved by unanimous vote.

PAYING AGENT/REGISTRAR AGREEMENT

Mr. Eustis reviewed the Paying Agent/Registrar Agreement with the Board. After review and discussion, Director Davidson moved that the Board authorize execution of the Paying Agent/Registrar Agreement with Amegy Bank of Texas, N.A. Director Maddox seconded the motion, which passed unanimously.

OFFICIAL STATEMENT

The Board next considered approving the Official Statement for the District's \$3,840,000 Unlimited Tax Bonds, Series 2014B. Mr. Eustis reported that the Preliminary Official Statement previously approved will be updated to reflect pricing information on the bonds. Following discussion, Director Davidson moved that the Board approve the Official Statement. Director Maddox seconded the motion, which was approved by unanimous vote.

NECESSARY ACTION TO DELIVER BONDS TO THE PURCHASER

Mr. Eustis reviewed with the Board of Directors various documents relating to the bond sale and asked the Board to authorize the attorney and the financial advisor to take all necessary steps to deliver the bonds to the purchaser. After review and discussion, Director Davidson moved that the Board authorize the Board of Directors to sign the bond documents and authorize the attorney and financial advisor to take all necessary steps to deliver the bonds to the purchaser. Director Maddox seconded the motion, which was approved by unanimous vote.

AMENDMENT TO INFORMATION FORM

Ms. Holoubek reviewed the Amendment to the District's Information Form, reflecting the District's additional bonds sold. After review and discussion, Director Davidson moved that the Amendment to the District's Information Form be approved and filed with the Texas Commission on Environmental Quality ("TCEQ") and in the Harris County Deed Records. Director Maddox seconded the motion, which passed unanimously.

UPDATE FROM DISTRICT ENGINEER ON TEXAS COMMISSION ON ENVIRONMENTAL QUALITY INSPECTION OF FACILITIES

Mr. Keel confirmed that the TCEQ inspected the facilities.

BOND APPLICATION NO. 14

Mr. Keel next discussed preparation of bond application no. 14 and fees for preparation of same.

ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE, REIMBURSEMENT OF ELIGIBLE EXPENSES, AND WINTER CONFERENCE

The Board considered expenses submitted by Board members who attended the summer conference and considered authorizing attendance of the Association of Water Board Directors ("AWBD") winter conference. The bookkeeper noted the expenses are in compliance with the District's travel and reimbursement guidelines. Upon a motion made by Director Maddox and seconded by Director Davidson, the Board unanimously authorized reimbursement of the expenses submitted for the summer conference and authorized attendance by all interested directors at the AWBD winter conference.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Buckner presented and reviewed the bookkeeper's report. She discussed current public fund investment markets, reviewed the District's investment report, and reviewed budget to actual revenues and expenses and variances and a draft of the budget for the fiscal year ending September 30, 2015. Copies of the bookkeeper's report, investment report, budgets, and a list of bills presented for payment, are attached.

Following review and discussion, Director Davidson moved to (1) accept the bookkeeper's report and pay the bills described therein; and (2) authorize disbursement of the Series 2014A bond proceeds. Director Maddox seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Rodriguez presented the tax assessor/collector's report, a copy of which is attached, reviewed the checks presented for payment from the tax account, reported regarding taxes collected from the 2013 tax levy to date and delinquent taxes. Ms. Rodriguez also reported businesses added to and deleted from the District's business listings under the District's Strategic Partnership Agreement with the City of Houston and 2014 preliminary values.

After review and discussion, upon a motion by Director Davidson and a second by Director Green, the Board voted unanimously to (1) accept the tax assessor/collector's report; and (2) approve payment of the bills.

OPERATION OF DISTRICT FACILITIES

Mr. Hoffman distributed and reviewed a management and operations report, a copy of which is attached.

Mr. Hoffman reported 57 new residential taps during the month of June, 2014 reviewed routine maintenance and repairs within the District completed and ongoing during the month of June, 2014.

The Board discussed the District's water accountability for the month of June, 2014, capacity and monitoring of flows at the wastewater treatment plant. He also discussed additional sample sites required by the Texas Commission on Environmental Quality.

Mr. Hoffman also discussed issues with the spiral screen that removes debris from the wastewater treatment plant and recommended pulling the unit and sending it to the manufacturer for recertification. The Board concurred to defer action until Mr. Keel researches available options for replacing the unit.

Mr. Hoffman next discussed customer appeals from Jimella Hicks-Mares at 7710 Yucca Field Drive, Dennis Buchanan at 20503 Ranch Mill Lane and Janet Lamb at 7314 Prairie Village Drive and reviewed account histories for each. Following review and discussion, the Board concurred to authorize the District operator to offer a payment plan to Jimella Hicks-Mares. Mr. Hoffman also discussed the status of a previously reported suspected water theft which was subsequently reported to the Harris County Sherriff's Department. Mr. Hoffman requested authorization to alter the connection to insure against further theft, to add the cost for removal of an illegal connection and replacement with an altered connection to the customer's utility bill and notify neighbors of potential water theft in the area and warn against violating the District Rate Order.

Following review and discussion, Director Davidson moved to (1) approve the District operator's report; and (2) authorize the District operator to alter a customer connection to insure against further theft, to add the cost for removal of an illegal connection and replacement with an altered connection to the customer utility bill and notify neighbors of potential water theft in the area and warn against violating the District Rate Order. The motion, which was seconded by Director Green, passed unanimously.

The Board then conducted a hearing on the termination of water service to delinquent utility accounts. Mr. Board 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 service bill and to show reason why water service should not be terminated for reason of nonpayment. Director Davidson moved that since the residents on the attached list were neither present at the meeting nor had presented any statement on the matter, water service should be terminated in accordance with the procedures set forth in the Rate Order. Director Green seconded the motion, which carried unanimously.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Schoonover, Mr. Christopher and Mr. Brooks reported homes sales and development in the District.

MASTER PARKS PLAN AND PARK MAINTENANCE

The Board reviewed park maintenance and inspection schedule submitted by Lancaster Community Association, Inc. ("LCAI") and reviewed a report from KGA DeForest regarding the status of plans and specifications for the proposed River Pines Park.

The Board also reviewed a proposal from McKenna Contracting, Inc. submitted by LCAI for additional fibar in Cypress Springs Park, Tealbrook and Amhurst Park.

The Board also considered accepting a Special Warranty Deed from Beazer Homes Texas, LP for Reserves A, B, C and D in Pine Creek at Canyon Lakes West, Section 7 and approving a maintenance agreement between S-G Owner's Association, Inc. and the District.

Following review and discussion, Director Davidson moved to (1) approve a proposal from McKenna Contracting, Inc. submitted by LCAI for additional fibar in Cypress Springs Park, Tealbrook and Amhurst Park; (2) accept a Special Warranty Deed from Beazer Homes Texas, LP for Reserves A, B, C and D in Pine Creek at Canyon Lakes West, Section 7; and (3) approve a maintenance agreement between S-G Owner's Association, Inc. and the District for maintenance of Reserves A, B, C and D in Pine Creek at Canyon Lakes West, Section 7. The motion, which was seconded by Director Maddox, passed unanimously.

ENGINEERING MATTERS

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 reported 6 bids received for construction of water, sewer and drainage to serve Pine Creek at Canyon Lakes West, Sections 10 and 11 and recommended the Board award the contracts to the lowest qualified bidder, AR Turnkee Construction, in the amounts of \$244,970 and \$218,841, respectively. After review and discussion, and because it would result in the best and most economical completion of the project, Director Maddox moved to approve the award of the contracts to AR Turnkee Construction, subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

Mr. Keel reported 6 bids received for construction of water, sewer and drainage to serve Towne Lake Greene, Section 3 and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, in the amount of \$295,000. After review and discussion, and because it would result in the best and most economical completion of the project, Director Maddox moved to approve the award of the contract

to Clearwater Utilities, subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

Mr. Christopher reported 6 bids received for construction of water, sewer and drainage to serve Mirabella, Section 6 and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, in the amount of \$696,000. After review and discussion, and because it would result in the best and most economical completion of the project, Director Maddox moved to approve the award of the contract to Clearwater Utilities, subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

Mr. Keel and Mr. Christopher next reported the status of construction of the following projects and recommended payment of associated estimates and invoices and approval of change orders listed:

1. West Road and Mirabella Drive, Pay Estimate No. 3 in the amount \$112,739.19 and Change Order No. 2 in the amount of \$35,187.80;
2. Mirabella, Section 1, Pay Estimate No. 2 in the amount of \$296,127.20;
3. Detention West Road and Mirabella Drive, Pay Estimate No. 4 in the amount of \$85,764.15;
4. Mirabella Drainage Improvements, Phase 1, Pay Estimate No. 4 in the amount of \$557,869.08 and Change Order No. 2 in the amount of \$26,279.04;
5. Mirabella, Section 3, Pay Estimate No. 1 in the amount of \$805,335.93;
6. Mirabella Drainage Improvements, Phase 2, Pay Estimate No. 2 in the amount of \$518,426.77;
7. Mirabella Drive, Section 1, Pay Estimate No. 2 in the amount of \$224,507.18; and
8. Water Plant No. 2 recoating and repair, first and final invoice in the amount of \$78,840;

Ms. Holoubek also reviewed a utility capacity commitment to Cypress Fairbanks Independent School District for 8,000 connections to serve an elementary school campus.

Mr. Christopher also reviewed a proposal from Storm Water Solutions to vector clean the Mirabella Phase 1 drainage outfall and a separate proposal to re-grade the tie in of the Langham Creek Outfall.

Mr. Keel also reported sanitary sewer line point repairs identified during cleaning and televising and recommended the Board approve the repairs in the amount of \$34,350 to be performed by Cruz Tec, Inc.

Following review and discussion, Director Maddox moved to (1) approve the engineering report; (2) authorize payment of pay applications and invoices discussed and recommended above; (3) approve change orders as listed and recommended above; (4) approve a utility capacity commitment to Cypress Fairbanks Independent School District for 8,000 connections to serve an elementary school campus; (5) approve a proposal from Storm Water Solutions to vacate clean the Mirabella Phase 1 drainage outfall and a proposal to re-grade the tie in of the Langham Creek Outfall; and (6) approve sanitary sewer line point repairs contract with Cruz Tec, Inc. in the amount of \$34,350, subject to ABHR review of a contract and payment bond. Director Davidson seconded the motion, which passed unanimously.

DEEDS, EASEMENTS, ENCROACHMENTS AND OTHER RIGHT-OF-WAY CROSSINGS

The Board considered the following conveyances:

1. waterline easement in Pine Creek at Canyon Lakes West, Section 10;
2. sanitary sewer easement in Towne Lake Greene, Section 3;
3. sanitary sewer easement in Mirabella, Section 7; and
4. storm sewer easement in Mirabella, Section 7.

Upon a motion by Director Davidson and a second by Director Green, the Board voted unanimously to accept the conveyances listed above.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

There was no additional discussion under this agenda item.

SECURITY REPORT

The Board discussed calls and patrol during June 2014.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no additional discussion for this agenda item.

There being no additional business to consider, the meeting was adjourned at 7:31 p.m.


Secretary, Board of Directors

(SEAL)

