

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

October 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 October, 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.

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"); Bob DeForest of KGA/DeForest Design, L.L.C.; Mike Christopher of Jones & Carter, Inc.; James Henrie of Land Tejas Development Company Keith Schoonover, consultant for Beazer Homes of Texas; Carl Sandin of Perdue, Brandon, Fielder, Collins & Mott, LLP; Stephen Eustis of RBC Capital Markets; Kevin Atkinson of Texas Pride Disposal; Tommy Weaver of Friendswood Development Company; and Jessica Holoubek, Chelsea Wappler and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

Mr. Atkinson presented marketing material from Texas Pride Disposal and requested an opportunity to submit a proposal for garbage collection services when the District's current garbage collection contract expires.

GARBAGE CONTRACT

The Board discussed expiration of the District's current garbage collection contract and concurred to solicit garbage collection proposals with an option for 96 gallon cans for the new contract period beginning February 1, 2015.

MINUTES

The Board considered approving the minutes of the September 4, 2014, regular meeting. After review and discussion, Director Maddox moved to approve the

minutes, as amended. Director Davidson seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS AND AMEND BUDGET

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. 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) amend the budget for the fiscal year ending September 30, 2015, as discussed. Director Molina seconded the motion, which passed unanimously.

ARBITRAGE REBATE REPORT

Ms. Holoubek next reviewed with the Board an Interim Excess Earnings Report for the District's Series 2009 Unlimited Tax Bonds and said the report concludes the District is not required to remit payment to the Internal Revenue Series for the computation period from July 7, 2009 through July 7, 2014.

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.

Mr. Sandin discussed delinquent tax accounts and accounts scheduled for service termination due to nonpayment of delinquent taxes.

Ms. Rodriguez also presented a taxpayer appeal from District resident, Andrew Eancheff requesting the Board accept a payment on a tax account and mark the account paid in full.

After review and discussion, upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to (1) accept the tax assessor/collector's report; (2) approve payment of the bills; (3) approve payment from Andrew Eancheff and mark the account as paid in full; and (4) authorize termination of service for nonpayment of delinquent taxes.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES,
AND AMENDMENT TO INFORMATION FORM

The Board opened the public hearing on the District's proposed tax levy. Ms. Rodriguez confirmed that notice of the proposed levy had been published. Upon receipt of no comments from the public, the Board considered an Order Levying Taxes, reflecting a tax rate of \$1.32 per \$100 valuation consisting of \$1.07 for debt service and \$0.25 for operations and maintenance. The Board confirmed its intention that the 2014 tax levy includes a maintenance tax for the fiscal year ending September 30, 2015. Upon a motion made by Director Davidson and seconded by Director Maddox, the Board voted unanimously to (1) adopt the Order Levying Taxes and (2) amend the information form to reflect the District's current tax rate and authorize filing of same in the real property records of Harris County, Texas.

ENGINEERING MATTERS

Mr. Keel and Mr. Eustis discussed the District's draft bond application and Mr. Eustis reviewed a bond capacity analysis. Following review and discussion, Director Maddox moved to adopt a revised Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds. Director Green seconded the motion, which passed unanimously.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 51 new residential taps during the month of September, 2014 reviewed routine maintenance and repairs within the District completed and ongoing during the month of September, 2014.

The Board discussed the District's water accountability for the month of September, 2014, capacity and monitoring of flows at the wastewater treatment plant, including response to an unauthorized discharge at the wastewater treatment plant on September 18, 2014. Discussion ensued regarding possible preventative measures including possible modifications to piping.

Mr. Hoffman next discussed customer appeals from Lorraine Porter and Yolanda Oduogu and reviewed account histories for each.

Following review and discussion, Director Davidson moved (1) to approve the District operator's report and (2) authorize the District operator to offer payment plans to customers Porter and Oduogu, as discussed. The motion, which was seconded by Director Maddox, passed unanimously.

The Board then conducted a hearing on the termination of water service to delinquent utility accounts. Mr. Hoffman 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 Maddox seconded the motion, which carried unanimously.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Henrie, Mr. Schoonover, Mr. Weaver and Mr. Keel reported residential and commercial 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").

The Board also considered a request from Mr. Schoonover that the District add an irrigation meter at Parker Mill Lane to the District's electricity contract with Hudson Energy.

Mr. DeForest reported the progress of improvements at River Pines Park and presented contracts for signature. He also discussed the status of preparation of plans for landscaping in Mirabella, Section 1.

Mr. DeForest presented the following pay estimates for landscaping improvements for Pine Creek at Canyon Lakes West, Section 7 for Board approval:

1. Pay Estimate No. 6 in the amount of \$10,406.16; and
2. Pay Estimate No. 7 in the amount of \$3,629.48.

Following review and discussion, Director Davidson moved (1) to approve the pay estimates listed above and (2) approve addition of an irrigation meter at Parker Mill Lane to the District's electricity contract with Hudson. The motion, which was seconded by Director Molina, passed unanimously.

ENGINEERING MATTERS CONTINUED

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 first discussed the status of design for recoating of water plant no. 2 and requested authorization to advertise for bids for recoating.

Mr. Keel discussed with the Board plans to construct a trunk force main to serve Mirabella, reviewed bids and, upon the recommendation of Jones & Carter, recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, Inc. in the amount of \$632,998.14. After review and discussion, and because it would result in the best and most economical completion of the project, Director Davidson moved to approve the award of the contract to Clearwater Utilities, Inc., subject to verification of payment and performance bonds and insurance. Director Green seconded the motion which passed unanimously.

Mr. Keel 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. 6 in the amount of \$10,980.90;
2. Mirabella, Section 1, Pay Estimate No. 5 in the amount of \$12,470;
3. Mirabella, Section 2, Pay Estimate No. 3 in the amount of \$18,504;
4. Mirabella, Section 4, Pay Estimate No. 2 in the amount of \$4,543.85;
5. Mirabella, Section 6, Pay Estimate No. 2 in the amount of \$397,633.23;
6. Mirabella Drainage Improvements, Phase 1, Pay Estimate No. 7 in the amount of \$94,227.52;
7. Pine Creek at Canyon Lakes West, Section 9, Pay Estimate No. 2 in the amount of \$16,596 and Change Order No. 1 in the amount of \$18,440; and
8. Towne Lake Greene, Section 3, Pay Estimate No. 1 in the amount of \$256,786.41.

Mr. Christopher also requested the Board approve a proposal from Jones & Carter for a drainage impact analysis for Mirabella south of West Road.

Following review and discussion, Director Davidson moved to (1) approve the engineering report (2) approve pay estimate, change orders and proposals listed and recommended for approval above and (3) approve the Jones & Carter proposal for a drainage impact analysis for Mirabella south of West Road. Director Green seconded the motion, which passed unanimously.

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

There was no discussion for this agenda item.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

Ms. Miller presented, on behalf of Storm Water Solutions, LLC, a permit renewal application for Pine Creek at Canyon Lakes West. Upon a motion by Director Molina and a second by Director Green, the Board voted unanimously to approve renewal of the permit, as discussed.

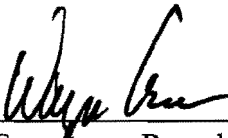
SECURITY REPORT

The Board discussed calls and patrol during September, 2014.

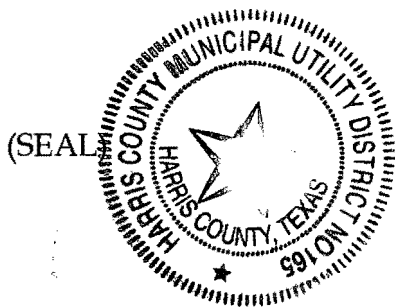
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no additional discussion for this agenda item.

There being no additional business to consider, the meeting was adjourned at 7:30 p.m.



Secretary, Board of Directors



LIST OF ATTACHMENTS TO MINUTES

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