

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

February 5, 2015

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 5th day of February, 2015, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2400, 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 and Donnice Hoffman of H2O Consulting, Inc. ("H2O"); Bob DeForest of KGA/DeForest Design, LLC; Ben Scoggin of Jones & Carter, Inc.; Stephen Eustis of Robert W. Baird & Co.; Greg Dimas, District resident; Keith Schoonover of KE Schoonover, LLC; and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

There were no public comments.

REFUNDING BOND ISSUE

Mr. Eustis reviewed a financial analysis of savings potentially created by the proposed refunding bond issuance, discussed current bond market conditions, issuance costs of the refunding bonds, and scheduling a closing date. Mr. Eustis also discussed the City of Houston's requirements applicable to the District's refunding bonds. Mr. Eustis reviewed the draft Preliminary Official Statement for the District's Series 2015 Refunding Bonds. Following review and discussion, Director Molina moved to approve the Preliminary Official Statement, subject to final revisions. Director Davidson seconded the motion, which passed unanimously.

The Board considered designating an underwriter for the Series 2015 Refunding Bonds. Following review and discussion, Director Molina moved to designate a syndicate of Raymond James, First Southwest Company, SAMCO Capital Markets and

Coastal Securities as the underwriters, with Raymond James acting as the lead underwriter. Director Davidson seconded the motion, which passed unanimously.

The Board considered appointing a paying agent/registrars and escrow agent for the Series 2015 Refunding Bonds. Following review and discussion, Director Molina moved to appoint Amegy Bank National Association as paying agent/registrars for the Series 2015 Refunding Bonds and The Bank of New York Mellon Trust Company, N.A. as the escrow agent. Director Davidson seconded the motion, which passed unanimously.

Ms. Holoubek presented a Resolution Authorizing the Issuance of the District's Series 2015 Refunding Bonds. After review and discussion, Director Molina moved to (1) adopt the Resolution Authorizing the Issuance of the District's Series 2015 Refunding Bonds for a maximum par amount not to exceed \$55,000,000, and (2) authorize Alan Bentson and Wayne Green each to act as the District's authorized representative to approve the sale of the refunding bonds, subject to a minimum net present value savings of 7%, and to select the specific maturities or series of the District's outstanding bonds to be refunded and to perform any actions needed to effect the sale of the Refunding Bonds, including the execution of the Bond Purchase Agreement and any other necessary documents. Director Davidson seconded the motion, which passed unanimously.

MINUTES

The Board considered approving the minutes of the January 8, 2015 regular meeting. After review and discussion, Director Molina moved to approve the minutes. Director Davidson seconded the motion, which passed unanimously.

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

The Board discussed seminars and issues discussed at the Association of Water Board Directors winter conference. Upon a motion made by Director Davidson and seconded by Director Maddox, the Board unanimously approved reimbursement of eligible expenses for Directors attending the winter conference and authorized attendance by the directors at the AWBD summer 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. Copies of the bookkeeper's report, investment report, budgets, and a list of bills presented for payment are attached.

Following review and discussion, Director Molina moved to accept the bookkeeper's report and pay the bills described therein. Director Davidson 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, and reported regarding taxes collected from the 2014 tax levy to date and delinquent taxes.

After review and discussion, upon a motion by Director Molina and a second by Director Davidson, 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 32 new residential and 4 new commercial taps during the month of January, 2015 and reviewed routine maintenance and repairs within the District completed and ongoing during the month of January, 2015 and requested the Board approve the following:

1. replacement of the breaker for booster pump no. 2 at water plant no. 1 for an estimated \$2,500;
2. repair of lift pump no. 2 at lift station no. 2 for an estimated \$6,000; and
3. repair of lift pump no. 1 at lift station no. 1 for an estimated \$8,500.

The Board discussed the District's water accountability for the month of January, 2015, capacity and monitoring of flows at the wastewater treatment plant.

Mr. Hoffman next discussed customer appeals from Tamekia Sherrod, Dasia Jacobs, Howard Martin and Tirell Stevens.

Following review and discussion, Director Davidson moved to (1) approve the District operator's report; (2) approve repairs and replacements as estimated and listed above; and (3) to approve the appeals/requests of Tamekia Sherrod, Dasia Jacobs and Howard Martin. The motion, which was seconded by Director Molina, 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 Molina 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 Davidson seconded the motion, which carried unanimously.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Schoonover reported on residential 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").

Mr. DeForest reported the progress of improvements at River Pines Park and requested the Board approve Pay Estimate No. 4 in the amount of \$54,503.76, payable to Stone Castle Constructors.

Mr. DeForest also discussed landscaping improvement plans for Miramesa, Section 2 and requested authorization to advertise for bids for construction.

Following review and discussion, Director Molina moved to approve the pay estimate listed above and authorize KGA to advertise for landscaping improvement plans for Miramesa, Section 2. The motion, which was seconded by Director Davidson, passed unanimously.

PROFESSIONAL ENGINEERING SERVICES AGREEMENT

The Board concurred to defer action on this agenda item.

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 discussed with the Board plans for recoating water plant no. 1, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Nova Paintings, LLC in the amount of \$237,905. After review and discussion, and because it would result in the best and most economical completion of the project, Director Molina moved to (1) approve the award of the contract to Nova Paintings, LLC, subject to verification of payment and performance bonds and insurance; and (2) authorize ABHR to send notice to the Texas Commission on Environmental Quality ("TCEQ") for use of surplus funds to pay for recoating water plant no. 1. Director Davidson seconded the motion which passed unanimously.

Mr. Keel also presented a proposal from Geotech Engineering and Testing in the amount of \$2,850 for a geotechnical study for proposed sanitary sewer lift station no. 1.

Mr. Keel discussed with the Board plans for construction of water, sewer and drainage to serve Pine Creek at Canyon Lakes West, Section 14, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Lischka Company, Inc. in the amount of \$180,000. After review and discussion, and because it would result in the best and most economical completion of the project, Director Molina moved to approve the award of the contract to Lischka Company, Inc., subject to verification of payment and performance bonds and insurance. Director Davidson 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. Pine Creek at Canyon Lakes West, Section 14, Pay Estimate No. 1 in the amount of \$150,045.30;
2. Pine Creek at Canyon Lakes West, Section 14, Pay Estimate No. 2 in the amount of \$8,335.85;
3. Mirabella lift station, Pay Estimate No. 8 in the amount of \$11,865;
4. Mirabella, Section 7, Pay Estimate No. 2 in the amount of \$14,814;
5. Detention West Road and Mirabella Drive, Pay Estimate No. 6 and Final in the amount of \$30,982.77;
6. Mirabella Drainage Improvements, Phase 2, Pay Estimate No. 5 in the amount of \$24,831.17;
7. trunk force main to serve Mirabella, Pay Estimate No. 3 in the amount of \$25,660.26;
8. Pine Creek at Canyon Lakes West, Section 12, Pay Estimate No. 1 in the amount of \$266,104.35 and Pay Estimate No. 2 in the amount of \$14,783.57; and
9. Pine Creek at Canyon Lakes West, Section 13, Pay Estimate No. 1 in the amount of \$421,096.50 and Pay Estimate No. 2 in the amount of \$23,394.25.

The Board next considered approving utility commitments to:

1. Mirabella Commercial SWC, LLC;
2. Mirabella Commercial NEC, LLC; and
3. Mirabella Commercial, LLC.

The Board also considered entering into an annexation agreement with Ash Builders to annex and develop a 2.756 acre commercial tract.

Following review and discussion, Director Molina moved to (1) approve the engineering report; (2) approve the requested utility commitments; (3) approve an annexation agreement with Ash Builders to annex and develop a 2.756 acre commercial tract; and (4) approve pay estimates, proposals and change orders listed and recommended for approval above. Director Davidson seconded the motion, which passed unanimously.

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

The Board next considered accepting the following conveyances to the District:

1. Special Warranty Deed for 110.468 acres of Langham Creek; and
2. Release of utility easements in Pine Creek at Canyon Lakes West, Section 6.

Upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to accept the conveyance and abandon the easement listed above.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

There was no discussion and the Board took no action.

SECURITY REPORT

The Board discussed calls and patrol during December 2014.

INTERLOCAL AGREEMENT WITH HARRIS COUNTY FLOOD CONTROL DISTRICT AND EASEMENTS

Ms. Holoubek reviewed a proposed Interlocal Agreement with Harris County Flood Control District for contribution towards the construction of control structures at the Tennessee Gas and Trunkline Gas crossings of Langham Creek and easements associated with construction access for channel grading, roadway slopes and tying in existing driveways. Following review and discussion, Director Molina moved to approve an Interlocal Agreement with Harris County Flood Control District and associated easements. Director Davidson seconded the motion, which passed unanimously.

WEBSITE UPDATES

There was no discussion for this agenda item.

SECURITY UPDATE

There was no discussion for this agenda item.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no discussion for this agenda item.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

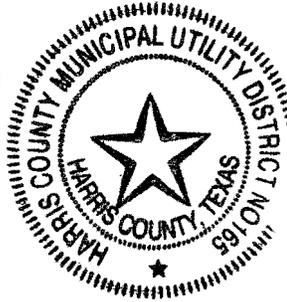
There was no discussion for this agenda item.

There being no additional business to consider, the meeting was adjourned.



Secretary, Board of Directors

(SEAL)



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