

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

September 3, 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 3rd day of September, 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, 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"); Bob DeForest of KGA/DeForest Design, LLC; Mike Christopher of Jones & Carter, Inc. (J&C); Josh Wales and Kendall Purgatorio of Mike Stone Associates, Inc. ("MSA"); James Henrie of Land Tejas Development Company; Blake Kridel of Storm Water Solutions, LP; Sylvia Avila and Monique Hayes of Eco Waste & Recycling; Keith Schoonover of Beazer Homes of Texas; Sherri Greenwood of BKD, LLP; Stephen Eustis of Robert W. Baird & Co.; Rick May of Best Trash, LLC; Bo Egbert of WCA Waste Corporation of Texas ("WCA"); and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

Ms. Hayes and Ms. Avila presented a business proposal and discussed services offered by Eco Waste and Recycling.

GARBAGE COLLECTION SERVICES

Directors Bentsen and Davidson updated the Board regarding trash and recycling collection in the District and ongoing efforts to resolve issues with the District's garbage collection contractor, WCA.

MINUTES

The Board considered approving the minutes of the August 6, 2015 regular meeting. After review and discussion, Director Maddox moved to approve the minutes. Director Davidson seconded the motion, which passed unanimously.

DEVELOPER REIMBURSEMENT REPORT

Ms. Greenwood reviewed a draft of a developer reimbursement audit setting forth the amounts to be reimbursed to from the proceeds of the Series 2015 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 Green seconded the motion, which carried unanimously.

FINANCIAL AND BOOKKEEPING MATTERS AND BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2016

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. She also reviewed a draft budget for the fiscal year end September 30, 2016 and the District consultants discussed adjustments made since the last meeting and draft. 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, with the exception of voided check nos. 1840 and 1842, and including 6 developer wires, check no. 1841 in the amount of \$8,514, payable to MREC LT Sterling Canyon LLC for Harris County Flood Control District's ("HCFCD") share of Langham Creek, Phase II, Pay Estimate No. 1 and check no. 1843 in the amount of \$93,628.98, payable to Lonnie Lischka Co., LP for HCFCD's share of Langham Creek, Phase II, Pay Estimate No. 3; (2) approve the budget for the fiscal year ending September 30, 2016; and (3) authorize disbursement of bond proceeds. Director Molina seconded the motion, which passed unanimously.

AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2015

Ms. Greenwood next presented to the Board an engagement letter for conducting the District's audit for fiscal year ending September 30, 2015, a copy of which is attached. She stated that the proposed fee for the annual audit is \$25,800. Following review and discussion, Director Davidson moved that the Board engage BKD, LLP, to conduct the audit for fiscal year ending September 30, 2015. Director Green seconded the motion, which was approved by unanimous vote.

ANNUAL REVIEW OF INVESTMENT POLICY AND RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS

Ms. Holoubek discussed the requirements of the Public Funds Investment Act and the Public Funds Collateral Act in connection with the District's investments. She discussed with the Board the current investment policy dated September 1, 2011, and recommended no revisions.

The Board then reviewed the District's list of qualified broker/dealers.

Following review and discussion, upon a motion by Director Maddox and a second by Director Molina, the Board voted unanimously to adopt Resolution Establishing the Authorized Depository Institution and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions and the Resolution Regarding Annual Review of Investment Policy.

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.

Ms. Rodriguez also discussed delinquent taxes and payments made for Lot 4 and adjoining 1/2 of lot 3 in Block 4 of Tealbrook Section 1 and presented a Redemption Deed to Hilaria Arias.

Ms. Rodriguez also reviewed with the Board a list of accounts recommended for disconnection for non-payment of taxes.

After review and discussion, upon a motion by Director Davidson and a second by Director Maddox, the Board voted unanimously to (1) accept the tax assessor/collector's report; (2) authorize notice to terminate services for nonpayment of delinquent taxes; and (3) authorize conveyance of property to Hilaria Arias, as described above.

2015 TAX RATE

Mr. Eustis presented to and reviewed with the Board correspondence recommending that the District adopt a debt service tax rate of \$1.07 and an operations and maintenance tax rate of \$0.25. Upon a motion made by Director Davidson and seconded by Director Molina the Board voted unanimously to authorize Bob Leared Interests to publish the notice of a public hearing regarding adoption of proposed tax rate reflecting a debt service tax of \$1.07 and an operations and maintenance tax rate of \$0.25 for a total levy of \$1.32, to be held at the District's October 1, 2015 meeting. The Board concurred that the proposed tax levy notice be posted to the District website.

RESOLUTION NOMINATING CANDIDATE FOR BOARD OF DIRECTOR ELECTION
FOR HARRIS COUNTY APPRAISAL DISTRICT

The board took no action on this agenda item.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

Mr. Kridel updated the Board regarding an ongoing investigation of drainage issues behind the pool at Windhaven.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 50 new residential taps were installed during the month of August, 2015, reviewed routine maintenance and repairs within the District completed and ongoing during the month of August, 2015 and requested the Board approve:

1. Replace the check valve on booster pump no. 1 at water plant no. 1 for an estimate of \$2,750; and
2. Inspection of ground storage tank no. 2 and the hydro-pneumatic tank at water plant no. 2.

The Board discussed the District's water accountability for the month of August, 2015.

Following review and discussion, Director Molina moved to (1) approve the District operator's report; (2) authorize the District operator to replace the check valve on booster pump no. 1 at water plant no. 1 for an estimate of \$2,750; and (3) authorize inspection of ground storage tank no. 2 and the hydro-pneumatic tank at water plant no. 2. 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. 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 Green seconded the motion, which carried unanimously.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Henrie and Mr. Schoonover discussed development in the District.

Ms. Holoubek discussed two set aside letter agreements confirming the funds received from MREC LT Sterling Canyon LLC and the Harris County Flood Control District and held for payment of pay applications for construction of improvements to Langham Creek, including control structures, and the U-132 channel. Following review and discussion, Director Davidson moved to approve two set aside letters for Langham Creek and the U-132 channel. Director Maddox seconded the motion, which passed unanimously.

PARK MAINTENANCE

Mr. Wales reviewed park maintenance and inspection schedules submitted by MSA and discussed repairs and improvements completed in the District during the month of August, 2015.

MASTER PARKS PLAN

Mr. DeForest first discussed plans and specifications for Miramesa, Section 5 landscaping improvements and requested authorization to design same.

Mr. DeForest next reviewed lighting options for the Windhaven Lake Trail System. Following review and discussion, the Board concurred to move forward with the design of lighting for the Windhaven Lake Trail System as depicted in LED Option B.

Mr. DeForest next reviewed bids for landscaping improvements in Miramesa Section 6 and recommended the Board award the contract to the low bidder, Westco Grounds Maintenance, in the amount of \$161,867.63. 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 Westco Grounds Maintenance, subject to verification of payment and performance bonds and insurance. Director Green seconded the motion which passed unanimously.

He next reported regarding Mirabella, Section 2 landscaping improvements and recommended the Board approve Pay Application No. 4 in the amount of \$105,531.30, payable to Allgreen Associates.

The Board discussed Miramesa, Section 3 landscaping improvements and Mr. DeForest recommended the Board approve Pay Application No. 2 in the amount of \$89,831.70, payable to Westco Grounds Maintenance Co., Inc.

Following review and discussion, Director Davidson moved to (1) approve the pay applications discussed above; and (2) authorize design of landscaping improvements in Miramesa, Section 5. The motion, which was seconded by Director Green, 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. Christopher discussed the Miramesa 158 acre south tract fill plan & Langham Creek Phase II from the Grand Parkway to Greenhouse Road and requested authorization to advertise for bids for construction.

Mr. Keel reported the status of construction of the following projects and recommended payment of associated estimates and invoices and approval of change orders and service agreements, as listed below:

1. Langham Creek Improvements, Phase 2 and Fill Site for Mirabella Town Center, Pay Estimate No. 3 in the amount of \$541,264.38 and Change Order No. 2 in the amount of \$411,508.69 for adjusting excavation totals for adjusted elevations and quantity overruns and lowering utility lines under the creek;
2. Services Agreement with Lonnie Lischka Co., LP in the amount of \$34,000 to de-silt the channel boxes at both ends of Langham Creek; and
3. Water plant No. 4, Pay Estimate No. 2 in the amount of \$185,103.

The Board also considered a request from Satya, Inc. for capacity to serve a mixed use commercial tract.

Following review and discussion, Director Davidson moved to (1) approve the engineering report; (2) approve the pay estimates, change orders and service agreements listed above; (3) approve a capacity commitment to Satya, Inc.; and (4) authorize advertisement for bids for construction of Miramesa 158 acre south tract fill plan & Langham Creek Phase II from the Grand Parkway to Greenhouse Road. Director Molina seconded the motion, which passed unanimously.

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

The Board next considered the following conveyances and abandonments:

1. Fry Road and West Road easements; and
2. Release of right to public utility easement in Mirabella, Section 10.

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

SECURITY REPORT

The Board discussed recent calls and patrol.

DISTRICT WEBSITE

The Board next considered a proposal from Off Cinco, the District's website administrator to increase the monthly hosting rate and the hourly maintenance rate. Following review and discussion, upon a motion by Director Davidson and a second by Director Maddox, the Board voted unanimously to approve the proposal.


WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no discussion for this agenda item.

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

(SEAL)





Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

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