

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

November 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 1st day of October, 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"); Shawn Byron and Lacy Hamilton of KGA/DeForest Design, LLC; Mike Christopher of Jones & Carter, Inc. (J&C); Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Melanie Folkert and Bradley McFarland of KB Homes; Nathan Wang of Clay & Co.; Taylor Gunn of Perry Homes, 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. Miller distributed District/Director correspondence received through the District's website and ABHR.

MINUTES

The Board considered approving the minutes of the October 1, 2015, regular meeting. After review and discussion, Director Molina moved to approve the minutes, as revised. Director Maddox seconded the motion, which passed unanimously.

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, with the exception of voided check no. 1857, payable to Lonnie Lischka, LP. Director Green seconded the motion, which passed unanimously.

ARBITRAGE REBATE REPORT FOR SERIES 2007A BONDS

Ms. Holoubek next reviewed Omnicap, LLC's final arbitrage rebate and yield restriction calculation for the District's Series 2007A Bonds and said no rebate is due the Internal Revenue Service. Following review and discussion, upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to approve the report.

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 Green, the Board voted unanimously to accept the tax assessor/collector's report.

AMEND FINANCING AGREEMENTS

The Board next considered a First Amendment to Development Financing Agreement with Chesmar Homes, Ltd., Canyon Lakes West Section 3, Ltd. and MREC LT Sterling Canyon, LLC. Following review and discussion, Director Molina moved to (1) approve amendment to the District's financing agreement with Chesmar Homes, Ltd; and (2) approve amendment to the District's financing agreements with Canyon Lakes West Section 3, Ltd. and MREC LT Sterling Canyon, LLC, subject to proof of transfer of Courtney Grover's membership interest in Grover SCL, LLC. Director Davidson seconded the motion, which passed unanimously.

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 \$1.20 per \$100 valuation consisting of \$0.95 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, 2016. 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.

HARRIS COUNTY APPRAISAL DISTRICT BOARD OF DIRECTORS ELECTION

The Board next considered candidates for the Harris County Appraisal District Board and considered a Resolution Casting Ballot for the Election of a Person to the Board of Directors of the Harris County Appraisal District. After review and discussion, upon a motion by Director Molina and a second by Director Davidson, the Board voted unanimously to approve a Resolution Casting Ballot for the Election of Glen Peters to the Board of Directors of the Harris County Appraisal District.

APPRAISAL OF PROPERTY AND CERTIFICATE OF ESTIMATED APPRAISED VALUE

The Board next considered request that the Harris County Appraisal District appraise property within the District as of November 1, 2015 and prepare a Certificate of Estimated Appraised Value. Following review and discussion, Director Molina moved to approve a Resolution Requesting Appraisal of Property and Certificate of Estimated Appraised Value. Director Davidson seconded the motion, which passed unanimously.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

There was no discussion for this agenda item.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 7 new commercial taps and 45 new residential taps were installed during the month of October 2015, reviewed routine maintenance and repairs within the District completed and ongoing during the month of October 2015 and requested the Board approve:

1. Repair of two air relief devices on the lift pumps at the wastewater treatment plant for an estimated \$2,000;
2. Installation of a new blower filter housing at the wastewater treatment plant for estimated \$1,500;
3. Replacement of the check valve on booster pump no. 1 at water plant no. 2 for an estimated \$2,750;

4. Inspection of the interior and exterior of the tanks at water plant no. 3 for an estimated \$3,000 each;
5. Agitating and chlorinating water well no. 3 for an estimated \$3,750;
6. Purchase and installation of a Master Meter Remote unit with all hardware and software, including installation in the amount of \$24,500;
7. Installation of inflow protectors for 127 manholes in lift station no. 5 service area for an estimated \$12,700;
8. Televising the line at 19507 Yaupon Mist and stabilizing the driveway;
9. Removal of rod through main between 19514 Dusty Yaupon Lane and 19510 Dusty Yaupon Lane and installation of a repair clamp for an estimated \$4,500; and
10. Utility billing inserts regarding disposable wipes.

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

The Board next considered a leak adjustment request from customer, Samara Williams.

The Board next received and reviewed a customer appeal from George Michael Benitez requesting waiver of disconnect and reconnection fees and waiver of an additional deposit requirement

Following review and discussion, Director Molina moved to (1) approve the District operator's report; (2) approve all replacements/repairs and work listed above; (3) authorize the District operator to adjust the usage and billing, as requested by customer Samara Williams, pursuant to the District's Leak Adjustment Policy; and (4) authorize the District operator to credit customer George Michael Benitez in the amount of \$75 for additional deposit required at disconnection. The motion, which was seconded by Director Maddox, passed by a vote of 4 to 0, with Director Davidson abstaining from voting.

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 or for nonpayment of delinquent property taxes. 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 Maddox seconded the motion, which carried unanimously.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Ms. Folkert, Mr. Gunn, Mr. Christopher and Mr. Keel discussed development in the District.

PARK MAINTENANCE

Mr. Wailes reviewed park maintenance and inspection schedules submitted by MSA, discussed repairs and improvements completed in the District during the month of October 2015. Mr. Wailes also discussed reports and investigation of standing water at the rear of Amhurst Park.

Mr. Wailes next updated the Board regarding power washing in District parks. Following discussion, the Board concurred to power wash on an as reported and needed basis.

The Board next reviewed a list of improvements/repairs needed at each District park. Following review and discussion, Director Davidson moved to repair fencing, as proposed, at Amhurst Park and Cypress Springs Park, remove the fencing around the basketball court at Cypress Springs Park and replace the basketball rim and net at Cypress Springs Park. The motion, which was seconded by Director Molina, passed unanimously.

MASTER PARKS PLAN

Mr. Byron first discussed the status of design of Miramesa, Sections 5 and 7, landscaping improvements and presented design proposals for landscaping improvements in Miramesa, Sections 8, 9, 10 and 11.

Mr. Byron next discussed the status of design of the Windhaven Lake Trail System (LED Option B) and requested authorization to advertise for bids for construction.

He next reported regarding Mirabella, Section 2, landscaping improvements and recommended the Board approve Pay Application No. 5 in the amount of \$56,175.48 and Pay Application No. 6 in the amount of \$29,831.52, both payable to Allgreen Associates.

The Board discussed Miramesa, Section 3, landscaping improvements and Mr. DeForest recommended the Board approve Pay Application No. 3 in the amount of \$97,766.10.

Mr. Byron next reported regarding construction of landscaping improvements in Miramesa Section 4 and recommended the Board approve Pay Application No. 1 in the amount of \$191,009.20, payable to Texas Wall & Landscape and Change Order No. 1 reducing the original contract amount by \$41,382.

Following review and discussion, Director Davidson moved to (1) approve the change orders and pay estimates discussed above; (2) approve proposals for design of landscaping improvements in Miramesa, Sections 8, 9, 10 and 11; and (3) authorize KGA to advertise for bids for construction of lighting for the Windhaven Lake Trail System. 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 status of drainage facilities for West Road East of Mirabella Drive (Mirabella Section 5) and West Road Crossing at U-132, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Monarch Civil Constructors, LLC in the amount of \$115,689.20. 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 Monarch Civil Constructors, LLC, subject to verification of payment and performance bonds and insurance. Director Green seconded the motion which passed unanimously.

Mr. Christopher next discussed the status of water, sanitary and drainage facilities to serve a West Road extension and reserve and Fry Road, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Principal Services, Ltd. in the amount of \$799,605.30. 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 Principal Services, Ltd., subject to verification of payment and performance bonds and insurance. Director Green seconded the motion which passed unanimously.

Mr. Christopher then reported regarding construction of Langham Creek, Phase 2 and Fill Plan for the Miramesa South Tract, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Lindsey Construction, Inc., in the amount of \$2,771,174.25. 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 Lindsey Construction, Inc., subject to verification of payment and performance bonds and insurance. Director Green seconded the motion which passed unanimously.

Mr. Christopher then discussed changing the name of Mirabella Drive to Miramesa Drive and requested the Board approve a concurrence letter to Harris County agreeing to the street name change and a maintenance agreement for Langham Creek.

Mr. Keel reported the status of construction of the following projects and recommended approve of the following pay estimates and change orders, as listed below:

1. Langham Creek Improvements, Phase 2 and Fill Site for Mirabella Town Center, Pay Estimate No. 5 in the amount of \$672,739.52, of which, \$626,207.38 (District share) and Change Order No. 3 in the amount of \$190,086.06, adjusting final contract quantities;
2. water plant no. 4, Pay Estimate No. 4 in the amount of \$55,636.11;
3. U-132, Phase II, Pay Estimate No. 1 in the amount of \$72,810, of which \$32,708.25 is the District's share;
4. Mirabella, Sections 8, 9, 10 and 11, Pay Estimate No. 1 in the amount of \$671,098.50; and
5. Mirabella Section 5, including West Road east of Mirabella Drive, Pay Estimate No. 1 in the amount of \$1,175,249.66.

Following review and discussion, Director Davidson moved to (1) approve the engineering report; (2) approve the pay estimates and change orders listed above, (3) approve name change of Mirabella Drive to Miramesa Drive; and (4) approve a maintenance agreement for Langham Creek. Director Green seconded the motion, which passed unanimously.

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

The Board next considered accepting a Special Warranty Deed for 33 landscaping reserves from MREC LT Sterling, Ltd, subject to proof of transfer of Courtney Grover's membership interest in Grover SCL, LLC. Following review and discussion, Director Davidson moved to accept the reserves. Director Molina seconded the motion, which passed unanimously.

SECURITY REPORT

The Board discussed recent calls and patrol and concurred to add two additional patrol officers for the contract period beginning March 1, 2016.

GARBAGE COLLECTION SERVICES

Mr. Egbert reported regarding garbage collection services.

DISTRICT WEBSITE

The Board discussed updating maps on the District website.

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.



Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

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