

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

January 7, 2016

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 7th day of January, 2016, 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.; Hugo Salinas of DAC Services, Inc. ("DAC"); Patty Rodriguez of Bob Leared Interests, Inc.; Chris Hoffman and Donnice Hoffman of H2O Consulting, Inc. ("H2O"); Shawn Byron of KGA/DeForest Design, LLC; Mike Christopher of Jones & Carter, Inc. (J&C); Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Stephen Eustis of Robert W. Baird & Co. Incorporated; Sergeant Michael Bilbrey of Harris County Constable, Precinct 5; Nathan Wang of Clay & Co.; Kendall Carew of Galtway Industries; Caleb Townes and Samantha Townes, District residents; Sherri Greenwood of BKD, Inc.; Blake Kridel of Storm Water Solutions, LP; Trevor Royal 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.

SECURITY REPORT

Director Bentson introduced Sgt. Bilbrey and Sgt. Bilbrey reported regarding District patrol. Following the security report, Director Davidson moved to approve an Interlocal Agreement for Law Enforcement Services between the District and Harris County. Director Maddox seconded the motion, which passed unanimously.

MINUTES

The Board considered approving the minutes of the December 3, 2015, regular meeting. After review and discussion, Director Molina moved to approve the minutes, as revised. Director Davidson seconded the motion, which passed unanimously.

IMPLEMENTATION OF HOUSE BILL 1295

Ms. Holoubek discussed implementation of newly enacted House Bill 1295, imposing new requirements for contracts entered into by governmental entities, effective as of January 1, 2016.

AUTHORIZE NOTICE OF CASH REDEMPTION OF BONDS AND APPROVE MATERIAL EVENT NOTICE FOR THE DISTRICT'S UNLIMITED TAX BONDS, SERIES 2008, 2009 AND 2011

Mr. Eustis discussed the anticipated effect of cash redemption upon the District's investment grade rating and the District's current debt ratio and ratio following a proposed redemption of bonds and reviewed a cash analysis with the Board. Mr. Eustis and Ms. Holoubek commented regarding Internal Revenue Service rules regarding debt service fund balances. The Board concurred to defer further discussion until the February, 2016 regular meeting.

2016 DIRECTORS ELECTION

Ms. Holoubek said Section 31.122 of the Texas Election Code (the "Code") requires the Secretary of the elected Board of Directors to keep his office open for election duties for at least three hours each day, during regular office hours, on regular business days during the period beginning not later than the 50th day before the election and ending not earlier than the 40th day after the election. Ms. Holoubek noted that the law was amended to allow an agent of the District to serve as the District's agent for election purposes. Following review and discussion, Director Molina moved to adopt a Resolution Designating an Agent of the Secretary of the Board and to appoint Jane H. Miller as the agent of the Board and to authorize posting of Notice of same at Harris County and in the District. Director Davidson seconded the motion, which passed unanimously.

Ms. Holoubek said that the Notice of Candidate Filing Period will be posted in the District and recommended that the Board authorize posting of same on the District website. The Board concurred to post the notice on the District website and in the District.

The Board next considered use of electronic voting systems and Ms. Holoubek noted that recent legislation exempts District from use of electronic voting machines when less than 250 voters voted at the most recent directors election.

The Board discussed the rate of pay for election officials. After discussion, Director Molina moved that the Board set the pay for election officials at \$15 per hour. Director Davidson seconded the motion, which carried by unanimous vote.

ANNUAL REPORT REGARDING POST-ISSUANCE COMPLIANCE POLICY

Ms. Holoubek reported on the District's compliance activities during the prior calendar year related to bond financings. Ms. Holoubek stated that no corrective action is required at this time.

ANNUAL DISCLOSURE STATEMENTS FOR INVESTMENT OFFICER AND BOOKKEEPER

Ms. Holoubek stated that, in accordance with the District's Investment Policy, Lori Buckner as the bookkeeper and Alan Bentson as the Investment Officer are required to execute disclosure statements that disclose any relationships with banks and brokers who seek to sell investments to the District. She added that the disclosure statement will be filed with the Texas Ethics Commission and the District Records and updated whenever necessary. After review and discussion, Director Molina moved that the Board accept the disclosure statements pursuant to the District's Investment Policy and the Public Funds Investment Act. Director Davidson seconded the motion, which passed unanimously.

APPROVE AUDIT AND AUTHORIZE FILING WITH THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Ms. Greenwood reviewed a draft audit of the District's financial information for the fiscal year end September 30, 2015, a copy of which is attached to these minutes. Upon a motion made by Director Molina, seconded by Director Davidson, the Board voted unanimously to (1) approve the audit and management letter subject to final review and comments; and (2) authorize ABHR to file the audit and filing affidavit with the Texas Commission on Environmental Quality.

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 Davidson moved to accept the bookkeeper's report and pay the bills described therein, including handwritten checks on a separate list attached to these minutes which will be included in the February, 2016 meeting bookkeeping report. Director Molina 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 2015 tax levy to date and delinquent taxes from previous tax years.

After review and discussion, upon a motion by Director Davidson and a second by Director Maddox, the Board voted unanimously to accept the tax assessor/collector's report.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

The Board next considered authorizing renewal of the storm water quality permits for:

1. Villas at Canyon Lakes West;
2. Tealbrook, Section 3 off Enchanted Creek Drive;
3. Canyon Lakes West, Section 3 at 9600 Fry Road;
4. College Park West at 17800 Longenbaugh Road;
5. CLW Section 2; and
6. Gates at Canyon Lakes West.

Following review and discussion, Director Molina moved to authorize renewal of the storm water quality permits listed above. Director Davidson seconded the motion, which passed unanimously.

REVIEW OF LIST OF LOCAL GOVERNMENT OFFICERS

Ms. Holoubek reported that pursuant to Chapter 176 of the Texas Local Government Code, the District will maintain and update annually a List of Local Government Officers. Ms. Holoubek reviewed the List of Local Government Officers. After review and discussion, Director Molina moved to approve and authorize execution of the List of Local Government Officers and direct that the List be filed appropriately and retained in the District's official records. Director Davidson seconded the motion, which passed by unanimous vote.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 33 new residential taps were installed during the month of December 2015, reviewed routine maintenance and repairs within the District completed and ongoing during the month of December 2015, and requested that the Board approve the following repairs:

1. Repair of the booster pump no. 1 at water plant no. 1 for an estimated \$7,250;
2. Repair of booster pump no. 2 at water plant no. 2 for an estimated \$7,250;
3. Removal and inspection of lift pump no. 2 at lift station no. 1 for an estimated \$5,000; and
4. Installation of 75 inflow protectors in lift station no. 4 service area for an estimated \$7,500.

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

Following review and discussion, Director Davidson moved to approve the District operator's report. 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 or for nonpayment of delinquent property taxes. 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 Molina seconded the motion, which carried unanimously.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Christopher reported regarding 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 December, 2015 and requested authorization to make the following repairs:

1. Irrigation repairs in Amhurst Park for \$345; and
2. Replacement of an irrigation controller for \$462.87 in Tealbrook Park.

Following review and discussion, Director Maddox moved to approve the proposals listed above. The motion, which was seconded by Director Molina, passed unanimously.

COMMUNITY MEETING REGARDING RECREATIONAL AREAS

The Board discussed scheduling community meetings to discuss development and maintenance of and security in District parks.

MASTER PARKS PLAN

Mr. Byron reported regarding Mirabella, Section 2, landscaping improvements and recommended the Board approve Pay Application No. 8 in the amount of \$3,240, payable to Allgreen Associates.

The Board discussed Miramesa, Section 3, landscaping improvements and Mr. DeForest recommended the Board approve Pay Application No. 5 in the amount of \$61,674.69 and Change Order No. 2 crediting \$17,427 for a sidewalk.

Mr. Byron reported the status of Miramesa Section 6, landscaping improvements and recommended approval of Pay Application No. 1 in the amount of \$2,284 and Change Order No. 1 in the amount of \$18,266 for grading a pipeline easement

Following review and discussion, Director Davidson moved to approve the change orders and pay estimates discussed above. The motion, which was seconded by Director Maddox, passed unanimously.

ENGINEERING MATTERS

Mr. Salinas presented the engineer's report, a copy of which is attached, and reviewed the status of construction projects in the District.

Mr. Salinas discussed the status of drainage and paving facilities for West Road Crossing at the U-132, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Harris Construction in the amount of \$1,311,317.45. 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 Harris Construction, subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

Mr. Keel discussed the status of construction of water, sewer and drainage facilities for Cypress Springs South, Section 2, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities in the amount of \$523,150. 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 Harris Construction, subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

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

1. water plant no. 4, Pay Estimate No. 6 in the amount of \$53,550;
2. U-132, Phase II, Pay Estimate No. 3 in the amount of \$126,752.85;
3. Mirabella, Sections 8, 9, 10 and 11, Pay Estimate No. 3 in the amount of \$14,990.05; and
4. 11 lots on Mountindale, Pay Estimate No. 1 and Final in the amount of \$45,187.

With regard to water plant no. 4, Mr. Salinas also requested that the Board authorize 6 additional days to the original contract time, design of an off-site water line to serve the plant and authorize materials testing.

Following review and discussion, Director Molina moved to (1) approve the engineering report; (2) approve the pay estimates listed above; and (3) authorize 6 additional contract days for water plant no. 4. Director Davidson seconded the motion, which passed unanimously.

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

Mr. Christopher and Ms. Holoubek discussed abandoning the District's interest in certain water line easements in Mirabella, Section 6.

Mr. and Mrs. Townes requested the Board consider allowing them to fence in a reserve area adjacent to their lot to property maintain the lot. Following discussion, the Board concurred to authorize ABHR to move forward with the Townes and to authorize the Townes to choose and use their own surveyor to identify the parcel to be conveyed to the Townes.

GARBAGE COLLECTION SERVICES

Mr. Royal reported regarding garbage collection services.

DISTRICT WEBSITE

There was no discussion for this agenda item.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

Ms. Holoubek reported that the District's current insurance policies expire in April, 2016 and asked if the Board would like to request multiple proposals for renewal. Following discussion, the Board concurred to request a proposal from the District's current provider only.

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



LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

draft audit of the District's financial information for the fiscal year ending September 30, 2015.....	3
Bookkeeper's report, investment report, budgets, and a list of bills presented for payment.....	3
Tax assessor/collector's report	4
Termination list	5
Engineer's report.....	6