

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

September 1, 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 1st day of September, 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.; David Keel of DAC Services, Inc. ("DAC"); Patty Rodriguez of Bob Leared Interests, Inc.; Josh Board of H2O Consulting, Inc. ("H2O"); Shawn Byron of KGA/DeForest Design, LLC; Sean Killam of Jones & Carter, Inc. (J&C); Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Julie Ward of Read King Commercial Real Estate; Ryan Nesmith of Robert W. Baird & Co. Incorporated; Sherri Greenwood of BKD, Inc.; James Henrie of Land Tejas Development Company; 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 at ABHR.

MINUTES

The Board considered approving the minutes of the August 4, 2016, regular meeting. Following review and discussion, Director Davidson moved to approve the minutes. Director Molina seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS AND BUDGET FOR FISCAL YEAR
END SEPTEMBER 30, 2017

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.

AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2016

Ms. Greenwood next presented to the Board an engagement letter for conducting the District's audit for fiscal year ending September 30, 2016, 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, 2016. Director Molina seconded the motion, which was approved by unanimous vote.

2016 TAX RATE

Mr. Nesmith presented to and reviewed with the Board a cash flow analysis recommending that the District adopt a debt service tax rate of \$0.90 and an operations and maintenance tax rate of \$0.25. Upon a motion made by Director Maddox, and seconded by Director Davidson, 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 \$0.90 and an operations and maintenance tax rate of \$0.25, for a total levy of \$1.15, to be held at the District's October 6, 2016, meeting. The Board concurred that the proposed tax levy notice be posted to the District website.

Mr. Nesmith next reviewed an analysis of the effect of a general homestead exemption on the District's taxable value and budget.

BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2017

Ms. Buckner then reviewed a draft budget for the fiscal year end September 30, 2017. Following review and discussion, upon a motion by Director Davidson and a second by Director Greene, the Board voted unanimously to adopt the proposed budget for the fiscal year ending September 30, 2017.

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 Davidson 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, reported regarding taxes collected from the 2015 tax levy to date, delinquent taxes from previous tax years, and payment plans revoked for non-payment and discussed certified values for 2016.

Following discussion and review of the information provided by the taxpayer and the District tax assessor collector, Director Maddox moved to (1) accept the tax assessor/collector's report; and (2) authorize the District tax assessor collector to issue notice of intent to terminate services for nonpayment of delinquent taxes. Director Davidson seconded the motion, which passed unanimously.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

The Board next considered a maintenance letter to Harris County for maintenance of the Storm Water Quality Features at Miramesa Southeast Corner.

Following review and discussion, upon a motion by Director Molina and a second by Director Davidson, the Board voted unanimously to authorize renewal of the permits listed above.

OPERATION OF DISTRICT FACILITIES

Mr. Board distributed and reviewed a management and operations report, a copy of which is attached, including discussion regarding overflow events in the wastewater treatment plant and lift station no. 5 service area during recent heavy rain events, which were subsequently cleaned up and reported to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Board then presented the following proposals for Board consideration:

1. Proposal to install inflow protectors for sewer plant service area for an estimated cost of \$16,000; and

2. Proposal to install inflow protectors for Lift Station No. 5 service area for an estimated cost of \$16,000.

Mr. Board reported 32 new residential taps and 8 commercial taps were installed during the month of August, 2016, and reviewed routine maintenance and repairs within the District completed and ongoing during the month of August, 2016. The Board also discussed the District's water accountability for the month of August, 2016.

Mr. Board presented customer complaints and appeals, including letters and documents submitted by the customer, from:

1. Thomas and Alicia Cardin; 8110 Pine Creek Bend; requesting a bill adjustment for unexplained high water usage;
2. Nguyen Tan Plaza; 18910 FM 529; requesting a leak adjustment;
3. Milton Diaz; 19010 Yellow Thrush; requesting a payment plan;
4. Krystle Jeffrey; 19018 Broken Lance Lane; requesting a payment plan;
5. Valorie Allen; 19814 Garner Walk; requesting a payment plan;
6. Kristina Castillo; 7507 Legacy Pines; requesting a payment plan;
7. Chasity Wiles; 19611 Narcissus Brook; requesting a payment plan;
8. Frederick Lewis; 7243 Leaf Wind Road; requesting a payment plan;
9. Aleshia Broussard; 19807 Garner Walk; requesting a payment plan;
10. Betty Brown; 19818 Creston Cove Court; requesting a payment plan;
11. Lekeitha Alfred; 20110 Pioneer Ridge; requesting a payment plan;
12. Lawanda Williams; 19306 Yaupon Mist; requesting a payment plan; and
13. Lacey Staten; 19513 Providence Shore Way; complaining of delinquent fees.

Following review and discussion, Director Davidson moved to (1) approve the District operator's report; (2) approve the proposals listed above; (3) authorize the District operator to also offer payment plans to all accounts listed above requesting plans; (4) authorize the District operator to remove and test the meter at 8110 Pine Creek Bend, install an automated read meter and offer a payment plan to the customer at that address; (5) authorize the District operator to adjust the customer invoice for 18910 FM 529 to a 3 month average bill; and (6) authorize no action on other customer correspondence. The motion, which was seconded by Director Green, passed unanimously.

Mr. Board presented a list of delinquent customers and reported the residents on the termination list were delinquent in payment of their water and sewer bills and were given written notification, in accordance with the District's Rate Order, prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility services should not be terminated for reason of non-payment. Following review and discussion, Director Davidson moved to authorize termination of delinquent accounts in accordance with the District's Rate

Order and direct that the delinquent customer list be filed appropriately and retained in the District's official records. The motion was seconded by Director Green and passed by unanimous vote.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Ms. Ward, Mr. Killam, and Mr. Henrie 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 August, 2016. He also requested authorization to trim trees at Amhurst Park, Cypress Springs Park and Tealbrook Park for a combined total estimated of \$1,388. Following review and discussion, Director Davidson moved to (1) approve MSA's report; and (2) approve tree trimming at Amhurst Park, Cypress Springs Park and Tealbrook Park for a combined total estimated of \$1,388. The motion was seconded by Director Maddox and passed unanimously.

MASTER PARKS PLAN

Mr. Byron discussed the status of preparation of plans and specification for construction of landscaping improvements and presented a proposal for design of landscaping improvements for Fry Road and West Road Greenbelt at Northeast Corner.

Mr. Byron next discussed the status of landscaping improvements and projects in the District and recommended the Board approve Miramesa, Section 6 landscaping improvements; Pay Application No. 6 in the amount of \$990 and Pay Application No. 7 in the amount of \$990.

Mr. Byron next discussed the status of landscaping improvements in Miramesa, Section 7 and recommended the Board approve Pay Application No. 4 in the amount of \$612 and Pay Application No. 5 in the amount of \$43,488.67, payable to Westco Grounds Maintenance Co., Inc.

Mr. Byron next discussed the status of landscaping improvements and projects in the District and recommended the Board approve Miramesa, Section 5 landscaping improvements; Change Order No. 3 to lower a manhole.

Mr. Byron next discussed the status of landscaping improvements and projects in the District and recommended the Board approve Miramesa, Section 9 landscaping improvements; Pay Application No. 1 in the amount of \$26,430.93.

Mr. Byron next discussed the status of landscaping improvements and projects in the District and recommended the Board approve Miramesa, Sections 10 and 11 landscaping improvements; Pay Application No. 2 in the amount of \$96,095.70 and Pay Application No. 3 in the amount of \$71,462.93 and Change Order No. 1 in the amount of \$1,230 to cover a water meter deposit fee.

Mr. Byron next reviewed a Walk and Trail Master Plan and the Board concurred to request that KGA bring a proposal to the October 6, 2016 Board meeting for the design of the Greenhouse Road sidewalk.

Following review and discussion, Director Davidson moved to approve the proposal, Pay Applications and Change Orders discussed above. Director Molina seconded the motion, which 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.

The Board first discussed the status of design of a 12-inch water line to Water Plant No. 4, reviewed bids and Mr. Keel recommended the Board award the contract to the lowest qualified bidder, Lischka Utilities, in the amount of \$66,125. 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 Lischka Utilities. Director Molina seconded the motion which passed unanimously.

Mr. Keel next discussed the status of design of facilities to serve Miramesa, Section 1, reviewed bids and, upon the recommendation of Jones & Carter, Mr. Keel recommended the Board award the contract to the lowest qualified bidder, Lischka Utilities, in the amount of \$1,163,600. 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 Lischka Utilities. Director Molina seconded the motion which passed unanimously.

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

1. Towne Lake Greene, Section 4; Pay Estimate No. 3 and Final in the amount of \$44,485.23;
2. Detention to serve Town Lake Green; Pay Estimate No. 8 and Final in the amount of \$48,433.31, representing the District's share of the Pay Estimate;
3. Langham Creek Improvements, Phase 2 and Fill Site for Miramesa Town Center; Pay Estimate No. 7 and Final in the amount of \$157,015.36;

4. Water Plant No. 4; Pay Estimate No. 14 in the amount of \$78,554.05;
5. U-132 Detention Phase II; Pay Estimate No. 10 and Final in the amount of \$205,117.24;
6. Langham Creek, Phase 2 and fill plan for Miramesa South Tract; Pay Estimate No. 5 in the amount of \$358,950.15;
7. West Road, west of Fry Road and commercial utility extension; Pay Estimate No. 3 in the amount of \$17,590.34;
8. Drainage and paving for West Road Crossing at U-132; Pay Estimate No. 3 in the amount of \$245,177.37;
9. Rehabilitation of Lift Station No. 1; Pay Estimate No. 1 in the amount of \$56,250; and
10. Langham Creek Pilot Channel Restoration and Storm Water Quality Basin Project; Pay Estimate No. 1 in the amount of \$54,323.60, including approval of a Resolution Regarding Intent to Reimburse the District's operating fund from future bond proceeds.

Following review and discussion, Director Davidson moved to (1) approve the engineering report; (2) approve the pay estimates and change orders listed above; and (3) approve a Resolution Regarding Intent to Reimburse the District's operating fund for construction of Langham Creek Pilot Channel Restoration and Storm Water Quality Basin Project from future bond proceeds. Director Molina seconded the motion, which passed unanimously.

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

Ms. Holoubek presented for the Board's approval a Consent to Encroachment for the Panda Express proposed paving over HC 165's Storm Sewer Easement (HCCF No. 20150358504). Following review and discussion, upon a motion by Director Molina, and a second by Director Davidson, the Board voted unanimously to approve the conveyances/agreements listed above.

GARBAGE COLLECTION SERVICES

Directors Davidson and Green updated the Board regarding various garbage collection issues and complaints.

SECURITY REPORT

Director Bentson updated the Board regarding security and patrol in the District and a possible K-9 unit. The Board concurred to request that Mr. Board confirm that all plant lighting is operational.

DISTRICT WEBSITE

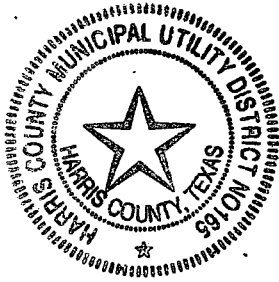
The Board received and reviewed a Google analytics report for District website traffic.

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



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