

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

October 5, 2017

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 5<sup>th</sup> day of October, 2017; at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, 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 Lissandra Williams, District resident; 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"); Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Stephen Eustis of Robert W. Baird & Co. Incorporated; Melanie Folkert and Mason Meyer of KB Home; Bob DeForest of KGA/DeForest Design, LLC; 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.

GARBAGE COLLECTION SERVICES

There was no discussion for this agenda item.

MINUTES

The Board considered approving the minutes of the September 7, 2017, 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

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, with check nos. 2103 and 2104 subject to receipt of developer funds from Charter Title. Director Molina seconded the motion, which passed unanimously.

## CASH REDEMPTION OF BONDS, NOTICE OF CASH REDEMPTION AND MATERIAL EVENT NOTICE

Ms. 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 commented regarding Internal Revenue Service rules regarding debt service fund balances. Mr. Eustis confirmed that the transaction will partially defease the District's Series 2011 Unlimited Tax Bonds and Series 2011 Unlimited Tax Refunding Bonds. After review and discussion, Director Davidson moved that the Board authorize the notices of the cash defeasance for the District's Series 2011 Unlimited Tax Bonds and part of the District's Series 2011 Unlimited Tax Refunding Bonds and approve an escrow agreement. Director Green seconded the motion, which carried unanimously.

## ARBITRAGE REBATE STUDY FOR DEFEASED BONDS

The Board took on action on this agenda item.

## PUBLIC COMMENT (CONTINUED)

Ms. Williams requested review of penalties and fees charged on her water bill and requested assistance in determining options available for bringing her account current and restoring service. The Board requested that H2O follow up with Ms. Williams.

## TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Rodriguez presented the tax assessor/collector's report and delinquent tax report, copies of which are attached, reviewed the checks presented for payment from the tax account, reported regarding taxes collected from the 2017 tax levy to date, delinquent taxes from previous tax years and the status of previously authorized

payment plans for delinquent tax balances. Ms. Rodriguez also reviewed the list of accounts recommended for termination due to nonpayment of property taxes by the District's delinquent tax attorney.

Following discussion, Director Molina moved to: (1) accept the tax assessor/collector's report and pay the bills described therein; and (2) authorize the District's tax assessor collector, delinquent tax attorney and District operator to proceed with notification and termination of accounts due to nonpayment of property taxes, as recommended by the District's delinquent tax attorney. Director Maddox 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 \$1.10 per \$100 valuation consisting of \$0.85 for debt service and \$0.25 for operations and maintenance. Upon a motion made by Director Molina 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.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

There was no discussion for this agenda item.

OPERATION OF DISTRICT FACILITIES AND HURRICANE HARVEY RELATED MATTERS

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

Mr. Hoffman reported 40 new residential taps were installed during the month of September, 2017, and reviewed routine maintenance and repairs within the District completed and ongoing during the month of September, 2017. The Board also discussed the District's water accountability for the month of September, 2017.

1. clean the digester at the wastewater treatment plant for an estimated cost of \$16,000;
2. repair leaking seals and pump on booster pump no. 3 at water plant no. 3 for an estimated cost of \$8,500;
3. install inflow protectors at lift station no. 1 for an estimated cost of \$10,000; and

4. install inflow protectors at lift station no. 10 for an estimated cost of \$12,600.

Mr. Hoffman presented the following customer appeals:

1. Stella Hiltpold; 19947 Crested Hill Lane; requesting a payment plan and leak adjustment;
2. Natasha Lynch; 19815 Garner Walk; requesting a leak adjustment; and
3. Curtis Kendlic; 19939 Sycamore Valley; requesting a leak adjustment.

Discussion ensued regarding the District's water interconnect with Harris County Municipal Utility District No. 157 ("No. 157") at Fry Road north of Texan Mart and amounts of water owed to No. 157.

Following review and discussion, Director Davidson moved to: (1) approve the District operator's report; (2) authorize the District operator to offer a leak adjustment and payment plan to District customer, Stella Hiltpold, as discussed; and (3) authorize the District operator to offer a leak adjustment to District customer, Natasha Lynch. The motion, which was seconded by Director Green, passed unanimously.

Mr. Hoffman next presented a list of delinquent customers, but said terminations will resume in November, 2017, as previously discussed.

The Board took no action regarding terminations or the customer appeal made by Curtis Kendlic.

#### REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Keel reported regarding recent development in the District.

Ms. Folkert reported that KH Homes is purchasing a tract owned by Ersa Grae and is scheduled to close in December, 2017. The Board next reviewed a Development Financing Agreement between the District and KB Home Lone Star, Inc. Following review and discussion, Director Davidson moved to approve the financing agreement. The motion was seconded by Director Molina and passed unanimously.

The Board discussed an inquiry regarding annexation of a 570 acre parcel of land and concurred to hold a special meeting on October 17, 2017, at 5:00 p.m. to discuss the proposed annexation.

#### PARK MAINTENANCE

Mr. Wailes reviewed a park and landscape management report, a copy of which is attached.

Mr. Wailes presented and recommended approval of the following proposals:

1. proposal for installation of landscaping and irrigation around lift station in the amount of \$10,738.56 at Amhurst Park;
2. proposal for rehabilitation of the bollards on the greenbelt in the amount of \$3,070.50; and
3. proposal for irrigation repairs in Amhurst, Cypress Springs and Tealbrook Parks in the amount of \$678.12.

Following review and discussion, upon a motion by Director Molina and a second by Director Maddox, the Board voted unanimously to: (1) approve the park management report; and (2) approve the proposals presented.

#### MASTER PARKS PLAN

Mr. DeForest presented a landscape architect report, a copy of which is attached, and presented a proposal for installation of landscaping around Canyon Lakes West detention pond for an estimated cost of \$257,368.

Mr. DeForest next discussed the status of construction of sidewalks on Greenhouse Road and recommended the Board approve Pay Application No. 3 in the amount of \$99,627.92 and Pay Application No. 4 in the amount of \$9,018, both payable to Stone Castle Constructors. Mr. DeForest also recommended approval of Change Order No. 1 to the contract increasing the contract in the amount of \$4,337. The Board determined that Change Order No. 1 is beneficial to the District.

Mr. DeForest reported the status of Miramesa, Section 3 pocket park improvements and recommended the Board approve Pay Application No. 4 in the amount of \$540.

Following review and discussion, Director Maddox moved to: (1) approve the proposal for installation of landscaping around Canyon Lakes West detention pond; (2) approve Pay Applications discussed above upon the recommendation of KGA; and (3) approve Change Order No. 1 in the amount of \$4,337 as an increase to the contract with Stone Castle Constructors, based upon the Board's finding that the Change Order is beneficial to the District and KGA's recommendation. Director Molina seconded the motion, which passed by unanimous vote.

#### ENGINEERING MATTERS

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

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

1. Water Plant No. 4; Pay Estimate No. 25 in the amount of \$202,503.90;
2. Miramesa Lift Station; Pay Estimate No. 3 in the amount of \$157,257;
3. Miramesa, Section 1; Pay Estimate No. 4 in the amount of \$11,769.64;
4. Miramesa, Section 3; Pay Estimate No. 2 in the amount of \$3,157.56 and Change Order No. 1 increasing the contract amount by \$750;
5. Miramesa, Section 9; Pay Estimate No. 3 in the amount of \$70,946.38;
6. Lift station no. 1 force main replacement; Pay Estimate No. 2 and Final in the amount of \$109,114.50 and Change Order No. 1 increasing the contract amount by \$19,708; and
7. Relocation of water and sewer lines on Great Elms Court; Pay Estimate No. 1 in the amount of \$62,622 and Change Order No. 1 increasing the contract amount by \$6,550.

Mr. Keel also discussed a request for a capacity commitment from Paloma Development Partners to serve 65,760 square feet of office space on 5.5871 acres.

Following review and discussion, Director Davidson moved to (1) approve the engineering report; (2) approve the pay estimates listed above; (3) approve the change orders listed above, based upon the Board's finding that the Change Order is beneficial to the District and the engineer's recommendation; and (4) approve a capacity commitment to Paloma Development Partners, as discussed above. Director Green seconded the motion, which passed unanimously.

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR USE OF SURPLUS FUNDS

The Board took no action on this agenda item.

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

There Board considered releasing a restrictive covenant on Reserve F of Cypress Springs, Section 3. Following review and discussion, upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to release the restrictive covenant on Reserve F of Cypress Springs, Section 3, as discussed.

SECURITY REPORT

The Board received a patrol report and discussed District patrol and security. Following discussion, the Board concurred to keep the same level of patrol staffing for 2018 and authorized ABHR to notify the Harris County Attorney.

DISTRICT WEBSITE

The Board received analytics and subscriber reports. There was no discussion for this agenda item.

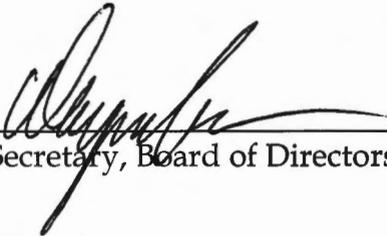
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

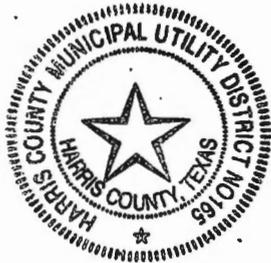
The Board received notice of a fee increase scheduled for January 1, 2018.

EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE

The Board determined it was not necessary to convene in executive session.

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

  
Secretary, Board of Directors



LIST OF ATTACHMENTS TO MINUTES

Minutes  
Page

|  |   |
|--|---|
| Bookkeeper's report, investment report, budgets, and a list of bills presented for<br>payment..... | 2 |
| tax assessor/collector's report and delinquent tax report.....                                     | 2 |
| management and operations report.....  | 3 |
| park and landscape management report.....  | 4 |
| landscape architect report.....  | 5 |
| engineer's report .....  | 5 |