

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

September 6, 2018

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 6<sup>th</sup> day of September, 2018, 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
Heath Richard Lyle	Assistant Vice President

and all of the above were present except Directors Lyle and Davidson, 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"); Kelly Aylesworth of WaterLogic; Stephen Eustis of Robert W. Baird & Co. Incorporated; Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Christie Leighton of Best Trash, LLC; Sherri Greenwood of BKD, Inc.; John Santisiero of Riverway Properties; David Morrison of Land Tejas Development Company; and Jessica Carr 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.

Ms. Aylesworth reviewed an assessment of irrigation controllers in recreational areas throughout the District and presented proposals for WaterLogic Water Management Technology and Services in these areas surveyed.

SERIES 2018 UNLIMITED TAX BONDS

Ms. Carr reported that the Texas Commission on Environmental Quality ("TCEQ") approved the District's application for projects and bonds. Mr. Eustis commented regarding current bond markets and discussed a proposed schedule for sale and closing of the District's Series 2018 Unlimited Tax Bonds (the "Bonds").

Mr. Eustis reviewed the Preliminary Official Statement and Notice of Sale ("POS"), for the District's proposed Unlimited Tax Bonds, Series 2018, \$3,535,000, a copy of which is attached.

Mr. Eustis recommended that the Board appoint Amegy Bank, a division of ZB, N.A. as the Paying Agent/Registrar for the Bonds.

After review and discussion, Director Molina moved that the Board (1) approve the POS, subject to final review; (2) authorize advertisement for sale of the Bonds; (3) schedule the sale of the Bonds on October 4, 2018 at 6:00 p.m.; and (4) appoint Amegy Bank, a division of ZB, N.A. as the Paying Agent/Registrar for the Bonds. Director Green seconded the motion, which carried unanimously.

### MINUTES

The Board considered approving the minutes of the August 2, 2018, regular meeting. Following review and discussion, Director Molina moved to approve the minutes, as submitted. Director Green seconded the motion, which passed unanimously.

### AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2018

Ms. Greenwood next presented to the Board an engagement letter for conducting the District's audit for fiscal year ending September 30, 2018, a copy of which is attached. She stated that the proposed fee for the annual audit is \$23,500. Following review and discussion, Director Molina moved that the Board engage BKD, LLP, to conduct the audit for fiscal year ending September 30, 2018. Director Green seconded the motion, which was approved by unanimous vote.

### FINANCIAL AND BOOKKEEPING MATTERS AND BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2019

Ms. Buckner presented and reviewed the bookkeeper's report. She discussed current public fund investment markets, reviewed the District's investment report, reviewed budget to actual revenues and expenses and variances and reviewed a draft budget for the fiscal year ending September 30, 2019. 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 (1) accept the bookkeeper's report, including payment of the bills listed; and (2) adopt the budget for fiscal year ending September 30, 2019, as discussed and amended. Director Green seconded the motion, which passed unanimously.

## ARBITRAGE REBATE REPORT FOR THE SERIES 2013

Ms. Carr next reviewed OmniCap Group LLC's arbitrage rebate and yield restriction calculation for the District's Series 2013 Bonds and said no rebate is due to the Internal Revenue Service.

## 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 2018 tax levy to date and delinquent taxes from previous tax years.

Following discussion and review of the information provided by the taxpayer and the District tax assessor collector, Director Molina moved to accept the tax assessor/collector's report and authorize payment of the bills. Director Green seconded the motion, which passed unanimously.

## 2018 TAX RATE

Mr. Eustis presented to and reviewed with the Board a cash flow analysis, recommending that the District adopt a debt service tax rate of \$0.80 and an operations and maintenance tax rate of \$0.25. A copy of the analysis is attached. Upon a motion made by Director Molina, and seconded by Director Green, 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 rate of \$0.80 and an operations and maintenance tax rate of \$0.25, for a total levy of \$1.05, to be held at the District's October 4, 2018, meeting. The Board concurred that the proposed tax levy notice be posted to the District website.

Mr. Eustis discussed a proposed partial redemption of the District's Series 2013 Unlimited Tax Bonds. Following discussion, the Board concurred to authorize an agenda item on the October 4, 2018 meeting agenda to consider authorizing notice of a partial cash defeasance for the District's Series 2013 Unlimited Tax Bonds.

## STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

The Board considered authorizing execution of an Affidavit to the Public with regard to the Stormwater Quality Management Plan for Mirabella. Following review and discussion, upon a motion by Director Molina and a second by Director Green, the Board voted unanimously to authorize execution of an Affidavit to the Public with regard to the Stormwater Quality Management Plan for Mirabella.

## OPERATION OF DISTRICT FACILITIES

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

The Board also discussed the District's water accountability for the month of August, 2018. Mr. Hoffman reported 29 new residential taps were installed during the month of August, 2018, reviewed routine maintenance and repairs within the District completed and ongoing during the month of August, 2018.

Mr. Hoffman discussed a potential theft of service following removal of the meter at 19803 Hidden Shadows for nonpayment. He said the customer removed 2 meters from nearby vacant properties and illegally reconnected service at 19803 Hidden Shadows. Mr. Hoffman said law enforcement has been notified and the meter has been permanently locked.

Mr. Hoffman reported deterioration of a force main manhole receiving sewage from lift station nos. 8, 10 and 11 and said DAC is evaluating the condition of the manhole.

Mr. Hoffman discussed additional issues with accessing the sanitary sewer line for point repairs at 19904 Westcliffe and 19906 Westcliffe.

Mr. Hoffman also reported settlement of a sanitary sewer line under the driveway at 7719 Prairie Fire and discussed estimated costs to make the repair.

Mr. Hoffman presented the following customer appeals:

1. Carla Teal; 18606 Tara Ashley; requesting assistance managing high usage;
2. Rebecca Adam; 19943 Mountain Dale; requesting an extension;
3. Vicci Lewis; 19903 Sycamore Valley; requesting an extension;
4. Iris Argueta; 19202 Yaupon Ridge; requesting a payment plan;
5. Aleshi Broussard; 19807 Garner Walk; requesting a leak adjustment and payment plan; and
6. Matthew Hollar; 9442 Jayci Hills; requesting a leak adjustment and payment plan.

Following review and discussion, Director Green moved to (1) approve the District operator's report; (2) authorize the District operator to offer payment plans to customers, Carla Teal, Rebecca Adams, Vicci Lewis and Iris Argueta; (3) approve a leak adjustment requested by customer, Aleshi Broussard, and authorize the District operator to offer a payment plan to the customer; and (4) authorize the District operator to offer a payment plan to customer, Matthew Hollar, and approve a leak adjustment,

subject to receipt of documentation pursuant to the District's leak adjustment policy. The motion, which was seconded by Director Molina, passed unanimously.

Mr. Hoffman next 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 Molina 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.

#### PARK MAINTENANCE AND NRCS/FEMA GRANTS

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

Following review and discussion, Director Green moved to approve the landscape management report. Director Molina seconded the motion, which passed unanimously.

#### MASTER PARKS PLAN

The Board reviewed a landscape architect report from KGA DeForest Design, LLC, a copy of which is attached.

Following review and discussion, Director Molina moved to (1) approve the landscape architect report; and (2) approve Pay Estimate No. 2 in the amount of \$18,598.50, payable to Westco, for Miramesa South landscape improvements. Director Green seconded the motion, which passed unanimously.

#### ENGINEERING MATTERS AND NRCS/FEMA GRANTS

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

Mr. Keel stated that bids were received for mass grading in Miramesa, Section 10. Upon the recommendation of Jones & Carter ("J&C"), Mr. Keel recommended that the Board award the contract to Principal Services, Ltd. in the amount of \$719,618.35. The Board concurred that, in its judgement, Principal Services, Ltd. was a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the project. Following review and discussion,

Director Molina moved to award the contract for mass grading in Miramesa, Section 10 to Principal Services, Ltd. in the amount of \$719,618.35, based upon J&C's recommendation and subject to approval of the payment and performance bonds and review of the certificate(s) of insurance and endorsements, if any, provided by the contractor. Director Green seconded the motion, which passed by unanimous vote.

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

1. Miramesa, Section 2; Pay Estimate No. 3 and Final in the amount of \$7,669.99;
2. Miramesa, Section 8; Pay Estimate No. 2 in the amount of \$11,412.35;
3. Lancaster Cured in Place Pipe ("CIPP"), Phase 1; Pay Estimate No. 1 in the amount of \$108,359.10 and Pay Estimate No. 2 in the amount of \$65,919.60;
4. Lancaster CIPP, Phase 2 (point repairs); Pay Estimate No. 1 in the amount of \$11,700, Pay Estimate No. 2 in the amount of \$42,232.50 and Pay Estimate No. 3 in the amount of \$11,340;
5. Generators at lift station nos. 1, 2 and 4; Pay Estimate No. 5 in the amount of \$18,217.80; and
6. Sanitary Sewer Overflow Initiative 2018; Pay Estimate No. 1 and Final in the amount of \$32,426.75.

The Board next considered approving a letter of utility/capacity commitment to Charter School Solutions, Inc.

Following review and discussion, Director Molina moved to (1) approve the engineering report; (2) upon the recommendation of the District engineer and Jones & Carter, approve the pay estimates listed above; (3) upon the recommendation of the District engineer, approve a utility commitment to Charter School Solutions, Inc.; and (4) authorize the District engineer to prepare plans and specifications for generators at lift station nos. 3, 5 and 10 and to line the manhole at 7719 Prairie Fire. Director Molina seconded the motion, which passed unanimously.

### BOND APPLICATIONS

Mr. Keel discussed the status of the District's proposed bond application no. 17. Ms. Carr reviewed a Resolution Authorizing Application to the TCEQ for Approval of Projects and Bonds. Following review and discussion, Director Green moved to (1) authorize application to the TCEQ as discussed for an amount not to exceed \$13,000,000; and (2) approve a Resolution Authorizing Application to the TCEQ for Approval of Projects and Bonds. Director Green seconded the motion, which passed unanimously.

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

The Board next approving the following conveyances by and to the District:

1. Consent to Encroach (Family of Faith);
2. Storm sewer easement (TLM-RK Miramesa South, LLC); and
3. Storm sewer easement (MREC LT Sterling Canyon Investments, LLC).

Following review and discussion, upon a motion by Director Molina and a second by Director Green, the Board voted unanimously to (1) grant a Consent to Encroachment for the benefit of Family of Faith; (2) accept a storm sewer easement from TLM-RK Miramesa South, LLC; and (3) accept a storm sewer easement from MREC LT Sterling Canyon Investments, LLC.

ANNEXATION MATTERS

There was no discussion for this agenda item.

SECURITY REPORT

Director Bentson reported regarding new patrol statistics reporting formats.

GARBAGE COLLECTION SERVICES

Ms. Leighton discussed current recyclable materials markets and industry cost increases.

DISTRICT WEBSITE

There was no discussion for this agenda item.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY ("WHCRWA")

Discussion ensued regarding chloramine conversion deadlines and discussions with the WHCRWA regarding the planning for District water plant no. 5.

DEVELOPMENT IN THE DISTRICT

Mr. Morrison reported regarding development in the District.

Ms. Carr and Mr. Santisiero discussed with the Board possible District purchase of the Langham Creek tract within the pending annexation tract at cost plus basis and then dedicating the tract to Harris County Flood Control for drainage impact credits.

EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE

Director Bentson announced the Board would convene in executive session at 7:45 p.m. to discuss pending or contemplated litigation.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION

The Board reconvened in regular session at 7:50 p.m.

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

  
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Secretary, Board of Directors





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