

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

February 6, 2014

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 6th day of February, 2014, 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.

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"); Mike Christopher of Jones & Carter, Inc.; Bob DeForest of KGA/DeForest Design, LLC; Stephen Eustis of RBC Capital Markets; James Henrie of Land Tejas Development Company; Vanessa Perez of Beazer Homes of Texas; Cherie Cross Hyatt, Amanda Mayberry and Andy Dean of Environmental Allies; Sergeant Mitch Hutter, Captain Romeo Chapa and Sergeant Phillip Bennett of Harris County Constable, Precinct 5 ("Precinct 5"); Courtney Culver of Faubus Keller, LLP; and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

There were no public comments.

MINUTES

The Board considered approving the minutes of the January 2, 2014, regular meeting. After review and discussion, Director Molina moved to approve the minutes of the January 2, 2014, regular meeting, as submitted. Director Maddox seconded the motion, which passed unanimously.

REPORT ON REFUNDING BOND ISSUE

Mr. Eustis reviewed a summary of a Series 2014 Unlimited Tax Refunding results, rating improvement through Moody's, refunding results comparison and a debt service savings summary.

SECURITY REPORT

Captain Romeo Chapa introduced the patrol supervisory team and said Sergeant Phillip Bennett will be the primary contact for the District. Captain Romeo Chapa said all ten officer positions have been filled. Captain Chapa said Commissioner Raddack has authorized use of the new Harris County Community Center in the District for use as a command post and staging office. Captain Chapa updated the Board on non-emergency numbers, vacation watch signup and Precinct 5 website. The Board concurred to authorize H2O to prepare a magnet with H2O's, WCA's and Precinct 5's contact information.

ACCLAIM ENERGY ADVISORS GEN MAX PROGRAM

The Board concurred to defer discussion until the March, 2014 meeting.

ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE, REIMBURSEMENT OF ELIGIBLE EXPENSES, AND SUMMER CONFERENCE

The Board discussed seminars and issues discussed at the Association of Water Board Directors winter conference. Upon a motion made by Director Molina and seconded by Director Davidson, the Board unanimously approved reimbursement of eligible expenses for Directors attending the winter conference and authorized attendance by the directors at the AWBD summer conference.

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. She also reviewed a budget amended to reflect increased garbage costs.

Following review and discussion, Director Davidson moved to accept the bookkeeper's report and pay the bills described therein and amend the budget for the fiscal year ending September 30, 2014 to reflect increased garbage costs. 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, reported regarding taxes collected from the 2013 tax levy to date and delinquent taxes. Ms. Rodriguez also reported businesses added to and deleted from the District's business listings under the District's Strategic Partnership Agreement with the City of Houston.

Ms. Rodriguez discussed with the Board fees charged by Comerica Bank and recommended that the Board consider authorizing her to close accounts at Comerica Bank and transfer to Wells Fargo Bank.

After review and discussion, upon a motion by Director Maddox and a second by Director Molina, the Board voted unanimously to (1) accept the tax assessor/collector's report; (2) approve payment of the bills; and (3) close accounts at Comerica Bank and transfer funds to Wells Fargo Bank.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 43 new residential taps during the month of January, 2014 reviewed routine maintenance and repairs within the District completed and ongoing during the month of January 2014.

The Board discussed the District's water accountability for the month of January, 2014 and capacity and monitoring of flows at the wastewater treatment plant.

Mr. Hoffman discussed the onsite lift station at the wastewater treatment plant and recommended replacing the control system and installing ventilation in the panel. He presented a proposal/estimate from NTS Pumps, Motors and Controls in the amount of \$3,250.

Mr. Hoffman also discussed the T-1 line at the wastewater treatment plant and water plant no. 3 and said he will bring a proposal for installation next month.

Director Bentsen requested H2O check all meters and interconnects to confirm that oversize meters are calibrated correctly and that all interconnects are metered and closed.

Mr. Hoffman discussed additional inspections fees to be paid as part of the tap fee.

Following review and discussion, Director Maddox moved to (1) approve the District operator's report; and (2) approve a proposal/estimate from NTS Pumps, Motors and Controls in the amount of \$3,250 to replace the control system and installing ventilation in the panel. 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. Director Maddox 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.

DISTRICT WEBSITE

The Board concurred to authorize the following revisions to the District website: update documents page, omit minutes before 2010 and update numbers for security/patrol.

GARBAGE REPORT

The Board requested the District's garbage provider attend the March meeting and provide pricing for larger garbage cans.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Ms. Perez, Mr. Henrie and Mr. Christopher reported homes sales and development in the District.

ERSA GRAE ANNEXATION

Ms. Holoubek discussed development of a tract in the District owned by Ersa Grae Corporation and possible annexation of an additional 150 acres.

MASTER PARKS PLAN AND PARK MAINTENANCE

The Board reviewed park maintenance and inspection schedule submitted by Lancaster Community Association, Inc. ("LCAI").

Mr. DeForest updated the Board on and reviewed plans for Option A for proposed improvements to the park at River Pines, including discussion of color and styles of park equipment. Director Maddox said he would coordinate with LCAI regarding park signage. Mr. Keel said he was preparing review sheets for submission for review at Harris County and discuss additional topographic surveying needed. Following review and discussion, Director Green moved to authorize additional topographic surveying requested and advertisement for bids for construction. The motion, which was seconded by Director Molina, passed unanimously.

Mr. Keel discussed with the Board landscaping design for Pine Creek at Canyon Lakes West Section 7, reviewed bids and, upon the recommendation of Clark Condon Associates, recommended the Board award the contract to the lowest qualified bidder, Bluegrass Maintenance, Inc. in the amount of \$104,429.20. After review and discussion, and because it would result in the best and most economical completion of the project, Director Green moved to approve the award of the contract to Bluegrass Maintenance, Inc., subject to verification of payment and performance bonds and insurance. 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 constructions projects in the District.

Mr. Christopher first reported regarding the status of design of Mirabella drainage improvements, phase I, reviewed five bids and recommended the Board award the contract to the lowest qualified bidder, Lonnie Lischka Company, LP, in the amount of \$1,892,915.61. 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 Lonnie Lischka Company, LP, subject to verification of payment and performance bonds and insurance. Director Maddox seconded the motion which passed unanimously.

Mr. Keel next reported regarding the construction of the lift station to serve Towne Lake Greene, and upon the recommendation of Edminster, Hinshaw, Russ & Associates, Inc. ("EHRA"), recommended the Board approve Pay Estimate No. 7 in the amount of \$28,253, payable to Peltier Brothers Construction, Ltd.

Mr. Keel next updated the Board on the status of construction of water, sewer and drainage improvements to serve Towne Lake Greene, Section 1, and upon the recommendation of EHRA, recommended the Board approve Pay Estimate No. 4 in the amount of \$20,922.55, payable to Monarch Civil Constructors.

Mr. Keel discussed progress of construction of water, sewer and drainage to serve Pine Creek at Canyon Lakes West, Section 6, and recommended the Board approve Pay Estimate No. 5 and Final in the amount of \$6,965.25, payable to Clearwater Utilities, Inc.

Mr. Keel discussed progress of construction of water, sewer and drainage to serve Pine Creek at Canyon Lakes West, Section 7, recommended the Board approve Pay Estimate No. 4 and Final in the amount of \$9,386.37, payable to Clearwater Utilities, Inc.

Mr. Keel discussed progress of construction of water, sewer and drainage to serve College Park West, Section 4, and upon the recommendation of Huitt-Zollars, Inc., recommended the Board approve Pay Estimate No. 2 in the amount of \$6,374.02, payable to Clearwater Utilities, Inc.

Mr. Keel also reported on the installation of security at water plant no. 2 and recommended payment of invoice nos. 14047 in the amount of \$22,931.33, 14048 in the amount of \$7,930.23 and 14049 in the amount of \$480, all payable to Today's Integration.

Following review and discussion, Director Molina moved to (1) approve the engineering report; and (2) authorize payment of estimate and invoices discussed above. Director Maddox seconded the motion, which passed unanimously.

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

The Board considered approving the following conveyances from MREC Sterling Canyon, LLC to the District, subject to attorney review:

1. Mirabella force main easement (0.1009 acre; 2.009 acres);
2. Mirabella, Section 4 storm sewer easement (0.0082 acre; 0.0132 acre; 0.331 acre; 0.3724 acre); and
3. Mirabella Phase II detention pond drainage easement (3.728 acres; 8.028 acres).

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

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

Mr. Christopher recommended the Board approve storm sewer maintenance letter agreements to Harris County for the extension of Mirabella Drive, Section 1, drainage facilities for West Road and Mirabella Drive, Mirabella, Section 1, Mirabella, Section 2, Mirabella, Section 3 and Phase 1 Mirabella drainage improvements. Maddox
Molina

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no additional discussion for this agenda item.

2014 DIRECTORS ELECTION

Ms. Holoubek reported the District is required to call the 2014 Directors Election by February 28, 2014. She presented an Order Calling Directors Election. Following review and discussion, Director Davidson moved to approve the Order Calling Directors Election and authorize posting of a Notice of Election, if necessary. The motion, which was seconded by Director Maddox, passed unanimously.

FACILITIES REPORT FOR INSURANCE PROVIDER

The Board next reviewed facilities and values scheduled for insurance coverage.

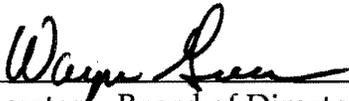
EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONSULT WITH ATTORNEY REGARDING SWWC SERVICES, INC., AND ANY DAMAGE INCURRED BY THE DISTRICT

At 7:40 p.m., Director Bentson announced that the Board would convene in executive session to consult with the District's attorney regarding SWWC Services, Inc.

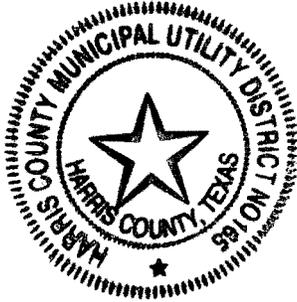
RECONVENE TO OPEN SESSION

The Board reconvened in open session at 7:50 p.m. Following discussion in executive session, Director Davidson moved to authorize Ms. Culver to negotiate a settlement offer on behalf of the District, as discussed in executive session, and to accept a settlement amount, subject to the District's fee agreement with Faubus Keller, LLP. Director Molina seconded the motion, which passed unanimously.

There being no additional business to consider, the meeting was adjourned at 7:54 p.m.


Secretary, Board of Directors

(SEAL)



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