

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

March 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 March, 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:

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| 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"); Brenda McLaughlin of Bob Leared Interests, Inc.; Josh Board of H2O Consulting, Inc. ("H2O"); James Henrie of Land Tejas Development Company; Greg Coleman of Beazer Homes of Texas; Cherie Cross Hyatt and Grant Williamson of Environmental Allies; David Koogler of Mark-Dana Corporation; Blake Kridel of Storm Water Solutions, LP; and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PRESENTATION REGARDING MARK-DANA CORPORATION

The Board received a presentation from Mark-Dana Corporation regarding a proposed tax credit multi-family project. The Board discussed utilities to serve the tract.

PUBLIC COMMENT

There were no public comments.

ACCLAIM ENERGY ADVISORS

Ms. Buckner noted a check received from Acclaim Energy Advisors for participation in the DLO365 program. There was no other discussion for this agenda item.

MINUTES

The Board considered approving the minutes of the February 6, 2014, regular meeting. After review and discussion, Director Molina moved to approve the minutes of the February 6, 2014, regular meeting, as submitted. Director Davidson 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 Molina moved to accept the bookkeeper's report and pay the bills described therein. Director Maddox seconded the motion, which passed unanimously.

ANNUAL REPORT

Ms. Holoubek reviewed an Annual Report containing updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the District's bond resolutions. Following review and discussion, Director Molina moved to approve the Annual Report, authorize the attorney to submit the District's updated financial and operating data in compliance with the continuing disclosure provisions contained in the bond resolutions, and direct that the Annual Report be filed appropriately and retained in the District's official records. Director Davidson seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. McLaughlin 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. McLaughlin 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. McLaughlin discussed correspondence received from taxpayer, William Blaylock, requesting a payment plan.

Ms. Holoubek presented at Depository Pledge Agreement with Wells Fargo Bank, as requested by Ms. Patty Rodriguez.

Ms. Holoubek presented a Resolution Concerning Exemptions from Taxation for the Board's consideration. Ms. Holoubek explained that the Resolution Concerning Exemptions from Taxation rejects a general homestead exemption, an exemption for travel trailers, and an exemption for charitable organizations, and adopts a \$20,000 exemption for individuals who are disabled or over 65 years of age. Following discussion, Director Molina moved to approve the Resolutions as presented. The motion was seconded by Director Davidson and passed unanimously.

Ms. Holoubek next reviewed a Resolution Requesting an Appraisal of Property and a Certificate of Estimated Value.

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; (3) approve a Resolution Concerning Exemptions from Taxation; (4) approve a Depository Pledge Agreement with Wells Fargo Bank; (5) approve a Resolution Requesting an Appraisal of Property and a Certificate of Estimated Value; and (6) authorize the District tax assessor collector to extend a payment plan for delinquent taxes to William Blaylock.

OPERATION OF DISTRICT FACILITIES

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

Mr. Board reported 65 new residential taps during the month of February, 2014 reviewed routine maintenance and repairs within the District completed and ongoing during the month of February, 2014.

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

Mr. Board reviewed an annual report on the implementation of the Water Conservation Plan.

Mr. Board discussed making modifications to the dumpster collection facilities at the wastewater treatment plant for an estimated cost of \$2,700.

Mr. Board next discussed removing base material of the old wastewater treatment plant site and use the material at lift station no. 8 for access to the driveway for an estimated cost of \$2,800.

Mr. Board then requested approval to clean sand and silt from digester no. 3 at the wastewater treatment plant for an estimated cost of \$6,000.

Mr. Board discussed with the Board a request from customer, Bertha Walton, requesting refund of penalty fees. He also reviewed a letter from customer, Letisha Williams, requesting additional time to pay her bill.

The Board reviewed options for magnets with District service contacts and directed the operator to order View No. 1.

Following review and discussion, Director Maddox moved to (1) approve the District operator's report; (2) approve modifications to the dumpster collection facilities at the wastewater treatment plant for an estimated cost of \$2,700; (3) authorize removal of base material at the old wastewater treatment plant site for use at lift station no. 8 for access to the driveway for an estimated cost of \$2,800; (4) approve cleaning sand and silt from digester no. 3 at the wastewater treatment plant for an estimated cost of \$6,000; (5) authorize the District operator to make a Water Smart application; and (6) authorize the District operator to extend a 90 day payment plan to Letisha Williams. The motion, which was seconded by Director Davidson, passed unanimously.

The Board then conducted a hearing on the termination of water service to delinquent utility accounts. Mr. Board 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 Davidson seconded the motion, which carried unanimously.

DROUGHT CONTINGENCY PLAN

The Board next reviewed the District's Drought Contingency Plan. Following discussion, the Board concurred that no revisions were necessary.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Coleman, Mr. Keel and Mr. Henrie reported homes sales and development in the District.

MASTER PARKS PLAN AND PARK MAINTENANCE

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

Mr. Keel discussed with the Board construction of landscaping for Pine Creek at Canyon Lakes West Section 7, and presented contracts for execution.

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.

Mr. Keel first requested authorization to design and prepare plans and specifications for Pine Creek at Canyon Lakes West, Sections 10 and 11.

Mr. Christopher first reported regarding the status of construction of Mirabella drainage improvements, phase I and presented contracts for signature.

Mr. Keel next discussed recoating and repair options for water plant no. 2. The Board discussed completing item nos. 1, 2 and 3 in the amount of \$64,480 and schedules for completing the remaining item at a future date.

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. 8 in the amount of \$475, and Pay Estimate No. 9 and Final in the amount of \$31,518.80, both payable to Peltier Brothers Construction, Ltd.

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. 3 in the amount of \$8,090.40, payable to Clearwater Utilities, Inc.

Mr. Keel reported the status of the District's sanitary sewer initiative, and recommended the Board award the contract to the lowest qualified bidder, Cruz Tec, in the amount of \$27,658.05. 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 Clearwater Utilities, Inc., subject to verification of payment and performance bonds and insurance. Director Molina seconded the motion which passed unanimously.

Mr. Keel also discussed a development of 18,000 square feet of warehouse storage proposed at 19410 FM Highway 529. Ms. Holoubek then presented a utility commitment letter to 3 Links Holdings, Inc.

Following review and discussion, Director Davidson moved to (1) approve the engineering report; (2) authorize the District engineer to design and prepare plans and

specifications for Pine Creek at Canyon Lakes West, Sections 10 and 11; (3) authorize payment of estimate and invoices discussed above; (4) authorize options 1, 2 and 3 for recoating and repair at water plant no. 2 and authorize ABHR to provide notice to the Texas Commission on Environmental Quality ("TCEQ") for use of available surplus funds pursuant to 30 T.A.C. § 293.83(c)(3)(A); and (5) approve a utility commitment letter to 3 Links Holdings, Inc. for development of 18,000 square feet of warehouse storage proposed at 19410 FM Highway 529. Director Molina 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. West Road Right of Way easement (3.79 acres), subject to verification of ownership and liens;
2. Mirabella Drive easements (1.141 acre water line easement, 0.0760 acre storm sewer easement, 0.0577 acre sanitary sewer easement and 1.039 acre sanitary sewer easement), subject to verification of ownership and liens;
3. Mirabella Section 2 Easements:
 - a. Sanitary Sewer Easement (0.0115 Acre and 0.0143 Acre);
 - b. Storm Sewer Easement (0.0115 Acre and 0.0115 Acre);
 - c. Water Line Easement (0.0057 Acre and 0.0058 Acre);
4. Mirabella Section 3 Easements:
 - a. Sanitary Sewer Easement (0.0073 Acre and 0.0086 Acre);
 - b. Storm Sewer Easement (0.0231 Acre and 0.0413 Acre);
 - c. Water Line Easement (0.0035 Acre and 0.0046 Acre);
5. Mirabella Drive Easements:
 - a. Sanitary Sewer Easement (1.087 Acres);
 - b. Water Line Easement (0.0085 Acre);
6. Mirabella Sanitary Force Main Easements:
 - a. Sanitary Force Main Easement (0.0762 Acre and 0.0930 Acre);
 - b. Sanitary Force Main Easement (0.2427 Acre); and
 - c. Sanitary Force Main Easement (0.3108 Acre).

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

RENEWAL OF DISTRICT'S INSURANCE POLICIES

The Board next reviewed an insurance renewal proposal from Anco McDonald Waterworks. Mr. Keel and Mr. DeForest confirmed that the District Facilities report contained in the renewal proposal is correct. Upon a motion by Director Molina and a second by Director Maddox, the Board voted unanimously to authorize renewal of the District's insurance policies through Anco McDonald Waterworks.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

Ms. Hyatt-Cross discussed and the Board reviewed storm water management bids from Environmental Allies. Mr. Kridel reviewed services, including permitting, performed by Storm Water Solutions and budgeted funds unspent in 2012.

SECURITY REPORT

The Board reviewed written reports for calls and patrol during February 2014.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no additional discussion for this agenda item.

2014 DIRECTORS ELECTION

Ms. Holoubek discussed procedures related to the 2014 Directors Election. She presented a Certificate Declaring Unopposed Status of Candidates for Election to the Board of Directors executed by the Secretary's agent stating that the District received three candidate applications for the three director positions for the May 10, 2014, Directors Election. Following review and discussion, Director Molina moved to accept the Certificate Declaring Unopposed Status of Candidates for Election to the Board of Directors. Director Maddox seconded the motion, which passed unanimously.

Ms. Holoubek presented an Order Cancelling Election and Declaring Unopposed Candidates Elected to Office stating that the May 10, 2014, Directors Election is cancelled and that the unopposed candidates, David Molina, Wayne Greene and Keith Maddox, are declared elected to office to serve from the May 10, 2014, election until the May 12, 2018, Directors Election. Following review and discussion, Director Molina moved to adopt the Order Cancelling Election and Declaring Unopposed Candidates Elected to Office. The motion was seconded by Director Maddox and passed unanimously.

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

The Board determined no executive session was necessary.

There being no additional business to consider, the meeting was adjourned at 7:52 p.m.



Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

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