

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

April 3, 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 3rd day of April, 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; James Henrie of Land Tejas Development Company; Greg Coleman of Beazer Homes of Texas; Blake Kridel of Storm Water Solutions, LP; and Brooks Hamilton 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 March 6, 2014, regular meeting. After review and discussion, Director Molina moved to approve the minutes of the March 6, 2014, regular meeting, as submitted. Director Maddox seconded the motion, which passed unanimously.

ARBITRAGE REBATE STUDY FOR SERIES 2004 BONDS

The Board next considered engaging Omnicap, LLC to conduct an arbitrage rebate study for the District's Series 2004 Bonds. Upon a motion by Director Molina and a second by Director Maddox, the Board voted unanimously to approve an arbitrage rebate study for the District's Series 2004 Bonds.

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.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 44 new residential taps during the month of March, 2014 reviewed routine maintenance and repairs within the District completed and ongoing during the month of March, 2014.

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

Mr. Hoffman discussed the auto dialer at the wastewater treatment plant and recommended replacing it with a 24 channel dialer for an estimated cost of \$5,700.

Mr. Hoffman discussed the District's accountability and efforts to identify water loss locations. He said a water main break was identified and repaired.

The Board next considered customer appeals from Brandon Walton and Katherine Fluornoy. Following review of information provided by both the customer and the operator, the Board concurred to authorize the District operator to offer customers a payment, if requested.

Following review and discussion, Director Molina moved to (1) approve the District operator's report; and (2) approve replacement of the auto dialer at the wastewater treatment plant with a 24 channel dialer for a cost not to exceed \$5,700. The motion, which was seconded by Director Davidson, passed unanimously.

Mr. Hoffman presented the District's annual water loss audit to the Board. After review and discussion, Director Molina moved to approve the annual water loss audit, direct that the audit be filed appropriately and retained in the District's official records,

and authorize the operator to file the audit with the appropriate government agencies. Director Maddox seconded the motion, which passed by unanimous vote.

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 Molina 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.

ANNUAL REVIEW AND REPORT FROM OPERATOR ON IDENTITY THEFT PREVENTION PROGRAM

Mr. Hoffman distributed and reviewed an annual report on the District's Identity Theft Prevention Program ("Program") reflecting the effectiveness of the Program in addressing Identity Theft risk. He noted that H2O is required to prepare an annual report as Program Administrator. Mr. Hoffman stated that the annual report indicates no significant incidents of Identity Theft detection and recommends no changes to the Program at this time. After review and discussion, Director Molina moved to accept the annual report on the Program and direct that it be filed appropriately and retained in the District's official records. Director Davidson seconded the motion, which carried 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.

After review and discussion, upon a motion by Director Molina and a second by Director Davidson, the Board voted unanimously to (1) accept the tax assessor/collector's report; and (2) approve payment of the bills.

ORDER ADOPTING AMENDED AND RESTATED DROUGHT CONTINGENCY PLAN

Ms. Hamilton stated that the Texas Commission on Environmental Quality ("TCEQ") rules require that the District review and adopt an Amended and Restated Drought Contingency Plan in 2014, prior to May 1st. Ms. Hamilton reviewed an Amended and Restated Drought Contingency Plan with the Board. After review and discussion, Director Molina moved to adopt an Order Adopting Amended and Restated Drought Contingency Plan; Providing for Implementation and Enforcement Thereof; Providing Penalties for Violations; and Containing Other Provisions Related to the Subject and direct that the Order be filed appropriately and retained in the District's official records. Director Davidson seconded the motion, which passed by unanimous vote.

APPROVE WATER CONSERVATION PLAN ANNUAL REPORT AND IMPLEMENTATION REPORT ON THE WATER CONSERVATION PLAN

The District's operator reviewed the Water Conservation Plan annual report and 5-year implementation report on the Water Conservation Plan with the Board. After review and discussion, Director Molina moved to approve the annual report and 5-year implementation report on the Water Conservation Plan, direct that the reports be filed appropriately and retained in the District's official records, and authorize the District Operator to submit the reports to the appropriate government agencies. Director Davidson seconded the motion, which passed by unanimous vote.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Coleman, Mr. Henrie and Director Bentson on behalf of DR Horton reported homes sales and development in the District.

MOWING, STORM WATER MAINTENANCE AND PERMITTING SERVICES

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. Following review and discussion, the Board concurred to take no action and authorize ABHR to notify Ms. Hyatt-Cross.

MASTER PARKS PLAN AND PARK MAINTENANCE

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

Ms. Perez updated the Board regarding conveyance of a recreational easement over landscaping for Pine Creek at Canyon Lakes West Section 7.

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. Keel first discussed the status of construction of water, sewer and drainage to serve Towne Lake Greene, Section 1 and, upon the recommendation of Edminster, Hinshaw, Russ & Associates, Inc. ("EHRA"), recommended the Board approve Pay Estimate No. 5 in the amount of \$35,536 and Pay Estimate No. 6 and Final in the amount of \$14,673.59, both payable to Monarch Civil Constructors.

Mr. Christopher reported on the status of construction of detention for West Road and Mirabella Drive and recommended the Board approve Pay Estimate No. 1 in the amount of \$36,900, payable to Environmental Industrial Services Group.

Mr. Christopher reported 7 bids received for construction of water, sewer and drainage to serve Mirabella, Section 2 and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, in the amount of \$910,500. After review and discussion, and because it would result in the best and most economical completion of the project, Director Maddox 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. Christopher reported 4 bids received for construction of water, sewer and drainage to serve Mirabella, Section 3 and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, Inc., in the amount of \$918,300. After review and discussion, and because it would result in the best and most economical completion of the project, Director Maddox 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. Christopher reported bids received for construction of water, sewer and drainage to serve Mirabella Drive and recommended the Board reject all bids and authorize Jones & Carter to re-bid the project with adjusted quantities for casings and borings. Following review and discussion, Director Molina moved to reject all bids for construction of water, sewer and drainage to serve Mirabella Drive and authorize Jones & Carter to re-bid the project with adjusted quantities for casings and borings. The motion, which was seconded by Director Maddox, passed unanimously.

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:

Mirabella, Section 4 Easements:

1. Waterline Easement (0.0739 Acre);
2. Storm Sewer Easement (0.0573 Acre);
3. Sanitary Sewer Easement (0.0097 Acre);
4. Utility Easement (0.0149 Acre);
5. Waterline Easement (0.0348 Acre);
6. Storm Sewer Easement (0.0052 Acre);
7. Sanitary Sewer Easement (0.0046 Acre);
8. Waterline Easement (0.0261 Acre);
9. Utility Easement (0.0388 Acre);
10. Sanitary Sewer Easement (0.0069 Acre);
11. Waterline Easement (0.0077 Acre);
12. Utility Easement (0.0149 Acre);
13. Storm Sewer Easement (0.0406 Acre);
14. Sanitary Sewer Easement (0.0115 Acre); and
15. Storm Sewer and Drainage Easement (0.1356 Acre).

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

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

The Board next reviewed a Service Agreement by and between the District and Cleansite, Inc. for storm water prevention during construction and stabilization of projects at Mirabella on Fry Road.

Mr. Kridel also reported that the storm water quality permit for College Park West Sections 3 and 4 now fall within District and is eligible to be transferred to the District.

Following review and discussion, Director Davidson moved to approve a Service Agreement by and between the District and Cleansite, Inc. for storm water prevention during construction and stabilization of projects at Mirabella on Fry Road and authorize transfer ownership of the storm water quality permit for College Park West Sections 3 and 4 to the District. The motion was seconded by Director Molina and passed unanimously.

SECURITY REPORT

The Board discussed for calls and patrol during February 2014.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no additional discussion for this agenda item.

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 7:07 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 7:09 p.m. Following discussion in executive session, Director Davidson moved to accept a settlement offer as discussed in executive session. Director Maddox seconded the motion, which passed unanimously.

The Board determined no executive session was necessary.

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

(SEAL)




Secretary, Board of Directors

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