

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

May 1, 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 1<sup>st</sup> day of May, 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 except Director Molina, 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"); Mike Christopher of Jones & Carter; Tommy Weaver of Friendswood Development Company; Jerry Hlozek of DR Horton; Bo Egbert of Waste Corporation of America ("WCA"); James Henrie of Land Tejas Development Company; Ryan Nesmith of RBC Capital Markets; Bob DeForest of KGA DeForest Design, LLC; Keith Schoonover, consultant for Beazer Homes of Texas; Blake Kridel of Storm Water Solutions, LP; and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the April 3, 2014, regular meeting. After review and discussion, Director Maddox moved to approve the minutes of the April 3, 2014, regular meeting, as submitted. Director Davidson seconded the motion, which passed unanimously.

PUBLIC COMMENT

Mr. Egbert discussed WCA's service to the District, revising information regarding holiday collection schedules on the website and sending mailouts with collection schedules to residents.

Mr. Nesmith discussed a tentative schedule of events for the District's pending Series 2014 bond issue, including scheduling a special meeting on May 22, 2014 to approve a preliminary official statement.

#### TRAVEL REIMBURSEMENT GUIDELINES AND DIRECTOR EXPENSES FOR ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE

The Board discussed the upcoming Association of Water Board Directors ("AWBD") summer conference. After discussion, Director Maddox moved to authorize a maximum of 4 per diems, 3 hotel nights and 2 meals per day for all directors who attend the AWBD summer conference, noting that meal reimbursements must meet the requirements of the Travel Reimbursement Guidelines. The motion was seconded by Director Davidson, and passed unanimously.

#### ARBITRAGE REBATE REPORT FOR SERIES 2004 BONDS

Ms. Holoubek next reviewed with the Board an arbitrage rebate analysis report for the District's Series 2004 bonds and said the report concludes that no rebate is due the Internal Revenue Service.

#### 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 Maddox moved to accept the bookkeeper's report and pay the bills described therein. Director Davidson 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.

After review and discussion, upon a motion by Director Davidson and a second by Director Maddox, the Board voted unanimously to (1) accept the tax assessor/collector's report; (2) approve payment of the bills; and (3) approve a

Resolution Requesting an Appraisal of Property and a Certificate of Estimated Value as of May 1, 2014.

#### OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 36 new residential taps during the month of April, 2014 reviewed routine maintenance and repairs within the District completed and ongoing during the month of April, 2014.

The Board discussed the District's water accountability for the month of April, 2014, capacity and monitoring of flows at the wastewater treatment plant and response to the Texas Commission on Environmental Quality ("TCEQ") regarding an overflow on Sycamore Valley.

Following review and discussion, Director Davidson moved to approve the District operator's report. The motion, which was seconded by Director Maddox, 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 Davidson 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 Maddox seconded the motion, which carried unanimously.

Mr. Hoffman next reviewed the District's Critical Load List and explained that the District is required to file annually with the Office of Homeland Security & Emergency Management, Public Utility Commission of Texas and the Texas Division of Emergency Management, whether or not the District has made any facility or personnel changes. Ms. Holoubek said that the District engineer and operator have reviewed the revised Critical Load List and verified that the information is accurate.

Mr. Hoffman reviewed a proposed Consumer Confidence Report with the Board and said that he will work with Mr. Hoffman to finalize the report and mail it out to customers by July 1, 2014. After review and discussion, upon a motion by Director Davidson and a second by Director Maddox Board voted unanimously to authorize the

operator to mail the Consumer Confidence Report to District customer and to file the Consumer Confidence Report with the TCEQ subject to final approval by the district operator.

#### INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT

The Board next considered sponsorship of half of the 4<sup>th</sup> grade enrollment at Andres Elementary for participation in the Water Wise Program. Upon a motion by Director Maddox and a second by Director Davidson, the Board unanimously approved participation.

#### REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Hlozek, Mr. Schoonover, Mr. Weaver and Mr. Henrie reported homes sales and development in the District.

Ms. Holoubek discussed a request from Decatur Bank to annex a 2.765 acre tract east of the Northeast Corner of FM 529 and Greenhouse Road. Following discussion, the Board concurred to invite the petitioner to submit a petition to the District and consider a letter annexation agreement on the District's June, 2014 regular meeting agenda.

#### MASTER PARKS PLAN AND PARK MAINTENANCE

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

The Board next considered accepting a recreational easement from LCAI for River Pines Park.

Mr. DeForest submitted plans and specifications for the proposed River Pines Park and discussed permitting and construction schedules. Upon a motion by Director Davidson and a second by Director Maddox, the Board voted unanimously to (1) authorize KGA to advertise for bids for construction for River Pines Park; and (2) accept a recreational easement from LCAI for River Pines Park.

#### WEEKLEY PARK

Ms. Holoubek reported that Harris County Precinct 3 is requesting the District's participation to assist in the development of Weekly Park facilities by providing water and sewer service for a restroom and maintenance building at 19110 Longenbaugh, at in District fees and rates. Director Maddox moved to approve an Out of District Services

Agreement for Weekly Park. The motion, which was seconded by Director Davidson, 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. Keel reported 5 bids received for construction of water, sewer and drainage to serve Pine Creek at Canyon Lakes West, Section 9 and recommended the Board award the contract to the lowest qualified bidder, CrossTex Construction, in the amount of \$667,748. 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 CrossTex Construction, subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

Mr. Keel reported 2 bids received for construction of water, sewer and drainage to serve Towne Lake Greene, Section 4 and, upon the recommendation of Edminster, Hinshaw, Russ & Associates, Inc., recommended the Board award the contract to the lowest qualified bidder, Harris Construction Company, Ltd., in the amount of \$421,544.85. 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 Harris Construction Company, Ltd., subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

Mr. Christopher reported 4 bids received for construction of Mirabella Drive and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, Inc., in the amount of \$1,536,000. 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 Davidson seconded the motion which passed unanimously.

Mr. Christopher discussed construction of Mirabella, Section 4. Following discussion, Director Maddox moved to authorize the Board President to review bids received and award the contract to the lowest qualified bidder, subject to review of payment and performance bonds. Director Davidson seconded the motion, which passed unanimously.

Mr. Keel next reported the status of construction of the following projects and recommended payment of associated estimates and invoices and approval of change orders listed:

1. Canyon Lakes West, Section 10, Pay Estimate no. 5 and Final in the amount of \$16,005.48, payable to Jaho Incorporated;
2. College Park West, Section 3, Pay Estimate No. 5 in the amount of \$21,377.68, payable to Clearwater Utilities, Inc. and Change Order No. 2 for a net decrease of \$48,226;
3. Canyon Lakes West, Section 11, Pay Estimate No. 4 and Final in the amount of \$11,417.39, payable to Jaho Incorporated; and
4. College Park West, Section 4, Pay Estimate No. 4 and Final in the amount of \$5,393.60, payable to Clearwater Utilities, Inc. and Change Order No. 1 for a net decrease of \$23,120.

Mr. Christopher next reported the status of construction of the following projects and recommended payment of associated estimates and invoices and approval of change orders listed:

1. Mirabella Lift Station, Change Order No. 1 for a net increase in the amount of \$2,600 and Pay Estimate No. 1 in the amount of \$72,000, payable to Liftwater Construction, Inc.;
2. Phase I Mirabella Drainage Improvements, Change Order No. 1 for a net increase in the amount of \$7,000 and Pay Estimate No. \$45,122.85, payable to Lonnie Lischka Company, LP;
3. West Road and Mirabella Drive and Outfall to Langham Creek, Change Order No. 1 for a net increase in the amount of \$38,688 and Pay Estimate No. 1 in the amount of \$545,286.69, payable to Clearwater Utilities, Inc.; and
4. Detention Facilities for West Road and Mirabella Drive, Change Order No. 1 for a net increase of \$72,325.40 and Pay Estimate No. 2 in the amount of \$56,250, payable to Environmental Industrial Services Group, Inc.

Following review and discussion, Director Davidson moved to (1) approve the engineering report; (2) authorize payment of estimate and invoices discussed and recommended above; and (3) approve change orders, as listed and recommended above. Director Green seconded the motion, which passed unanimously.

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

The Board next considered accepting from MREC Sterling Canyon, LLC for sanitary control easements for water plant no. 4 and a remote well site. Following

review and discussion, Director Davidson moved to accept sanitary control easements for water plant no. 4 and a remote well site. Director Green seconded the motion, which passed unanimously.

The Board also considered the following conveyances:

1. Abandonment of Temporary Lift Station Easement;
2. Partial Abandonment of Water Line Easement;
3. Partial Abandonment of Temporary Sanitary Sewer Easement; and
4. Partial Abandonment of Temporary Access Easement.

Upon a motion by Director Davidson and a second by Director Green, the Board voted unanimously to authorize the abandonments listed above.

#### STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

Mr. Kridel presented storm water permit renewal applications for Remington Grove and Yaupon Ranch.

Following review and discussion, Director Davidson moved to approve renewal of storm water permits for Remington Grove and Yaupon Ranch. The motion was seconded by Director Green and passed unanimously.

#### SECURITY REPORT

The Board discussed for calls and patrol during April 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

The Board determined no executive session was necessary.

Ms. Holoubek reported SWWC Services, Inc. accepted the District's offer and said a settlement agreement is forthcoming.

There being no additional business to consider, the meeting was adjourned at 7:21 p.m.

  
Secretary, Board of Directors

(SEAL)





LIST OF ATTACHMENTS TO MINUTES

Minutes  
Page

bookkeeper's report, investment report, budgets, and a list of bills presented for payment.....	2
tax assessor/ collector's report .....	2
termination list .....	3
engineer's report .....	5