

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

August 7, 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 7th day of August, 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"); Bo Egbert of WCA Waste Corporation of Texas ("WCA"); Bob DeForest of KGA/DeForest Design, L.L.C.; Karen Sears of Acclaim Energy Advisors; Clayton Chabannes of Jones & Carter, Inc.; Nathan Wang of Clay & Company; Blake Propst of Read King Commercial Real Estate; James Henrie of Land Tejas Development Company Keith Schoonover, consultant for Beazer Homes of Texas; and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

Mr. Egbert updated the Board on WCA's service to the District.

MINUTES

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

ACCLAIM ENERGY ADVISORS

Ms. Sears discussed current energy market pricing, expiration of the District's current electricity contract in February 2015 and available options for renewal.

Following review and discussion, Director Molina moved to enter into a 36 month contract with Frontier Utilities following expiration of the District's current energy contract in February, 2015. Director Maddox seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS AND BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2015

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 and a draft of the budget for the fiscal year ending September 30, 2015. Copies of the bookkeeper's report, investment report, budgets, and a list of bills presented for payment, are attached.

Following review and discussion, Director Davidson moved to (1) accept the bookkeeper's report and pay the bills described therein; and (2) adopt the proposed budget for the fiscal year ending September 30, 2015. 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 and 2014 preliminary values.

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

2014 TAX RATE

The Board took no action on this agenda item.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 55 new residential taps during the month of July, 2014 reviewed routine maintenance and repairs within the District completed and ongoing during the month of July, 2014.

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

Mr. Hoffman next reported commercial meter testing results and requested approval to replace or repair meters identified for an estimated cost of \$17,450.

Mr. Hoffman next discussed customer appeals from Alex Dehoyos at 19929 Mountain Dale Drive and Brenda Wilson at 7310 Greenwood Point and reviewed account histories for each. Following review and discussion, the Board concurred to authorize the District operator to offer payment plans, as discussed, to both customers filing an appeal. Mr. Hoffman also updated the Board regarding a previously reported suspected water theft.

Following review and discussion, Director Davidson moved to (1) approve the District operator's report; and (2) approve replacement or repair of commercial meters identified in the District operator's report for an estimated cost of \$17,450. 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 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 Molina seconded the motion, which carried unanimously.

The Board next discussed amending the District Rate Order to comply with the recent amendment of Section 1417(a) (1) of the Safe Drinking Water Act reducing the allowable lead content for drinking water pipes. Following review and discussion, Director Davidson moved to amend the District Rate Order, as discussed. Director Molina seconded the motion, which passed unanimously.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Henrie, Mr. Schoonover, Mr. Gunn, Mr. Propst and Mr. Keel reported residential and commercial development in the District.

Ms. Holoubek then reviewed a Development Financing Agreement between the District and Perry Homes, a Development Financing Agreement between the District and RK Commercial, LLP and an Engineering Services Agreement between the District and ALJ-Lindsey, LLC. Following review and discussion, upon a motion by Director Maddox and a second by Director Molina, the Board voted unanimously to (1) approve a Development Financing Agreement between the District and Perry Homes; (2) approve a Development Financing Agreement between the District and RK Commercial, LLP; and (3) approve an Engineering Services Agreement between the District and ALJ-Lindsey, LLC.

MASTER PARKS PLAN AND PARK MAINTENANCE

The Board reviewed park maintenance and inspection schedule submitted by Lancaster Community Association, Inc. ("LCAI") and reviewed a report from KGA DeForest regarding the status of plans and specifications for the proposed River Pines Park.

Mr. DeForest discussed landscaping improvements for Pine Creek at Canyon Lakes West, Section 7 and recommended the Board approve Change Order No. 1 in the amount of \$11,465.72.

Mr. DeForest reported planned landscaping improvements for Mirabella, Phase 1.

Following review and discussion, Director Maddox moved to approve Change Order No. 1 in the amount of \$11,465.72 for Pine Creek at Canyon Lakes West, Section 7. The motion, which was seconded by Director Molina, passed unanimously.

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. Chabannes reported 8 bids received for construction of water, sewer and drainage to serve Mirabella, Section 7 and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, Inc., in the amount of \$423,250. 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 first discussed Phase 2 of the wastewater treatment plant and requested authorization to begin design of same.

Mr. Keel then reported the status of design of water plant no. 4 and requested authorization to advertise for bids for construction.

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. Mirabella lift station, Pay Estimate No. 3 in the amount of \$22,815;
2. Pine Creek at Canyon Lakes West, Section 8, Pay Estimate No. 2 and Final in the amount of \$44,711.36;
3. West Road and Mirabella Drive, Pay Estimate no. 4 in the amount of \$39,39,352;
4. Mirabella Drainage Improvements, Phase 1, Pay Estimate No. 5 in the amount of \$280,595.03 and Change Order No. 3 in the amount of \$20,499.92;
5. Mirabella, Section 2, Pay Estimate No. 1 in the amount of \$785,434.68;
6. Mirabella Drainage Improvements, Phase 2, Pay Estimate No. 3 in the amount of \$91,190.17;
7. Pine Creek at Canyon Lakes West, Section 9, Pay Estimate No. 1 in the amount of \$592,287.75; and
8. Mirabella Drive Extension, Pay Estimate No. 3 in the amount of \$332,573.57 and Change Order No. 1 in the amount of \$1,597.07.

Ms. Holoubek also reviewed utility capacity commitments to the following:

1. RK Commercial, LLC;
2. Wal-mart Real Estate Business Trust;
3. Hu Nguyen; and
4. Ash Builders.

Following review and discussion, Director Davidson moved to (1) approve the engineering report; (2) authorize design of Phase 2 of the wastewater treatment plant; (3) approve change orders as listed and recommended above; and (4) approve utility capacity commitments listed above. Director Molina seconded the motion, which passed unanimously.

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

The Board considered the following conveyances:

1. Abandonment of Utility Easement in Mirabella;
2. Sanitary Sewer Easement in Mirabella;
3. Abandonment of Utility Easement in Pine Creek at Canyon Lakes West, Section 7;
4. Partial Abandonment of Amended and Restated Temporary Drainage Easement in Mirabella;
5. Drainage Easement (64.86 Acres); and
6. Abandonment of waterline easement in Towne Lake Greene, Section 3.

Upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to accept the conveyances listed above.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

There was no additional discussion under this agenda item.

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR USE OF SURPLUS FUNDS

The Board took no action on this agenda item.

SECURITY REPORT

The Board discussed calls and patrol during July, 2014 and adding two additional patrol officers to the current security contract. Following discussion, upon a motion by Director Davidson and a second by Director Green, the Board voted unanimously to authorize two additional officers to the District's current security contract.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no additional discussion for this agenda item.

There being no additional business to consider, the meeting was adjourned at 7:31 p.m.



Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

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