

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

September 4, 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 4th day of September, 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"); Bob DeForest of KGA/DeForest Design, L.L.C.; John Elder of Acclaim Energy Advisors; Clayton Chabannes of Jones & Carter, Inc.; Blake Propst of Read King Commercial Real Estate; James Henrie of Land Tejas Development Company Keith Schoonover, consultant for Beazer Homes of Texas; Sherri Greenwood of BKD, LLP; Stephen Eustis of RBC Capital Markets; Deborah Montgomery, District resident; Tommy Weaver of Friendswood Development Company; Jerry Hlozek of DR Horton; and Brooks Hamilton and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

Ms. Montgomery discussed with the Board unexplainable high water usage at her residence and requested relief from same. Mr. Hoffman reported Ms. Montgomery's meter was checked to verify usage and invoices were checked for possible clerical billing errors. He also confirmed H2O found no water leaks on the District's side of the water meter at her residence. The Board concurred to offer Ms. Montgomery a payment plan.

MINUTES

The Board considered approving the minutes of the August 7, 2014, regular meeting. After review and discussion, Director Maddox moved to approve the minutes, as submitted. Director Molina seconded the motion, which passed unanimously.

AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2014

Ms. Greenwood next presented to the Board an engagement letter for conducting the District's audit for fiscal year ending September 30, 2014, a copy of which is attached. She stated that the proposed fee for the annual audit is \$25,200. Following review and discussion, Director Molina moved that the Board engage BKD, LLP, to conduct the audit for fiscal year ending September 30, 2014. Director Maddox seconded the motion, which was approved by unanimous vote.

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 Davidson seconded the motion, which passed unanimously.

ANNUAL REVIEW OF INVESTMENT POLICY AND RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS

Ms. Hamilton discussed the requirements of the Public Funds Investment Act and the Public Funds Collateral Act in connection with the District's investments. She discussed with the Board the current investment policy dated September 1, 2011, and recommended no revisions.

The Board then reviewed the District's list of qualified broker/dealers.

Following review and discussion, upon a motion by Director Molina and a second by Director Maddox, the Board voted unanimously to adopt Resolution Establishing the Authorized Depository Institution and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions and the Resolution Regarding Annual Review of Investment Policy.

LETTER OF CREDIT WITH BBVA COMPASS BANK

Ms. Buckner updated the Board on letters of credit at BBVA Compass Bank placed as collateral for District funds. The Board took no action on this agenda item.

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 and discussed with the Board setting a hearing for termination of service for nonpayment of 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.

Ms. Rodriguez also presented a taxpayer appeal from District resident, Jose A. Crespin at 8006 Archcrest Court requesting a payment plan for delinquent taxes.

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; (3) extend a \$400 per month payment plan to Jose A. Crespin for payment of delinquent taxes; and (4) authorize the District tax assessor collector to notify taxpayers subject to termination of services for nonpayment of delinquent taxes of the October 2, 2014 hearing date.

2014 TAX RATE

Mr. Eustis presented to and reviewed with the Board correspondence recommending that the District adopt a debt service tax rate of \$1.07 and an operations and maintenance tax rate of \$0.25. Upon a motion made by Director Davidson and seconded by Director Molina the Board voted unanimously to authorize Bob Leared Interests to publish the notice of a public hearing regarding adoption of proposed tax rate reflecting a debt service tax of \$1.07 and an operations and maintenance tax rate of \$0.25 for a total levy of \$1.32, to be held at the District's October 2, 2014 meeting. The Board concurred that the proposed tax levy notice be posted to the District website.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 64 new residential taps during the month of August, 2014 reviewed routine maintenance and repairs within the District completed and ongoing during the month of August, 2014.

The Board discussed the District's water accountability for the month of August, 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 Deborah Montgomery at 8711 Debbie Terrace and Syed Kashan Ali at 19807 Scenic Brook Drive and reviewed account histories for each.

Following review and discussion, Director Davidson moved to approve the District operator's report. 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.

REPORT REGARDING DEVELOPMENT WITHIN THE DISTRICT

Mr. Henrie, Mr. Schoonover, Mr. Weaver, Mr. Propst and Mr. Keel reported residential and commercial 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") and discussed proposals for maintenance in 2015.

Mr. DeForest reported 4 bids received for construction of improvements at River Pines Park and recommended the Board award the contract to the lowest qualified bidder, Stone Castle Constructors, in the amount of \$364,101.67. 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 Stone Castle Constructors, subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

Mr. DeForest also discussed plans for landscaping in Mirabella, Section 1 and presented a proposal for design of same.

Ms. Miller presented the following pay estimates for landscaping improvements for Pine Creek at Canyon Lakes West, Section 7 for Board approval:

1. Pay Estimate No. 1 in the amount of \$2,700;
2. Pay Estimate No. 2 in the amount of \$2,250;

3. Pay Estimate No. 3 in the amount of \$44,477.06;
4. Pay Estimate No. 4 in the amount of \$34,128.22; and
5. Pay Estimate No. 5 in the amount of \$5,184.51.

Following review and discussion, Director Davidson moved to approve the pay estimates listed above and approve a proposal from KGA DeForest Design for design of landscaping improvements in Mirabella, Section 1. 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. Keel then reported the status of design of water plant no. 4 and reviewed a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Release of Funds from Escrow. Mr. Elder discussed the Acclaim Energy Advisors Energy Harvesting program, including installation costs and proposed terms and conditions of the program, including a capital return analysis.

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. 4 in the amount of \$203,416.05;
2. West Road and Mirabella Drive, Pay Estimate no. 5 in the amount of \$66,088.35 and Change Order No. 3 in the amount of \$19,800;
3. Mirabella Drainage Improvements, Phase 1, Pay Estimate No. 6 in the amount of \$370,681.64 and Change Order No. 4 in the amount of \$53,778.96;
4. Mirabella, Section 2, Pay Estimate No. 2 in the amount of \$29,0800;
5. Mirabella, Section 3, Pay Estimate No. 2 in the amount of \$27,660.30;
6. Mirabella, Section 4, Pay Estimate No. 1 in the amount of \$1,206,402.83 and Change Order No. 1 in the amount of \$4,783;
7. Mirabella, Section 6, Pay Estimate No. 1 in the amount of \$228,778.51;
8. Mirabella Drainage Improvements, Phase 2, Pay Estimate No. 4 in the amount of \$42,425;
9. Mirabella Drive Extension, Pay Estimate No. 4 in the amount of \$8,247.22; and
10. West Road and Mirabella Drive, Pay Estimate No. 5 in the amount of \$47,580.27.

Mr. Keel also discussed bond application no. 7 and Ms. Hamilton presented a Resolution Authorization Application to the Texas Commission on Environmental Quality for Approval of Projects and Bonds.

Mr. Chabannes discussed plans for construction of a trunk sanitary sewer line to serve Mirabella and requested authorization to advertise for bids for construction.

Following review and discussion, Director Molina moved to (1) approve the engineering report; (2) approve pay estimate and change orders as listed and recommended above; (3) approve a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Release of Funds from Escrow; (4) approve a Resolution Authorization Application to the Texas Commission on Environmental Quality for Approval of Projects and Bonds; and (5) authorize advertisement for bids for construction of a trunk sanitary sewer line to serve Mirabella. Director Green seconded the motion, which passed unanimously.

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

Mr. Chabannes recommended the Board authorize ratification of the plat, as owner, for Mirabella, Section 2. Upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to authorize ratification of the plat, as owner, for Mirabella, Section 2.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

There was no additional discussion under this agenda item.

SECURITY REPORT

The Board discussed calls and patrol during August, 2014 and Ms. Hamilton presented an Interlocal Agreement with Harris County Constable, Precinct 5 for additional patrol. Following discussion, upon a motion by Director Davidson and a second by Director Green, the Board voted unanimously to approve an Interlocal Agreement with Harris County Constable, Precinct 5 for additional patrol.

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 8:15 p.m.

(SEAL)




Secretary, Board of Directors

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