

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

March 3, 2016

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 March, 2016, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2400, 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, thus constituting a quorum.

Also present at the meeting were Lori Buckner of Myrtle Cruz, Inc.; David Keel of DAC Services, Inc. ("DAC"); Samantha Townes, Tanya Owens and Scott Barr, District residents; Debbie Arellano of Bob Leared Interests, Inc.; Chris Hoffman of H2O Consulting, Inc. ("H2O"); Shawn Byron of KGA/DeForest Design, LLC; Mike Christopher of Jones & Carter, Inc. (J&C); Mary DuBois of Acclaim Energy Advisors; Josh Wailes of Mike Stone Associates, Inc. ("MSA"); and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

2016 DIRECTORS ELECTION BALLOT DRAWING

Ms. Miller confirmed that all candidates filing for a place on the May 7, 2016 Directors Election Ballot were notified of the drawing and that appropriate notices were posted. Ms. Buckner then announced candidate names pulled from an envelope and Ms. Miller recorded the candidates' names in the order they were pulled from the envelope.

Discussion ensued regarding establishing early voting hours and confirming availability of election judges and, following discussion, the Board concurred to check the availability of the officials serving in previous District elections, and in the event they are unavailable, delegate hiring election officials to ABHR. The Board also concurred to vote at the Harris County Weekly Community Center from 11:00 a.m. to 7:00 p.m. for early voting.

PUBLIC COMMENT

Ms. Miller distributed District/Director correspondence received through the District's website and at ABHR.

Ms. DuBois reported regarding current energy markets and rates.

Mrs. Townes again requested the Board consider allowing her to fence in a reserve area adjacent to their lot to property maintain the lot. Following discussion, the Board concurred to authorize ABHR to prepare an agreement with Caleb and Samantha Townes that allows them to use the property and imposes maintenance obligations upon the Townes.

CASH REDEMPTION OF BONDS, NOTICE OF CASH REDEMPTION AND MATERIAL EVENT NOTICE

Ms. Holoubek confirmed that the transaction will close on March 14, 2016 and will fully redeem the District's Series 2008 and 2009 bond series and part of the District's Series 2011 bond series.

MINUTES

The Board considered approving the minutes of the February 4, 2016, regular meeting. After review and discussion, Director Molina moved to approve the minutes. 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.

On behalf of the District's auditor, BKD, Inc., Ms. Holoubek reviewed a draft reimbursement report in connection with additional invoices submitted by DR Horton to be reimbursed from 2015 bond proceeds.

Following review and discussion, Director Molina moved to (1) approve BDK, Inc.'s supplemental developer reimbursement report and disbursement of funds; and (2) accept the bookkeeper's report and pay the bills described therein, including disbursement of additional bond proceeds from the District's Series 2015 bond funds to DR Horton. Director Green 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 Davidson 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 Molina seconded the motion, which passed unanimously.

ANNUAL REVIEW OF PROCEDURES FOR CONTINUING DISCLOSURE COMPLIANCE

The Board reviewed the District's procedures for continuing disclosure compliance. Ms. Holoubek stated that no changes are required at this time.

PROPOSAL FOR ARBITRAGE REBATE AND YIELD RESTRICTION CALCULATIONS

The Board next considered engaging Omnicap, LLC to provide arbitrage rebate and yield restriction calculation services for all District bond series. Following review and discussion, upon a motion by Director Molina and a second by Director Davidson, the Board voted unanimously to approve an agreement with Omnicap, LLC.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Arellano presented the tax assessor/collector's report, a copy of which is attached, reviewed the checks presented for payment from the tax account, and reported regarding taxes collected from the 2015 tax levy to date and delinquent taxes from previous tax years.

The Board also considered adopting a Resolution Requesting Appraisal of Property and Certificate of Value as of March 1, 2016.

Ms. Arellano also presented an appeal from District taxpayer, Belinda Westmoreland, requesting a payment plan for 2015 taxes.

Following discussion and review of the information provided by the taxpayer and the District tax assessor collector, Director Davidson moved to (1) authorize the District tax assessor collector to offer a payment plan for delinquent taxes to District taxpayer, Belinda Westmoreland, as discussed; (2) to adopt a Resolution Requesting Appraisal of Property and Certificate of Value; and (3) to accept the tax assessor/collector's report. Director Molina seconded the motion, which passed unanimously.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

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 Davidson moved to approve the Resolutions as presented. The motion was seconded by Director Green and passed unanimously.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

No report was given.

OPERATION OF DISTRICT FACILITIES

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

Mr. Hoffman reported 1 commercial and 19 new residential taps were installed during the month of February, 2016, reviewed routine maintenance and repairs within the District completed and ongoing during the month of February, 2016.

The Board discussed the District's water accountability for the month of February, 2016.

Mr. Hoffman presented customer appeals, including letters and documents submitted by the customer, from:

1. Khiari Smith at 7527 Pheasant Grove Drive; and
2. Lashanda Thomas at 19223 Cactus Thorn Drive.

The Board concurred to defer action on the annual report on the implementation of the Water Conservation Plan.

Following review and discussion, Director Maddox moved to (1) approve the District operator's report; (2) approve adjustment to the lowest user tier for customer

Khiari Smith and approve a payment plan; (3) authorize replacing Lashanda Thomas' meter with master meter to track water loss; and (4) authorize the District operator to file the annual water loss audit with the Texas Water Development Board. The motion, which was seconded by Director Green, passed unanimously.

Ms. Owens commented to the Board regarding termination of her water service and customer service issues with EDP.

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 Green 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. Christopher reported regarding development in the District.

Ms. Holoubek next reviewed a set aside letter for MREC LT Sterling LLC's ("MREC") share of funds necessary to construct drainage and paving facilities for the West Road Crossing at the U-132 less the amount contributed by the Harris County Flood Control District to partially fund the project. Following review and discussion, upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to approve a set aside letter for MREC LT Sterling LLC's ("MREC") share of funds necessary to construct drainage and paving facilities for the West Road Crossing at the U-132.

PARK MAINTENANCE

Mr. Wailes reviewed park maintenance and inspection schedules submitted by MSA, discussed repairs and improvements completed in the District during the month of February, 2016, and requested authorization to repair a column in Cypress Springs Park. Following review and discussion, Director Davidson moved to repair the stone column in Cypress Springs Park, as discussed and install a tamper resistant blank plate

on the electrical outlet. Director Maddox seconded the motion, which passed unanimously.

MASTER PARKS PLAN

Mr. Byron discussed the status of and requested authorization to advertise for bids for construction of:

1. Miramesa, Section 8 landscape improvements; and
2. Miramesa, Section 9 landscape improvements.

Mr. Byron discussed the status of design of landscaping improvements to serve Miramesa, Section 5 and recommended the Board award the contract to the lowest qualified bidder, Westco Grounds Maintenance in the amount of \$281,513.25. 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 Westco Grounds Maintenance, subject to verification of payment and performance bonds and insurance. Director Davidson seconded the motion which passed unanimously.

Mr. Byron next discussed the status of Miramesa, Section 6 and recommended approval of Pay Estimate No. 2 in the amount of \$53,365.50.

Mr. Byron discussed the status of Windhaven trail lighting improvements and proposed Change Order No. 1 in the amount of \$10,206 to change fixtures to LED. Following discussion, the Board concurred to authorize preparation of the change order for Board approval next month.

Following review and discussion, Director Molina moved to (1) authorize advertisement for bids for construction of landscaping improvements to serve Miramesa, Sections 8 and 9; and (2) approve the pay estimate discussed above. 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 construction projects in the District.

Mr. Keel first discussed the status of plans and requested authorization to advertise for bids for construction for the following projects:

1. Langham Creek Pilot Channel Restoration and Storm Water Quality Basin Project;
2. Water, sanitary and drainage facilities for Miramesa Public Utility Extension;

3. Miramesa, Sections 1 and 3;
4. Miramesa, Sections 2 and 4; and
5. Miramesa Lift Station.

Mr. Keel discussed the status of preparation of plans and specification for sanitary sewer rehabilitation, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Source Point Solutions, in the amount of \$24,608.45. 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 Source Point Solutions. Director Davidson seconded the motion which passed unanimously.

Mr. Keel reported the status of construction of the following projects and recommended approve of the following pay estimates and change orders, as listed below:

1. Water Plant No. 4; Pay Estimate No. 8 in the amount of \$501,155.21;
2. U-132 Detention Phase II; Pay Estimate No. 5 in the amount of \$136,720.80; and
3. Storm sewer connection extension serving Miramesa Town Center; Pay Estimate No. 1 in the amount of \$277,470.

Mr. Keel confirmed that DAC reviewed and verified facilities and values submitted for preparation and approval of renewal of insurance policies.

Mr. Keel then updated the Board regarding preparation of a bond application.

Following review and discussion, Director Molina moved to (1) approve the engineering report; (2) authorize the District engineer to advertise for bids for construction of the projects listed above; and (3) approve the pay estimates listed above. Director Davidson seconded the motion, which passed unanimously.

DEVELOPMENT FINANCING AGREEMENT WITH FRY ROAD PARTNERS, LTD

The Board next considered approving a development financing agreement with Fry Road Partners, Ltd. for development of 4.85 acre commercial tract. Following review and discussion, upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to approve a development financing agreement with Fry Road Partners, Ltd.

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

Proposal from Berg Oliver Associates for a Phase 1 environmental survey of additional landscaping reserves in Mirabella Sections 8, 9, 10 and 11 proposed for conveyance to the District. Following review and discussion, Director Molina moved to approve the proposal from Berg Oliver Associates. The motion was seconded by Director Davidson and passed unanimously.

AMENDMENT TO LANDSCAPE MAINTENANCE AGREEMENT

Ms. Holoubek next discussed a request received from MREC to convey to the District certain landscaping reserves in Miramesa, Sections 9, 10 and 11 and amending the District's landscaping maintenance agreement with SG-Owners Association, Inc. The Board concurred to defer action on this agenda item pending completion of documents conveying the reserve and receipt of a House Bill 1295 disclosure.

GARBAGE COLLECTION SERVICES

There was no discussion for this agenda item.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

The Board next reviewed an insurance renewal proposal from Anco-McDonald Waterworks. Upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to authorize renewal of the District's insurance policies through Anco-McDonald Waterworks.

SECURITY REPORT

Director Bentson discussed contract renewal and the addition of 2 officers to the District's contract.

DISTRICT WEBSITE

There was no discussion for this agenda item.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no discussion for this agenda item.

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


Secretary, Board of Directors



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