

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

April 5, 2018

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 5th day of April, 2018, 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, thus constituting a quorum.

Also present at the meeting 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"); Karla Cannon, Director of the West Harris County Regional Water Authority; Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Shannon Waugh of Off Cinco, Inc.; Bob DeForest of KGA/DeForest Design, LLC; Sherri Greenwood of BKD, Inc.; Heath Lyle, District resident; Josh Wadley of Land Tejas Development Company; and Jessica Carr and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

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

AGREED UPON PROCEDURES REPORT

Ms. Greenwood reviewed an Agreed Upon Procedures Report ("AUP") for Fry Road Venture, LP's share of construction of Langham Creek expansion from the Trunkline pipeline to State Highway 99. Following review and discussion, Director Molina moved to (1) approve the AUP; (2) authorize the District bookkeeper to deposit \$3,535,000 into escrow at Charter Title Company; and (3) authorize disbursement to Fry Road Venture, LP, subject to receipt a signed receipt from Fry Road Venture, LP and pursuant to the AUP and closing of the land sale from Fry Road Venture, LP to Land Tejas Companies.

RESOLUTION EXPRESSING INTENT TO REIMBURSE

Ms. Carr reviewed a Resolution Expressing the District's intent to reimburse its operating account from future bond proceeds for funds reimbursed to Fry Road Venture, LP for Phase 1 of Langham Creek excavation. Upon a motion by Director Davidson and a second by Director Molina, the Board voted unanimously to approve the resolution.

MINUTES

The Board considered approving the minutes of the March 1, 2018 regular meeting. Following review and discussion, Director Davidson moved to approve the minutes, as submitted. Director Green 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.

Following review and discussion, Director Davidson moved to accept the bookkeeper's report and pay the bills described therein, including the handwritten checks listed below:

1. Check No. 13375 payable Native Land Design in the amount of \$9,604.13
2. Check No. 13376 payable to McDonald Electric in the amount of \$32,400;
3. Check No. 13377 payable to AR TurnKee in the amount of \$6,958.00;
4. Check No. 13378 payable to Roy Burchfield in the amount of \$2,793.27;
5. Check No. 13379 payable to David Molina in the amount of \$138.52;
6. Check No. 13380 payable to Tom Roth in the amount of \$299.47; and
7. Check No. 13381 payable to the City of Houston.

Director Green seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Rodriguez presented the tax assessor/collector's report and delinquent tax report, copies of which are attached, reviewed the checks presented for payment from the tax account, reported regarding taxes collected from the 2017 tax levy to date and delinquent taxes from previous tax years.

The Board next reviewed account histories and appeals from the following taxpayers:

1. Cathy Morgan; requesting a payment plan for 2017 taxes;
2. Roy Birchfield; requesting waiver of penalty and interest assessed for delinquent 2017 taxes.

Ms. Rodriguez next reviewed a list of delinquent accounts for personal property for tax years 2009 through 2013 recommended for write off as uncollectable. She also reviewed the delinquent tax attorney's report and the Board concurred to add the delinquent taxes for personal property owed by La Finca to the list of accounts eligible for write off list.

Following discussion and review of the information provided by the taxpayer and the District tax assessor collector, Director Molina moved to (1) accept the tax assessor/collector's report and payment of the bills; (2) authorize the District tax assessor collector to offer a payment plan to taxpayer, Cathy Morgan, as discussed; (3) authorize the District tax assessor/collector to waive penalty and interest assessed against Roy Birchfield for 2017 taxes; and (4) authorize the District tax assessor/collector to write off accounts presented for years 2009 to 2013, plus La Finca's delinquent taxes, as uncollectable. Director Davidson seconded the motion, which passed unanimously.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

There was no discussion for this agenda item.

OPERATION OF DISTRICT FACILITIES

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

The Board also discussed the District's water accountability for the month of March, 2018. Mr. Hoffman reported 40 new residential taps and 2 new commercial taps were installed during the month of March, 2018, reviewed routine maintenance and repairs within the District completed and ongoing during the month of March, 2018 and recommended replacement of lift pump no. 1 at Lift Station No. 3 with a Flyght pump for an estimated cost of \$17,000. Mr. Hoffman said the force main manhole that receives flow from lift station nos. 8, 10 and 11 needs to be recoated, which will involve several days of bypass pumping, for a total estimated cost of \$26,000. He said that he has asked the District engineer to include the proposed recoating with the wastewater treatment plant project.

Mr. Hoffman next reported 2 unauthorized discharges on March 14 and March 28, 2018 both of which were subsequently reported to the TCEQ and require no further action. He also discussed a biomonitoring testing failure on March 18, 2018 and March 19, 2018.

Mr. Hoffman presented the following customer appeals:

1. Gorman Escobar; 19854 Stonecross Glen; requesting a leak adjustment and 3 month payment plan; and
2. Sheneki White; 20011 Spring Wreath Land; requesting a payment plan.

Mr. Hoffman next reviewed a proposed operating services contract amendment.

Following review and discussion, Director Davidson moved to (1) approve the District operator's report; (2) authorize the District operator to offer a payment plan to customer, Sheneki White; (3) authorize the District operator to offer a billing/use adjustment to customer, Gorman Escobar, in accordance with the District's leak adjustment policy, and a payment plan, if needed; and (4) approve an amendment to the operating contract. The motion, which was seconded by Director Molina, passed unanimously.

Mr. Hoffman next presented a list of delinquent customers and reported the residents on the termination list were delinquent in payment of their water and sewer bills and were given written notification, in accordance with the District's Rate Order, prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility services should not be terminated for reason of non-payment. Following review and discussion, Director Davidson moved to authorize termination of delinquent accounts in accordance with the District's Rate Order and direct that the delinquent customer list be filed appropriately and retained in the District's official records. The motion was seconded by Director Molina and passed by unanimous vote.

ANNUAL REPORT ON IMPLEMENTATION OF WATER CONSERVATION PLAN AND ANNUAL WATER LOSS AUDIT

Mr. Hoffman reviewed an annual report on the implementation of the Water Conservation Plan, a copy of which is attached. Following review and discussion, Director Davidson moved to authorize the District operator to file the annual water loss audit and annual report on the implementation of the Water Conservation Plan with the Texas Water Development Board. The motion, which was seconded by Director Molina, passed unanimously.

DROUGHT CONTINGENCY PLAN

The Board next reviewed the District's Drought Contingency Plan. Following discussion, the Board concurred that no revisions were necessary.

ANNUAL REVIEW AND REPORT 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 he recommends no changes to the Program at this time. After review and discussion, Director Davidson 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 Molina seconded the motion, which carried unanimously.

PARK MAINTENANCE

Mr. Wailes reviewed a park and landscape management report, a copy of which is attached.

MASTER PARKS PLAN

Mr. DeForest presented a landscape architect report, a copy of which is attached.

Mr. DeForest reviewed bids for construction of a trail system at Pine Creek Lake at Canyon Lakes West and recommended the Board award the contract to the lowest qualified bidder, Johnson Fence, Ltd., in the amount of \$173,732.75. Based on the engineer's recommendation, the Board concurred that in its judgment, Johnson Fence, Ltd. was a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the project. Following review and discussion, Director Davidson moved to award the contract to Johnson Fence, Ltd. in the amount of \$173,732.75. Director Molina seconded the motion, which passed unanimously.

ENGINEERING MATTERS

Ms. 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 reviewed bids for construction of water, sewer and drainage to serve Miramesa, Section 8 and recommended, upon the recommendation of Jones &

Carter, that the Board award the contract to the lowest qualified bidder, Principal Services, Ltd., in the amount of \$368,670.10.

Mr. Keel next reviewed bids for Lancaster Cured in Place Pipe, Phase I and recommended that the Board award the contract to the lowest qualified bidder, Insituform Technologies, in the amount of \$118,190. Mr. Keel said The Local Government Purchasing Cooperative (BuyBoard) confirmed that the vendor is compliant with cooperative purchasing bidding requirements.

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

1. Generators at lift station nos. 1, 2 and 4; Pay Estimate No. 1 in the amount of \$32,400 and Change Order No. 1 increasing the contract amount by \$7,332 for additional transformers and electrical panels; and
2. Lancaster Section 1, Great Elms; Pay Estimate No. 2 and Final in the amount of \$6,958.

Mr. Keel also recommended that the Board authorize commitment of capacity for the following projects:

1. 13.86 connections to serve Harmony Public Schools Greenhouse Road campus; and
2. 7 connections to serve a 160 student daycare (Texas Kids Day Care).

Following review and discussion, Director Davidson moved to (1) approve the engineering report; (2) approve the change order listed above, based upon the Board's finding that the Change Order is beneficial to the District and Jones & Carter's recommendation; (3) approve the pay estimates listed above; (4) approve a commitment of capacity to Harmony Public Schools and Texas Kids Day Care, as discussed above; (5) upon the recommendation of Jones & Carter, award a contract in the amount of \$368,670.10 to Principal Services, Ltd.; and (6) upon the recommendation of DAC, award a contract in the amount of \$118,190 to Insituform Technologies. Director Molina seconded the motion, which passed unanimously.

BOND APPLICATIONS

Ms. Carr reviewed a cost summary for bond application no. 15.

Mr. Keel reviewed a cost summary for proposed bond application no. 16.

DISTRICT WEBSITE

The Board received analytics and subscriber reports.

Ms. Waugh reviewed a proposal for traditional and digital media pricing, if needed.

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

The Board next considered accepting the following:

1. Consent to Encroachment in Miramesa, Section 2; and
2. Turf Establishment Agreement.

Following review and discussion, Director Davidson moved to approve the above agreements. Director Molina seconded the motion, which passed by a vote of 4 to 0, with Director Maddox being absent during voting.

ANNEXATION MATTERS

The Board next discussed the status of finalizing proposed annexation of 2 properties and considered accepting Petitions for Addition of Land from 99 West 570 Partners, LLC and Fry Road Venture, LP. The Board also considered approving a Petition for Consent to Annex Land into the District. Following review and discussion, Director Davidson moved to (1) accept the Petitions for Addition of Land; and (2) approve Petitions for Consent to Annex Land and authorize ABHR to submit the documents for the City of Houston for approval. Director Molina seconded the motion, which passed by a vote of 4 to 0, with Director Maddox being absent during voting.

EMERGENCY COMMUNICATIONS

Director Molina discussed methods and options to improve communication among District consultants and residents during emergency events. Following review and discussion, Director Davidson moved to approve the contract amendment submitted by Off Cinco to provide additional emergency communication services. Director Molina seconded the motion, which passed by a vote of 4 to 0, with Director Maddox being absent during voting.

SECURITY REPORT

The Board received a patrol report from Harris County Constable Precinct 5 and Director Bentson reported regarding security staffing and patrol.

GARBAGE COLLECTION SERVICES

There was no discussion for this agenda item.

DEVELOPMENT IN THE DISTRICT

Mr. Wadley discussed development in the District.

WHCRWA

The Board next considered candidates for the Board of Directors of the West Harris County Regional Water Authority, Precinct 5. Following review and discussion, Director Molina moved to cast the District's vote for Michael Owens. The motion was seconded by Director Green and passed by a vote of 4 to 0, with Director Maddox being absent during voting.

NRCS/FEMA GRANTS

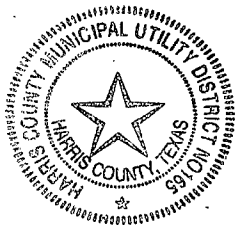
The Board discussed the District's pending application for Federal Emergency Management Agency ("FEMA") funding to reimburse the District for damage to District facilities during Hurricane Harvey. Following review and discussion, upon a motion by Director Molina and a second by Director Davidson, the Board voted by a vote of 4 to 0, with Director Maddox being absent during voting, to (1) authorize execution of a FEMA Grant Terms and Conditions form; and (2) designate Director Bentson to sign any and all documents necessary, subject to attorney review and approval, to confirm and deliver any reimbursement due from FEMA or the NRCS.

The Board responded to questions from District resident, Heath Lyle, and concurred to schedule a special meeting on May 10, 2018 at 6:00 p.m. to canvass the 2018 Directors Election results.

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



Secretary, Board of Directors



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