

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

October 4, 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 4th day of October, 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
Heath Richard Lyle	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.; Maurice Mullaly of DAC Services, Inc. ("DAC"); Patty Rodriguez of Bob Leared Interests, Inc.; Chris Hoffman and Donnice Hoffman of H2O Consulting, Inc. ("H2O"); David Smalling of Robert W. Baird & Co. Incorporated; Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Bob DeForest of KGA/DeForest Design, LLC; 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.

MINUTES

The Board considered approving the minutes of the September 6, 2018 regular meeting. Following review and discussion, Director Davidson moved to approve the minutes, as submitted. Director Molina seconded the motion, which passed unanimously.

SERIES 2018 BONDS

Mr. Smalling reviewed bids received for the sale of the District's \$3,535,000 Unlimited Tax Bonds, Series 2018, and stated that the low bidder was Raymond James & Associates, Inc., with a net effective interest rate of 3.925874%. Mr. Smalling also confirmed a commitment for coverage from Build America Mutual and AA rating from Moody's Investors Service, Inc.

Ms. Carr reviewed the Resolution Authorizing the Issuance of the District's \$3,535,000 Unlimited Tax Bonds, Series 2018.

Ms. Carr reviewed the Paying Agent/Registrar Agreement with the Board.

The Board next considered approving the Official Statement for the District's \$3,535,000 Unlimited Tax Bonds, Series 2018. Ms. Carr reported that the Preliminary Official Statement previously approved will be updated to reflect pricing information on the bonds.

Ms. Carr presented and reviewed with the Board, a Certificate Regarding Provision of Financial Advice (the "Certificate").

Ms. Carr reviewed with the Board of Directors various documents relating to the bond sale and asked the Board to authorize the attorney and the financial advisor to take all necessary steps to deliver the bonds to the purchaser.

Ms. Carr reviewed the Amendment to the District's Information Form, reflecting the District's additional bonds sold.

Following review and discussion, Director Davidson moved that the Board (1) award the sale of the District's \$3,535,000 Unlimited Tax Bonds, Series 2018 to Raymond James & Associates, Inc.; (2) adopt the Resolution Authorizing the Issuance of the District's \$3,535,000 Unlimited Tax Bonds, Series 2018; (3) authorize execution of the Paying Agent/Registrar Agreement with Zions Bancorporation, National Association; (4) approve the Official Statement; (5) authorize execution of the Certificate and direct that it be filed appropriately and retained in the District's official records; (6) authorize the Board of Directors to sign the bond documents and authorize the attorney and financial advisor to take all necessary steps to deliver the bonds to the purchaser; and (7) approve the Amendment to the District's Information Form. Director Molina seconded the motion, which passed unanimously.

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

Ms. Smalling discussed the anticipated effect of cash redemption upon the District's investment grade rating and the District's current debt ratio and ratio following a proposed redemption of bonds and reviewed a cash analysis with the Board. Mr. Smalling confirmed that the transaction will partially defease the District's Series 2013 Unlimited Tax Bonds After review and discussion, Director Molina moved that the Board authorize the notices of the cash defeasance for the District's Series 2013

Unlimited Tax Bonds and approve an escrow agreement. Director Davidson seconded the motion, which carried 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 2018 tax levy to date and delinquent taxes from previous tax years. Ms. Rodriguez also updated the Board regarding payment plans for delinquent taxes.

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 authorize payment of the bills; (2) authorize the District operator to give written notification, in accordance with the District's Rate Order, of the District's intent to terminate service for nonpayment of delinquent property taxes; and (3) rescind payment plans previously granted to taxpayers Belinda Westmoreland and Abbas Shaibani, due to noncompliance with terms and conditions previously agreed upon between the taxpayer and the District. Director Davidson seconded the motion, which passed unanimously.

Ms. Rodriguez also presented an appeal from taxpayer, Gursimrit Sidhu, but the Board took no action.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES, AND AMENDMENT TO INFORMATION FORM

The Board opened the public hearing on the District's proposed tax levy. Ms. Rodriguez confirmed that notice of the proposed levy had been published. Upon receipt of no comments from the public, the Board considered an Order Levying Taxes, reflecting a tax rate of \$1.05 per \$100 valuation consisting of \$0.80 for debt service and \$0.25 for operations and maintenance. Upon a motion made by Director Davidson and seconded by Director Green, the Board voted unanimously to (1) adopt the Order Levying Taxes and (2) amend the information form to reflect the District's current tax rate and authorize filing of same in the real property records of Harris County, Texas.

FINANCIAL AND BOOKKEEPING MATTERS AND BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2019

Ms. Buckner presented and reviewed the bookkeeper's report. She discussed current public fund investment markets, reviewed the District's investment report, 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, including payment of the bills listed. Director Lyle 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 September, 2018. Mr. Hoffman reported 18 new residential taps and 2 new commercial taps were installed during the month of September, 2018, reviewed routine maintenance and repairs within the District completed and ongoing during the month of September, 2018.

Mr. Hoffman discussed additional issues with accessing the sanitary sewer line for point repairs at 19904 Westcliffe and 19906 Westcliffe.

Mr. Hoffman presented the following customer appeals:

1. Mary Grace Artillaga; 8818 Austin Thomas; requesting a billing adjustment due to an irrigation leak;
2. Bridgette Ojo; 20518 Ranch Mill Lane; requesting payment plan;
3. Charmaine Rhine; 19914 Laurel Trail; requesting payment plan;
4. Damoned Brown; 9326 Taylor Clif; requesting a payment plan;
5. Ivalyn Ridioux; 7922 Tawny Bluff; requesting a payment plan; and
6. Takenya Arceneaux; 9134 Monarch Field; requesting evaluation of his meter usage.

Following review and discussion, Director Davidson moved to (1) approve the District operator's report; (2) authorize the District operator to offer payment plans to customers, Bridgette Ojo, Charmaine Rhine, Damoned Brown and Ivalyn Ridioux; (3) deny a leak adjustment requested by customer, Takenya Arceneaux, and authorize the District operator to offer a 3 month payment plan to the customer; and (4) deny a leak adjustment requested by customer, Mary Grace Artillaga. 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.

5-YEAR EVALUATION IN ACCORDANCE WITH SENATE BILL 902

Ms. Carr said that Senate Bill 902, adopted during the 2013 Legislative Session, and now codified in the Health & Safety Code § 388.005, requires districts using \$200,000 or more annually to evaluate its electricity consumption, establish goals to reduce electricity consumption, and identify and implement cost-effective energy efficiency measures at least once every 5 years (collectively, the "5-Year Evaluation"). Following review and discussion, Director Davidson moved to authorize the District engineer to prepare the 5-Year Evaluation. Director Green seconded the motion, which passed unanimously.

PARK MAINTENANCE AND NRCS/FEMA GRANTS

Mr. Wailes reviewed a park and landscape management report, a copy of which is attached, and reviewed estimates for irrigation repairs in Amhurst, Cypress Springs and Tealbrook Parks totaling \$540.33.

Following review and discussion, Director Davidson moved to approve the landscape management report and irrigation repair proposals discussed. Director Green seconded the motion, which passed unanimously.

MASTER PARKS PLAN

The Board reviewed a landscape architect report from KGA DeForest Design, LLC, a copy of which is attached.

Mr. DeForest reported the status of installation of landscaping around the Canyon Lakes West detention pond and recommended the Board approve (1) Pay Estimate No. 4 in the amount of \$27,638.10; (2) Change Order No. 1 adding 7 days to the contract; and (3) Change Order No. 2 adding 15 rain days to the contract. The Board determined that Change Order Nos. 1 and 2 are beneficial to the District.

Following review and discussion, Director Davidson moved to (1) approve the landscape architect report; (2) upon the recommendation of KGA, approve Pay Estimate No. 4 in the amount of \$27,638.10, payable to Johnson Fence, for installation of landscaping around the Canyon Lakes West detention pond; and (3) approve the

change orders listed above, based upon the Board's finding that the Change Orders are beneficial to the District and the District engineer's recommendation. Green seconded the motion, which passed unanimously.

ENGINEERING MATTERS AND NRCS/FEMA GRANTS

Mr. Mullaly presented the engineer's report, a copy of which is attached, and reviewed the status of construction projects in the District.

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

1. Miramesa, Section 6; Pay Estimate No. 4 and Final in the amount of \$10,508.12;
2. Lancaster Cured in Place Pipe ("CIPP"), Phase 1; Pay Estimate No. 3 in the amount of \$14,836.50;
3. Lancaster CIPP, Phase 2 (point repairs); Pay Estimate 4 in the amount of \$13,680; and
4. Water, sewer and drainage facilities to serve 14-acre commercial tract (Sugar Land 6, Ltd.); Pay Estimate No. 3 and Final in the amount of \$14,891.40.

The Board next considered approving a letter of utility/capacity commitment to Army Business, LLC.

Following review and discussion, Director Molina moved to (1) approve the engineering report; (2) upon the recommendation of the District engineer and Jones & Carter, approve the pay estimates listed above; and (3) upon the recommendation of the District engineer, approve a utility commitment to Army Business, LLC. Director Davidson seconded the motion, which passed unanimously.

BOND APPLICATIONS

There was no discussion for this agenda item.

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

The Board next approving the following conveyances by and to the District:

1. Drainage easements for Miramesa West on CILB2018 LP Property; and
2. Proposal from Berg Oliver Associates associated with conveyance of a Special Warranty Deed for Reserve C, Miramesa, Section 1.

Following review and discussion, upon a motion by Director Molina and a second by Director Davidson, the Board voted unanimously to (1) approve Drainage easements for Miramesa West on CILB2018 LP Property; and (2) approve a proposal from Berg Oliver Associates associated with conveyance of a Special Warranty Deed for Reserve C, Miramesa, Section 1.

Upon the recommendation of the District engineer, the Board took no action regarding a Consent to Encroach for the benefit of Service One Automotive.

SECURITY REPORT

Director Bentson reported regarding patrol in the District and patrol staffing for 2019. Following discussion, the Board concurred to keep the same level of patrol staffing for 2019 and authorized ABHR to notify the Harris County Attorney.

GARBAGE COLLECTION SERVICES

There was no discussion for this agenda item.

DISTRICT WEBSITE

There was no discussion for this agenda item.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY ("WHCRWA")

There was no discussion for this agenda item.

DEVELOPMENT IN THE DISTRICT

Ms. Carr discussed the status of the District's pending request to the City of Houston for consent to annex territory into the District's boundary and reviewed a proposed Development Financing Agreement with RSI Communities - Texas, LLC. Following review and discussion, upon a motion by Director Davidson and second by Director Green, the Board voted unanimously to approve the Development Financing Agreement, contingent upon the developer closing on the land and annexation of the tract into the District.

NRCS/FEMA GRANTS

Mr. Wailes and Mr. Mullaly discussed the status of the District's pending application to the National Resources Conservation Service.

EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE

The Board determined it was not necessary to convene in executive session.

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



Secretary, Board of Directors



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