

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

September 5, 2019

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 September, 2019, 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
Kheng Swee Goh	Assistant Secretary
Scott Barr	Assistant Vice President

and all of the above were present, thus constituting a quorum.

Also present at the meeting were: Frank Lians, District customer; Lori Buckner of Myrtle Cruz, Inc.; David Keel of DAC Services, Inc. ("DAC"); Patty Rodriguez of Bob Leared Interests, Inc.; Donnice Hoffman and Chris Hoffman of H2O Consulting, Inc. ("H2O"); Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Sherri Greenwood of BKD, Inc.; Stephen Eustis of Robert W. Baird & Co. Incorporated; Christie Leighton of Best Trash LLC; and Jessica Holoubek and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

SECURITY REPORT

There was no discussion or reporting for this agenda item.

MINUTES

The Board considered approving the minutes of the August 1, 2019, regular meeting and August 15, 2019, special meeting. Following review and discussion, Director Molina moved to approve the minutes, as submitted. 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 2018 tax levy to date and delinquent taxes from previous tax years.

Ms. Rodriguez also reviewed a delinquent tax report and the delinquent tax attorney's recommendation for accounts to be notified of the District's intent to disconnect water service due to nonpayment of delinquent taxes.

Following discussion and review of the information provided by the District tax assessor collector, Director Molina moved to (1) accept the tax assessor/collector's report; (2) authorize payment of the bills; and (3) 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. Director Green seconded the motion, which passed unanimously.

2019 TAX RATE

Mr. Eustis presented to and reviewed with the Board a cash flow analysis, recommending that the District adopt a District debt service tax rate of \$0.80 and an operations and maintenance tax rate of \$0.15. A copy of the analysis is attached.

Mr. Eustis next presented to and reviewed with the Board a second cash flow analysis, recommending that the District adopt an operations and maintenance tax rate of \$0.55 in the District's Defined Area. A copy of the analysis is attached.

Upon a motion made by Director Molina, and seconded by Director Green, the Board voted unanimously to (1) authorize Bob Leared Interests to publish the notice of a public hearing regarding adoption of a proposed District tax rate reflecting a debt service tax rate of \$0.80 and an operations and maintenance tax rate of \$0.15, for a total levy of \$0.95, to be held at the District's October 3, 2019, meeting; and (2) authorize Bob Leared Interests to mail notice of a public hearing regarding adoption of a proposed Defined Area maintenance tax of \$0.55, to be held at the District's October 3, 2019, meeting.

The Board concurred that the proposed District tax levy notice be posted to the District website.

Mr. Eustis also proposed a cash redemption in the amount of \$4,290,000 for the District Series 2019, Unlimited Tax Refunding Bonds.

PUBLIC COMMENT

The Board received and reviewed correspondence received through the District's website and at ABHR.

Mr. Lians requested a leak adjustment for 109,000 gallons of water at 7014 Fry Road. Following discussion, the Board concurred to defer action pending receipt of additional information from the District operator.

RESOLUTION VOTING FOR WATER DISTRICT NOMINEE FOR THE ELECTION OF THE BOARD OF DIRECTORS OF THE HARRIS COUNTY APPRAISAL DISTRICT

The Board next considered nominating Glen Peters for the Election of the Board of Directors of the Harris County Appraisal District. Following review and discussion, Director Molina moved to adopt a Resolution Nominating Glen Peters for the Election of the Board of Directors of the Harris County District. Director Green seconded the motion, which passed unanimously.

AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2019

Ms. Greenwood next presented to the Board an engagement letter for conducting the District's audit for fiscal year ending September 30, 2019, a copy of which is attached. She stated that the proposed fee for the annual audit is \$24,300. Following review and discussion, Director Molina moved that the Board engage BKD, LLP, to conduct the audit for fiscal year ending September 30, 2019. Director Green seconded the motion, which was approved by unanimous vote.

DEVELOPER REIMBURSEMENT REPORT AND AUTHORIZE DISBURSEMENT OF BOND PROCEEDS

Ms. Greenwood reviewed reimbursement report for the District's Unlimited Tax Bonds, Series 2019. Following review and discussion, Director Molina moved to (1) approve the reimbursement report; and (2) authorize disbursement of bond proceeds at closing, with the exception of reimbursement to 2 Ronin Real Estate, LLC. Director Green seconded the motion, which passed unanimously.

ARBITRAGE REBATE MATTERS

Ms. Holoubek next reviewed OmniCap Group LLC's arbitrage rebate and yield restriction calculations for the District's Series 2014B Bonds and said no rebate is due to the Internal Revenue Service.

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, reviewed budget to actual revenues and expenses and variances and reviewed a draft budget for the fiscal year ending September 30, 2020. 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 (1) accept the bookkeeper's report, including payment of the bills listed; and (2) adopt the budget for the fiscal year ending September 30, 2020, as amended. Director Goh seconded the motion, which passed unanimously.

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 August, 2019. Mr. Hoffman reported 24 new residential taps were installed during the month of July, 2019. He also reviewed routine maintenance and repairs within the District completed and ongoing during the month of August, 2019.

Mr. Hoffman discussed maintenance and repair at District facilities and recommended the following:

1. Cleaning of digester no. 3 at the wastewater treatment plant for an estimated cost of \$10,000; and
2. Rewinding of the motor and replacement of bearings and seals for lift pump no. 2 at lift station no. 10 for an estimated cost of \$7,500.

The Board received the following appeals from District customers for consideration:

1. Rishi Singh; requesting an evaluation of his usage;
2. Shannon Henderson; requesting evaluation of her usage;
3. Selahattin Sayil; requesting a leak adjustment; and
4. Melody Haefner; requesting a payment plan and evaluation of her usage.

Following review and discussion, Director Molina moved to (1) approve the District operator's report; (2) authorize cleaning of digester no. 3 at the wastewater treatment plant for an estimated cost of \$10,000; (3) authorize rewinding of the motor and replacement of bearings and seals for lift pump no. 2 at lift station no. 10 for an

estimated cost of \$7,500; (4) authorize the District operator apply the leak adjustment policy to the accounts of customers Shannon Henderson and Selahattin Sayil, as discussed; and (4) authorize the District operator to replace Melody Haefner's meter, offer a payment plan to Ms. Haefner and retest the meter removed. The motion, which was seconded by Director Green, passed unanimously.

The Board took no action on Mr. Singh's account/appeal.

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 or taxes 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 Molina moved to authorize termination of delinquent accounts in accordance with the District's Rate Order, with the exception of 7014 Fry Road for which Mr. Lians appeared to make arrangements, and direct that the delinquent customer list be filed appropriately and retained in the District's official records. The motion was seconded by Director Green and passed by unanimous vote.

STORM WATER QUALITY PERMITS AND OTHER STORM WATER ISSUES

Mr. Keel reviewed the following proposals submitted by Storm Water Solutions, LP:

1. Proposal in the amount of \$23,720 to repair side slope erosion along the north side of the Langham Creek Improvement Channel;
2. Proposal in the amount of \$14,320 to regrade back slope interceptor swales along the north side of the Langham Creek Improvement Channel;
3. Proposal in the amount of \$9,940 to regrade back slope interceptor swales on the north side of the U132-00-00 Channel; and
4. Proposal in the amount of \$19,570 to repair side slope erosion along the west side of the U132-00-00 Channel.

Following review and discussion, upon a motion by Director Molina and a second by Director Green, the Board voted unanimously to approve the proposals listed above.

PARK MAINTENANCE AND NRCS/FEMA GRANTS

Mr. Wailes reviewed a park and landscape management report, a copy of which is attached. Discussion ensued regarding the basketball goal in the Cypress Springs Park, and the Board requested a proposal for removal and a separate proposal for options for replacement/enhancement. Director Molina said he would contact the

Lancaster Homeowner's Association to see what type of replacement facility they prefer.

MASTER PARKS PLAN

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

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 requested authorization to make application to the Texas Commission on Environmental Quality ("TCEQ") to update the District's discharge permit to increase the volume to 995 MGD.

Mr. Keel stated that bids were received for construction of Water Plant No. 4, Phase 2. Mr. Keel recommended that the Board award the contract to Nunn Construction ("Nunn") in the amount of \$1,113,260. The Board concurred that, in its judgment, Nunn 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.

Mr. Keel reported the status of the following projects, including pay applications and change orders:

1. Langham Creek detention from Grand Parkway to Trunkline Pipeline; Pay Estimate Nos. 1 through 23 listed below;
 - a. Pay Estimate No. 1 in the amount of \$216,887.22;
 - b. Pay Estimate No. 2 in the amount of \$7,074.00;
 - c. Pay Estimate No. 3 in the amount of \$196,639.40;
 - d. Pay Estimate No. 4 in the amount of \$354,004.66;
 - e. Pay Estimate No. 5 in the amount of \$870,531.09;
 - f. Pay Estimate No. 6 in the amount of \$1,116,291.11;
 - g. Pay Estimate No. 7 in the amount of \$452,111.66;
 - h. Pay Estimate No. 8 in the amount of \$466,685.51;
 - i. Pay Estimate No. 9 in the amount of \$282,741.71;
 - j. Pay Estimate No. 10 in the amount of \$363,547.55;
 - k. Pay Estimate No. 11 in the amount of \$570,540.17;
 - l. Pay Estimate No. 12 in the amount of \$1,028,074.28;
 - m. Pay Estimate No. 13 in the amount of \$872,632.95;
 - n. Pay Estimate No. 14 in the amount of \$980,207.49;
 - o. Pay Estimate No. 15 in the amount of \$1,590,200.79;

- p. Pay Estimate No. 16 in the amount of \$525,246.50;
 - q. Pay Estimate No. 17 in the amount of \$573,410.31;
 - r. Pay Estimate No. 18 in the amount of \$140,468.10;
 - s. Pay Estimate No. 19 in the amount of \$272,778.59;
 - t. Pay Estimate No. 20 in the amount of \$143,108.13;
 - u. Pay Estimate No. 21 in the amount of \$935,377.21;
 - v. Pay Estimate No. 22 in the amount of \$343,095.58;
 - w. Pay Estimate No. 23 in the amount of \$419,386.99.
2. Miramesa West Grading for LOMR-F; Pay Estimate No. 4 and Final in the amount of \$37,455.99;
 3. Langham Creek storm repair/de-silt; Pay Estimate No. 4 in the amount of \$681,267.85 and a request a 30 day contract extension;
 4. Miramesa Section 4; Pay Estimate No. 2 in the amount of \$13,455.20;
 5. Storm water quality feature to serve Mirabella; Pay Estimate No. 4 in the amount of \$18,691.88;
 6. Mass grading for lots for Miramesa West; Pay Estimate No. 2 in the amount of \$677,784.60, Pay Estimate No. 3 in the amount of \$211,618.73 and Pay Estimate No. 4 in the amount of \$211,888.19.

Following review and discussion, Director Molina moved to (1) approve the engineering report; (2) based upon the recommendation of J&C and DAC, approve the pay estimates and contract extension listed above; (3) award the contract for construction of Water Plant No. 4, Phase 2 in the amount of \$1,113,260, based upon the engineer's recommendation and subject to approval of the payment and performance bonds and review of the certificate(s) of insurance and endorsements, if any, provided by the contractor; (4) authorize DAC to make application to the TCEQ to update the District's discharge permit, as discussed; and (5) authorize DAC to begin preparing the next bond application. Director Goh seconded the motion, which passed unanimously.

UTILITY COMMITMENTS

There was no discussion for this agenda item.

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

Upon a motion by Director Molina and second by Director Green, the Board voted unanimously to accept a Water Line Easement (0.1476 Acre) from CILB 2018, LP to serve Bridge Creek.

DEVELOPMENT IN THE DISTRICT

Mr. Morrison reported regarding development in the District. Ms. Holoubek and Mr. Morrison discussed possible annexation and development of an 856 tract and requested that the Board approve and execute an Acknowledgement and Consent to Assignment between Cypress 856, ltd. and Trez Capital 2015 Corporation and a Development Financing Agreement with Cypress 856, Ltd. Following review and discussion, Director Molina moved to authorize execution of an Acknowledgement and Consent to Assignment between Cypress 856, ltd. and Trez Capital 2015 Corporation and a Development Financing Agreement with Cypress 856, Ltd. Director Green seconded the motion, which passed unanimously.

GARBAGE COLLECTION SERVICES

Ms. Leighton discussed garbage and recycling services in the District.

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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