

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

September 1, 2022

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 1st day of September 2022, 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
Scott Nilsson	Assistant Secretary
Scott Barr	Assistant Vice President

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

Also attending the meeting were Lori Buckner of Myrtle Cruz, Inc. ("MCI"); David Keel and Maurice Mullaly of DAC Services, Inc. ("DAC"); Patty Rodriguez of Bob Leared Interests, Inc. ("BLI"); Wes Alvey, Donnice Hoffman and Chris Hoffman of H2O Consulting, Inc. ("H2O"); Josh Wailes of Mike Stone Associates, Inc. ("MSA"); David Colunga of Taylor Morrison of Texas, Inc. ("Taylor Morrison"); David Wood of Robert W. Baird & Co. Incorporated; Blake Kridel of Storm Water Solutions, LLC; Sherri Greenwood of Forvis, LLP; Kelly Gard of KGA/DeForest Design, LLC; Christie Leighton of Best Trash, LLC; Darrin Fentress and Ryan Lesikar of BGE, Inc.; Collins Pier of Tri Pointe Homes Texas Inc. ("Tri Pointe"); Robert Oliver of SWA Group ("SWA"); and Jessica Holoubek, Brooke Milbauer and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

GARBAGE/RECYCLING COLLECTION SERVICES

Ms. Leighton discussed garbage and recycling collection services in the District, including customer service calls, and service to new sections constructed.

PUBLIC COMMENT

Director Bentson offered any members of the public attending the meeting the opportunity to make public comment. There being no members of the public requesting to make public comment, Director Bentson moved to the next agenda item.

SECURITY REPORT

The Board reviewed and discussed a patrol report received from Harris

County Constable Precinct 5 and considered an Interlocal Agreement for Law Enforcement Services for a total of 18 officers for a total budget of \$116,400 per month. Following review and discussion, Director Molina moved to approve an Interlocal Agreement for Law Enforcement Services with Harris County. Director Barr seconded the motion, which passed unanimously.

MINUTES

The Board considered approving the minutes of the August 4, 2022, regular meeting. Following review and discussion, Director Molina moved to approve the minutes as presented. Director Barr seconded the motion, which passed unanimously.

AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2022

Ms. Greenwood next presented to the Board an engagement letter for conducting the District's audit for fiscal year ending September 30, 2022, a copy of which is attached. She stated that the proposed fee for the annual audit is \$27,900. Following review and discussion, Director Molina moved that the Board engage BKD, LLP, to conduct the audit for fiscal year ending September 30, 2022. Director Barr seconded the motion, which was approved by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS AND BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2023

Ms. Buckner 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 a draft budget for the fiscal year ending September 30, 2023. 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 and payment of the bills; and (2) approve the budget for the fiscal year ending September 30, 2023. Director Barr 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 2017 Bonds and said no rebate is due to the Internal Revenue Service.

TAX ASSESSMENT AND COLLECTIONS MATTERS AND DELINQUENT TAX COLLECTION

Ms. Rodriguez discussed 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 preliminary values for the District and defined areas within the boundaries of the District, reported regarding taxes collected to date and delinquent taxes from previous tax years.

Ms. Rodriguez reviewed 2 customer appeals, copies of which are attached, both requesting waiver of penalty and interest due to alleged errors made by the Harris County Appraisal District ("HCAD"). Following discussion and review of information provided by the District's tax assessor collector, the Board determined that an error was made by the HCAD with regard the tax account for 20214 Morgan Shores Drive.

Following discussion and review of the information provided by the District's tax assessor collector, Director Molina moved to (1) accept the tax assessor/collector's report; (2) authorize payment of the bills; and (3) waive penalty and interest charged to the taxpayer living at 20214 Morgan Shores Drive due to an error made by HCAD and upon the recommendation of the District's tax assessor collector. Director Barr seconded the motion, which passed unanimously.

ANNEXATION AGREEMENT

Mr. Pier and Mr. Lesikar discussed a potential annexation of property into the District and reviewed a draft term sheet for a proposed annexation agreement to annex property and create a defined area.

2022 TAX RATE

Ms. Holoubek discussed the "truth-in-taxation" property tax calculations and tax levy process for water districts and stated that Chapter 49 of the Texas Water Code establishes three main categories for water districts, based on a district's development status and/or tax rate. She reviewed the definitions for each of the three categories and said the Board must annually determine the District's category for that tax year and follow the associated notice and levy provisions in the Texas Water Code.

Discussion ensued regarding the District's development status. After fully considering relevant data, information, and statutory definitions, the Board determined that the District is a Developing District for the 2022 tax year.

Mr. Wood reviewed tax rate analyses for the District, Defined Area No. 1, and Defined Area No. 2.

Following review and discussion, Director Molina moved to (1) adopt a Resolution Regarding Development Status for 2022 Tax Year establishing the District as

a Developing district for the 2022 tax year, pursuant to Section 49.23603, Texas Water Code, and direct that the Resolution be filed appropriately and retained in the District's official records; (2) set the public hearing date for October 6, 2022; and (3) authorize the tax assessor/collector to publish notice of the District's meeting on October 6, 2022, to set the proposed 2022 total tax rate of \$0.93 per \$100 of assessed valuation, with \$0.68 allocated for debt service on water, sewer, and drainage bonds, and \$0.25 allocated for operations and maintenance, set the proposed 2022 total tax rate of \$0.57 per \$100 of assessed valuation for debt service in Defined Area No. 1 and \$0.57 per \$100 of assessed valuation for debt service in Defined Area No. 2. Director Barr seconded the motion, which passed unanimously.

OPERATION OF DISTRICT FACILITIES AND AMEND RATE ORDER

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

The Board discussed the District's water accountability for the month of August 2022. Mr. Hoffman reported 2 commercial and 48 new residential taps installed during the month of August 2022. He also reviewed routine maintenance and repairs within the District completed and ongoing during the month of August 2022 and requested authorization to and requested authorization to replace a soft start in the booster pump at water plant no. 3.

Ms. 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 to explain, contest, or correct their bills and to show why utility services should not be terminated for reason of non-payment.

Mr. Hoffman reviewed a customer request for a leak adjustment for a leak on the District's main line next to the sidewalk.

Mr. Hoffman reviewed a proposed amendment to the District operations agreement.

Following review and discussion, Director Molina moved to (1) approve the District operator's report; (2) authorize replacement of the soft start in the booster pump at water plant no. 3; (3) authorize the District operator to extend a leak adjustment to the customer requesting same; (4) approve a proposed amendment to the District's operating agreement with H2O; and (5) 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. Director Barr seconded the motion, which passed unanimously.

REPORT FROM STORM WATER SOLUTIONS

The Board reviewed a Storm Water Management Program report provided by Storm Water Solutions LLC ("SWS"), a copy of which is attached, including proposals for (1) repair of the sinkhole at the Gates at Canyon Lakes West Channel Outfall; and (2) replacement of the sluice gate at the Gates at Canyon Lakes West Detention Pond Outfall. Following review and discussion, Director Molina moved to approve the report and proposals. Director Barr seconded the motion, which passed unanimously.

PARK MAINTENANCE

Mr. Wailes reviewed a park and landscape management report, a copy of which is attached, and reviewed a proposed pricing sheet and services agreement with Yellowstone Landscape. Following review and discussion, Director Molina moved to approve the park and landscape management report, including approval of a services agreement with Yellowstone Landscape. Director Barr seconded the motion, which passed unanimously.

KGA/DEFOREST DESIGN, LLC REPORT

Mr. Gard reviewed a landscape architect report from KGA, a copy of which is attached.

Mr. Gard discussed design of landscaping improvements in Marvida Section 13 and presented a proposal for design of same.

Mr. Gard reported the status of construction of landscape improvements to serve Marvida Phase I and recommended that the board approve (1) Change Order No. 1 increasing the District's contract with Earth First Landscapes, LLC ("Earth First") in the amount of \$28,948.15; (2) Change Order No. 2 increasing the contract an additional \$3,689.72; and (3) Change Order No. 3 increasing the contract by \$3,028.20.

Mr. Gard reported regarding the status of construction of the Marvida Recreation Center Facility and recommended approval of Pay Application No. 3 in the amount of \$142,990.47, payable to DL Meacham LP, and Change Order No. 5 increasing the contract amount by \$43,264.

Mr. Gard reported regarding the status of construction of Marvida West Road Extension Landscape Improvements and recommended that the Board approve Pay Application No. 2 in the amount of \$150,490.53, payable to Triple E Landscapes ("Triple E").

Mr. Gard reported regarding the status of construction of Marvida South Phase 2 Landscape Improvements and recommended that the Board approve Pay Application No. 8 and Final in the amount of \$23,901.40, payable to Triple E.

The Board determined, upon the recommendation of KGA, that all change orders presented are beneficial to the District.

After review and discussion, Director Molina moved to (1) accept the landscape architect report from KGA; (2) approve a design proposal for landscape improvements in Marvida, Section 13; (3) approve the pay estimates presented, as recommended by KGA; and (4) approve the change orders presented, upon the recommendation of KGA and finding that the change orders are beneficial to the District. Director Barr seconded the motion, which passed by unanimous vote.

SWA GROUP REPORT

Mr. Oliver reviewed a landscape architect report from SWA, a copy of which is attached.

Mr. Oliver discussed the status of construction of Avalon at Cypress West Road and Mason Road landscape project and recommended that the Board approve Pay Estimate No. 7 in the amount of \$9,540 and Pay Estimate No. 8 in the amount of \$1,211.29, both payable to Earthcare Management, Inc. ("Earthcare").

Mr. Oliver discussed the status of construction of Avalon at Cypress Phase 1 Conveyance Channel (West Channel) and recommended that the Board approve Pay Estimate No. 8 in the amount of \$4,914, payable to Earth First.

After review and discussion, Director Molina moved to (1) accept the landscape architect report from SWA; (2) approve the pay estimates presented, as recommended by SWA; and (3) approve the change orders presented, upon the recommendation of SWA and finding that the change orders are beneficial to the District. Director Barr seconded the motion, which carried unanimously.

DEVELOPMENT IN THE DISTRICT

Mr. Colunga discussed development in the District.

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

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

Mr. Mullaly stated that 14 bids were received for construction of the Ultimate Drainage Channel and Drainage Impact Study and recommended that the Board award the contract to the low bidder, Harris Construction, in the amount of \$744,994.75. The Board concurred that, in its judgment, Harris Construction, 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. Mullaly reported the status of the following projects, and presented the following pay applications and change orders:

1. Avalon at Cypress Channel Crossing; Pay Estimate No. 4 in the amount of \$84,079.69, payable to Lonnie Lischka, LP ("Lischka"); Change Order No. 1 increasing the District's contract in the amount of \$23,830;
2. Avalon at Cypress Lift Station; Pay Estimate 9 in the amount of \$3,060, payable to Sequiera Civil Construction ("Sequiera");
3. Avalon at Cypress Lift Station Fencing; Change Order No. 1 increasing the District's contract with Republic Masonry & Fencing, LLC in the amount of \$1,365;
4. Avalon at Cypress, Section 2 water, sewer, drainage, and paving; Pay Estimate No. 3 and Final in the amount of \$28,630, payable to Fellers & Clark ("Fellers");
5. Avalon at Cypress, Section 5 water, sewer, drainage, and paving; Pay Estimate No. 3 and Final in the amount of \$9,952.50, payable to Fellers, and Pay Estimate No. 3 for paving in the amount of \$6,444, payable to Fellers;
6. Avalon at Cypress Section 6 paving; Pay Estimate No. 3 and Final in the amount of \$27,586.64, payable to Fellers;
7. Avalon at Cypress Section 7 water, sewer, and drainage; Pay Estimate No. 3 in the amount of \$201,989.20, payable to Sequiera and Pay Estimate No. 1 in the amount of \$338,844.15 for paving, payable to Sequiera;
8. Avalon at Cypress - Avalon River Road Paving; Pay Estimate No. 4 in the amount of \$25,985.74, payable to Harris Construction;
9. Avalon at Cypress - West Road Phase I Paving; Pay Estimate No. 5 in the amount of \$46,943, payable to Unitas Construction, Inc. ("Unitas"); and Change Order No. 1 with no net change to the contract amount;
10. Bridge Creek Section 8 and 9 paving; Pay Estimate No. 2 in amount of \$55,291.25 and Pay Estimate No. 3 in the amount of \$254,459.70, both payable to Hassell Construction;
11. Bridge Creek Mason Road Phase 3; Pay Estimate No. 3 in the amount of \$151,028.10, payable to Lischka;
12. Bridge Creek West Lift Station; Pay Estimate No. 1 in the amount of \$378,000 and Pay Estimate No. 2 in the amount of \$74,700, both payable to Peltier Brothers;
13. Marvida, Sections 6 and 7 water, sewer, drainage, and paving; Pay Estimate No. 10 in the amount of \$78,062.08, payable to Park Construction;
14. Marvida, Section 8 water, sewer, and drainage; Change Order No. 1 increasing the District's contract with Bay Utilities in the amount of \$36,215;

15. Marvida, Section 12 paving; Pay Estimate No. 5 in the amount of \$37,159.76 in the amount of \$37,159.76, payable to Durwood Greene Construction; Change Order No. 2 increasing the contract by \$5,800;
16. Marvida, Section 15 water, sewer, drainage, and paving; Pay Estimate No. 6 in the amount of \$63,894.13, payable to Gonzalez Construction;
17. Marvida, Section 20 paving; Pay Estimate No. 4 in the amount of \$332,007.38, payable to Beyer Construction (“Beyer”);
18. Marvida, Section 21, paving; Pay Estimate No. 3 in the amount of \$108,580.11, payable to Allgood Construction (“Allgood”);
19. Marvida Terrace Drive, Sections 2 and 3 paving; Pay Estimate No. 7 in the amount of \$299,203.83 and Pay Estimate No. 8 in the amount of \$545,470.80, both payable to Fellers;
20. Marvida Lift Station No. 3; Pay Estimate No. 1 in the amount of \$281,925, payable to R&B Group;
21. Traffic Signal at Marvida Terrace Drive and FM 529; Pay Estimate No. 1 in the amount of \$41,117.40, payable to Traf-Tex, Inc.;
22. Longenbaugh detention and drainage; Pay Estimate No. 5 and Final in the amount of \$83,284.38, payable to Rebel Contractors;
23. Water Plant No. 5; Pay Estimate No. 20 in the amount of \$2,161.26, payable to Long & Son, Inc.;
24. Expansion of wastewater treatment plant no. 1; Pay Estimate No. 22 in the amount of \$37,484.26, payable to R.P. Constructors; and Change Order No. 6 increasing the contract by \$70,588;
25. Wastewater treatment plant no. 2; Pay Estimate No. 20 in the amount of \$127,236.33, payable to ALLCO Constructors;
26. Water Plant No. 6; Pay Estimate No. 2 in the amount of \$384,480, payable to Long & Son; and
27. Langham Creek Detention Phase 2; Pay Estimate No. 10 in the amount of \$830,568.82, payable to Serco Construction.

The Board concurred that the change orders listed above are beneficial to the District.

Mr. Mullaly also recommended that the Board approve utility commitments for the projects listed below as recommended in the attached engineering report:

1. Retail at Longenbaugh and Greenhouse;
2. Longenbaugh Multifamily Residential; and
3. School at northwest corner of West Road and Westgreen.

Following review and discussion, Director Molina moved to (1) approve the engineering report; (2) based upon the recommendation of Quiddity, BGE and DAC, approve pay estimates listed above; (3) approve the change orders listed above based upon the Board’s finding that the change orders are beneficial to the District and BGE’s, Quiddity’s and DAC’s recommendations; (4) based upon the recommendation of

Quiddity and DAC, award the contracts for construction of the Ultimate Drainage Channel and Drainage Impact Study to Harris Construction in the amount of \$744,994.75, 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; (5) based upon the recommendation of DAC, authorize a commitment of capacity for the projects listed above. Director Barr seconded the motion, which passed by unanimous vote.

The Board also considered accepting and/or conveying the following instruments:

1. Special Warranty Deed from Astro Marvida, LP conveying a lift station site in Marvida; and
2. Quitclaim of 3.8014 acres for the benefit of Michel A. Crouch.

Following review and discussion, Director Molina moved to accept/approve the conveyances listed above. Director Barr seconded the motion which passed unanimously.

DISTRICT WEBSITE

There was no discussion nor action taken on this agenda item.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

There was no discussion nor action taken on this agenda item.

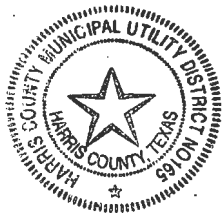
EXECUTIVE SESSION PURSUANT TO SECTION 551.071 TEXAS GOVERNMENT CODE

At 8:37 p.m., Director Bentson announced the Board would convene in executive session to conduct a private consultation with attorney to discuss pending or contemplated litigation, or a settlement offer. ABHR and DAC were also present during executive session.

RECONVENE IN OPEN SESSION

The Board reconvened in open session at 9:07 p.m. Following discussion in executive session, Director Molina moved to authorize Director Bentson to negotiate and finalize an annexation agreement with Tri Pointe. Director Barr seconded the motion, which passed unanimously.

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





Secretary, Board of Directors

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