

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 13, 2010

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 162 (the "District") met in regular session, open to the public, at 1301 McKinney, Houston, Texas, on April 13, 2010, at 4:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

John Parrish, President
Emmanuel DePau, Vice President
Penny Johnson, Secretary
Steve Rickelman, Treasurer
Mike Odell, Assistant Secretary

All members of the Board were present. Also attending all or parts of the meeting were Ms. Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Chris Hoffman of H2O Consulting ("H2O"), operator of the District's facilities; Ms. Erin Garcia of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; and Ms. Jana Cogburn and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The President called the meeting to order in accordance with notice posted pursuant to law, copies of Certificates of Posting of which are attached hereto as Exhibit "A," and the following business was transacted:

1. **Minutes.** Consideration was given to the approval of the minutes of the regular meeting of March 9, 2010, copies of which were previously distributed to the Board. Director Parrish requested that "supplemented" be changed to "under-billed" in the second sentence of the seventh paragraph under the Operation's Report. Upon motion by Director Johnson, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of March 9, 2010, as revised.

Review Bookkeeper's Report and authorize payment of bills Ms. Garcia presented to and reviewed with the Board the Bookkeeper's Report, the Investment Report, the Operating Budget for the Fiscal Year Ending July 31, 2010 Comparison as of April 13, 2010, and the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "B." Upon motion by Director Johnson, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to authorize payment of check nos. 3123 through 3141 from the Operating Account, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report, and to approve the Investment Report.

2. **Review Tax Assessor and Collector's Report and authorize payment of certain bills.** Ms. Rodriguez presented to and reviewed with the Board the Tax Assessor and Collector's Report and a list of delinquent taxpayers, copies of which are attached hereto as Exhibit "C." Ms. Rodriguez reported that the District has collected 96.32% of its 2009 taxes. Ms. Rodriguez requested Board approval to transfer eight business personal-property accounts (which are at least four years old) to an uncollectible tax roll. Upon motion by Director DePau, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to transfer eight accounts to an uncollectible tax roll.

Upon motion by Director Johnson, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1398 through 1404 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Approve Merchant Processing Agreement.** The Board reviewed the Merchant Processing Agreement, Addendum to Merchant Processing Agreement, and Addendum to Bob Leared Interests, Inc. Contract, copies of which are attached hereto as Exhibit "D." Ms. Cogburn stated that the District is required by law to allow customers to pay taxes by electronic checks. Ms. Cogburn explained the purpose of the addendums to the agreements. Upon motion by Director Johnson, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Merchant Processing Agreement, Addendum to Merchant Processing Agreement, and Addendum to Bob Leared Interests, Inc. Contract.

4. **Approve Addendum to Merchant Processing Agreement.** This item was approved in item 3.

5. **Approve Addendum to Bob Leared Interests, Inc. Contract.** This item was approved in item 3.

6. **Engage delinquent tax attorney to enforce collection of taxes.** Upon motion by Director Johnson, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to maintain the delinquent tax attorney contract with Perdue, Brandon, Fielder, Collins & Mott, L.L.P.

7. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman reported that the District pumped 3,777,000 gallons of water and purchased 6,164,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 82.7% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 146,862,000 gallons and eight months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSO") water allocation.

Mr. Hoffman reported that the WHCRWA notified the District by letter that it would be required to use surface water except for proper exercising of wells for peak periods when the WHCRWA cannot meet all the District demands, a copy of such letter is attached to the Operations Report.

Mr. Hoffman stated that H2O is investigating the low water accountability by inspecting ditches and checking valves. Mr. Hoffman noted that H2O will investigate the sanitary sewer manholes tomorrow.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the exterior fence of the water plant was vandalized with paint and graffiti. Mr. Hoffman reported that H2O immediately painted the south and west fence and notified the Sheriff's office of the vandalism. Mr. Hoffman reported that the final cost to paint the fences is \$1,549.88.

Mr. Hoffman reported on the water plant painting and noted that the ground storage tanks ("GST") #2 and #1 have been taken out of service for the paint contractor. Mr. Hoffman reported that H2O removed some spoil piles to allow the contractor access to the tanks. The cost to date for the painting project assistance is \$3,139.30

Mr. Hoffman reported on sewer line maintenance and stated that a sinkhole at 9406 Forestside developed over the sanitary sewer trunk line. Mr. Hoffman stated that H2O televised the lines and determined that some repair joints are leaking. Mr. Hoffman reported that the cost to date for the sinkhole repair is \$3,623.80.

As requested last month, Mr. Hoffman reported that the repair quotes are as follows:

<u>Options to Repair:</u>	<u>R&L Utilities</u>	<u>Tackle Construction</u>	<u>Reynolds Lining</u>
1) Internal chemical grout	\$6,000	\$ 7,300	
2) Slipline	\$27,000	\$15,400	
3) Cured-in-place	\$35,000	\$16,620	\$14,900
4) Pipe burst	\$31,700		
5) Open cut and replace		\$14,500	

Mr. Hoffman recommended that a cured-in-place repair be made so that any perc which was previously discharged in the area is not disturbed. Discussion ensued regarding a claim against Village Cleaners for the perc discharge and the statute of limitations on the five-year-old problem. Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the cured-in-place repair by Reynolds Inlining at an estimated cost of \$14,900 for the sanitary sewer joint repair.

Mr. Hoffman reported that a commercial sewer connection rate comparison is attached to the Operations Report for the Board's review. Mr. Hoffman stated that since the District is under-billing sewer rates for commercial customers, the comparison includes four rate scenarios for correcting commercial sewer rates. Discussion ensued regarding which pay scenario and rate increase to implement. Upon motion by Director Odell, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the scenario 3 rate structure and to authorize H2O to notify the commercial customers that the new rates will be implemented in 60-days.

Mr. Hoffman reported TML denied the District's insurance claim for damage to the electrical service wires at the water plant.

8. **Engineer's Report.** The President recognized Ms. Zapletal, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "F."

Ms. Zapletal reported that the Harris County Municipal Utility District No. 186 ("No. 186") Waterline Loop Improvements to help improve the water quality along Echo Lodge Drive have been completed.

Ms. Zapletal reported on construction plans and stated that Seablue Seafood at 8475 Highway 6 North, Suite A has been constructed within the former Sweet Mesquite restaurant location. Ms. Zapletal reported that based on the owner's April 9, 2010 confirmation that no new plumbing connections have been made, BGE and H2O will allow new appliances and fixtures at existing water and sewer connections in this suite. Ms. Zapletal noted that should new connections be discovered during the inspection, revised plumbing plans and a re-inspection will be required. Ms. Zapletal stated that the owner was advised in the April 12, 2010 approval letter that if the existing grease trap is not effective in retaining the restaurant's grease waste, the District will require the restaurant to construct a new grease trap with increased retention capacity.

Ms. Zapletal reported that Mr. Chris Clark provided BGE a set of professionally-drawn plumbing plans and detail sheet including grease trap sizing calculations for the proposed Mr. Jim's Pizza at 8475 Highway 6 North, Suite C. Ms. Zapletal stated that the plans have been forwarded to H2O.

Ms. Zapletal reported that BGE and H2O have coordinated on comments to provide on the plumbing plans received for the addition of a 3,000-gallon grease trap at the Labay Middle School (as part of miscellaneous renovations proposed at the school).

Ms. Zapletal reported that the final draft of the Emergency Preparedness Plan has been delivered to the TCEQ. Ms. Zapletal stated that distributed copies of the EPP must include the TCEQ's approval letter and therefore, the EPP will not be provided to H2O or F&J until the approval letter is received.

Ms. Zapletal reported on the proposed Carl's, Jr. Restaurant and noted that Terra Associates or Interplan Architects have received information regarding the District's construction review process. Ms. Zapletal stated that one of the firms will notify BGE when the project moves forward.

Ms. Zapletal reported on the Sanitary Sewer Repair on 12" line off at 8406 Forestside Lane and noted that BGE reviewed the video footage and discussed recommended repairs with a contractor. Ms. Zapletal reported that BGE provided H2O the contractor's contact information to discuss a lower cost for cured-inplace pipe (CIPP) than that discussed last month.

Ms. Zapletal reported on the EPA Groundwater Rule update. Ms. Zapletal reported that BGE previously notified the TCEQ's Technical Review Team that the District receives surface water and also utilizes its well. Ms. Zapletal stated that if a positive hit occurs, the TCEQ will contact H2O to confirm whether or not the well was in use at the time the positive sample was obtained. In addition to the letters issued to the TCEQ in November by H2O and in January by BGE, Ms. Zapletal stated that BGE provided a letter confirming that the District will not be submitting a Trigger Source Monitoring Plan for review based on instructions received

from the TCEQ, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that in addition to receiving treated surface water from the WHCRWA, the District's one active water well will not represent, or be represented by, any other water wells within the District.

Ms. Zapletal reported on the water plant tank coatings of GSTs and hydropneumatic tanks ("HPTs"). Ms. Zapletal stated that the Utility Service Company, Inc. submitted the lowest total bid in the amount of \$222,900. Ms. Zapletal noted that the Notice of Award was issued for the Base Bid Items and the selected Supplemental Items for additional facility coatings, painting, and mastic replacement. Ms. Zapletal stated that the preconstruction meeting was conducted on February 16, 2010. Ms. Zapletal reported that the Board's color selection (39BL-Delft Blue) was issued to the contractor at that time. Ms. Zapletal reported that the Notice to Proceed was issued for March 1, 2010 and the contract time is 90 calendar days.

Ms. Zapletal reported that construction activity on one GST and one HPT is underway. Ms. Zapletal stated that the construction schedule has been modified by the contractor per BGE comments. Ms. Zapletal noted that the schedule incorporates all comments provided to date. BGE and Preventive Services have also coordinated responses for the coating system submittals, a copy of which is attached to the Engineer's Report.

Ms. Zapletal reported that the interior facade of one fence post was damaged by the contractor last week. Ms. Zapletal noted that a fencing contractor has been contacted regarding the repair at the expense of the contractor.

Ms. Zapletal reported that the surplus funds notification letter to the TCEQ for water plant tank coatings was submitted to the TCEQ on February 10, 2010. Ms. Zapletal reported that the following table summarizes the non-audited actual costs versus the estimated costs included in the notification letter sent to the TCEQ for use of \$254,405 surplus capital projects funds for the water plant improvements project pursuant to 30 T.A.C. §293.83(c)(3)(A). Ms. Zapletal reported that the District's auditor will include notes in the annual financial reports for fiscal years in which these funds are distributed.

Project Name	Original Estimated Surplus Funds	FYE 2010 Surplus Funds Used As of 04/13/10	Total Actual Project Expenses (non-audited)
Water Plant Improvements - Tank Coatings - Engineering and construction costs	\$ 254,405	\$10,006.18	\$10,006.18

Ms. Zapletal reported on the emergency power generator and auxiliary drive engine options and cost estimates. Ms. Zapletal stated that BGE has had numerous conversations with the TCEQ regarding the emission credit purchase as part of the Mass Emissions Cap and Trade (MECT) Program. Ms. Zapletal reported that a second letter is being sent to the TCEQ confirming the coordination with Element Markets, LLC to complete the necessary paperwork for entry to the MECT Program. Ms. Zapletal reported that BGE received the TCEQ Houston/Galveston/Brazoria NOx Allowances Purchase and Sale Agreement from Element

Markets, LLC (“Element”) for allowances of 0.1 ton on NOx allowances per year for non-emergency conditions, a copy of which is attached to the Engineer’s Report. Ms. Zapletal reported that the agreement was forwarded to F&J today for review. Ms. Zapletal requested the Board’s authorization to prepare the \$18,000 check for payment and to execute the agreement subject to final review by F&J. Ms. Cogburn stated that she reviewed the agreement and noted that the emission credit purchase was a one-time transaction which is tracked by the TCEQ for monitoring the emission ownership. Director Odell requested that Ms. Zapletal determine if the cost for the emission is based on the market rate and if alternate methods of compliance are available. In response to a question from Director Parrish, Ms. Cogburn stated that the engineer is the most knowledgeable consultant regarding TCEQ emission regulations and that F&J could provide legal advice. Extensive discussion ensued regarding the agreement and the laws related to the emissions requirement. In response to a question from Director Parrish, Ms. Zapletal reported that she would send the Board and F&J copies of the three different regulations associated with the emissions requirement and would investigate obtaining additional bids for complying with the emissions regulations.

Ms. Zapletal reported that design of the installation construction plans is underway. Ms. Zapletal reported that BGE expects to submit the plans for review to the agencies later this week. Ms. Zapletal noted that a meeting with the operator will be scheduled for review and discussion of the plans while the plans are begin reviewed by Harris County and the City of Houston. Ms. Zapletal reported that Worldwide Power Products received the generator and is storing it at their site until ready for installation. Ms. Zapletal noted that BGE confirmed measurements for the foundation for the generator on April 5, 2010.

Ms. Zapletal reported that BGE will solicit for or advertise for installation bids after addressing comments from the review agencies.

Ms. Zapletal reported on the future surplus funds application for the emergency generator. Ms. Zapletal noted that reimbursement to the General Operating Fund for this project’s expenses will occur subsequent to the TCEQ approval of the surplus funds application to be submitted by BGE after the plans and specifications for installation are approved by the agencies. Ms. Zapletal stated that the following table summarizes the non-audited actual costs versus the estimated costs for the Board’s reference.

Project Name	Preliminary Cost Estimate 02/09/10	Expenses to be Reimbursed - Future Surplus Funds Request (As of 03/09/10)	Total Actual Project Expenses (non-audited)
Emergency Generator – Purchase (Worldwide Power Products; GOF Check 3102)	\$ 85,000	\$ 85,000	\$ 85,000
Emergency Generator - Emissions Credit Purchase	\$ 18,000	\$ 18,000	\$ 18,000

Emergency Generator - Installation - Estimated engineering and construction costs	\$ 115,150	\$ 8,555.52	\$ 8,555.52
TOTAL	\$ 218,150	\$ 85,000	\$ 85,000

9. **Discuss Copperfield Joint Operations Board meeting.** Director DePau reported that the Board approved the maintenance of the clarifier, the rake arm and the water process water pump. Director DePau stated that discussions also included the diesel fuel storage site at CJOB. Director DePau reported that CJOB directed H2O to present options for diesel fuel tank sizes and pricing. Director DePau noted that CJOB approved renting a 1,000 gallon fuel tank for \$175 per month for use during the hurricane season.

10. **Adopt Order Declaring Unopposed Candidates Elected to Office and pay election judges.** Upon motion by Director Johnson, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as Exhibit "G."

Upon motion by Director Johnson, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted four in favor, with Director Odell abstaining, to pay Karen Odell, the election judge, \$100 for reserving her home and time for the election.

11. **Review District website.** No action was taken.

12. **Other matters.** Directors Odell and DePau reviewed with the Board comments from Director Odell regarding the Copperfield Coalition, a copy of which is attached hereto as Exhibit "H."

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

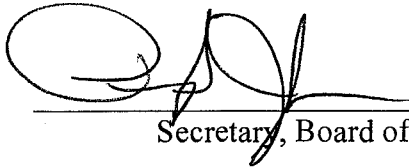
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The foregoing minutes were passed and approved by the Board of Directors on May 11, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

