

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 11, 2009

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 August 11, 2009, 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; Mr. Tony Sarman of AECOM, Inc. ("AECOM"), 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 July 14, 2009, copies of which were previously distributed to the Board. 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 July 14, 2009, as presented. Consideration was given to the approval of the minutes of the special meeting of July 24, 2009, copies of which were previously distributed to the Board. 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 special meeting of July 24, 2009, as presented.

2. **Engage auditor for the fiscal year ending July 31, 2009.** The Board the reviewed the engagement letter and the control environment and risk assessment letter from David Merritt, P.C., copies of which are attached hereto as Exhibit "B." Discussion ensued. Upon motion by Director Odell, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to engage David L. Merritt, P.C. as the District's auditor for the fiscal year ending July 31, 2009.

3. **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, 2009 Comparison as of August 11, 2009, and the Operating Budget for the Fiscal Year Ending July 31, 2010, copies of which are attached hereto as Exhibit "C." Ms. Garcia recommended moving \$140,000 from the TexPool account into the Icon Bank money market account.

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. 2884 through 2907 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.

4. 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 "D." Ms. Rodriguez reported that the District has collected 97.26% of its 2008 taxes.

Upon motion by Director Rickelman, seconded by Director Johnson, 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. 1369 through 1371 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

5. 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 10,673,000 gallons of water and purchased 10,438,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 90.8% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 68,024,000 gallons and four months remaining on its 2008 Harris-Galveston Coastal Subsidence District ("HGCSO") Permit. Mr. Hoffman noted that WHCRWA will be filing the HGCSO Permit on behalf of the District.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the automatic transfer switch has been ordered and that H2O is awaiting its delivery from Kohler. Mr. Hoffman reported that the estimated cost for the transfer switch is \$30,000.

Mr. Hoffman reported that H2O is waiting to receive an additional painting estimate for painting the ground storage tanks. Mr. Hoffman stated that the District may want to inspect the interior of the tanks in September to determine the expected life of the interior coating.

Mr. Hoffman reported that H2O replaced the alarm pedestal on the east side of the water plant and realigned all of the other beams at a final cost of \$1,424.34.

Mr. Hoffman reported that H2O installed air relief valves on the booster pump header at a final cost of \$1,193.45.

Mr. Hoffman reported that H2O responded to a power outage and noted that H2O maintained pressure and waited on CenterPoint Energy to restore power. Mr. Hoffman reported

that an electrician checked all of the equipment for proper voltage and amps at a final cost of \$1,076.51.

Mr. Hoffman reported on the water line maintenance and stated that R&L Utilities is almost complete with the installation of the water line between West Road and Pebble Lake. Mr. Hoffman reported that the job will be complete when the final landscaping is installed. Mr. Hoffman stated that the cost to date for the work is \$64,840.52.

Mr. Hoffman reported that the District has not had any main line breaks since the July meeting. Mr. Hoffman reported that the final cost to repair the main break at 15631 Meadow Village was \$1,860.50 and to repair the main and move the tap at 7606 Club Lake was \$3,396.57.

Mr. Hoffman reported that a copy of an email from Stephen Smith regarding fluoride in the water is attached to the Operations Report.

6. Approve Interlocal Agreement with Harris Galveston Subsidence District ("HGSD") for 2009/2010 Water Wise sponsorship program. The Board reviewed the Interlocal Agreement with Harris Galveston Subsidence District for 2009/2010 Water Wise sponsorship program, a copy of which is attached hereto as Exhibit "F." Director Odell expressed his frustration in obtaining information from HGSD and his dissatisfaction with HGSD's reporting. Extensive discussion ensued. Upon motion by Director Johnson, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted three in favor, with Director Odell opposed, to approve and authorize the execution of the Interlocal Agreement with HGSD for the 2009/2010 Water Wise sponsorship program.

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

Mr. Sarman reported that AECOM received plans for review of traffic signal improvements at Longenbaugh and Highway 6. Mr. Sarman stated that AECOM reviewed the plans to confirm that the water and sanitary lines are correctly identified. Mr. Sarman noted that the interconnect between the District and Harris County Municipal Utility District No. 186 was not shown. Mr. Sarman reported that AECOM contacted Harris County and submitted documentation regarding the location of the interconnect.

Mr. Sarman reported on generator items and noted that AECOM has been researching new and used generator costs for the water plant. Mr. Sarman stated that AECOM located prices for used 450 kw diesel generators for approximately \$40,000 as opposed to new 450 kw diesel generators for approximately \$150,000.

8. Discuss Copperfield Joint Operations Board "CJOB" meeting. Director Parrish reported that CJOB discussions focused on the toxicity reduction evaluation ("TRE") and the cause of the fathead minnow survival test failure for the June, 2009 biomonitoring compliance test. Director Parrish noted that CJOB hired consultants to review the sewage treatment plant operations and determine the possible point of origin for the bacteria in the water. Mr. Hoffman reported that screen samples were performed before and after the dechlorination basin was thoroughly cleaned and noted that the screen sample tests performed

before the cleaning failed and the screen sample tests performed after the cleaning passed. Mr. Hoffman stated that Hearthstone Country Club ("Hearthstone") had been pumping 100% of the effluent water which prevented water from flowing through the basin and created stagnant water in the basin. Mr. Hoffman reported that AECOM is looking into options to either maintain a minimum flow through the dechlorination chamber or to prevent standing water in the dechlorination chamber during no flow conditions. Mr. Hoffman reported that H2O met with Hearthstone to discuss the changes in operations and noted that H2O set a float to prevent Hearthstone from pumping 100% of the effluent. Ms. Cogburn reported that CJOB voted to terminate the effluent use agreement contract with Hearthstone in order to address the TRE, but noted that Harris County Municipal Utility District No. 208 and CJOB are willing to work with Hearthstone to develop modifications to the agreement to allow Hearthstone to use effluent subject to certain restrictions on the time and volume of effluent use. Mr. Hoffman noted that the modifications need to be in place before the quarterly biomonitoring test is performed by September 23, 2009.

Director Parrish reported that CJOB also discussed and authorized the purchase of two automatic transfer switches.

10. **Review District Website.** This item was deferred.

11. **Review Investment Policy and accept related party disclosures from the bookkeeper/investment officer.** Ms. Green noted that she anticipated receiving a revised Authorized List of Brokers from the bookkeeper for inclusion in the Investment Policy.

12. **Authorize termination of contract with AECOM.** 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 authorize the termination of the District's contract with AECOM and to authorize F&J to prepare written notification of the termination to AECOM on behalf of the Board.

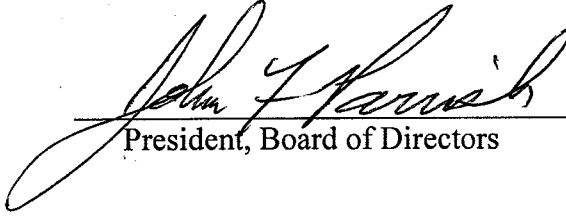
13. **Approve contract negotiation with engineering consultant.** The Board discussed the presentations by Pate Engineers and Brown & Gay Engineers, Inc. ("BGE") at the special meeting on August 7, 2009. Discussion ensued regarding the presentations. Upon motion by Director Rickelman, seconded by Director DePau, the Board voted (with Directors Johnson and Odell dissenting) to select Brown & Gay Engineers, Inc. as the engineering firm with which it would like to negotiate a contract.

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

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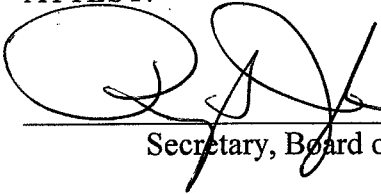
The foregoing minutes were passed and approved by the Board of Directors on

September 8, 2009.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

