

MINUTES OF MEETING OF BOARD OF DIRECTORS  
December 8, 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 December 8, 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; Mr. Terry Holland of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. David L. Merritt, P.C., auditor 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 November 10, 2009, copies of which were previously distributed to the Board. Upon motion by Director Rickelman, 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 November 10, 2009, as presented.

**Approve audit for the fiscal year ended July 31, 2009.** Mr. Merritt reviewed with the Board a draft of the audit for the fiscal year ended July 31, 2009 and the representation letter, copies of which are attached hereto as Exhibit "B." Discussion ensued. 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 audit for the fiscal year ended July 31, 2009.

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 98.28% of its 2008 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 accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1380 and 1381 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Review Bookkeeper's Report and authorize payment of bills.** Mr. Holland 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 December 8, 2009, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "D." 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. 3027 through 3049 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. **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 3,560,000 gallons of water and purchased 4,922,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 91.4% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 16,744 gallons and zero months remaining on its Harris-Galveston Coastal Subsidence District ("HGCS D") Permit.

Mr. Hoffman reported that the builder damage information will be updated and submitted to the new collection attorney.

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 installed and was tested prior to the rental generator being removed from the site. Mr. Hoffman reported that the 320 kw generator operated everything on site except the well motor. Mr. Hoffman reported that the final cost of the generator was \$30,803.33.

Mr. Hoffman reported that the electrical service from CenterPoint to the building developed a potential short in the conduit. Mr. Hoffman reported that the new wire was pulled to provide service and that the District operated via the interconnect with Harris County Municipal Utility District No. 186 during the repair. Mr. Hoffman reported that the final repair cost for the electrical work was \$7,608.71.

Mr. Hoffman reported that H2O replaced the solenoid valve to the well pump lubrication line at a final cost of \$1,024.89.

Mr. Hoffman reported on sewer line maintenance and stated that H2O responded to a sewer stoppage at 8506 Silver Fir and determined that the problem was on the District's line. Mr. Hoffman reported that H2O used a high pressure jet hose to clear the stoppage and located a root intrusion at the manhole. Mr. Hoffman reported that H2O is scheduled to reseal the manhole from top to bottom at a final cost of \$960.75.

Mr. Hoffman reported on the semi-annual sewer line maintenance and stated that the sewer line under West Road and the sewer line on Meadow Village were cleaned as part of the District's semi-annual maintenance. Mr. Hoffman reported that the estimated cost of the maintenance is \$1,800.

Mr. Hoffman reviewed with the Board a customer letter requesting credit for sewer charges, a copy of which is attached to the Operations Report. Upon motion by Director Odell, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to authorize H2O to credit the customer's account in the amount of \$766 for sewer charges only.

Mr. Hoffman reviewed with the Board a customer letter requesting a \$26.70 for a non-sufficient funds check (resulting from a bank account being closed due to identity theft). Mr. Hoffman reported that Ms. Ream attempted to resolve the fee charges prior to the check's arrival. Upon motion by Director Johnson, seconded by Director Odell, after full discussion and the question being put to the Board, the Board voted unanimously to waive the \$26.70 and any associated fees charged to Ms. Ream.

Mr. Hoffman reported that Compass Bank will no longer be sending a bonded representative to pick up cash from H2O and that H2O is researching alternative methods for transporting cash deposits. Mr. Holland stated that Mary Jarmon of MCI is also researching a solution to the problem.

5. **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 on the transition of the GIS website and noted that BGE determined that links to plan sheets and sewer point repair information were missing from the data. Ms. Zapletal reported that BGE is obtaining the information from H2O and requested the Board's approval to restore all links and the additional GIS information (between 30 to 40 hours of work) at an estimated cost of \$3,250 to \$4,250. 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 authorize BGE to work an additional 30 to 40 hours to restore all links and additional GIS information at an estimated cost of \$3,250 to \$4,250.

Ms. Zapletal reported on the construction plan review for the proposed Carl's, Jr. Restaurant. Ms. Zapletal stated that the utility service availability letter was approved on September 9, 2009. Ms. Zapletal stated that Interplan will notify BGE when the project moves forward.

Ms. Zapletal reported on the Emergency Preparedness Plan (EPP) Regulations and noted that BGE has completed the preliminary EPP for the District and is coordinating with H2O for operational data to be included. Ms. Zapletal noted that the draft of the plan will be provided to the Directors and consultants before the December and January meeting date.

Ms. Zapletal reported that BGE contacted the TCEQ to clarify the Ground Water Rule requirements for systems with only one well and received confirmation from Tom Heitman of the Public Drinking Water Section that systems with only one well are not required to submit

a Triggered Source Monitoring Plan to the TCEQ. Ms. Zapletal noted that no action is required by the District unless a positive sample is obtained and systems provided with surface water also have no additional requirements. Ms. Zapletal stated that BGE will notify the TCEQ 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 result was obtained.

Ms. Zapletal reported on the water plant tank coatings for the ground storage tanks ("GST") and the hydro pneumatic tanks ("HPT"). Ms. Zapletal reported that to ensure competitive bidding, the bid form will be structured so that the basis of award will be the total bid for the base and supplemental bid items discussed in November.

Ms. Zapletal reported that the estimated cost for the base scope of work items is approximately \$78,600 for the following:

- (a) Recoat roof exteriors of both GSTs.
- (b) GST 2 (west GST): Sandblast top ring and recoat with 3-coat epoxy system; sweep blast lower two rings and floor; Final coating to cover all three rings and floor.
- (c) Both HPT: Sandblast and recoat interior with 3-coat epoxy system.

Ms. Zapletal reported that supplemental bid items to be considered by the District upon receipt of the construction bids are as follows:

- (d) Sweep blast and apply new top coat (color) of exterior of both GSTs.

Ms. Zapletal requested the Board's consideration and approval to add the following supplemental bid items to obtain prices for color coordination:

- (e) Sweep blast and apply new top coat (color) of exterior of both HPTs
- (f) Blast and pain exterior of chlorination and control building.
- (g) Blast and paint booster pump station and yard piping (not WHCRWA piping).
- (h) Blast and paint booster pump exterior of water well.

Discussion ensued on the supplemental item. 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 supplemental bid item.

Ms. Zapletal reported that the BGE job assignment proposal for the recoating work is approximately \$19,500, a copy of which is attached to the Engineer's Report on pages three through five. 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 BGE job assignment proposal at an estimated cost of \$19,500.

Ms. Zapletal requested the Board's authorization to advertise for bids for the tank coatings on or before the January meeting. Upon motion by Director Odell, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to authorize BGE to advertise for bids for the tank coatings on or before the January meeting.

Ms. Zapletal reported on the emergency power generator and auxiliary drive engine options and cost estimates for the following items:

- (a) Rental and permanent installation options.
- (b) New and Used equipment costs for generator sized same as the current rental.
- (c) Auxiliary drive engine options for water well and booster pump.

Ms. Zapletal reported that BGE coordinated the December 2, 2009 field review of the water plant to confirm the facilities in place and the conditions of those facilities. Ms. Zapletal reported that representative from BGE, Brymcon, Inc. (BGE's electrical engineer), H<sub>2</sub>O Consulting, and Neil Technical Services attended the field review.

Ms. Zapletal reported that BGE is awaiting receipt of Brymcon's written summary of the review of facilities and recommendations for electrical improvements. Ms. Zapletal reported that based on the conversations among all the parties present, BGE anticipates receiving comments and recommendations that include consideration of improvements to the electrical controls and wiring. Ms. Zapletal stated that the electrician noted increasing difficulties over recent years in obtaining repair or replacements parts for the existing components.

Ms. Zapletal reported that BGE wants to ensure any required electrical updates be included in the requested cost estimates. Ms. Zapletal reported that the facility review and any associated improvements costs will be distributed to the Board prior to the January meeting for discussion at that meeting.

6. **Comments from residents – drainage issues.** Ms. Green reported that Mr. Williams notified her by email that he would not be able to attend the meeting due to a work conflict. The Board discussed the drainage issues and noted that Harris County Flood Control District is responsible for maintaining the ditches. Ms. Zapletal reported that BGE confirmed with Harris County Precinct No. 3 that the roads and storm sewers in Southdown Village, Section 1, are within the Precinct's maintenance log. Ms. Zapletal provided a copy of the District's map for the Board to review at the meeting. Ms. Green stated that she would email Mr. Williams regarding the meeting discussion.

7. **Review District Website.** Director Odell stated that he has not reviewed the website.

8. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that CJOB will be meeting next week.


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 January 12, 2010.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors