

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 12, 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 January 12, 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; 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. Mike Williams, resident of 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 December 8, 2009, copies of which were previously distributed to the Board. Director Parrish requested that the last sentence in the second paragraph under item 4 reflect that the District approved a \$766 credit for sewer charges only. 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 approve the minutes of the regular meeting of December 8, 2009, as revised.

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 "B." Ms. Rodriguez reported that the District has collected 65.08% of its 2009 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. 1382 through 1386 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code.** 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 adopt the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code, a copy of which is attached hereto as Exhibit "C."

4. **Adopt Order Authorizing Exemptions from Taxation.** 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 adopt the Order Adopting Exemptions from Taxation for Individuals Who Are Disabled or Are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "D," thereby granting an exemption in the amount of \$25,000.

5. **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 January 12, 2010, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "E." 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. 3052 through 3074 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.

6. **Comments from residents – drainage issues.** The Board recognized Mr. Williams, who reported that the Copperfield Coalition plans to meet with Judge Emmett the first week in February to discuss the District's drainage issues. Extensive discussion ensued regarding various solutions to the drainage issues and the flooding that occurred in areas surrounding the District. No action was taken.

7. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "F." Mr. Hoffman reported that the District pumped 3,203,000 gallons of water and purchased 4,477,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 88.5% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 172,320,000 gallons and eleven months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSO") 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 H2O winterized the plant controls, valves and sensor lines at a final cost of \$1,309.36.

Mr. Hoffman reported on sewer line maintenance and stated that H2O sealed a manhole at River Garden and Mesa Garden from top to bottom at a final cost of \$1,482.89.

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 final cost of the maintenance is \$1,100.76.

Mr. Hoffman requested that discussion of the Official Payments on-line credit card payment option be added to the February agenda.

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 "G."

Ms. Zapletal reported on the transition of the GIS website and noted that BGE restored the "missing" information from the temporary GIS website established for the operator's review. Ms. Zapletal noted that the website access information was sent to H2O today. Ms. Zapletal stated that the GIS can be reviewed and accessed for information at H2O's convenience.

Ms. Zapletal reported that no new activities have occurred 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 received two updates to the template for the EPP from the Texas Commission on Environmental Quality ("TCEQ") in December and has requested operational and contact personnel data to be completed by H2O. Ms. Zapletal noted that the EPP has also been provided in electronic form to F&J for review and comment as needed. Ms. Zapletal stated that BGE will provide the completed EPP to the directors for review upon receipt of the requested information. Ms. Zapletal reported incomplete drafts are available for review today. Ms. Zapletal reported that the EPP will be confidential and will not be subject to disclosure to the public under the Texas Government Code, Chapter 552; Public Information. Ms. Zapletal noted that the submittal must be received by the TCEQ by March 1, 2010.

Ms. Zapletal reported on the Environmental Protection Agency Groundwater Rule and stated that BGE contacted the TCEQ to clarify the Ground Water Rule requirements for systems with only one well and spoke with Tom Heitman of the Public Drinking Water Section, who will be reviewing Triggered Source Monitoring Plans (TSMP) submittals. Ms. Zapletal stated that per his recommendation, BGE has notified the TCEQ's Technical Review Team that the District receives surface water and also utilizes its well. Ms. Zapletal noted 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.

Ms. Zapletal reported on the Emergency power generator and auxiliary drive engine options and cost estimates. Ms. Zapletal reported that subsequent to receipt of the electrical engineer's summary of the site review, emergency power service options were outlined and cost estimates are being prepared for the following:

- (a) Rental and permanent installation options.

- (b) New and Used equipment costs for generator sized same as the current rental (including review of need to purchase emissions credits for used equipment).
- (c) Auxiliary drive engine options for water well and booster pump. The TCEQ has been asked to confirm that new drive engines will be allowed under the rules for the EPPs.

Ms. Zapletal noted that several requests for estimated costs and additional information have been made and BGE is awaiting responses.

Ms. Zapletal reported that attached to the Engineer's Report is Brymcon's written summary of the review of facilities and recommendations for electrical improvements based on the conversations among all the parties present at the site in December. Ms. Zapletal reported that as anticipated, comments and recommendations 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 the operator also noted difficulties in calibrating the analyzer for the chloramines. Ms. Zapletal also noted that the manufacturer of the analyzer no longer offers calibration assistance.

Ms. Zapletal reported that BGE has attached a Summary of Capital Projects to the Engineer's Report to organize and facilitate discussion of the technical and financial data.

9. **Award Water Plant Tank Coating Contract.** 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 following the Board's authorization in December, BGE was able to complete plans and specifications in order to advertise for bids to present today. Ms. Zapletal reported that the following bid form was structured so that the basis of award would be the total bid for the base and supplemental bid items as discussed previously:

Base scope of work:

- (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 3 rings and floor.
- (c) Both HPT: Sandblast and recoat interior with 3-coat epoxy system.

Supplemental bid items to be considered by the District based on lowest construction bid:

- (d) Sweep blast and apply new top coat (color) of exterior of both GSTs.
- (e) Sweep blast and apply new top coat (color) of exterior of both HPTs.
- (f) Blast and paint exterior of chlorination and control building.
- (g) Blast and paint booster pump station and yard piping (not WHCRWA piping).
- (h) Blast and paint exterior of water well.
- (i) *ADDED BY BGE: items for lead abatement for each facility as necessary.*

Ms. Zapletal stated that on Thursday, January 7, BGE received three bids for the project, copies of which are attached to the Engineer's Report. Ms. Zapletal reported that Utility Service Company, Inc. submitted the lowest total bid in the amount of \$222,900. Ms. Zapletal reported that the bid is detailed as \$126,000 for base bid items and \$96,900 for supplemental bid

items. Ms. Zapletal stated that the contractor has successfully completed numerous similar projects in the Houston area. Ms. Zapletal requested the Board's input on selection of any supplemental bid items at this time. Ms. Zapletal reported that BGE recommends award of the contract to Utility Service Company, Inc., contingent upon receiving verification of their bonds and insurance coverage. Extensive discussion ensued. 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 approve items 1 through 4 on Unit A and all items on Unit B (excluding items 1, 2, 4, 6, 13 and 15 if not recommended by the Preventative Inspectors).

10. **Review District Website.** Director Odell stated that the Engineer contact information was updated on the website.

11. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that CJOB installed the automatic transfer switches and is researching used generators to purchase. Director Parrish reported that the \$8.50 per connection charge did not change on the CJOB budget and noted that the budget was approved by CJOB.

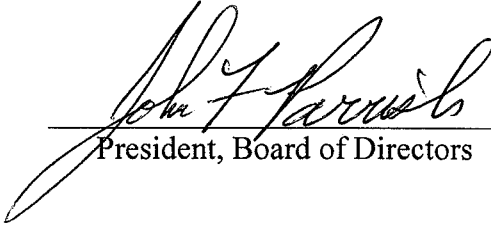
12. **Adopt Order Calling Directors Election.** Ms. Cogburn stated that the date of the Directors Election is May 8, 2010 and requested that the Board select election judges for the election. Ms. Green reported that Directors DePau's and Rickelman's terms expire in May. The Board discussed possible election judges and deferred adopting the Order Calling Directors Election until judges have been obtained.

13. **Approve Notice of Deadline to File Applications for Place on the Ballot.** This item was deferred.

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

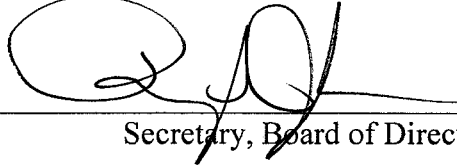
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The foregoing minutes were passed and approved by the Board of Directors on February 9, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

