

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 9, 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 March 9, 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 except Director Odell. 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. **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 March 9, 2010, and the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "B." 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 accept the Bookkeeper's Report, to authorize payment of check nos. 3103 through 3120 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. **Minutes.** Consideration was given to the approval of the minutes of the regular meeting of February 9, 2010, 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 February 9, 2010, as presented.

3. **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 94.14% of its 2009 taxes. Ms. Rodriguez stated that the District received payment from Copperfield Athletic Corporation for their delinquent taxes.

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. 1391 through 1397 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's 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 "D." Mr. Hoffman reported that the District pumped 2,962,000 gallons of water and purchased 4,072,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 90.2% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 156,803,000 gallons and nine months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSA") water allocation.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported on water plant maintenance and noted that the hydrotank sensor line that monitors the pressure in hydrotank #1 has been replaced at a final cost of \$2,692.79.

Mr. Hoffman reported on the water plant painting and noted that ground storage tanks ("GST") #2 and #1 have been taken out of service for the paint contractor at an estimated cost to date of \$1,665.95.

Mr. Hoffman reported on water line maintenance and noted that although the fire hydrant bollards at Silent Cedars and West Road were damaged, the hydrant was not.

Mr. Hoffman reported on sewer line maintenance and stated that H2O investigated a sewer stoppage at 7503 Creek Glen. Mr. Hoffman reported that the sewer line was televised and the tape revealed that the problem was on the customer's line at a final cost of \$1,788.43.

Mr. Hoffman reported that a sinkhole developed over the sanitary sewer trunkline at 9406 Forestside. Mr. Hoffman stated that H2O televised the line and determined that some repair joints are leaking. Mr. Hoffman reported that photos of the sinkholes are attached to the Operations Report. Mr. Hoffman reported that the following options are available for the repair:

Options to Repair:	Estimated Cost
1) Internal chemical grout	\$6,000
2) Slipline	\$27,000
3) Cured in place	\$35,000
4) Pipe burst	\$31,700

Mr. Hoffman reported that perc discharged by Village Cleaners may have had accelerated the erosion of the pipe and the chemical's affects on the repair should be considered before an option is decided. It was the consensus of the Board to review the repair options next month.

Mr. Hoffman reported that a commercial sewer connection evaluation is attached to the Operations Report for the Board's review. Mr. Hoffman stated that the District is under-billing sewer rates for commercial customers. Mr. Hoffman stated that the Copperfield Joint Operations Board ("CJOB") bills the District for commercial accounts based on a formula for determining equivalent single family connections, and the District bills commercial customers for sewer service based on water usage. Extensive discussion ensued on determining an equitable method to bill the commercial customers. The Board requested that Mr. Hoffman provide the Board with recommendations to review next month so that the Board can amend the Rate Order to adjust the fees appropriately.

Mr. Hoffman reported that Sharon Malkovicz requested a refund of \$500 for an overpayment of her water bill. It was the consensus of the Board to refund Ms. Malkovicz \$500.

5. **Consider and approve Official Payments agreement for on-line water bill payments.** Mr. Hoffman reported that Ms. Cogburn is reviewing the Official Payments Contract.

6. **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 "E."

Ms. Zapletal reported on the Harris County Municipal Utility District No. 186 ("No. 186") Waterline Loop Improvements and noted that BGE received notice from AECOM that No. 186 will be making some waterline improvements to help improve water quality along Echo Lodge Drive. Ms. Zapletal reported that this section of waterline has a long flow path from the water plant and No. 186 has received complaints since converting to surface water. Ms. Zapletal noted that originally, water from the District circulated through this area prior to the districts interconnects being closed by the Texas Commission on Environmental Quality ("TCEQ"). Part of the construction will include installing a new valve on the interconnect line between the District and No. 186 at Branch Point Drive, requiring the water to be shut off for a short period during installation. Ms. Zapletal stated that No. 186 has requested the District's assistance with coordinating this effort. Ms. Zapletal stated that a copy of plans are attached to the Engineer's Report.

Ms. Zapletal reported that H2O reviewed the GIS website and noted that the Waterline Loop modifications were included in the District's GIS.

Ms. Zapletal reported that Mr. Chris Clark will be providing 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 reported that BGE received a construction plan review 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 stated that the plumbing plans outline the removal of the existing presumed 500-gallon grease trap and have been reviewed by BGE. Ms.

Zapletal stated that H2O has been provided a copy of the plans with BGE comments for concurrence of the comments. Upon receipt of concurrence, the plan review response letter will be issued by BGE.

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. Therefore, the EPP will not be provided to H2O or F&J until the approval letter is received.

Ms. Zapletal reported that Terra Associates inquired about service to the proposed Carl's, Jr. Restaurant. Ms. Zapletal stated that the utility service availability letter was approved on September 8, 2009. Ms. Zapletal stated that Interplan will notify BGE when the project moves forward.

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 after the preconstruction meeting, BGE approved the lead testing proposal (in the amount of \$250) to confirm that no lead exists in any of the existing coatings, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that test results have confirmed that no lead is in the existing coatings. Ms. Zapletal reported that an excerpt from the analysis report is included in the Engineer's Report.

BGE confirmed that the mileage rate provided on the Preventive Services, LP inspection services proposal is the company's standard rate due to larger vehicles driven and is not meant to be the rate approved by the IRS. Ms. Zapletal reported that inspection fees and mileage will be invoiced based on actual expenses incurred during construction.

Director DePau requested that Ms. Zapletal obtain a painting schedule for the project for the Board's review.

Ms. Zapletal reported on the surplus funds notification letter to the TCEQ and the District's consultants 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 03/09/10	Total Actual Project Expenses (non-audited)
Water Plant Improvements - Tank Coatings - Engineering and construction costs	\$ 254,405	\$ 8,477.76	\$ 8,477.76

Ms. Zapletal reported on the emergency power generator and auxiliary drive engine options and cost estimates. Ms. Zapletal stated that the GE job assignment proposal for the project is attached to the Engineer's Report. Ms. Zapletal reported that professional services will be provided on an hourly basis, and only as fees are incurred, as an additional service under the terms our Agreement for Engineering Services. Ms. Zapletal stated that BGE anticipates the fees will be approximately \$42,800 to complete the base scope of design needs, coordinate with the TCEQ for surplus funds approval, and for extra efforts for the initial survey of the plant site. Ms. Zapletal stated that reimbursable expenses, including reproduction, delivery charges, etc., will be invoiced in addition to the professional fees. 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 authorize BGE to provide professional services to complete the base scope of design needs, coordinate with the TCEQ for surplus funds approval, and to provide extra services for the initial survey of the plant site and installation of the emergency power generator and auxiliary drive at a cost not to exceed \$42,800.

Ms. Zapletal reported that BGE has updated the Summary of Capital Projects to facilitate the discussion of technical and financial data, a copy of which is attached to the Engineer's Report. After further technical review and agreement modifications/clarifications, pages 13-16 of the Engineer's Report were executed by Director Odell for the purchase of the diesel-fueled generator. Ms. Zapletal noted that additional details on the generator have been provided by CAT based on the serial number for the generator. Ms. Zapletal reported that design of the installation construction plans is underway. Ms. Zapletal stated that Worldwide Power Products expects that generator to arrive in Houston within the next couple of weeks. The generator will be stored at their site until ready for installation or fuel tank modifications in approved by the Board based on the information below.

Ms. Zapletal reported that BGE is coordinating with Engine & Compressor Accessories to provide a quote for a larger fuel tank to be added to the generator footprint. Ms. Zapletal reported that the proposed double-walled 2,000-gallon tank can replace the 540-gallon base tank under the generator to minimize the space required on the plant site for the generator and fuel storage. Ms. Zapletal stated that this size tank will provide at least 72 hours of fuel supply during emergency conditions. Without verifying measurements on the generator itself, Ms. Zapletal stated that the initial cost estimate provided by the tank manufacturer is approximately \$21,500.

Mr. Hoffman stated that discussions at the CJOB meeting included authorizing CJOB to provide its participating districts a central location for fuel storage. Extensive discussion ensued regarding the fuel storage option at CJOB and the option to upgrade the fuel tank for the new generator. 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 notify CJOB that the District would like to participate in using fuel stored at CJOB in lieu of purchasing a larger fuel tank for the District's new generator.

Ms. Zapletal requested the Board's authorization to solicit or advertise for installation bids for the generator on or before the date of the next meeting in late March or early April. 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 authorize BGE to solicit or advertise for installation bids on or before the date of the next meeting.

Ms. Zapletal reported that BGE submitted a letter to the TCEQ for approval of the emissions credit purchase, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that the purchase of 0.1 ton of emissions represents a total of non-emergency run time emissions per year.

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

Ms. Zapletal reported on the EPA Groundwater Rule update and noted that BGE previously notified the TCEQ's Technical Review Team that the District receives surface water and also utilizes its well. 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 that the TCEQ provided a response to the notification letter regarding the WHCRWA increased water supply, a copy of which is attached to the Engineer's

Report. Ms. Zapletal stated that BGE contacted Mr. Klumpp with the TCEQ to confirm that he understands the transition to increased water supply from the WHCRWA will be over a period of time. Ms. Zapletal reported that the March 1, 2010 letter from the TCEQ acknowledges BGE's statement to this fact but also includes verbiage that contradicts this statement. Ms. Zapletal noted that the District's conditions for approval to use chloramines have also been revised to outline testing and record keeping guidelines.

7. **Discuss Copperfield Joint Operations Board meeting.** Mr. Hoffman reported that the Board discussed using CJOB as a diesel fuel storage site for its participating districts. Mr. Hoffman reported that CJOB approved budget items to clean the aeration basin #6 at a total repair cost of \$75,000 and to replace the scada system for the chemicals at a total cost of \$25,000.

8. **Review five year forecast of critical items from CJOB.** The Board reviewed the five year forecast of critical items from CJOB, a copy of which is attached hereto as Exhibit "F."

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

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