

MINUTES OF MEETING OF BOARD OF DIRECTORS  
November 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 November 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 Mr. Bob Leared 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 October 13, 2009, copies of which were previously distributed to the Board. 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 the minutes of the regular meeting of October 13, 2009, as presented.

2. **Approve audit for the fiscal year ended July 31, 2009.** This item was deferred.

3. **Review Tax Assessor and Collector's Report and authorize payment of certain bills.** Mr. Leared presented to and reviewed with the Board the Tax Assessor and Collector's Report, a list of delinquent taxpayers, and the Perdue, Brandon, Fielder, Collins & Mott, L.L.P. Delinquent Tax Report ("Delinquent Report"), copies of which are attached hereto as Exhibit "B." Mr. Leared reported that the District has collected 98.11% of its 2008 taxes. Discussion ensued regarding the Two Way Express Corp. account delinquency and Mr. Leared stated that Ms. Rodriguez has contacted the delinquent tax attorney regarding the account. Director Parrish noted that comments regarding the account were noted in the Delinquent Report.

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. 1378 and 1379 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **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 November 10, 2009, the Cash Flow Comparison and Energy Usage Report, copies of which are attached hereto as Exhibit "C." Ms. Garcia noted that check nos. 3002 and 3003 were voided. 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 Bookkeeper's Report, to authorize payment of check nos. 3004 through 3020 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.

5. **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 3,774,000 gallons of water and purchased 6,721,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 92.7% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 25,226,000 gallons and one month remaining on its Harris-Galveston Coastal Subsidence District ("HGCSO") Permit.

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 installed and NTS is completing the tie-in to the main service. Mr. Hoffman reported that the estimated cost for the transfer switch is \$30,000 and the cost to date for the transfer switch is \$2,315.75.

Mr. Hoffman reported on the painting and tank inspections and noted that the #1 ground storage tank and the #2 hydrotank inspections are complete. Mr. Hoffman reported that the reports were sent to the engineer for review. Mr. Hoffman stated that the final inspection cost is \$7,758.99.

Mr. Hoffman reported that H2O replaced the leaking check valve on booster pump #3 at a final cost of \$2,789.83.

Mr. Hoffman reported that H2O repaired a leak in the meter vault for the Harris County Municipal Utility District Nos. 179 ("No. 179") and 162 interconnect at a final cost of \$295.37. Mr. Hoffman reported that No. 179 will be charged for half of the cost of the repair per the interconnect agreement.

Mr. Hoffman reported that H2O replaced 37 meters that exceeded 1.5 MG of usage per the District's meter replacement program at a final cost of \$2,590.

Mr. Hoffman reported that the Environmental Protection Agency ("EPA") has mandated that the District select a means of compliance for protecting against microbial

pathogens in public water systems that use ground water sources. Mr. Hoffman stated that the District must notify the TCEQ of the chosen means of compliance by December 1, 2009 and recommended that the District select a triggered source monitoring system instead of a 4 log system for the following reasons: (1) because the well is located in the HGCSO; (2) when using chloramines, it is more difficult to maintain 4 log treatment; (3) extra storage capacity minimizes the risk of bacteriological failures; (4) less reporting and treatment improvements are required; and (5) bacteriological failures are historically minimal.

Mr. Hoffman stated that a template for the development of a Triggered Source water monitoring plan is attached to the Operations Report. Mr. Hoffman noted that the plan includes the following: (1) identifying locations of source water; (2) providing directions to sample source waters in the event that a positive bacteriological sample is obtained from the distribution system; and (3) providing a routine sampling plan as required by the TCEQ. Mr. Hoffman requested the Board's authorization to notify the TCEQ by letter that the District will be implementing a Trigger Source water monitoring plan before the December 1, 2009 deadline.

Mr. Hoffman reported on the Harris County Critical Load information and stated that H2O provided information to Harris County and Office of Emergency Management by November 1, 2009, as required by SB 361. Mr. Hoffman stated that copies of the letters are attached to the Operations Report.

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 H2O to notify the TCEQ by letter that the District is implementing a Trigger Source water monitoring plan and to approve preparation of the plan before the December 1, 2009 deadline.

Mr. Hoffman reviewed with the Board a customer letter, a copy of which is attached to the Operations Report. It was the consensus of the Board that Mr. Hoffman respond to the customer by letter acknowledging the Board's receipt and review of the letter.

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 transition of engineering records and GIS and noted that BGE set up a temporary website for review by H2O to ensure that BGE received all pertinent files and information. Ms. Zapletal stated that some information appears to be missing from the files and noted that B&G will review the GIS at H2O in order to identify the balance of the information needed from AECOM.

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 advised BGE that a start date has not yet been established. Ms. Zapletal stated that the engineer will notify BGE when the project moves forward.

Ms. Zapletal reported on the Emergency Preparedness Plan (EPP) Regulations and noted that BGE has finalized its standard submittal templates for an EPP and is preparing the draft of the District's EPP.

Ms. Zapletal reported on the Ground Storage Tank (GST) and Hydropneumatic Tank (HPT) Inspections at Water Plant. Ms. Zapletal stated that BGE received the final inspection reports today and has reviewed the findings. Ms. Zapletal stated that BGE is working to estimate costs for the following repairs recommended in the next 12-18 months:

- (a) Recoat both GST exterior of roof: previous estimate of \$25,000 provided by contractor to H<sub>2</sub>O Consulting
- (b) GST 2 (west GST): Sandblast 100% of top ring and recoat with 3-coat epoxy system; sweep blast lower two rings and floor (leaves 2 of 3 existing coatings in place); Final coating of epoxy to cover all three rings and floor: approximately \$44,900
- (c) HPT 2 (south HPT): Sandblast and recoat interior with 3-coat epoxy system = approximately \$3,600

Ms. Zapletal stated that the estimated total cost for (a)-(c) is approximately \$75,000.

Mr. Hoffman recommended recoating the interior of HPT 1 at the same time.

The Board discussed obtaining an alternate option for painting the exteriors of the GST and HPT. 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 engineer's recommendation of painting (a), (b) and (c) and the interior of HPT 1 and to obtain alternate bid options for painting the exterior of both GSTs.

Ms. Zapletal reported on the emergency power generator and auxiliary drive engine options and cost estimates and noted that the Board requested information for emergency power outage service options and cost estimates for the following:

- (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 stated that as a result of a conference with BGE's electrical engineering consultant and H<sub>2</sub>O, BGE requests the Board's authorization to request a field review by the electrical engineer in the presence of the operator and Neil Technical Services, who has been the electrician for the water plant for over 25 years. Although BGE received construction plans for the various stages of plant construction, Ms. Zapletal stated that it would be prudent to authorize a BGE electrical engineer to review the electrical facilities to confirm the facilities in place and the conditions of those facilities to ensure any required electrical updates be included in the requested cost estimates. 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 a BGE electrical engineer to perform a field review.

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 noted that construction plans were provided to Director DePau, who forwarded them to Mr. Williams.

7. **Review District Website.** Director Odell stated that the correct Rate Order was uploaded to the District Website but noted that the Website did not include several of the 2009 agendas and approved meeting minutes. Director Odell also noted that several of the web links were incorrect. Ms. Green stated that she would email the missing documents to the Website manager and notify the manager which links were incorrect.

8. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that CJOB approved replacing the 1991 dechlorination pump #2 at an estimated cost of \$9,500 (which was a non-budgeted item). Director Parrish reported that CJOB authorized H2O to begin tearing down and overhauling the belt press at an estimated cost of \$48,000, pending approval from the attorney regarding sole source bidding requirements and H2O's research into upgraded parts. Director Parrish reported that CJOB also approved replacing the effluent sampler at an estimated cost of \$5,000.

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 December 8, 2009.

  
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President, Board of Directors

ATTEST:  
  
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Secretary Board of Directors