

MINUTES OF MEETING OF BOARD OF DIRECTORS  
October 13, 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 October 13, 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; 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 September 8, 2009, copies of which were previously distributed to the Board. 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 minutes of the regular meeting of September 8, 2009, as presented.

2. **Public Hearing on Tax Rate.** The President opened the public hearing on the 2009 tax rate. There were no public comments. Ms. Rodriguez reported that the proposed 2009 tax rate was published in the Houston Chronicle, as required by state law.

3. **Adopt Order Setting Tax Rate and Levying Tax for 2009.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2009, a copy of which is attached hereto as Exhibit "B." Upon motion by Director Odell, seconded by Director De Pau, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2009, thereby setting a tax rate of \$0.56 per \$100 assessed valuation (\$0.26 per \$100 assessed valuation to pay principal and interest to service the District's debts and \$0.30 per \$100 assessed valuation to fund maintenance and operating expenditures).

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 "C." Ms. Rodriguez reported that the District has collected 98.11% of its 2008 taxes. In response to a question from Director Odell, Ms. Rodriguez reported that the Two Way Express Corp. account is listed as personal property. Ms. Rodriguez stated that she would contact the delinquent tax attorney to determine if the business is still active and/or if the water has been terminated or a lawsuit has been filed. Director Odell requested that Ms. Rodriguez list the top ten delinquent accounts as either personal or real property accounts on future reports.

Upon motion by Director Rickelman, seconded by Director Odell, 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. 1376 and 1377 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

5. **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 October 13, 2009, and the Operating Budget for the Fiscal Year Ending July 31, 2010, copies of which are attached hereto as Exhibit "D." 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. 2935 through 2962 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. **Amend Budget.** Ms. Garcia reported that the budget was amended to reflect \$372,000 in annual maintenance tax revenues for 2009. Upon motion by Director Johnson, seconded by Director De Pau, after full discussion and the question being put to the Board, the Board voted unanimously to amend the budget to reflect an annual maintenance tax revenue of \$372,000 for 2009.

7. **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 4,863,000 gallons of water and purchased 8,517,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 91% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 35,721,000 gallons and two months remaining on its 2008 Harris-Galveston Coastal Subsidence District ("HGCSO") Permit. Mr. Hoffman noted that H2O investigated and tightened the interconnect valves in response to the low water accountability in August.

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 delivered by Kohler and should be installed next week. 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 have been taken out of service and inspected. Mr. Hoffman reported that the other two tanks will be inspected this week. Mr. Hoffman reported that the estimated cost to inspect each GST is \$2,500 and the estimated cost to inspect each hydrotank is \$1,800.

Mr. Hoffman reported that the meter vault lid has been replaced at a final cost of \$3,403.89.

Mr. Hoffman reported that H2O repaired the fire hydrant at the fire station because it was hard to operate. Mr. Hoffman stated that H2O removed the upper unit to repair the hydrant at a final cost of \$808.30.

Mr. Hoffman reviewed with the Board a letter request to remove late fees on Cypress-Fairbanks Independent School District ("CFISD") accounts, a copy of which is attached to the Operations Report. The Board denied the request and Mr. Hoffman stated that he would notify the CFISD by letter that their request was denied.

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 "F."

Ms. Zapletal reported on the transition of engineering records and GIS and noted that BGE received the District's plans and most recent correspondence files from AECOM on September 25, 2009. Ms. Zapletal reported that the GIS was sent via email on October 1, 2009. Ms. Zapletal stated that a temporary website has been set up for review by H2O to ensure BGE received all pertinent files and information.

Ms. Zapletal reported on the construction plan review for the proposed Carl's, Jr. Restaurant. Ms. Zapletal stated that the Interplan is in the planning stage of development of a proposed restaurant in the existing parking lot immediately south of the Shell gas station at West Road. Ms. Zapletal reported that the utility service availability letter was approved on September 9, 2009 and that BGE notified Interplan of the District's recent engagement of BGE as their new engineer and BGE provided contact and construction plan notes for Interplan's use as necessary in the future.

Ms. Zapletal reported on the Emergency Preparedness Plan (EPP) Regulations and noted that BGE is finalizing its standard submittal templates for an EPP and will soon be able to work on the plan for the District. Ms. Zapletal reported that BGE received the District's Emergency Response Plan from AECOM and will incorporate it as a formal attachment to the EPP.

Ms. Zapletal reported that the EPA has mandated additional requirements to provide increased protection against microbial pathogens in public water systems that use ground water sources (known as the "Ground Water Rule"). Ms. Zapletal noted that the deadline for breakdown of compliance deadlines is as follows:

- 12/01/2009 – The District notify the TCEQ of the chosen means of compliance

- Beginning 12/01/2009, the District begins preparing for its chosen means of compliance
- 12/31/2012 – TCEQ must complete sanitary surveys for most systems

Ms. Zapletal reported that BGE and H2O are coordinating to review compliance options feasible for the District and to estimate associated costs that may be incurred as a result of compliance with this rule.

Ms. Zapletal reported on the District Insurance and stated that BGE coordinated with H2O (combined with information received from AECOM) to update replacement cost estimates for the District's water plant facility. Values were increased (1) to include the new automatic transfer switch and (2) to adjust the water well value based on increased current construction costs. The Flood Zone column was also added to the response.

The Board discussed the flooding in the District on April 28, 2009 and Mr. Mike Williams' email requesting help in solving the flooding issues. Ms. Zapletal provided a map for the Board to view the flooded areas. Ms. Cogburn stated that Mr. Williams attended the Harris County Water Control & Improvement District No. 145 ("HCWCID No. 145") meeting and discussed the flooding and solutions to the problem. Ms. Cogburn stated that the HCWCID No. 145 Board requested that Mr. Williams' email be forwarded to the districts affected by the flooding. Discussion ensued regarding the responsible party for maintaining the ditch areas. Ms. Zapletal stated that she would confirm with Harris County (the "County") that the County accepted the District's storm sewer facilities for maintenance. Following Ms. Zapletal's verification that the County accepted storm sewers for maintenance, Director De Pau volunteered to contact Mr. Williams regarding the proper channels in resolving flooding issues.

9. **Discuss Copperfield Joint Operations Board meeting.** Director De Pau reported that the TCEQ released the sewage treatment plant (the "Plant") from performing the toxicity reduction evaluation ("TRE") and noted that the Plant has returned to quarterly sampling. Director De Pau reported that CJOB approved replacing the sludge pump at an estimated cost of \$13,000.

10. **Adopt Resolution Authorizing Representative from Harris County Municipal Utility District No. 162 to Vote for CJOB Generator Project.** Ms. Cogburn reviewed with the Board the Resolution Authorizing Representative from Harris County Municipal Utility District No. 162 to Vote for CJOB Generator Project, a copy of which is attached hereto as Exhibit "G." Ms. Cogburn noted that the resolution acknowledges that the District will pay its portion of the capital expense for purchasing up to three used generators and transfer switches within 30 days of billing. 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 adopt the Resolution Authorizing Representative from Harris County Municipal Utility District to Vote for CJOB Generator Project.

11. **Review District Website.** The Board reviewed the email from Russ Lambert regarding the website maintenance and management, a copy of which is attached hereto as Exhibit "H." Director Odell reported that he researched the website fees and verified that the hosting fees were in-line with industry standards. Director Odell stated that he would like to add the District's regular meeting date and update various documents and web links to the website. The Board concurred.

12. **Review District Insurance.** The Board reviewed insurance proposals from Highpoint Insurance Group, L.L.C. (“Highpoint”) and Harco Insurance Services (“Harco”), copies of which are attached hereto as Exhibit “I.” The President recognized Mr. Lavey, who reviewed the Harco proposal and answered questions from the Board. 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 Harco proposal.

13. **Indemnification of Directors.** It was noted that to the extent that the directors and officers liability insurance policy does not cover the losses of Directors carrying out the lawful business and duties of the Board in good faith, the Board can indemnify the Directors for losses. 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 District’s indemnification of Directors for losses/costs arising from the Directors carrying out their lawful duty, to the extent that such losses are not otherwise covered by insurance.

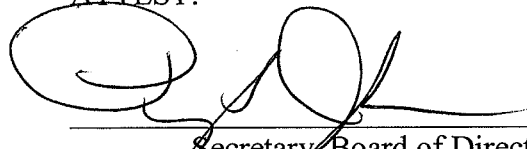
THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

\* \* \*

The foregoing minutes were passed and approved by the Board of Directors on November 10, 2009.

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors