

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 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 September 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; Ms. Erin Garcia of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; Mr. Tony Sarman of AECOM, Inc. ("AECOM"), engineers for the District; Ms. Amy Zapletal and Mr. Mark Froehlich of Brown & Gay Engineers, Inc. ("BGE"); 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 special meeting of August 7, 2009, 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 special meeting of August 7, 2009, as presented. Consideration was given to the approval of the minutes of the regular meeting of August 11, 2009, copies of which were previously distributed to the Board. Mr. Hoffman requested that \$4,840.52 be changed to \$64,840.52 in the last sentence in the seventh paragraph under the Operations Report. 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 approve the minutes of the regular meeting of August 11, 2009, as revised.

2. **Consider the Financial Advisor's recommendation for the 2009 Tax Rate and Authorize Publication.** Ms. Cogburn reviewed with the Board the financial advisor's 2009 debt service tax rate recommendation, a copy of which is attached hereto as Exhibit "B." Ms. Cogburn stated that the financial advisor noted that the District's operating fund is low. Ms. Garcia stated that the budget has a deficit of approximately \$51,000. Extensive discussion ensued regarding the distribution of the debt service and maintenance tax. 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 Designating Officer to Calculate and Publish Tax Rate, a copy of which is attached hereto as Exhibit "C," thereby indicating its intent to set 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) and to designate Bob Leared as the District's officer to publish the proposed tax rate in the Houston Chronicle.

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 "D." Ms. Rodriguez reported that the District has collected 97.55% of its 2008 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. 1372 through 1375 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 September 8, 2009, and the Operating Budget for the Fiscal Year Ending July 31, 2010, copies of which are attached hereto as Exhibit "E."

Ms. Garcia noted that the balance in the District's operating fund is approximately 37% of the annual estimated expenses. The Board agreed to consider amending the budget in October. 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 accept the Bookkeeper's Report, to authorize payment of check nos. 2914 through 2932 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 "F." Mr. Hoffman reported that the District pumped 7,811,000 gallons of water and purchased 11,112,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 83.5% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 49,101,000 gallons and three months remaining on its 2008 Harris-Galveston Coastal Subsidence District ("HGCSO") Permit. Mr. Hoffman noted that H2O will investigate the low water accountability by checking for leaks.

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 ordered and that the delivery from Kohler is scheduled for September 29, 2009. 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 recommended that the interior of the ground storage tanks (GSTs) be inspected in preparation of a plan to recoat or touch up the coatings on the tanks. 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 on the water line maintenance and stated that the water line installation between West Road and Pearl Lake is complete. Mr. Hoffman reported that all of the landscaping and concrete work has been replaced to the homeowner's satisfaction at a final cost of \$74,447.79.

Mr. Hoffman reported that the meter vault lid replacement should be completed next week at an estimated cost of \$3,500.

Mr. Hoffman reviewed with the Board two customer letters requesting credit for water usage due to leaks. Discussion ensued. The Board denied the credit requests by both customers and authorized Mr. Hoffman to notify the customers.

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 inspecting GST #1 and #2 at a cost of \$2,500 each and Hydrotank #1 and #2 at a cost of \$1,800 each.

6. Engineer's Report. The President recognized Mr. Sarman, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Mr. Sarman reported that AECOM was contacted by Carl's Junior regarding the District's plan approval procedures and fees for a restaurant plan review. Mr. Sarman reported that AECOM provided general plan review information. Mr. Sarman stated that Carl's Junior requested a utility service availability letter. Mr. Sarman noted that plans have not been reviewed and that the project is still in the planning stages. Mr. Sarman reported that the size of the restaurant is estimated to be 2,909 square feet. Discussion ensued. 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 approve the service availability letter.

Mr. Sarman reported that AECOM is coordinating with BGE to provide District plans and files for the engineering consulting transition.

The President and the Board thanked Mr. Sarman for his work with the District.

The President recognized Ms. Zapletal, who presented to the Board the BGE Engineer's Report, a copy of which is attached hereto as Exhibit "H." Ms. Zapletal reported that BGE and AECOM are coordinating the transfer of hard and electronic copies of available current and archived project files and plans. Ms. Zapletal noted that the GIS is also being packaged for conveyance to BGE via AECOM's FTP site.

Ms. Zapletal noted that BGE met with H2O on September 2, 2009 to tour the District, water plant and the constraints at the site proposed for development of a Carl's Jr. Restaurant.

Ms. Zapletal reported that AECOM and H2O have been coordinating with Interplan on its inquiries for development of a proposed restaurant in the existing parking lot immediately south of the Shell gas station at West Road.

Ms. Zapletal reported on the Emergency Preparedness Plan (EPP) Regulations and stated that Senate Bill 361 requires that certain water providers ensure emergency operations and maintain 35 PSI of pressure during extended power outages, which is defined as longer than 24 hours. Ms. Zapletal noted that the TCEQ has drafted an EPP template and Rule modifications for review and is required to approve the new regulations by December 1, 2009. Ms. Zapletal stated that "affected" utilities are required to prepare and submit an EPP by March 1, 2010. Upon approval by the TCEQ, the EPP must be implemented by July 1, 2010. Ms. Zapletal reported that the District meets the definition of an "affected" utility because it is a retail public entity that serves more than one customer and is located in a county with a population of 3.3 million or more.

Ms. Zapletal requested the Board's authorization to begin coordinating with F&J and H2O for interpretation of the draft Rules and for preparation of the District's Emergency Preparedness Plan for review and approval by the Board.

Ms. Zapletal reported on the new EPA rules related to groundwater. 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"). Excerpts of tables from the EPA's website (<http://www.epa.gov/EPA-WATER/2006/November/Day-08/w8763.htm>) are attached to the Engineer's Report.

The Engineer Report listed the following excerpt of explanation from EPA website:

Ms. Zapletal reported on the following breakdown of compliance deadlines:

- 12/01/2009 – 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 requested the Board's authorization to begin coordinating with H2O to review compliance options feasible for the District and estimate associated costs that may be incurred as a result of compliance with this rule.

7. Ratify termination of engineering contract with AECOM. 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 ratify the termination of the engineering contract with AECOM, Inc.

8. Authorize execution of contract with BGE. Ms. Zapletal reviewed the with the Board the BGE Agreement for Engineering Services, a copy of which is attached hereto as Exhibit "I." Discussion ensued regarding the contract's hourly contract rates and billing. Upon motion by Director DePau, seconded by Director Odell, after full discussion and the

question being put to the Board, the Board voted unanimously to approve and authorize execution of the BGE Agreement for Engineering Services.

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 begin coordinating with F&J and H2O for interpretation of the draft Rules for preparation of the District's Emergency Preparedness Plan for review and approval by 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 authorize BGE to begin coordinating with H2O to review compliance options feasible for the District and estimate associated costs that may be incurred as a result of compliance with this rule

9. **Discuss Copperfield Joint Operations Board meeting.** There was no report.

10. **Review District Website.** Director Odell reported that the District website does not list the District's regular meeting date and noted that various documents need to be updated. It was the consensus of the Board that Director Odell act on behalf of the District to liaison with the website manager. Ms. Green stated that she would forward a copy of the website agreement to Director Odell and would send updated documents to Director Odell for review before submitting the documents to the website manager for posting.

11. **Review Investment Policy and accept related party disclosures from the bookkeeper/investment officer.** Ms. Green requested that the Board approve the revised Authorized List of Brokers for the Investment Policy, a copy of which is attached hereto as Exhibit "J." 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 Revised List of Brokers for the Investment Policy and to accept the related party disclosures from the Bookkeeper and Investment Officer,

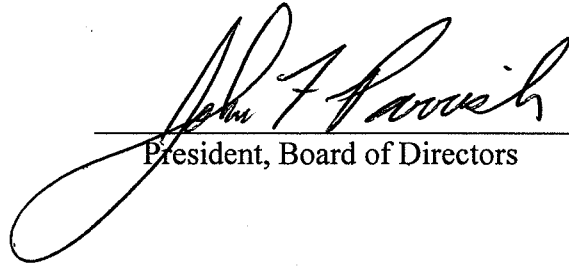
12. **Review District Insurance.** Ms. Green noted that the District's insurance renews November 1, 2009. Ms. Green stated that she has requested proposals from insurance providers for the Board to review.

13. **Indemnification of Directors.** This item was deferred.

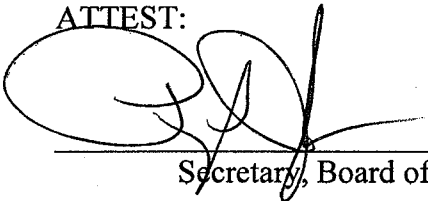
THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on
October 13, 2009



President, Board of Directors

ATTEST:


Secretary, Board of Directors