

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 10, 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 August 10, 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 Parrish. 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. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The Vice 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 July 13, 2010, a copy of which was previously distributed to the Board. 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 July 13, 2010, as presented.

2. **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 August 10, 2010, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "B." Ms. Garcia stated that the budget was revised to reflect the surplus of \$99,809.82. Ms. Garcia reported that the FDIC limit of \$250,000 is now permanent. 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. 3233 through 3246 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.

Director Johnson stated that several years ago, the Board discussed having an independent consultant review the conference receipts and suggested that the Board consider

implementing this procedure. Ms. Cogburn requested that Ms. Garcia prepare a checklist of issues for the Board to review at the next meeting to determine what additional procedures that they may want to implement in connection with reimbursement of director expenses.

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 98.15% of its 2009 taxes. 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 accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1418 and 1419 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 4,242,000 gallons of water and purchased 9,924,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 93.57% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 89,450,000 gallons and four months remaining on its Harris-Galveston Coastal Subsidence District water allocation.

Mr. Hoffman reported that Eric Zamore-Martin and Gregory Gedozin have paid the District for the damages to the fire hydrants.

Mr. Hoffman reported that H2O replaced the air compressor starter block and starter at a final cost of \$1,629.

Mr. Hoffman reported that Dawn Olivo with the Texas Commission on Environmental Quality ("TCEQ") completed the inspection and environmental audit of the District's water system. Mr. Hoffman stated that no deficiencies were noted at the time of the inspection.

Mr. Hoffman reported on sewer line maintenance and stated that the manhole survey and inspection in Middlegate Village, Section 1 is complete and areas of deficiencies are being addressed at a final cost of \$2,551.26.

Mr. Hoffman reported that the repairs to sidewalk and manholes are scheduled this week at an estimated cost of \$4,200.

Mr. Hoffman reported that a copy of the estimate for installing the Carl's Jr. tap installation is attached to the Operations Report. Mr. Hoffman recommended that the Board amend the Rate Order next month to increase the builder deposit from \$500 to \$1,000.

Mr. Hoffman reported that the Home Owner Association sent letters to H2O regarding the breaks in the sidewalks on Club Lake and River Garden which may have been caused by underground sewer lines. Mr. Hoffman stated that the Copperfield Joint Operations Board ("CJOB") directed him to obtain slip line and cured-in-place prices for the repairs to the sewer lines and noted that the estimated cost for the repairs is \$43,000 and the District's share of the repair cost is approximately \$13,000.

5. **Engineer's Report.** The Vice 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 that BGE and H2O are awaiting receipt of the revised construction plans for the new grease trap at Labay Middle School.

Ms. Zapletal reported that to date, BGE has not received a request for capacity commitment from the new owner St. Cuthbert Episcopal Church.

Ms. Zapletal reported that BGE has received the revised plans from Interplan Architects for Carl's Junior Restaurant and will provide the plans to H2O.

Ms. Zapletal reported that the final TCEQ inspection was conducted on June 30, 2010 for the water plant tank coatings and the ground storage tanks ("GSTs") and hydro pneumatic tanks ("HPTs"). Ms. Zapletal reported that Utility Service Company, Inc. ("Utility") has one remaining punchlist item (seeding and associated grass growth) to complete. Ms. Zapletal stated that BGE will also require payment to H2O for damages before approving final payment for the project. Ms. Zapletal noted that a pay request was not received by Utility in July. Ms. Zapletal reported that retainage of 10% (\$13,410) has been withheld from previous payments to the contractor.

Ms. Zapletal reported that the surplus funds notification letter for water plant tank coatings was submitted 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 04/13/10	Total Actual Project Expenses (non-audited)
Water Plant Improvements - Tank Coatings - Engineering and construction costs	\$ 254,405	\$144,554.38	\$144,554.38

Ms. Zapletal reported on the Water Plant Emergency Power Generator project and stated that the contracts were signed by Directors Parrish and Johnson after the bonds and insurance provided by Neil Technical Services ("NTS") were approved by F&J. Ms. Zapletal reported that the Notice to Proceed was issued for August 6, 2010. Ms. Zapletal stated that the generator foundations will be constructed at one time to be cost-effective.

Ms. Zapletal reported that a proposal in the amount of \$14,950 for a 1,000-gallon double-walled fuel tank, foundation, related appurtenances, and seven additional bollards is attached to the Engineer's Report. Ms. Zapletal reported that the tank paint color may be matched

to the new blue color of the plant facilities if preferred by the Board; otherwise, the tank could be painted white, which may cost less than the quote in the proposal.

Ms. Zapletal reported that the Emergency Preparedness Plan must be updated and submitted to the TCEQ for updated approval upon completion of the project and start-up of the generator.

Ms. Zapletal reviewed the future Surplus Funds Application for Emergency Generator Expenses. Ms. Zapletal reported that BGE submitted to the TCEQ for approval to use the surplus bond funds totaling \$206,040 to finance expenses related to the project as estimated below. Ms. Zapletal stated that reimbursement to the General Operating Fund for this project's expenses will occur subsequent to the TCEQ's approval of a surplus funds application. The following table summarizes the non-audited actual costs versus the estimated costs for the Board's reference.

Expense Description	Updated Cost Estimate 8/10/10*	Updated Cost Estimate 8/10/10**	FYE 2010 Expenses to be Reimbursed by Surplus Funds (As of 8/10/10)	Total Actual Project Expenses (non-audited)
600 kW Emergency Generator - Purchase (Worldwide Power Products)	\$ 99,000	\$ 99,000	\$ 99,000.00	\$ 99,000.00
Emergency Generator - Delivery, Crane, CAT representative at start-up (Worldwide Power Products)	\$ 6,200	\$ 4,600	\$ -	\$ -
Installation Costs (Neil Technical Services)	\$ 52,280	\$ 49,790	\$ -	\$ -
Double-walled 1,000-gal fuel tank & appurt.	\$ 5,850	\$ 14,950	\$ -	\$ -
Construction Material Testing (TWEI)	\$ 1,542	\$ 1,542	\$ -	\$ -
Engineering (Billed hourly as incurred)	\$ 36,168	\$ 36,168	\$ 28,200.79	\$ 28,200.79
District Operator Coordination w/ Construction	\$ 5,000	\$ 5,000	\$ -	\$ -
TOTAL TO DATE	\$206,040	\$211,050	\$ 127,200.79	\$127,200.79

* Includes (a) one extra set of crane expenses should the generator be brought to the site in anticipation of an emergency event and (b) 5% contingencies for construction.

**Does not include (a) the extra crane expenses (WPP would provide a portable generator) or (b) contingencies for construction.

Ms. Zapletal reported that the Capital Improvements Summary has been updated and is attached to the Engineer's Report. The Board requested that Ms. Zapletal send the summary to the financial advisor.

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 Engineer's Report, to approve the NTS proposal in the amount of \$14,950 for a 1,000-gallon double-walled

fuel tank, foundation, related appurtenances, and seven additional bollards, and to approve painting the fuel tank the blue color used for the District facilities.

6. **Discuss Copperfield Joint Operations Board meeting.** Director DePau reported that the CJOB discussed the maintenance issues related to the installation of generator # 4 and the diesel storage for generator # 4. Director DePau reported that CJOB is waiting on prices for fuel storage.

Director DePau reported that Mr. Hoffman is obtaining estimates for the sidewalk repairs and noted that in accordance with the shared line agreement, most of the sidewalk repairs will be paid by other districts.

Director DePau reported that CJOB authorized H2O to prepare the Spill Prevention Control and Countermeasure plan at a cost of \$3,000.

7. **Review District website.** Director Odell stated that the website looks good and has been updated.

8. **Approve Official Payments Contract.** Mr. Hoffman stated that he has not heard back from Official Payments. This item was deferred.

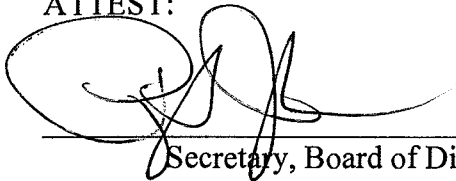
THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

* * *

The foregoing minutes were passed and approved by the Board of Directors on September 14, 2010.



President, Board of Directors

ATTEST:


Secretary, Board of Directors