

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 14, 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 December 14, 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. 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 and Mr. Joshua Board 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 November 9, 2010, a copy of which was 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 November 9, 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 December 14, 2010, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "B." 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 accept the Bookkeeper's Report, to authorize payment of check nos. 3324 through 3349 from the Operating Account, and checks 1066 and 1067 from the Capital Projects Fund, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report, and to approve the Investment Report.

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 6.3% of its 2010 taxes. 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 accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1430 through 1432 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 1,745,000 gallons of water and purchased 11,321,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 76.9% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 23,614,000 gallons and one month remaining on its Harris-Galveston Coastal Subsidence District water allocation.

Mr. Hoffman stated that H2O investigated the low water accountability by performing storm sewer inspections, meter reading comparisons, well meter testing, commercial meter testing, ground storage charts reviews, and well check valve testing. Mr. Hoffman stated that of the nine commercial meters tested, two meters need to be repaired and one meter needs to be replaced. Mr. Hoffman reported that no problems were found with open sanitary sewer manholes that cross water lines. Mr. Hoffman stated that H2O has scheduled the Samco leak detection group to inspect the system in January. Mr. Hoffman reported that Southern Flow Meter checked the WHCRWA surface water flow meter and inspected the strainer, which contained debris and may have caused inaccuracies in the meter.

Mr. Hoffman reported on water plant maintenance and stated that H2O prepared the plant for freeze protection at a final cost of \$2,543.93.

Mr. Hoffman reported that H2O replaced the well chlorine pump at a final cost of \$1,423.92.

Mr. Hoffman recommended recoating the ammonia room and chlorine room floors and walls to prevent exposure of the concrete block wall from the chemicals at an estimated cost of \$5,250 for the chemical room and \$1,804.72 for the ammonia room. Mr. Hoffman recommended using a bedliner material.

Mr. Hoffman reported that the commercial meter testing is complete at a cost to date of \$,804.72. Mr. Hoffman reported that the meter assemblies need to be replaced at the Wolfe Management Shopping Center and the Club Lake Pool at an estimated cost of \$600 each. Mr. Hoffman reported that the testing report for the meter at Lowey Elementary School ("Lowery") is attached to the Operations Report. Mr. Hoffman reported that while trying to test the meter at Lowery, the technician discovered that the isolation valve to the meter vault is not operational. Mr. Hoffman noted that the meter was installed in the early 1980s and is not equipped with the current meter standards established by the AWWA. Mr. Hoffman recommended reworking the meter vault piping to allow for proper testing of the meter at an estimated cost of \$5,250. Mr. Hoffman requested that the Board authorize the repairs today so the work can be done during the Christmas break. 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 H2O to recoat the ammonia room and chlorine room floors and walls at an estimated cost of \$5,250 for the chemical room and \$1,800 for the ammonia room and to rework the meter vault piping at Lowery at an estimated cost of \$5,250.

Mr. Hoffman reported that H2O completed manhole repairs in Middlegate at a final cost of \$11,518.59.

5. **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 that H2O inspected the Carl's Jr. Restaurant construction site. Ms. Zapletal reported that comments noted in the field by H2O will be addressed by the contractor before final approval is issued.

Ms. Zapletal reported that BGE has not yet received a request for capacity from Autozone.

Ms. Zapletal reported on the Water Plant Tank Coatings and noted that the warranty inspection will be scheduled at the appropriate time so any warranty issues can be addressed by September 10, 2011.

Ms. Zapletal reported that the surplus funds use notification letter 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 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	Surplus Funds Used		
		FYE 2010 Surplus Funds Used As of 08/10/10	FYE 2011 Surplus Funds Used As of 11/09/10	Total Actual Project Expenses (non-audited)
Water Plant Improvements - Tank Coatings - Engineering and construction costs	\$ 254,405	\$ 143,968.44	\$ 62,655.28	\$ 206,623.72

Ms. Zapletal reported on the Water Plant Emergency Power Generator project and noted that Pay Estimate No. 1 & Final has been reviewed and is recommended for approval and payment, copies of which are attached to the Engineer's Report. This estimate includes payment for completion of installation of the 600 kW diesel powered emergency generator and necessary electrical for a complete emergency electrical power system for the water plant. The Board noted that they approved payment as part of the Bookkeeper's Report.

Ms. Zapletal reported that during the TCEQ inspection of the Water Plant Emergency Generator project on November 16, 2010, no contractor punchlist items were noted but a couple of warranty items were noted. Ms. Zapletal reported that the insulation on the sound-attenuating enclosure required repairs and an apparent oil leak was reviewed but an active leak could not be found. On December 10, Ms. Zapletal stated that Caterpillar replaced the drain pan gasket on the generator and brought insulation materials to the site. Ms. Zapletal reported that the generator will be monitored to ensure an oil leak does not appear. Mr. Zapletal reported that Caterpillar has requested to return to the site on December 20, 2010 to repair the insulation on the sound-attenuating enclosure. Ms. Zapletal reported that the TCEQ Certificate of Completion is attached the Engineer's Report and the warranty inspection for these installation services will be scheduled at the appropriate time so any warranty issues can be addressed by November 16, 2011. BGE is updating the EPP to reflect this project and will resubmit it to the TCEQ for approval.

Ms. Zapletal reported that the following table summarizes the non-audited actual costs versus the estimated costs for the project.

Expense Description	Updated Cost Estimate 08/10/10	GOF Expenses to be Reimbursed by Surplus Funds		FYE 2011 Expenses From Surplus Funds (On 12/14/10)	Total Actual Project Expenses (non-audited)
		FYE 2010 Expenses (As of 08/10/10)	FYE 2011 Expenses (As of 10/12/10)		
600 kW Emergency Generator (Worldwide Power Products)	\$ 99,000.00	\$ 85,000.00	\$14,000.00	\$ 14,000.00	\$ 99,000.00
Emergency Generator - Delivery, Crane, Caterpillar Rep at start-up (Worldwide Power Products)	\$ 4,600.00	\$ -	\$ 4,600.00	\$ 4,600.00	\$ 4,600.00
Installation Costs (NTS)	\$ 49,790.00	\$ -	\$ -	\$ 49,790.00	\$ 49,790.00
Double-walled 1,000-gal fuel tank	\$ 14,950.00	\$ -	\$ -	\$ 14,950.00	\$ 14,950.00
Material Testing (TWEI)	\$ 1,542.00	\$ -	\$ 366.00	\$ 366.00	\$ 366.00
Engineering (Hourly as incurred)	\$ 36,168.00	\$ 28,200.79	\$ 8,444.22	\$ 11,313.43	\$ 39,514.22
H2O Coordination w/ Constr.	\$ 5,000.00	\$ -	\$ 1,863.19	\$ 3,995.60	\$ 3,995.60
TOTAL TO DATE	\$211,050.00	\$113,200.79	\$29,273.41	\$ 99,015.03	\$212,215.82

Ms. Zapletal reported that the Capital Improvements Summary has been updated and is attached to the Engineer's Report.

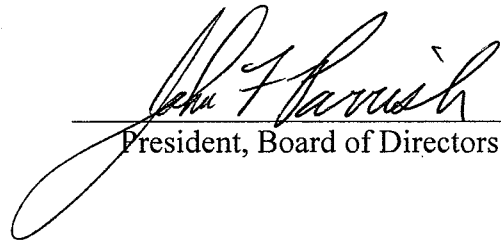
6. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that CJOB authorized the repair of the manholes on River Garden. Director Parrish stated that most of the problems with the sewer lines are along Club Lake and Brook Springs.

7. **Review District website.** Director Odell reported that he reviewed the website before the meeting. Discussion ensued on setting up a counter to determine the number of people that view the website.

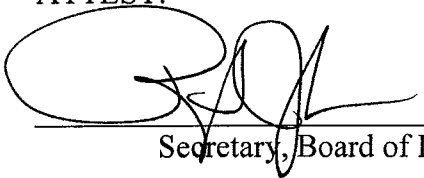
THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on December
January 11, 2011.



President, Board of Directors

ATTEST:


Secretary, Board of Directors