

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 13, 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 July 13, 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 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; Mr. Mark Williams of Worldwide Power Products, LLC; and Ms. Jana Cogburn, Ms. Michelle Jacobson 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 June 8, 2010 and the special meeting of June 25, 2010, copies of which were previously distributed to the Board. Upon motion by Director Rickelman, 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 June 8, 2010 and the special meeting of June 25, 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 July 13, 2010, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "B." 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 Bookkeeper's Report, to authorize payment of check nos. 3193 through 3211 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.

3. **Approve budget for the fiscal year ending July 31, 2010.** Mr. Hoffman noted that revisions to the budget approved by the Board and sent to Barbara at MCI were not reflected on the adopted budget for the fiscal year ending July 31, 2011, included in the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B." Ms. Garcia stated that she would make sure the changes are made.

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 98.09% of its 2009 taxes. 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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1416 and 1417 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

5. **Engage auditor for the fiscal year ending July 31, 2010.** The Board reviewed the auditor engagement letter from David L. Merritt, P.C, a copy of which is attached hereto as Exhibit "D." 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 engage David L. Merritt to perform the District's audit for the fiscal year ending July 31, 2010 at an estimated cost of between \$8,000 and \$8,500.

6. **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 4,042,000 gallons of water and purchased 11,063,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 90.2% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 103,616,000 gallons and five months remaining on its Harris-Galveston Coastal Subsidence District water allocation.

Mr. Hoffman reported that the water plant painting is complete and all tanks are back in service at a final cost of \$13,289.26.

Mr. Hoffman reported that cathodic protection system was removed and reinstalled after the painting was complete at a final cost of \$3,998.68.

Mr. Hoffman reported that the airline on hydrotank #1 was damaged by the paint contractor and the hydrotank lost air and the pumps short-cycled. Mr. Hoffman reported that the final cost to repair the air line was \$852.90.

Mr. Hoffman reported on sewer line maintenance and stated that the sewer line under West Road and the sewer line along Meadow Village were cleaned in June at a final cost of \$1,823.84.

Mr. Hoffman reported that H2O repaired a damaged fiberglass manhole at 15414 Windy Cove at a final cost of \$1,269.15.

Mr. Hoffman reported that H2O investigated the sewer line settlement along Windy Cove and Silent Cedars at a final cost of \$3,753. Mr. Hoffman recommended replacing the sidewalks and resetting the manhole rings at an estimated cost of \$4,200. 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 replacing the sidewalks and resetting the manhole rings along Windy Cove and Silent Cedars at an estimated cost of \$4,200.

Mr. Hoffman reported that H2O submitted the questionnaire to the WHCRWA prior to June 30, 2010.

7. **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 that BGE and H2O have previously coordinated on the comments on the plumbing plans received for the miscellaneous renovations including a new grease trap at Labay Middle School. Ms. Zapletal reported that the architect should be sending the final revised plans to BGE this week for distribution to H2O.

Ms. Zapletal reported that BGE provided a letter to St. Cuthbert Episcopal Church (the "Church") confirming the original capacity of two equivalent single family connections ("ESFC"), which are not transferable by the Church to any subsequent purchaser of the tract without District consent. Ms. Zapletal stated that BGE has not yet received a request for capacity commitment for a new owner.

Ms. Zapletal reported that H2O and BGE reviewed preliminary plans, and BGE returned comments to Interplan Architects for Carl's Junior Restaurant. Ms. Zapletal reported that BGE also responded to additional questions received and issued a letter to confirm the 7.3 ESFC of capacity committed in September 2009. If construction does not commence before September, a capacity commitment extension request will be submitted.

Ms. Zapletal reported that BGE received the TCEQ's letter approval for the Emergency Preparedness Plan ("EPP"), a copy of which attached to the Engineer's Report. Ms. Zapletal stated that BGE has distributed copies to the Harris County Judge, Harris County Office of Emergency Management, the Public Utility Commission of Texas, and the Texas Division of Emergency Management. Ms. Zapletal stated that documentation of such deliveries will be included in the copies provided to F&J and H2O for the District's records. Ms. Zapletal noted that the EPP is a confidential document and will not be subject to disclosure to the public under Texas Government Code, Chapter 552: Public Information.

Ms. Zapletal reported that she attended the WHCRWA Hurricane Preparedness Workshop on July 8, 2010 for customers, operators and engineers outlining updated system information and the proposed emergency communications. Ms. Zapletal stated that WHCRWA has back-up power for full operational capacity (contract for 19,600 gpm from the City of Houston ("COH")); has 8,000 gallons of onsite fuel storage; has an arranged fuel supply; is adding additional ground storage capacity; and is currently rehabilitating some existing meter stations (including the District's)). Ms. Zapletal stated that December 1, 2010 is the start date for the mandated 30% reduction in groundwater use by the WHCRWA. Ms. Zapletal reported that converted customers will be required to take 100% surface water with the exception of well

withdrawal to exercise their wells and to help meet peak demands (if the WHCRWA cannot keep up with demand).

Ms. Zapletal reported Utility Service Inc. submitted the lowest total bid in the amount of \$222,900 for the water plant tank coatings and the ground storage tanks (“GSTs” and hydro pneumatic tanks (“HPTs”)) Ms. Zapletal reported that the notice of award was issued for the based bid items and the selected supplemental items for additional facility coatings, painting, and mastic replacement. Ms. Zapletal stated that the final inspection by the TCEQ was conducted on June 30, 2010. Ms. Zapletal stated that the contractor has a punchlist of touch up items to complete and noted that BGE will keep in mind the back-charged mentioned by H2O before approving final payment for the project.

Ms. Zapletal reported that pay estimates no. one in the amount of \$74,205 and no. two in the amount of \$46,485 have been reviewed and are recommended for payment. Ms. Zapletal noted the pay estimates include payment for completion of interior and exterior work on the west GST and both HPTs and partial completion of the exterior of the control building, storage building, booster pump station and water well. Ms. Zapletal reported that retainage of 10% is being withheld from these payments in the amount of \$13,410.

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	\$142,656.24	\$142,656.24

* Note: Reimbursement to the GOF for engineering expenses (\$4,522.68) was approved on March 9, 2010. This amount does not include the Preventative Services invoice for June (\$1,312.20).

Ms. Zapletal reported that at the special meeting, BGE noted that additional options were being researched by Worldwide Power Products (“WPP”) for presentation today. Ms. Zapletal introduced Mr. Williams from WPP, who reviewed with the Board an alternative generator for purchase, a copy of which is attached hereto as Exhibit “G.” Mr. Williams stated that the standby generator is a 600 ekw 750 kva Caterpillar diesel generator set and that it meets the Environmental Protection Agency’s (“EPA”) Tier 2 fuel emissions requirements. Mr. Williams stated that the generator requires no additional site changes or electrical adjustments. Mr. Williams provided the following generator options to the Board for consideration:

Option 1: Purchase the 550 kw generator at a cost of \$8,500 and split the cost of the emission credits with WWP that the District and WWP each pay \$18,000 for the emission credits.

Option 2: Purchase the Caterpillar 600 ekw generator at a cost of \$99,000

The Board discussed the options. 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 purchase the Caterpillar 600 generator at a cost of \$99,000.

Ms. Zapletal reported that Tolunay-Wong Engineers, Inc. ("TWEI") provided a proposal to provide construction material testing services for the generator project in the estimated amount of \$1,542, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that fees will be invoiced based on the actual expenses incurred during construction. 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 material testing services proposal submitted by TWEI at an estimated cost of \$1,542.

Ms. Zapletal reported that a copy of the WWP proposal for the Caterpillar representative to be present at the generator's commissioning ("start-up") is attached to the Engineer's Report and fees are estimated not to exceed \$2,500. 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 authorize the Caterpillar representative to be present at the generator's start-up at an estimated cost not to exceed \$2,500.

Ms. Zapletal reviewed the future Surplus Funds Application for Emergency Generator Expenses. Ms. Zapletal reported that the reimbursement to the General Operating Fund for this project's expenses will occur subsequent to the TCEQ's approval of a surplus funds application to be submitted by BGE (after the plans and specifications for installation are approved by the agencies). The following table summarizes the non-audited actual costs versus the estimated costs for the Board's reference.

Expense Description	Updated Cost Estimate 7/13/10	Expenses to be Reimbursed By Future Surplus Funds Request (As of 07/13/10)	Total Actual Project Expenses (non-audited)
Emergency Generator - Purchase (Worldwide Power Products)	\$ 85,000	\$ 85,000.00	\$ 85,000.00
Emergency Generator – Delivery, Crane, CAT representative at start-up (WWP)	\$ 6,200		
Emissions Credit Purchase	\$ 18,000	TBD	TBD
Installation Costs (Based on low bid + 5% cont.)	\$ 52,280		
Construction Material Testing (TWEI proposal)	\$ 1,542		
Engineering (Estimated; billed hourly as incurred)	\$ 36,168	\$26,591.36	\$26,591.36
TOTAL TO DATE	\$ 195,190	\$ 111,591.36	\$ 111,591.36

8. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that the CJOB discussions included concrete improvements at the sewage treatment plant, the Spills Prevention Controls and Countermeasures Plan and capital billing for the generators.

9. **Review District website.** Director Odell requested that Ms. Green notify the website manager to add the contact information for the engineer to the District website.

10. **Approve Director signup on WHCRWA website (www.whcrwa.com) to receive periodic updates and information.** Ms. Cogburn stated that the WHCRWA has requested that directors sign up to receive news in the form of email blasts from the WHCRWA to improve communication.


11. **Approve Official Payments Contract.** This item was deferred.

12. **Approve Water Wise Interlocal Agreement.** Upon motion by Director Johnson, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted four in favor, with Director Odell opposed, to approve and authorize execution of the Water Wise Interlocal Agreement.

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 August 10, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

