

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 8, 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 June 8, 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; 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 May 11, 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 May 11, 2010, as presented.

2. **Engage auditor for the fiscal year ending July 31, 2010.** This item was deferred.

3. **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 June 8, 2010, and 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. 3169 through 3191 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.

4. **Approve budget for the fiscal year ending July 31, 2010.** This item was deferred.

5. **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 97.66% of its 2009 taxes. 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. 1410 through 1415 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

6. **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 4,315,000 gallons of water and purchased 11,770,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 93.9% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 118,721,000 gallons and six months remaining on its Harris-Galveston Coastal Subsidence District water allocation. Discussion ensued regarding the builder damage receivables.

Mr. Hoffman reported on the water plant painting and noted that the ground storage tanks ("GST") #2 and #1 are back in service. Mr. Hoffman reported that GST #1 and hydrotank #2 have been taken out of service with a cost to date of \$10,279.91.

Mr. Hoffman reported that H2O noticed deterioration on the pipe following the sand blasting to booster pumps #1 and #2. Mr. Hoffman reported that H2O installed new couplings to prevent future leaks on the pipe at a final cost of \$2,317.30.

Mr. Hoffman reported on the water line maintenance and stated that H2O repaired a tapline at 15810 Ridge Park at a final cost of \$1626.30.

Mr. Hoffman reported on sewer line maintenance and stated that H2O repaired a manhole at 15402 Willow Riverby repairing the fiberglass wall and sealing the manhole from top to bottom at a final cost of \$2,260.75.

Mr. Hoffman reviewed the Consumer Confidence Report ("CCR"), a copy of which is attached to the Operations Report. 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 CCR.

Mr. Hoffman reviewed with the Board the correspondence regarding the questionnaire from the WHCRWA, a copy of which is attached to the Operations Report.

Mr. Hoffman reviewed with the Board the Southdown Home Owners Association ("HOA") request for sidewalk repairs (related to settlement) and photos of sidewalks, copies of which are attached to the Operations Report. Mr. Hoffman stated that he would address the request at the Copperfield Joint Operations Board meeting because the District shares a sanitary

sewer line with Harris County Municipal Utility District Nos. 186 and 208. Mr. Hoffman reported that if the sanitary sewer lines are adjacent to the sidewalks, then the District has historically repaired the sidewalks.

7. **Approve CCR.** This item was approved in the Operations Report.

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 "E."

Ms. Zapletal reported that BGE and H2O have coordinated on comments to provide on the plumbing plans received for the addition of a 3,000-gallon grease trap at the Labay Middle School (as part of miscellaneous renovations proposed at the school). Ms. Zapletal reported that BGE will follow-up to ensure that the architect provides the revised plans prior to construction.

Ms. Zapletal reported that the St. Cuthbert Episcopal Church (the "Church") requested confirmation of its utility service for its existing facility in Middlegate Village Section One. Based on the City of Houston ("COH") equivalency tables for a Church with seating a seating capacity for 330, Ms. Zapletal stated that the water and sewer demands for this tract are estimated to be two equivalent single family connections ("ESFC"). Ms. Zapletal reported that the Church is in the process of selling the facility so BGE specifically noted that these current services are for the Church and are not transferable by the Church to any subsequent purchaser of the tract without the consent of the District. Ms. Zapletal noted that any future owner of this tract must submit a capacity commitment request letter to the District and meet all requirements set forth by the District's Rate Order as currently amended. Ms. Zapletal stated that BGE has not yet received a request for capacity commitment for a new owner.

Ms. Zapletal reported on the proposed Carl's, Jr. Restaurant and noted that Terra Associates or Interplan Architects have received information regarding the District's construction review process. Ms. Zapletal stated that one of the firms will notify BGE when the project moves forward.

Ms. Zapletal reported on the Sanitary Sewer Repairs at 8406 Forestside and noted that photos showing the condition of the 12" sanitary sewer before and after the recent repairs by Reynolds Inliner are attached to the Engineer's Report.

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 on the water plant tank coatings of GSTs and hydropneumatic tanks ("HPTs"). Ms. Zapletal stated that the Utility Service Company, Inc. submitted the lowest total bid in the amount of \$222,900. Ms. Zapletal noted that the Notice of

Award was issued for the Base Bid Items and the selected Supplemental Items for additional facility coatings, painting, and mastic replacement. Ms. Zapletal reported that the Board's color selection (39BL-Delft Blue) was issued to the contractor at that time. Ms. Zapletal reported that the Notice to Proceed was issued for March 1, 2010 and the contract time is 90 calendar days.

Ms. Zapletal reported that the base scope of work for coatings on the GSTs and the HPTs are complete. The second GST was available for filling and disinfection last week. Ms. Zapletal reported that the contractor has approximately three work days remaining to complete touch-up painting, repairing mastic on the GSTs, and site cleanup as weather permits this week. The final inspection by the TCEQ will be scheduled in the near future.

Ms. Zapletal reported that pay estimate nos. one and two totaling approximately \$121,000.00 were received last week from Utility Service Company but were missing the affidavits of bills paid. Ms. Zapletal stated that the missing paperwork was received this morning so the approved estimates will be presented for payment at the July meeting.

Ms. Zapletal reported that the surplus funds notification letter to the TCEQ 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	\$17,521.43	\$17,521.43

Ms. Zapletal reported on the emergency power generator and auxiliary drive engine options and cost estimates. Ms. Zapletal reported that BGE has had numerous conversations with the TCEQ regarding the emission credit purchase as part of the MECT Program. Ms. Zapletal reported that additional conversations were held to ask questions received from the Board at the April meeting. Ms. Zapletal reported that an email from the TCEQ addressed the Board's questions, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that the TCEQ has defined "an emergency situation" as when a state of emergency is declared by the State. Ms. Zapletal stated that BGE has asked for consideration of a variance from this under the recent new Rules regarding emergency preparedness. Ms. Zapletal reported that the TCEQ is reviewing the additional questions and has also provided contact names with a few private companies that have credits available for purchase at more reasonable price per ton. Ms. Zapletal stated that the Summary of Capital Improvements and Available Funds is also attached to the Engineer's Report. Extensive discussion ensued regarding the memorandum and emissions requirements. Director DePau noted that some of the

Board's questions have not been answered by the TCEQ and requested that the TCEQ provide the District feedback on whether the District is exempt.

Ms. Zapletal reported that BGE met with the operator and NTS for electrical and site review last month. Ms. Zapletal noted that the review of the plans and implementation of recommendations by NTS will result in some cost savings for the District. Ms. Zapletal stated that further review with contractors, the operator, and NTS indicate costs should be less than \$50,000. After the Board's discussion of possible interest in having additional onsite fuel storage in conjunction with participation in the CJOB emergency fuel supply, BGE and the operator also discussed the cost of a free-standing, double-walled fuel tank that would almost double the fuel supply and could be directly piped into the genset. Ms. Zapletal stated that the operator is reviewing detailed costs for this component.

Ms. Zapletal reported that BGE recently received and addressed review comments from the COH and Harris County and that the plans have been returned to the agencies for signatures. Based on the authorization at the March meeting, BGE will now solicit for installation bids. Ms. Zapletal requested the Board's input on whether a special meeting is preferred to award the construction contract prior to the regular July meeting. Ms. Zapletal stated that Worldwide Power Products provided a proposal for delivery and crane services to set the generator on the plant site and for the CAT representative to be present at the generator's commissioning (its start-up), a copy of which is attached to the Engineer's Report. The breakdown of the proposal amounts is as follows:

- Freight component of delivery: \$500.00
- Crane component of delivery (estimate 4-hr need for crane operator at \$100/hr): \$1,600.00
- Caterpillar start-up estimated not-to-exceed \$2,500.00; Caterpillar will not provide a proposal until a work order for the start-up date is initiated.

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 solicit bids for installation and to defer the installation and delivery approval.

The Board discussed appointing a Director to act as a point person for the operator to contact if necessary. 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 appoint Director DePau as the point person for Mr. Hoffman to contact regarding the delivery.

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 05/11/10	Expenses to be Reimbursed By Future Surplus Funds Request (As of 06/08/10)	Total Actual Project Expenses (non-audited)
Emergency Generator - Purchase (Worldwide Power Products)	\$ 85,000	\$ 85,000.00	\$ 85,000.00
Emissions Credit Purchase	\$ 18,000	TBD	TBD
Installation Costs - Estimated Engineering and construction costs	\$ 115,150	\$ 14,062.22	\$ 14,062.22
TOTAL TO DATE	\$ 218,150	\$ 99,062.22	\$ 99,062.22

Ms. Zapletal stated that once Harris County signatures are returned this month, BGE will have all documentation required to submit to the TCEQ for approval to use surplus bond funds to finance this project. An agenda item may be added for the next meeting to approve the Resolution for the application.

9. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that the CJOB meeting would be held the following week.

10. **Review District website.** Director Odell requested that the 2008 Calendar be removed from the website and the most recent Rate Order be added to the website.

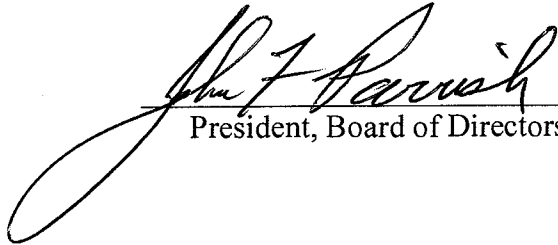
11. **Review ethics policy.** Ms. Cogburn reviewed the ethics policy, a copy of which is attached hereto as Exhibit "F."

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

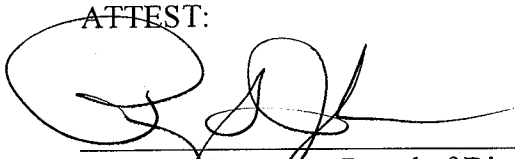
THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

* * *

The foregoing minutes were passed and approved by the Board of Directors on July 13, 2010.



President, Board of Directors

ATTEST:


Secretary, Board of Directors

