

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 11, 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 May 11, 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. Robin Goin 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 April 13, 2010, 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 regular meeting of April 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 May 11, 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 De Pau, 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. 3144 through 3165 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. **Review Tax Assessor and Collector's Report and authorize payment of certain bills.** Ms. Goin 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. Goin reported that the District has collected 97.08% of its 2009 taxes. Upon motion by Director De Pau, 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. 1405 through 1409 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 4,130,000 gallons of water and purchased 7,926,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 88.6% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 134,806,000 gallons and seven months remaining on its Harris-Galveston Coastal Subsidence District water allocation. In response to a question, Mr. Hoffman reported that the WHCRWA will be making modifications to the feed system.

Mr. Hoffman stated that H2O investigated the low water accountability by inspecting the sanitary sewer manholes. Mr. Hoffman noted that the District is operating on higher pressure zones which may be pushing water into neighboring districts. Mr. Hoffman suggested the following options for determining the water loss: (1) perform a full leak detection at an estimated cost of \$7,000; (2) check the interconnects at an estimated cost of \$1,500 (3) or; wait another month to see if the changes made to date improve the water accountability at an estimated cost of \$1,000 monthly in potential water losses. The Board directed Mr. Hoffman to wait another month before further leak detection is performed.

Mr. Hoffman reported on the water plant painting and noted that the ground storage tanks ("GST") #2 and #1 have been taken out of service for the paint contractor. Mr. Hoffman reported that H2O repaired the site glass cabinet on the hydrotank #1 so the contractor could make repairs.

Mr. Hoffman reported that the cathodic protection company, Corrpro, removed the cathodic protection system from GST #2 tank prior to painting. Mr. Hoffman stated that Corrpro would return and reinstall the cathodic protection system after the painting is complete.

Mr. Hoffman reported on the water line maintenance and stated that H2O repaired a hydrant and bollards at West Road and Silent Cedars at a final cost of \$1,256.77. Mr. Hoffman stated that H2O repaired a hydrant which was damaged by a car at 15219 Pebble Lake at a final cost of \$1,314.52. Mr. Hoffman reported that both repairs have been submitted as insurance claims.

Mr. Hoffman reported on sewer line maintenance and stated that repairs to a sinkhole at 9406 Forestside are complete at a final cost of \$18,838.50.

Mr. Hoffman reported that a letter from the Texas Water Development Board regarding the required water audit for 2010 is attached to the Operations Report.

5. **Review Red Flag Rules Policy.** Mr. Hoffman recommended no changes to the Red Flag Rules Policy.

6. **Approve Consumer Confidence Report.** This item was deferred.

7. **Amend Rate Order (for commercial sewer rates).** The Board reviewed the monthly sewer rate amendments for commercial customers as follows:

	<u>Gallons</u>	<u>Amount</u>
<u>Each Commercial Connection (Other than Apartments) and All Tax-Exempt Organizations</u>	Minimum 10,000	\$35.00
	All over 10,000	\$3.50 per 1,000 gallons
<u>Out-of-District Commercial</u>	Minimum 10,000	\$65.00
	All over 10,000	\$6.50 per 1,000 gallons

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 amending the Rate Order with the above listed commercial sewer rates.

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 the revised, final plans for Mr. Jim's Pizza at 8475 Highway 6 North, Suite C have been reviewed and approved.

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 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 that the TCEQ reviewed the Emergency Preparedness Plan ("EPP") and a portion of their letter response is attached to the Engineer's Report. Ms. Zapletal stated that the EPP will be provided to H2O or F&J when the approved copy and letter are received.

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 stated that the preconstruction

meeting was conducted on February 16, 2010. 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 construction activity and noted that coatings on the interior and exterior of the GST are undergoing final inspection this afternoon for confirmation of completion. Ms. Zapletal stated that H2O is putting Corpro on notice to reinstall the cathodic protection soon so that the GST can be filled, disinfected, tested and returned to service. Ms. Zapletal reported that direct communication between the contractor and the operator will work out the specific timing details. When passing test results are received, Ms. Zapletal stated the GST will be returned to service and work on the exterior of the second HPT will commence. Ms. Zapletal stated that if condensation is not an issue on the exterior of the GST, the GST may not need to be drained and the vent can be sealed for the duration of the work. Ms. Zapletal reported that the coatings on the first HPT were completed on April 29, 2010. Ms. Zapletal reported that some exterior touch up remains after the removal of some insulation and the repairs to the cabinet base by NTS. Ms. Zapletal stated that H2O will return the HPT to service this week and will then release the second HPT to the contractor. Ms. Zapletal reported that a revised schedule has been requested for submittal by the end of Thursday so it can be forwarded to the directors on Friday. The Board discussed touring the GST while the tank is empty to view the tank coating. Ms. Zapletal stated that she would coordinate Director Rickelman's escort to view the project.

Ms. Zapletal reported that the interior facade of one fence post was repaired by Fencecrete America at the expense of the contractor.

Ms. Zapletal reported that pay estimate no. one was received last week from Utility Service Company but it was returned for the inspector's signature approval and the affidavit of bills paid. The approved estimate will be presented to the Board for payment in June.

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	\$12,397.28	\$12,937.28

*Does not include April inspection invoice received on May 10 and forwarded to MCI

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 a memorandum outlining the history of the coordination, the feedback of the TCEQ to date, and the options researched as requested by the Board in April are attached to the Engineer's Report. Ms. Zapletal stated that the Summary of Capital Improvements and Available Funds are also attached to the Engineer's Report. Extensive discussion ensued regarding the memorandum and emissions requirements. The Board deferred action on the emissions credit purchase until the TCEQ provides answers and clarification to BGE's questions.

Ms. Zapletal reported that BGE is coordinating with contractors to receive a general idea of estimated construction costs to install the generator. Ms. Zapletal stated that a meeting with H2O and NTS is scheduled for Thursday 9:30 a.m. Ms. Zapletal reported that based on the authorization at the March meeting, BGE will solicit or advertise for installation bids after addressing comments from the review agencies and H2O, as requested.

Ms. Zapletal reported on the future surplus funds application for the emergency generator. Ms. Zapletal noted that reimbursement to the General Operating Fund for this project's expenses will occur subsequent to the TCEQ approval of the surplus funds application to be submitted by BGE after the plans and specifications for installation are approved by the agencies. Ms. Zapletal stated that the following table summarizes the non-audited actual costs versus the estimated costs for the Board's reference.

Project Name	Preliminary Cost Estimate 02/09/10	Expenses to be Reimbursed - Future Surplus Funds Request (As of 03/09/10)	Total Actual Project Expenses (non-audited)
Emergency Generator – Purchase (Worldwide Power Products; GOF Check 3102)	\$ 85,000	\$ 85,000	\$ 85,000
Emergency Generator - Emissions Credit Purchase	\$ 18,000	\$	\$
Emergency Generator - Installation - Estimated engineering and construction costs	\$ 115,150	\$ 10,610.93	\$ 10,610.93
TOTAL	\$ 218,150	\$ 113,610.93	\$113,610.93

9. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that CJOB discussions included acknowledgement that the 350 kw generator would not

be available until July. CJOB discussed the possibility of purchasing another generator and directed Chuck Hadley to determine the feasibility of the purchase.

Mr. Hoffman reported that CJOB approved leasing a 1,000 gallon diesel fuel tank at a cost of approximately \$200 per month for use during the hurricane season.

Mr. Hoffman reported that CJOB approved repairing the rake arm on the clarifier and the process water system.

10. **Election of officers.** Upon motion by Director Odell, seconded by Director De Pau, after full discussion and the question being put to the Board, the Board voted unanimously to maintain the current slate of officers.

11. **Review District website.** No action was taken.

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

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

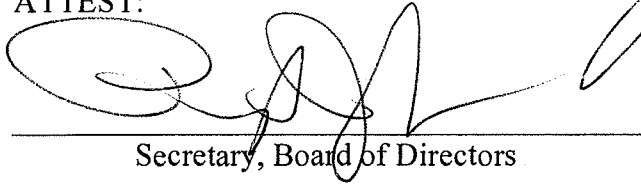
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The foregoing minutes were passed and approved by the Board of Directors on June 8, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

