

MINUTES OF MEETING OF BOARD OF DIRECTORS
November 9, 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 November 9, 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 October 12, 2010, a copy of which was previously distributed to the Board. Director Parrish requested that the word "pay" be changed to "reimburse" in the sixth sentence under item four of the minutes. Director Parrish requested that "for services rendered by H2O" be added to the fourth paragraph under item six of the minutes. 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 October 12, 2010, as revised.

2. **Approve audit for the fiscal year ending July 31, 2010.** Mr. Merritt reviewed with the Board a draft of the audit for the fiscal year ended July 31, 2010 and the representation letter, copies of which are attached hereto as Exhibit "B." Discussion ensued. Ms. Cogburn noted some corrections and requested that Mr. Merritt include the Active Equivalent Single Family Connection numbers on page 20a of the audit. 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 approve the audit for the fiscal year ending July 31, 2010.

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 November 9, 2010, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report, to authorize payment of check nos. 3294 through 3318 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. **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 98.71% of its 2009 taxes. Upon motion by Director O'Dell, 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. 1428 and 1429 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

5. **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 6,401,000 gallons of water and purchased 11,566,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 80.5% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 36,680,000 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 surface meter testing. Mr. Hoffman stated that recommendations for solving the water accountability issues are attached to the Operations Report. Mr. Hoffman recommended that the Board hire a leak detection specialist to evaluate the system at an estimated cost of \$8,500. Upon motion by Director Johnson, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board authorized Mr. Hoffman to hire a leak detection specialist at an estimated cost of \$8,500, pending the results of the meter testing of the top 10 commercial meters in the District.

Mr. Hoffman reported that M.E. Duff was contacted regarding the Comcast builder damages and that the collection request is being handled by M.E. Duff.

Mr. Hoffman reported that alarm system specialist has inspected the alarm system and made necessary repairs (now that the contractors have completed work on the plant site) at a final cost of \$1,069.88.

Mr. Hoffman reported that H2O replaced the well switch that exploded overnight and set up a temporary controls until the switch could be replaced at a final cost of \$696.47.

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 \$1,800 for the ammonia room. Mr. Hoffman recommended using a bedliner material. Action on this item was deferred.

Mr. Hoffman reported that the commercial meter testing has begun.

Mr. Hoffman reported that H2O repaired the hydrant at 15434 Willow River and noted that the main valve, main valve seat and stem were replaced at a final cost of \$1,980.82

Mr. Hoffman reported that the Middlegate manhole repairs from the manhole survey are complete at a final cost of \$7,559.87.

Mr. Hoffman reviewed with the Board two customer letters, copies of which are attached to the Operations Report. 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 work with the Ammoune family to prepare a payment plan. It was the consensus of the Board that Mr. Hoffman not respond to Mr. Bhagat's letter regarding the WHCRWA charges since Mr. Hoffman already forwarded the WHCRWA information to him for review.

6. **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 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 forwarded the existing utility plans to the current engineer for the Autozone store on September 22, 2010. Ms. Zapletal reported that BGE has not yet received a request for capacity.

Ms. Zapletal reported on the Water Plant Tank Coatings and noted that Utility Service Co., Inc. re-seeded the disturbed area as requested. Ms. Zapletal reported that the grass growth will be monitored during the one-year warranty. Ms. Zapletal reported that Pay Estimate No. 3 & Final from Utility Service Co., Inc. has been reviewed is recommended for approval and payment, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that the pay estimate includes payment for the control building, storage building, booster pump station, water well, repairs to the ground storage tank mastic and for the release of the retainage. Ms. Zapletal reported 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		Total Actual Project Expenses (non-audited)
		FYE 2010 Surplus Funds Used As of 08/10/10	FYE 2011 Surplus Funds Used As of 11/09/10	
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 the start-up for the generator was conducted by Caterpillar on October 14, 2010. Ms. Zapletal

reported that the equipment operated the plant facilities (pumps, wells, etc.) without any trouble. Ms. Zapletal reported that the pay estimate will be reviewed and processed after the TCEQ inspection, which is scheduled for 9:30 a.m. on November 16, 2010.

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

Ms. Zapletal reported that on October 21, 2010, the TCEQ approved the use of surplus bond funds to finance expenses related to the project, copies of which are attached to the Engineer's Report. Ms. Zapletal reported that BGE provided the bookkeeper and auditor with information for the reimbursement to the General Operating Fund for expenses to date. Ms. Zapletal reported that the following table summarizes the non-audited actual costs versus the estimated costs for the project.

Expense Description	GOF Expenses to be Reimbursed by Surplus Funds			FYE 2011 Expenses From Surplus Funds (On 11/09/10)	Total Actual Project Expenses (non-audited)
	Updated Cost Estimate 08/10/10	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	\$ -	\$ 99,000.00
Emergency Generator - Delivery, Crane, Caterpillar Rep at start-up (Worldwide Power Products)	\$ 4,600.00	\$ -	\$ 4,600.00	\$ -	\$ 4,600.00
Installation Costs (NTS)	\$ 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
Engineering (Hourly as incurred)	\$ 36,168.00	\$ 28,200.79	\$ 8,444.22	\$ 1,417.36	\$ 38,062.37
H2O Coordination w/ Constr.	\$ 5,000.00	\$ -	\$ 1,863.19	\$ 2,132.41	\$ 3,995.60
TOTAL TO DATE	\$211,050.00	\$113,200.79	\$29,273.41	\$ 18,499.77	\$160,973.97

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

7. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported CJOB spent a substantial amount of time discussing the televised sewer lines along Longenbough and Club Lake. Director Parrish reported that a missing section of clay pipe was found that contained tree roots and breaks. Director Parrish reported that CJOB will begin billing each district for pre-approved capital costs as they are incurred because the CJOB reserves are decreasing. Director Parrish reported that CJOB also reviewed the five year forecast.

8. **Review District website.** The Board discussed adding a guestbook to the website that viewers can sign and adding a map prepared by BGE. Ms. Zapletal stated that she would mail the map to Texas Network Support. Director Parrish stated that the website does not include a clear way to contact the Board members.

9. **Approve Official Payments Contract.** 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 and authorize execution of the Official Payments Contract, a copy of which is attached hereto as Exhibit "G."

10. **Consider Director attendance at the drainage study meeting.** The Board concurred that Director Odell would be the Board's representative to attend the drainage study meetings held by the Copperfield Coalition. Director Odell noted that he would contact Rick Scialdone to provide him an email address for corresponding on the issue.

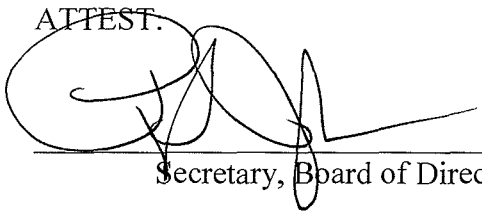
THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

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



President, Board of Directors

ATTEST.


Secretary, Board of Directors