

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 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 September 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 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 and Mr. Mark Froehlich of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Ms. Julie Peak of First Southwest, financial advisor 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 August 10, 2010, a copy of which was previously distributed to the Board. Director Parrish requested that paragraph two under the Bookkeeper's Report be revised. Upon motion by Director DePau, seconded by Director Odell, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of August 10, 2010, as revised.

2. **Consider Financial Advisor's recommendation for the 2010 Tax Rate and Authorize Publication.** Ms. Peak reviewed with the Board the 2010 Tax Rate Recommendation, a copy of which is attached hereto as Exhibit "B." Ms. Peak reported that the District experienced a drop in the taxable appraised value in 2010 and recommended that the District set a tax rate of \$0.25 per \$100 assessed valuation to pay principal and interest to service the District's debts. Discussion ensued. 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate, a copy of which is attached hereto as Exhibit "C," thereby indicating its intent to set a tax rate of \$0.56 per \$100 assessed valuation (\$0.25 per \$100 assessed valuation to pay principal and interest to service the District's debts and \$0.31 per \$100 assessed valuation to fund maintenance and operating

expenditures) and to designate Bob Leared as the District's officer to publish the proposed tax rate in the Houston Chronicle.

Ms. Peak presented to the Board a proposed contract amendment for First Southwest. The Board stated that it would add this item to the October agenda for discussion.

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 September 14, 2010, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "D." 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 Bookkeeper's Report, to authorize payment of check nos. 3249 through 3265 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 Procedures for Reimbursement of Director Expenses.** This item was deferred until October.

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 "E." Ms. Rodriguez reported that the District has collected 98.53% of its 2009 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. 1420 through 1423 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 "F." Mr. Hoffman reported that the District pumped 5,701,000 gallons of water and purchased 12,996,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 89.1% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 70,753,000 gallons and three months remaining on its Harris-Galveston Coastal Subsidence District water allocation.

Mr. Hoffman reported that Dawn Olivo with the Texas Commission on Environmental Quality ("TCEQ") completed an inspection/environmental audit of the District's system, a copy of which is attached to the Operations Report.

Mr. Hoffman reported that H2O repaired the gas line issues on the well auxiliary engine at a final cost of \$1,164.45.

Mr. Hoffman reported that the new generator has been delivered and set at the water plant at a cost to date of \$1,409.06.

Mr. Hoffman reported that the Texas Water Development Board ("TWDB") is requiring a water audit of the system. As a part of the audit, Mr. Hoffman recommended testing the meters for the top 10 users in the District at a cost of approximately \$200 per meter. Mr. Hoffman

stated that a copy of the top 10 users is attached to the Operations Report. 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 authorize H2O to test the top 10 meters in the District at an estimated cost of \$200 per meter.

Mr. Hoffman reported on sewer line maintenance and stated that H2O repaired manholes in Middlegate (which were noted during the manhole inspection) at a cost to date of \$3,735.26.

Mr. Hoffman reported that repairs to sidewalk and manholes are complete at 15422 Windy Cove at a cost to date of \$2,192.95.

Mr. Hoffman reported that inspections for Labay Jr. High School and Mr. Jim's Pizza are complete.

7. **Amend Rate Order.** Mr. Hoffman recommended amending the Rate Order to raise the builder deposit from \$500 to \$1,500. 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 amend Section II. A. and B. of the Rate Order to increase the builder deposit from \$500 to \$1,500.

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 "G."

Ms. Zapletal reported that the revised construction plans for the new grease trap at Labay Middle School were sent to H2O for inspections.

Ms. Zapletal reported that BGE forwarded the revised plans from Interplan Architects for Carl's Junior Restaurant to H2O for inspections. Ms. Zapletal reported that construction may commence this month. Ms. Zapletal reported that Interplan Architects requested an extension of the capacity commitment because the original capacity commitment expired on September 8, 2010. Ms. Zapletal requested Board approval for a new capacity letter. 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 approve the capacity commitment letter for Carl's Jr. Restaurant.

Ms. Zapletal reported that on July 17, 2010, BGE provided Terra Associates with the District's requirements for capacity reservation and plan reviews prior to construction of the Autozone store. Ms. Zapletal reported that the Autozone store is proposed south of West Road on the southwest corner of the Northmead Village commercial tract. Ms. Zapletal reported that on September 8, 2010, BGE provided LGF Land Surveying with this same information and noted that a capacity request has not yet been submitted.

Ms. Zapletal reported that the final TCEQ inspection was conducted on June 30, 2010 for the water plant tank coatings and the ground storage tanks ("GSTs") and hydro pneumatic tanks ("HPTs"). Ms. Zapletal reported that H2O received payment for damages billed to the contractor. Ms. Zapletal reported that Utility Service Company, Inc. reseeded again on September 10, 2010 and grass growth will be monitored before final payment is approved. Ms. Zapletal

reported that a pay request has not been received. Ms. Zapletal reported that retainage of 10% (\$13,410) has been withheld from previous payments to the contractor.

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	\$143,968.44	\$145,689.40

Ms. Zapletal reported on the Water Plant Emergency Power Generator project and stated that Neil Technical Services ("NTS") constructed the generator foundation and fuel tank foundations at one time to be cost-effective. Ms. Zapletal reported that the generator was delivered August 23, 2010. Ms. Zapletal reported that NTS will work on additional electrical items next week. Ms. Zapletal reported that upon delivery of the fuel tank in approximately three weeks, the start-up will be conducted with Caterpillar. In response to a question, Ms. Zapletal reported that she would verify if a Caterpillar representative would be available to start-up the generator in the event that it needs to be used in an emergency situation (prior to the delivery of the fuel tank).

Ms. Zapletal noted 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 reviewed the future Surplus Funds Application for Emergency Generator Expenses. Ms. Zapletal reported that BGE submitted to the TCEQ for approval to use the surplus bond funds totaling \$206,040 to finance expenses related to the project as estimated below. Ms. Zapletal stated that reimbursement to the General Operating Fund for this project's expenses will occur subsequent to the TCEQ's approval of a surplus funds application. The following table summarizes the non-audited actual costs versus the estimated costs for the Board's reference.

Expense Description	TCEQ Cost Estimate	Updated Cost Estimate 8/10/10	Expenses to be Reimbursed by Surplus Funds		
			FYE 2010 (As of 8/10/10)	FYE 2011 (As of 09/14/10)	Total Expenses (non-audited)
600 kW Emergency Generator (Worldwide Power Products)	\$ 99,000	\$ 99,000	\$ 99,000.00	\$	\$ 99,000.00
Emergency Generator - Delivery, Crane, Caterpillar Rep at start-up (Worldwide Power Products)	\$ 6,200	\$ 4,600	\$ -	\$ -	\$ -
Installation Costs (NTS)	\$ 52,280	\$ 49,790	\$ -	\$ -	\$ -
Double-walled 1,000-gal fuel tank	\$ 5,850	\$ 14,950	\$ -	\$ -	\$ -
Material Testing (TWEI)	\$ 1,542	\$ 1,542	\$ -	\$ -	\$ -
Engineering (Hourly as incurred)	\$ 36,168	\$ 36,168	\$28,200.79	\$7,211.11	\$ 35,411.90
H2O Coordination w/ Construction	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -
TOTAL TO DATE	\$206,040	\$211,050	\$127,200.79	\$ 7,211.11	\$134,411.90

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

9. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that CJOB approved the repair of the transfer pump. Director Parrish reported that CJOB approved televising and cleaning the 18-inch clay pipe sewer line on Club Lake (which runs from the Burger King restaurant to River Garden). Director Parrish stated that following the testing of the manhole locations related to the sidewalk repair request, H2O found some deterioration in the pipe and CJOB authorized spending \$15,000 to televise and clean the pipe to determine the severity of the problem.

10. **Review District website.** Nothing was discussed.

11. **Discuss insurance renewal (renews 11/01/10).** Ms. Green stated that she has not received a renewal proposal from Harco for the District's insurance. Director Parrish requested that Ms. Green notify Harco to send the renewal proposal in August so that the Board can determine if it would like to obtain competitive bids. Ms. Zapletal reported that the new generator would need insurance coverage and noted that she would provide Harco with the property values.

The Board reviewed the Official Ballot for the Texas Municipal League Intergovernmental Risk Pool Board of Trustees Election, a copy of which is attached hereto as Exhibit "H." 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 vote for Michael S. Nyren for Place 6 on the ballot. 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 vote for Lawanna Williams for Place 7 on the ballot. Upon motion by Director Johnson, seconded by Director Rickelman, after full discussion and the question being put to the Board the Board voted unanimously to vote for Larry Melton for Place 8 on the ballot. It was the consensus of the Board to vote for Andres Garza for Place 9 on the ballot.

12. **Approve Official Payments Contract.** Mr. Hoffman stated that he has not heard back from Official Payments. This item was deferred.

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

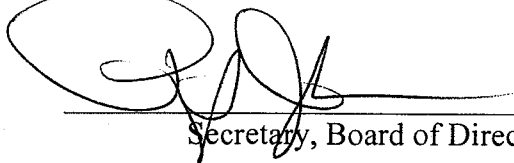
* * *

The foregoing minutes were passed and approved by the Board of Directors on October 12, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

