

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 12, 2011

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 April 12, 2011, 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 except Director Parrish. 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 Vice 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 March 8, 2011, 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 March 8, 2011, 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, 2011 Comparison as of April 12, 2011, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "B." In response to a question from Director Odell, Ms. Green stated that she would contact Harco to determine why the District received \$376 from TML for a refund cancelled coverage and email her findings to the Board. 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. 3423 through 3439 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. 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 96.99% of its 2010 taxes.

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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1443 through 1445 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 7,663,000 gallons of water and purchased 4,947,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 91% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 139,894,000 gallons and eight months remaining on its Harris-Galveston Subsidence District ("HGSD") water allocation.

Mr. Hoffman reported on water plant maintenance and noted that installation of the coatings for the chlorine and ammonia rooms is scheduled for this week. Mr. Hoffman reported that the estimated cost to recoat the chemical room is \$5,250 and the estimated cost to recoat the ammonia room is \$1,800.

Mr. Hoffman reported that H2O replaced the leaking galvanized airline to the hydrotank #2 at a final cost of \$1,070.67.

Mr. Hoffman reported that in addition to replacing the fixtures and photocells, H2O repaired the conduit and pulled in new conduit to the yard lights at a final cost of \$2,334.55.

Mr. Hoffman reported that the District converted to free chlorine on March 1, 2011 and that the District returned to chloramines on March 10, 2011. Mr. Hoffman reported that the final cost to convert to free chlorines was \$1,200 and the final cost to return to chloramines was \$1,200.

Mr. Hoffman reported that H2O repaired a water main break at 15518 Meadow Ridge at a final cost of \$3,656.21.

Mr. Hoffman reported on sewer line maintenance and noted that H2O repaired both of the manholes that had root intrusions at 15430 Swan Creek and 15402 Willow River at an estimated cost of \$3,500 each.

Mr. Hoffman reported that H2O is in the final stage of implementing the Official Payments program for water payment options.

5. **Engineer's Report.** The Vice 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 AutoZone, Inc. has fulfilled the design approval and meter access requirements outlined in the Conditional Plan Approval Letter prior to the store opening. Ms. Zapletal reported that the new water meter easement has been recorded in the name of the District (H.C.C.F. No. 20110101194).

Ms. Zapletal reported that BGE received a set of preliminary construction plans, contract documents and technical specifications from AECOM Technical Services, Inc. ("AECOM") for the shared sanitary sewer repairs in Southdown Village Section 1. Ms. Zapletal reported that BGE will coordinate with H2O for comments and will request an updated cost estimate from AECOM. Director

DePau requested that the contract documents contains language that driveways will not be blocked and holes will be covered at the end of the day.

Ms. Zapletal reported on the tank coatings and stated that the warranty inspection for Utility Service Company will be scheduled at the appropriate time so that any warranty issues can be addressed by September 10, 2011.

Ms. Zapletal reported that the warranty inspection for NTS's work will be scheduled at the appropriate time so that any warranty issues can be addressed by November 16, 2011.

Ms. Zapletal reported that BGE distributed the approved Emergency Preparedness Plan ("EPP") to the four pertinent governmental agencies, H2O, and F&J.

Ms. Zapletal reported on the Surplus Funds Use for the Emergency Generator expenses and stated that the following table summarizes the non-audited actual costs versus the estimated costs for the project:

| Expense Description | Updated Cost Estimate 08/10/10 | Surplus Funds Used | | Total Actual Project Expenses (non-audited) |
|---|--------------------------------|------------------------------------|------------------------------------|---|
| | | FYE 2010 Expenses (As of 08/10/10) | FYE 2011 Expenses (As of 04/12/11) | |
| 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 | \$ - | \$ 49,790.00 | \$ 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 | \$ 12,093.68 | \$ 40,294.47 |
| H ₂ O Coordination w/ Constr. | \$ 5,000.00 | \$ - | \$ 4,852.99 | \$ 4,852.99 |
| TOTAL TO DATE | \$211,050.00 | \$113,200.79 | \$ 100,652.67 | \$213,853.46 |

Ms. Zapletal reported that the Capital Improvements Summary has been updated to include estimated Copperfield Joint Operations Board ("CJOB") trunk main rehabilitation costs and a copy is attached to the Engineer's Report.

6. **Discuss CJOB meeting.** Director DePau reported that the March biomonitoring test conducted at the sewer plant indicated lethality for the ceriodaphnia (water fleas). Mr. Hoffman reported that lethality in ceriodaphnia levels is generally caused by either metals, pesticides, chlorine or ammonia. Mr. Hoffman reported that CJOB is required to retest in both April and May, and if either the April or May test fails, the sewer plant would be required to perform a Toxicity Reduction Evaluation ("TRE"). Mr. Hoffman reported that CJOB authorized H2O to clean the chlorine contact chamber, to perform split samples for the April and May biomonitoring tests, to contact Mr. Pasch of Alan Plummer Associates, Inc. to help investigate the lethality causes, to test for metals and pesticides, to contact the lab to determine if other failures occurred on March 10, 2011, to test the "standards", and to perform chloramines tests.

Director DePau reported that CJOB discussed the diesel storage requirements for emergency usage and noted that the total estimated amount of diesel for all participating districts is 5,000 gallons. Mr. Hoffman stated that the estimated storage may decrease after further review of the need for permanent storage.

7. **Review District website.** Director Odell reported that the Rate Order appearing on the website needs to be replaced with the amended Rate Order. Director Odell reported that the information for new customers needs to be updated and several links need to be removed.

8. **Other Business.** Director DePau noted that he would be resigning from the Board and presented a copy of his resignation letter, a copy of which is attached hereto as Exhibit "F". The Board discussed several candidates that expressed interest in becoming a director and discussed holding a special meeting to review the candidates.

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

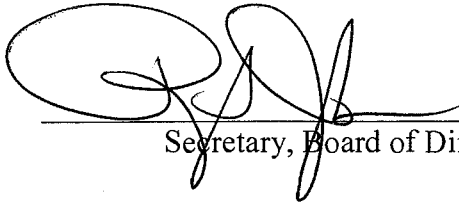
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The foregoing minutes were passed and approved by the Board of Directors on May 10,
2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

