

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 8, 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 March 8, 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. 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 February 8, 2011, a copy of which was previously distributed to the Board. 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 minutes of the regular meeting of February 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 March 8, 2011, 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 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. 3401 through 3421 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 95.559% of its 2010 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. 1439 through 1442 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 567,000 gallons of water and purchased 6,907,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 97.6% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 152,504,000 gallons and nine months remaining on its Harris-Galveston Subsidence District ("HGSD") water allocation.

Mr. Hoffman reported on water plant maintenance and noted that the temporary chemical feed systems have been installed and, as weather permits, H2O will begin recoating the rooms at an estimated cost of \$5,250 for the chemical room and \$1,800 for the ammonia room. Mr. Hoffman reported that the coatings are on hold until the free chlorine conversion is complete.

Mr. Hoffman reported that H2O reset the pressure settings on the booster pumps slightly below the neighboring districts at a final cost of \$1,342.81.

Mr. Hoffman reported on water line maintenance and noted that the conversion to free chlorine started March 1, 2011. Mr. Hoffman reported that he anticipates returning to chloramines by March 10, 2011.

Mr. Hoffman reported that the leaking interconnect valve located at the end of Willow River Drive and the Flood Control Ditch was replaced at a final cost of \$7,000.

Mr. Hoffman reported that the annual fire hydrant inspection, lubrication and flow tests are complete at a final cost of \$1,925.66.

Mr. Hoffman reported that H2O is evaluating any repairs needed to the fire hydrants and that a report will be available next month.

Mr. Hoffman reported on sewer line maintenance and noted that H2O found roots growing in two manholes at 15430 Swan Creek and 15402 Willow River which could cause potential issues with the flow. Mr. Hoffman reported that photos of the manholes are attached to the Operations Report. Mr. Hoffman reported that the estimated cost to remove the roots and seal the manholes is approximately \$3,500 each.

Mr. Hoffman reported that copies of the Texas Water Development Board ("TWDB") water loss audit report are attached to the Operations Report.

Mr. Hoffman reported that the WHCRWA correspondence is attached to the Operations Report. Mr. Hoffman noted that he completed and submitted the annual report for the HGSD last week.

In response to a question from Director Odell, Mr. Hoffman reported that H2O is testing the credit card payment option with Official Payments. Director Odell requested that a link to the Official Payments site be added to the website when the payment option is available.

Upon motion by Director DePau, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to authorize H2O to remove the roots and seal the manholes at 15340 Swan Creek and 15402 Willow River at an estimated cost of \$3,500 each.

Mr. Hoffman reviewed with the Board the Generator Memo, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the Copperfield Joint Operations Board ("CJOB") is developing a long term diesel storage plan for emergency fuel storage. The Board discussed the amount of additional fuel it would need during emergency situations and requested that 1,000 gallons of diesel be reserved for the District at CJOB.

5. **Amend Rate Order.** Mr. Hoffman reviewed with the Board the Rate Order Memo, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman recommended amending the following sections of the Rate Order: (a) Fees in Section I C; (b) Use of Deposit in Section II B; (c) language for freezing pipes in Section IV C; (d) Delinquent Accounts (increase cost to mail delinquent letter) in Section VI; (e) Delinquent Accounts (revise deposit amounts to reflect current deposit requirements) in Section VI; and (f) Charges for Removal and Reinstallation of Water Meter (revise language) in Section VII B. 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 accept all of the recommended Rate Order Amendments.

The Board reviewed the Deposits under Section IV B of the Rate Order. 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 raise the deposit amount for renters from \$125 to \$150 under Section IV B of the Rate Order.

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 BGE and H2O have conditionally approved the revised construction plans on February 18, 2011 from AutoZone, Inc. Ms. Zapletal stated that the meters have been set by H2O and that the new easement is being executed and will be recorded in the name of the District.

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 the revised Emergency Preparedness Plan (“EPP”) was approved by the TCEQ on March 2, 2011, a copy of which is attached to the Engineer’s Report. Ms. Zapletal reported that BGE will will distribute the approval copies to the pertinent agencies and District consultants.

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 03/08/11)	
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.

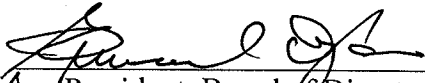
7. **Discuss CJOB meeting.** Director Parrish reported that CJOB approved increasing the per connection fee from \$8.50 to \$9 and that CJOB approved the budget, including only priority 1 items. Director Parrish reported that CJOB discussed the TCEQ permit renewal.

8. **Review District website.** Directors Odell and Parrish reported that two emails were submitted to the director email address on the District’s website. Director Odell stated that the website manager suggested that the District establish a policy for archiving the emails posted on the District’s website. Ms. Cogburn stated that she would review the District’s record retention policy. It was the consensus of the Board to authorize the website manager to post the previous month’s meeting minutes following approval at the meeting. Ms. Cogburn stated that the agenda is usually sent to the website manager five to seven days prior to the meeting.

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

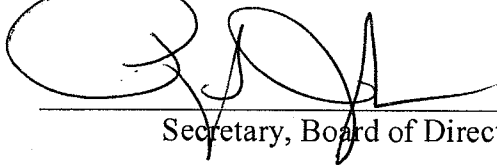
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The foregoing minutes were passed and approved by the Board of Directors on April 12, 2011.



Vice President, Board of Directors

ATTEST:



Secretary, Board of Directors

