

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 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 February 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 and Mr. Mark Froehlich 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 January 11, 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 January 11, 2011, as presented.

2. **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 93.39% of its 2010 taxes. In response to a question, Ms. Rodriguez stated that Comcast is disputing its appraised values with the Harris County Appraisal District ("HCAD"). Ms. Rodriguez stated that Comcast has paid an estimated amount for its taxes, pending any balance owed as authorized by the Property Tax Code.

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. 1436 through 1438 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

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, 2011 Comparison as of February 8, 2011, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "B." Ms. Garcia reviewed the details of the handwritten checks and reported that handwritten checks from today's meeting will be listed in the March 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 accept the Bookkeeper's Report, to authorize payment of check nos. 3372 through 3399 (excluding voided check no. 3374) from the Operating Account, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report or as described by Ms. Garcia in her oral report, and to approve the Investment 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 755,000 gallons of water and purchased 7,552,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 77.8% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 159,978,000 gallons and nine months remaining on its Harris-Galveston Coastal Subsidence District water allocation.

Mr. Hoffman stated that Samco has completed the leak detection survey and H2O has completed the investigations on the sites identified by Samco, including a leak on a six-inch lead from the main to the fire hydrant at Rose Manor and Pebble Lake. Mr. Hoffman reported that H2O personnel climbed into the storm sewer and clamped the line. Mr. Hoffman reported that the water was leaking in the bottom of the line, photos of which are attached to the Operations Report. Mr. Hoffman reported that the final cost of the repair was \$2,970.93.

Mr. Hoffman reported that water coming out of a storm sewer was traced back to a burned out building at the Copperfield Professional Plaza. Mr. Hoffman stated that water was being metered and the final cost of the repair was \$285.50.

Mr. Hoffman reported that the leaking interconnect valve located at the end of Willow River Drive and the Flood Control Ditch was replaced at an estimated cost of \$7,500.

Mr. Hoffman reported that H2O investigated the water leak into the storm inlet at the pool and determined that the water generated from the pool overflowing after a rain event.

Mr. Hoffman reported that H2O lowered the pressure settings at the water plant to see what affect the pressure would have on the water accountability.

Mr. Hoffman reported that he reviewed the water loss numbers and anticipates that the numbers will be reduced by 1.1 million gallons as a result of the recent repairs.

Mr. Hoffman reported on the water plant maintenance and stated that H2O removed the well controls from the WHCRWA controls and reconnected the controls to the District transducers at a final cost of \$1,290.71.

Mr. Hoffman reported that H2O installed a new well timer to operate the well three times per week to maintain the quality of the water in the well. Mr. Hoffman reported that the final cost of the timer installation was \$739.26.

Mr. Hoffman reported that H2O installed the temporary chemical feed systems and is preparing the ammonia room and chlorine room floors and walls for coatings at an estimated cost of \$5,250 for the chemical room and \$1,800 for the ammonia room.

Mr. Hoffman reported on the water line maintenance and noted that the meter vault installation at Lowey Elementary School ("Lowery") is complete at a final cost of \$5,742.47.

Mr. Hoffman reported that the District is scheduled to convert to free chlorine on March 1, 2011 to improve the District's ability to maintain chlorine residuals at an estimated cost of \$1,200.

Mr. Odell reviewed with the Board an email from Matt Scholes at Mitchell & Duff, LLC, a copy of which is attached hereto as Exhibit "E."

Mr. Hoffman reported that the leak detection group has tested the lines, valves and hydrants throughout the District at a final cost of \$7,945.36.

Mr. Hoffman reported that the annual maintenance of the fire hydrants and the lubrication and flow test of the fire hydrants has begun at an estimated cost of \$2,500. Mr. Hoffman reported that a report will be available next month to address any areas of concern.

Mr. Hoffman reported that H2O replaced the tapline under the driveway at 7626 Rivergarden Drive at a final cost of \$3,449.07.

Mr. Hoffman reported on sewer line maintenance and noted that H2O repaired a sewer stoppage at 15430 Swan Creek. Mr. Hoffman reported that the customer at 8502 Silver Fir reported the stoppage. Mr. Hoffman stated that the final cost of the repair was \$872.45. Mr. Hoffman reported that since this stoppage was the second sewer stoppage on this line in the last six months, H2O cleaned and televised the line and found tree roots growing into the manholes at two locations. Mr. Hoffman reported that the final cost of the televising was \$1,751.11.

Mr. Hoffman reported that H2O has begun preparing the Texas Water Development Board ("TWDB") water loss audit. Mr. Hoffman stated that the report needs to be filed with the TWDB by March 31, 2011.

Mr. Hoffman reported that the pages eight through nine of the District's Rate Order are attached to the Operations Report for the Board to review. The Board discussed amending the Rate Order to correctly reflect the average cost to produce water in paragraph one

on page eight and the deposit amounts for customers in paragraph one on page nine. It was the consensus of the Board to amend the Rate Order in March.

5. **Discuss TWDB 2010 water loss audit report submission.** This item was discussed in the Operations Report.

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 “E.”

Ms. Zapletal reported that BGE issued the utility capacity commitment letter to Autozone, Inc., a copy of which is attached to the Engineer’s Report. Ms. Zapletal stated that comments made by BGE and H2O on the second set of construction plans were returned to BGE on February 3, 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 has updated the Emergency Preparedness Plan (“EPP”) to reflect the project and submitted the EPP to the TCEQ on January 17, 2011 for approval.

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		
		FYE 2010 Expenses (As of 08/10/10)	FYE 2011 Expenses (As of 02/08/11)	Total Actual Project Expenses (non-audited)
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 (TWEL)	\$ 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 is not meeting until next week.

8. **Review District website.** Director Odell reported that the website manager can add director email addresses to the website so that customers can contact a director by email. Discussion ensued on the email address and its link to individual directors. It was the consensus of the Board to set up the director email as Director@HCMUD162.com and to link the email address to Directors Parrish and Odell’s email addresses.

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 March 8, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors