

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 11, 2016

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 the offices of H2O Consulting, 5870 Hwy 6, Houston, Texas 77084, on October 11, 2016 at 3:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

Penny Johnson, President
Susan McClure, Vice President
Steve Rickelman, Treasurer
Karen Odell, Secretary
John Parrish, 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; Ms. Karrie Kay of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Chris Hoffman and Mr. Joshua Board of H2O Consulting ("H2O"), operator of the District's facilities; Ms. Alene Efaw of BGE, Inc. ("BGE"), engineers for the District; and Ms. Shaila Shah of Norton Rose Fulbright US LLP ("NRF"), 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. Public Hearing on 2016 Tax Rate. The President opened the hearing on the proposed 2016 tax rate. There were no comments on the tax rate from the public. The President closed the hearing.

2. Adopt Order Setting Tax Rate and Levying Tax for 2016. The Board reviewed the Order Setting Tax Rate and Levying Tax for 2016, a copy of which is attached hereto as Exhibit "B." Upon motion by Director Parrish, seconded by Director McClure, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2015, thereby levying a tax at a rate of \$0.495 per \$100 assessed valuation (\$0.10 for debt service and \$0.395 for operations and maintenance).

3. Approve Amended District Information Form. Ms. Shah presented to and reviewed with the Board an Amended District Information Form, a copy of which is attached hereto as Exhibit "C." It was noted that the Amended District Information Form will be filed in the Harris County Real Property Records and with the Texas Commission on Environmental Quality. Upon motion by Director McClure, seconded by Director Parrish, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution and filing of the Amended District Information Form in the Harris County Real Property Records and with the Texas Commission on Environmental Quality.

4. Approve Minutes. Consideration was given to the approval of the minutes of the regular meeting of September 13, 2016, copies of which were previously distributed to the Board. Ms. Efav requested a correction to the Engineer's report regarding the televising of the sanitary sewer lines. Upon motion by Director Odell, seconded by Director Parrish, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of September 13, 2016, as revised.

5. Review Bookkeeper's Report and authorize payment of bills. Ms. Kay presented to and reviewed with the Board the Bookkeeper's Report, the Investment Report, the Operating Budget, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "D."

Ms. Kay reported that the Certificate of Deposit at Icon Bank was renewed for one year at an interest rate of 0.90%.

Upon motion by Director Rickelman, seconded by Director McClure, 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. 4985 through 5032 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.

6. Review report by 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, a copy of which is attached hereto as Exhibit "E." Ms. Rodriguez stated that the District has collected 99.0% of its 2015 taxes.

Ms. Rodriguez reviewed the Delinquent Tax Attorney Report with the Board, a copy of which is attached to the Tax Assessor and Collector's Report.

Upon motion by Director McClure, seconded by Director Rickelman, 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. 1100 through 1108 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

7. Review and approve Operations Report and authorize repairs. Mr. Board presented to and reviewed with the Board the Operations Report for the month of September 2016, a copy of which is attached hereto as Exhibit "F." Mr. Board reported that the District pumped 387,000 gallons of water and purchased 11,281,000 gallons of water from the WHCRWA during the last period. Discussion ensued regarding the low accountability in the District. Mr. Board stated that H2O is investigating a possible leak which would account for the low accountability.

Mr. Board reported that H2O is waiting for the contractor to begin the work on the control room coating repair project.

Mr. Board reported that the total chlorine & ORP analyzer and the ammonia analyzer for the both the surface water monitoring and the distribution water monitoring have been installed. Mr. Board stated that training is being scheduled and that the cost to date is \$31,803.50.

Mr. Board reported that the roller track on the front gate of the water plant was rusting and needed to be replaced at a final cost of \$1,697.09.

Mr. Board stated that he will continue to update the Board with progress on the Automatic Meter Program from the other districts before moving forward.

Mr. Board reported that H2O located clean out #271 on the sanitary sewer lines and removed the concrete boot, repaired and set the inside box at a final cost of \$1,586.86.

Mr. Board reported that H2O televised the sewer line segments on Meadow Village and West Road that are on the semi-annual cleaning schedule.

Mr. Board stated that H2O is continuing the bench line testing for the Nitrification Action Plan.

Mr. Board stated that H2O completed the Texas Commission on Environmental Quality compliance inspection and that no issues were noted at a final cost of \$1,422.79.

8. Review Engineer's Report. Ms. Efaw presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Ms. Efaw reported on the televising and cleaning of Phase E of the sanitary sewer lines, stating that the tapes show defects with evidence of inflow and infiltration. Ms. Efaw stated that the estimated cost for the rehabilitation of the sewer lines is \$137,818.50. Ms. Efaw requested approval to authorize BGE to begin design of the rehabilitation project. Discussion ensued. Upon motion by Director Odell, seconded by Director McClure, after full discussion and the question being put to the Board, the Board voted unanimously to authorize BGE to begin design for the sanitary sewer rehabilitation project.

Ms. Efaw reported on the Southdown Village impact study, stating that BGE expects to submit the results to Harris County Flood Control on November 1, 2016.

Ms. Efaw stated that the water plant ground storage tank no. 1 and the two hydroneumatic tanks will have the five year internal and external inspections in October. Ms. Efaw stated that BGE is coordinating with H2O to schedule the inspections.

Ms. Efaw stated that she drafted a summary of the work that is currently being done in the District for the website. The Board agreed to have it posted on the website.

9. Review District Insurance. Ms. Shah presented to and reviewed with the Board the insurance proposal from Arthur J. Gallagher, a copy of which is attached hereto as Exhibit "H." Ms. Shah stated that Aquasurance did not present a proposal. Upon motion by Director Odell, seconded by Director Rickelman, after full discussion and question being put to the Board, the Board voted unanimously to accept the insurance proposal from Arthur J. Gallagher.

10. Discuss Copperfield Joint Operations Board "CJOB" meeting. Director Rickelman reviewed the Operator's and Engineer's Reports that were presented at the September meeting.

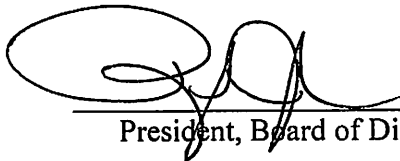
Director Rickelman stated that Harris County Municipal Utility District Nos. 163 and 179 are no longer interested in moving forward with the water reuse project at this time. Mr. Board stated that the water reuse project is on hold at this time and that CJOB will review the previous water reuse contract drafted approximately 10 years ago.

11. Review District website and take any necessary action. Director McClure stated that the website is up to date and all information presented is correct.

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 November 8, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors