

MINUTES OF MEETING OF BOARD OF DIRECTORS

NOVEMBER 8, 2005

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 November 8, 2005, at 4:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

Jerry Folmar, President
Arthur Mendizabal, Vice President
Penny Johnson, Secretary
Ralph Gingell, Assistant Secretary
John Parrish, Treasurer

All of the 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., bookkeeper for the District; Mr. Larry Mueller and Mr. David Hunn of Turner Collie & Braden, Inc. ("TC&B"), engineers for the District; and Ms. Jana Cogburn and Ms. Kelly Covey of Fulbright & Jaworski L.L.P. ("F&J"), attorney 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:

Receive public comments. There were no comments from the public.

Minutes. Consideration was given to the approval of the minutes of the meeting of October 11, 2005, a copy of which was previously distributed to the Board.

Director Gingell noted that section six, paragraph seventeen, sentence five should be corrected to state: "The Board asked Mr. Hoffman to ask the resident if she had any repairs done to her home that would have caused the large water bill and if so, to present evidence of such repairs along with a reimbursement request for the excessive water on her water bill to the Board.

Upon motion by Director Parrish, 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 meeting of October 11, 2005, as corrected.

Approve audit for fiscal year ended July 31, 2005. Action on this matter was deferred.

Review Report by Tax Assessor and Collector and authorize payment of certain bills. The President recognized Ms. Rodriguez, who presented to and reviewed with the Board the Tax

Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "B." Ms. Rodriguez reported that the District has collected 99.456% of its 2004 taxes.

Ms. Rodriguez reviewed with the Board a list of the top delinquent taxpayers in the District, a copy of which is attached to the Tax Assessor and Collector's Report.

Upon motion by Director Johnson, seconded by Director Gingell, 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. 1170 through 1174 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

Operations Report. The President recognized Mr. Hoffman, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "C." Mr. Hoffman reported that the District pumped 5,772,000 gallons of water during the last period and that H₂O accounted for 90.6% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 42,124,000 gallons and one month remaining on its Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report.

Mr. Hoffman reported that the no. 2 ground storage tank is out of service, so the contractors can evaluate the connection.

Mr. Hoffman updated the Board on the WHCRWA construction. Mr. Hoffman reported that the conduit bank and chemical feed lines have been installed.

Mr. Hoffman reported that the air line installation at the water plant is complete, as approved last month.

Mr. Hoffman updated the Board on the waterline main repairs in the District.

Mr. Hoffman reported that H₂O disposed of the concrete and spoils remaining from the numerous main breaks and tapline leaks in the District.

Mr. Hoffman reported that the work to the phase 7, priority one sewer line repairs are complete, with the exception of a few repairs.

Mr. Hoffman reported that the sewerline under West Road was cleaned.

Mr. Hoffman reviewed with the Board a request from the resident at 7627 Club Lake Drive, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the resident had an extremely high water bill for August and September. Mr. Hoffman noted that the District's summer water rates were in effect, which contributed to their higher bill. Discussion ensued. The Board asked Mr. Hoffman to remind the resident that the District's summer water rates were in effect and explain how this impacted their water bill.

Review Bookkeeper's Report and authorize payment of bills; Approve Investment Report.

The President recognized Ms. Garcia, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "D."

Ms. Garcia reported that the District has two certificates of deposits that will be coming due soon and suggested moving the funds into the District's Tex Pool account until the District receives its maintenance tax revenue.

Upon motion by Director Mendizabal, 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. 1781 through 1808 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.

Engineer's Report. The President recognized Mr. Mueller, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "E."

Mr. Mueller updated the Board on the WHCRWA conversion project. Mr. Mueller reported that R&B Group has completed laying all of the necessary tank connections and preparations for the District to begin the chloramine conversion. Mr. Mueller reported that TC&B is currently coordinating with the City of Houston to insure that the proper air gap separation is achieved. Discussion ensued on potential solutions to address the air gap issue. The Board asked Mr. Mueller to inform Mr. Skipper Rush, the District's representative on the WHCRWA Board, about this issue.

Mr. Mueller reported that TC&B is recommending payment of progress payment no. 3, as submitted by R&B Group, a copy of which is attached hereto as Exhibit "F."

Mr. Mueller reported that TC&B is coordinating with the District's operator to update the maintenance database utilizing the GIS database.

Mr. Mueller updated the Board on the status of the Reclaimed Water Agreement (the "Agreement"). Mr. Mueller reported that TC&B has reviewed all of the irrigation usage information received from the participating districts. Mr. Mueller reported that after comparing it to the reclaimed water system capacities in the previous study, it has been determined that further analysis will be required. Mr. Mueller reported that TC&B will update the allocations for each district. Mr. Mueller reported that an analysis of the pumps and pipe sizes will then be performed to determine if the system's capacity remains feasible. Mr. Mueller reported that TC&B will update the Copperfield Effluent Reuse Study along with all cost estimates. Mr. Mueller reported that TC&B is currently coordinating a special meeting for November 29, 2005 to discuss the allocations, feasibility, and the cost for the Reuse System.

Upon motion by Director Parrish, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve progress payment no. 3 from R&B Group.

Review and approve letter to HCMUD No. 163 regarding chloramine conversion. The Board asked Ms. Covey to prepare a letter to all of the District's interconnect districts for signature at the next month's meeting.

Discuss water rate analysis. Action on this matter was deferred.

Discuss Copperfield Joint Operations Board (“CJOB”) meeting. Director Folmar reported on the CJOB meeting.

Adopt Resolution nominating candidate for position as Board member of director of HCAD. There was no action.

Discuss communications and creation of web site. Director Johnson updated the Board on the creation of the District’s website.

Other Matters. Director Mendizabal presented to the Board his resignation letter, a copy of which is attached hereto as Exhibit “G.”

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

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President, Board of Directors

ATTEST:

Secretary, Board of Directors

(District Seal)