

MINUTES OF MEETING OF BOARD OF DIRECTORS

MAY 10, 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 May 10, 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. Michael Preiss of Turner Collie & Braden, Inc. ("TC&B"), engineers for the District; and Ms. Jana Cogburn, Ms. Jessica Holoubek, 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:

Public comments on Drought Contingency Plan. There were no public comments.

Minutes. Consideration was given to the approval of the minutes of the meetings of March 14, 2005 and April 12, 2005, copies of which were previously distributed to the Board.

Ms. Cogburn updated the Board on the water reuse agreement. Extensive discussion ensued.

Director Gingell noted that section , paragraph four, sentence one of the April 12, 2005 minutes should be corrected to state: "Ms. Covey noted that she will be preparing the minutes for the March 14, 2005 meeting for the Board's review and approval at the next meeting."

Director Gingell noted that section three, sentence two of the April 12, 2005 minutes should be corrected to state: "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 re-authorize an additional 20% penalty on taxes, penalty and interest remaining delinquent on July 1, 2005.”

Director Gingell noted that section four, paragraph six of the April 12, 2005 minutes should be corrected to state: “Mr. Hoffman reported that he is obtaining pricing to restore the polyurethane coating on the ground storage tanks.”

Director Gingell noted that section four, paragraph ten of the April 12, 2005 minutes should be corrected to state: “Mr. Hoffman reported that H2O repaired a leak on the hypochlorite pumps and cleaned the discharge line of calcium buildup.”

Director Gingell noted that section four, paragraph fifteen of the April 12, 2005 minutes should be corrected to state: “Mr. Hoffman reported that H2O installed a new clean out at 8306 Clover Gardens.”

Upon motion by Director Johnson, seconded by Director Mendizabal, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of March 14, 2005, as presented and April 12, 2005, as corrected.

Tax Assessor and Collector’s Report. 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 96.729% of its 2004 taxes. 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 accept the Tax Assessor and Collector’s Report and to authorize payment of check nos. 1146 through 1149 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 3,532,000 gallons of water during the last period and that H2O accounted for 94.5% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 75,781,000 gallons and seven months remaining on its Harris-Galveston Coastal Subsidence District (“HGCSA”) Permit.

Mr. Hoffman reported that GSG damaged the District’s facilities while installing the WHCRWA’s surface water lines. Mr. Hoffman reported that the amount due to the District is \$15,283.37, and that a letter was sent to GSG informing them of the damages. Mr. Hoffman reported that Troy Anthony of LAN Engineering, the engineer for the project, acknowledged the damages and stated that payment would be made to the District. Mr. Hoffman reported that payment has not yet been received. Ms. Cogburn asked Mr. Hoffman to provide her with a summary of the dates and amounts for the damages done by GSG, so that she could formally notify the attorney for the WHCRWA.

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

Mr. Hoffman reported that water samples are being collected and tested for radiological constituents approximately every six weeks and H2O is filing monthly reports with the TCEQ, a copy of the report is attached to the Operations Report.

Mr. Hoffman reported that Mr. Webb met with the painters to obtain pricing to restore the polyurethane coating on the ground storage tanks at the water plant.

Mr. Hoffman reported that H2O excavated the area at Highway 6 and Longenbaugh and found two water line valves at this location. Mr. Hoffman reported that the valve that H2O operated last month turned out to be the tapping sleeve and valve for the interconnect with Harris County Municipal Utility District No. 186. Mr. Hoffman reported that he did not have to install a new valve. Mr. Hoffman reported that he restacked both valves and replaced the landscaping.

Mr. Hoffman reported that H2O repaired the valve and three inch strainer for the water meter at Highway 6 and West Road.

Mr. Hoffman reported that H2O is continuing to make the phase 7, priority 1 sewer line repairs. Mr. Hoffman reviewed with the Board the summary of repairs, a copy of which is attached to the Operations Report.

Mr. Hoffman reported that H2O was unable to locate the clean out at 8306 Clover Gardens. Mr. Hoffman reported that H2O excavated to the sewer main and installed a cleanout.

Mr. Hoffman reviewed photographs of several sidewalk settlements in the District, all of which are over sewerlines or near manholes. It was the consensus of the Board to have H2O repair all of the areas as soon as possible.

Mr. Hoffman reported that he is waiting on the Consumer Confidence Report (“CCR”) data from the TCEQ, and will send a draft out before the next meeting, so the CCR can be approved at the June meeting.

Mr. Hoffman reviewed with the Board correspondence from Wulfe & Co. regarding damage to the Townsquare Shopping Center, located at 8303 – 8475 Highway 6, North, a copy of which is attached to the Operations Report.

Mr. Hoffman reported that Harris County Municipal Utility District No. 179 (“No. 179”) is proceeding with their WHCRWA tank connection and chloramine conversion. Mr. Hoffman reported that No. 179 will need to purchase water from the District during the connection process. Mr. Hoffman noted that the work should be completed by June 1, 2005. The Board noted that they would need to coordinate with Harris County Municipal Utility District No. 208 (“No. 208”), since No. 208 is currently supplying the District with water at a cost of \$1.85 per 1,000 gallons. The Board noted that there would also need to be coordination with their contactor for the WHCRWA tank connection and chloramine conversion. Discussion ensued. Upon motion by Director Parrish, seconded by Director Mendizabal, after full discussion and the question being put to the Board, the Board voted unanimously to provide No. 179 with water during the tank connection and chloramine conversion process at a price of \$1.85 per 1,000 gallons if (a) No. 208 indicates that it is able and willing to provide additional water to

the District for this purpose and (b) No. 179 agrees that their conversion will be complete by June 1, 2005 and will be coordinated with the District's conversion so that both plants are not offline at the same time.

The Board noted that the District's residents should be notified about the effect of chloramines once chloramines are in the water.

Bookkeeper's Report and 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." Upon motion by Director Gingell, seconded by Director Mendizabal, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report and to authorize payment of check nos. 1638 through 1659 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. Preiss, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "E." Mr. Preiss reviewed with the Board correspondence received from the WHCRWA regarding the disinfection conversion, a copy of which is attached to his report. Mr. Preiss reported that this information was presented at the WHCRWA meeting that was held with the area districts on April 26, 2005.

Mr. Preiss reported that the plans for the phase 7 sanitary sewer investigations are complete and that the request for release of escrowed funds has been submitted to the TCEQ for their review and approval.

Mr. Preiss reported TC&B has received and addressed the operator's comments to the District facility maps. Mr. Preiss reported that he is currently working with the operator to align the GIS system with his maintenance database.

Mr. Preiss reported that the water plant storage building is complete and the certificate of completion is attached to the Engineer's Report. Mr. Preiss reported that the contractor has submitted progress payment no. 1 and final, which is attached to the Engineer's Report. Upon motion by Director Johnson, seconded by Director Mendizabal, after full discussion and the question being put to the Board, the Board voted unanimously to approve progress payment no. 1 in the amount of \$42,900.

Mr. Preiss presented to and reviewed correspondence from the Utility Service Communication Co. to determine if the District would be interested in having its water tank used as a potential antenna site to the wireless communication industry, a copy of which is attached to the Engineer's Report. The Board noted that they are not interested in providing this service.

Award contract for tank connection and chloramine conversion project. Mr. Preiss reviewed with the Board the single bid that has been received for the proposed tank connection and chloramine conversion project, a copy of which is attached to the Engineer's Report.. Mr. Preiss recommended awarding the contract to R&B Group in the amount of \$141,615, with a contract time of 60 calendar days. 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 award the contract to R&B Group in the amount of \$141,615, with a contract time of 60 calendar days.

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

Discuss District communications and consider authorizing creation of web site. Director Folmar stated that he contacted Mac Alexander regarding a website for the District. Director Folmar reported that the initial set up cost would be \$1,500, with a \$25.00 to \$50.00 monthly maintenance fee.

Director Folmar stated that he also contacted Barbara Payne, but has not yet heard back. He noted that he would call her again.

Action on this matter was deferred.

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)