

MINUTES OF MEETING OF BOARD OF DIRECTORS

JUNE 14, 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 June 14, 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; Mr. David Merritt, auditor for the District; and Ms. Jessica Holoubek and Ms. Yvette Deitrick 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:

Review Bookkeeper's Report and authorize payment of bills. 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 "B." 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. 1660 through 1683 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.

Approve investment report. This item was approved with the bookkeeper's report.

Approve budget for fiscal year ending July 31, 2006. Both Ms. Garcia and Mr. Hoffman distributed proposed budgets to the Board, copies of which are attached hereto as Exhibits "C" and "D." The Board decided to defer adoption of the budget until their special meeting, which is scheduled for July 7, 2005.

Receive public comments. There were no public comments.

Minutes. Consideration was given to the approval of the minutes of the meeting of May 10, 2005, a copy of which were previously distributed to the Board.

Director Gingell noted that section two, sentence two of the May 10, 2005 minutes should be corrected to state: "Ms. Cogburn updated the Board on the water reuse agreement."

Upon motion by Director Parrish, seconded by Director Gingell, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of May 10, 2005, as corrected.

Engage auditor for fiscal year ending July 31, 2005. The President recognized Mr. Merritt, who requested that the Board execute an engagement letter for fiscal year ending July 31, 2005. Mr. Merritt noted that there will not be an increase in the fee paid by the District as compared to fiscal year 2005. 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 authorize the President to execute the auditor engagement letter, thereby engaging David L. Merritt, P.C. to perform the District's audit for the fiscal year ending July 31, 2005.

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 "E." Ms. Rodriguez reported that the District has collected 97.532% of its 2004 taxes. 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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1150 through 1154 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 "F." Mr. Hoffman reported that the District pumped 4,011,000 gallons of water during the last period and that H₂O accounted for 92.7% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 71,770,000 gallons and six months remaining on its Harris-Galveston Coastal Subsidence District ("HGCS D") Permit.

Mr. Hoffman reported that F&J sent the attorney for West Harris County Regional Water Authority ("WHCRWA") a letter to notify them of the unpaid amount owed to the District by GSG as a result of damage done to the District's facilities while GSC was installing the WHCRWA's surface water lines. Mr. Hoffman reported that the amount due to the District is \$15,283.37. Mr. Hoffman further reported that he has recently received an invoice in the amount of \$1,678.47 for additional damage done by GSG during installation of WHCRWA's surface water lines. The Board requested that F&J prepare a second letter to send to the attorney for WHCRWA notifying them of the additional damage.

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

Mr. Hoffman reported that he and Mr. Webb have revised the scope of work pertaining to the polyurethane coating on the ground storage tanks at the water plant. He further reported that they are waiting on pricing from the paint contractor.

Mr. Hoffman reported that H2O has prepared the ammonia room for conversion to surface water.

Mr. Hoffman reported that H2O repaired two tapline leaks: one on Pebble Lake and one on Forest Trails.

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 Mr. Webb met with the contractors to repair several areas of sidewalk settlement in the District, all of which are over sewerlines or near manholes. Mr. Hoffman noted that the Board approved repairing these areas at the last meeting, but the scope of work has since changed. Mr. Hoffman requested that one or two directors look at the areas needing repair so that H2O may rebid the project. Directors Johnson and Parrish volunteered to visit the sites.

Mr. Hoffman reported that the Consumer Confidence Report (“CCR”), a copy of which is attached to the Operations Report, was sent out with the June bills.

Mr. Hoffman reported that H2O has begun compiling information to prepare a rate analysis.

Mr. Hoffman also reported that HCMUD 179 is buying water from MUD 130 in order to meet its needs while it proceeds with its WHCRWA tank connection and chloramine conversion.

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 “G.” Mr. Preiss reviewed with the Board correspondence sent to the TCEQ regarding the District’s request for an exception to the use of chlorine as a disinfectant, a copy of which is attached to his report.

Mr. Preiss also reviewed with the Board a public notice regarding the effects of switching to chloramine as a disinfectant, a copy of which is attached to his report. He noted that the form of the notice is prescribed by the TCEQ rules. Director Gingell suggested that Mr. Preiss include a preamble sentence stating that the switch to a chloramine disinfection system from a chlorine disinfection is being done in connection with the District’s switch from groundwater to surface water.

Mr. Preiss reviewed with the Board correspondence to WHCRWA regarding reimbursement of the costs related to conversion to a chloramine disinfection system, a copy of which is attached to his report.

Mr. Preiss reviewed with the Board correspondence to the TCEQ related to a Notice of Violation which has been resolved, a copy of which is attached to his report.

Mr. Preiss reported that he has confirmed on the TCEQ's website that they have received the request for release of escrowed funds for phase 7 sanitary sewer investigations.

Mr. Preiss reported that TC&B has produced a 1' =100" scaled tiled map of the District and a mounted large scale map for use at the District's meetings.

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

Review ethics policy. Ms. Holoubek stated that she would email the board an excerpt of the District's ethics policy as it pertains to the upcoming AWBD conference.

12. **Discuss communications and consider authorizing creation of web site.** The Board deferred this item until the next regular meeting.

13. **Discuss and authorize execution of Interlocal Agreement for Water Wise Program.** Ms. Holoubek presented to and reviewed with the Board the Interlocal Agreement between the District and the Harris-Galveston Coastal Subsidence District, a copy of which is attached hereto as Exhibit "H." Ms. Holoubek explained that this agreement would require the District to pay for one-fifth of the students at Fiest Elementary and one-fourth of the students at Lowery Elementary to receive water conservation materials. Director Mendizabal expressed concern over whether the students would actually receive the materials if the District paid for them. Director Parrish stated that he would like to receive some feedback from the schools for the District's sponsorship.

Upon motion by Director Gingell, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Interlocal Agreement.

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)