

MINUTES OF MEETING OF BOARD OF DIRECTORS

JULY 12, 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 July 12, 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 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 public comments.

Minutes. Consideration was given to the approval of the minutes of the meeting of June 14, 2005, a copy of which were previously distributed to the Board.

Director Gingell noted that section nine, paragraph seven, sentence one of the June 14, 2005 minutes should be corrected to state: "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."

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 June 14, 2005, as corrected.

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 97.975% of its 2004 taxes.

Ms. Rodriguez reported that the District's preliminary assessed value is \$125,900,593. Ms. Rodriguez noted that this is a 3% increase from last year.

Ms. Rodriguez reviewed with the Board a request for a payment plan from Ms. Theresa Bye, who resides at 15230 Pebblelake Drive. Ms. Rodriguez reported that Ms. Bye has asked to pay her remaining taxes over the next seven months at \$115 a month. 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 grant Ms. Bye a seven-month payment plan.

Ms. Rodriguez reviewed with the Board the top delinquent taxpayers in the District, a copy of which is attached hereto as Exhibit "C."

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. 1155 through 1158 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 "D." Mr. Hoffman reported that the District pumped 5,829,000 gallons of water during the last period and that H₂O accounted for 95.2% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 65,941,000 gallons and five months remaining on its Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman reported that the District has received a check for \$15,283.37 from GSG for the damage done to the District's facilities while GSC was installing the West Harris County Regional Water Authority ("WHCRWA") surface water lines, but has not received the additional \$1,678.47 for additional damage done by GSG during installation of WHCRWA surface water lines. Mr. Hoffman noted that F&J has sent a letter 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 has received the District's water quality results from the TCEQ, a copy of which is attached to the Operations Report.

Mr. Hoffman reviewed with the Board the semi-annual well test results, a copy of which is attached to the Operations Report.

Mr. Hoffman reviewed with the Board a quote of approximately \$34,000 to paint the water plant water tanks, a copy of which is attached to the Operations Report. It was the consensus to the Board to revisit this issue in the near future.

Mr. Hoffman reported that the ammonia room door needs to be replaced. Mr. Hoffman reviewed with the Board two options for replacing the door, a copy of which is attached to the Operations Report. Discussion ensued. Upon motion by Director Gingell, seconded by Director Parrish, after full discussion and the question being put to the Board, the Board voted unanimously to replace the door with a fiberglass door and to repair the frame of the door at a cost of \$2,714.

Mr. Hoffman updated the Board on the well volt meter replacement. Mr. Hoffman reported that he found the temperature on one voltage leg to be extremely high, so he pulled and replaced the starter.

Mr. Hoffman reported that the WHCRWA line has been installed inside the water plant.

Mr. Hoffman reported that H2O repaired four tapline leaks in the District last month.

Mr. Hoffman reported that H2O replaced the stack valve at West Road and Pebble Lake.

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 reviewed with the Board a list of the sidewalks in the District that need to be repaired and the prices for such repairs. 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 repair the sidewalks at a cost of \$10,960.

Mr. Hoffman reported that he has provided TC&B with the District's reuse water meter information.

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

Mr. Hoffman reviewed with the Board a letter from Mr. Raul Benitez, a copy of which is attached to the Operations Report, requesting relief from a high water bill he received in September of 2005. Mr. Hoffman reported that Mr. Benitez noted that this was his second home and he could not have used this much water. Discussion ensued. The Board noted that the period of high usage was while the District's summer rates were in effect and it could provide him relief by charging the District's regular rates. 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 charge Mr. Benitez the District's regular rate for his water usage.

Review Bookkeeper's Report and authorize payment of bills; Approve budget for fiscal year ended July 31, 2006. 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 "E."

Ms. Garcia reviewed with the Board a draft of the District's budget for fiscal year ending July 31, 2006, a copy of which is attached to the Bookkeepers' Report. Upon motion by Director Johnson, seconded by Director Mendizabal, after full discussion and the question being put to the Board, the Board voted four in favor, Director Parrish abstaining, to approve the budget for fiscal year ending July 31, 2006.

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 accept the Bookkeeper's Report, to authorize payment of check nos. 1685 through 1709 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 "F." Mr. Preiss reviewed with the Board correspondence TC&B received from the TCEQ approving the exception request to convert to chloramine disinfection and proposed surface water supply. Mr. Preiss reported that TC&B has revised the public notice to the residents of the District and has sent a copy to Mr. Hoffman for distribution, a copy of which is attached to the Engineer's Report.

The Board discussed the reimbursement the District expects to receive from the WHCRWA for the installation of the chloramine disinfection system. President Folmar agreed to draft a letter to the WHCRWA requesting reimbursement for the full amount of expenditures.

Mr. Preiss reported that TC&B has received the attached correspondence from the TCEQ confirming that they have received the Release of Escrow Funds application.

Mr. Preiss reported that TC&B has revised the 1" =100' scaled tiled plots of the District and will be making copies for distribution later this week.

Mr. Preiss reported that TC&B received correspondence from the TCEQ stating the District is now in compliance with the maximum contaminant level for gross alpha particle activity as well as Radionuclide Compliance Summary, a copy of which is attached to the Engineer's Report.

Mr. Preiss reported that TC&B has received the water meter usage information from Mr. Hoffman and is analyzing the information to make a final recommendation regarding the anticipated capacity of reuse water required to serve the District.

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

Discuss communications and consider authorizing creation of web site. The Board asked for copies of the proposals President Folmar received to create a web site. The Board deferred this item until the next regular meeting.

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)