

MINUTES OF MEETING OF BOARD OF DIRECTORS

AUGUST 9, 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 August 9, 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 and Mr. Clay Harris 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 meetings of July 7, 2005, July 8, 2005 and July 12, 2005, copies of which were previously distributed to the Board. 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 approve the minutes of the meetings of July 7, 2005, July 8, 2005 and July 12, 2005, as presented.

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 98.320% 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 hereto as Exhibit "C." Discussion ensued regarding the amount of delinquent taxes that are due to the District. The Board asked Ms. Rodriguez to obtain a recommendation from the delinquent tax attorney on collecting such accounts.

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 Tax Assessor and Collector's Report and to authorize payment of check Nos. 1159 through 1161 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 5,112,000 gallons of water during the last period and that H2O accounted for 94.7% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 60,829,000 gallons and four months 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 ammonia room door has been ordered and is scheduled to be installed.

Mr. Hoffman reported that the 12" water line behind the Copperfield Racquet Club was relocated due to a conflict with the WHCRWA's 30" line. Mr. Hoffman reported that he had to set up a temporary connection for the Racquet Club while the line was relocated. Mr. Hoffman reported that the WHCRWA is aware of the efforts needed and are aware that they will be charged for the cost.

Mr. Hoffman reviewed with the Board a request from the resident at 15335 Glenwood Park requesting that their driveway be re-poured, a copy of which is attached to the Operations Report. Mr. Hoffman reviewed with the Board photographs of where settlement has occurred, a copy of which is attached to the Operations Report. Mr. Hoffman reported that he researched his repair history at this location and the only tapline leak repair he had was in 2003, but it did not require concrete work. Mr. Hoffman noted that this work must have taken place prior to H2O's operation of the District. Discussion ensued. 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 repair the resident's driveway at 15335 Glenwood Park.

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 updated the Board on the sidewalk repairs in the District. Mr. Hoffman reported that the repairs have been scheduled and should begin this week.

Mr. Hoffman reported that he is continuing to update the water rate analysis for the rate study.

Consider Amendment to Operations Contract. Mr. Hoffman presented to and reviewed with the Board a request to amend the current operations contract due to the rising cost of fuel, a copy of which is attached hereto as Exhibit "E.". Mr. Hoffman reported that the following increases

are being requested. An increase in his base fee from \$2.00 per connection to \$2.50 per connection, an increase in vehicle rates from \$10.00 an hour to \$12.00 an hour, and an increase in the meter replacement rate from \$55.00 to \$60.00. Mr. Hoffman noted that the base fee rate increase would cover any additional operational cost he has experienced over the last eight years. 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 the discussed amendments to the operations contract.

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 "F."

The Board discussed revising the budget with the amendment to the operations contract. 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 revise the budget to reflect the new numbers in the operations contract.

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 accept the Bookkeeper's Report, to authorize payment of check nos. 1712 through 1728 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.

The Board discussed the new WHCRWA fee and how it should be offset in the District's budget. The Board noted that in the future it will need to discuss if this fee should be included in the District's Rate Order or if the District's tax rate should be lowered.

Review Investment Policy and accept related party disclosures. 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 make no changes to the District's Investment Policy.

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 updated the Board on the WHCRWA conversion. Mr. Preiss reported that TC&B held a pre-construction meeting and has released a Notice to Proceed to the contractor, R&B Group, Inc, and he anticipates mobilization and construction of the disinfection modifications and tank connections to commence within the week.

Mr. Preiss reported that TC&B has scheduled a meeting between the engineers and operators of the Copperfield districts and the WHCRWA engineer and operator to discuss the proposed surface water supply demands and allocations for each participating district. Discussion ensued.

Mr. Preiss updated the Board on the escrow release. Mr. Preiss reported that TC&B has not received any additional correspondence from the TCEQ. Mr. Preiss reported that TC&B anticipates that the TCEQ will be completing their review of the application in the next 30 days.

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

Mr. Preiss updated the Board on the Reuse Water Study Meeting. Mr. Preiss reported that TC&B has reviewed the data provided and has requested additional information from the operator. Mr. Preiss reported that upon evaluating a broader range of data and attending the scheduled upcoming discussion with the other participants, TC&B will make a final recommendation regarding anticipated capacity required to serve the District.

In response to a question from the Board, Mr. Preiss reported that the reuse water system is not designed for fire flow protection.

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 Ms. Covey to provide them with the proposals 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)