

# MINUTES OF MEETING OF BOARD OF DIRECTORS

JANUARY 23, 2006

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 special session, open to the public, at 1301 McKinney, Houston, Texas, on January 23, 2006, at 4:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

Jerry Folmar, 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. Jerry Eckert of Turner Collie & Braden, Inc. ("TC&B"), engineers for the District; and Ms. Jana Cogburn and Ms. Kelly Russell 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:

1. **Receive public comments.** There were no comments from the public.
2. **Minutes.** Consideration was given to the approval of the minutes of the meetings of December 5, 2005 and December 13, 2005, copies of which were previously distributed to the Board. 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 approve the minutes of the meetings of December 5, 2005 and December 13, 2005, as presented.
3. **Appoint new director.** Action on this matter was deferred.
4. **Adopt Order Calling Directors.** Ms. Cogburn reported that the District is now required to utilize an electronic voting machine at the upcoming Directors Election. Ms. Cogburn reviewed with the Board the "full-service" and "limited service" contract options with Harris County. Ms. Cogburn stated that the "full-service" option will cost approximately \$3,383 per voting machine and the "limited-service" option will cost \$2,674 per voting machine. Ms. Cogburn also reported that at least two election officials will have to attend a four hour training session (provided by Harris County) in connection with the electronic voting machines. It was

the consensus of the Board for F&J to submit notice to Harris County that the District plans to utilize a full service contract with Harris County. Action on this matter was deferred.

5. **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 57.216% of its 2005 taxes. 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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1180 through 1183 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

6. **Consider Property Tax Exemptions.** 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 adopt the Order Adopting Exemptions from Taxation for Individuals who are Disabled or are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "C," thereby granting such an exemption in the amount of \$25,000.

7. **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." 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 Bookkeeper's Report, to authorize payment of check nos. 1837 through 1861 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.

8. **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 "E." Mr. Hoffman reported that the District pumped 3,162,000 gallons of water during the last period and that H<sub>2</sub>O accounted for 90.7% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 86,838,000 gallons and eleven 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 no. 2 ground storage tank connection is complete and H<sub>2</sub>O is putting the tank back on line this week.

Mr. Hoffman updated the Board on the WHCRWA construction. Mr. Hoffman reported that the chemical feed equipment is installed, but that a connection at the water source and the signals from the analyzer still need to be installed. Mr. Hoffman reported that he has ordered liquid ammonia for possible start up next week.

Mr. Hoffman reported that the electrical sub panel is installed and he is waiting for the electrician for R&B to connect power to the panel.

Mr. Hoffman stated that the valve installation for the valve at Mesa Garden and Club Lake is scheduled for next week.

Mr. Hoffman reported that the phase 7, priority one sewer line repairs are complete, except for a few repairs that he is still investigating.

Mr. Hoffman reported that H2O investigated a sewer stoppage at 8106 Silent Cedars and televised the connection and the main line to confirm the problem was with the customer's line.

Mr. Hoffman reported that the Harris-Galveston Coastal Subsidence District annual report is due by January 31, 2006.

Mr. Hoffman reported that the Texas Water Development Board's water audit is due on March 31, 2006.

Mr. Hoffman reviewed with the Board a customer request from Mr. Gopal Bhagat, a copy of which is attached to the Operations Report. Mr. Hoffman reported that this is the second letter sent to the District regarding his high water bill and usage for his July 31, 2005 to August 30, 2005 bill (20,000 gallons) and his August 31, 2005 to September 30, 2005 bill (35,000 gallons). Mr. Hoffman reported the H2O tested the meter and found no problems with it, and that Mr. Gopal's usage returned to normal in October. Discussion ensued. The Board discussed adjusting Mr. Gopal's bill by charging him at the non-summer rates during his overage months. 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 adjust Mr. Gopal's bill to the non-summer rates for the amounts in excess of his normal usage.

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

Mr. Eckert updated the Board on the WHCRWA conversion project. Mr. Eckert reported that R&B Group has completed the connection to water tank no. 2 and is currently completing all the necessary testing in anticipation to receive surface water from the WHCRWA by the end of the week. Mr. Eckert reported that TC&B is continuing to monitor the progress of construction for project completion. Discussion ensued on the air gap issue.

Mr. Eckert presented to and reviewed with the Board progress payment no. 5, submitted by R&B Group, a copy of which is attached to the Engineer's Report. Mr. Eckert recommended the payment of \$23,061.09. 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 approve progress payment no. 5 in the amount of \$23,061.09.

Mr. Eckert reviewed with the Board change order no. 1, submitted by R&B Group, a copy of which is attached to the Engineer's Report. Mr. Eckert reported that the change order is for the additional costs R&B Group incurred for the extended riser connections and air gap modifications, as per the City of Houston's requirements prior to the approval of the final design. Mr. Eckert reported that R&B Group has also requested a contract extension time of 120 days. Mr. Eckert reported that these costs will be submitted to the WHCRWA for reimbursement. Extensive discussion ensued. 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 change order no. 1 in the amount of \$19,522.80 and the 120 days time extension.

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

Mr. Eckert reported that the special meeting scheduled for January 23, 2006 has been postponed. Mr. Eckert reported that TC&B has requested additional operations data from the landscaping companies employed to maintain the right of ways and common areas that will be utilizing the reclaimed water for their irrigation purposes. Mr. Eckert reported that TC&B anticipates rescheduling the meeting within the month to discuss the system's capacity and each district's allocation. Discussion ensued.

10. **Approve Capacity Commitment Letter.** Ms. Cogburn asked Mr. Eckert to provide her with the amount water supply and waste water the proposed restaurant will need, so it may be included in the Capacity Commitment Letter requested by Terra Associates.

11. **Discuss water rate analysis.** Mr. Hoffman presented to and reviewed with the Board a revised water rate comparison, so the Board could begin to think about long term water rates for the customers in the District, a copy of which is attached hereto as Exhibit "G." Mr. Hoffman reviewed with the Board the following information:

- (i) Overall water rate comparison with neighboring districts;
- (ii) Water rate comparison for residential customers;
- (iii) Water rate comparison for commercial customers;
- (iv) Water rate comparison for park and recreation customers; and
- (v) WHCRWA proposed rates for upcoming years.

Extensive discussion ensued. It was the consensus of the Board to hold a special meeting on February 10, 2006 to discuss this issue.

12. **Discuss Copperfield Joint Operations Board ("CJOB") meeting.** Ms. Cogburn reported on the CJOB meeting.

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

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:**

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Secretary, Board of Directors

(District Seal)