

MINUTES OF MEETING OF BOARD OF DIRECTORS

MAY 9, 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 regular session, open to the public, at 1301 McKinney, Houston, Texas, on May 9, 2006, at 4:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

Jerry Folmar, President
John Parrish, Vice President
Penny Johnson, Secretary
Dan Bonner, Treasurer
Emmanuel DePau, Director

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. Charles Eastland and Mr. Bruce Davidson 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 April 3, 2006 and April 11, 2006, copies of which were previously distributed to the Board.

Director Bonner noted a typographical error in the April 3, 2006 minutes.

Director Parrish asked that section four's title in the April 11, 2006 be revised to state: "Discuss Open Meetings and Open Records training."

Upon motion by Director Johnson, seconded by Director Bonner, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meetings of April 3, 2006 and April 11, 2006, as corrected.

3. **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 "B." Upon motion by Director Johnson, seconded by Director Bonner, 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. 1935 through 1955 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.

4. **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 "C." Ms. Rodriguez reported that the District has collected 95.247% of its 2005 taxes.

Ms. Rodriguez presented to and reviewed with the Board a list of the top delinquent tax payers of the District, a copy of which is attached to Tax Assessor and Collector's Report.

Upon motion by Director De Pau, seconded by Director Parrish, 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. 1200 through 1204 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

5. **Approve Certificates of Election, Election of Officers and Approve Certificates of Election.** Ms. Cogburn presented to and reviewed with the Board the Certificates of Election, copies of which are attached hereto as Exhibit "D". The Board discussed the following slate:

President	Jerry Folmar
Vice President	John Parrish
Secretary	Penny Johnson
Assistant Secretary	Emmanuel DePau
Treasurer	Dan Bonner

Upon motion by Director Johnson, seconded by Director Parrish, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Certificates of Election and to accept the slate as presented.

6. **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 6,683,000 gallons of water and purchased 6,882,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 92.0% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 72,958,000 gallons and seven 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 updated the Board on the WHCRWA construction. Mr. Hoffman reported that the chemical feed equipment is installed, but is still not automated for WHCRWA flow. Mr. Hoffman reported that the chemical booster pump is operating hot and the contractor has been notified. The Board discussed how it will be reimbursed for the additional time Mr. Hoffman has had to spend for the surface water conversion. The Board asked Mr. Eastland to communicate to the WHCRWA the difficulties in operating the new system.

Mr. Hoffman updated the Board on the electrical issues relating to the WHCRWA conversion. Mr. Hoffman reported that he is waiting on the final installation of the control panel. Mr. Hoffman reported that he is connecting the well control to the WHCRWA transducer to make sure the WHCRWA feed comes on with the well.

Mr. Hoffman reported that he is working with TC&B and the WHCRWA to resolve the pipe support issues. President Folmar stated that he would like to be informed on the status on the project.

Mr. Hoffman reported that electrical service has been installed to the new storage building through the WHCRWA conduit.

Mr. Hoffman reported that two tap line leaks were repaired in the District last month.

Mr. Hoffman reported that the phase 7, priority one sewer line repairs are complete. Mr. Hoffman reported that he is waiting on an invoice from the contractor.

Mr. Hoffman reviewed with the Board the Consumer Confidence Report ("CCR"), a copy of which is attached to the Operations Report and noted that he would like to include the CCR with the June bills. Mr. Hoffman reported that he has not received the TCEQ template, but when it arrives, he will update the report. 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 authorize H2O to distribute the CCR.

Mr. Hoffman reviewed with the Board a letter from Pampered Lawns, a copy of which is attached to the Operations Report. Mr. Hoffman reported that Pampered Lawns offices in a building within the District that experienced a leak on May 3, 2006. Mr. Hoffman reported that H2O noticed the leak on May 4, 2006 and shut off the water. Mr. Hoffman reported that Pampered Lawns is requesting a reduction in the water bill. 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 bill Pampered Lawns for water based on the following:

\$65.00 for the first 10,000 gallons of water;
\$1.00 per 1,000 gallons of water thereafter; and
\$85.15 for the WHCRWA fee.

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

Mr. Eastland reported that the District is currently receiving WHCRWA water and blending 50% WHCRWA water and 50% District well water. Mr. Eastland reported that the chemical feed system is usable, and TC&B has received, reviewed, and approved with notes the submittal for the electrical control panel from R&B Group. Mr. Hoffman reported that there is currently no automatic feed to the WHCRWA's water.

Mr. Eastland reviewed with the Board Progress Payment No. 8 in the amount of \$0.00, as submitted by R&B Group for work completed to date. Mr. Eastland reported that Progress Payment No. 7 is still being held, per the Board request, due to lack of progress on the project. Mr. Eastland reported that he will contact R&B Group tomorrow regarding this and will report back to the Board.

Mr. Eastland reported that HTS Inc. has provided a proposal for materials testing for the water plant modifications associated with surface water conversion in the amount of \$3,000. The Board agreed it was not necessary to approve the proposal from HTS Inc., since the work has already been completed.

Mr. Eastland reported that a meeting was held on April 24, 2006 to discuss the reclaimed water system. Mr. Eastland reported that the discussion covered the benefits of using reclaimed water for irrigation as well as reclaimed water rates and how to market the sale of reclaimed water to the Home Owner's Associations ("HOAs"). Mr. Eastland reported that each participating district was planning to meet with its respective HOA in the near future. Mr. Eastland reported that there was a discussion of trying to standardize the reclaimed water rates, but no conclusion was reached.

Mr. Eastland updated the Board on the District's facilities maps. Mr. Eastland reported that TC&B has completed a final review for the address matching of the past maintenance records. Mr. Eastland reported that the updated GIS map with the maintenance records incorporated was submitted to Mr. Hoffman for review and comment. Mr. Eastland reported that TC&B is currently coordinating with Mr. Hoffman to address their remaining comments regarding the District facility map digital files. Mr. Eastland reported that the WHCRWA as-built drawings have been requested, so they may be added to the GIS map.

8. **Authorize the engineer to design reclaimed water system.** No action was taken.

9. **Discuss Copperfield Joint Operations Board ("CJOB") meeting.** Director Folmar updated the Board on the most recent meeting.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

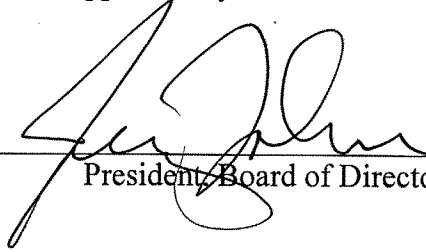
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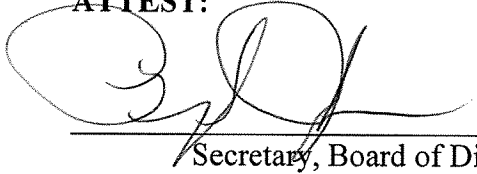
The foregoing minutes were passed and approved by the Board of Directors on

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President, Board of Directors

ATTEST:



Secretary, Board of Directors

(District Seal)

