

MINUTES OF MEETING OF BOARD OF DIRECTORS

JULY 11, 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 July 11, 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 except Directors Bonner and DePau. 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 of Turner Collie & Braden, Inc. ("TC&B"), engineers for the District; and Ms. Jana Cogburn and Ms. Shailaja Singh 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 meeting of June 13, 2006, copies of which were previously distributed to the Board.

Director Parrish asked that the fifth paragraph under "Engineer's Report" in the June 13, 2006 minutes be revised to reflect that the time period for requesting WHCRWA reimbursement discussed was 150 days and not six months.

Mr. Hoffman asked that the fourth paragraph under "Operations Report" be revised to reflect that he connected the well control to the WHCRWA transducer to make sure the WHCRWA feed comes on with the well.

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 approve the minutes of the meeting of June 13, 2006, as corrected.

3. **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 and a list of delinquent tax payers, a copy of which is attached hereto as Exhibit "B." Ms. Rodriguez reported that the District has collected 95.960% of its 2005 taxes.

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 accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1209 through 1211 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **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 "C." Mr. Hoffman reported that the District pumped 6,036,000 gallons of water and purchased 7,874,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H<sub>2</sub>O accounted for 94.8% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 61,219,000 gallons and five months remaining on its Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman updated the Board on the builder damages and noted that EP Brady made a payment of \$2,434.39

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 chlorine panel and equipment have been installed and that the electrical installation is complete.

Mr. Hoffman reported that he is continuing to work with the WHCRWA and TC&B to resolve the pipe support issue.

Mr. Hoffman reported that the right angle drive on the booster pump was repaired and reinstalled. Mr. Hoffman reported that an invoice should be submitted for payment next month.

Mr. Hoffman reported that H<sub>2</sub>O has been experiencing two problems with the balancing of chemicals in the water system. Mr. Hoffman reported that the chlorine and ammonia levels in the water from the City of Houston has not been constant and he has had to begin feeding chlorine and ammonia to the incoming lines. Mr. Hoffman reported that he has also had to increase the chlorine feed to the water coming out of the well.

Mr. Hoffman reported that the annual water well test was completed and reviewed with the Board the GM Services report, a copy of which is attached to the Operations Report.

Mr. Hoffman reported that the TCEQ performed the annual water plant inspection on June 28, 2006. Mr. Hoffman stated that the inspector noted three items to follow up on:

1. Copy of the contract between WHCRWA and the District;
2. Copy of the HPT no. 1 inspection performed last year; and
3. Turn sample faucet on well toward the ground.

Mr. Hoffman stated there were not any tapline leaks in the District last month.

Mr. Hoffman reported that H2O repaired the sewer line outside the sidewalk at 7622 Rivergarden.

5. **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 Parrish, 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. 1990 through 2010 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.

6. **Approve budget for fiscal year ending July 31, 2007.** Ms. Garcia reviewed with the Board the revised proposed budget for fiscal year ending July 31, 2007, a copy of which is attached to the Bookkeeper's 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 approve the proposed budget for fiscal year ending July 31, 2007, as presented.

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 "E."

Mr. Eastland reported that TC&B forwarded design sketches to H2O for fabrication of a pipe stand for installation under the WHCRWA valve that currently has only wood blocking.

Mr. Eastland reported that R&B Group has significantly completed construction operations on the surface water conversion project at the water plant and that preliminary a walk through was performed on June 22, 2006. Mr. Eastland stated that the resulting punch list was forwarded to the contractor for resolution and a final walk through is scheduled for July 12, 2006.

Mr. Eastland noted that Progress Payment No. 10, in the amount of \$0.00, as submitted by R&B Group for work completed to date, is attached to the Engineer's Report. Mr. Eastland also noted that R&B Group has requested payment for Progress Payment no. 7 for April. Extensive discussion ensued regarding payment to R&B Group.

Mr. Eastland noted that TC&B is gathering information and preparing the submittal to WHCRWA for reimbursements. Mr. Eastland stated that the reimbursement deadline has been changed from 150 days after the start of receiving surface water to 180 days and that the WHCRWA prefers not to receive submittals for partial reimbursements. Mr. Eastland stated that he will submit an extension request.

Mr. Eastland noted that the estimate of the costs to be reimbursed is included in the Engineer's Report. The Board noted that it expects to be reimbursed for 100% of its actual costs.

8. **Authorize engineer to design reclaimed water system.** Mr. Eastland reported that TC&B has evaluated the use of reclaimed water in conjunction with other districts for presentation to the WHCRWA to illustrate potential credits available to delay required implementations of mandated surface water conversion for 2020 and that the results will be distributed by e-mail within the next week. Mr. Eastland reported that TC&B's findings will be submitted to the WHCRWA as justification for their consideration for participating in the funding of the reclaimed water system. Discussion ensued regarding authorizing engineering design work for the reclaimed water system. 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 authorize TC&B to expend up to \$60,000 for design of the reclaimed water system.

9. **Review ethics policy.** Discussion ensued. The Board agreed to discuss this matter further at their September meeting.

10. **Approve Interlocal Agreement with the Subsidence District.** Discussion ensued as to the benefits of the WaterWise Program. 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 approve and authorize execution of the Interlocal Agreement for the WaterWise Program.

11. **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.

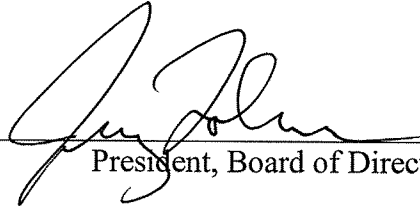
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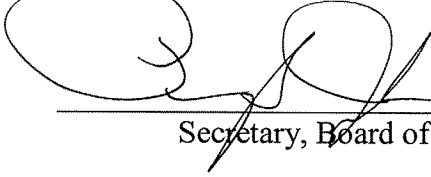
The foregoing minutes were passed and approved by the Board of Directors on

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President, Board of Directors

**ATTEST:**



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Secretary, Board of Directors

(District Seal)