

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 10, 2007

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 10, 2007, 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
Steve Rickelman, Assistant Secretary
Emmanuel DePau, Treasurer

All of the members of the Board were present except Director Folmar. 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. Tony Sarman of TCB, Inc. ("TCB"), engineers for the District; Mr. David L. Merritt, auditor for the District; and Ms. Jana Cogburn and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The Vice 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 June 12, 2007, and June 19, 2007, copies of which were previously distributed to the Board. Upon motion by Director Johnson, seconded by Director Rickelman after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of June 12, 2007 and June 19, 2007, as presented.
3. **Review Tax Assessor and Collector's Report and authorize payment of certain bills.** The Vice President recognized Ms. Rodriguez, who presented to and reviewed with the Board the Tax Assessor and Collector's Report and a list of delinquent taxpayers, copies of which are attached hereto as Exhibit "B." Ms. Rodriguez reported that the District has collected 97.764% of its 2006 taxes. Ms. Rodriguez noted that customer addresses were added to the delinquent taxpayers list.

Upon motion by Director Johnson, seconded by Director DePau, 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. 1268 through 1270 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 Vice 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 5,132,000 gallons of water and purchased 7,621,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 93.8% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 139,643,000 gallons and five months remaining on its 2007 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 status of the repairs to the damages at the water plant resulting from the vandalism on June 10, 2007. Mr. Hoffman noted that the insurance adjuster met with Steve Webb on site and that H2O is either waiting on parts or looking for replacement parts for the items that were damaged. Mr. Hoffman reported that H2O has scheduled a meeting with the Security Store to evaluate the water plant site and Mr. Hoffman added that H2O will present security options next month for consideration.

Mr. Hoffman reported that the installation of the additional sensor line to GST #2 is in progress.

Mr. Hoffman stated that the annual fire hydrant lubrication is complete.

Mr. Hoffman requested the Board's approval to paint the 99 fire hydrants throughout the District at an estimated cost of \$3,500. Upon motion by Director DePau, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to approve painting the District's fire hydrants at an estimated cost of \$3,500.

Mr. Hoffman reported that manhole repair on Club Lake is complete.

In a response to a question from Director DePau, Mr. Hoffman stated that H2O provided the appropriate repair documentation to the customer whose tap was relocated after AT&T damaged it. Mr. Hoffman noted that the District has not yet received reimbursement from the customer for these repair costs.

5. **Review Bookkeeper's Report and authorize payment of bills.** The Vice 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." Ms. Garcia reviewed the Operating Budget Comparison, a copy of which is attached to the Bookkeeper's Report. Upon motion by Director Johnson, seconded by Director DePau, 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. 2277 through 2294 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 the fiscal year ending July 31, 2008.** The Board noted that the budget was extensively discussed at the special meeting held on June 19, 2007. Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the budget for the fiscal year ending July 31, 2008, a copy of which budget is attached to the Bookkeeper's Report.

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

Mr. Sarman reported that TCB received the EP Brady invoices for damages and submitted them to the West Harris County Regional Water Authority ("WHCRWA") on July 2, 2007. Mr. Sarman stated that Wayne Ahrens, the engineer for the WHCRWA, has indicated he will not recommend reimbursing the District because the invoices are over two years old. Ms. Green reviewed the F&J files to determine if the District had previously submitted a letter to the WHCRWA requesting their assistance in recovering these damages and was not able to locate such a letter.

Mr. Sarman stated that TCB submitted additional documentation to the WHCRWA regarding the reimbursement submittal on July 3, 2007. Mr. Sarman added that TCB received a call from Mr. Ahrens stating that he would be recommending reimbursements on the second submittal, with the exception of the door replacement and door jam on the ammonia room.

Mr. Sarman reported that TCB is coordinating with H2O to gather the remaining information needed for the Emergency Response Plan ("ERP") and anticipates having the draft ERP for review at the August meeting.

Mr. Sarman requested the Board's approval to update the GIS map based on the proposal which is attached to the Engineer's Report. Mr. Sarman reported that three options are listed for the Board's approval and that based on the Board's direction, TCB will begin to update the GIS maps.

Mr. Sarman reported on the ventilation requirements at the water plant building and noted that ventilation must be provided in the water plant, but that vents are not required on the doors. Mr. Sarman noted that if vents are cut into the building at the water plant, the vents will need to be properly located to prevent short circuiting of the airflow in the building.

Mr. Sarman stated that TCB provided information to D.L. Merritt & Associates, the District's auditor, and that a copy of the requested information is attached to the Engineer's Report.

Mr. Sarman reported that TCB received an email from the owner of the Service King stating that the engineer is complete with the county comments and will respond to TCB.

Mr. Sarman reported that the response from the TCEQ project manager for the clean up activities at 8475 Highway 6 North at Village Cleaners is attached to the Engineer's Report.

8. **Discuss Reclaimed Water System.** The Vice President reported that the Reclaimed Water System Agreement was discussed at the CJOB meeting and noted that it appears Harris County Municipal Utility District No. 163 ("No. 163") is not interested in signing the agreement. Director Parrish noted that No. 163's three objections to signing the contract included potential loss of sales of the reclaimed water to Hearthstone Country Club, sizing of lines, and sizing of filters for the non-participating districts.

9. **Executive session pursuant to Section 551.071 of the Texas Government Code, as amended to discuss and take action to finalize the contract with the R&B Group.** There was no executive session.

10. **Discuss Copperfield Joint Operations Board "CJOB" meeting.** Director Parrish reported on the discussions at the CJOB meeting.

Upon motion by Director Rickelman, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to adjourn the meeting.

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

* * *

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

_____.

President, Board of Directors

ATTEST:

Secretary, Board of Directors