

MINUTES OF MEETING OF BOARD OF DIRECTORS  
October 9, 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 October 9, 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. Director DePau entered the meeting in progress. 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. Lori Hogue of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Tony Sarman of TCB, Inc. ("TCB"), engineers for the District; and Ms. Jana Cogburn and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorneys 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. **Public Hearing on Taxation of Goods in Transit.** The President opened the public hearing. There were no comments from the public. The President closed the public hearing.

2. **Adopt Resolution Authorizing Taxation of Goods in Transit.** Ms. Cogburn reviewed with the Board the Resolution Authorizing Taxation of Goods in Transit, a copy of which is attached hereto as Exhibit "B." 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 adopt the Resolution Authorizing Taxation of Goods in Transit.

3. **Minutes.** Consideration was given to the approval of the minutes of the meeting of September 11, 2007, a copy of which was previously distributed to the Board. Upon motion by Director Parrish, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted four in favor, with Director Folmar abstaining, to approve the minutes of the meeting of September 11, 2007, as presented.

4. **Review Tax Assessor and Collector's Report 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 taxpayers, copies of which are attached hereto as Exhibit "C." Ms. Rodriguez reported that the District has collected 98.524% of its 2006 taxes.

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 no. 1280 from the Tax Account in the amount, to the person, and for the purpose described in the Tax Assessor and Collector's Report.

5. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** Ms. Cogburn reviewed with the Board the 2007 Tax Rate Recommendation, a copy of which is attached hereto as Exhibit "D." Extensive discussion ensued. 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate, a copy of which is attached hereto as Exhibit "E," thereby indicating its intent to set a tax rate of \$0.59 per \$100 assessed valuation (\$0.40 per \$100 assessed valuation to pay principal and interest to service the District's debts and \$0.19 per \$100 assessed valuation to fund maintenance and operating expenditures) and to designate Bob Leared as the District's officer to publish the proposed tax rate in the Houston Chronicle.

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 "F." Mr. Hoffman reported that the District pumped 5,712,000 gallons of water and purchased 7,001,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 92.7% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 51,198,000 gallons and two months remaining on its 2007 Harris-Galveston Coastal Subsidence District Permit.

Director Folmar requested that Mr. Hoffman re-test the water quality blend of surface and well water.

Mr. Hoffman reported that Comcast is reviewing invoices for builder damages. Mr. Hoffman noted that a list of the claims and responses are attached to the Operations Report. Mr. Hoffman recommended waiting an additional 30 days for payment of these claims before hiring a collections attorney.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the installation of the additional sensor line to GST #2 is complete and should be invoiced next month. Mr. Hoffman reported that H2O performed annual chlorine analyzer preventative maintenance and calibration. Mr. Hoffman stated that H2O investigated the gas line leak behind the chlorine room and used poly-tubing to replace the line from the meter to the engine. Mr. Hoffman reported that H2O

repaired the section of air line behind the control building. Mr. Hoffman stated that the insurance adjuster met with Mr. Webb on-site regarding the vandalism damages at the water plant.

Director DePau entered the meeting at this time.

Mr. Hoffman reported that the wall between the control and chlorine room is deteriorating because of chlorine. Mr. Hoffman stated that H2O applied a specialized coating to the walls in 2003 and that the coating has begun to fail. Mr. Hoffman recommended installing a plastic coated piece of plywood against the two walls in the chlorine room and replacing the louver on the south wall. Mr. Hoffman recommended painting the control room while the painting contractor is on site. 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 recoating the chlorine and control rooms, installing a plastic coated piece of plywood against the two walls in the chlorine room and replacing the louver on the south wall at an estimated cost of \$7,350.

Mr. Hoffman reviewed with the Board the water line maintenance. Mr. Hoffman reported that H2O investigated a leak on a two-inch pressure test line in front of the fire station. Mr. Hoffman stated that the investigation revealed a pressure tap was no longer needed at the location. Mr. Hoffman noted that H2O removed the two-inch line and clamped the main.

Mr. Hoffman reported that H2O is investigating options for repair or replacement of the meter vault at Lowery Elementary School. Mr. Hoffman noted that the area is safe and secure at this time and that repairs are scheduled for Christmas break.

Mr. Hoffman reported that commercial meter testing of the remaining top ten water users in the District is scheduled.

Mr. Hoffman reported that H2O repaired an eight-inch water main break at the intersection of Highway 6 and West Road. Mr. Hoffman noted that the line has been repaired four times since 1998. Discussion ensued on replacing the asbestos and concrete line with a pvc pipe at a future date.

Mr. Hoffman reviewed with the Board sewer line maintenance. Mr. Hoffman reported that H2O cleaned and televised the de-watered portion of the line at Horsepen Siphon. Mr. Hoffman reported that the television contractor thought the potential problem was with the 12-inch line of the siphon. Mr. Hoffman reported that H2O is testing options to test the line. Mr. Hoffman noted that the District is responsible for approximately seven percent of the cost of repairing the siphon.

7. **Review Bookkeeper's Report and authorize payment of bills.** The President recognized Ms. Hogue, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "G." Ms. Hogue reviewed the Operating Budget Comparison, a copy of which is attached to the Bookkeeper's Report.

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 accept the Bookkeeper's Report, to authorize payment of check nos. 2342 through 2365 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. **Engineer's Report.** The 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 "H."

Mr. Sarman reported that TCB has finalized the ERP and is preparing the documents and CDs. Mr. Sarman stated that the ERP's will be distributed as requested. Mr. Sarman noted that the revised document will be submitted to the WHCRWA's contractor to address the questions submitted to the Board.

Mr. Sarman reported that TCB has gathered information on the piping materials and the manhole ID names for updating the GIS mapping system. Mr. Sarman stated that H2O anticipates meeting with H2O next week to discuss outstanding material information and to clarify data entry for the forms. Mr. Sarman stated that TCB will continue to update the Board on the status of the project.

Mr. Sarman reported that TCB and H2O are continuing to coordinate with the contractor and engineer on the status of the Service King Auto Repair. Mr. Sarman noted that TCB is preparing the letter of no objection.

9. **Discuss Reclaimed Water System.** The President reported that the Reclaimed Water System Agreement was discussed at the Copperfield Joint Operation Board ("CJOB") meeting and that he reiterated his desire to move forward with the project. Director Folmar requested that Mr. Sarman arrange a meeting with supervising engineers at TCB to discuss the Reclaimed Water System and other issues.

10. **Renew District Insurance.** The Board reviewed the insurance proposals from The Essential Group, a copy of which is attached hereto as Exhibit "I" and Harco, a copy of which is attached hereto as Exhibit "J." In response to a question from Director Parrish, Ms. Cogburn responded that the Board is not legally required to purchase worker's compensation insurance, but that the premium for the coverage is low and can be beneficial to the directors. Discussion ensued on the two proposals. 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 approve the Harco insurance proposal for the policy period of November 1, 2007 to November 1, 2008.

11. **Indemnification of Directors.** It was noted that to the extent that the directors and officers liability insurance policy does not cover the losses of Directors carrying out the lawful business and duties of the Board in good faith, the Board can indemnify the Directors for losses. 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

District's indemnification of Directors for losses/costs arising from the Directors carrying out their lawful duty, to the extent that such losses are not otherwise covered by insurance.

12. **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.

13. **Discuss CJOB meeting.** Director Folmar reported on the discussions at the CJOB meeting and noted that the Board discussed the Reclaimed Water System and re-voting on a new date for the monthly 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