

MINUTES OF MEETING OF BOARD OF DIRECTORS
November 13, 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 November 13, 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. 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 Merritt of David L. Merritt, P.C., auditor for the District; and Ms. Jana Cogburn, Ms. Nancy Green and Ms. Lee Hargrove 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. **Minutes.** Consideration was given to the approval of the minutes of the meeting of October 9, 2007, a copy of which was previously distributed to the Board. Upon motion by Director Parrish, 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 October 9, 2007, as presented.

2. **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 "B." Ms. Rodriguez reported that the District has collected 98.58% 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 nos. 1281 through 1285 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Approve Audit for fiscal year ended July 31, 2007.** Mr. Merritt presented to and reviewed with the Board the audit report for fiscal year ended July 31, 2007, a copy of which is attached hereto as Exhibit "C." Discussion ensued. Mr. Merritt reviewed with the Board the SAS 104-111 Risk Assessment, a questionnaire which will be sent to consultants that have access to District funds. Mr. Merritt explained that the questionnaire will be used to identify risks.

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 audit, subject to any corrections received from the Board and the consultants in the next ten days and to authorize filing of the audit with the TCEQ.

4. **Public Hearing on Tax Rate.** The President opened the public hearing on the 2007 tax rate. There were no public comments. Ms. Rodriguez reported that the proposed 2007 tax rate was published in the Houston Chronicle, as required by state law.

5. **Adopt Order Setting Tax Rate and Levying Tax for 2007 and approve Amended District Information Form.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2007, a copy of which is attached hereto as Exhibit "D." Upon motion by Director Parrish, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2007, thereby setting 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 approving the filing of an Amended District Information Form reflecting the 2007 tax rate.

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 5,542,000 gallons of water and purchased 7,198,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 87.2% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 38,458,000 gallons and one month remaining on its 2007 Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman requested the Board's approval to send a letter to the homeowner requesting payment for the repairs following the AT&T damages. 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 four in favor, with Director DePau opposing, to have H2O add the repair charges to the homeowner's utility bill.

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 at a final cost of \$4,151,37.

Mr. Hoffman reported that H2O replaced the flow switch for the WHCRWA line at a final cost of \$3,260.05.

Mr. Hoffman stated that all of the repairs due to vandalism are complete and that the insurance information was forwarded to Harco for reimbursement. Mr. Hoffman reported that the final cost of the vandalism repairs was \$6,347.18.

Mr. Hoffman reported that the installation of the paint coatings in the control and chlorine rooms has begun and should be completed this week at an estimated cost of \$7,350.

Mr. Hoffman reported that the piping on the chlorine pump failed and approximately 100 gallons of bleach was lost onto the floor. Mr. Hoffman stated that H2O cleaned the chlorine room and repaired the piping and parts on the pump at a final cost of \$1,372.97.

Mr. Hoffman reported that the control room doors have been replaced at a final cost of \$2,653.85.

Mr. Hoffman reported that TCEQ collected a water sample for radiochemical analysis last month and that H2O is waiting on the lab results from the TCEQ.

Mr. Hoffman reviewed with the Board the water line maintenance. Mr. Hoffman requested the Board's approval to replace the meter vault at Lowery Elementary School during Christmas break. Mr. Hoffman noted that the estimated cost for the replacement is \$9,000. 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 the meter vault replacement at Lowery Elementary School at an estimated cost of \$9,000.

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

Mr. Hoffman reported on sewer line maintenance and noted that increased settlement has occurred around the manholes on Longenbaugh. Mr. Hoffman stated that H2O has scheduled a pressure test of these manholes.

Mr. Hoffman reported that H2O has observed increased settlement at Willow River at Town Creek and that H2O has scheduled a pressure test of the manhole.

7. **Review Bookkeeper's Report and authorize payment of bills.** 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 "F." Ms. Hogue reviewed the Operating Budget Comparison, a copy of which is attached to the Bookkeeper's Report. Ms. Hogue reported that the District has not received a Reliant Energy bill for the past two months and that she will investigate the problem.

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. 2370 through 2393 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. **Consider and approve budget amendment.** Upon motion by Director Parrish, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to approve the budget amendment to reflect the change in the tax rate.

9. **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 "G."

Mr. Sarman reported that TCB has finalized the Emergency Response Plan and will distribute the documents and CDs as requested. Mr. Sarman noted that the revised document will be submitted to the WHCRWA's contractor to respond to questions previously submitted to the Board.

Mr. Sarman reported that TCB met with H2O to discuss the information and forms for the GIS map update. Mr. Sarman stated that the ID names and missing material updates to digital files has begun. Mr. Sarman noted that TCB will continue to update the Board on the status of the project.

Mr. Sarman reported that several repairs have been made on a section of eight-inch waterline since 1998. Mr. Sarman stated that the District's options to repair the line include installing a cured-in-place liner in the waterline, abandoning the line and adding a section of line within the easement or pipe-bursting. Mr. Sarman noted that pipe-bursting is a less favorable option for repair because it could adversely affect the shopping center, homes or sanitary line in the area. Mr. Sarman added that this type of repair would require disconnecting the lines running between the homes and could lead to water quality issues in the cul-de-sac. In response to a question from Director Parrish, Mr. Sarman stated that asbestos is not the District's responsibility if it is left in the ground, but the District would be responsible for handling the asbestos as a hazardous material if it is removed. Mr. Hoffman reported that to date, the District has spent \$20,000 on repairs to the line. Director Folmar requested that Mr. Sarman obtain estimates to lay another line.

10. **Discuss Reclaimed Water System.** The President reported that he would like to move forward with the Reclaimed Water System. Discussion ensued regarding the District's desire to move forward with the project and whether the project can be downsized for the District's use. Director Folmar requested that TCB re-start the project in January with or without the participation of the other districts.

11. **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.

12. **Discuss CJOB meeting.** Director Parrish stated that the bypass and overflow protection device was discussed at the Copperfield Joint Operation Board ("CJOB") meeting. Mr. Sarman noted that the structural engineers are analyzing the device.

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