

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 11, 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 December 11, 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 Parrish. 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; Mr. Terry Holland 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. **Minutes.** Consideration was given to the approval of the minutes of the meeting of November 13, 2007, a copy of which was previously distributed to the Board. 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 approve the minutes of the meeting of November 13, 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 2.011% of its 2007 taxes.

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 accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1286 through 1290 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **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 3,668,000 gallons of water and purchased 6,838,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 92.4% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 27,932,000 gallons and zero months remaining on its 2007 Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman reported that H2O added the \$1,477.77 repair charges to Mr. Lizotte's utility bill, as requested by the Board.

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 paint coatings in the control room and chlorine room is complete.

Mr. Hoffman reported that H2O prepared the water plant for winter by wrapping valves and sensor lines.

Mr. Hoffman reported that H2O repaired the air line behind the control room.

Mr. Hoffman stated that H2O is still waiting on the response from the TCEQ regarding the well sample for radionuclides.

Mr. Hoffman reviewed with the Board the water line maintenance. Mr. Hoffman reported that the repair to the meter vault at Lowery Elementary School is on schedule while school is out during Christmas break.

Mr. Hoffman reported that commercial meter testing of the remaining top ten water users in the District is complete and that H2O is waiting on the report from the meter shop.

Mr. Hoffman reported that H2O repaired a water main leak on Knoll Lake and a tapline leak on River Glade.

Mr. Hoffman reported on sewer line maintenance and noted that the area around the manhole was water treated and the manhole televised at Longenbaugh and Brook Springs. Mr. Hoffman stated that the manhole has settled at this location and will need to be repaired. Mr. Hoffman noted that H2O is obtaining prices for the repair. Mr. Hoffman reported that the area around the manhole at Willow River and Town Creek was water treated and the manhole was televised. Mr. Hoffman stated that the manhole will need to be repaired and that H2O is obtaining prices for the repair. Mr. Hoffman noted that the manhole is connected to a shared water line and that he would email Ben Agee at ST, the Harris County Municipal District No. 163 operator, and notify him of the settlement. Mr. Hoffman stated that both manholes have deep lines and may have to be bypassed with major stabilization. Mr. Hoffman reported that video tapes of the manholes are being sent to TCB for review.

4. **Review Bookkeeper's Report and authorize payment of bills.** The President recognized Mr. Holland, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "D."

Mr. Holland reviewed a summary of the expenses charged to date for the Service King Feasibility Study, a copy of which is attached to the Bookkeeper's Report. In response to a question from Director Folmar, Mr. Sarman stated that the Service King drainage plans include a swale between the parking lot and the District's fence line. Director Folmar requested TCB to verify that Service King's drainage does not filtrate into the District lines.

Upon motion by Director Rickelman, 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. 2395 through 2419 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.

5. **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 "E."

Mr. Sarman reported that TCB submitted the updated Emergency Response Plan to the WHCRWA's consultant on November 13, 2007.

Mr. Sarman reported that the ID names and some of the missing material updates are currently being reviewed for the GIS map update. Mr. Sarman stated that TCB will continue to update the Board on the status of the project.

Mr. Sarman reported on the estimates for the asbestos cement pipe repairs. Mr. Sarman stated that TCB has submitted materials to Insituform to prepare cost estimates for the water line improvements. Mr. Sarman reported that the Insituform representative has been out of town, but that he anticipates receiving a cost estimate for the repair in a couple of weeks. Mr. Sarman noted that he would be meeting with the Insituform representative on Wednesday and Mr. Sarman would submit the estimate to the Board after the estimate is received.

Mr. Sarman reported that the construction plans for the flow switch specify a McDonald model no. FS7-W or equivalent model. Mr. Sarman stated that TCB has not confirmed the type of flow switch which failed.

6. **Discuss Reclaimed Water System.** Mr. Sarman reported that he discussed the TCEQ regulation issues with Tony Bennett to place a reclaim water system in the District. Mr. Sarman stated that one of the questions discussed was whether filters used to bring the effluent up to Type 1 would require a type of WWTP permitting. Mr. Bennett stated that the TCEQ is currently working on regulations to permit treatment units for treating raw effluent for reclaimed water purposes but that the regulations have not been finalized. Mr. Bennett believes that the filter treatment is allowable using the current 210 rules, but does not believe that it has ever been done. Mr. Sarman stated that the regulation may require a policy decision to confirm which requirements will be placed on the system. Mr. Sarman noted that current rule states that water wells need a 550 foot separation between it and wastewater treatment plants. Mr. Sarman

stated that is unclear how the TCEQ will view the filters and what distance will need to be maintained between the well and the reclaim system without further discussion with the TCEQ.

7. **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.

8. **Discuss CJOB meeting.** Director Folmar reported that Harris County Municipal Utility District No. 163 (“no. 163”) would be revising the “no objection” letter regarding the RWS. Director Folmar suggested that the Board wait three to four months for No. 163’s response before moving forward on the project. Director Folmar reported that Harris County Municipal Utility District No. 208 requested that TCB provide revised cost estimates for the project. Director Folmar stated that the District may want to review leasing land from CJOB so that it can build its own system. Director Folmar reported that CJOB prepared a resolution regarding the sale of type II effluent water sales to Hearthstone Country Club.

Director Folmar reported that CJOB approved repairing blower #5.

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 adjourn the 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