

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 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 September 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 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 and Mr. Larry Mueller of TCB, Inc. ("TCB"), engineers for the District; and Ms. Jana Cogburn, Ms. Heather de la Garza 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 meeting of August 14, 2007, a copy of which was 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 August 14, 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, a list of delinquent taxpayers, and a list of eligible uncollectible accounts, copies of which are attached hereto as Exhibit "B." Ms. Rodriguez reported that the District has collected 98.468% of its 2006 taxes. Ms. Rodriguez requested the Board's approval to remove the eligible uncollectible accounts from the delinquent 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 Tax Assessor and Collector's Report, to remove the uncollectible eligible accounts from the delinquent list and to authorize payment of check nos. 1276 through 1279 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.**

This item was deferred.

5. **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 5,724,000 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 92.1% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 63,953,000 gallons and three months remaining on its 2007 Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman recommended writing-off the EP Brady builder damages of \$168.14 to an uncollectible account. Mr. Hoffman recommended that Time Warner builder damages of \$8,212 be turned over to Margaret Poissant, the delinquent attorney, next month if payment is not received by next month. Mr. Hoffman noted that the R&B Group builder damages will remain on the report.

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 lubrication on all motors and pumps and annual chemical feed pump maintenance. Mr. Hoffman stated that the insurance adjuster met with Mr. Webb on-site regarding the vandalism damages. Mr. Hoffman stated that H2O is replacing the entire door, instead of just the door vent, to the control room.

Mr. Hoffman reviewed with the Board the water line maintenance. Mr. Hoffman reported that the sidewalk was replaced following the water line repair. Mr. Hoffman reported that H2O is investigating options for repair of the meter vault at Lowery Elementary and noted that the area is safe and secure and that repairs are scheduled for Christmas break.

Mr. Hoffman noted that the list of top ten water users in the District is attached to the Operations Report. Mr. Hoffman stated that H2O would like to check the meters of these users for accuracy.

Mr. Hoffman reported on the completed manhole repairs in the District.

Mr. Hoffman reported that he is working with Barbara Payne to obtain a set of water bill inserts from Payne Communications for the Board's review.

6. **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.

Ms. Garcia reported that the District's deposit refunds are being mailed to customers between four to six weeks from the date on the final bill. Discussion ensued on the customer complaints. It was the consensus of the Board that H2O inform customers that refunds will be not received until four to six weeks from the date on the final bill. 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 accept the Bookkeeper's Report, to authorize payment of check nos. 2319 through 2340 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.

7. **Review Investment Policy and accept related party disclosures.** The Board reviewed the Investment Policy, a copy of which is attached hereto as Exhibit "E". Ms. Cogburn stated that there were not any legislative changes which would require amending the District's Investment Policy. Director DePau requested that "Texas Natural Resource Conservation Commission" be changed to "Texas Commission on Environmental Quality" in Section 3 of the policy. 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 Investment Policy, as revised and to accept the related party disclosures.

8. **Renew District Insurance.** This item was deferred.

9. **Indemnification of Directors.** This item was deferred.

10. **Discuss Reclaimed Water System.** The Vice President reported that the Reclaimed Water System Agreement was discussed at the CJOB meeting and that either Ms. Cogburn or Mr. Oliver would be preparing a letter of no objection for Harris County Municipal Utility District No. 163 to consider.

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 reporting electrical usage.** Ms. Cogburn stated that legislative changes effective September 1, 2007 require all districts to monitor and report their electrical usage to the state. Ms. Cogburn stated that the Bookkeeper is including a spreadsheet in their reports to track electrical usage.

13. **Discuss TCEQ landscape irrigation rules.** Ms. Cogburn reviewed the TCEQ landscape irrigation rules, a copy of which is attached hereto as Exhibit "F". Ms. Cogburn stated that legislative changes were passed to allow districts to voluntarily adopt and enforce landscape irrigation rules.

14. **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 "G."

Mr. Sarman stated that TCB has submitted the draft Emergency Response Plan ("ERP") for the Board's review and comment. Mr. Sarman noted that electronic versions of the final draft have been sent to each of the Board members. Mr. Sarman stated that TCB would address any comments and submit the final ERP to the Board.

Mr. Sarman reported that TCB is updating the GIS mapping system and is gathering information needed for the updates. Mr. Sarman noted that TCB met with H2O to discuss their operational needs for the GIS system updates. Mr. Sarman stated that TCB will continue to update the Board on the status of the project.

Mr. Sarman reported that TCB has reviewed the updated set of plans from Service King Auto Repair ("Service King") and has submitted comments to the engineer and contractor. Mr. Sarman stated that TCB and H2O are continuing to coordinate with the engineer and contractor for the project.

Mr. Sarman reported that TCB submitted replacement cost information, as requested, to The Essential Group.

Mr. Sarman reported that the West Harris County Regional Water Authority has been reviewing their information on various municipal utility districts and has requested general information about the District's water system, a copy of the email request is attached to the Engineer's Report.

15. **Discuss Copperfield Joint Operations Board "CJOB" meeting.** Director Parrish reported on the discussions at the CJOB meeting and noted that the energy report and landscape irrigation rules were discussed. Mr. Hoffman noted that the cleaning of the siphon under Horsepen Creek was also discussed at 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