

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 8, 2008

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 January 8, 2008, 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 Johnson. 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 December 11 2007, a copy of which was previously distributed to the Board. 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 minutes of the meeting of December 11, 2007, as presented.

2. **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 "B." Mr. Hoffman reported that the District pumped 3,285,000 gallons of water and purchased 5,459,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 94.1% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 171,256,000 gallons and 11 months remaining on its 2008 Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman recommended that the District allow an additional 30 days for Time Warner to pay builder damages. Mr. Hoffman noted that Mr. Lizotte paid his repair damages in January.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that information on security improvements at the Water Plant are attached to the Operations Report for the Board's review. Mr. Hoffman recommended installing cameras in the most critical areas of the Plant, such as the control room. The Board requested that Mr. Hoffman provide locations and prices for the cameras at the next Board meeting.

Mr. Hoffman reported that he talked to the TCEQ about the radionuclide testing in November. Mr. Hoffman stated that the test was performed on the entry point to the system and that the TCEQ agreed to perform a well test in January.

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 complete.

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

Mr. Hoffman reported on sewer line maintenance and stated that repair estimates for the manhole at Longenbaugh and Brook Springs and the manhole at Willow River and Town Creek are attached to the Operations Report. Mr. Hoffman noted that based on the shared water line agreement, the Copperfield Joint Operations Board (CJOB) would need to approve the manhole repairs.

Mr. Hoffman briefed the Board on a letter from a homeowner concerning sidewalk repairs, a copy of which is attached to the Operations Report. It was the consensus of the Board that Mr. Hoffman notify the homeowner that the sidewalk repairs are not a District matter.

3. 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 50.092% of its 2007 taxes.

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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1291 and 1292 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. Consider property tax exemptions. 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 adopt the Order Adopting Exemptions from Taxation for

Individuals Who Are Disabled or Are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "D," thereby granting an exemption in the amount of \$25,000.

5. **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 "E."

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. 2423 through 2445 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. **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 "F."

Mr. Sarman reported on the GIS map updates and stated that TCB will complete the draft forms and map updates for H2O's review. Mr. Sarman reported that TCB anticipates having the completed draft updates by the February meeting.

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 noted that after the holidays, TCB received an email from Insituform requesting more information on the water line improvements. Mr. Sarman stated that TCB has not yet received Insituform's cost estimates.

Mr. Sarman confirmed that Service King's construction plans show that drainage will flow between the parking lot and the wastewater treatment plant's property boundary toward the Harris County Flood Control District's ditch to the east. Mr. Sarman stated that CJOB could request corrective measures to maintain sedimentation features appropriately and with respect to the issue of sediment crossing the fence line on the waste water treatment plant property. Mr. Sarman noted that the Harris County Storm Water Quality Section would be responsible for enforcing the corrective measures.

7. **Discuss Reclaimed Water System.** Mr. Sarman reviewed with the Board the Reclaimed Water System design cost estimates, a copy of which is attached to the Engineer's Report. Mr. Sarman reported that TCB updated the cost numbers and that costs have increased by 60% from 2005 to 2008. Director Folmar requested that Mr. Sarman send a color copy version of the water lines to Director DePau and Director Rickelman for review. Extensive discussion ensued on the cost estimates and how to find the cost.

8. **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.

9. **Discuss CJOB meeting.** Director Folmar reported that TCB and H2O presented plans for the bar screen bypass and noted that TCB is investigating drilling holes into the bypass to alleviate the overflow problem.

10. **Adopt Order Calling Election.** Ms. Cogburn stated that the Board needs to appoint a Presiding Judge, Alternate Judge, and Early Voting Judge for the Directors Election. Ms. Cogburn noted that the election will be cancelled if the election is uncontested. No action was taken.

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 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