

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 13, 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 May 13, 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. 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. 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 April 8, 2008, 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 April 8, 2008, 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 95.79% of its 2007 taxes.

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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1304 through 1308 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 5,615,000 gallons of water and purchased 5,589,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 94.73% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 131,487,000 gallons and seven months remaining on its 2008 Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported on the radiochemical analysis and noted that H2O adjusted the flow rate from WHCRWA with an initial target percentage of 40% surface water and 60% well water.

Mr. Hoffman reported on water line maintenance and stated that the commercial meter repairs are complete. Mr. Hoffman noted that H2O is waiting on the final invoice from Southern Meter.

Mr. Hoffman reported that H2O relocated the water meter for Service King because the old meter was located so deep that the meter had to be excavated and raised.

Mr. Hoffman reported on sewer line maintenance and stated that H2O investigated a sewer problem at 8106 Silent Cedars. Mr. Hoffman stated that the line was excavated to the main and the connection to a previous point repair was verified.

4. **Approve Consumer Confidence Report.** Mr. Hoffman reported that the annual water quality report is attached to the Operations Report. Mr. Hoffman stated that H2O would like to send the report with the June 10, 2008 water bills. 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 authorize H2O to mail the Consumer Confidence Report to customers with the June water bills.

5. **Consider Amendments to the Operations Contract.** Mr. Hoffman presented to and reviewed with the Board the Operations Contract Amendment, a copy of which is attached hereto as Exhibit "D." Mr. Hoffman stated that the amendments to the contract include increases in fuel prices, management labor rates and residential meter replacements. Mr. Hoffman noted that the labor management rates have not been increased in over 10 years. Extensive discussion ensued. Director Folmar stated that he would like to address increases on a regular basis so that rate increases in the contract occur gradually. The Board discussed raising the fuel rate and postponing raising labor rates and meter replacement rates until the new budget is approved. Upon motion by Director Folmar, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the amendment to the Operations Contract with an increase on fuel rates to begin May 1, 2008 and to postpone labor and meter rate increases until the new budget is approved.

6. **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 and a draft of the proposed budget for the fiscal year ending July 31, 2008, copies of which are attached hereto as Exhibit "E."

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 accept the Bookkeeper's Report, to authorize payment of check nos. 2509 through 2532 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. **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 on the GIS map updates and stated that TCB has addressed most of the comments received from H2O. Mr. Sarman reported that H2O requested that the cleanouts in the District be named to match the reporting and surveying methodology of H2O. Mr. Sarman stated that the request was not part of the original scope but that if it is approved, the updates can be grouped with other updates to be completed at a later date.

8. **Discuss Reclaimed Water System ("RWS").** Mr. Sarman reported that TCB met with Director Rickelman and Director DePau on April 23, 2008 to discuss the RWS. Mr. Sarman reviewed discussion topics and questions listed in the Engineer's Report. Mr. Sarman stated that if any changes are made to the waste water treatment units at the Copperfield Joint Operations Board ("CJOB"), the TCEQ may require a major amendment to the discharge permit. Extensive discussion ensued regarding CJOB's willingness to allow all reclaim water treatment units onsite at the Plant. The Board questioned the TCEQ's buffer zone requirements and permits for the units if the units are offsite from the plant. The Board questioned replacing meters to reduce the amount of piping needed to connect the RWS to the distribution system. Director Folmar requested that Director Sarman research the questions outlined in the Engineer's Report and provide answers to the Board at the June meeting. Director Folmar requested that Ms. Cogburn contact him to discuss drafting a contract with CJOB for using the plant site for the RWS units and to discuss funding of the project. Director Folmar requested that Mr. Sarman coordinate a meeting with Harris County Municipal Utility District No. 188 to discuss their participation in the project.

9. **Discuss CJOB meeting.** Director Folmar stated that CJOB removed the RWS item from future agendas or until a request is made by a director to add the RWS item. Director Folmar reported that CJOB is waiting on Harris County Municipal Utility District No. 208's approval of an insurance proposal.

10. **Qualify Directors.** Ms. Green presented to and reviewed with the Board the Certificates of Election. 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 Certificates of Election and to retain the current slate of officers.

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