

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 10, 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 June 10, 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 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. Steve Webb 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; Mr. David Merritt of David L. Merritt, P.C., auditor 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 May 13, 2008, a copy of which was previously distributed to the Board. 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 minutes of the meeting of May 13, 2008, as presented.

2. **Engage auditor for the fiscal year ending July 31, 2008.** The Board recognized Mr. Merritt, who presented to and reviewed with the Board the engagement letter from David Merritt, P.C., a copy of which is attached hereto as Exhibit "B." Mr. Merritt reported that new Risk Assessment Standards (SAS 104-111) apply to the District's audit and involve consultant questionnaires regarding internal procedures and controls. Mr. Merritt stated that due to the new Risk Assessment Standards, the audit fees will increase by approximately 15%. Discussion ensued. 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 engage David L. Merritt, P.C. as the District's auditor for the fiscal year ending July 31, 2008.

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 96.86% 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. 1309 through 1311 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **Operations Report.** The President recognized Mr. Webb, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "D." Mr. Webb reported that the District pumped 9,396,000 gallons of water and purchased 4,467,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 94% of the water pumped and purchased by the District during the last period.

Mr. Webb reported that the District has 117,624,000 gallons and six months remaining on its 2008 Harris-Galveston Coastal Subsidence District Permit.

Mr. Webb reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Webb reported that H2O adjusted the well/surface water ratio to 33% surface water and 67% well water. Mr. Webb stated that the semi-annual well test from GM Services is attached to the Operations Report. Mr. Webb noted that the well is producing over 1,200 gallons per minute and has a submergence of 142 feet.

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

Mr. Webb reported that H2O replaced a number of blue reflectors that were missing on the meters throughout the District.

Mr. Webb reported on sewer line maintenance and stated that H2O raised the manholes in front of Service King. Mr. Webb stated that the charges would be applied to Service King's deposit.

Mr. Webb reported that the annual water quality report is attached to the Operations Report and would be sent to customers with the June water bills.

Mr. Webb reported that a resident at 15670 Pebble Lake filed an insurance claim against the District for flooding which occurred at that address. Discussion ensued. No action was taken.

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."

Mr. Holland stated that he would contact Mr. Hoffman and notify him that the Service King deposit is not adequate to cover the entire cost for raising the manhole.

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. 2536 through 2560 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. **Approve budget for the fiscal year ending July 31, 2008.** Mr. Holland presented to the Board the draft budget for the fiscal year ending July 31, 2008, a copy of which is attached to the Bookkeeper's Report. It was the consensus of the Board to hold a special meeting to discuss the budget on July 2, 2008.

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 "F."

Mr. Sarman reported on the asbestos cement pipe repairs and reviewed with the Board two estimates for replacing the water line, copies of which are attached to the Engineer's Report. Mr. Sarman stated that TCB is awaiting estimates from two additional contractors. Mr. Sarman reported that the estimate from RL Utilities is \$48,430 and the estimate from Evenflow Services is \$83,400. Discussion ensued regarding the breakdown of costs within the estimates and the lack of detail from the RL Utilities estimate. Director Folmar requested that TCB contact RL Utilities and request more detail on their estimate. Discussion ensued on whether the District should authorize TCB to prepare bid documents for the project. It was the consensus of the Board to wait until Friday to receive the bids from the two other contractors and authorize TCB to obtain a more detailed bid from RL Utilities for comparison at the July Board meeting.

8. **Discuss Reclaimed Water System ("RWS").** Mr. Sarman reported that TCB has begun working on the RWS design in an effort to address questions and prepare the layout of the distribution system. Mr. Sarman stated that TCB has a meeting scheduled with the City of Houston on June 11, 2008 to discuss the RWS project. Mr. Sarman reported that TCB is submitting maps to the Harris County Flood Control District ("HCFCD") to discuss options for the use of the easements. Mr. Sarman stated that TCB would like to walk the one-line pipe routes. In an effort to keep the design costs down, Director Folmar requested that TCB minimize the equipment for the District's use only. Director Folmar stated that he would like to keep the RWS units at the sewage treatment plant and would propose this request to CJOB. Discussion ensued. Director Folmar requested that TCB provide the Board a revised cost estimate for the project and postpone walking the one-line pipe routes until after the CJOB meeting in July.

9. **Discuss CJOB meeting.** Director Folmar stated that CJOB accepted The Essential Group's insurance proposal. Director Folmar stated that he stepped down as the District's representative for CJOB and notified CJOB that Director Parrish would be the new representative for the District. Director DePau stated that he would be the back-up representative for CJOB in Director Parrish's absence.

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