

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 12, 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 August 12, 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
Emmanuel DePau, Treasurer
Steve Rickelman, Assistant Secretary

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. Chris Hoffman of H2O Consulting ("H2O"), operator of the District's facilities; Ms. Erin Garcia of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; Mr. Tony Sarman of TCB, Inc. ("TCB"), engineers for the District; resident of the District; 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. **Minutes.** Consideration was given to the approval of the minutes of the special meeting of July 2, 2008, a copy of which was previously distributed to the Board. 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 approve the minutes of the meeting of July 2, 2008, as presented. Consideration was given to the minutes of the regular meeting of July 8, 2008, as presented. 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 regular meeting of July 8, 2008, as presented.

2. **Elect Officers.** 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 elect the following slate of officers:

John Parrish, President
Emmanuel DePau, Vice President
Penny Johnson, Secretary
Steve Rickelman, Treasurer
Mike Odell, Assistant Secretary

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 "B." Ms. Rodriguez reported that the District has collected 97.92% of its 2007 taxes. Upon motion by Director Odell, 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 and to authorize payment of check nos. 1318 through 1322 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 and approve addendum to Tax Assessor and Collector contract.** Ms. Rodriguez requested the Board's approval of an addendum to the Tax Assessor and Collector's contract, whereby the District would reimburse the tax assessor for parking expenses at meetings and mileage expenses to and from meetings, a copy of which is attached hereto as Exhibit "C." 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 addendum to the Tax Assessor and Collector's contract.

5. **Approve auditor's Risk Assessment Objectives.** The Board reviewed the auditor's Risk Assessment Objectives, a copy of which is attached hereto as Exhibit "D." 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 auditor's Risk Assessment Objectives.

6. **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 "E." Mr. Hoffman reported that the District pumped 11,417,000 gallons of water and purchased 6,830,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H₂O accounted for 90.2% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 82,628,000 gallons and four 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 that the chlorine storage unit has been ordered.

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

Mr. Hoffman reported that two tapline leaks occurred at 8210 Greenbank. Mr. Hoffman noted that one leak occurred on the water main and another occurred under a section of the driveway. Mr. Hoffman stated that the estimated cost of the repair is \$4,500.

Mr. Hoffman stated that he would present an amendment to the Operator's contract at the September meeting.

7. **Review Bookkeeper's Report and authorize payment of bills.** The 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 "F." Ms. Garcia noted that Service King has exceeded their Feasibility Study deposit funds by \$2,694.15. Ms. Garcia stated that Mr. Holland sent a letter to Service King requesting final payment of \$2,694.15. The Board discussed adding the \$2,694.15 to Service King's water bill so that the District could terminate water service if the payment is not received. 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 add \$2,694.15 to Service King's water bill for collection if MCI does not receive the final payment by September 5, 2008.

The Board discussed purchasing three certificates of deposits ("CD"), each in the amount of \$95,000, with funds from the capital projects funds. 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 Bookkeeper's Report, to authorize MCI to purchase three \$95,000 CDs, to authorize payment of check nos. 2599 through 2623 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.

8. **Consider and approve Depository Pledge Agreement with Compass Bank and Federal Home Loan Bank Board Atlanta.** The Board reviewed the Depository Pledge Agreement with Compass Bank and Federal Home Loan Bank Board Atlanta, a copy of which is attached hereto as Exhibit "G." 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 Depository Pledge Agreement with Compass Bank and Federal Home Loan Bank Board.

9. **Consider accepting letter of credit with Federal Home Loan Bank Board Atlanta as collateral for deposits with Compass Bank.** 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 letter of credit with Federal Home Loan Bank Board Atlanta as collateral for deposits with Compass Bank.

10. **Review Investment Policy and accept related party disclosures from bookkeeper and investment officer.** 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 related party disclosures from the bookkeeper and investment officer. The Board deferred review of the Investment Policy until the September meeting.

11. **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 "H."

Mr. Sarman reported on the asbestos cement pipe repairs. Mr. Sarman reported that the repair plans will need to be submitted to Harris County due to the crossing of the West Road right-of-way. Mr. Sarman noted that the District will not be required to submit plans to the City of Houston for maintenance of the lines. Mr. Sarman reported that the cost for preparing

the plans for submittal is approximately \$9,200 and the cost to flag the easements for the contractor is approximately \$2,000. Mr. Sarman stated that TCB has concerns about not having a large enough easement to run a new pipe beside the abandoned pipe. Mr. Sarman stated that TCB is currently coordinating with the contractor and the operator to determine how to best proceed with the repairs.

12. **Discuss Reclaimed Water System (“RWS”).** Mr. Sarman stated that TCB prepared a packet of information for Director Odell regarding the RWS, as well as the last information submitted regarding the Copperfield Joint system. Mr. Sarman stated that TCB will answer any questions Director Odell may have regarding the RWS or other projects. It was the consensus of the Board to leave the RWS on the District’s agenda until further notice by the Board.

13. **Discuss CJOB meeting.** Director Parrish reported that the TCEQ has issued new regulations for proposed effluent limits on E-coli for Waste Water Treatment Plant (“WWTP”) permits. Director Parrish stated that the CJOB WWTP permit expires in 2012. Director Parrish stated that CJOB has approved taking a few test samples at the WWTP discharge locations to get a base-line reading of E. coli in the wastewater.

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