

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 9, 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 September 9, 2008, at 4:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

John Parrish, President
Emmanuel DePau, Vice President
Penny Johnson, Secretary
Steve Rickelman, Treasurer
Mike Odell, 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; 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 August 12, 2008, a copy of which was previously distributed to the Board. Mr. Sarman requested that "or above" be removed from the fifth sentence in the second paragraph under the Engineer's Report. 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 August 12, 2008, as revised.

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 98.07% of its 2007 taxes. Upon motion by Director Odell, 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. 1323 through 1325 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Consider the Financial Advisor's recommendation for the 2008 Tax Rate and Authorize Publication.** Ms. Cogburn reviewed with the Board the financial advisor's 2008 debt service tax rate recommendation, a copy of which is attached hereto as Exhibit "C." In response to a question from Director Rickelman regarding the maintenance tax, Ms. Cogburn responded that the financial advisor only provides a rate recommendation for the debt service tax to cover payment of the District's debt. Ms. Cogburn stated that the financial advisor provides no written recommendation for the maintenance tax. Ms. Cogburn noted that as good managers of the District, the Board sets a maintenance tax so that the District can operate under six months of cash reserve. Director Rickelman stated that it is his understanding that the maintenance tax rate is based on the assumption that the debt service tax covers all of the District's debt service payments. Extensive discussion ensued. 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate, a copy of which is attached hereto as Exhibit "D," thereby indicating its intent to set a tax rate of \$0.56 per \$100 assessed valuation (\$0.37 per \$100 assessed valuation to pay principal and interest to service the District's debts and \$0.19 per \$100 assessed valuation to fund maintenance and operating expenditures) and to designate Bob Leared as the District's officer to publish the proposed tax rate in the Houston Chronicle.

4. **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 8,293,000 gallons of water and purchased 5,982,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 88.2% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that H2O would be performing leak detection to determine the reasons for the lower water accountability.

Mr. Hoffman reported that the District has 68,353,000 gallons and three months remaining on its 2008 Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman reported that H2O would write-off the EP Brady and R&B Group builder damages because the District signed a waiver with the WHCRWA which prevents collection of these amounts.

Mr. Hoffman noted that \$2,694.15 was added to Service King's water bill.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the new chlorine storage unit has been installed and is operational. Mr. Hoffman noted that an invoice will be presented next month for payment.

Mr. Hoffman reported that H2O replaced boxes and lids on electrical conduit locations to prevent soil from filling the electrical control boxes.

Mr. Hoffman reported that H2O replaced a well air release devise at a final cost of \$986.99.

Mr. Hoffman reported on water line maintenance and stated that the commercial repairs are complete at a final cost of \$2,399.

Mr. Hoffman reported on the water main break repair at 8210 Greenbank and noted that a section of driveway was replaced at a final cost of \$7,199.25.

Mr. Hoffman reported that the tapline at 8210 Greenbank was replaced and a section of the neighboring driveway was removed. Mr. Hoffman noted that a new tap was installed outside of the driveway and that H2O is waiting on the final invoice for the repair.

Mr. Hoffman reported that H2O repaired manhole and pipe penetrations at 7522 River Garden. Mr. Hoffman reported that H2O filled in the sinkhole and leveled the area at a final cost of \$2,624.15. Mr. Hoffman reported that the final cost to seal the manhole at 15702 Knoll Lake was \$895.40.

5. **Consider and approve addendum to the Operator's contract.** Mr. Hoffman presented to the Board the addendum to the Operator's contract regarding changes for supervisor and management rates and meter replacement, a copy of which is attached hereto as Exhibit "F." 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 approve the addendum to the Operator's contract.

6. **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 "G."

Ms. Garcia noted that MCI purchased three certificates of deposits, each in the amount of \$95,000, with funds from the capital projects funds. 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. 2633 through 2650 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.** The Board reviewed the Investment Policy, a copy of which is attached hereto as Exhibit "H." Discussion ensued on modifications to the policy. Upon motion by Director Johnson, seconded by Director Odell, after full discussion and the question being put to the Board, the Board voted unanimously not to implement any changes to the Investment Policy.

8. **Consider and approve HGSCD Interlocal Agreement.** Ms. Cogburn reviewed with the Board the HGSCD Interlocal Agreement relating to the Water Wise program with local elementary schools. 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 and authorize execution of the HGSCD Interlocal Agreement.

9. **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 "I."

Mr. Sarman reported on the asbestos cement pipe repairs. Mr. Sarman reported that the District has three options for replacing or repairing the eight-inch water line and noted that the three options are detailed in the Engineer's Report. Extensive discussion ensued. 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 replacing the water line with a parallel water line at an estimated cost of \$48,340.

10. **Discuss Reclaimed Water System ("RWS").** No action was taken.

11. **Discuss CJOB meeting.** Director Parrish reported that to date, CJOB has rented a generator three times during the 2008 hurricane season. Director Parrish stated that CJOB directed Mr. Hoffman to gather information on purchasing a generator due to the increased difficulty in leasing a generator. Director Parrish noted that the generator research will be presented to the Board at a later date.

Director Parrish stated that H2O performed independent E-coli testing at water source points in the CJOB service area and noted that E-coli was undetectable in the tests.

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