

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 17, 2006

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 186

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 186 (the "District") met in regular session, open to the public, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Suite 5100, Houston, Texas, at 12:00 p.m. on October 17, 2006; whereupon the roll was called of the members of the Board, to wit:

Gary Henderson, President
Mark Day, Vice President
Carol Barnes, Secretary
Leonard Fojt, Treasurer
Charles Bumpass, Assistant Secretary

All members of the Board were present except Director Fojt. Also attending all or parts of the meeting were Ms. Michelle Guerrero and Ms. Christen Scott of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Charles Eastland of Turner Collie & Braden, Inc. ("TC&B"), engineer for the District; Mr. Chris Hoffman of H2O Consulting ("H2O"), operator for the District; Ms. Lori Hogue of Myrtle Cruz, Inc., bookkeeper for the District; and Ms. Jana Cogburn and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order and, in accordance with notice posted pursuant to law, copies of Certificates of Posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Minutes.** Consideration was given to the approval of the minutes of the meeting of September 19, 2006, previously distributed to the Board. Director Henderson noted that the word "his" should be "her" in the first sentence under item 4. Upon motion by Director Day, seconded by Director Bumpass, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of September 19, 2006, as corrected.

2. **Tax Assessor and Collector's Report.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "B." Upon motion by Director Barnes, seconded by Director Day, 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 checks nos. 1268 through 1271 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Hold Public Hearing and Adopt Order Levying Tax for 2006 and Approve Amended District Information Form.** In response to a question, Ms. Guerrero stated

that the proposed tax rate had been published in the *Houston Chronicle* in accordance with the provisions of the Texas Property Tax Code. President Henderson then opened the meeting to a public hearing on the tax rate. There being no persons present at the meeting desiring to speak, the hearing was closed. Upon motion by Director Bumpass, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order and Levying Tax for 2006, a copy of which is attached hereto as Exhibit "C," thereby levying a tax rate of \$0.56 per \$100 assessed valuation (\$.51 per \$100 assessed valuation to pay principal and interest to service the District's debts and \$0.05 per \$100 assessed valuation to fund maintenance and operating expenditures) and to authorize the execution and filing of the Amended District Information Form as required by law.

4. **Consider Request for Annexation of Gordon tract.** Ms. Cogburn reviewed with the Board a memorandum from Kleber J. Denny relating to the District's interest in annexing approximately 15 acres of the Gordon FM 529 property into the District, a copy of which memorandum is attached hereto as Exhibit "D." Extensive discussion ensued. It was the consensus of the Board that it was not interested in proceeding with the annexation of this property. Ms. Cogburn agreed to notify Mr. Denny.

5. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman reported that H2O accounted for 96.8% of the water pumped in the District in September.

Mr. Hoffman reported that the District pumped 18,486,000 gallons of water during the last period. Mr. Hoffman noted that the District has 16,282,000 gallons and two months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman stated that he will request a permit amendment in the amount of 25,000,000 gallons.

Mr. Hoffman presented to and reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that booster pump no. 3 has been ordered and H2O is waiting on delivery from the factory.

Mr. Hoffman reported that the coating in the chlorine room is complete and H2O is in the process of resetting all of the equipment.

Mr. Hoffman reported that (a representative of H2O will be meeting with representatives of the WHCRWA and the alarm company to restore the alarm system.

Mr. Hoffman stated that the WHCRWA surface water line work at it affects the District is nearing completion and the driveway has been repoured and the fence reinstalled.

Mr. Hoffman noted that H2O calibrated the transducer on ground storage tank no. 2.

Mr. Hoffman stated that with the recent wet weather, H2O has noticed that the chemical room at the water plant has developed some leaks. Mr. Hoffman added that the leaks were patched, but the Board may want to budget for a roof repair in the year's budget.

Mr. Hoffman noted that the sealing of the lift station is complete and the invoice should be submitted next month for payment.

Mr. Hoffman stated that the steel section of the water main at the northwest corner of Club Lake and Echo Lodge has been repaired and the impacted section of street has been replaced. Mr. Hoffman added that while repairing the water line, H2O replaced the section of sidewalk that has settled because of trench settlement at a final cost of \$2,640.78.

Mr. Hoffman updated the Board on the status of the priority two sanitary sewer line repairs remaining in phases six and seven.

Mr. Hoffman stated that H2O collected 20 lead and copper samples and sent them to the TDH lab, but two sample bottles were damaged during shipping and new bottles have been sent for resampling.

6. **Bookkeeper's Report and Approve Investment Report.** The President recognized Ms. Hogue, who presented to and reviewed with the Board the Bookkeeper's Report and monthly Investment Report, copies of which are attached hereto as Exhibit "F." Upon motion by Director Day, seconded by Director Barnes, 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. 5477 through 5504 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 monthly Investment Report.

7. **Engineer's Report.** The President recognized Mr. Eastland, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Mr. Eastland stated that TC&B has finalized the Emergency Operations Plan for HCMUD Nos. 162 and 208 and the District and distributed CDs of such plan to the Directors. Mr. Eastland noted that H2O has received one CD and four hard copies of the Plan.

Mr. Eastland stated that TC&B is currently adding the water well connection line to the GIS map files, which will include the location of the satellite well and the water plant with the 12" water line connecting the two.

Mr. Eastland noted that TC&B is performing a final plan review of the Ridge Park Business Park Business Center and anticipates sending out comments next week.

Mr. Eastland updated the Board on the District's conversion to surface water. Mr. Eastland reported that R&B Group has completed the installation of the control panel and is currently completing electrical connections. Mr. Eastland added that the WHCRWA is near completion of their project to deliver surface water to the District. Mr. Eastland reviewed with the Board progress payment no. 12 from R&B Group in the amount of \$13,275.00. Upon motion by Director Day, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted unanimously to approve progress payment no. 12.

8. **Discuss and take action in connection with conversion to surface water.** This was discussed as part of the Engineer's Report.

9. **Discuss reclaimed water system.** Mr. Eastland stated that TC&B met with Ms. Cogburn to finalize the terms of the agreement between the Copperfield districts as it relates to the ownership and operation of the reclaim water system, but that execution of the agreement is pending due to comments from HCMUD no. 179. Director Henderson updated the Board on the comments from HCMUD No. 179. Mr. Eastland stated that Ms. Cogburn suggested that the districts participating in the reclaimed water system consider engaging an independent law firm to address the concerns of HCMUD No. 179. It was the consensus of the Board of Directors to direct Director Henderson to make a decision on this following his conversations with the other participants.

10. **Update on District website.** Director Barnes noted that she has updated the District website with various information, including the current slate of officers. Discussion ensued regarding future updates. The Board asked F&J to coordinate sending updated information to the webmaster in the future.

11. **Report on Copperfield Joint Operations Board meeting.** Mr. Hoffman updated the Board on the most recent meeting.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

* The foregoing minutes were passed and approved by the Board of Directors on

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)