

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 21, 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 February 21, 2006; whereupon the roll was called of the members of the Board, to wit:

Gary Henderson, President
Mark Day, Vice President
Jaquelyn Champagne, Secretary
Carol Barnes, Assistant Secretary
Leonard Fojt, Treasurer

All members of the Board were present except Director Fojt. Also attending all or parts of the meeting were Ms. Michelle Guerrero of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Jerry Eckert 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. Kelly Russell 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 January 17, 2006, previously distributed to the Board. 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 approve the minutes of the meeting of January 17, 2006, as presented.

2. **Order Calling Directors Election.** Ms. Cogburn presented to and reviewed with the Board the Order Calling Directors Election, a copy of which is attached hereto as Exhibit "B." Upon motion by Director Champagne, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Calling Directors Election, thereby authorizing the election to be held at 7202 Starbridge Drive, Houston, Texas 77095, and authorizing the election officials to receive compensation in the amount of \$20.00 per hour.

3. **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 "C." Ms. Guerrero reported that as of January 31, 2006, the District had collected 89.086% of its 2005 taxes. Upon motion by Director Champagne, 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. 1214 through 1220 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.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "D." Mr. Hoffman reported that H2O accounted for 93% of the water pumped in the District in January.

Mr. Hoffman reported that the District pumped 16,297,000 gallons of water during the last period. Mr. Hoffman noted that the District has 166,605,000 gallons and ten months remaining on its Harris-Galveston Coastal Subsidence District Permit.

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 H2O tested booster pump nos. 3 and 4 due to increased run time.

Mr. Hoffman reported that the TCEQ performed their annual inspection in December. Mr. Hoffman reviewed with the Board correspondence from the TCEQ regarding the inspection and stating that no violations were noted, a copy of which is attached to the Operations Report.

Mr. Hoffman reported that the TCEQ requires that the hydrotanks be inspected every five years. Mr. Hoffman reported that he has taken the no. 2 hydrotank out of service and inspected the tank. Mr. Hoffman reported that the no. 1 tank is scheduled to be out of service for inspection this week.

Mr. Hoffman reported that the semi-annual lift station cleaning is complete.

Mr. Hoffman reported that H2O repaired a tapline leak at 15847 Echo Lodge.

Mr. Hoffman reported that the repairs for phase eight and nine of the sanitary sewer line rehabilitation program are complete and the final invoice should be submitted next month.

Mr. Hoffman reviewed the manholes in the District that have been repaired, a copy of which is attached to the Operations Report. Mr. Hoffman reported that manhole deficiencies were noted during phases eight and nine's televising work.

Mr. Hoffman reported that the phase ten sanitary sewer line cleaning and televising has begun.

Mr. Hoffman reported that the vault manhole repair at Sugar Ridge and River Garden is complete. Mr. Hoffman reported that the concrete contractor has been scheduled to repour pavement.

Mr. Hoffman reported that the water audit is due to the Texas Water Development Board by March 31, 2006.

Mr. Hoffman reviewed with the Board an estimate of \$3,400 to install four inches of crushed concrete on the temporary drive from Cherry Park to the water plant entrance, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman reported that this work is necessary due to the surface water construction. Mr. Hoffman reported that he has notified the WHCRWA that such repairs are needed and will submit this work to the WHCRWA for reimbursement. Mr. Hoffman requested Board authorization to move forward with the work, since it needs to be done immediately. 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 authorize H2O to make the driveway repairs at a cost of \$3,400.

5. **Bookkeeper's Report; Approve Investment Report, Approve Budget for Fiscal Year Ending February 28, 2007.** 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."

Ms. Hogue presented to and reviewed with the Board the proposed budget for fiscal year ending February 25, 2007, a copy of which is attached to here to as Exhibit "G." Ms. Hogue noted that MCI will be using a new format for the District's budget, if approved by the Board. Discussion ensued.

Ms. Hogue noted that she revised the following items in the budget:

Sewer Vault repair from \$50,000 to \$25,000;

Surface Water Conversion from \$126,000 to \$100,000; and

Surplus (deficit) from \$372,080 to \$423,080.

Upon motion by Director Champagne, 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. 5263 through 5283 from the Operating Account, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report, to approve the monthly Investment Report, and to approve the budget for fiscal year ending February 28, 2007, as modified by the changes noted above.

6. **Engineer's Report.** The President recognized Mr. Eckert, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H." Mr. Eckert reported that the District's facility maps were transmitted to Mr. Hoffman on February 10, 2006 for review and comment and that TC&B is continuing to coordinate with Mr. Hoffman to incorporate the maintenance database into the GIS system.

Mr. Eckert updated the Board on the District's conversion to surface water. Mr. Eckert reported that R&B Group has completed the connection to water tank no. 1 and will begin the connection to tank no. 2 this week. Mr. Eckert reviewed with the Board progress payment no. 4 in the amount of \$23,575.25, a copy of which is attached to the Engineers' Report.

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

8. **Discuss and take action in connection with reclaimed water project.**

Mr. Eckert reported that TC&B has received additional operations data from the landscaping companies employed to maintain the right of ways and common areas that will be utilizing the reclaimed water for irrigation purposes. Mr. Eckert reported that TC&B is currently reviewing the information that was submitted and is comparing it to the assumptions used in the previous model. Mr. Eckert reported that TC&B has rescheduled the meeting for March 6, 2006 to discuss the system's capacity and each district's allocation.

9. **Authorize execution of contract between District and HCMUD No.**

162 for Supply of Water and Water Line Maintenance. The Board reviewed the contract between the District and HCMUD No. 162 for Supply of Water and Water Line Maintenance, a copy of which is attached hereto as Exhibit "I." Upon motion by Director Day, seconded by Director Champagne, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the execution of the contract between the District and HCMUD No. 162 for Supply of Water and Water Line Maintenance.

10. **Adopt Resolution Adopting Prevailing Wage Rate Scale for**

Construction Projects. The Board reviewed the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects, a copy of which is attached hereto as Exhibit "J." Upon motion by Director Champagne, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects.

11. **Update on District website creation.**

Director Barnes updated the Board on the website creation. Director Barnes noted that the website should be available on March 31, 2006.

12. **Report on Copperfield Joint Operations Board meeting.**

Mr. Hoffman updated the Board on the most recent CJOB meeting.

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

(DISTRICT SEAL)