

MINUTES OF MEETING OF BOARD OF DIRECTORS  
March 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 March 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. 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. 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 February 21, 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 February 21, 2006, as presented.

2. **Adopt Order Declaring Unopposed Candidates Elected to Office.** Ms. Russell noted that no applications to be a candidate for director have been received from anyone except the incumbent directors. 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 Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as Exhibit "B."

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 February 28, 2006, the District had collected 90.421% of its 2005 taxes. 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 Tax Assessor and Collector's Report, and to authorize payment of checks nos. 1221 through 1227 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 94% of the water pumped in the District in February.

Mr. Hoffman reported that the District pumped 15,293,000 gallons of water during the last period. Mr. Hoffman noted that the District has 151,312,000 gallons and nine months remaining on its Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman reported that H2O closed the water interconnect to Harris County Municipal Utility District No. 162 ("No. 162"), since No. 162 began receiving surface water from the WCHRWA on February 8, 2006 and no longer need water from the District for blending.

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 the TCEQ requires that the hydrotanks be inspected every five years. Mr. Hoffman reported that hydrotank no. 1's inspection is complete and should be invoiced next month.

Mr. Hoffman reported that the annual inspection of the cathodic protection system on both ground storage tanks is complete.

Mr. Hoffman reported that H2O repaired a 2" blow off valve and replaced the landscaping at 7406 Harvest Dawn Court.

Mr. Hoffman reported that H2O installed the new interconnect valve between the District and No. 162 at the intersection of Club Lake and Mesa Gardens.

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

Mr. Hoffman reported that the vault manhole repair and pavement replacement is complete.

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

Mr. Hoffman reported that the water smart application is due on April 6, 2006.

Mr. Hoffman reviewed with the Board an email update from Mr. Troy Anthony regarding the water plant's access drive. Mr. Hoffman reported that the email advises H2O to hold off on repairing the temporary driveway, so the new contractor can finish what GSG Texas started within the next month.

Mr. Hoffman reviewed with the Board information from GM Services regarding water plant no. 1's booster pump testing, a copy of which is attached to the Operations Report. Mr. Hoffman reported that there was a reduction in capacity for booster pump no. 4 and that he will pull booster pump no. 4 to see if there is a reason for the reduction in capacity. Mr. Hoffman reported that he will provide the Board with a tear down report next month.

5. **Bookkeeper's Report; 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 "E." 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 Bookkeeper's Report, to authorize payment of check nos. 5285 through 5307 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.

6. **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 "F." Mr. Eastland reported that TC&B is nearing completion for address matching the past maintenance records for the GIS map preparation. Mr. Eastland reported that Mr. Hoffman has submitted comments to TC&B regarding the District facility map digital files that they received last month and that TC&B is currently in the process of reviewing and addressing Mr. Hoffman's comments. Mr. Eastland reported that TC&B is continuing to coordinate with Mr. Hoffman to incorporate the maintenance database into the GIS system.

Mr. Eastland reported that TC&B received a request for capacity from Tajian Family Partnership Ltd. on March 20, 2006. Mr. Eastland reported that he will update the Board on this request at its next meeting.

Mr. Eastland updated the Board on the District's conversion to surface water. Mr. Eastland reported that R&B Group has completed the painting of the external pipes and installation of the underground chemical feed piping. Mr. Eastland reported that TC&B is currently waiting on the chemical feed representative and electrician to continue with the conversion. Mr. Eastland reported that TC&B is continuing to monitor the progress of construction for project completion assurance. Mr. Eastland reviewed with the Board progress payment no. 5, in the amount of \$34,101.00, as submitted by the contractor for work completed to date. 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 approve payment of progress payment no. 5 in the amount of \$34,101.00.

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. Eastland reported that a meeting was held on March 6, 2006 to discuss the reclaimed water system's capacity and each district's allocations. Mr. Eastland reported that TC&B has prepared a cost distribution among the participating districts to construct the reclaimed water system, as

discussed at the meeting. Mr. Eastland reported that the next reclaimed water system meeting is scheduled for April 3, 2006.

President Henderson noted that the Board will need to discuss how the District will fund this reclaimed water system. Extensive discussion ensued.

9. **Discuss directors ethics training.** Ms. Russell reported that effective January 1, 2006, elected and appointed public officials are required by a new state law to receive training in Texas open government laws. Ms. Russell reported that there is a link on the Texas Attorney General's website that allows directors to view this information.

10. **Review Drought Contingency Plan.** There was no discussion.

11. **Update on District website creation.** Director Barnes updated the Board on the website creation and noted that the website should be available on March 31, 2006.

12. **Report on Copperfield Joint Operations Board meeting.** President Henderson noted that the Copperfield Joint Operations Board voted to increase the per connection sewer charge by \$0.50, making it \$8.00 per connection, effective immediately.

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:

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Secretary, Board of Directors

(DISTRICT SEAL)