

MINUTES OF MEETING OF BOARD OF DIRECTORS  
April 18, 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 April 18, 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; Ms. Deana Day, resident of 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 meetings of March 6, 2006 and March 21, 2006, previously distributed to the Board. 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 the minutes of the meetings of March 6, 2006 and March 21, 2006, as presented.

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." Ms. Guerrero reported that as of March 31, 2006, the District had collected 91.318% 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. 1228 through 1233 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Authorize additional 20% penalty on taxes, penalty and interest remaining delinquent on July 1, 2006.** Ms. Cogburn noted that the District has an existing

contract with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. for the collection of delinquent taxes. Upon motion by Director Barnes, seconded by Director Champagne, after full discussion and the question being put to the Board, the Board voted unanimously to authorize collection of such taxes and imposition of an additional 20% penalty on taxes, penalty and interest remaining delinquent on July 1, 2006.

4. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "C." Mr. Hoffman reported that H2O accounted for 94.8% of the water pumped in the District in March.

Mr. Hoffman reported that the District pumped 16,965,000 gallons of water during the last period. Mr. Hoffman noted that the District has 134,347,000 gallons and eight 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 the inspection of hydrotanks nos. 1 and 2 is complete and both are back in service.

Mr. Hoffman reported that the ground storage tanks were taken out of service for the WHCRWA connection. Mr. Hoffman reported that the ground storage tanks were cleaned out while out of service and that GST#2 is back in service and GST#1 is scheduled to be back in service this week.

Mr. Hoffman reported that booster pump no. 4 has been pulled because the pump was producing less water than it should. Mr. Hoffman reported that he should have an evaluation of the pump completed in the next week.

Mr. Hoffman reported that H2O replaced the booster pump alternator for pumps nos. 3 and 4.

Mr. Hoffman reported that the cleaning and televising for the phase ten sanitary sewer line cleaning and televising is complete. Mr. Hoffman reported that he should have the DVD's to TC&B by Friday.

Mr. Hoffman reported that the repairs on phase 9 of the sanitary line maintenance project are continuing.

Mr. Hoffman reported that the water audit has been filed with the Texas Water Development Board, a copy of which is attached the Operations Report.

Mr. Hoffman reported that the water smart application has been submitted, a copy of which is attached to the Operations Report.

Mr. Hoffman reviewed with the Board an estimate from R.L. Utilities for point repair no. 12 in phase 8 of the sanitary line maintenance project, a copy of which is attached hereto as Exhibit "D." Mr. Hoffman reported that R.L. Utilities suggests slip-lining the line segment, due to the location and depth of the defect. Mr. Hoffman reported that the repair would cost approximately \$19,925. Mr. Hoffman reported that he and Mr. Eastland would need to

investigate the repair before any work is performed. 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 authorize R.L. Utilities to slip-line the line segment, subject to Mr. Hoffman and Mr. Eastland investigating the repair.

Mr. Hoffman reviewed with the Board a letter from the Copperfield POA, Inc. ("POA"), a copy of which is attached to the Operations Report, regarding trash and debris located on the driveway by Water Well No. 2. Mr. Hoffman reported that he has informed the POA that the property is owned by Southwestern Bell and they should contact them regarding the trash and debris.

5. **Bookkeeper's Report; Approve Investment Report; and Amend 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 "E."

The Board discussed the funding of the Reclaimed Water System. The Board agreed that a separate money market account should be established, so the District can begin setting aside money for the system. In response to a question from Director Day, Mr. Eastland reported that the District's portion of the cost of the system would be approximately \$1,000,000. The Board discussed opening a money market account with \$600,000 of its current reserve and depositing the checks it receives from the Strategic Partnership Agreement with the City of Houston in this account until the account has a balance of \$1,000,000. 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 open an account with Tex Pool with the \$600,000 of reserve money to begin the funding for the Reclaimed Water System.

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

CJOB Treatment Plant Fees increased to \$206,000; and  
Sewer Vault Repairs increased to \$50,000.

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. 5312 through 5335 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. 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 performing a final review on the GIS map for the address matching of the past maintenance records. Mr. Eastland reported that TC&B is currently coordinating with District's operator to address their remaining comments regarding the District's facility map digital files.

Mr. Eastland reported that TC&B received a request for capacity from Tajian Family Partnership Ltd. on March 20, 2006. Mr. Eastland reported that the District has sufficient capacity to serve this request. 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 approve the capacity commitment request from Tajian Family Partnership Ltd.

Mr. Eastland updated the Board on the District's conversion to surface water. Mr. Eastland reported that R&B Group has completed the piping, painting, and plans to install back tees on lines when the surface water upgrades are complete. Mr. Eastland reported that the electrical work still remains. Mr. Eastland reported that TC&B is continuing to monitor the progress of the construction for project completion assurance.

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 April 3, 2006 to discuss the reclaimed water system district allocations and water rate comparisons to WHCRWA surface water. Mr. Eastland stated that based on discussions at the meeting, TC&B has prepared a summary of environmental and other benefits of utilization of reclaimed water and has prepared graphs of each district's individual water rate as compared to the WHCRWA surface water rates.

9. **Discuss directors ethics training.** Ms. Russell provided the Board with a DVD, so the Board members could complete the training.

10. **Update on District website.** Director Champagne updated the Board on the website.

11. **Report on Copperfield Joint Operations Board meeting.** President Henderson updated the Board on the most recent 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:

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Secretary, Board of Directors

(DISTRICT SEAL)