

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 23, 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 special 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 May 23, 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. Also attending all or parts of the meeting were Ms. Robin Goin 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. Dana Davis 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 meetings of April 3, 2006 and April 18, 2006, previously distributed to the Board. Upon motion by Director Champagne, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted four in favor, Director Fojt abstaining, to approve the minutes of the meetings of April 3, 2006 and April 18, 2006, as presented.

2. **Qualify Directors, Election of Officers and Approve Certificates of Election.** Ms. Russell presented to and reviewed with the Board the Certificates of Election, copies of which are attached hereto as Exhibit "B." The Board discussed retaining its current slate of officers. 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 Qualify the Directors, to approve the Certificates of Election, and to retain its current slate of officers.

3. **Tax Assessor and Collector's Report.** Ms. Goin 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. Goin reported that as of April 30, 2006, the District had collected 92.748% 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. 1234 through 1242 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **Bookkeeper's Report; and Approve Investment Report.** The President recognized Ms. Davis, who presented to and reviewed with the Board the Bookkeeper's Report and monthly Investment Report, copies of which are attached hereto as Exhibit "D." 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. 5337 through 5368 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.

5. **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 "E." Mr. Eastland reported that TC&B has completed a final review for the address matching of the past maintenance records and updated the GIS map with the maintenance records. Mr. Eastland reported that TC&B is currently coordinating with Mr. Hoffman to address his remaining comments regarding the District's facility map digital files. Mr. Eastland reported that the WHCRWA as-built drawings have been requested, so that they may be added to the GIS map.

Mr. Eastland reported that TC&B received a request for capacity from Dev-Tex Engineering, LP on April 25, 2006 for a property on the northwest side of Ridge Park Drive and Cherry Park Drive. Mr. Eastland noted that they plan to construct a health club and the District has sufficient capacity to serve this request. 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 the capacity commitment request from Dev-Tex Engineering, LP.

Mr. Eastland reported that TC&B received the DVDs and report of the video inspections for phase 10 of the sanitary sewer line rehabilitation project. Mr. Eastland reported that TC&B is currently reviewing the DVDs to identify sanitary sewer damages to consider for future repairs.

Mr. Eastland updated the Board on the District's conversion to surface water. Mr. Eastland reported that R&B Group plans to install back tees on the lines when surface water upgrades are complete. Mr. Eastland reported additional work has been performed on the chemical piping and it is nearing completion. Mr. Eastland reported that electrical work still remains.

Mr. Eastland reported that HTS Inc. has provided a proposal for materials testing for the water plant modifications associated with surface water conversion in the amount of \$3,000. Upon motion by Director Fojt, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the proposal from HTS, Inc. in the amount of \$3,000.

Mr. Eastland reviewed with the Board Progress Payment No. 6 from R&B Group, in the amount of \$30,063.29, a copy of which is attached to the Engineer's Report. Mr. Eastland noted that Progress Payment No. 6 was approved at last month Board meeting.

Mr. Eastland reported that R&B Group has submitted Progress Payment No. 7 in the amount of \$10,089.29, a copy of which is attached to the Engineer's Report. Upon motion by Director Fojt, seconded by Director Champagne, after full discussion and the question being put to the Board, the Board voted unanimously to approve Progress Payment No. 7 in the amount of \$10,089.29.

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

7. **Discuss and take action in connection with reclaimed water project.** Mr. Eastland reported that a meeting was held on April 24, 2006 to discuss the reclaimed water system. Mr. Eastland reported that the discussion covered the benefits of using reclaimed water for irrigation as well as reclaimed water rates and how to market the sale of reclaimed water to the Home Owner's Associations ("HOAs"). Mr. Eastland reported that each participating district was planning to meet with its respective HOA in the near future. Mr. Eastland reported that their was a discussion of trying to standardize the reclaimed water rates, but no conclusion was reached.

Mr. Eastland reported that TC&B is evaluating the use of reclaimed water in conjunction with other districts for presentation to the WHCRWA to illustrate potential credits available to delay the required implementation of mandated surface water conversion for 2020. Mr. Eastland reported that TC&B's findings will be submitted to the WHCRWA as justification for their consideration in participating in the funding of these conversions.

8. **Authorize Engineer to design reclaimed water system.** Action on this matter was deferred.

9. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "F." Mr. Hoffman reported that H2O accounted for 97% of the water pumped in the District in April.

Mr. Hoffman reported that the District pumped 20,122,000 gallons of water during the last period. Mr. Hoffman noted that the District has 114,225,000 gallons and seven 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 ground storage tank no. 1 was taken out of service for the connection to the tank. Mr. Hoffman reported that the ground storage tank was cleaned out while out of service. Mr. Hoffman reported that the tank is back in service.

Mr. Hoffman reported that booster pump no. 4 has been pulled because the pump was producing less water than it should. Mr. Hoffman reviewed with the Board the approximate costs to repair and replace the pump, a copy of which is attached to the Operations Report.

Discussion ensued regarding the repair or replacement of the pump. Upon motion by Director Champagne, seconded by Director Fojt, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the replacement of the pump at a cost not to exceed \$10,000.

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 is waiting on TC&B's report to schedule the repairs. The Board directed Mr. Hoffman to research which priorities twos and threes were performed in phases one through seven.

Mr. Hoffman reported that the repairs on phases eight and nine of the sanitary line maintenance project are continuing.

Mr. Hoffman reviewed with the Board the Consumer Confidence Report ("CCR"), a copy of which is attached to the Operations Report and noted that he would like to include the CCR with the June bills. 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 H2O to distribute the CCR.

Mr. Hoffman reported that the Primrose School's (the "School") water and sewer meters were crossed by the plumber when they were first installed. Mr. Hoffman noted that the meters have been corrected. In response to a question from the Board, Mr. Hoffman stated that he was never contacted by the School regarding the crossed meters. The Board directed Mr. Hoffman to document the mistake in the District's files.

Mr. Hoffman reported that the Coppermill Apartments have been sold and he is currently working with the new and old owners to get the remaining \$6,000 to \$7,000 water bill paid.

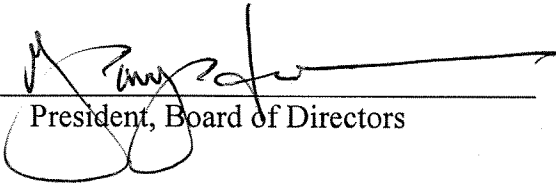
10. **Update on District website.** Director Champagne updated the Board on the website.

11. **Report on Copperfield Joint Operations Board meeting.** Ms. Cogburn 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
June 30, 2006



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

