

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 20, 2006

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 June 20, 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 Day. 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; Mr. Charles Bumpass, a resident of the District; Mr. Noel Barfoot of McCall, Gibson, & Company, PLLC, auditor 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. **Other Matters.** Director Champagne stated that she will be moving out of the District. Mr. Bumpass expressed his interest in serving on the Board. Discussion ensued.
2. **Minutes.** Consideration was given to the approval of the minutes of the meeting of May 23, 2006, previously distributed to the Board. Upon motion by Director Barnes, seconded by Director Champagne, after full discussion and the question being put to the Board, the Board unanimously to approve the minutes of the meeting of May 23, 2006, as presented.
3. **Approve audit for fiscal year ended February 28, 2006.** Mr. Barfoot presented to and reviewed with the Board the audit for fiscal year ending February 28, 2006, a copy of which is attached hereto as Exhibit "B." 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 approve and authorize filing of the audit for fiscal year ending February 28, 2006.

4. **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 May 31, 2006, the District had collected 97.077% 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. 1243 through 1252 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

5. **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 97.4% of the water pumped in the District in May.

Mr. Hoffman reported that the District pumped 20,009,000 gallons of water during the last period. Mr. Hoffman noted that the District has 94,216,000 gallons and six 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 booster pump no. 4 has been ordered and he is waiting on the pump to be delivered from the manufacturer.

Mr. Hoffman reported that he noticed that the bearing on booster pump no. 3 is beginning to go out. Mr. Hoffman reported that he has taken the pump out of service, but he will not have it pulled until pump no. 4 is installed.

Mr. Hoffman reported that the wall in chlorine room is beginning to deteriorate and recommended sealing the wall. Mr. Hoffman reviewed with the Board a cost estimate to seal the wall in the amount of \$13,500, a copy of which is attached to the Operations Report. The Board noted that the estimate seemed high and asked Mr. Hoffman to obtain at least two more bids.

Mr. Hoffman reported that the alarm system needs to be modified due to the WHCRWA construction. Mr. Hoffman reported that he met with Troy Anthony, a representative of the WHCRWA, to discuss this issue and that Mr. Anthony would like for the modification to be completed by the District and included in the District's reimbursement request. 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 authorize the modification to the alarm system.

Mr. Hoffman reported that the concrete slab between the lift station wet well and dry well has begun to settle. Mr. Hoffman reported that H2O broke the pavement out and found a problem with the wet well seal and is in the process of sealing the top of the wet well.

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.

Mr. Hoffman reviewed with the Board the priority two repairs remaining in phases six and seven, a copy of which is attached to the Operations Report. Discussion ensued. 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 authorize the repairs to the remaining priority two sanitary sewer line repairs in phases six and seven.

Mr. Hoffman reviewed with the Board the Consumer Confidence Report ("CCR"), a copy of which is attached to the Operations Report .

Mr. Hoffman noted that all but \$200 of the \$6,000 to \$7,000 Coppermill Apartments water bill has been paid.

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 "E." 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 accept the Bookkeeper's Report, to authorize payment of check nos. 5370 through 5391 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. **Review Investment Policy and accept related party disclosures.** The Board reviewed its investment policy and noted there were no changes that needed to be made thereto.

8. **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 has completed all work associated with the GIS map with the exception of (a) any additional comments Mr. Hoffman might have and (b) the overlay of the WHCRWA lines, which will be added upon receipt of the as-built drawings.

Mr. Eastland reported that TC&B has reviewed the plans submitted by Dev-Tex Engineering for Ridge Park Business Center and that a preliminary review letter will be submitted later this week.

Mr. Eastland reported that TC&B has reviewed the DVDs from phase 10 sanitary sewer line video inspection to identify future repairs. Mr. Eastland reported that the cost estimates and sanitary sewer repair plans are being prepared and will be submitted Mr. Hoffman by the next Board meeting.

Mr. Eastland updated the Board on the District's conversion to surface water. Mr. Eastland reported that R&B Group will be installing the control panel this week. Mr. Eastland reported that the District is not currently receiving surface water. Mr. Eastland reviewed with the Board progress payment no. 5 from R&B Group in the amount of \$11,475.00 for the Board's approval, 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. 8 in the amount of \$11,475.00.

Mr. Eastland reported that TC&B received a letter from the WHCRWA regarding renewal of the Harris-Galveston Coastal Subsidence District well permits. Mr. Eastland reported that the information requested will be submitted to the WHCRWA for processing.

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

10. **Discuss reclaimed water system.** 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 required implementations of mandated surface water conversion for 2020. Mr. Eastland reported that TC&B findings will be submitted to the WHCRWA as justification for their consideration for participating in the funding of these conversions.

Mr. Eastland reported that TC&B has met with Mr. Wayne Ahrens of the WHCRWA to discuss methodology and the collection of information from him to use in developing the present worth value of avoiding a portion of a future cost of surface water conversion. Mr. Eastland reported that Mr. Ahrens was receptive to the approach and looks forward to receiving the completed analysis. Mr. Eastland reported that Mr. Ahrens is interested in providing incentives to use reclaimed water and this analysis would be helpful to them in deciding what value is appropriate.

Mr. Eastland reported that Mr. Ahrens provided some information to TC&B on the day of the meeting, and has provided additional information over the three weeks following. Mr. Eastland reported that some of the data that was requested was in the process of being revised and it was appropriate to wait for the most up to date numbers to do the analysis. Mr. Eastland reported that the information requested includes studies of reclaimed water that were paid for or partially funded by the WHCRWA, the proposed conversion amounts in 2020, the cost of the proposed conversion, and the layout of the lines that are needed to accomplish that conversion.

Mr. Eastland reported that TC&B currently has all of the information requested, with the exception of the 2020 layout. Mr. Eastland reported that TC&B is reviewing the information that was submitted and anticipates receiving the line layout this week.

11. **Update on District website.** Mr. Hoffman reported that he has received several emails with comments and questions on the District's website. The Board agreed it would be beneficial to have standard answers to frequently asked questions regarding the District. Mr. Hoffman agreed to prepare these answers for the Board's review.

12. **Review ethics policy.** This Board discussed the District's ethics policy and asked Ms. Russell to provide a copy to the Board. Discussion ensued.

13. **Approve Interlocal Agreement with the Subsidence District.** The Board reviewed the Interlocal Agreement (for the Water Wise Program) with the Harris-Galveston Coastal Subsidence District, a copy of which is attached hereto as Exhibit "G." 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 participate in the WaterWise program and to approve and authorize execution of the Interlocal Agreement.

14. **Report on Copperfield Joint Operations Board meeting.** Director Henderson updated the Board on the most recent meeting.

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

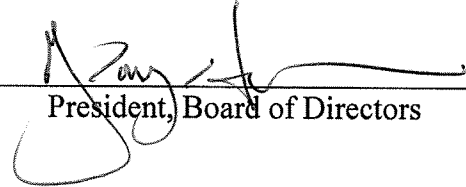
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The foregoing minutes were passed and approved by the Board of Directors on

July 19, 2000.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

