

MINUTES OF MEETING OF BOARD OF DIRECTORS  
February 19, 2008

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 19, 2008; whereupon the roll was called of the members of the Board, to wit:

Gary Henderson, President  
Mark Day, Vice President  
Carol Barnes, Secretary  
Leonard Fojt, Treasurer  
Charles Bumpass, Assistant Secretary

All members of the Board were present. 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. Tony Sarman of TCB, Inc. ("TCB"), engineers 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. Nancy Green 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 15, 2008, previously distributed to the Board. Upon motion by Director Day, seconded by Director Bumpass, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of January 15, 2008, 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, copies of which are attached hereto as Exhibit "B." Ms. Guerrero reported that 93.82% of the District's 2007 taxes have been collected. Upon motion by Director Day, seconded by Director Bumpass, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1338 through 1340 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code.** Upon motion by Director Day, seconded by Director Bumpass, after full discussion and the question being put to the Board, the

Board voted unanimously to adopt the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code, a copy of which is attached hereto as Exhibit "C."

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 the District pumped 3,734,000 gallons of water and purchased 8,690,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 214,716,000 gallons and 10 months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 95.2% of the water pumped in and purchased by the District in January 2008.

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 paint contractor is still waiting on appropriate weather to begin painting the water plant.

Mr. Hoffman stated that H2O noticed a drop in chlorine levels (and an increase in chlorine demand) while filling GST #1 from well #2. Mr. Hoffman reported that H2O super-chlorinated the tank and that the lab obtained a sample. Mr. Hoffman noted that the sample results indicated that the well's sulfide levels and iron levels were similar to the lab results from the previous summer after the well was returned to service. Mr. Hoffman stated that the test results indicated that GST #1 had growth of iron bacteria inside the tank. Mr. Hoffman reported that H2O super-chlorinated the tank, removed all of the old water and started refilling the tank.

Mr. Hoffman reported that H2O installed a water line inside the bleach room to aid in washing down bleach spills and maintaining pumps.

Mr. Hoffman stated that the control building roof is developing leaks and recommended repairing the areas around the roof penetrations. Mr. Hoffman reported that H2O received a bid for the roof repair at an estimated cost of \$5,600. Mr. Hoffman stated that he would request additional bids to obtain the best price for the repairs.

Mr. Hoffman reported on water line maintenance and noted that H2O repaired the main valve inside the fire hydrant and performed maintenance to the hydrant at 7015 Highway 6. Mr. Hoffman reported that the blow off installation is complete and would be invoiced next month.

Mr. Hoffman reported that a list of the top 10 water users in the District is attached to the Operations Report. Mr. Hoffman recommended testing the meters for accuracy at an estimated cost of \$2,500. 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 testing the meters for the top 10 water users in the District at an estimated cost of \$2,500.

Mr. Hoffman reported that H2O repaired four manholes in the District last month.

Mr. Hoffman reported on the water quality complaint log and noted three customers complained about the water quality in January.

Mr. Hoffman reviewed with the Board a customer's request to adjust their bill payment, a copy of which request is attached to the Operations Report. Mr. Hoffman recommended adjusting the account by charging only for the cost of the water, in accordance with District policy. Upon motion by Director Bumpass, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to adjust Mr. Tubalinal's water payment and charge for the cost of water.

5. **Bookkeeper's and Investment Report.** The President recognized Ms. Hogue, who presented to and reviewed with the Board the Bookkeeper's Report, the proposed budget for the fiscal year ending February, 2009 and the Investment Report, copies of which are attached hereto as Exhibit "E." The Board agreed to defer approving the Bookkeeper's Report until after review of the reclaimed water system and budget.

6. **Update on reclaimed water system.** Director Henderson updated the Board on the reclaimed water system ("RWS") cost increases. Discussion ensued regarding the costs and benefits of the project. Upon motion by Director Bumpass, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to discontinue further discussion of the RWS due to the increased project costs.

7. **Approve budget for fiscal year ending February 28, 2009.** The Board reviewed the budget and discussed reallocating the money in special projects from the RWS to a new generator for the site well, painting and equipment replacement at the sewage treatment plant.

The Board discussed amending the rate order to charge customers for the increased price of purchasing surface water from the West Harris County Regional Water Authority ("WHCRWA"). No action was taken.

Director Fojt questioned the need for a generator since the WHCRWA is requiring the District to increase its purchase of surface water. Mr. Hoffman noted that during extreme events the District may need to use the generator to pump water well #2.

Director Bumpass left the meeting at this time.

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 accept the Bookkeeper's Report, to authorize payment of check nos. 5902 through 5922 from the Operating Account, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report, to approve the budget for the fiscal year ending February 28, 2009 and to approve the Investment Report.

8. **Amend Rate Order.** This item was discussed in the Bookkeeper's Report.

9. **Engineer's Report.** The President recognized Mr. Sarman, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "F." Mr. Sarman reported on the GIS mapping system updates and noted that

TCB has completed the draft updates to the GIS files and has provided the files to H2O for their review. Mr. Sarman stated that TCB will address H2O's comments upon receipt.

Mr. Sarman reported that TCB submitted an email to the engineer for Mattress Pro requesting the updated plans. Mr. Sarman stated that TCB received a response that the plans were being submitted via courier on February 18, 2008.

Mr. Sarman reported that TCB is coordinating with F&J and the engineer at St. Mary's to prepare the dedication of the easements. Mr. Sarman noted that TCB will continue to provide updates on this item.

10. **Adopt Order Calling Directors Election.** This item was done at the January meeting.

11. **Adopt Resolution Adopting Prevailing Wage Rate Scale for Construction Projects.** 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 adopt the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects, a copy of which is attached hereto as Exhibit "G."

12. **Report on Copperfield Joint Operations Board ("CJOB") meeting and Update on RWS.** Director Henderson reported that sewer plant aging and the RWS was discussed at the 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:

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Secretary, Board of Directors

(DISTRICT SEAL)