

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 15, 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 April 15, 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 except Director Bumpass. 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 March 18, 2008, 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 March 18, 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 and a list of Eligible Uncollectible Accounts, copies of which are attached hereto as Exhibit "B." Ms. Guerrero reported that 96.568% of the District's 2007 taxes have been collected. Ms. Guerrero requested the Board's approval to move 13 delinquent personal property accounts to the uncollectible tax roll. Upon motion by Director Fojt, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to authorize moving the designated 13 Eligible Uncollectible Accounts to the uncollectible tax roll, to approve the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1349 through 1356 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **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 the District pumped 838,000 gallons of water and purchased 11,012,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 189,354,000 gallons and eight months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 98.3% of the water pumped in and purchased by the District in March 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 touch up painting on the GST and hydrotanks is complete at a final cost of \$1,752.65.

Mr. Hoffman stated that proposals to repair the control building roof are attached to the Operations Report. Mr. Hoffman recommended that the Board approve the low bid from Multi-D Construction at a cost of \$9,840. 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 roof replacement by Multi-D Construction at a cost of \$9,840.

Mr. Hoffman reported that the 400 hp motor at the offsite well #2 is being repaired. Mr. Hoffman reported that the well contractor had provided the District with both repair and replacement costs. Based on the two costs and Director Henderson's input, Mr. Hoffman stated that the motor is being repaired at an estimated cost of \$25,245.

Mr. Hoffman reported on the water plant maintenance and stated that while the motor was being pulled, the contractor repaired the steady bearing on the right angle drive at the well.

Mr. Hoffman reported on the GST's alarm repairs and stated that the conduit has been installed and the electricians are in the process of pulling the wire for the alarms.

Mr. Hoffman reported that the TCEQ annual inspection of the water system was performed on March 26, 2008 and the inspector noted the following items:

- (1) The drainage area around GST #2 had washed away and needs to be stabilized and filled in. Mr. Hoffman noted that a drainage swale from GST #2 was installed and stabilized to prevent washout.
- (2) The District needs a contract with WHCRWA to purchase water. Mr. Hoffman reported that a copy of the rate order and correspondence with the WHCRWA engineer was sent to the inspector.

Mr. Hoffman stated that while the TCEQ inspector was on site, she performed a Superior Water System Inspection. Mr. Hoffman noted that based on the inspection, the inspector thought the District would qualify for the application, but needed to check the records in Austin to confirm.

Mr. Hoffman reported on water line maintenance and noted that the meter repairs are on schedule.

Mr. Hoffman reported on sewer line maintenance and noted that the manhole at Sugar Ridge and Lakeview Haven was repaired with chemical grout and sealed. Mr. Hoffman stated that a sinkhole had developed at the southwest corner of that intersection.

Mr. Hoffman reported that the Water Smart application has been submitted to the Water Smart Committee for review.

Mr. Hoffman stated that the water quality information has been submitted to Harris County Municipal Utility District Nos. 162 and 208. Mr. Hoffman reported that a certification will be submitted to the TCEQ by May 1, 2008, as required. Mr. Hoffman noted that H2O received the water quality information from the WHCRWA and it will be included in the annual water quality report.

4. **Bookkeeper's and Investment Report.** The President recognized Ms. Hogue, who presented to and reviewed with the Board the Bookkeeper's Report, the budget for the fiscal year ending February 28, 2009 and the Investment Report, copies of which are attached hereto as Exhibit "D." Ms. Hogue state that she would email the collateral report to the Board after the meeting. Ms. Hogue reported that the District received \$58,303.27 in Strategic Partnership payments in January from the City of Houston. Extensive discussion ensued on uses for the District's funds. Upon motion by Director Barnes, seconded by Director Fojt, 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. 5947 through 5966 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 Investment Report.

5. **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 "E." Mr. Sarman reported that TCB has received and is addressing comments from H2O on updates to the GIS map file.

Mr. Sarman reported that on March 19, 2008, TCB submitted a letter to John Russo on plans received from Panera Bread, a copy of which is attached to the Engineer's Report. Mr. Sarman stated that Panera Bread's engineer provided TCB documentation certifying that the grease trap at the restaurant is sized and located appropriately for their operations. Mr. Sarman noted that a sample well was located at the shopping center which might meet the needs of the operator. Mr. Sarman stated that the sample well will be confirmed during the operator's plumbing inspection.

Mr. Sarman reported that St. Mary Coptic Orthodox Church is looking into decreasing the tap sizes on their project in order to save money on tapping fees. Mr. Sarman reported that he would provide updates to the Board as they are received.

6. **Ratify engagement letter for Arbitrage Rebate Report for \$3,055,000 Series 1998 Bonds.** 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 ratify the engagement letter for Arbitrage Rebate Report for \$3,055,000 Series 1998 Bonds, a copy of which is attached hereto as Exhibit "F."

7. **Discuss arbitrage compliance and engage consultant.** Ms. Cogburn recommended that the Board engage an arbitrage compliance consultant, such as Arbitrage Compliance Specialists (“ACI”) to determine if the District has completed with project fund yield restriction requirements, debt service yield requirements and the arbitrage rebate requirements of the Department of the United States Treasury, Internal Revenue Service for their bond issues. A copy of the ACI engagement letter is attached hereto as Exhibit “G.” Ms. Cogburn stated that F&J would attempt to obtain a specific cost estimate from ACI for the Board’s review at the May meeting.

8. **Report on Copperfield Joint Operations Board (“CJOB”) meeting and Update on RWS.** Director Henderson reported that that Harris County Municipal Utility District No. 162 would like to move forward with the Reclaimed Water System (“RWS”) project and is discussing a joint project with Harris County Municipal Utility District No. 188. Director Henderson reported that CJOB received the letter of no objection from Harris County Municipal Utility District No. 163 and that the letter contains an acknowledgement of receipt by each CJOB participant.

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:

Secretary, Board of Directors

(DISTRICT SEAL)