

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 20, 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 May 20, 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 Directors Bumpass and 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. 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 April 15, 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 April 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, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that 97.42% of the District's 2007 taxes have been collected. 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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1357 through 1365 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 2,985,000 gallons of water and purchased 13,328,000 gallons

of water from the West Harris County Regional Water Authority (“WHCRWA”) during the last period and that the District has 175,727,500 gallons and seven months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 96.82% of the water pumped in and purchased by the District in April 2008.

Mr. Hoffman reported that the District will not be able to collect builder damages from EP Brady and El Dorado Paving because the WHCRWA has completed payment to the District for costs associated with the conversion to surface water. Mr. Hoffman suggested that the District write-off these builder damages.

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 the control building roof replacement is complete at a final cost of \$10,416.80.

Mr. Hoffman reported that the 400 hp motor at the offsite well #2 has been repaired and is operational at a final cost of \$27,635.80. Mr. Hoffman noted that copies of the repair costs will be submitted to the insurance company.

Mr. Hoffman reported on the well piping and noted that H2O repaired a leak on a 12-inch tee on the well head.

Mr. Hoffman recommended replacing the coupling on the well #2 dresser because the piping has developed a slow leak.

Mr. Hoffman reported that the contractor repaired the steady bearing on the well while the motor was being pulled on the right angle drive. Mr. Hoffman noted that H2O is waiting on the invoice from Alsay and the estimated cost of the repair is \$800.

Mr. Hoffman reported on the water plant maintenance and the GST alarm repairs. Mr. Hoffman noted that the high level alarms have been installed and are operational. Mr. Hoffman reported that H2O is waiting on the final invoice from NTS.

Mr. Hoffman reported that the TCEQ correspondence from the annual inspection of the water system is attached to the Operations Report.

Mr. Hoffman reported that the lift station cleaning is complete.

Mr. Hoffman reported on water line maintenance. Mr. Hoffman noted that the meter repairs are complete and H2O is waiting on the final report. Mr. Hoffman noted that the meter at the Apartments at Enclave was not registering at low flows.

Mr. Hoffman reported on sewer line maintenance and noted that the manhole at Sugar Ridge and Lakeview Haven was repaired. Mr. Hoffman reported that the Phase 11 repair to the cast iron line under Highway 6 was cleaned with the cutter to increase the area of the pipe.

Mr. Hoffman stated that the Consumer Confidence Report is attached to the Operations Report for the Board's review.

Mr. Hoffman reported a drop in the chlorine residuals at the far end of the District has probably contributed to the water quality complaints.

Mr. Hoffman reviewed with the Board a list of potential projects for the District to consider, a copy of which is attached to the Operations Report. Extensive discussion ensued. Director Henderson requested that Mr. Hoffman prioritize the potential projects and include costs estimates for each project for further review by the Board. The Board discussed obtaining cost estimates to replace the control panel. 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 engage TCB to review and prepare cost estimates for the control panel project and to invite the financial advisor to attend the June meeting.

4. **Authorize amendment to Operations Contract.** Mr. Hoffman reviewed with the Board proposed H2O Operations Contract Amendments, a copy of which is attached to the Operations Report. Mr. Hoffman stated that the amendments reflect increases in fuel costs and labor rates for supervisors and managers. Discussion ensued. 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 and authorize execution of the amendments to the H2O Operations Contract.

5. **Approve Consumer Confidence Report.** 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 Consumer Confidence Report and to authorize H2O to mail the report to residents with the next water bill.

6. **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 stated that she would amend the budget to include the control panel replacement project. 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 Bookkeeper's Report, to authorize payment of check nos. 5968 through 5996 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.

7. **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 addressed comments received from H2O on updates to the GIS map file and is awaiting additional information on some of the sanitary sewers.

Mr. Sarman reported that TCB is preparing the proposal for the addition of the sanitary sewer repair information in the GIS files. Mr. Sarman stated that the proposal will be submitted next month.

Mr. Sarman reported that St. Mary Coptic Orthodox Church has submitted additional information for decreasing the tap sizes on their project in order to save costs on tapping fees. Mr. Sarman stated that the information has been forwarded to H2O.

8. Review cost estimate for arbitrage compliance and engage consultant.

The Board reviewed the cost estimate from Arbitrage Compliance Specialists (“ACI”), a copy of which is attached hereto as Exhibit “F.” Ms. Cogburn recommended that the Board engage a consultant for determining if the District has complied 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. Upon motion by Director Barnes, seconded by Director Henderson, and after full discussion and the question being put to the Board, the Board voted unanimously to engage ACI to determine if the District has complied 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.

9. Qualify Directors. Ms. Green presented to and reviewed with the Board the Certificates of Election.

10. Election of Officers. 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 Certificates of Election and to retain the current slate of officers.

11. Report on Copperfield Joint Operations Board (“CJOB”) meeting and Update on Reclaim Water System (“RWS”). Director Henderson reported that Harris County Municipal Utility District No. 162 is moving forward with the Reclaimed Water System (“RWS”) project and that CJOB requested that F&J remove RWS from future agendas. Director Henderson reported that CJOB is reviewing four proposals from waste haulers to remove sludge.

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)