

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 17, 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 June 17, 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; Mr. Mike McCall of McCall, Gibson & Company, PLLC, auditors 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 May 20, 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 May 20, 2008, as presented.

2. **Approve audit for the fiscal year ended February 29, 2008.** The President recognized Mr. McCall, who presented to and reviewed with the Board the draft audit for the fiscal year ended February 29, 2008 and the management representation letter, copies of which are attached hereto as Exhibit "B." 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 the audit for the fiscal year ended February 29, 2008.

3. **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 97.916% of the District's 2007 taxes have been collected. Ms. Guerrero requested the Board's approval to move the tax account from Woodforest Bank to Comerica Bank. 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 move the tax account from Woodforest Bank to Comerica Bank, to approve the Tax Assessor and Collector's Report and to authorize payment of check nos. 1366 through 1372 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

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 15,552,000 gallons of water and purchased 7,512,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 152,693,500 gallons and six months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 83.4% of the water pumped and purchased by the District in May 2008. Mr. Hoffman stated that H2O is investigating the low water accountability by checking the interconnect valves and storm ditches and work performed on the ground storage tanks. In response to a question from Director Henderson, Mr. Hoffman stated that the District has cut back surface water consumption at the request of the WHCRWA.

Mr. Hoffman presented to and reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman stated that the dresser coupling for well #2 has been replaced at a final cost of \$2,538.30.

Mr. Hoffman reported that the steady bearing on the right angle drive at the water plant has been repaired.

Mr. Hoffman reported that the high level GST alarms at the water plant have been installed and are operational.

Mr. Hoffman reported that H2O investigated the well #2 controls and discovered a bad time delay and flow switch.

Mr. Hoffman reported that a copy of the email from the TCEQ regarding the annual inspection is attached to the Operations Report for the Board's review. Mr. Hoffman noted that the TCEQ will close the violation report on the District.

Mr. Hoffman stated that the GM Services reports on the semi-annual well testing is attached to the Operations Report and that the submergence levels are good for both wells. Mr. Hoffman noted that the submergence levels are at an all-time high as a result of the District using more surface water.

Mr. Hoffman reported that the GST #2 internal coating inspection is complete and the tank is back in service. Mr. Hoffman stated that the report states, "the interior coating system is currently within an acceptable condition with no typical coating failures." Mr. Hoffman noted that the report would be given to TCB for review and use for determining the scope of work needed for the upcoming painting project.

Mr. Hoffman reported that the meter testing is complete and that H2O is awaiting the final reports.

Mr. Hoffman reported that the District is experiencing more water quality complaints on the west side of Highway 6. Mr. Hoffman recommended converting to free chlorine for a week to ten days and flushing all of the dead end lines to remedy the problem at an estimated cost of \$3,000. Mr. Hoffman noted that the process may need to be repeated every six months. 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 conversion to free chlorines and flushing the dead end lines at an estimated cost of \$3,000.

Mr. Hoffman stated the Consumer Confidence Report is attached to the Operations Report and that a copy will be placed on the District's web page.

Mr. Hoffman reported that the TCEQ is requesting the District's participation in TXWARN, which is a voluntary network for utility providers to use in response to disasters. Mr. Hoffman stated that he would prepare and submit the emergency contact information to the TCEQ for participation in the program.

5. **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 "E." 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. 5997 through 6016 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.

6. **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 stated that the proposal for adding sanitary sewer repair information in the GIS files is attached to the Engineer's Report. Mr. Sarman noted that the estimated cost of the project is \$8,000. 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 proposal for adding sanitary sewer repair information at an estimated cost of \$8,000.

Mr. Sarman reported that TCB is working with H2O to prepare estimates for painting the water plant.

Mr. Sarman reported that TCB received notification from TXDOT that FM 529 and Highway 6 will be expanded. Mr. Sarman stated that TCB hasn't received any plans on the project but noted TXDOT will be holding a meeting at the end of July to discuss the expansion if any Board members are interested in attending the meeting.

7. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that Jerry Folmar of Harris County Municipal Utility District No. 162 ("No. 162") is stepping down as the CJOB representative for No. 162 and that John Parrish will be the new representative. Director Henderson reported that CJOB accepted The Essential

Group insurance proposal. Director Henderson stated that estimates are forthcoming for the operators building at the sewage treatment plant.

Director Henderson requested that the financial advisor attend the July meeting to discuss the feasibility of District projects.

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

_____.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)