

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 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 July 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 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; Ms. Julie Peak of First Southwest Company, financial advisor 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 June 17, 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 June 17, 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 97.915% of the District's 2007 taxes have been collected. Ms. Guerrero presented a request from Cottage Schools for a six-month payment plan to pay their taxes. 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 a six-month payment plan for Cottage Schools to pay their taxes, to approve the Tax Assessor and Collector's Report and to authorize payment of check nos. 1373 through 1379 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Approve Notification of Transfer of Safekeeping Custodian for Texas State Bank.** Ms. Hogue stated that Texas State Bank and Compass Bank were merging. Upon motion by Director Barnes seconded by Director Henderson, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the Texas State Bank notification of transfer of safekeeping custodian, thereby acknowledging receipt thereof.

4. **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 22,263,000 gallons of water and purchased 4,352,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 126,078,000 gallons and five months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 84.7% of the water pumped and purchased by the District in June 2008. Mr. Hoffman stated that H2O has investigated the low water accountability and noted that a list of action items pertaining to the investigation is attached to the Operations Report. Mr. Hoffman recommended lowering the pressure setting from 67 to 64 and suggested that a leak detection crew inspect the system if the water accountability does not improve.

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 H2O investigated a sinkhole inside the water plant site and found an old inlet and manhole. Mr. Hoffman stated that H2O raised the storm sewer line to grade and sealed the inlet and manhole at a final cost of \$2,353.99.

Mr. Hoffman reported that H2O repaired the CLA valve on hydrotank #2 at a final cost of \$1,648.04.

Mr. Hoffman stated that the District had converted to free chlorine and flushed the lines. Mr. Hoffman noted that the District returned to chloramines and has not been experiencing the same chlorine drop that it had previously experienced. Mr. Hoffman reported that the final cost for flushing the lines is \$3,128.70.

Mr. Hoffman reported that the GST 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 stated that the report will be given to TCB for review and will be used to determine the scope of work needed for the upcoming project.

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

5. **Consider and approve HGCSO Interlocal Agreement ("IA").** The Board reviewed the HGCSO IA, a copy of which is attached hereto as Exhibit "D." Upon motion by Director Henderson, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the HGCSO IA.

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 "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. 6018 through 6037 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 "F." Mr. Sarman stated that TCB is currently working to add the sanitary sewer repair information to the GIS files.

Mr. Sarman stated that TCB met with H2O to discuss replacing the control panel. Mr. Sarman reported that TCB estimates that the cost to replace the control panel is approximately \$150,000 and would include converting the current control panel to a junction box, installing a computer control system, and connecting the panel for monitoring through a dial-in system or the internet. Mr. Sarman stated that the project could be completed in phases.

Mr. Sarman reported on the water plant painting and noted that based on a recent bid, TCB estimates the cost to paint the water plant and offsite well exteriors is approximately \$235,000. Mr. Sarman stated that the painting proposal is attached to the Engineer's Report. Mr. Sarman reported that the estimated cost to paint the interiors of the two ground storage tanks is an additional \$280,000. Mr. Sarman stated that TCB Public Works has prepared a proposal to prepare the drawings and specifications for bidding of the project. Mr. Sarman requested the Board's approval to prepare the bid documents. 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 authorize TCB to prepare the bid documents for the ground storage tank painting so that advertising could begin in August.

Mr. Sarman reported that TCB received drawings of the proposed improvements to the Highway 6 and FM 529 intersection expansion from TXDOT. Mr. Sarman stated that TXDOT scheduled a meeting July 29, 2008 with surrounding districts to discuss any utility impacts and to suggest cooperative solutions. Mr. Sarman noted that copies of the plan will be brought to the meeting.

8. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that John Parrish is the new CJOB representative for Harris County Municipal Utility District No. 162.

9. **Other Business.** The Board recognized Julie Peak, who reviewed with the Board various methods of retiring the District's debt. Discussion ensued. Ms. Peak suggested that the Board consider calling the Series 1998 Bonds and requested that a Resolution Calling Series 1998 Bonds be added to the August agenda for the Board's consideration and approval.

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)