

MINUTES OF MEETING OF BOARD OF DIRECTORS
November 18, 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 November 18, 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 Fojt. Also attending all or parts of the meeting were Ms. Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Tony Sarman of AECOM, Inc., 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 October 21, 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 October 21, 2008, as presented.

2. **Tax Assessor and Collector's Report.** Ms. Rodriguez 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. Rodriguez reported that 98.54% of the District's 2007 taxes have been collected. The Board requested that a tax refund of \$21,351.88 be issued by the bookkeeper so that the refund will not be held up another month. 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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1004 through 1011 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **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 "C." In response to a question from Director Bumpass on the Investment Report, Ms. Hogue responded that she would correct the values reflected in the investment pools and would forward the corrected report 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 accept the Bookkeeper's Report, to authorize payment of check nos. 6112 through 6134 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.

4. **Discuss and amend Investment Policy.** Ms. Hogue reviewed with the Board a letter from Mary Jarmon of Myrtle Cruz, Inc. regarding the District's investment strategies, a copy of which is attached hereto as Exhibit "D." The Board discussed solutions to getting the District's investments into compliance with the Investment Policy as it relates to investments with Compass Bank. The Board discussed either revising the Investment Policy or reducing the amount invested in certificates of deposits ("CDs") with Compass Bank. Extensive discussion ensued. The Board requested that Myrtle Cruz contact Compass Bank to determine if it would impose a penalty on the District for decreasing the CD balance so that the District would be in compliance with the Investment Policy. It was the consensus of the Board to authorize Myrtle Cruz to decrease the CD balance if Compass Bank imposes no penalties.

5. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "E." Mr. Sarman reported that AECOM has prepared drawings which identify the line segments in phases 3 and 4 to be video taped prior to the repair. Mr. Sarman stated that the drawings have been submitted to H2O and that AECOM will continue to coordinate with H2O and the contractor to address the phase 3 and 4 sewer point repairs.

Mr. Sarman reported that AECOM has confirmed that no conflicts have occurred in the past with the contractor and that AECOM has proceeded with the finalization of the contracts. Mr. Sarman noted that Swain and Associates has been contacted and will perform the painting inspections and compliance of the paint work.

Mr. Sarman reported that AECOM is researching the options for looping the waterline at Echo Lodge Drive. Mr. Sarman reported that the option to run a new waterline along the sewer easement between the houses is unlikely due to spacing and clearance issues with the sanitary sewer line that runs parallel to the storm sewer near River Garden Drive. Mr. Sarman stated that a second option is to run a new waterline along the southern side of Mesa Gardens Drive. Mr. Sarman stated that AECOM would need to confirm the clearance between the new waterline and a sanitary sewer line that is in the same area and to confirm clearance with other dry utilities.

Mr. Sarman reported that AECOM is finalizing the addition of the sanitary sewer repair information to the GIS files. Mr. Sarman noted that AECOM will be submitting the updated files to H2O for review and comment.

Mr. Sarman reported that AECOM is working with H2O to determine the needs for the future control panel.

Mr. Sarman reported that TxDOT has postponed the intersection improvements at Highway 6 and FM 529 until further notice.

6. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "F." Mr. Hoffman reported that the District pumped 7,638,000 gallons of water and purchased 11,360,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 37,455,500 gallons and one month remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 92.7% of the water pumped and purchased by the District in October 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 on the water plant maintenance and stated that H2O replaced the shorted well #2 capacitors at a final cost of \$3,575.56.

Mr. Hoffman reported on the water line maintenance and stated that H2O repaired a two-inch blow-off at 7422 Star Bridge by replacing the pipe from the main to the valve.

Mr. Hoffman reported that H2O repaired a fire hydrant which was damaged by a Southern Star Concrete truck during the pouring of concrete at St. Mary's Church expansion. Mr. Hoffman reported that the repair cost will be backcharged to Southern Star Concrete at a final cost of \$5,742.67.

Mr. Hoffman reported that H2O attempted to locate a valve along Summer Dew Lane but determined that a valve is not at the location specified on the plans.

Mr. Hoffman reported on sewer line maintenance and stated that priority 1 and 2 repairs on the phase 3 and 4 sanitary sewer lines will begin soon at an estimated cost of \$78,000.

Mr. Hoffman reported last month that the District developed a sewer stoppage in the sewer line from the Exxon station to the Randalls Center. Mr. Hoffman stated that the line and manholes were cleaned and a report was filed with the TCEQ.

Mr. Hoffman reported that H2O investigated a sewer stoppage at 7125 Bristol Ridge after a customer's plumber indicated that the problem was in the District's line. Mr. Hoffman reported that H2O televised the District's main to verify that the problem was not on the District's main at a final cost of \$2,369.06.

Mr. Hoffman reviewed the Water Quality Complaint Log.

7. **Discuss FEMA reimbursement of Hurricane Ike expenses.** Mr. Hoffman reported that the FEMA application for reimbursable expenses will be submitted next week.

8. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that AECOM provided cost estimates to purchase a generator for CJOB. Director Henderson reported that AECOM provided cost estimates for diesel and natural

gas generators to operate the sewage treatment plant at full capacity and at working capacity. Director Henderson reported that AECOM is refining their generator cost estimates for review at the next CJOB meeting.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

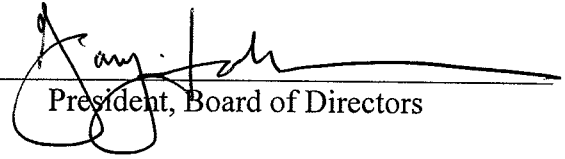
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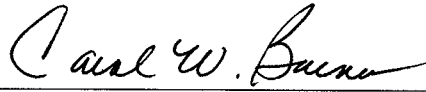
The foregoing minutes were passed and approved by the Board of Directors on

December 16, 2008.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

