

MINUTES OF MEETING OF BOARD OF DIRECTORS  
October 21, 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 October 21, 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. 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 September 25, 2008, previously distributed to the Board. Upon motion by Director Barnes, seconded by Director Bumpass, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of September 25, 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 98.7% of the District's 2007 taxes have been collected. 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. 1001 through 1003 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Public Hearing on the 2008 Tax Rate.** There were no comments from the public. Ms. Guerrero reported that the proposed 2008 tax rate was published in the Houston Chronicle, as required by state law.

4. **Adopt Order Setting Tax Rate for 2008 and approve Amended District Information Form.** 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 adopt the Order Setting Tax Rate and Levying Tax for 2008, a copy of which is attached hereto as Exhibit "C," thereby setting a tax rate of \$0.43 per \$100 assessed valuation (\$0.38 per \$100 valuation to pay principal and interest to service the District's debts and \$0.05 per \$100 valuation to fund maintenance and operating expenditures) and to approve the filing of an Amended District Information Form reflecting the 2008 tax rate.

5. **Consider and approve Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds.** Ms. Cogburn reviewed with the Board the Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds, a copy of which is attached hereto as Exhibit "D." Upon motion by Director Bumpass, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds.

6. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman reported that the District pumped 13,807,000 gallons of water and purchased 7,429,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 56,453,500 gallons and two months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 91.4% of the water pumped and purchased by the District in September 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 chlorine line from the chlorine storage room to the surface water line because the old line had developed a leak.

Mr. Hoffman reported that H2O replaced the check valve on well #2 at a final cost of \$3,103.85.

Mr. Hoffman reported that during Hurricane Ike (the "Hurricane") the water system operated under emergency conditions. Mr. Hoffman reported that the power was out at the plant from Saturday morning until Monday after the Hurricane. Mr. Hoffman stated that the District did not lose water pressure at any time during the power outage.

Mr. Hoffman reported on the lift station maintenance and stated that H2O operated the collection system with the portable generator from CJOB until the power was restored at a final cost of \$1,880.95.

Mr. Hoffman reported on the water line maintenance and stated that the leak detection is complete and that the report from Samco was presented to the Board last month. Mr. Hoffman reported that the check valve at well #2 was replaced.

Mr. Hoffman reported that H2O repaired two-inch blow-offs at 15903 Echo Lodge and 7422 Star Bridge at a final cost of \$2,749.85.

Mr. Hoffman reported that on sewer line maintenance and stated that priority 1 and 2 repairs on the phase 3 and 4 sanitary sewer lines will begin upon receipt of plans from TCB.

Mr. Hoffman reported 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 was cleaned to remove the stoppage and that the stoppage appeared to be caused by grease. Mr. Hoffman recommended adding the line to a sixth month maintenance program where the line is cleaned in conjunction with other line cleanings in the area. Mr. Hoffman reported that an authorized discharge report has been filed with the TCEQ. Mr. Hoffman stated that H2O would contact the operator for Harris County Municipal Utility District No. 257 ("No. 257") and remind the operator of the inspections because No. 257's line feeds into the sewer line.

Mr. Hoffman reviewed the Water Quality Complaint Log and noted that the District is still experiencing complaints from customers at the northern end of the water line. Mr. Hoffman reported that the District could either purchase water from Harris County Municipal Utility District No. 162 or loop their existing water line on River Gardens to tie-into the water line on Branch Point. Mr. Sarman stated that he would verify the easement locations on River Gardens to determine if the loop project is feasible.

Mr. Hoffman reviewed with the Board the Hurricane Ike Memo, a copy of which is attached hereto as Exhibit "F." Mr. Hoffman reviewed the following water plant recommendations:

- 1) Evaluate chemical storage capacities and determine what additional storage capacity is needed to last approximately 15 days.
- 2) Continue to evaluate engine/generator options for the offsite well or the onsite well. The District should consider continuing to provide water from the wells due to the restraints WHCRWA was placed under by the City of Houston during the Hurricane.
- 3) Modify Emergency Response Plan prior to the Hurricane and confirm that the storage tank levels are full and that the well motors are turned off and covered to prevent well motor failures.

The Board requested that TCB prepare preliminary costs for purchasing a generator.

Mr. Hoffman recommended that the Board continue to evaluate emergency power options to the lift station and stated that the use of the CJOB generator to pump down the plant site and the plant site lift station is not feasible.

Mr. Hoffman recommended that the Board modify the Emergency Response Plan to include preparing 850 boil water notices and storing the notices for future water emergencies.

Mr. Hoffman recommended purchasing and storing signs that specify "water is safe" or "boil water until further notice." The Board agreed to continue discussing these recommendations.

7. **Discuss FEMA reimbursement of Hurricane Ike expenses.** Mr. Hoffman reported that Director Henderson signed the application to FEMA on behalf of the District for reimbursement of Hurricane Ike expenses and that the preliminary application was submitted on October 10, 2008.

8. **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 "G." The Board discussed the District's investments in Compass Bank and questioned the District investing more money in Compass Bank than the Investment Policy allows. Discussion ensued regarding amending the Investment Policy. No action was taken. Ms. Hogue stated that the money is not at risk under the rules of the FDIC because it has a collateral pledge agreement with the Compass Bank. 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. 6086 through 6110 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.

9. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H." Mr. Sarman reported that TCB is finalizing the addition of the sanitary sewer repair information to the GIS files. Mr. Sarman noted that TCB will submit the updated files to H2O for review and comment.

Mr. Sarman reported that TCB will coordinate with H2O to have a contractor address the phase 3 and 4 sanitary sewer point repair.

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

Mr. Sarman reported that TCB held the bid opening on October 18, 2008 for the painting project and that two bids are attached to the Engineer's Report for the Board's review. 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 engage Swain and Associates to perform the painting inspections and to approve the low bidder for the project, Texas Bridge, Inc., subject to TCB's recommendation.

Mr. Sarman reported that TCB has submitted plans to TxDOT for the utilities in the project area for Highways 6 and 529. Mr. Sarman stated that TCB contacted TxDOT regarding the updated plans and other information on the acquisition of the FM 529 right-of-way. Mr. Sarman reported that TCB will update the Board with TxDOT's response.

10. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that among other items, CJOB discussed the Hurricane and related activities and the recommendations of H2O to purchase a generator for CJOB.

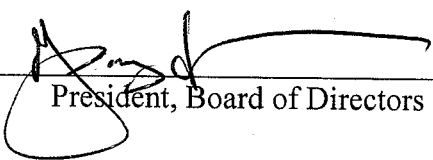
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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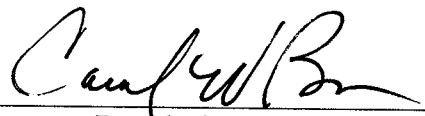
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The foregoing minutes were passed and approved by the Board of Directors on  
November 18, 2008

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

