

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 25, 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 special 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 September 25, 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; Ms. Julie Peak and Mr. Greg Lentz of First Southwest Company, financial advisors 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 August 19, 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 August 19, 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 98.5% 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. 1384 through 1391 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Consider Financial Advisor's recommendation for the 2008 Tax Rate.** Ms. Peak reviewed with the Board her recommendation for the District's 2008 Tax Levy, a copy

of which is attached hereto as Exhibit "C." Ms. Peak recommended that the Board levy \$0.38 per \$100 of assessed valuation for debt service and \$0.05 per \$100 of assessed valuation to fund maintenance and operating expenditures.

4. Adopt Order Designating Officer to Calculate and Publish Tax Rate.

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 adopt the Order Designating Officer to Calculate and Publish Tax Rate, a copy of which is attached hereto as Exhibit "D," thereby indicating its intent to set 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 designate Bob Leared as the District's officer to publish the proposed tax rate in the *Houston Chronicle*.

5. 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 7,677,000 gallons of water and purchased 11,888,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 77,689,500 gallons and three months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 81.1% of the water pumped and purchased by the District in August 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 stated that the two ground storage tank cathodic protection systems were inspected and that repairs were made to both systems at a final cost of \$1,979.30.

Mr. Hoffman reported that the well #1 chlorinator Porta-cell unit was repaired and upgraded at the water plant at a final cost of \$7,575.

Mr. Hoffman reported on the District's activities during Hurricane Ike (the "Hurricane"). Mr. Hoffman stated that the water system operated under emergency conditions during the Hurricane. Mr. Hoffman reported that power was out at the water plant from Saturday morning to Monday. Mr. Hoffman stated that the District did not lose water pressure any time during the power outage. Mr. Hoffman noted that after the power was restored, the District periodically supplied water to neighboring districts in an effort to make sure their was adequate capacity to fight fires in the area. Mr. Hoffman stated that H2O operated the lift station on Saturday and Sunday with a portable generator.

Mr. Hoffman stated that Samco investigated the low water accountability and that a copy of their leak detection report is attached to the Operations Report. Mr. Hoffman stated that the well #2 check valve is not holding and needs to be repaired or replaced.

Mr. Hoffman reported on sewer line maintenance and requested the Board's approval to begin the priority 1 and 2 repairs on the phase 3 and 4 sanitary sewer lines. Upon motion by Director Day, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted to approve the priority 1 and 2 repairs on the phase 3 and 4 sanitary sewer lines at an estimated cost of \$78,000.

Mr. Hoffman reviewed the Water Quality Complaint Log.

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 "F." 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. 6058 through 6084 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.** There was no report due to Hurricane Ike.

8. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Ms. Cogburn reported that CJOB discussed the feasibility of purchasing a generator instead of renting a generator during extreme weather events. Mr. Hoffman stated that E coli was not detectible in the August E-coli testing.

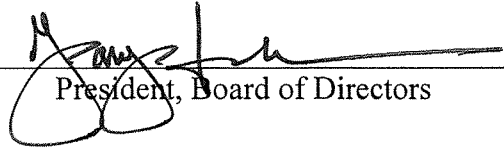
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on
October 21, 2007



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

