

MINUTES OF MEETING OF BOARD OF DIRECTORS  
February 17, 2009

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 February 17, 2009; 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 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; Mr. Joseph Ellis 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 January 20, 2009, 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 three in favor, with Director Bumpass abstaining, to approve the minutes of the meeting of January 20, 2009, 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 89.2% of the District's 2008 taxes have been collected. Upon motion by Director Day, seconded by Director Bumpass, 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. 1027 through 1032 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code.** 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 adopt the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code, a copy of which is attached hereto as Exhibit "C."

4. **Ratify approval of the ACS Yield Restriction Initial Bond Review Report and Invoice and authorize engagement of ACS for the 5<sup>th</sup> Year Computations for Unlimited Tax Bonds, Series 2004.** Upon motion by Director Day, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted three in favor, with Director Bumpass abstaining to ratify approval of the ACS Yield Restriction Initial Bond Review Report and Invoice and to authorize engagement of ACS for the 5<sup>th</sup> Year Computations for Unlimited Tax Bonds, Series 2004.

5. **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 4,953,000 gallons of water and purchased 8,367,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 213,536,000 gallons and ten months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 90.1% of the water pumped and purchased by the District in January 2009.

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. Mr. Hoffman stated that H2O met with the paint contractor and AECOM and noted that H2O has taken one tank offline so that the paint contractor can begin the tank coatings.

Mr. Hoffman reported on water line maintenance and stated that H2O replaced a valve stack at 7415 Marble Glen at a final cost of \$1,681.41. Mr. Hoffman reported that H2O repaired a hydrant at Lakeview Haven, north of Club Lake at a final cost of \$1,461.72.

Mr. Hoffman reported on sewer line maintenance and stated that H2O met with the contractor regarding the priority 1 and 2 repairs on the phase 3 and 4 sanitary sewer lines. Mr. Hoffman reported that the repairs will begin in the next few weeks at an estimated cost of \$78,000.

Mr. Hoffman reported that H2O investigated the sinkhole that developed over the sewer line at 15803 Echo Lodge. Mr. Hoffman reported that the line was dye tested and that dye entered the main line. Mr. Hoffman stated that the mainline was cleaned and televised at a final cost of \$1825.25. Mr. Hoffman reported that the test revealed that the problem is on the customer's line.

Mr. Hoffman reported that three cleaners were sampled for per and that perc was not detected in their effluent water.

Mr. Hoffman reviewed the Water Quality Complaint Log and stated that no water quality complaints were made during January. Mr. Hoffman stated that the lower temperatures

and the improved water quality from the WHCRWA have had a positive effect on the water quality.

6. **Discuss FEMA reimbursement of Hurricane Ike expenses.** Mr. Hoffman requested the Board's authorization to accept FEMA's proposed reimbursement of \$1,821. 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 authorize Mr. Hoffman to accept FEMA's proposed reimbursement of \$1,821 on behalf of the District.

7. **Discuss selling water plant generator to Harris County Municipal Utility District No. 208.** Mr. Hoffman reviewed with the Board the generator memo, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman stated that the memo includes several options for operating the lift station, well no. 2 site and the water plant site under emergency conditions.

Mr. Hoffman reported that emergency operations of the lift station under emergency conditions are the first priority for the Board to consider. In response to a question from Director Bumpass, Mr. Hoffman reported that he recommends purchasing the 40 KW natural gas generator because diesel fuel is hard to obtain and goes bad if stored too long. Mr. Hoffman recommended replacing the engine at the well no. 2 site. Extensive discussion ensued regarding the lift station, well no. 2 site and water plant site options. In response to a question from Director Bumpass, Mr. Hoffman stated that the cost to purchase a new 350 KW generator to operate the entire plant, including well no. 1, all pumps and the WHCRWA controls is \$350,000 to \$400,000.

Director Bumpass requested that an outline reflecting the total cost for the lift station and water plant be prepared for the Board's review. Director Henderson requested that AECOM investigate the costs of generators for the lift station and present the costs to the Board in March for review.

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, the proposed budget for the fiscal year ending February 28, 2010, 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. 6188 through 6209 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. **Approve budget for the fiscal year ending February 28, 2010.** Ms. Hogue reviewed the proposed budget and noted that \$300,000 under special projects for water plant painting would be moved to the 2010 budget. Extensive discussion ensued regarding special projects and the District's reserve balance. Mr. Hoffman stated that he would review the District's water rates so that the Board could discuss increasing the rates at a later date. Upon motion by Director Day, seconded by Director Bumpass, after full discussion and the Board, the Board voted to approve the budget for the fiscal year ending February 28, 2009.

10. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G." Mr. Sarman reported on the water plant painting and noted that the contractor reported finding lead in the old paint coating which contradicts a 2007 lead test performed by Swain and Associates ("Swain"). Mr. Sarman reported that Swain retested the paint coatings to confirm the old results. Mr. Sarman reported that Swain notified AECOM that the tests results were negative and that there appeared to be a mathematical error in the contractor's test results. Mr. Sarman reported that AECOM will provide a time extension for the period of time spent retesting for lead. Mr. Sarman stated that progress on the plant painting is continuing. Director Henderson requested that Mr. Sarman notify the Board of the costs associated with the second set of lead tests.

Mr. Sarman reported that AECOM is beginning coordination with the surveyor and the homeowners to survey the area of interest for the proposed waterline on Mesa Gardens. Director Day stated that he would prefer that AECOM postpone the survey since the District hasn't received water quality complaints. Mr. Hoffman stated that the District will know by May whether the temperature is affecting the water quality. It was the consensus of the Board that AECOM postpone the homeowner survey until after May.

Mr. Sarman reported that AECOM will continue to monitor proposed legislation regarding generator requirements. Mr. Sarman stated that Harris County is waiting on a response from the Stated regarding the Hazard Mitigation Grant Program. Mr. Sarman reported that the information for the Department of Housing and Urban Development's Community Development Block Grant was submitted by Harris County on February 6, 2009. Mr. Sarman added that AECOM will notify the Board of any new information.

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.

11. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that CJOB discussions included the budget and raising the per connection fee from \$8 to \$8.50. Director Henderson stated that the sludge conveyor belt is back in operation and that it is being operated on extended hours between 14 to 16 hours per day to complete the sludge hauling.

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:

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Secretary, Board of Directors

(DISTRICT SEAL)