

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 21, 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 April 21, 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; 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 March 17, 2009, previously distributed to the Board. Ms. Guerrero noted that Ms. Scott gave the Tax Assessor and Collector's Report and that the minutes should reflect her name. 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 March 17, 2009, as revised.

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 96.68% of the District's 2008 taxes have been collected. 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 approve the Tax Assessor and Collector's Report and to authorize payment of check nos. 1043 through 1047 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **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 13,897,000 gallons of water and purchased 2,902,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 182,273,000 gallons and eight months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 93% of the water pumped and purchased by the District in March 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 and stated that the painters have completed painting one ground storage tank and two hydrotanks.

Mr. Hoffman requested that the Board approve the semi-annual lift station cleaning at an estimated cost of \$1,800. 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 semi-annual lift station cleaning at an estimated cost of \$1,800.

Mr. Hoffman noted that H2O previously obtained a quote to install a 40 KW natural gas generator at the lift station site. Mr. Hoffman stated that the unit would need to connect to the existing manual transfer switch and that the estimated cost of the generator (including the gas meter installation) is \$25,000.

Mr. Hoffman reported on water line maintenance and stated that H2O is continuing to monitor the water quality complaints. Mr. Hoffman stated that he and Director Henderson met with Mr. Gyarmarthy, who resides at 7402 Branch Point. Mr. Hoffman stated that the bacteriological water tests performed inside and outside of Mr. Gyarmarthy's home were negative. Mr. Hoffman reported that he and Director Henderson explained to Mr. Gyarmarthy the efforts that the District has implemented to correct the water quality issues. Mr. Hoffman recommended that the District convert to 100% surface water for the next two months to see if the water quality improves and noted that the District will be required to convert to 100% surface water by the end of 2009. Mr. Hoffman added that the District would offset surface water costs with the reduction in chemical and electrical costs.

Mr. Hoffman reported on sewer line maintenance and stated that the contractor has televised the sanitary sewer lines in phases 3 and 4. Mr. Hoffman reported that repairs are underway as previously authorized. Mr. Hoffman stated that the estimated cost of the phase 3 and 4 repairs has increased from \$79,000 to \$103,000 because the line segment D3 to D2 requires a slip line repair instead of six point repairs.

Mr. Hoffman reported that H2O provided water quality information to Harris County Municipal Utility District Nos. 162 and 208 by April 1, 2009, as required by the TCEQ.

4. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "D." Mr. Sarman reported on the water plant painting and noted progress payment no. 2 in the amount of \$26,550 is attached to the Engineer's Report for the Board's review.

Mr. Sarman reviewed with the Board the generator cost estimates, a copy of which is attached to the Engineer Report. Mr. Sarman reported that the District can not use the

current transfer switch for the new generator. Discussion ensued regarding the sale of the District's generator to Harris County Municipal Utility District No. 208 ("No. 208"). Mr. Hoffman reported that No. 208 was not interested in purchasing an automatic transfer switch. Discussion ensued regarding selling the generator with or without the transfer switch. The Board continued its review of the generator cost estimates. Ms. Cogburn questioned the differences between the 10% miscellaneous, 20% contingencies and 20% profit and overhead charges on the generator estimates. Mr. Sarman reported that he would verify the descriptions and breakdown for these charges and report his findings to the Board. Mr. Sarman stated that he would also provide the Board the foundation pad requirements and utility estimates for the generator.

Mr. Sarman reported that AECOM is continuing to monitor proposed legislation regarding generator requirements and several bills have been introduced. Mr. Sarman noted that Senate Bill 361 ("SB 361") passed in the Senate on April 8, 2009 and would be introduced in the House of Representatives. Mr. Sarman reported that a copy of SB 361 is attached to the Engineer's Report.

Mr. Sarman reported that AECOM is preparing the Camp, Dresser and McKee ("CDM") forms on behalf of the District for providing information on critical water and wastewater infrastructure for emergency management purposes. Mr. Sarman reported that the forms will be emailed to CDM and Board upon completion.

Mr. Sarman reported that AECOM postponed the survey of the proposed looped waterline on Mesa Gardens to determine if taste and odor complaints continue after the weather warms. The Board requested that Mr. Sarman proceed with the review of the right-of-ways for the looped water line at an estimated cost of \$2,000.

Mr. Sarman reported that AECOM has finished updating the GIS files and that AECOM is coordinating with H2O to import the new files.

5. **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 March 31, 2009, the budget for the fiscal year ending February 28, 2010, and the Investment Report, copies of which are attached hereto as Exhibit "E." Ms. Hogue noted that she accidentally left three certificates of deposits off the investment report and assured the Board that a corrected copy would be emailed to the Board. In response to a question, Ms. Hogue reported that the Investment Report dates could be modified to match the Bookkeeper Report dates. 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 accept the Bookkeeper's Report, to authorize payment of check nos. 6235 through 6259 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.

6. **Adopt Order Adopting Identity Theft Prevention Program and Providing for Implementation and Enforcement Thereof.** The Board reviewed the Order Adopting Identity Theft Prevention Program and Providing for Implementation and Enforcement Thereof, a copy of which is attached hereto as Exhibit "F." Mr. Hoffman reviewed the new customer procedures (listed in the Operations Report) which are being implemented by H2O to

prevent identity theft. Mr. Hoffman stated that the identity theft program requires that new service agreements be notarized and he reported that H2O would provide notary services to customers at the H2O office. Mr. Hoffman stated that the additional time expended by H2O on identity theft prevention will likely result in an additional fee between \$2 to \$5 for the customer application fee.

Director Day left the meeting at this time.

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 Adopting Identity Theft Prevention Program and Providing for Implementation and Enforcement Thereof.

7. Discuss selling water plant generator to Harris County Municipal Utility District No. 208. This item was discussed in the Engineer's Report.

8. Report on Copperfield Joint Operations Board ("CJOB") meeting. Director Henderson reported that the CJOB meeting was brief and that CJOB will discuss the forecast for the CJOB five year plan of expenses at the June meeting.

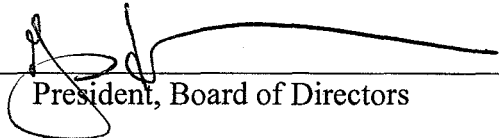
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on May 28, 2009.



President, Board of Directors

ATTEST:



Assistant Secretary, Board of Directors

(DISTRICT SEAL)