

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 18, 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 August 18, 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 Barnes. 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 July 29, 2009, previously distributed to the Board. Upon motion by Director Day, seconded by Director Bumpass, with Director Fojt abstaining, the Board voted unanimously to approve the minutes of the meeting of July 29, 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 98.08% of the District's 2008 taxes have been collected. Upon motion by Director Bumpass, seconded by Director Fojt, 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. 1068 through 1076 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, 2010, and the Investment Report, copies of which are attached hereto as Exhibit "C." Ms. Hogue reported that the Authorized List of Brokers has been

updated to include Ikon Bank and Spirit of Texas Bank and requested that the Board add approval of the amended Investment Policy to the September agenda. 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 amending the Investment Policy to include the revised List of Authorized Brokers. 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. 6331 through 6352 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. **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 18,553,000 gallons of water and purchased 12,058,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 85,251,000 gallons and four months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSO") Permit. Mr. Hoffman reported that H2O accounted for 87.7% of the water pumped and purchased by the District in July 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 painting that was not completed in the original scope of work will begin next week. Mr. Hoffman stated that the interior of the buildings, piping and electrical panels will be coated at an estimated cost of \$15,000.

Mr. Hoffman reported that H2O repaired booster pump #3 and #4 prior to painting at a final cost of \$1,518.92.

Mr. Hoffman reported on the lift station maintenance and stated that the 40 kw generator has been ordered and that H2O expects delivery in the next week. The estimated cost of the generator is \$25,000. Mr. Hoffman noted that the slab work and conduit work is scheduled to begin this week. Mr. Hoffman stated that the gas meter installation fee has been paid and Centerpoint is on schedule to install a gas meter at an estimated cost of \$6,000.

Mr. Hoffman reported on the water line maintenance and stated that the 12-inch water main at 7506 Highway 6 ("Xpress Lube") repair is complete at a final cost of \$13,435.32.

Mr. Hoffman reported on sewer line maintenance and stated that the point repairs and the slip line segments are complete. Mr. Hoffman reported that three additional repairs were performed while the slip line work was being performed along River Garden (totaling \$13,435.32) Mr. Hoffman noted that including the additional repairs, the project is under budget with a cost to date of \$75,869.63.

Mr. Hoffman reported on administrative items and stated that the 20 lead and copper samples have been collected and sent to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hoffman reported that a GIS map of the sewer line repair segments is attached to the Operations Report for the Board's review.

5. Consider Interlocal Agreement with HGSD for 2009/2010 Water Wise sponsorship program. Ms. Cogburn reported that the HGSD will only charge the District for student sponsorship to the extent the schools in the District choose to participate in the Water Wise program. Upon motion by Director Henderson, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Interlocal Agreement with HGSD for the 2009/2010 sponsorship program.

6. 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 surveyed the water treatment plant on August 11, 2009 and August 12, 2009. Mr. Sarman stated that AECOM will begin reviewing the data to discuss findings and options next month.

Mr. Sarman reported that the Flow Solutions, Inc.'s estimate for the tireflex preventer (check valve) is \$4,464, and that the labor rate is \$120 per hour. Mr. Sarman noted that a two man crew could perform the installation in five hours or less for a total field installation cost of \$1,200. Director Fojt requested that Mr. Sarman verify if the tireflex preventer includes a warranty.

Mr. Sarman reported on the waterline quality loop and noted that AECOM has begun preparing drawings for Harris County signatures. Once approved, AECOM will coordinate with H2O to obtain estimates from contractors for the installation of the proposed waterline.

Mr. Sarman reported that a copy of AECOM's cost estimate for the installation of a new control panel is attached to the Engineer's Report for the Board's review. Mr. Sarman stated that the estimates were prepared based on different software and scada systems than those used by NTS. Mr. Hoffman requested that AECOM provide estimates for the scada and software used by NTS. It was the consensus of the Board to defer approving the control panel estimates and to include the revised estimates with the generator estimates.

Mr. Sarman reported that AECOM believes that Senate Bill No. 361's November 1, 2009 deadline emergency contact information and locations to be submitted to the County Judge, County Office of Emergency Management, Public Utility Commission of Texas, and the Office of Emergency Management of the Governor will be due with the emergency preparedness plan in 2010.

7. Discuss selling water plant generator to Harris County Municipal Utility District No. 208 and purchasing new generators for the lift station and water plant. The Board reviewed the generator cost estimates, copies of which are attached to the Engineer's Report. AECOM provided three cost estimate options for generator prices for both a 450 kw and a 325 kw generator. Director Henderson stated that the Board is in favor of keeping the 215 kw generator and purchasing a 325 kw generator with an enclosure (option 3). Mr. Sarman stated that estimates for used 325 kw generators range from \$26,500 to \$35,000. Mr. Sarman stated that the option 3 estimate is \$675,285 for a new 325 kw and \$280,000 for a used 325 kw generator. Mr. Sarman reported that the cost for an enclosure is approximately \$40,000. Discussion ensued regarding the legal requirements for noise levels and the cost of a used enclosure and/or a sound wall. Director Fojt requested that Mr. Sarman provide a spreadsheet

with specific information (hours of operation, age, etc.) using option 3 for a used 325 kw generator.

8. **Renew District Insurance.** This item was deferred.

9. **Indemnification of Directors.** This item was deferred.

10. **Approve filing of continuing disclosure information.** Ms. Cogburn reported that F&J files the continuing disclosure information with Electronic Municipal Market Access, an electronic disclosure filing site. 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 and authorize F&J to file the Annual Report of Financial Information and Operating Data on behalf of the District.

11. **Review issues relating to Copperfield Joint Operations Board (“CJOB”) meeting.** Ms. Cogburn reported that CJOB discussions focused on the toxicity reduction evaluation (“TRE”) and the cause of the fathead minnow survival test failure for the June, 2009 biomonitoring compliance test. Ms. Cogburn noted that CJOB hired consultants to review the Plant operations and determine the possible point of origin for the bacteria in the water. Ms. Cogburn reported that screen samples were performed before and after the dechlorination basin was thoroughly cleaned and noted that the screen sample tests performed before the cleaning failed and the screen sample tests performed after the cleaning passed. Ms. Cogburn stated that Hearthstone Country Club (“Hearthstone”) had been pumping 100% of the effluent water which prevented water from flowing through the basin and created stagnant water in the basin. Ms. Cogburn reported that AECOM is looking into options to either maintain a minimum flow through the dechlorination chamber or to prevent standing water in the dechlorination chamber during no flow conditions. Ms. Cogburn reported that H2O met with Hearthstone to discuss the changes in operations and noted that H2O set a float to prevent Hearthstone from pumping 100% of the effluent. Mr. Hoffman noted that Hearthstone can only pump water when flow is leaving the Plant. Ms. Cogburn reported that CJOB voted to terminate the effluent use agreement contract with Hearthstone in order to address the TRE, but noted that Harris County Municipal Utility District No. 208 and CJOB are willing to work with Hearthstone to develop modifications to the agreement to allow Hearthstone to use effluent subject to certain restrictions on the time and volume of effluent use. Ms. Cogburn noted that the modifications need to be in place before the quarterly biomonitoring test is performed by September 23, 2009.

Mr. Hoffman reported that CJOB also approved the purchase of two automatic transfer switches for the generators.

12. **Discuss CJOB Five-Year Forecast.** No action was taken.

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:

Secretary, Board of Directors

(DISTRICT SEAL)