

MINUTES OF MEETING OF BOARD OF DIRECTORS  
June 16, 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 June 16, 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. Kristen Scott 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. Joe Perino, a resident of 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 May 28, 2009, previously distributed to the Board. 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 minutes of the meeting of May 28, 2009, as presented.

2. **Tax Assessor and Collector's Report.** Ms. Scott 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. Scott reported that 97.7% of the District's 2008 taxes have been collected. Upon motion by Director Fojt, 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. 1055 through 1060 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 May 31, 2009, the budget for the fiscal year ending February 28, 2010, and

the Investment Report, copies of which are attached hereto as Exhibit "C." 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. 6283 through 6303 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. **Review Investment Policy and accept related party disclosures.** The Board reviewed the Code of Ethics, Fees and Expense Policy, Investment Policy, Policies and Procedures for Selection and Review of Consultants, Policies Concerning the Use of Management Information Including the Formation of an Audit Committee, Appointing Investment Officer, and Certain Other Matters ("Ethics and Investment Policy"), a copy of which is attached hereto as Exhibit "D." Ms. Cogburn stated that there were no recommended changes to the Ethics and Investment Policy. 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 Ethics and Investment Policy without changes and the related party disclosures from the bookkeeper and the investment officer.

5. **Review Ethics Policy.** Ms. Cogburn stated the Ethics Policy is reviewed on an annual basis and noted that there were no suggested changes to the Ethics Policy.

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 8,367,000 gallons of water and purchased 6,540,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 146,141,000 gallons and six months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSA") Permit. Mr. Hoffman reported that H2O accounted for 94.5% of the water pumped and purchased by the District in May 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 all of the exterior piping and that H2O is in the process of placing ground storage tank #2 back into service. Mr. Hoffman reported that the cost to date is \$6,454.49. Mr. Hoffman reported that H2O has completed the fence painting at the offsite well at a final cost of \$2,579.13.

Mr. Hoffman reported that the Well #2 was not operational last weekend and that the electrician traced the problem to the phase monitor. Mr. Hoffman stated that the unit was replaced and that the well was operated at a final cost of \$1,304.33.

Mr. Hoffman reported that H2O was notified by the WHCRWA that they will be reducing the amount of surface water sold to some municipal utility districts due to low water levels in the WHCRWA ground storage tanks. Mr. Hoffman noted that a copy of the letter notification is attached to the Operations Report. The letter states that the WHCRWA continues to connect additional districts to the surface water system to meet the 2010 HGSC mandates and has a limited supply of surface water from the City of Houston ("COH") until the next Raw Water Capital Cost payment to the COH is made later this year. Mr. Hoffman stated that H2O

will operate the small well to produce additional water. Discussion ensued. In response to a question, Ms. Cogburn explained that the water is available from the COH but that the WHCRWA will need to sell additional bonds to purchase the rights to use the water. In response to a question, Ms. Cogburn noted that the bonds are revenue bonds and that the WHCRWA levies water use fees to repay the bonds.

Mr. Hoffman reported on the autosensory panel and stated that he visited the water plant in Fairfield to evaluate the control system used there. Mr. Hoffman recommended proceeding with the design and installation of the control system.

Mr. Hoffman reported on lift station maintenance and noted that the 40 kw generator has been ordered at an estimated cost of \$25,000 plus the gas meter installation.

Mr. Hoffman reported that the lift pump #2 is repaired and is operational at a final cost of \$6,024.32.

Mr. Hoffman reported on water line maintenance and stated that a fire hydrant along Cherry Park was hit and broke away, as designed. Mr. Hoffman noted that a new breakaway kit was installed and the unit is operational at a final cost of \$1,267.34.

Mr. Hoffman reported that the annual fire hydrant maintenance and inspection is complete at a final cost of \$1,206.13.

Mr. Hoffman reported on sewer line maintenance and noted that the contractor has televised the lines in Phase 3 and 4. Mr. Hoffman noted that H2O has proceeded with the repairs as previously authorized at an estimated cost of \$103,000. Mr. Hoffman reported that two of the repairs were caused by ground rods through the sewer main. Mr. Hoffman stated that CenterPoint Energy and Comcast have removed the ground rods from the District's line.

Mr. Hoffman reported that the 2008 Water Quality Report is attached to the Operations Report and noted that it was mailed to customers in June.

Mr. Hoffman reviewed with the Board the Water Quality Complaint Log, a copy of which is attached to the Operations Report.

7. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "F." Mr. Sarman requested that the Board approve payment of the \$1,700 change order for repairing the concrete on the south face of the control building and patching three areas on the roof of the ground storage tank #2. Mr. Sarman stated that once approved, AECOM will prepare the final progress payment which will include deductions for any damages and the generator recoating fees. Mr. Sarman stated that the estimates from Texas Bridge, D&L and Multi-D Construction for painting additional items are attached to the Engineer's Report. Upon motion by Director Day, seconded by Director Fojt, after full discussion and the question being put to the Board, the Board voted unanimously to approve payment of the \$1,700 change order for Multi-D Construction.

Mr. Sarman reported that AECOM estimates that the engineering fees to prepare the drawings, specifications, and contract documents for the new generator would be

approximately \$27,000. Mr. Sarman stated that AECOM will begin preparation of the material upon authorization by the Board.

Mr. Sarman stated that Senate Bill 361 passed the Senate and the House of Representatives and has been sent to the Governor.

Mr. Sarman reported that AECOM has contacted the homeowners regarding the surveying for the proposed waterline. Mr. Sarman reported that Mr. Keonig and Mr. Vering have both approved continuing the survey. Mr. Sarman stated that Mr. Koenig also expressed concern regarding two oak trees on the proposed location and questioned if he would have to pay to have the trees removed in the future if they don't survive the construction. Ms. Cogburn suggested that Mr. Sarman notify Mr. Koenig that the District would take responsibility to remove either tree if it does not survive the construction. Mr. Sarman stated that AECOM anticipates the surveying will commence within the next week.

Mr. Sarman reported that AECOM has updated the files on the new computer for H2O and incorporated the new aerial photos and new parcel data, as confirmed by Director Henderson.

**8. Discuss selling water plant generator to No. 208 and purchasing new generators for lift station and water plant.** Mr. Sarman reported that he investigated purchasing a used generator instead of a new 450 kw generator for use at the water plant. Mr. Sarman reported that AECOM located a generator which operates with a fuel mix of diesel and natural gas. Mr. Sarman stated that the estimated cost of a new 450 kw generator is \$715,000. Mr. Hoffman reported that the 450 kw generator would be able to operate four booster pumps, well #1 and the controls. Director Fojt expressed reservations about selling the District's 215 kw generator for \$30,000. Extensive discussion ensued regarding the cost of a new generator and/or purchasing smaller generators for separate pieces of equipment. Director Fojt suggested that the Board defer the purchase of a 450 kw generator and research purchasing multiple generators. Mr. Hoffman stated that additional District projects are listed in the memo, attached hereto as Exhibit "G." It was the consensus of the Board that the generator purchase be deferred, to direct Mr. Sarman to investigate the use of multiple generators at the water plant and lift station, and to direct Mr. Hoffman to revise the District projects memo.

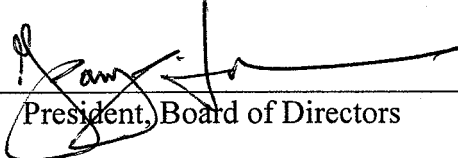
**9. Report on Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that CJOB discussions included the purchase of generators at the lift station site and review and approval of the CJOB Five-Year Forecast.

**10. Discuss CJOB Five-Year Forecast.** This item was discussed in item 9. Ms. Green noted that the approved CJOB Five-Year Forecast would be emailed to the Directors for review.

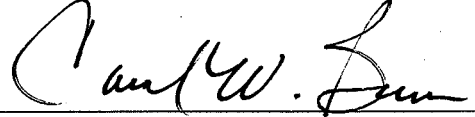
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on July 29, 2009.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)