

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 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 March 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. Kristin Scott of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Tony Sarman of AECOM, Inc., engineers for the District; Mr. Charles Leidigh and Mr. Steve Webb of H2O Consulting ("H2O"), operators 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 February 17, 2009, previously distributed to the Board. 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 February 17, 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 96.01% of the District's 2008 taxes have been collected. 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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1033 through 1042 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. Ledeigh presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "C." Mr. Ledeigh 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 199,072,000 gallons and nine months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Ledeigh reported that H2O accounted for 92.3% of the water pumped and purchased by the District in February 2009.

Mr. Ledeigh presented to and reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Ledeigh reported on the water plant maintenance and stated that the water plant painting is underway.

Mr. Ledeigh reported on the generator options and stated that Harris County Municipal Utility District No. 208 ("No. 208") expressed interest in the purchasing the District's generator for use at No. 208's water plant site. Mr. Ledeigh noted that the estimated cost to appraise the generator is \$1,000 and that No. 208 has agreed to split the cost of the appraisal with the District. Upon motion by Director Bumpass, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted unanimously to approve splitting the cost of the generator estimate with No. 208 at an estimated cost to the District of \$500.

Mr. Ledeigh reported on the lift station maintenance and stated that H2O pulled the pump and removed rags from lift pump #2 at a final cost of \$774.80.

Mr. Ledeigh reported on water line maintenance and stated that H2O replaced a valve stack at 7017 Highway 6 at a final cost of \$2,032.75.

Mr. Ledeigh reported on sewer line maintenance and stated that H2O met with the contractor regarding the phase 3 and 4 sanitary sewer lines. Mr. Ledeigh reported that H2O is reviewing the tapes to determine the location of the needed repairs. Mr. Ledeigh stated that the estimated cost of the phase 3 and 4 repairs is \$78,000.

Mr. Ledeigh reported that the Water Smart Application is due on April 1, 2009 but that the District did not meet the 90% or better water accountability average to qualify for the Water Smart application. Mr. Ledeigh stated that the District can reapply to the Water Smart program next year.

Mr. Ledeigh reviewed the Water Quality Complaint Log and stated that two water quality complaints were made during February. Mr. Webb reported that non-use of a spare bathroom was the reason for odor problems at 16034 Glenbrook Knoll. Mr. Webb stated that H2O flushed lines to alleviate the odor problems at 15810 Echo Lodge.

4. Discuss and authorize preparation of identity theft prevention program. Ms. Cogburn reviewed with the Board the article on the "Red Flag" rule regarding identity theft from retail utility providers, a copy of which is attached hereto as Exhibit "D." Ms. Cogburn reported that the federal government is requiring all retail utility providers to adopt an identity theft program by May 1, 2009. Ms. Cogburn stated that the AWBD is hosting a presentation on April 1, 2009 to discuss the program and its requirements. Discussion ensued. Ms. Cogburn noted that lawyers and operators are preparing a standardized program for adoption. It was the consensus of the Board to review the program with H2O in April.

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 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 "E." In response to a question from Director Bumpass, Ms. Hogue responded that she would verify if different accounts held at the same bank are collateralized separately and report her findings back to the Board. 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 accept the Bookkeeper's Report, to authorize payment of check nos. 6211 through 6234 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. **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 reported on the water plant painting and noted that Texas Bridge, Inc. is nearing completion of ground storage tank #2 and is preparing the surface of hydro tank #2. Mr. Sarman stated that inspectors rejected the final coat of paint on ground storage tank #2 due to over spray by the contractor. Mr. Sarman noted that the overspray prevented the final coat from drying to the proper finish. Mr. Sarman reported that Sherwin-Williams is providing the contractor a different finish coating to apply to correct the problem. Mr. Sarman reported that progress payment no. 1 in the amount of \$48,600 is attached to the Engineer's Report for the Board's review.

Mr. Sarman stated that the additional lead testing at the water plant would be billed to the District.

Mr. Sarman reviewed with the Board the generator options, a copy of which is attached to the Engineer Report. Director Henderson stated that he supports purchasing a generator which would provide the appropriate psi and water flow for preventing fires in the District. The Board requested that AECOM discuss the generator size requirements with Mr. Hoffman prior to the next meeting.

Mr. Sarman reported that AECOM is continuing to monitor proposed legislation regarding generator requirements. Mr. Sarman noted that several bills have been introduced to the legislative committees, but that none have made it out of committee to date. Mr. Sarman reported that SB 361 and HB 632 are both in public hearings this week. Mr. Sarman stated that a bill analysis and fiscal note prepared for SB 361 are attached to the Engineer's Report for the Board's review.

Mr. Sarman reported that Camp, Dresser and McKee requested information from AECOM on behalf of the District regarding critical water and wastewater infrastructure in addition to experiences during Hurricane Ike. Mr. Sarman stated that AECOM confirmed with Harris County that the information will be used to develop a database of critical utility district infrastructure and to support federal funding requests to aid districts with future storm preparation and response. Mr. Sarman stated that the forms were e-mailed to the Board for discussion.

Mr. Sarman reported that Harris County will not proceed with the coordination of generator grants on behalf of the Harris County municipal utility districts due to the lack of partial payment funding and coordination by FEMA. Mr. Sarman stated that if the District is interested in continuing the grant process, the next application is due April 10, 2009. Discussion ensued regarding the likelihood of receiving grant funds. The Board agreed not to pursue grant funds at this time.

Mr. Sarman reported that AECOM has postponed the survey of the proposed waterline on Mesa Gardens to determine if taste and odor complaints continue after the weather warms.

Mr. Sarman reported that AECOM is finalizing the addition of the sanitary sewer repair information to the GIS files. Mr. Sarman stated that AECOM would submit the updated files to H2O for their review and comment.

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

7. Report on Copperfield Joint Operations Board ("CJOB") meeting. Director Barnes reported that discussions included the proposed legislation for generator requirements and the five-year plan of expenses for the individual districts to review.

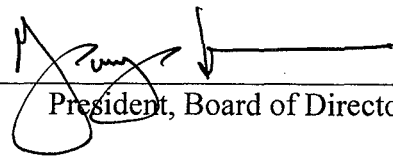
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on April 21, 2009.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

