

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 28, 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 special 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 May 28, 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 Directors Fojt and Barnes. Also attending all or parts of the meeting were Mr. Eric Comeau 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. Mike McCall of McCall, Gibson & Company, PLLC; auditors for the District; and Ms. Jana Cogburn, Ms. Michelle Jacobson 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 April 21, 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 April 21, 2009, as presented.

2. **Approve audit for fiscal year ended February 28, 2009.** The President recognized Mr. McCall, who presented to and reviewed with the Board the draft audit for the fiscal year ended February 28, 2009 and the management representation letter, copies of which are attached hereto as Exhibit "B." Discussion ensued. Director Bumpass requested that a typographical error be corrected in note five on page 27 of the audit. 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 audit for the fiscal year ended February 28, 2009.

3. **Tax Assessor and Collector's Report.** Mr. Comeau presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached

hereto as Exhibit "C." Mr. Comeau reported that 97.36% 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. 1048 through 1054 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's 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 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 167,366,000 gallons and seven months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 93.1% of the water pumped and purchased by the District in April 2009. Mr. Hoffman noted that as of April 20, 2009, the District is purchasing 100% surface water.

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 are in the process of filling ground storage tank #2 at an estimated cost of \$4,042.71. Mr. Hoffman reported that H2O and AECOM requested additional painting estimates from Texas Bridge, Inc. for items that were not included in the original bid. Mr. Sarman stated that AECOM does not recommend accepting their \$19,500 bid because the amount is too high. Mr. Sarman recommended that the District obtain new bids for the additional work. Mr. Hoffman requested approval for H2O to paint the interior wall which Texas Bridge, Inc. had already prepared for painting. It was the consensus of the Board to authorize AECOM to obtain bids for the additional painting items and to have H2O paint the interior wall.

Mr. Hoffman reported that the water plant flooded on April 28, 2009 following a seven-inch rainfall in two hours. Mr. Hoffman stated that Horsepen Creek did not exceed its bank at the water plant, however the water did back up through the storm drain system and entered the control room and buildings. Mr. Hoffman recommended that the Board consider installing a shut-off valve to the water flow into the creek or elevating the electrical control components in the control room.

Mr. Hoffman reported that Advantage Power Systems appraised the value of the 215 kw natural gas generator at \$23,500 and the 400 amp transfer switch at \$2,100. Mr. Hoffman stated that a copy of the appraisal is attached to the Operations Report. Discussion ensued regarding the estimated resale value of the generator and District's fiduciary responsibilities for the generator sale. Mr. Sarman noted that in lieu of selling the transfer switch, the switch could be used at the lift stations. Extensive discussion ensued regarding negotiating the sale of the generator to Harris County Municipal Utility District No. 208 ("No. 208"). It was the consensus of the Board that delivery of the generator be contingent upon the purchase and installation of a new generator for the District. Director Henderson reported that he would contact Mr. Struzick, President of No. 208, to negotiate the generator sale on behalf of the Board.

Mr. Hoffman reviewed with the Board the lift station maintenance items and reported that the semi-annual lift station cleaning is complete at final cost of \$1,656.72.

Mr. Hoffman reviewed with the Board options for the generator installation/rental quotes for a 40 KW natural gas generator for use 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. The Board reviewed generator rental proposals from NTS and Sunbelt Rental. Discussion ensued. 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 ordering a 40 kw natural gas generator including the gas meter installation at an estimated cost of \$25,000 and the standard rental of a 50 to 60 kw generator from NTS.

Mr. Hoffman reported that lift pump #2 was tripping the breaker and the pump was pulled and two problems were found. Mr. Hoffman stated that the pump impeller had a chip missing and that the pump cable was sliced. Mr. Hoffman noted that a rental pump was installed while the pump was being repaired. Mr. Hoffman reported that the cable and the impeller were repaired and that the total estimated cost of the repairs is \$5,500. 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 lift pump #2 repairs at an estimated cost of \$5,500.

Mr. Hoffman stated that the chlorine residuals along Branch Point and Echo Lodge have become more consistent since the District began using 100% surface water.

Mr. Hoffman reviewed the water quality complaint log and stated that another bacteriological water test performed inside Mr. Gyarmarthy's home was negative.

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 two of the many repairs were caused by ground rods through the sewer mains. Mr. Hoffman noted that H2O contacted Centerpoint Energy and Comcast to start the claims.

5. **Approve Consumer Confidence Report.** Mr. Hoffman reviewed with the Board the Water Quality Report, a copy of which is attached to the Operations Report. Discussion ensued. 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 Water Quality Report and authorize H2O to mail the report to customers with their water bills.

6. **Discuss selling water plant generator to No. 208 and purchasing new generators for lift station and water plant.** The Board discussed selling the water plant generator to No. 208 under the Operations Report.

7. **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 April 30, 2009, the budget for the fiscal year ending February 28, 2010, and the Investment Report, copies of which are attached hereto as Exhibit "E." 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. 6260 through 6281 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.

8. **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 progress payment no. 3 in the amount of \$74,250 is attached to the Engineer's Report for the Board's review.

Mr. Sarman reported that AECOM is working on contacting the homeowners prior to surveying the proposed waterline location to address their questions or concerns. In response to a question from Director Day, Mr. Sarman stated that the repair is estimated to take one week to complete.

Mr. Sarman reviewed with the Board the generator cost estimates, a copy of which is attached to the Engineer Report. Mr. Hoffman reported that the total estimated cost of the replacement generator for the water plant is \$685,155. Mr. Sarman stated that the estimated cost of preparing the generator design drawings is \$27,000. It was the consensus of the Board to defer authorizing AECOM to begin design drawings until June.

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") is out of the House of Representatives committee, but votes have not been tallied. Mr. Sarman stated that comments and other information were provided by AWBD during the early development of SB 361.

Mr. Sarman reported that AECOM has scheduled with H2O to receive and update the GIS files on the new computer and will review the updates with Mr. Hoffman after installation.

9. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that the CJOB discussions included the insurance renewal with Highpoint/WIN, flooding on April 28, 2009 and the approval of renting and calling for one generator during the six month hurricane season.

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

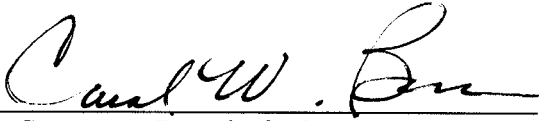
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The foregoing minutes were passed and approved by the Board of Directors on
June 16, 2009



President, Board of Directors

ATTEST:



~~Asst.~~ Secretary, Board of Directors

(DISTRICT SEAL)