

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 15, 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 December 15, 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; 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 November 17, 2009, previously distributed to the Board. 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 minutes of the meeting of November 17, 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 and the Perdue, Brandon, Fielder, Collins & Mott L.L.P. Delinquent Tax Report, copies of which are attached hereto as Exhibit "B." Ms. Guerrero reported that 5.119% of the District's 2009 taxes have been collected.

In response to a question from Director Henderson, Ms. Guerrero reported that title work has been completed and a lawsuit has been entered and will be filed against Cottage School Systems, Inc. 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. 1095 through 1097 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." 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 accept the Bookkeeper's Report, to authorize payment of check nos. 6424 through 6445 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 3,640,000 gallons of water and purchased 10,453,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 10,299,000 gallons and zero months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSA") Permit. Mr. Hoffman reported that H2O accounted for 88.7% of the water pumped and purchased by the District in November, 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 during the recent well test, H2O found the air relief valve on well #1 not working properly which caused the meter to over-register and negatively affect the water accountability. Mr. Hoffman reported that H2O replaced the air relief valve at an estimated cost of \$1,800.

Mr. Hoffman reported on builder damages by CenterPoint Energy ("CenterPoint") and email correspondence between the District and CenterPoint, copies of which are attached to the Operations Report. Mr. Hoffman stated that H2O performed a slip line repair on 127 feet of sewer line that was connected to a sewer main that CenterPoint damaged with a ground rod. Mr. Hoffman stated that CenterPoint is requesting to be responsible for only a point repair. Mr. Hoffman requested the Board's approval to settle with CenterPoint for the costs associated with making the point repair instead of the total cost for the slipline. It was the consensus of the Board to authorize Mr. Hoffman to negotiate with CenterPoint to lower their builder damage fee payment from to \$8,026.28 to approximately \$4,000.

Mr. Hoffman reported that H2O winterized the water plant by wrapping all of the valves and control lines throughout the water plant site, purchasing a heater and heat taping and wrapping sensor lines at a final cost of \$2,351.31. Mr. Hoffman reported that while completing the winterization, H2O personnel inadvertently crimped the sensor line from the ground storage tank which caused the well to run overnight and overflow the storage tank with approximately 800,000 gallons of water. Mr. Hoffman stated that the cost of the water purchased from the WHCRWA is \$1.25 per 1,000 gallons. It was the consensus of the Board not to charge H2O for the water cost since the overflow was accidental.

Mr. Hoffman reported on water line maintenance and noted that H2O completed the conversion to free chlorine and flushed the lines. Mr. Hoffman reported that recent tests indicate that nitrification is no longer occurring in the lines. Mr. Hoffman stated that H2O will

convert the system back to free chloramines and notify the TCEQ. Mr. Hoffman noted that the cost to date of the conversion is \$1,419.35.

Mr. Hoffman reported that H2O has requested prices from contractors to install the water line per AECOM's plans and that the contractor prices range from \$40,000 to \$48,000.

Mr. Hoffman reported on administrative items and requested the Board's approval to implement the Ground Water Rule Triggered Source Monitoring Plan. 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 Triggered Source Monitoring Plan to comply with the Ground Water Rule.

Mr. Hoffman reported that Global Fund Investments, LLC is requesting the Board's approval to refund the credit balances of 12 accounts that were paid twice, a copy of the request is attached to the Operations Report. It was the consensus of the Board to refund the credit balance.

5. Amend Rate Order related to WHCRWA fee. The Board discussed amending the Rate Order to offset the cost of WHCRWA fees for each customer. Discussion ensued regarding the Rate Order amendment and the notification to residents of the increase on their January 2010 water bill. 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 amending Section III (3.1) of the Rate Order reflecting that a pumpage fee per 1,000 gallons shall be assessed on each customer's water bill in an amount (a) for Park and Recreational customers equal to the pumpage fee per 1,000 gallons assessed by the WHCRWA and (b) for all other customers equal to the pumpage fee assessed by the WHCRWA less \$0.57 per 1,000 gallons, and to notify residents of the increase on the January water bill.

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 determined the height of the equipment within the control room on November 23, 2009. Mr. Sarman stated that AECOM estimated that the 100 year flood elevation is 118.22 feet. Mr. Sarman reported that the lowest equipment is a transformer at 118.88 feet and noted that all other equipment in the control room is on slabs at or above this height. Discussion ensued regarding raising the equipment to the generator level. In response to a question from Director Bumpass, Mr. Sarman stated that he would obtain costs for raising the equipment for the Board to review.

Mr. Sarman reported that AECOM will contact Harris County to confirm when the HOA meter will be relocated.

Mr. Sarman reported that the 325 kw natural gas generator previously considered for purchase has engine problems. Mr. Sarman stated that AECOM will continue to search for another used generator.

Mr. Sarman reported that as required by Senate Bill 361, the TCEQ has finalized its implementation rules for the Emergency Preparedness Plan template. Mr. Sarman reported

that the deadline for submission is March 1, 2010. Mr. Sarman reported that AECOM would coordinate with H2O to prepare the plan.

7. **Approve capacity commitment letter for TGIF (“TGIF”) Haircutters.** Mr. Sarman reported that AECOM has reviewed plans and prepared a draft capacity letter for remodeling the TGIF, a copy of which is attached to the Engineer Report. Mr. Sarman reported that the letter is required by the City to issue the appropriate permits. Mr. Sarman noted no changes in the water usage need to be approved by the Board.

8. **Approve cost estimates for the waterline quality loop.** Mr. Sarman reported that AECOM received comments from the City and noted that the City has confirmed that AECOM will need an easement near the manhole on the corner of River Gardens Drive and Mesa Gardens Drive. Mr. Sarman requested the Board’s approval to begin coordination and preparation of the easement. Upon motion made and duly seconded, it was the consensus of the Board to authorize AECOM to prepare the easement.

Mr. Sarman stated that AECOM anticipates a reduction in the fee because of a reduction in the amount of pipe that needs to be encased. Mr. Sarman reported that AECOM will confirm estimates with the contractors once plans with the City are finalized.

9. **Discuss new generators for the lift station and water plant.** This item was discussed in the Engineer’s Report.

10. **Review website.** The Board noted that the website has been updated.

11. **Review issues relating to Copperfield Joint Operations Board (“CJOB”) meeting.** Director Henderson reported that CJOB discussions included authorizing the purchase of used generators. Director Henderson stated that CJOB approved a two-year energy contract with Acclaim Energy (Mid America).

12. **Discuss West Harris Regional Water Authority (“WHCRWA”) meeting.** Director Henderson reported that Dan Sallee resigned his position as President of the Board of Directors of the WHCRWA because he is moving overseas.

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

* * *

The foregoing minutes were passed and approved by the Board of Directors on January 19, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)