

MINUTES OF MEETING OF BOARD OF DIRECTORS  
April 20, 2010

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 April 20, 2010; 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. Also attending all or parts of the meeting were Mr. Chris Hoffman of H2O Consulting, Inc. ("H2O"), operator for the District; 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 March 16, 2010, previously distributed to the Board. 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 minutes of the meeting of March 16, 2010, 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. McLaughlin reported that 96.7% of the District's 2009 taxes have been collected. Ms. Guerrero reported that the delinquent tax attorney has filed suit against Cottage School. Upon motion by Director Barnes, 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. 1114 through 1119 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Approve Merchant Processing Agreement, Addendum to Merchant Processing Agreement and Addendum to Bob Leared, Inc. Contract.** Ms. Guerrero reviewed with the Board the Merchant Processing Agreement, Addendum to Merchant Processing Agreement and Addendum to Bob Leared, Inc. Contract, copies of which are attached hereto as Exhibit "C." Ms. Guerrero stated that recent legislation requires the District to allow customers to pay their taxes by electronic check and the agreement and addendums authorize this service. 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 and authorize execution of the Merchant Processing Agreement, the Addendum to Merchant Processing Agreement and the Addendum to Bob Leared, Inc. Contract.

4. **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, the proposed budget for the fiscal year ending February 28, 2011, and the Investment Report, copies of which are attached hereto as Exhibit "D." Upon motion by Director Fojt, 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. 6515 through 6545 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.

5. **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 359,000 gallons of water and purchased 12,504,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 191,904,000 gallons and eight months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSA") Permit. Mr. Hoffman reported that H2O accounted for 91.3% of the water pumped and purchased by the District in March, 2010.

Mr. Hoffman reported that Comcast paid their builder damages.

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 Tideflex check valve has been installed by the contractor at a final cost of \$7,560.47.

Mr. Hoffman reported on water line maintenance and noted that H2O replaced a two-inch tapline that was leaking at Clear Valley and Cherry Park at a final cost of \$1,895.40.

Mr. Hoffman reported that the waterline extension along Mesa Gardens is complete and in service at a cost to date of \$22,455.04.

Mr. Hoffman reported on administrative items and noted that the annual Water Quality Report has been provided to Harris County Municipal Utility District No. 162 and a certification will be sent to the Texas Commission on Environmental Quality ("TCEQ") prior to May 1, 2010. Mr. Hoffman reported that a copy of the TCEQ's letter to the District regarding the District's Water Quality Report is attached to the Operations Report.

Mr. Hoffman reported that the WHCRWA will be providing the District 90% or more surface water and noted that a copy of the WHCRWA correspondence is attached to the Operations Report.

Mr. Hoffman reported that the WHCRWA is requesting the District complete the Texas Water Development Board's ("TWDB") survey so that the WHCRWA can qualify for deferred funding loans. Mr. Hoffman stated that a copy of the TWDB letter is attached to the Operations Report.

The Board discussed the delinquent accounts on the billing and collections summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that four accounts were turned off for non-payment in March.

Mr. Hoffman reported that there are no new complaints on the Complaint Log, a copy of which is attached to the Operations Report.

Mr. Hoffman reviewed with the Board a map showing the home owners associations' metered sprinkler system lines within the District's boundaries, a copy of which is attached hereto as Exhibit "F." Mr. Hoffman reported that he has not confirmed the specific location of the meter clock that the Southcreek Village Homeowners Association ("SCVHOA") has requested for District reimbursement. Mr. Hoffman estimated that five meters within the boundaries would merit replacement (based on the volume of water) if the District is interested in approving requests from home owner associations. The Board discussed guidelines for approving requests and extensive discussion ensued regarding the District's contribution to water conservation measures and other home owner association requests. It was the consensus of the Board to consider guidelines for contribution requests and to defer this item for future discussion.

**6. Discuss amending rate order for sanitary sewer charges for commercial customers.** Mr. Hoffman reviewed the Commercial Sewer Billing, Harris County Municipal Utility District No. 257 ("No. 257") Spreadsheet 2009, and Commercial Sewer Connection Evaluation/Rate Scenarios, copies of which are attached hereto as Exhibit "G." Mr. Hoffman reported that the District bills No. 257 in accordance with the contract between No. 257 and the District, which provides that No. 257 pays in-district commercial rates in accordance with the District's rate order. Extensive discussion ensued regarding the best rate scenario for all customers. Mr. Hoffman suggested increasing the sewer rates and decreasing the water rates to neutralize the cost impact on in-district commercial customers. Director Bumpass suggested that Mr. Hoffman review the water rates to determine the appropriate rate. Discussion ensued regarding amending the contract with No. 257 based on the pass-through Copperfield Joint Operations ("CJOB") rates instead of amending the water rates. The Board directed Ms. Cogburn to contact No. 257's attorney regarding the Board's request to bill No. 257 amount equal to 120% of CJOB's pass-through charges to cover the costs related to CJOB administration fees and maintenance costs. The Board deferred action on amending the in-district sewer rates.

7. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H."

Mr. Sarman reported that AECOM and Directors Henderson and Fojt met with H2O at the water plant on April 15, 2010 to discuss the proposed control panel improvements and a second generator. Mr. Sarman stated that it would be best to postpone the bidding process on the control panel and MCC project until after summer so that the plant would not be taken out of service during the hurricane season. The Board concluded that Mr. Hoffman should provide standby generator proposals while the District continues looking for a used 325 kw natural gas generator to purchase. In response to a question from Director Bumpass, Director Barnes stated that although the District survived Hurricane Ike with one generator, a second generator is needed for all emergency events throughout the year. Director Fojt stated that the District will consider purchasing a new generator if a used generator is not available for purchase.

Mr. Sarman reported that the District received plans for the Taco Bell remodeling project. Mr. Sarman reported that H2O will coordinate with Taco Bell to inspect the interior plumbing affected by the remodeling. Mr. Sarman stated that no exterior connections will be added or removed. Mr. Sarman stated that a letter of no objection will be submitted pending additional comments from the Board, a copy of such letter is attached to the Engineer's Report.

Mr. Sarman reported that the Emergency Preparedness Plan was submitted to the TCEQ on February 29, 2010. Mr. Sarman stated that he will keep the Board up-to-date on any responses from the TCEQ.

8. **Discuss generators for lift station and water plant.** This item was discussed in the Engineer's Report.

9. **Review issues relating to Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that CJOB discussed storing diesel fuel at the waste water treatment plant and approved renting a 1,000 gallon tank during the hurricane season until size and pricing proposals for a more permanent solution can be reviewed and approved.

Director Henderson reported that he attended the Copperfield Coalition meeting on flooding in the Copperfield area and stated that the coalition is seeking donations toward a feasibility study on the flooding.

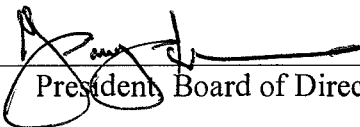
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

\*

\*

\*

The foregoing minutes were passed and approved by the Board of Directors on May 18, 2010.

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors

(DISTRICT SEAL)

