

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 17, 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 August 17, 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 except Director Day. Also attending all or parts of the meeting were Mr. Chris Hoffman and Mr. Joshua Board of H2O Consulting, Inc. ("H2O"), operators for the District; Ms. Michelle Guerrero of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Tony Sarman of AECOM Technical Services, Inc. ("AECOM"), engineers for the District; Ms. Lori Hogue of Myrtle Cruz, Inc., bookkeeper for the District; Mr. John Elder of Acclaim Energy Advisors ("Acclaim"); Ms. Debra Edwards, 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 July 20, 2010, 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 July 20, 2010, as presented.

The Board recognized Ms. Edwards, who introduced herself to the Board.

2. **Tax Assessor and Collector's Report.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector's Report and a list of the Eligible Uncollectible Accounts, copies of which are attached hereto as Exhibit "B." Ms. Guerrero reported that 99.06% of the District's 2009 taxes have been collected. Ms. Guerrero requested Board authorization to move 24 delinquent personal property accounts from Eligible Uncollectible Accounts to an uncollectible tax roll. 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 the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1136 through 1140 from the Tax Account in the amounts, to the persons,

and for the purposes described in the Tax Assessor and Collector's Report and to move 24 delinquent personal property accounts from Eligible Uncollectible Accounts to an uncollectible tax roll.

3. **Consider Financial Advisor's recommendation for the 2010 Tax Rate and Authorize Publication.** This item was deferred.

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, 2011, and the Investment Report, copies of which are attached hereto as Exhibit "C." 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. 6617 through 6641 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. **Approve and authorize filing of continuing disclosure information.** 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 Resolution Authorizing Filing of Annual Report of Financial Information and Operating Data.

6. **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 510,000 gallons of water and purchased 15,676,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period. Mr. Hoffman reported that H2O accounted for 90.3% of the water pumped and purchased by the District in July 2010.

Mr. Hoffman stated that approximately 400,000 to 500,000 gallons of water were lost when fire hydrants were vandalized.

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 that the well #2 right angle drive has been ordered at an estimated replacement cost of \$26,000.

Mr. Hoffman reported on water line maintenance and noted that the annual fire hydrant painting is complete at a final cost of \$3,860.

Mr. Hoffman reported that the valve installations at Sugar Ridge/Starbridge and Sugar Ridge/Palisades Heights are complete at an estimated cost of \$8,000. Mr. Hoffman reported that landscaping is scheduled and the invoice will be presented next month.

Mr. Hoffman reported on sewer line maintenance and stated that the cleaning and televising of the sewer main along Highway 6 is complete at an estimated cost of \$15,000. Mr. Hoffman noted that H2O is reviewing the DVDs of the televised lines.

Mr. Hoffman reported that a summary of maintenance to the sewer lines throughout the District is attached to the Operations Report for Board review. In response to a

question from Director Henderson, Mr. Hoffman recommended televising the lines on a 10-year cycle. Mr. Hoffman noted that each phase cost approximately \$15,000 to \$20,000 to televise.

Mr. Hoffman reported that H2O investigated the sidewalks in the District as requested by the Southdown HOA and as discussed at CJOB. Mr. Hoffman stated that five of the sidewalks evaluated could be related to sanitary sewer line problems and estimated the repairs to cost \$5,277.40. In response to a question from Director Bumpass, Mr. Hoffman reported that the concrete repairs for all sidewalks repairs would be scheduled together sometime in mid-September.

Mr. Hoffman reported that the Texas Water Development Board ("TWDB") is requiring a water audit and that H2O would like to test and calibrate the ten highest-use meters in the District using the top ten user list, a copy of which is attached to the Operations Report. Mr. Hoffman stated that the estimated cost to calibrate each meter is \$200. Discussion ensued about testing more than ten meters. Mr. Hoffman agreed to prepare an analysis of the high end water users below the top ten users to make sure the top ten user basis for testing was appropriate. Mr. Hoffman will present that report to the Board at next month's meeting. Upon motion by Director Bumpass, seconded by Director Fojt, after full discussion and the question being put to the Board, the Board voted unanimously to authorize H2O to calibrate ten meters at an estimated cost of \$200 per meter.

In response to a question from Director Bumpass, Mr. Hoffman stated that an inflow protection device could be added to the manhole near the pool to address the strong odor problem.

Mr. Hoffman reviewed 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 "E." Mr. Sarman reported that the control panel and MCC design project is scheduled to be advertised on August 25, 2010 and September 1, 2010. Mr. Sarman reported that the pre-bid meeting will be September 8, 2010 and the bid opening will be September 15, 2010. Mr. Sarman stated that bids will be presented to the Board next month.

Mr. Sarman reported that he has no new information on used natural gas generators.

8. **Discuss generators for lift station and water plant.** The Board recognized Mr. Elder, who reviewed with and presented to the Board the Acclaim/NRG Reliability Advantage Energy Services generator lease program and pricing sheet, copies of which are attached hereto as Exhibit "F." Mr. Elder reported that NRG is the parent company of Reliant Energy. Mr. Elder reviewed the 20-year service agreement for installing and monitoring a 500 kw industrial diesel engine generator with a 1,000 gallon fuel tank and sound enclosure. Mr. Elder reported that Acclaim/NRG would routinely exercise and maintain the generator, in addition to providing fuel for the generator during service use and emergency use. Mr. Elder stated that Acclaim/NRG would pay fuel costs for testing and maintaining the generator and the

District would be responsible for fuel costs related to emergency usage. Mr. Elder stated that the District would also be responsible for designing and purchasing the generator transfer switch. In response to a question from Director Fojt, Mr. Elder stated that Acclaim/NRG is leasing diesel generators instead of natural gas generators because diesel fuel supplies are more predictable than natural gas supplies in emergency situations. The Board reviewed the monthly rates. Mr. Elder stated that the cost to purchase the generator is \$305,000. Extensive discussion ensued. The Board directed Mr. Sarman to review the NRG information so that the Board could make a decision on the service program at the September meeting.

9. **Review issues relating to CJOB meeting.** Director Henderson reported that CJOB authorized H2O to prepare the Spill Prevention Controls and Countermeasures plan required for on-site diesel fuel storage.

Director Henderson reported that the District is responsible for sidewalk repair costs on the shared sewer lines. Mr. Hoffman reported that the District's cost for the sidewalk repair will be finalized at the CJOB meeting in September. 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 repair to the five sidewalks listed in the Operations Report at an estimated cost of \$5,277.

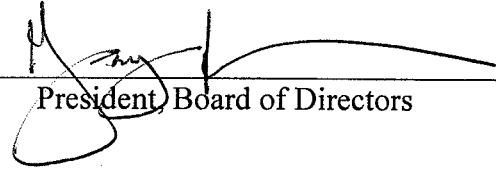
10. **Discuss insurance renewal (renews 9/28/10).** This item was deferred.

11. **Indemnification of Directors.** This item was deferred.

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 September 21, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

