

MINUTES OF MEETING OF BOARD OF DIRECTORS  
June 15, 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 June 15, 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; Mr. Brian Toldan of McCall Gibson Swedlund & Barfoot PLLC ("MGSB"), auditors 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 May 18, 2010, previously distributed to the Board. 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 minutes of the meeting of May 18, 2010, as presented.

2. **Approve audit for the fiscal year ending February 28, 2010.** Mr. Toldan reviewed with the Board the audit for the fiscal year ending February 28, 2010 and the management representation letter, copies of which are attached hereto as Exhibit "B." Mr. Toldan reported that Note 19 reflects a prior period adjustment to increase the amount of wastewater systems recorded as capital assets. In response to a question from Director Bumpass, Mr. Toldan stated that MGSB performed tests and determined that all assets were recorded. 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 ending February 28, 2010, subject to a 10-day review period by the Board and the District's consultants.

3. **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 "C." Ms. Guerrero reported that 98.34% of the District's 2009 taxes have been collected. 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 Tax Assessor and Collector's Report, and to authorize payment of check nos. 1126 through 1129 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

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 "D." 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. 6569 through 6588 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. **Review Investment Policy and accept related party disclosures.** Ms. Green stated that the Investment Policy was revised to include an updated list of brokers, a copy of which is attached hereto as Exhibit "E." 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 the Resolution Amending the Investment Policy to include the updated list of brokers, and to accept the related party disclosures from the bookkeeper and investment officer.

6. **Review Ethics Policy.** The Board reviewed the Ethics Policy.

7. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "F." Mr. Hoffman reported that the District pumped 743,000 gallons of water and purchased 20,473,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 144,377,000 gallons and six months remaining on its Harris-Galveston Subsidence District ("HGSD") Permit. Mr. Hoffman reported that H2O accounted for 90.6% of the water pumped and purchased by the District in May 2010.

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 right angle drive has been inspected and a repair and replacement proposal is attached to the Operations Report. Mr. Hoffman stated that the estimated cost to repair the drive is \$20,000 and the estimated cost to replace the drive is \$26,000. Mr. Hoffman reported that the estimated time to repair the drive is four to five weeks and the estimated time to replace the drive is 12 to 14 weeks. Upon motion by Director Fojt, seconded by Director Bumpass, after full discussion and the question being put to the Board, the Board voted unanimously to replace the right angle drive at an estimated cost of \$26,000.

Mr. Hoffman reported that the standby generator was delivered and is on site at the water plant.

Mr. Hoffman reported on water line maintenance and noted that the annual fire hydrant painting is on schedule and is expected to be completed over the next 60 days at an estimated cost of \$4,200.

Mr. Hoffman reported on sewer line maintenance and noted that upon completion of the biomonitoring testing at the sewer plant, the cleaning and televising of the lines will start at an estimated cost of \$15,000.

Mr. Hoffman reported on administrative items and noted that last month the Board discussed the home owners association ("HOA") request to pay for the sprinkler system controller for Southcreek Park. Mr. Hoffman stated that the Southcreek Park sprinkler meter is part of the Harris County Municipal Utility District No. 208 water system.

Mr. Hoffman reported that as requested by the Board, H2O investigated the side walk repair request from the Southdown HOA and the investigation results are attached to the Operations Report. Mr. Hoffman stated that four of the locations could be related to trench settlement and the locations are listed on the evaluation. Discussion ensued regarding the cost of the repairs and the obligation of the District to perform the repairs.

**8. Discuss amending rate order for sanitary sewer charges for commercial customers.** No action was taken.

**9. Discuss and authorize amendment to sewer contract with Harris County Municipal Utility District No. 257 ("No. 257").** Ms. Cogburn stated that No. 257 is reviewing the proposed sewer contract amendment.

**10. Consider Interlocal Agreement with HGSD to sponsor "Learning to be Water Wise" project.** The Board discussed the sponsorship of the "Learning to be Water Wise" project. Upon motion by Director Bumpass, seconded by Director Barnes, upon full discussion and the question being put to the Board, the Board voted four in favor, with Director Day opposed, to approve the Interlocal Agreement with HGSD to sponsor the "Learning to be Water Wise" project.

**11. Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G." Mr. Sarman reported that AECOM is finalizing the revisions for the control panel and MCC design following receipt of comments from the City of Houston ("COH"). Mr. Sarman stated that he anticipates receipt of the COH signatures by the end of next week. Mr. Sarman noted that the bid documents are being finalized in anticipation of advertising the project in the next two months.

Mr. Sarman stated that details on several of used natural gas generators are attached to the Engineer's Report for the Board to review. Mr. Sarman reported that AECOM confirmed with the vendor that the 450 kw generator is a 1994 model. Mr. Sarman stated that the vendor also included a payment plan option for the generator purchase.

Mr. Sarman reported that AECOM received approval from the Texas Commission on Environmental Quality ("TCEQ") for the District's Emergency Preparedness Plan ("EPP"). Mr. Sarman noted that the approval will be submitted to the appropriate agencies.

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

13. **Review issues relating to CJOB meeting.** Director Henderson reported that CJOB discussed sidewalk repairs, the curb repair for the sewage treatment plant, the concrete padsite for the generator and the purchase of a generator. Director Henderson stated that CJOB discussed insurance requirements for fuel storage and its insurance policy renewal.

14. **Discuss Copperfield Coalition survey.** Discussion ensued regarding the participation in the Copperfield Coalition survey. No action was taken.

15. **Review and authorize execution of letter regarding disclosure of Director information.** The Board reviewed the letter regarding disclosure of Director information, a copy of which is attached hereto as Exhibit "H." Each of the Board members decided to execute the letter limiting disclosure of his or her personal information to the general public.

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

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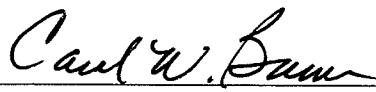
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The foregoing minutes were passed and approved by the Board of Directors on July 20, 2010.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

