

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 18, 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 May 18, 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; Ms. Jan Perino and Mr. Rick Scialdone of the Copperfield Coalition ("CC"); 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 20, 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 April 20, 2010, as presented.

2. **CC Presentation.** The Board recognized Ms. Perino and Mr. Scialdone who reviewed with the Board the CC initiative to fund a flooding survey of the Copperfield Community Association subdivision areas. Mr. Scialdone stated that the survey will be conducted by LJA Engineering, Inc. Mr. Scialdone noted that the CC is requesting that the funding be shared by the six municipal utility districts ("MUDs") which comprise the subdivisions of the Copperfield Community Association. Mr. Scialdone stated that funding of the survey by the MUDs would be based on their number of freshwater connections.

Director Day entered the meeting at this time.

Mr. Scialdone stated that the study would identify the areas of subsidence and the cost to remedy the subsidence. In response to a question from Director Fojt, Mr. Scialdone

stated that he did not know the results from any subsidence studies in other districts. Ms. Perino noted that during the flooding events, emergency response personnel would not be able to reach and render aid to residents in the District.

Extensive discussion ensued. In response to a question from Director Henderson, Mr. Scialdone reported that the home owner associations are not allowed to participate in the funding. Director Henderson requested that the Board follow-up on the discussion at the next meeting after hearing comments from the District's attorney.

3. **Approve audit for the fiscal year ending February 28, 2010.** This item was deferred.

4. **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. Guerrero reported that 97.07% of the District's 2009 taxes have been collected. 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 approve the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1121 through 1125 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

5. **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. 6546 through 6568 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.

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 701,000 gallons of water and purchased 14,366,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 165,593,000 gallons and seven months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSA") Permit. Mr. Hoffman reported that H2O accounted for 91% of the water pumped and purchased by the District in April, 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 during the water well #2 annual performance test, the technician noticed increased vibration during the vibration analysis. Mr. Hoffman reported that the right angle drive has been pulled and is being broken down for inspection. Mr. Hoffman reported that a copy of the report is attached to the Operations Report. Mr. Hoffman requested the Board's authorization to contact one or two of the Directors to approve the repairs to well #2 that are estimated to cost between \$3,000 and \$10,000. It was the consensus of the Board that Mr. Hoffman contact Director Henderson to authorize the repair on behalf of the Board.

Mr. Hoffman reviewed the standby generator pricing proposals, copies of which are attached to the Operations Report. The Board reviewed proposals from Lighthouse Energy Service Company, Worldwide Power Products and Sunbelt Rentals. Extensive discussion ensued regarding the rates, additional rate fees and company reliability for shipping the standby generator. Mr. Hoffman stated that the rental generator would need to be included on the District's insurance policy. 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 Sunbelt Rentals proposal to rent a 320 kw diesel generator at a cost of \$3,600 per month for six months (June 1, 2010 through November 30, 2010) and to rent cables at a cost of \$500 for six months.

Mr. Hoffman reported on water line maintenance and noted that H2O is performing the annual fire hydrant inspection, maintenance and flow testing. Mr. Hoffman reported that H2O completed the work in Copperfield Place Section 1 and 2, and Southdown Village Section 6 and 7. Mr. Hoffman requested the Board's approval to pressure wash and recoat the hydrants in the District at an estimated cost of \$4,200. 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 power washing and painting the District's hydrants at an estimated cost of \$4,200.

Mr. Hoffman reported on sewer line maintenance and recommended that the Board approve the cleaning and televising of the sewer line along Highway 6 at an estimated cost of \$15,000. Mr. Hoffman reported that a cured in place line was installed in 2002. 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 cleaning and televising of the sewer line along Highway 6 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. Mr. Hoffman stated that a list of accounts that may request similar improvements in the future are attached to the Operations Report for the Board to review. Director Henderson requested that Mr. Hoffman provide a copy of the chart for review next month.

Mr. Hoffman reported that the Southdown HOA is requesting the District to review a list of sidewalk locations to determine if the deterioration of the sidewalks might be due to sanitary sewer issues, a copy of which is attached to the Operations Report. Mr. Hoffman stated that H2O would investigate the locations to determine if the sidewalks are being affected by the sanitary sewer lines.

Mr. Hoffman reported that a copy of the Texas Water Development Board notice on water system audit is attached to the Operations Report for the Board's review.

Mr. Hoffman reported that the Copperfield Joint Operations Board ("CJOB") billings contained an error in the District's number of connections. Mr. Hoffman stated that the amount of the District's credit for the error is attached to the Operations Report.

7. **Approve Consumer Confidence Report.** Mr. Hoffman stated that a copy of the draft Annual Water Quality Report, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman stated that the report needs to be mailed with the water bills prior to July 1, 2010. Mr. Hoffman requested that the Board email any comments to him by the end of the month. 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 Annual Water Quality Report, subject to review and comment by the Board and attorney.

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.** The Board stated that they received the amended contract from the attorney. No action was taken.

10. **Review Red Flag Rules Policy.** Mr. Hoffman reviewed with the Board the Annual Identity Theft Prevention Program Report, a copy of which is attached hereto as Exhibit "F." Mr. Hoffman recommended no changes to the Red Flag Rules Policy.

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 submitting the plans for the control panel improvements to the City of Houston for approval.

Mr. Sarman reviewed with the Board a list of used natural gas generators, a copy of which is attached to the Engineer's Report. In response to a question from Director Fojt, Mr. Sarman stated that he would obtain more information on the generator's manufacturers to include the year, make and model.

Mr. Sarman reported that he contacted the Texas Commission on Environmental Quality ("TCEQ") regarding the status of the Emergency Preparedness Plan ("EPP"). Mr. Sarman noted that the TCEQ reports that the EPP is still being reviewed.

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 storing diesel fuel at the waste water treatment plant and approved renting a 1,000 gallon tank during the hurricane season at a cost of \$175 per month. Director Henderson stated that the District would not be participating in the fuel sharing program, but would utilize the fuel as a CJOB participant.

14. **Qualify and elect officers.** Upon motion duly made and seconded, the Board voted unanimously to retain the same slate of officers.

15. **Review and authorize execution of letter regarding disclosure of Director information.** 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 June 15, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)