

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 19, 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 October 19, 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"), 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; 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 September 21, 2010, previously distributed to the Board. 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 approve the minutes of the meeting of September 21, 2010, as presented.

2. **Public Hearing on Tax Rate for 2010.** The President opened the public hearing. There were no public comments. Ms. Guerrero reported that the proposed 2010 tax rate was published in the Houston Chronicle. The President closed the public hearing.

3. **Adopt Order Setting Tax Rate for 2010.** 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 adopt the Order Setting Tax Rate and Levying Tax for 2010, a copy of which is attached hereto as Exhibit "B," thereby setting a tax rate of \$0.43 per \$100 assessed valuation (\$0.38 per \$100 valuation to pay principal and interest to service the District's debts and \$0.05 per \$100 valuation to fund maintenance and operating expenditures).

4. **Consider Southcreek Village HOA request to reimburse sprinkler meters.** Ms. Green stated that she added this agenda item as requested by Dennis Zehler. Mr. Hoffman stated that none of the Southcreek Village HOA meters are located in the District and he would relay this information to Mr. Zehler.

5. **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 99.24% 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. 1143 through 1146 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

6. **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 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. 6670 through 6694 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.

7. **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 258,000 gallons of water and purchased 17,554,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period. Mr. Hoffman reported that H2O accounted for 90.7% of the water pumped and purchased by the District in September 2010.

Mr. Hoffman reported on water plant maintenance and noted that the new right angle drive for well #2 has been installed and the insurance claim will be filed next week. Mr. Hoffman stated that the final cost of the right angle drive for well # 2 is \$29,936.72.

Mr. Hoffman reported that the old diesel engine at the offsite well has been removed and DLD Services is in the process of preparing the pad for the used well engine at an estimated cost of \$10,750.

Mr. Hoffman reported on lift station maintenance and noted that the semi-annual lift station cleaning has been scheduled at an estimated cost of \$1,750.

Mr. Hoffman reported on water line maintenance and stated that the contractor for AT&T damaged the six-inch water line that serves the Coppermill Apartments. Mr. Hoffman reported that a repair clamp was installed and the line was placed back into service at a final cost of \$3,513.49.

Mr. Hoffman reported that the meter calibrations approved last month are beginning at an estimated cost of \$5,000.

Mr. Hoffman reported on sewer line maintenance and stated that the cleaning and televising of the sewer main along Highway 6 is complete at a final cost of \$1,241.87.

Mr. Hoffman reported that H2O is trying to coordinate the District sidewalk repairs (requested by the Southdown HOA) with the CJOB trunk line repairs.

Mr. Hoffman stated that he would like the review of next year's budget to include the cost to replace the sewer line due to tuberculation.

The Board discussed the repair of the cast iron lines. Mr. Hoffman reported that pipe bursting is preferable to Insituform when repairing cast iron lines.

Mr. Hoffman reviewed the water quality complaint log, a copy of which is attached to the Operations Report. Mr. Hoffman reported that H2O has received no calls regarding water quality in the District since September 2010.

8. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "F." Mr. Sarman reported that AECOM removed the generator pad and electrical conduit from the Control Panel and MCC design bid because the second generator was not defined at the time of the bid and the pad size and location of the electrical connections stubs was not available. In response to a question from Director Fojt, Mr. Sarman stated that cost risks for relocating the electrical connections and reworking the pad exist if the work is performed prior to the generator purchase. Mr. Sarman stated that based on current estimates, AECOM does not believe that the pad work will need to be advertised if the Board chooses to do the work in the future. Mr. Sarman stated that the item can be bid if the Board so chooses.

Mr. Sarman reported that Worldwide Power Products is offering an end of the year sale on used generators and noted that the information is attached to the Engineer's Report. Mr. Sarman reviewed the updated available natural gas generators listed in the Engineer's Report.

Mr. Sarman stated that Acclaim Energy has also submitted revised information for the proposed program that they presented to the Board in August. Mr. Sarman reported that Acclaim reduced their cost until the end of October in order to meet a government program for generators ordered in 2010. Mr. Sarman reported that the information is attached to the Engineer's Report.

Mr. Sarman reported that Fonda Santa Rosa restaurant provided AECOM information on their grease trap for H2O's inspection and approval. Mr. Sarman reported that the restaurant currently has a grease trap from a previous owner. Mr. Sarman reported that AECOM notified Fonda Santa Rosa that if the grease trap is determined not to be performing adequately by the District, it will be their responsibility to replace the current grease trap with one designed to meet the restaurant's needs. Mr. Sarman reported that the approval letter is attached to the Engineer's Report.

Mr. Sarman reported that AECOM is waiting on the review of the Copperfield Joint Operations Board ("CJOB") shared sewer lines in order to bid the two projects at the same time to obtain savings.

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

10. **Review issues relating to CJOB meeting.** Director Henderson reported that CJOB televised the 18-inch clay pipe sewer line on Club Lake (which runs from the Burger King restaurant to River Garden). Mr. Hoffman stated that only parts of the line need to be repaired. Mr. Hoffman stated that roots are growing into the main at one area in the line and it is restricting 40% of the flow in the line.

Director Henderson stated that all of the generators have been installed at CJOB at a final cost of \$112,000 versus the estimated cost of \$150,000.

The Board discussed the Copperfield Coalition's request for funds.

11. **Other matters.** The Board discussed the December meeting date and it was the consensus of the Board to reschedule the meeting to December 14, 2010.

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 November 16, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)