

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 15, 2011

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 February 15, 2011; 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 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. Julie Peak of First Southwest Company ("FSWC"), financial advisor 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. **Public Comments.** There were no public comments.
2. **Minutes.** Consideration was given to the approval of the minutes of the meeting of January 18, 2011, previously distributed to the Board. Upon motion by Director Barnes, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously, with Director Bumpass abstaining, to approve the minutes of the meeting of January 18, 2011, as presented.
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 "B." Ms. Guerrero reported that 94.93% of the District's 2010 taxes have been collected. 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 Tax Assessor and Collector's Report, and to authorize payment of check nos. 1161 through 1163 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 Board reviewed the Bookkeeper's Report, the budget for the fiscal year ending February 28, 2011, the cash flow comparison, the proposed budget for the fiscal year ending February 29, 2012, and the Investment Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report, to authorize payment of check nos. 6772 through 6795 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. **Adopt budget for the fiscal year ending February 29, 2012.** The Board reviewed the proposed budget for the fiscal year ending February 29, 2012. Ms. Hogue reported that under special projects, Mr. Sarman added \$40,000 to the Highway Sewer Line Crossing Rehabilitation and \$220,000 to the Sewer Line Rehabilitation. Discussion ensued. 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 adopt the budget with the additional \$40,000 and \$220,000 for engineering fees under special projects.

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 1,236,000 gallons of water and purchased 10,070,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period. Mr. Hoffman reported that H2O accounted for 88.15% of the water pumped and purchased by the District in January 2011.

Mr. Hoffman reported on water plant maintenance and stated that H2O met with the alarm company and the WHCRWA to relocate the alarm sensors at an estimated cost of \$500.

Mr. Hoffman reported that the material for the Coppermill Apartments meter vault has been ordered and that H2O will fabricate a meter vault in place and install the new piping system at an estimated cost of \$11,000.

Mr. Hoffman reported on sewer line maintenance and stated H2O has begun the sidewalk and manhole repairs in Southcreek at an estimated cost of \$8,300.

Mr. Hoffman reported that Copperfield Joint Operations Board ("CJOB") approved repairs on River Garden and H2O will begin the work shortly at an estimated cost to the District of \$5,000.

Mr. Hoffman reported that Sweetwater Environmental is complete with their evaluation at Rainbow Cleaners. Mr. Hoffman stated that H2O has collected an additional sample for the perc detection test.

Mr. Hoffman reported that H2O has begun preparing the Texas Water Development Board annual report and water audit which are due March 31, 2011.

Mr. Hoffman reviewed with the Board the letter from Copperfield Center, L.P. ("CC") requesting authorization to use a "double-check" back flow preventer instead of a "RPZ" backflow preventer at CC, a copy of which is attached to the Operations Report. Mr. Hoffman stated that because CC's backflow preventer is not used for high health hazardous water, he is requesting Board authorization to notify CC that the Board has approved the double check back flow preventer at this time, but if the use changes, then a RPZ backflow preventer will need to be installed. It was the consensus of the Board that Mr. Hoffman proceed with his notification.

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 pre-construction meeting for the Control Panel and MCC design is complete and the contractor has given AECOM some of the submittals for review. Mr. Sarman reported that AECOM has requested that the contractor provide the remaining submittals. Mr. Sarman stated that AECOM estimates that the preconstruction materials will be received by mid-May which may conflict with the peak usage water months. Mr. Hoffman reported that peak usage usually falls between Memorial Day and Labor Day.

Mr. Sarman reported that the list of used natural gas generators has been updated and copies of the generator specifications are attached to the Engineer's Report. Director Fojt reported that he is interested in bidding on the 405 KW generator. Discussion ensued regarding condition and availability of the generator. Mr. Sarman reported that AECOM would perform an inspection, determine the cost of shipping and obtain other details regarding the generator before a bid is submitted. Director Fojt reported that he would also review the product via the internet. It was the consensus of the Board to authorize Directors Fojt and Henderson to act on behalf of the Board toward bidding on the generator after Mr. Sarman and Director Fojt investigate the specifications and costs.

Mr. Sarman reported that the AECOM proposal for the sanitary sewer repairs along Highway 6 is attached to the Engineer's Report. Mr. Sarman requested that the Board authorize the engineering plans and specifications for providing engineering and construction phase services necessary for the completion of type 1 and 2 sanitary sewer repairs that were identified in the video inspection. Mr. Sarman reported that the engineering services will include preparation of the plans, contracts, and specifications as well as coordinating the advertising and bidding of the project and providing construction phase services. Mr. Sarman estimated that the effort will cost approximately \$28,400, including the Houston Chronicle advertising fees. Mr. Sarman requested that the project be billed on a time and materials basis and stated that the table of repairs and layouts are attached to the Engineer's Report for discussion. Discussion ensued. Mr. Sarman reported that he would review the cost options for cleaning the tuberculation from the pipe and/or replacing the pipe. Discussion ensued. 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 authorize AECOM to proceed with the plans and specifications for providing engineering and construction phase services necessary for the completion of type 1 and 2 sanitary sewer repairs at an estimated cost of \$28,400.

Director Fojt left the meeting at this time.

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

9. **Review schedule of callable debt.** Ms. Peak reviewed with the Board the Callable Debt Summary, a copy of which is attached hereto as Exhibit "F." Ms. Peak stated that the amount of outstanding debt is \$1,710,000 and that the District could use up to \$560,000 toward paying off the debt with the highest interest rates. Director Henderson stated that he would like to defer action on this item until after May, when the project bids have been received. Discussion ensued. Ms. Cogburn suggested that the item would be added to the April agenda.

10. **Review issues relating to CJOB meeting.** Director Henderson reported that CJOB increased the per connection fee from \$8.50 to \$9 and approved the budget.

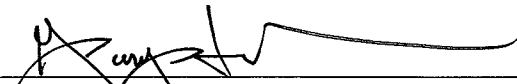
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on March 15, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

