

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 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 March 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 Directors Day and Fojt. Also attending all or parts of the meeting were Mr. Chris Hoffman of H2O Consulting, Inc. ("H2O"), operators for the District; Ms. Robin Goins of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Ms. Lori Hogue of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; Mr. Larry Mueller of AECOM Technical Services, Inc. ("AECOM"), engineers 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 February 15, 2011, 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 February 15, 2011, as presented:
3. **Tax Assessor and Collector's Report.** Ms. Goins 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. Goins reported that 95.97% of the District's 2010 taxes have been collected. 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 Tax Assessor and Collector's Report, and to authorize payment of check nos. 1164 through 1170 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, and the Investment Report, copies of which are attached hereto as Exhibit "C."

Ms. Hogue reviewed a request from the City of Houston ("COH") for the direct deposit of sales tax revenues into the District's general operating fund. Ms. Hogue stated that if an overpayment is made to the District through the direct deposit, it can be retracted by the COH. Ms. Hogue stated that the request does not specify if notice will be given to the District for retracting overpayments. Since the request was not mandatory, the Board did not authorize setting up a direct deposit for the sales tax revenues into the District's general operating fund.

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 accept the Bookkeeper's Report, to authorize payment of check nos. 6798 through 6816 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. **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 3,855,000 gallons of water and purchased 7,157,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period. Mr. Hoffman reported that H2O accounted for 87.8% of the water pumped and purchased by the District in February 2011.

Mr. Hoffman reported on water plant maintenance and stated that the booster pump #3 coupling failed. Mr. Hoffman reported that a new coupling was installed and the pump and motor were aligned at a final cost of \$1,474.35.

Mr. Hoffman reported that H2O repaired debris in the water line, hauled off the spoils pile at the water plant, and disposed of the debris at a landfill at a final cost of \$1,605.50.

Mr. Hoffman reported on the annual electrical water plant maintenance. Mr. Hoffman reported that the motors and controls were inspected at the water plant at a final cost of \$905. Mr. Hoffman reported that the booster pump #3 motor may develop a problem in the future.

Mr. Hoffman reported that the Copperfield Joint Operations Board ("CJOB") is evaluating diesel needs so that the sewer plant can establish some sort of criteria for long-term storage of fuel. Mr. Hoffman stated that a memo regarding the fuel storage is attached to the Operations Report. Mr. Hoffman reported that assuming the worst case scenario, the District would be able to operate the plant for approximately 2.6 days with the existing fuel storage of 500 gallons of diesel. Mr. Hoffman did not recommend that the District reserve any additional fuel from CJOB at this time.

Mr. Hoffman reported that the Coppermill Apartments meter vault assembly is complete and that H2O is waiting on the new meter from the factory. Mr. Hoffman reported that the estimated cost of the meter vault assembly and installation is \$11,000.

Mr. Hoffman reported on sewer line maintenance and stated that the sidewalk and manhole repairs in Southcreek are complete at a final cost of \$7,938.38.

Mr. Hoffman reported that the CJOB repairs on River Garden are complete at an estimated cost to the District of \$21,000.

Mr. Hoffman reported that repeat samples tests have shown that low levels of perc are still being discharged at Rainbow Cleaners, a copy of which is attached to the Operations Report. Mr. Hoffman stated that housekeeping issues are related to the perc being discharged into the water system.

Mr. Hoffman reported that H2O has prepared the Texas Water Development Board annual report and water audit which is due March 31, 2011, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the District is reporting a total cost impact of apparent and real losses of \$27,133.54. Mr. Hoffman reported that H2O will file the TWDB report at the end of the month.

Mr. Hoffman reviewed with the Board the Water Quality Complaint Log, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman reported that H2O flushed the valves adjacent to 15326 Winding Valley following taste and odor complaints.

6. **Engineer's Report.** Mr. Mueller reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "E." Mr. Mueller reported on the Control Panel and MCC Design and stated that AECOM contacted the contractor regarding the summer installation schedule being in conflict with the summer water demands. Mr. Mueller said that the contractor anticipates that the equipment will arrive the later part of May and that the installation will be complete by the end of June. As previously discussed, Mr. Mueller stated that the installation would conflict with the peak usage water months and would need to be scheduled for the latter part of October. In response to a question, Mr. Mueller stated that the only contract issue is where to store the equipment following delivery. Discussion ensued regarding storing the equipment and potential damage to the equipment during storage. Ms. Cogburn requested that Mr. Mueller contact the manufacturer to have them delay shipping the order until closer to the time the equipment is to be installed. Ms. Cogburn stated that it would be better to pay a penalty to cancel the order than to store the equipment and risk damaging the equipment prior to installation. Mr. Mueller reported that he would contact the manufacturer regarding the order.

Mr. Mueller 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.

Mr. Mueller reported that AECOM is preparing the plans and specifications for the sanitary sewer repairs along Highway 6. Mr. Mueller reported that AECOM anticipates submitting the plans to H2O by the end of the month for review and comment. In addition, Mr. Mueller reported that AECOM received an estimate of \$20 to \$25 per linear foot to remove the tuberculation from the sewer lines. Mr. Mueller reported that it would cost approximately \$3,200 to remove the tuberculation from 128 feet of ductile iron pipe and \$25,375 to slip-line 203 feet of pipe. In response to a question from Director Henderson, Mr. Mueller described that

tuberculation inside the pipes is similar to barnacles on submerged objects. Mr. Mueller reported that AECOM is including this repair as an optional item in the sanitary sewer repair plans.

Mr. Mueller reported that Harris County Municipal Utility District No. 208 ("No. 208") requested AECOM to transfer its main GIS files to H2O for minor GIS update maintenance. Mr. Mueller noted that AECOM is preparing a proposal to update the files for preserving the functionality of the files and monitoring the changes made to the files. Mr. Mueller reported that if interested, AECOM can present a proposal to the District in April for transferring its GIS files to H2O for minor GIS update maintenance. In response to a question from Director Barnes, Mr. Mueller stated that the time and material cost to transfer the files is approximately \$5,000.

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

8. **Review issues relating to CJOB meeting.** Director Henderson reported that CJOB discussed the engineering fees related to capital costs for the Texas Commission on Environmental Quality permit renewal and the allocation of the permit fees based on percentage ownership.

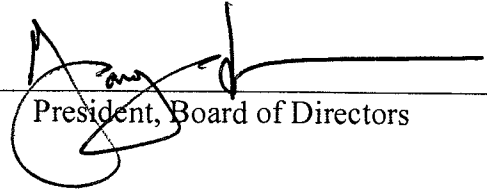
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on April 19, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

