

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

June 10, 2002

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 6:00 p.m. on the 10<sup>th</sup> day of June, 2002, at Spring Baptist Church Chapel, 1027 Spring Cypress, Houston, Texas, a public meeting place within the boundaries of the Authority; whereupon, the roll was called of the duly constituted officers and members of the Board, to-wit:

Lenox A. Sigler	-	President
Jim Pulliam	-	Vice President
Ron Graham	-	Secretary
Kelly P. Fessler	-	Treasurer
Alan J. Rendl	-	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mr. Ed Shackelford, P.E., General Manager for the Authority; Ms. Cyndi Plunkett, Financial Assistant for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Messrs. Alan Potok, P. E. and Michael Baugher, P.E. of Turner Collie & Braden, Inc., Program Manager for the Authority; Mr. Gary Smith, P.E. of ARCADIS, Program Manager for the Authority; Mr. John Howell of The GMS Group, Inc., financial advisors for the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the Authority. Numerous members of the public were also present at the meeting. A copy of the sign-in sheets for those in attendance is attached hereto.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

**STATUS OF CITY OF HOUSTON WATER SUPPLY CONTRACT NEGOTIATIONS**

Mr. Shackelford first reviewed with the Board an updated cost spreadsheet with the latest cost information for untreated water capital costs, treatment capital costs and transmission capital costs recently received from the City of Houston (the "COH") during the June 6, 2002 meeting of the COH contract negotiating team. A copy of the spreadsheet is attached hereto. Mr. Shackelford explained that the cost information was provided to Mr. Howell to run the various cash flow analyses for the proposed COH contract.

Director Sigler then asked Mr. Shackelford for clarification on information concerning untreated water capital costs. Mr. Shackelford explained that during the years 2010 through 2019, the COH is projecting a raw water volume production of 519.98 million gallons per day ("gpd"), and the Authority's capacity need of that amount is approximately 35 million gpd based on usage calculations made by

Authority engineers. Director Sigler asked what the COH's projected costs are for constructing the Northeast Water Plant. Mr. Shackelford responded that the construction contract for the Northeast Water Plant is \$120,975,586 and noted that the Authority's share of such cost would be approximately 43.75%.

Mr. Howell then reviewed his Phase I 2010 Conversion & Phase II Conversion to Surface Water Cash Flow Analysis and the various cash flow analyses and assumptions relative to the individual components of the proposed COH water supply contract with the Board, copies of which are attached hereto. Mr. Howell then focused the Board's attention on the estimated cost per gallon column of the cash flow spreadsheet, noting that in 2010, such cost is projected to be \$0.85/1,000 gallons and \$1.88/1,000 gallons in 2029.

Mr. Howell continued to review the cash flow spreadsheet column by column with the Board and respond to numerous questions from the Board. Director Rendl commented that the consultants are doing a great job with the COH contract negotiations, that the cost estimates and calculations appear to be very favorable and that it appears that the proposed contract with the COH will be fair.

Director Pulliam asked if there was anything else the Authority needs from the COH to finalize the contract negotiations. Mr. Shackelford responded that the Authority still needs to receive information on the annual interest payment on the transmission lines and that all contract inserts relating to the six (6) major components are due to the COH on June 14, 2002. Mr. Shackelford reported that the next negotiation meeting with the COH is scheduled for Thursday, June 27, 2002.

There being no further business to come before the Board, the meeting was adjourned at 6:58 p.m.

PASSED, APPROVED AND ADOPTED this 5<sup>th</sup> day of August, 2002.

/s/Ron Graham

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Secretary, Board of Directors

(SEAL)