

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 8, 2003

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in regular session, open to the public, at 7:00 p.m. on the 8th day of December, 2003, at the Authority's office, located at 3648 FM 1960 West, 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:

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

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mrs. Kelly Fessler; Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Lisa Randecker, Executive Assistant for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Tom Rolen, P.E. of Turner Collie & Braden Inc. ("TC&B"), Engineer Manager for the Authority; Mr. Dave Scholler, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Messrs. Gary Myers, P.E. and Stephen Yu of Epsilon Engineering, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Alfonzo Hernandez, P.E. of HBC/Terracon, on-call engineers for the Authority; Mr. Gene Shepherd of RBC Dain Rauscher Inc., co-financial advisors for the Authority; Mr. Mark Breeding of Andrews & Kurth L.L.P., right-of-way acquisition attorneys for the Authority; Mr. Bobby Greer of Cobb Fendley & Associates, Inc. ("Cobb Fendley"), ROW/easement acquisition consultant to the Authority; Mr. Terry Williamson of Texas Sterling Construction, L.P. ("Texas Sterling"), construction contractor for Project 1C of the Authority; Ms. Debra Roy, staff writer for The 1960 Sun; and Ms. Robin S. Bobbitt and Mr. Andrew P. Johnson, III, attorneys, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), general counsel and co-bond counsel for the Authority. Numerous members of the public and other consultants to the Authority 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.

**BOARD MEMBER COMMENTS**

Director Pulliam noted that tonight's meeting was a historic meeting at which the Authority's first construction contract would be awarded. Director Pulliam commended Mr. Rolen on his work on Project 1C and on his report summary.

**PUBLIC COMMENT**

Director Graham recognized Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10. Mr. Broun stated that it appears that no one will oppose Directors Pulliam and Fessler in the upcoming February 7, 2004 Directors Election and asked if Directors Pulliam and Fessler would be willing to donate the funds they have raised for their campaign to a worthy cause or charity that would benefit the residents of the Authority. Director Graham stated such matter was not appropriate for public comment and was up to each individual and suggested that Mr. Broun talk directly with Directors Pulliam and Fessler.

**REPORTS**

**STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR**

Ms. Payne reported that the Authority's Web site had approximately 50,000 hits, with an average of 12,600 hits per week, for the month of November. Ms. Payne then expressed thanks to Ms. Diane Flynn for putting together the water conservation exhibits at the meetings over the last several months. Ms. Payne noted that the Water Conservation Committee will meet on December 16, 2003, at 4:00 p.m., at the offices of the Authority. Ms. Payne reported that a luncheon is being scheduled for the first quarter of 2004 with five (5) area school district superintendents and noted that Mr. Rendl will make a presentation about the Authority at the luncheon. Ms. Payne then recognized Ms. Carol Frazier, a science teacher with The Red School, who is in the audience and serves on the Authority's Water Conservation Committee.

**GENERAL MANAGER'S REPORT**

Mr. Schindewolf first announced that a groundbreaking ceremony would be scheduled in January for Project 1C and also that the Authority will also hold a Holiday Open House on Tuesday, December 16, 2004, at the Authority's offices, from 5:00 p.m. to 7:00 p.m.

Mr. Schindewolf then briefly reviewed the General Manager's Report with the Board, a copy of which is attached hereto.

**STATUS OF ROW/EASEMENT ACQUISITIONS**

Mr. Breeding was then called on by Mr. Schindewolf to present a status report on the ROW/easement acquisitions. Mr. Breeding noted that, as previously reported, all of the easement parcels have now been acquired for Project 1C. Mr. Breeding then briefly reviewed the status of the other ROW/easement acquisition projects. Mr. Breeding added that all of the necessary rights of entry agreements had been acquired from the Harris County Flood Control District ("HCFCD"). Mr. Breeding next reported that of the five (5) condemnation suits that have been filed by the Authority, three (3) had been resolved favorably. Mr. Breeding further reported that easement acquisitions were going well in Project 1A and 1B and that negotiations with CenterPoint Energy are ongoing in connection with Project 1B and Project 6. Mr. Breeding concluded by reporting that all of the Authority's ROW/easement acquisitions were on track.

**ENGINEER MANAGER'S REPORT**

Concerning the 2010 Water Distribution and Transmission System - Phase 1 Groundwater Transfer Projects (the "GTP"), Mr. Rolen reported that nine (9) bids had been received for the construction of Project 1C on November 20, 2003 and that the lowest qualified bidder on such project was Texas Sterling, with a bid of \$1,245,496. Mr. Rolen noted that a pre-construction meeting was scheduled for Tuesday, December 9, 2003, at 1:30 p.m., at the Authority's offices. Mr. Rolen stated that the Notice to Proceed for the project will be issued to Texas Sterling in the next few days and that construction work would begin within the next week. Mr. Rolen added that there would be pipe in the ground by the end of 2003.

Mr. Rolen next reported that the design engineers were moving forward with the design of Projects 7B and 7C, that the engineers were already working on the plans for Project 7A and that Project 6A is under design.

Director Pulliam noted that the bid for Project 1C had come in under the engineer's estimate of \$2.8 million and asked if there are items not included in the construction contract amount that are in the \$2.8 million cost estimate. Mr. Rolen responded that the extension of the water line beyond the connection with Northwest Harris County Municipal Utility District No. 24 ("NW 24") and on down to their water plant site had not been included in the Project 1C contract and that construction management costs were also not included in the contract but were included in the cost estimate. Director Pulliam asked who would perform the construction inspection work. Mr. Rolen responded that Project Surveillance would perform the construction inspection work for Project 1C.

Director Sigler asked about the percentage of completion on the ROW easement/acquisitions. Mr. Breeding then again briefly reviewed the status of easement acquisitions on the various GTPs. Mr. Rolen stated that approximately 25% of the ROW easement/acquisition work had been completed in 2003 and that another 25% was scheduled to be completed in 2004.

Mr. Rolen then briefly reviewed the Engineer Manager's Report, a copy of which is attached hereto. Mr. Rolen also reviewed the meetings that he had attended with the General Manager, representatives of utility districts, ROW/easement acquisition consultants and other Authority consultants during the past month.

**ATTORNEY'S REPORT**

Ms. Bobbitt next reported on the status of the pending litigation against Consumers Water Corporation ("Consumers") and Suburban Utility Company ("Suburban"). Ms. Bobbitt reported that the proposed Settlement Agreement had been verbally agreed to and would be finalized prior to the December 19, 2003 docket call date. Ms. Bobbitt explained that the Settlement Agreement includes a five (5) year payout of the total delinquent amount of approximately \$85,000 (\$75,000 in delinquent pumpage fees and \$10,000 in attorneys' fees). Ms. Bobbitt also reported that the owners of Consumers and Suburban will also obtain approval to increase the water tariff to their customers from the Texas Commission on Environmental Quality (the "TCEQ") in order to pay the Authority's pumpage fees on a current basis beginning in 2004. Ms. Bobbitt added that the new water tariff is to be in place by April 1, 2004. Ms. Bobbitt added that the finalized Settlement Agreement would be forwarded to Mr. Schindewolf for execution within the next several days.

Concerning the February 7, 2004 Directors Election, Ms. Bobbitt reported that no one other than the incumbent directors had filed for candidacy as of the filing deadline earlier today and stated that Friday, December 12, 2003, at 5:00 p.m., is the deadline for declaring write-in candidacy. Ms. Bobbitt further explained that if no one files as a write-in candidate, the election would be cancelled. Ms. Bobbitt added that if someone files as a write-in candidate, a drawing will be held on Wednesday, December 17, 2003, to determine the order of names to appear on the ballot.

### **CONSENT AGENDA**

Director Graham then reviewed with the Board the items reflected on the Consent Agenda. Director Graham explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda.

Director Graham stated that there was one (1) item on the Consent Agenda, approval of the minutes of the September 29, 2003 budget workshop and the minutes of the regular meeting of November 3, 2003.

Ms. Bobbitt noted that a correction, pursuant to Director's Graham's request, had been made to page two (2) of the November 3, 2003 minutes. Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Consent Agenda item.

### **REGULAR AGENDA**

#### **FINANCIAL ASSISTANT'S REPORT**

Director Graham then recognized Ms. Plunkett, who reviewed the Financial Report with the Board, including the monthly investment report, the checks being presented for payment and the budget comparison for the month ending October 31, 2003, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for ten (10) months reflects that the Authority continues to be approximately \$1,396,224 under budget for the current fiscal year. Upon motion by Director Fessler, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Financial Report, the monthly investment report and the payment of the checks.

#### **UPDATE ON CAPITAL CONTRIBUTIONS**

Ms. Plunkett next reported that the meeting packet included an updated list of Capital Contributions from utility districts, a copy of which is attached hereto. Ms. Plunkett stated that all of the 24 utility districts have now made their capital contributions.

**GENERAL MANAGER'S ACTION ITEMS**

**AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 1C OF THE PHASE 1 GROUNDWATER TRANSFER PROGRAM**

Mr. Schindewolf then reported that as indicated earlier in the meeting, nine (9) bids had been received on November 20, 2003 for the construction of Project 1C, which includes the construction of a 20-inch water line along Bammel-N. Houston Road from Richey Road to NW 24. Mr. Schindewolf reiterated that the low bidder on the project was Texas Sterling with a bid in the amount of \$1,245,496, and recommended that the Board approve the award of the construction contract to Texas Sterling. Upon motion by Director Sigler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to award the construction contract for Project 1C to Texas Sterling and to authorize execution of such construction contracts. Copies of Mr. Schindewolf's letter recommending award of the contract and the bid tabulation are attached hereto.

Mr. Schindewolf then introduced Mr. Terry Williamson, Senior Vice President of Texas Sterling, to the Board.

Director Sigler commented that the Authority had made a great deal of progress over the last four (4) years and commended Mr. Schindewolf, Mr. Rolan and all the Authority's consultants for a job well done in reaching this point.

**ADOPT RESOLUTION AUTHORIZING GENERAL MANAGER TO IMPLEMENT AND ADMINISTER CONSTRUCTION CONTRACTS**

The Board then considered a Resolution Authorizing General Manager to Implement and Administer Construction Contracts, a copy of which was included in the Board meeting packet. Ms. Bobbitt explained that the Resolution specifically identifies 22 items related to construction management that are being delegated by the Board to the General Manager in order for the Authority's construction projects to proceed in a timely and efficient manner. Director Pulliam commented that he had reviewed his notes and past meeting minutes and confirmed that these areas of authority had not previously been delegated to the General Manager and concurred that adoption of the Resolution was a good idea. Upon motion by Director Rendl, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto.

**NEXT MEETING**

Mr. Schindewolf then stated that the next regular meeting of the Authority would be held on Monday, January 5, 2004, at 7:00 p.m. at the Authority's offices.

Mr. Schindewolf also reiterated that the Authority will hold a Holiday Open House on Tuesday, December 16, 2003, from 5:00 p.m. to 7:00 p.m. at the Authority's offices.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 5th day of January, 2004.

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Secretary, Board of Directors

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