

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

November 3, 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 3rd day of November, 2003, at the Authority's office 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: 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. Abraham Rubinsky of Schwartz Page & Harding, L.L.P., representing the Central Harris County Water Users Consortium (the "CHCWUC"); Mr. Paul Wallick, P.E. of Pate Engineers, Inc., engineers for the CHCWUC; Messrs. Malcolm Beckendorff, P.E. and Joe Wozny, P.E. of ARCADIS, on-call engineers for the Authority; Mr. Dave Scholler, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Gary Myers, P. E. of Epsilon Engineering , Inc., on-call engineers for the Authority; Mr. John Seifert, P. E. of LBG Guyton Associates, on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Gene Shepherd of RBC Dain Rauscher Inc., co-financial advisors for the Authority; Mr. John Howell of The GMS Group, L.L.C., co-financial advisors for the Authority; Mr. Mark Breeding of Andrews & Kurth, right-of-way acquisition attorneys for the Authority; Mr. Bill Fendley of Cobb Fendley & Associates, Inc. ("Cobb Fendley"), ROW/easement acquisition consultant to the Authority; Messrs. Harold Cobb, P. E. and Alfonzo Hernandez, P. E. of HBC/Terracon; Mr. Mark Wells, P. E. of Geotest Engineering, Inc.; Ms. Kim Canon, staff writer for the Houston Chronicle; Mr. Jason King, 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 Graham first noted that Channel 24 News ran a story several weeks ago regarding the use of arsenic as a treatment in cancer patients.

PUBLIC COMMENT

No public comments were given at this time.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne reported that the Authority's Web site had approximately 50,000 hits for the month of October. Ms. Payne reported that Directors Rendl and Fessler attend the Water Conservation event held at the Lowe's store in Tomball and noted that the event was videotaped and will be used as a publicity tool by the Authority's Water Conservation Committee. Ms. Payne further reported that Director Rendl recently made presentations to: 1) the Cy-Fair AARP Chapter; 2) the North Harris County Association of Retired School Personnel; 3) the ExxonMobil Safety Group; and 4) the Lakewood Forest Homeowners Association; and that Mr. Schindewolf addressed the 1960 Republican Group during the last month. Ms. Payne then thanked Diane Flynn of Postwood Municipal Utility District for the water conservation display located at the back of the meeting room. Ms. Payne also reported that tonight's water conservation door prize was a \$50.00 gift certificate to Pappas Restaurant donated by Republic Waste Services. Ms. Payne announced that November 11, 2003 is Texas Recycling Day.

GENERAL MANAGER'S REPORT

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

Mr. Schindewolf next asked Mr. Shepherd to provide an update on the status of financial matters, including the Authority's \$124,685,000 Senior Lien Revenue Bonds, Series 2003 (the "Bonds"). Mr. Shepherd reported that the Bonds were delivered on October 16, 2003 and that the bond proceeds were deposited into the various Authority accounts as required.

Concerning the 2010 Water Distribution and Transmission System - Phase 1 Groundwater Transfer Projects (the "GTP"), Mr. Schindewolf reported that bids for the construction of Project 1C would be taken on November 20, 2003. A copy of the bid advertisement for such project is attached hereto. Mr. Schindewolf commended the ROW/easement acquisition team, engineering design and engineering management team, legal counsel, and staff for all of the work it took for the Authority to achieve this important milestone.

ENGINEER MANAGER'S REPORT

Mr. Rolan then presented the Engineer Manager's Report, a copy of which is attached hereto. Mr. Rolan briefly 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.

Mr. Rolan next reported on the status of the 2010 Water Distribution and Transmission System - Phase 1 GTP. Mr. Rolan reported that the construction bids for Project 1C would be opened on November 20, 2003 and briefly reviewed the details of such project.

Mr. Rolan then reported that the engineering design work for the remaining four (4) GTPs was 80% to 90% complete and reported that two (2) additional sets of plans have been forwarded to Harris County (the "County") and the City of Houston (the "COH") for review and approval.. Mr. Rolan noted that TCB hopes to have COH and County approvals on such projects by the end of November.

Mr. Breeding then entered the meeting at 7:15 p.m.

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 stated that the ROW/easement acquisitions were proceeding and that several easements have been acquired since the Board's last meeting. Mr. Breeding reported that the first project to go forward with construction will be Project 1C (along Bammel-North Houston, north of Beltway 8 to Richey Road) and that all of the parcels of land have now been acquired for such project. Mr. Breeding then briefly reviewed the status of the other projects and stated that Cobb Fendley and Universal Field Services, Inc. were doing a fine job in negotiating the ROW/easement acquisitions.

Mr. Rubinsky then entered the meeting at 7:22 p.m.

ATTORNEY'S REPORT

Ms. Bobbitt then reported on the status of the pending litigation against Consumers Water Corporation ("Consumers") and Suburban Utility Company ("Suburban"). Ms. Bobbitt noted that the status report on the pending lawsuit was sent out after the meeting packet had been sent to the Board members. Ms. Bobbitt reported that JRPB is working to resolve the issues with the owners of Suburban and Consumers and is also coordinating efforts with the Harris-Galveston Coastal Subsidence District. Ms. Bobbitt stated that the owners of Suburban and Consumers continue to express an interest in trying to negotiate a payment plan for the payment of the delinquent pumpage fees and that her office is continuing to work with the owners on such matter.

Concerning the February 7, 2004 Directors Election, Ms. Bobbitt reported that there are two (2) items on tonight's Consent Agenda for Board action, including the adoption of the Order Calling the Directors Election and appointment of JRPB as the Designated Agent for the Directors Election, as required by the Texas Election Code, as amended. Ms. Bobbitt reported that the Texas Election

Code requires that an election be called 62 days prior to Election Day (such date being February 7, 2004) and since the December meeting had been rescheduled to December 8th, it was necessary for the Board to call the directors election at tonight's meeting. Ms. Bobbitt reminded the Board that the old County voting precincts were used in the Authority's 2002 Directors Election, but that the new County voting precincts would be used for the upcoming election. Ms. Bobbitt added that Candidate Application Packets are available from the offices of JRPB and the Authority's office and had been delivered tonight to the incumbent directors. Ms. Bobbitt noted that the earliest date that an application could be filed is Friday, November 7, 2003.

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 were three (3) items on the Consent Agenda, including: 1) approval of the minutes of the regular meeting of October 6, 2003; 2) adoption of the Order Calling Directors Election for February 7, 2004; and 3) appointment of JRPB as the Designated Agent for the February 7, 2004 Directors Election.

Upon motion by Director Rendl, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Consent Agenda items, as outlined above. A copy of the Order Calling Directors Election is attached hereto.

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 September 30, 2003, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for nine (9) months reflects that the Authority continues to be approximately \$2.76 million under budget for the current fiscal year. Upon motion by Director Pulliam, 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 reflected therein.

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 19 utility districts out of 24 had made their capital contributions and that the remaining five (5) districts have requested an extension of time to make the contributions until they have issued their bonds.

Director Pulliam inquired about the status of the Authority's various fund investments. Ms. Plunkett responded that she and Mr. Howell will be monitoring the Authority's investments for

liquidity, diversity and interest yield in accordance with the Authority's updated Investment Policy, which is included on tonight's agenda.

GENERAL MANAGER'S ACTION ITEMS

ADOPT ORDER REGARDING ANNUAL REVIEW OF RULES, POLICIES AND CODE OF ETHICS FOR THE INVESTMENT OF AUTHORITY FUNDS

Ms. Bobbitt then explained that the Public Funds Investment Act, as amended, requires the Board to review the Authority's Investment Policy on an annual basis and presented an Order Regarding Annual Review of Rules, Policies, and Code of Ethics for the Investment of Authority Funds for the Board's consideration and approval. Ms. Bobbitt noted that the Authority's list of authorized brokers had been updated by Ms. Plunkett. Upon motion by Director Rendl, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Regarding Annual Review of Rules, Policies and Code of Ethics for the Investment of Authority Funds, a copy of which is attached hereto.

ADOPT AMENDED AND RESTATED ORDER DESIGNATING INVESTMENT OFFICER AND ESTABLISHING RULES, POLICIES AND CODE OF ETHICS FOR THE INVESTMENT OF AUTHORITY FUNDS AND REVIEW OF INVESTMENTS

Ms. Bobbitt then explained that Mr. Schindewolf, Ms. Plunkett and Mr. Howell had reviewed the Authority's Investment Policy in connection with the receipt and investment of the proceeds from the Bonds. Ms. Plunkett reported that an Interest and Sinking Fund and a Coverage Fund had been created and that the Authority's Investment Policy had been amended to reflect such funds. 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 adopt the Amended and Restated Order Designating Investment Officer and Establishing Rules, Policies and Code of Ethics for the Investment of Authority Funds and Review of Investments, a copy of which is attached hereto.

AGREEMENT FOR JOINT FINANCING, DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE OF SURFACE WATER TRANSMISSION FACILITIES BETWEEN CENTRAL HARRIS COUNTY WATER USERS CONSORTIUM AND THE AUTHORITY (THE "JOINT AGREEMENT")

Mr. Schindewolf reminded the Board that both the October and November meeting packets contained the proposed Joint Agreement with the CHCWUC and that Ms. Bobbitt had reviewed the Joint Agreement in detail with the Board at the October meeting. Ms. Bobbitt then briefly reviewed the terms of the proposed Joint Agreement and explained that the estimated construction costs for the 60-inch transmission line are \$41,205,446, to be shared by the Authority and the CHCWUC based on the capacity each entity has in the transmission line, with the Authority paying an estimated \$37,241,482 (90.38%) and the CHCWUC paying an estimated \$3,963,964 (9.62%) of such costs.

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 and authorize the execution of the Joint Agreement, a copy of which is attached hereto.

Mr. Rubinsky then addressed the Board and thanked the Board, Mr. Schindewolf, Mr. Rolen and Ms. Bobbitt for their cooperation and work on the Joint Agreement.

ORDER DESIGNATING ADDITIONAL OFFICE OUTSIDE THE BOUNDARIES AND RE-ESTABLISHING OFFICE AND MEETING PLACES INSIDE AND OUTSIDE THE BOUNDARIES OF THE AUTHORITY

Ms. Bobbitt reported that, pursuant to Section 49.062, Texas Water Code, as amended, the proposed Order Designating Additional Office Outside the Boundaries and Re-Establishing Office and Meeting Places Inside and Outside the Boundaries of the Authority (the "Order") designates the offices of TC&B as an office outside the boundaries of the Authority for the purpose of receiving and opening bids on certain public works, administering construction projects, and storing plans and specifications of such projects. In addition, Ms. Bobbitt explained that the Order also designates the Authority's office as an office for the purpose of receiving and opening bids. Upon motion by Director Pulliam, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order, a copy of which is attached hereto.

ADOPT RESOLUTION DETERMINING AND ADOPTING PREVAILING WAGE RATES FOR CONSTRUCTION PROJECTS

Ms. Bobbitt then presented a Resolution Determining and Adopting Prevailing Wage Rates for Construction Projects, a copy of which is attached hereto. Ms. Bobbitt explained that in connection with the Authority's construction projects and pursuant to Section 2258.022 of the Texas Government Code, the Authority is required to determine a general prevailing wage rate of per diem wages in the locality in which public work of the Authority is to be performed, for each craft or type of worker needed to execute the contract, and the prevailing rate for legal holiday and overtime work. In addition, Ms. Bobbitt stated that since the Authority is located within the extraterritorial jurisdiction of the COH, the Authority may determine to adopt the COH's prevailing wage rate pursuant to Section 49.279 of the Texas Water Code, as amended. Upon motion by Director Pulliam, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Determining and Adopting Prevailing Wage Rates for Construction Projects.

PROFESSIONAL SERVICES AGREEMENTS

Mr. Schindewolf then noted that the meeting packet included two (2) Agreements for Professional Materials Engineering Laboratory Services with HBC/Terracon and Geotest Engineering, Inc., for the Board's review and approval, copies of which are attached hereto. Upon motion by Director Fessler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to negotiate and enter into the Agreements for Professional Materials Engineering Laboratory Services with HBC/Terracon and with Geotest Engineering, Inc.

NEXT MEETING

Mr. Schindewolf then stated that the next regular meeting of the Authority has been changed from Monday, December 1, 2003, to Monday, December 8, 2003, at 7:00 p.m. at the Authority's offices.

Mr. Schindewolf also noted 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 8th day of December, 2003.

/s/Kelly Fessler

Secretary, Board of Directors

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