

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

February 2, 2004

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 2nd day of February, 2004, 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:

James D. Pulliam	President
Ron Graham	Vice President
Kelly P. Fessler	Secretary
Alan J. Rendl	Treasurer
Lenox A. Sigler	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; Ms. Nancy Blackwell, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Gary Myers 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. John Peyton, P.E. of Cobourn, Linseisen & Ratcliff, Inc., on-call engineers for the Authority; Mr. John Seifert, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Mark Breeding of Andrews & Kurth L.L.P., right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Bill Fendley of Cobb Fendley & Associates, Inc., ROW/easement acquisition consultants to the Authority; Mr. Jason King, staff writer for The 1960 Sun; and Mr. Andrew P. Johnson, attorney, and Ms. Tammy M. Dillon, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), general 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 made brief comments regarding his goals for the coming year as President.

Director Pulliam then announced that the groundbreaking ceremony on Tuesday, January 13, 2004, in connection with Project 1C of the Authority's 2010 Water Distribution and Transmission System - Phase 1 Groundwater Transfer Projects was a great success and thanked everyone for their support and attendance.

Director Pulliam stated that the most important and largest public water facility in the region is now being built and thanked everyone for all of their support.

Director Pulliam then thanked each of the former presidents of the Authority for their service and presented ceremonial gavels to Directors Graham, Sigler and Rendl in appreciation of their leadership to the Authority.

Director Rendl then thanked everyone for coming to the groundbreaking ceremony and reported that well over 100 people attended the ceremony.

Director Sigler also thanked everyone for their support and attendance at the groundbreaking ceremony.

Director Graham thanked everyone for the gavel and plaque.

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

Ms. Payne reported that the Authority's Website had approximately 51,532 hits, with an average of 1,500 hits per day for the month of January. Ms. Payne noted that photo coverage of the groundbreaking ceremony is available to view on the Authority's Website and takes approximately 40 minutes to view it in its entirety.

Ms. Payne next reported that there is a new page on the Website regarding construction and stated that any new updates regarding construction will be posted on this page.

Ms. Payne then reported that approximately 30 people showed up for the Single-Member Voting District No. 1 Town Hall meeting which was held on January 29, 2004.

Concerning the Water Conservation Committee (the "Committee"), Ms. Payne reported that the Committee is moving forward with a plan to promote commercial water conservation. It is planning to host a luncheon for school district superintendents of schools within the Authority. Ms. Payne stated that Mr. Schindewolf will be the Master of Ceremony and will address the superintendents regarding conservation of water in their schools. Director Rendl stated that Dr. Hinojosa of Spring Independent School District was very interested in attending the luncheon to learn how effective water conservation can be for his school. Director Rendl will also address the group. This luncheon will be for school superintendents only, and water audits of their schools will be offered to the superintendents.

GENERAL MANAGER'S REPORT

Mr. Schindewolf first thanked everyone for attending the groundbreaking ceremony in connection with Project 1C. Mr. Schindewolf also thanked the staff for their hard work in coordinating the ceremony.

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 briefly reviewed the status of condemnation cases and related court hearings. Mr. Breeding stated that an easement has been successfully negotiated with Exxon-Mobil regarding Segment 1C. In summary, Mr. Breeding stated that so far, all of the Authority's condemnation cases have either settled, had the court rule in the Authority's favor or the parties have reached an accommodation.

Mr. Breeding next explained that item 2.a. of the Regular Agenda is a resolution similar to the resolution adopted on June 2, 2003 and further explained that since that time, several changes have been made to the routing of the construction projects. As a result of these changes, another resolution with a revised attachment was being presented for adoption later in the meeting.

ENGINEER MANAGER'S REPORT

Concerning Project 1C, Mr. Rolan reported that the official groundbreaking was January 13, 2004 and that there is approximately 3,100 feet of pipe in the ground.

Mr. Rolan stated that he received approval by the City of Houston (the "City ") on Projects 4 and 6, with approval pending on Project 1A. Mr. Rolan then stated that Project 1B has been sent to the City for review.

Mr. Rolan also noted that discussions with Hewlett-Packard concerning the Authority's purchase and usage of water from their water well located on Louetta Road have been encouraging and that Hewlett-Packard appears to be very interested in working with the Authority.

Mr. Rolan reported that TC&B is negotiating with CenterPoint regarding payment of fair market value for an easement.

Mr. Rolan also stated that he appreciated attending the Single-Member Voting District No. 1 Town Hall meeting, which provided an opportunity to provide explanations and answers to questions.

ATTORNEY'S REPORT

Mr. Johnson next reported on the status of the February 7, 2004 Directors Election. Mr. Johnson reported that since the incumbent directors that were to be listed on the ballot for the February 7, 2004 Directors Election are unopposed, the Authority may decide to not hold the election by adopting an Order Declaring Unopposed Candidates Elected to Office in order to comply with the provisions of the Election Code have been posted at each of the polling places that would have been used on February 7, 2004, for the Directors Election.

Next, Mr. Johnson reported on the status of the Regulations Regarding Buy/Sell Agreements for Implementation of the Groundwater Transfer Program (the "Regulations"). Mr. Johnson stated that he had received a few comments from the legal community before the Regulations were finalized, as amended, last fall. A number of attorneys did not provide comments before the deadline, but have subsequently provided questions or comments for consideration. Mr. Johnson

stated that a meeting among himself, Mr. Rolen, Mr. Jones and interested attorneys is scheduled for Wednesday, February 11, 2004, at the offices of JRPB to discuss the Regulations and any changes which may be appropriate.

A discussion ensued regarding how the Authority will determine the amounts of water that are available for purchase and sale. In response to a question, Mr. Johnson confirmed that the Regulations provide that after the engineers and attorneys have reviewed the contracts, Mr. Schindewolf will have the authority to make the final determinations concerning the amounts of water to be purchased from and sold to utility districts without further action by the Board.

CONSENT AGENDA

Director Pulliam then reviewed with the Board the items reflected on the Consent Agenda. Director Pulliam 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 Pulliam stated that there was one (1) item on the Consent Agenda, such item being the approval of the minutes of the regular meeting of January 5, 2004, previously distributed to the Board. Director Fessler reported that he received a draft of the minutes and that he sent comments to the minutes to Ms. Bobbitt. Mr. Johnson stated that Director Fessler's comments will be added to the minutes.

Upon motion by Director Graham, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to approve the items on the Consent Agenda.

REGULAR AGENDA

FINANCIAL ASSISTANT'S REPORT

Director Pulliam 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 December 31, 2003, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for 12 months reflects that the Authority continues to be approximately \$1 million under budget for the current fiscal year. Upon motion by Director Sigler, seconded by Director Graham, 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.

Director Rendl inquired if Ms. Plunkett was capitalizing the ROW purchases. Ms. Plunkett stated that there is a land easement ROW account, which can be found under balance sheet, fixed assets.

GENERAL MANAGER'S ACTION ITEMS

RESOLUTION DECLARING THE EXISTENCE OF A PUBLIC NECESSITY FOR THE CONSTRUCTION OF FACILITIES FOR THE TRANSPORTATION, DISTRIBUTION, AND DELIVERY OF WATER, INCLUDING REASONABLE AND NECESSARY APPURTENANCES THERETO, AND AUTHORIZING THE ACQUISITION, BY DONATION, PURCHASE, OR EXERCISE OF THE POWER OF EMINENT DOMAIN, OF PROPERTY AND PROPERTY INTERESTS NECESSARY FOR SUCH FACILITIES (THE "RESOLUTION")

In connection with agenda Item No. 2.a., this Resolution was first discussed at the June 2, 2003 meeting, in which Mr. Breeding explained that the proposed Resolution would serve two (2) functions, including: 1) determine that a public necessity for the ROW/easement acquisitions is in the public interest; and 2) delegate the Board's authority to the General Manager to effectuate the process of acquiring the ROWs and easements.

Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt such Resolution, a copy of which is attached hereto.

PETITION FOR CONSENT TO INCLUDE ADDITIONAL LAND IN THE AUTHORITY FROM AQUASOURCE UTILITY, INC., REGARDING MOBILE HOME ESTATES SUBDIVISION

Ms. Plunkett explained that AquaSource Utility, Inc. owns three (3) wells in the Mobile Home Estates subdivision, which is out of single-member voting District No. 3, off of Highway 249. Ms. Plunkett explained that the fee for Mobile Home Estates to join in the Authority's Groundwater Reduction Plan will be \$12,500, plus pumpage fees back to 2002.

Upon motion by Director Rendl, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to adopt such Petition, 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, March 1, 2004, at 7:00 p.m. at the Authority's offices.

PUBLIC COMMENT

Director Pulliam then recognized Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10. Mr. Broun stated that things are changing and growing and that there will be a need for water long before 2030. Mr. Broun also stated that the utility districts need to hear more about plans in the future and for the Authority to consider moving up the 2009 deadline for completion of the 2010 system. Director Rendl stated that Messrs. Schindewolf and Rolan are talking to the City, and Mr. Breeding has been talking with CenterPoint regarding accelerating the plans to provide surface water into the area. Mr. Schindewolf stated that he is looking at moving up the 2009 deadline, but he is not ready to make the recommendation yet. Mr. Schindewolf stated that the number one (1) priority right now is the buy/sell agreements. Director Pulliam stated that the Authority needs to get feedback from the utility districts regarding their water needs. Mr. Rolan

stated that quantifiable needs were not discussed at the City Hall meeting and the plan is not static. Mr. Rolen also stated that the plan will be periodically re-evaluated. Mr. Broun stated that utility districts are not willing to buy water if they do not need it. Director Rendl then reminded Mr. Broun that in February of 2000, the Authority sent letters to the utility districts within its boundaries regarding a proposed early action program to provide water to utility districts with special needs, and that none of the utility districts were interested in such a program.

An unidentified person then asked what repercussions will be taken in the event that a utility district that has signed a contract to sell water to the Authority does not have the water to sell when it is needed. Mr. Johnson stated that this issue is addressed in the Regulations. Mr. Johnson stated that he encourages all of the water district community to have their attorney representatives attend the meeting on February 11, 2004 to discuss these matters.

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

PASSED, APPROVED AND ADOPTED this 1st day of March, 2004.

Secretary, Board of Directors

(SEAL)