

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
October 4, 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 4th day of October, 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; Mr. Anthony Crisci, P.E., Construction Coordinator for the Authority; Mr. Showri Nandagiri, P.E., Engineering Coordinator 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; Messrs. Tom Rolan, P.E. and Curtis Villarreal, P.E. of Turner Collie & Braden Inc. ("TC&B"), Engineer Manager for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. John Peyton, P.E. of Cobourn Linseisen & Ratcliff, Inc., on-call engineers for the Authority; Mr. David Scholler, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Sanjay Ram, P.E. of ARCADIS, on-call engineers for the Authority; Mr. Brian Cunningham of Project Surveillance, a subcontractor to TC&B and project representative for Projects 1A and 1C; Mr. Mark Breeding of Andrews & Kurth L.L.P., right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Len Boschetti of Universal Field Services, ROW/easement acquisition consultants to the Authority; Ms. Kim Jackson, staff writer for The Houston Chronicle; Ms. Kentesheia L. Dockery, staff writer for The 1960 Sun; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, 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 stated that he recently read an interesting article in the Discover magazine regarding a new machine that is being developed to extract fresh water from the ocean's salt water by using the hydrate process. Director Pulliam went on to explain the hydrate process. A copy of Director Pulliam's comments is attached hereto.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne first reported that the Authority's Website had 63,786 hits for the month of September. Ms. Payne noted that she and her staff were in the process of performing a face lift on the Authority's Website. Ms. Payne also reported that 123,000 copies of the most recent version of Waterlines had been mailed to residents within the Authority. Director Graham asked what mailing list was used for the Waterlines mail out. Ms. Payne explained that the mailing list was purchased from a service and that the Waterlines publication is addressed "To the Water User at (address)."

Ms. Payne next reported that the Houston Northwest Chamber of Commerce will host an Airport Festival Day at George Bush Intercontinental Airport on Saturday, October 9, 2004. Ms. Payne stated that the Authority's Water Conservation booth and frog mascot will be present at the event. Ms. Payne also reported that the Harris-Galveston Coastal Subsidence District will host a WaterWise event at Reed Elementary School and that she will be taking the Water Conservation booth and the frog mascot to such event.

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 noted that the meeting packets contained various items of correspondence received during the month, copies of which are attached hereto.

Mr. Schindewolf next reminded the Board and public that there would be three (3) public meetings relating to the Authority's budget for the fiscal year ending December 31, 2005 and the Capital Improvement Plan for 2005 and 2006, including: a budget workshop on October 18, 2004 at 6:00 p.m., a budget hearing on November 1, 2004 at 6:00 p.m. (time was changed later in the meeting), and approval of the budget at the regular meeting of the Board on November 1, 2004 at 7:00 p.m. Mr. Schindewolf noted that all of such meetings will be held at the Authority's office.

Concerning the Authority's proposed participation in the City of Houston's (the "City") Greens Road Water Line Project, Mr. Schindewolf reported that he, Mr. Nandagiri and Mr. Rolan had been reviewing information from the City staff and Lockwood Andrews & Newman ("LAN"), the City's surface water engineering consultant, regarding the proposed Letter of Agreement by and between the Authority and the City. Mr. Schindewolf noted that in order for the Authority to participate in the Greens Road Water Line Project, the size of water line would need to be increased from 42-inch to 66-inch in order to provide the adequate capacity and pressure needed by the Authority. Mr. Schindewolf stated that he was waiting on a draft of the Letter of Agreement from the City.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Breeding was then called upon by Mr. Schindewolf to present a status report on the various ROW/easement acquisitions by the Authority.

Mr. Breeding then briefly reviewed the status of the various condemnation cases the Authority has pending and the related court hearings. Mr. Breeding reported that boring and construction was under way for Project 6. Mr. Breeding noted that one (1) parcel of land had been added on Wunderlich Road in connection with Project 1B. Concerning Project 4, Mr. Breeding reported that clearing was under way. Mr. Breeding also stated that the ROW/easement acquisition team is very close to finalizing the easements with Burlington Northern Railroad. Mr. Breeding went on to report that all of the necessary easements have now been acquired for Project 1A-1.

Mr. Breeding next reported that with regard to Project 1C-1, a condemnation hearing has been set for November 8, 2004. Mr. Breeding went on to report that Cobb Fendley & Associates, Inc. was expediting the acquisition process for Project 6A and noted that several condemnations had been filed on such project.

Concerning Project 7A, Mr. Breeding reported that surveying of the easement tracts was under way. Mr. Breeding added that the ROW/easement acquisition team had begun appraisals and negotiations with landowners on the easements needed for such project. Mr. Breeding reported that the ROW/easement acquisition team is also addressing certain issues regarding the CenterPoint tracts on Project 7B. Concerning Project 7C, Mr. Breeding reported that there were several hang-ups with surveying and engineering issues, but acquisitions of the necessary parcels is under way.

Mr. Breeding concluded his report by stating that the ROW/easement acquisition team is continuing to hold a conference call meeting every Tuesday.

ENGINEER MANAGER'S REPORT

Mr. Rolen next presented the Engineer Manager's Report, a copy of which is attached hereto. Mr. Rolen stated that there were currently four (4) projects under construction.

Concerning Project 1A, Mr. Rolen reported that Jalco, Inc. had installed approximately 49% of the pipe on such project, including: 4,281 feet of 36-inch pipe, 2,363 feet of 42-inch pipe, and 1,173 feet of 48-inch pipe and had initiated and/or completed approximately 2,200 feet of tunneling on such project.

Concerning Project 6, Mr. Rolen reported that to date, the contractor had tunneled 1,425 feet and installed approximately 542 feet of 48-inch pipe.

Mr. Rolen next reported that the contractor for Project 1B has completed the clearing work near the water plants of Harris County Water Control and Improvement District No. 116 and Heatherloch Municipal Utility District and has installed 409 feet of 12-inch and 16-inch pipe to connect to the two (2) water plants to the Authority's transmission system. Mr. Rolen added that the contractor has completed approximately 246 feet of tunneling adjacent to the CenterPoint towers.

Concerning Project 4, Mr. Rolen reported that clearing work has been completed and that tunnel construction will begin within the next month.

Mr. Rolen then reported that Project 1A-1 had been advertised for bids and that such bids will be received on October 14, 2004.

Mr. Rolen next noted that design efforts continue on Projects 1C-1, 6A, 6B, 7A, 7B and 7C.

Mr. Rolen then reported that he has been assisting the Authority in evaluating participation in the Greens Road Water Line Project and working on developing the terms for a Letter of Understanding with Charterwood Municipal Utility District for the proposed Louetta Road Regional Water Plant.

Mr. Rolen added that discussions are continuing with various utility district engineers to gather additional information for use in the development and implementation of the Authority's Groundwater Transfer Program (the "GTP") and inclusion in the respective Buy/Sell Agreements.

Mr. Rolen concluded his report by noting that he had been working on preparing the Authority's Capital Improvement Plan for 2005 and 2006.

ATTORNEY'S REPORT

Ms. Bobbitt reported that she had been working with Mr. Schindewolf and Mr. Rolen on several GTP matters during the month and had nothing further to report.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Pulliam then asked for approval of the minutes of the regular meeting of September 13, 2004. Ms. Bobbitt noted that two (2) revisions had been made on pages 3 and 6 of such minutes. Upon motion by Director Graham, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of September 13, 2004, as corrected.

FINANCIAL ASSISTANT'S REPORT

Director Pulliam then recognized Ms. Plunkett, who reviewed the Authority's Financial Report with the Board, including the monthly investment report, the checks being presented for payment and the budget comparison for the month ending August 31, 2004, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for eight (8) months reflects that the Authority is approximately \$1.85 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 being presented for payment.

CONFIRM UPCOMING MEETING DATES

Director Pulliam restated that the Authority would hold a budget workshop on October 18, 2004 at 6:00 p.m., a budget hearing on November 1, 2004 at 6:00 p.m., and approve the proposed budget for the fiscal year ending December 31, 2005 at the regular meeting on November 1, 2004 at 7:00 p.m. Director Graham then asked if the public hearing on the budget could be moved to

6:30 p.m. rather than at 6:00 p.m. The Board concurred that the public hearing would be held at 6:30 p.m. on November 1st.

PUBLIC COMMENT

Director Pulliam then recognized Mr. Marvin Fesler of Reid Road Municipal Utility District No. 1, who asked the Board to arrange for traffic control along Louetta Road and Jones Road and Louetta Road at the Hewlett-Packard site during the construction of Project 6. Mr. Schindewolf stated that he would look into such matter.

Mr. Gus Gustafson of Aqua Services, LP, then inquired on the status of the Buy/Sell Agreements. Mr. Schindewolf reported that he, Mr. Rolen, Mr. Bresnen and the Authority's attorneys had recently met with representatives of the Texas Commission on Environmental Quality (the "TCEQ") to ascertain whether the Buy/Sell Agreements and GTP Rules/Regulations will be acceptable to the TCEQ. Mr. Schindewolf noted that he is now reviewing comments from the TCEQ on the Authority's GTP Rules and Regulations.

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

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

/s/Kelly P. Fessler

Secretary, Board of Directors

(SEAL)