

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
December 6, 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 6<sup>th</sup> day of December, 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; 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 Rolen, P.E. and Curtis Villarreal, 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. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers 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. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Timothy Talaga, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Steve Ratcliffe, P.E. of Klotz Associates, Inc., 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. Bill Fendley of Cobb Fendley & Associates, Inc., ROW/easement acquisition consultants to the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisors to the Authority; Mr. Gene Shepherd of RBC Dain Rauscher Inc., financial advisors to the Authority; Mr. Jason King, staff writer for The Houston Chronicle; Ms. Kentesheia L. Dockery, 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, 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 first delivered some opening remarks.

## PUBLIC COMMENTS

Mr. Garey Nelson of Bammel Utility District commented that he had not been to an Authority meeting for several months and had not seen the large audience viewing screen and monitors used by the Directors. Mr. Nelson commented that it seems that the Authority is driving a Cadillac while his utility district is driving a Ford.

Mr. Ray Zobel of Malcomson Road Utility District stated that he appreciates the way the Authority meetings are conducted and approves of the new audiovisual technology being used at the meetings.

## REPORTS

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

Ms. Payne first reported that the Authority's Website had 57,374 hits for the month of November. Ms. Payne noted that she and her staff had added the Engineering Manager's Report to the construction page on the Authority's Website. Ms. Payne next reported that the Water Users Advisory Group met on November 30, 2004 concerning the proposed pumpage fee increase. Ms. Payne further noted that the Authority's Water Conservation Committee will meet on December 8, 2004.

### 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.

Concerning the Authority's proposed participation in the City of Houston's Greens Road Water Line Project (the "Greens Road Project"), Mr. Schindewolf reported that on November 16, 2004, he, Ms. Bobbitt, Mr. Rolen, and Mr. Voinis met with several representatives of the City of Houston (the "City"), including Mr. Paul Nelson, to discuss key issues relating to the Greens Road Project and the proposed terms of the Interlocal Agreement by and between the City and the Authority. Mr. Schindewolf also reported that he had met with Mr. Nelson of the City on December 1, 2004 to further discuss the proposed terms of the Interlocal Agreement. Mr. Schindewolf stated that he and the Authority's consultants will continue to negotiate with the City concerning the terms and provisions of the Interlocal Agreement.

### 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 next reported that there are three (3) condemnation cases pending for Project 6, and that one (1) additional parcel has been acquired for Project 1B. Mr. Breeding added that he expects the first condemnation trial on Project 6 to begin in March.

Concerning Project 4, Mr. Breeding reported that several condemnations are also pending.

Mr. Breeding then reported that all of the parcels for Project 1A-1 have now been obtained and that one (1) subordination agreement is still pending.

Mr. Breeding further reported that all of the parcels with the exception of one have been acquired and that bids would be received on December 16, 2004 for Project 1C-1. Mr. Breeding noted that condemnation proceedings will immediately be initiated on the remaining tract as a result of the owner backing out twice on agreements regarding the easement.

Concerning Project 6A, Mr. Breeding reported that all but two (2) parcels have been acquired and one (1) condemnation hearing is set for December 8<sup>th</sup>. Mr. Breeding noted that this project was running ahead of schedule.

Concerning Project 7A, Mr. Breeding reported that the ROW/Easement Acquisition Team is making slow progress as a result of surveying and engineering delays, but had acquired four (4) parcels to date.

Mr. Breeding added that five (5) parcels had been acquired for Project 7B and there would likely be several condemnation cases.

Mr. Breeding reported that the final routing for Project 7C would be along Theiss Gully and Spring Gully. Mr. Breeding added that a great deal of re-engineering and surveying is having to be done in connection with this project.

Concerning the Resolution Declaring the Existence of a Public Necessity to be adopted later in the meeting, Mr. Breeding stated that the new map exhibit includes the Louetta Regional Water Plant (the "Louetta Plant") site and the necessary easements related to such project.

Mr. Breeding concluded his report by stating that the ROW/Easement Acquisition Team is continuing to hold conference calls 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, and that bids for the construction of Project 1C-1 will be received on December 16, 2004 and placed on the January agenda for the Board's approval of the award of such contract.

Concerning Project 1A, Mr. Rolen reported that Jalco, Inc. had installed approximately 60% of the pipe on such project, including an additional 904 feet of 42-inch and 48-inch pipe and an additional 621 feet of tunneling had been completed on such project.

Concerning Project 6, Mr. Rolen reported that the contractor had completed an additional 898 feet of tunneling and installed 575 feet of 48-inch pipe for a total of 3,454 of pipe being installed to date. Mr. Rolen added that the contractor was currently installing pipe under State Highway 249.

Mr. Rolen went on to report that the contractor for Project 1B has completed an additional 144 feet of tunneling in the CenterPoint Energy corridor and installed a total of 2,145 feet of pipe. Mr. Rolen added that the contractor is now waiting for additional pipe to be delivered.

Concerning Project 4, Mr. Rolen reported that a total of approximately 466 feet of tunneling had been completed to date and that pipe installation would likely begin the first week of January.

Mr. Rolen then reported that Triple B Services, L.L.P. would begin construction on Project 1A-1 in January 2005.

Mr. Rolen went on to report that design efforts were continuing on Projects 6A, 6B, 7A, 7B and 7C and noted that Project 15A has been added.

Mr. Rolen then noted that he has been working on the acquisition of the proposed Louetta Regional Water Plant site and assisting Mr. Schindewolf with evaluating the Authority's participation in the Greens Road Project with the City.

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.

#### ATTORNEY'S REPORT

Ms. Bobbitt reported that she had been working with Messrs. Schindewolf and Rolen on the Louetta Plant matter and the Greens Road Project.

#### REGULAR AGENDA

##### APPROVAL OF THE MINUTES

Director Pulliam then asked for approval of the minutes of the regular meeting of November 1, 2004 and the Budget Hearing of November 1, 2004. 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 the regular meeting of November 1, 2004 and the Budget Hearing of November 1, 2004, as written.

##### 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 October 31, 2004, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for ten (10) months reflects that the Authority is approximately \$2.1 million under budget for the current fiscal year.

Upon motion by Director Fessler, seconded by Director Sigler, 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.

## **GENERAL MANAGER'S ACTION ITEMS**

### **ENGAGEMENT OF AUDITOR**

Mr. Schindewolf then explained that a copy of the Null-Lairson, P.C. ("Null-Lairson") engagement letter was included in the meeting packet and recommended that the Board engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2004, a copy of which is attached hereto. Mr. Schindewolf noted that the estimated fee for the preparation of the 2004 audit report is \$16,000. 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 engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2004.

### **ADOPT ORDER ESTABLISHING WELL PUMPAGE FEES AND WATER IMPORTATION FEES FOR 2005 FISCAL YEAR AND FIRST AND SECOND QUARTERS OF 2006 FISCAL YEAR AND ADOPTING RULES AND REGULATIONS CONCERNING MEASURING WELL PUMPAGE AND WATER IMPORTATION AND COLLECTING FEES (THE "PUMPAGE FEE ORDER")**

Mr. Schindewolf noted that based on the information and recommendations presented during the hearing on the proposed pumpage fee held prior to this meeting, he was presenting the Pumpage Fee Order for the Board's adoption. Mr. Schindewolf explained that the pumpage fee would be increased to \$0.59 per 1,000 gallons of water effective April 1, 2005 through June 30, 2006. Upon motion by Director Fessler, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Pumpage Fee Order, a copy of which is attached hereto.

### **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")**

It was then explained that in connection with this item, the 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. Mr. Schindewolf noted that the exhibit to the Resolution has been revised to add the acquisition of the Louetta Plant site along with

the necessary utility easements and access easements for such project to the list of previously authorized Authority real estate acquisitions.

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 adopt such Resolution, a copy of which is attached hereto.

APPROVE AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT REGARDING LOUETTA PLANT

Mr. Schindewolf noted that for the past several months, Mr. Rolan and he have been reporting to the Board as to the status of negotiations with V&W Partners, LTD ("V&W") and Charterwood Municipal Utility District ("Charterwood") regarding the proposed Louetta Plant. Mr. Schindewolf reminded the Board that a Letter of Understanding regarding the Louetta Plant had previously been executed by the Authority, V&W and Charterwood, a copy of which is attached hereto. Mr. Schindewolf then asked Mr. Rolan to update the Board on the project. Mr. Rolan referred the Board to Tab 10 of the meeting packet and discussed the location of the 9.3-acre tract of land proposed for the Louetta Plant site, noting that the project would be developed in two (2) phases and include the construction of two (2) water wells and four (4) ground storage tanks and other related appurtenances. Mr. Rolan explained that Charterwood would treat the water at its existing Water Plant No. 2 and pump the treated water into the Project 6 transmission line. A brief discussion then ensued concerning the routing and acquisition of the easements for the Louetta Plant project. Director Fessler asked about the size of the transmission line to the Louetta Plant. Mr. Rolan responded that it would be a 60-inch line. Director Rendl commented that it will be more economical for the Authority to acquire the easements for the project before houses are built in the area. Director Sigler then asked how much water would be stored at the proposed Louetta Plant. Mr. Rolan responded that there would be four (4) 2.5 million gallon tanks for an aggregate of 10 million gallons of storage at the Louetta Plant site.

Mr. Garey Nelson then questioned why two (2) water wells would be drilled. Mr. Rolan explained that the wells would be used for the GTP to provide an adequate supply of water during peak periods after the conversion to surface water.

Ms. Gloria Malek of Northwest Harris County Municipal Utility District No. 10 asked if the two (2) wells would be drilled in different aquifers. Mr. Rolan responded that an analysis had been performed and the wells would be drilled in the Jasper and Evangeline aquifers.

Upon motion by Director Fessler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to proceed with and complete negotiations with Charterwood and V&W concerning the Louetta Plant Interlocal Agreement and to approve the necessary revisions and finalization of such Interlocal Agreement.

AUTHORIZE GENERAL MANAGER TO NEGOTIATE PURCHASE OF LOUETTA PLANT SITE AND THE NECESSARY EASEMENTS IN CONNECTION WITH THE LOUETTA PLANT

Mr. Schindewolf explained that in order to proceed with development of the Louetta Plant, it is necessary to proceed expeditiously with the acquisition of the plant site, the access easements to the plant site and the utility easements to the plant site as depicted on the map included under Tab 10 of the meeting packet. Mr. Schindewolf then requested authorization to proceed with the acquisition of the plant site and easements in connection with the Louetta Plant. 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 authorize the General Manager to negotiate the purchase of the plant site and all other necessary easements related to the Louetta Plant, to execute all necessary documents and take all necessary actions related to the acquisition of the Louetta Plant site and easements.

ADOPT RESOLUTION MAKING OFFICIAL FINDINGS CONCERNING ISSUANCE OF DEBT AND ESTABLISHING PROCEDURES FOR UTILITY DISTRICTS TO MAKE CAPITAL CONTRIBUTIONS

Mr. Schindewolf next explained that as part of the process involving the Authority's first bond issue, the utility districts were provided with the opportunity to provide their pro rata share of the capital costs included in such bond issue by making a capital contribution to the Authority. Mr. Schindewolf noted that initially, the Authority had been required by legislation to allow the utility districts to make such capital contributions, but that such legislation had been amended during the 2003 Legislative Session. Mr. Schindewolf went on to state that after further review of the matter in connection with the proposed second bond issue, he is recommending that the Board allow the utility districts to make capital contributions for the proposed second bond issue.

Mr. Johnson then reviewed the Capital Contribution Resolution and noted that the amount of the pro rata capital contributions for each utility district are included in Attachment 3 of such Resolution. Mr. Johnson also noted that the cost allocations were calculated based on actual 2003 pumpage figures and that the pro rata shares had been determined based on an estimated project cost of \$91,092,000, excluding costs of issuance. Mr. Johnson then reviewed the timeline for utility districts desiring to make capital contributions. Mr. Johnson explained that the Intent Resolution of any district desiring to make a capital contribution must be filed with the Authority on or before February 15, 2005, that a fully executed Capital Contribution Contract must be delivered to the Authority by March 15, 2005, and that capital contribution payments must be deposited with the Authority on or before June 1, 2005, all of which is outlined in the Capital Contribution Resolution. Further discussion of the matter then ensued. Director Rendl noted that making a capital contribution to the Authority is purely voluntary. Director Graham asked if the attorneys for the utility districts would have enough time to submit an application to the Texas Commission on Environmental Quality (the "TCEQ") for approval of a bond issue. Mr. Johnson stated that the attorneys would have enough time if a bond election was not required to issue the funds for the capital contributions. Mr. Johnson noted that the Authority would try to coordinate and interface with the TCEQ to have the same reviewer consider all of the utility district applications that contain funds for capital contributions to the Authority.

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 the Capital Contribution Resolution, a copy of which is attached hereto. It was noted that the Capital Contribution Resolution and related items would be posted on the Authority's Website.

2005 HOLIDAY SCHEDULE

Mr. Schindewolf then presented the 2005 Holiday Schedule for the Board's approval, a copy of which was included in the Board meeting packet. 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 2005 Holiday Schedule.

Mr. Schindewolf next announced that the regular January 3, 2005 meeting would be rescheduled to Monday, January 10, 2005.

PUBLIC COMMENT

Director Pulliam then recognized Mr. Scott Christensen of Reid Road Municipal Utility District No. 2, who asked for a confirmation of the date the pumpage fee increase goes into effect. Mr. Michael Murr of Harris County Municipal Utility District No. 18 stated that he had the same question. Director Rendl explained that the pumpage fee would remain at \$0.34 per 1,000 gallons of water pumped through the first quarter of 2005 and that effective April 1, 2005 through June 30, 2006, the pumpage fee would be \$0.59 per 1,000 gallons of water pumped.

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

PASSED, APPROVED AND ADOPTED this 10<sup>th</sup> day of January, 2005.

/s/Kelly P. Fessler

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Secretary, Board of Directors

(SEAL)