

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
July 8, 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 8th day of July, 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; Mr. Danny Mitchell of Huff & Mitchell, Inc. ("Huff & Mitchell"); Mr. Herbert V. Johnson, P.E. of HVJ Associates, Inc. ("HVJ"); 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. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Ms. Nancy Blackwell, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Stephen Yu, P.E. of Epsilon Engineering, Inc., Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Nick Aschliman, P.E. of Fugro Consultants LP, on-call engineers for the Authority; Mr. Malcolm Beckendorff, 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. Bill Fendley of Cobb Fendley & Associates, Inc. ("Cobb Fendley"), ROW/easement acquisition consultants to the Authority; Mr. Steve Bresnen of Steve Bresnen & Associates, lobbyist for the Authority; Mr. Jason King, staff writer for The 1960 Sun; and Ms. Robin S. Bobbitt and Mr. Andrew P. Johnson, 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 delivered several opening remarks regarding the Association of Water Board Directors - Texas 2004 Summer Conference (the "Conference") held in Corpus Christi on June 24-26, 2004. Director Pulliam commended Ms. Payne for her presentation at the Conference entitled "Getting the Most Out of Cyberspace Communications" and Mr. Michael Murr for his presentation entitled "Common Sense Landscaping" that provided information on the Water Conservation Park that has been constructed and developed by Harris County Water Control and Improvement District No. 132 ("HC 132"). Director Pulliam noted that Mr. Bill Papp, a member of the Board of HC 132, is the contact for persons who want to tour the HC 132 Water Conservation Park. Director Pulliam also thanked Ms. Payne for preparing the Backgrounders and Fact Sheets Briefing Notebook for the Board.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne first reported that the Authority's Website had 60,088 hits for the month of June and noted that most of the Website activity is concerning the status of construction and the Authority's Stop the Drop Program.

Ms. Payne next reported that she has scheduled a third working luncheon to be hosted by the Authority's Water Conservation Committee on Wednesday, July 21, 2004, with the theme "Train the Trainers". Ms. Payne explained that Mr. Bill Hoffman with the City of Austin would address the six (6) area school district representatives on how they can conserve water at their school campuses. Ms. Payne noted that Yeager Elementary School had used approximately 500,000 gallons of water over the past two (2) months.

Ms. Payne next reported that the Copperfield Water Reuse Report (the "Copperfield Report") was presented at the last Water Conservation Committee meeting and, if anyone wanted a copy of such report, to contact Ms. Sagstetter in the Authority's office. Director Rendl stated that he had attended the Water Conservation Committee meeting and noted that whereas the Authority is still in the process of studying water reuse, the Copperfield Report is an example of a useful water reuse study that has been completed.

Concerning community outreach, Ms. Payne reported that the Authority's water conservation booth would be set up at the Lowe's in Tomball on July 23, 2004.

Ms. Payne noted that at the Board's June meeting, an inquiry had been made about touring the Northeast Water Purification Plant. Ms. Payne stated that persons interested in touring the facility could either submit information online to the Authority or call the Authority's office.

Ms. Payne next reported that the price list for the Authority's new water conservation brochure and children's coloring book are posted on the Authority's Website.

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 then recognized Mr. Bresnen and noted that Mr. Bresnen is working with the Authority to develop a legislative agenda for the upcoming 2005 Legislative Session.

Mr. Schindewolf also reported that he is working with Ms. Plunkett and Mr. Rolen to prepare the Authority's proposed budget and Capital Improvement Program for the for the fiscal year ending December 31, 2005 for review and discussion at a future meeting of the Board.

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 condemnation cases the Authority has pending and related court hearings. Mr. Breeding reported that there is one (1) pending condemnation case in connection with Project 1C concerning the Champion Shopping Center on Bammel N. Houston Road and that the case is scheduled for trial on July 17, 2004.

Mr. Breeding went on to report that several right-of-entry cases had been settled in connection with Project 1A, and noted that one (1) case involving an office building located at Walters Road and Bammel N. Houston Road is scheduled for hearing on July 22, 2004.

Concerning Project 6, Mr. Breeding reported that there are three (3) pending condemnations, two (2) of which are expected to settle and one (1) that will probably be litigated.

Mr. Breeding then reported that the ROW/easement acquisition team has completed the acquisition of all the necessary easements for Project 1B.

Concerning Project 4, Mr. Breeding stated that the ROW/easement acquisition team has resolved all issues along the CenterPoint Energy ("CenterPoint") corridor and that a right of entry had been granted by Burlington Northern Railroad ("Burlington Northern"), and the ROW/easement acquisition team has almost completed acquisition of the necessary perpetual easements from Burlington Northern. Mr. Breeding noted that the Authority has advertised for construction bids on Project 4.

Concerning Project 1A1, Mr. Breeding reported that several condemnation hearings were held in June and one (1) hearing was held earlier today. Mr. Breeding reported that the Sonic Restaurant case had been settled at a reasonable cost. Mr. Breeding further reported that the engineers have resolved a routing issue concerning one (1) tract on FM 1960.

Mr. Breeding then reported that with regard to Project 1C1, the ROW/easement acquisition team had found an excellent solution to identify the title holders on the various tracts and would have more to report on such matter at the August meeting.

Mr. Breeding then reported that Cobb Fendley is in the process of gathering title information on the easement tracts for Project 6A, which includes numerous parcels owned by CenterPoint.

Concerning Projects 7A, 7B and 7C, Mr. Breeding reported that there are over 20 different property owners to contact regarding the acquisition of the necessary easements for such projects.

Director Rendl asked whether the ROW/easement acquisition team expenses are within budget. Mr. Breeding stated that the ROW/easement acquisition team is currently within budget.

ENGINEER MANAGER'S REPORT

Mr. Rolen next presented the Engineer Manager's Report, a copy of which is attached hereto.

Concerning Project 1C, Mr. Rolen reported that the project is substantially complete, but they are still waiting for the grass to become established and noted that it is hoped that Project 1C will be presented for acceptance at the Board's August meeting.

Mr. Rolen next reported that with Project 1A, Jalco, Inc. had installed approximately 2,400 feet of 36-inch pipe and has initiated and/or completed six (6) borings. Mr. Rolen stated that just south of Kaiser Elementary School on Bammel N. Houston Road, water from the drainage ditch flooded a boring site which temporarily stopped the boring operation. Mr. Rolen added that the contractor is ahead of schedule on the open cut crossings, but somewhat behind schedule on boring.

Mr. Rolen next reported that five (5) bids ranging from \$3,665,570 to \$5,703,350 were received on July 6, 2004 for Project 1B. Mr. Rolen explained that Huff & Mitchell had submitted the low bid in the amount of \$3,665,570. Mr. Rolen explained that Project 1B includes the installation of approximately 12,400 feet of 30-inch to 12-inch water line to be laid along a CenterPoint fee strip northwest from Bammel N. Houston Road, across FM 1960 to Wunderlich Drive.

Concerning Project 6, Mr. Rolen reported that the contractor for such project is ready to begin construction. Mr. Rolen added that the clearing and grubbing work on Project 6 would begin within the next week.

Mr. Rolen next reported that bids for the construction of Project 4 would be received on July 27, 2004 and that award of the contract will be included on the Board's August agenda.

Mr. Rolen then reported that discussions were ongoing with representatives of Harris County concerning the proposed alignments for Projects 7A and 7C and noted that Project 7C has the most difficult issues to resolve.

Mr. Rolen concluded his report by noting that he is in the process of reviewing a draft of the feasibility study regarding the placement of the Authority's 2010 and 2020 main transmission lines in the CenterPoint easement/fee strip along and north of Beltway 8.

Mr. Schindewolf thanked Mr. Rolen and stated that Mr. Rolen had left his vacation in the Hill Country to attend tonight's meeting.

ATTORNEY'S REPORT

Ms. Bobbitt reported that she had met with Mr. Bresnen earlier this afternoon to discuss the Authority's legislative agenda for the 2005 Legislative Session and would be working with Mr. Schindewolf on the 2005 legislative agenda.

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 only one (1) item on the Consent Agenda, such item being the approval of the minutes of the regular meeting of June 7, 2004, previously distributed to the Board. 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 approve the Consent Agenda item.

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 May 31, 2004, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for five (5) months reflects that the Authority is approximately \$1,265,951 under budget for the current fiscal year. Ms. Plunkett also reported that the Authority's first debt service payment on the Series 2003 Senior Lien Revenue Bonds was made on June 14, 2004, and noted that the payment would be reflected on the Authority's Financial Report for June. Ms. Plunkett then reported that the Authority's audit report for the fiscal year ending December 31, 2003 had been filed with the State Information Depository of the Municipal Advisory Council and the Nationally Recognized Municipal Securities Information Repositories, which include Bloomberg Municipal Repository, DPC Data Inc., FT Interactive Data and Standard & Poor's Securities Evaluations, Inc., to comply with continuing disclosure requirements. 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.

GENERAL MANAGER'S ACTION ITEMS

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 1B OF PHASE 1 GTP

Mr. Schindewolf then explained that as discussed earlier in the meeting, five (5) bids had been received on July 6, 2004 for the construction of Project 1B, which includes the installation of approximately 12,400 feet of 30-inch to 12-inch water line to be laid along a CenterPoint fee strip northwest from Bammel N. Houston Road, across FM 1960 to Wunderlich Drive. Mr. Schindewolf reiterated that the low bidder on the project was Huff & Mitchell, who submitted a bid in the amount

of \$3,665,570.00, and recommended that the Board approve the award of the construction contract to Huff & Mitchell. 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 award the construction contract for Project 1B to Huff & Mitchell and to authorize execution of the construction contracts for such project. Copies of Mr. Schindewolf's letter recommending award of the contract and the bid tabulation are attached hereto. Mr. Schindewolf then introduced Mr. Danny Mitchell, Vice President of Huff & Mitchell, to the Board.

AUTHORIZE GENERAL MANAGER TO NEGOTIATE AND ENTER INTO AGREEMENT FOR PROFESSIONAL MATERIALS ENGINEERING LABORATORY SERVICES

Mr. Schindewolf next explained that upon recommendation by Mr. Rolen, the Board was being asked to authorize the General Manager to negotiate and enter into an Agreement for Professional Materials Engineering Laboratory Services (the "Agreement") with HVJ for services to include, but not to be limited to, construction materials testing, inspection and geotechnical investigations, as may be needed in support of Authority-sponsored projects. Mr. Schindewolf noted that the Agreement had been prepared by Ms. Bobbitt in the same format as other similar agreements the Authority has in place with other on-call engineering firms. 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 authorize the General Manager to negotiate and enter into such an Agreement with HVJ, a copy of which is attached hereto. Mr. Schindewolf then introduced Mr. Herbert Johnson, President of HVJ, to the Board.

GENERAL MANAGER'S RECOMMENDATION REGARDING EMPLOYEE HEALTH INSURANCE PLAN

Mr. Schindewolf then directed the Board's attention to his correspondence regarding the Authority's Employee Health Insurance Plan, a copy of which is attached hereto. Mr. Schindewolf explained that he had appointed a committee consisting of Ms. Plunkett, Ms. Randecker and Ms. Sagstetter to review the Authority's existing health insurance coverage and to solicit proposals from other carriers and/or agents. Mr. Schindewolf stated that based on the committee's findings, he is recommending that the Board not renew its existing employee health insurance program with TML Intergovernmental Employee Benefits Pool ("TML") and authorize the General Manager to negotiate through an independent insurance agent, Mr. Mark Goldie of Mark Goldie & Associates, Inc., to enter into agreements with Aetna Health, Inc. ("Aetna") for health insurance and The Guardian Life Insurance Company of America TX ("Guardian") for dental, vision, life and short-term/long-term disability insurance. Director Rendl inquired if the committee looked to be sure that pre-existing conditions would be accepted by Aetna and Guardian. Mr. Schindewolf stated that the committee did consider such issue and was informed that pre-existing conditions would be covered. Director Fessler then asked if the cost of the new insurance policies can be covered under the Authority's current budget. Mr. Schindewolf stated that the cost of the new policies would be slightly less than the current TML policies, and are well within the amount budgeted in the fiscal year 2004 budget.

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 General Manager's recommendation for employee health insurance benefits and authorize the General Manager to proceed with negotiations and execution of the necessary agreements with Aetna and Guardian.

Mr. Schindewolf noted that the initial term of the agreements would be one (1) year, with the option to extend the coverages on a year-to-year basis. Mr. Schindewolf also noted that the Authority pays 100% of the cost of employee health insurance and 50% of the cost of dependent coverage for all employees of the Authority, with the exception of the General Manager.

REQUEST FOR APPROVAL OF ATTENDANCE AT AMERICAN MEMBRANE TECHNOLOGY ASSOCIATION 2004 BIENNIAL CONFERENCE

Mr. Pulliam then noted that there is an item on the agenda for approval of attendance by directors at the upcoming American Membrane Technology Association 2004 Biennial Conference to be held August 5-7, 2004 in San Antonio, Texas. Director Graham made a motion that Director Sigler's attendance at such conference be approved and that the American Membrane Technology Association be added to the Authority's list of approved conferences. Director Sigler seconded such motion. Further discussion of the matter then ensued. Director Fessler asked how the Authority would benefit from Director Sigler's attendance at the conference.

Mr. Bob Koperwhats of Harris County Water Control and Improvement District No. 91 then stated that he had submitted a public comment card concerning this agenda item and asked for an explanation of why the Board would consider this conference to be relevant to Authority issues. Director Pulliam then stated that membrane technology is very interesting and has many uses, and noted that any Board member who attends the conference would be expected to give a full report to the Board. Director Sigler then briefly reviewed the schedule of seminars for the conference and commented that he thought the technology was relevant to water reuse issues and pollutant extraction from water systems. Director Rendl then called the question. The Board then voted two (2) votes in favor and three (3) votes against authorizing attendance at the American Membrane Technology Association 2004 Biennial Conference, with Directors Sigler and Graham voting in favor and Directors Pulliam, Rendl and Fessler voting against such motion.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT WITH GENERAL MANAGER AND PROPOSED RESOLUTION AMENDING 401(a) MONEY PURCHASE PLAN FOR MANAGEMENT EMPLOYEES WITH ICMA RETIREMENT CORPORATION

Director Pulliam then announced that the Board would convene in closed session to discuss this matter.

Ms. Gloria Malek of Northwest Harris County Municipal Utility District No. 10 then asked that the Board respond to her public comment card before they convene in closed session. Director Pulliam explained that Ms. Malek wanted to know the status of the Buy/Sell Agreements. Mr. Johnson responded that he hopes to have the form of the Buy/Sell Agreements revised and finalized in time for the Board's next meeting.

EXECUTIVE SESSION

Director Pulliam then adjourned the meeting at 8:07 p.m. and announced that the Board would convene in executive session at 8:10 p.m., pursuant to Section 551.074, Texas Government Code, as amended, to discuss personnel matters.

RECONVENE IN OPEN SESSION

Director Pulliam then reconvened the meeting in open session at 10:25 p.m.

Upon motion by Director Rendl, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted three (3) votes in favor and two (2) votes against approval of the Amended and Restated Employment Agreement with Mr. Schindewolf and adoption of the Resolution Amending 401(a) Money Purchase Plan for Management Employees with ICMA Retirement Corporation and Authorizing the Execution of All Documents in Connection Therewith (the "Resolution"), with Directors Pulliam, Rendl and Sigler voting in favor and Directors Fessler and Graham voting against such motion. Copies of the Amended and Restated Employment Agreement with General Manager and the Resolution can be found in the files and records of the Authority.

NEXT MEETING

Director Pulliam then stated that the next regular meeting of the Authority would be held on Monday, August 2, 2004, at 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 2nd day of August, 2004.

/s/Kelly P. Fessler

Secretary, Board of Directors

(SEAL)