

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
September 13, 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 13th day of September, 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 Rolen, 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. 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. Timothy Talaga, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. David Scholler, P.E. of Brown & Gay Engineers, 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. Ralph Cox, 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; Messrs. Rafael Ortega, P.E. and Will Wilshire, P.E. of Lockwood, Andrews & Newnam, Inc. ("LAN"), engineers for the City of Houston's (the "COH") Greens Road Water Line Project; Mr. Mark Breeding of Andrews & Kurth L.L.P., right-of-way ("ROW")/easement acquisition attorneys for the Authority; 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 had visited the Project 6 construction site last Friday, September 10, 2004, and reported that good progress was being made on such project. Director

Pulliam also stated that he had spoken at the opening ceremony of the Harris County Water Control and Improvement District No. 132 ("HCWCID 132") Water Conservation Demonstration Garden on Friday, August 27, 2004. Director Pulliam noted that he had a certificate from the Authority to present to the President of HCWCID 132 when he arrived this evening.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne first reported that the Authority's Website had 63,928 hits for the month of August. Ms. Payne noted that a new gallery of photographs had recently been posted on the Website.

Ms. Payne then reported that the annual edition of Waterlines would be mailed out to 125,000 residents within the Authority next week and that a copy of such publication is available on the Website.

Ms. Payne next reported that the Water Users Advisory Group (the "WUAG") met on September 9, 2004 and introduced Mr. David Schnitzer to provide a report on such meeting. Mr. Schnitzer reported that Mr. Schindewolf and Mr. Rolen attended the WUAG meeting and presented a status report on the Authority's various construction projects that are underway, the status of the Buy/Sell Regulations, and participated in a question-and-answer session. Mr. Schnitzer then asked the members of the WUAG in the audience to stand up. Mr. Schnitzer strongly encouraged people to submit any questions they had about the Authority and its activities to the WUAG. Ms. Payne noted that the Online Forum on the Website was a good vehicle to submit questions to the WUAG.

Mr. William Papp, President of HCWCID 132, then entered the meeting and Director Pulliam presented him with a Certificate of Appreciation from the Authority regarding the HCWCID 132 Water Conservation Demonstration Garden.

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.

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 ROW/easement acquisitions for Project 1C were complete and the acquisitions for Projects 1A, 1B, 4 and 6 were near completion. Mr. Breeding stated that there are three (3) pending condemnation cases in connection with 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 all rights of entry were in place, and that the ROW/easement acquisition team is very close to finalizing the easements with Burlington Northern Railroad. Mr. Breeding went on to report that the last parcel of land had been acquired for Project 1A-1.

Mr. Breeding next reported that with regard to Project 1C-1, the ROW/easement acquisition team had experienced a delay due to having to publish notice of condemnation, which requires 42 days. Mr. Breeding noted that the land was under contract to sell, but that the true owner of the parcel is unknown at this time.

Mr. Breeding then reported that because of the delay to Project 1C-1, Cobb Fendley & Associates, Inc. was expediting the acquisition process for Project 6A.

Concerning Project 7A, Mr. Breeding reported that the ROW/easement acquisition team had begun appraisals and negotiations with landowners on the easements needed for such project. Mr. Breeding added that some surveying had to be redone for Project 7B, but noted that this project was progressing well. Concerning Project 7C, Mr. Breeding reported that surveying and appraisal analysis had been completed and negotiations with landowners would soon begin.

Mr. Breeding concluded his report by stating that the ROW/easement acquisition team is pushing hard on all of the easement acquisitions and holding conference call meetings every Tuesday.

ENGINEER MANAGER'S REPORT

Mr. Rolan next presented the Engineer Manager's Report, a copy of which is attached hereto. Mr. Rolan stated that there were currently four (4) projects under design by the Authority's various on-call engineering firms.

Concerning Project 1A, Mr. Rolan reported that Jalco, Inc. ("Jalco") had installed approximately 3,619 feet of 36-inch pipe and 1,428 feet of 42-inch pipe and had initiated and/or completed approximately 1,400 feet of tunneling. Mr. Rolan stated that in connection with this project, the Authority is entering into a letter agreement with Cornerstone Community Association, Inc. regarding the installation of pipe within the esplanade of Bammel North Houston Road near the intersection of T.C. Jester Boulevard, which will be discussed in detail later in the meeting. Mr. Rolan also reported that Jalco will begin the installation of the 48-inch pipe next month.

Concerning Project 6, Mr. Rolan reported that to date, the contractor has cleared the easement along the south side of Louetta Road, tunneled 880 feet and installed 208 feet of 48-inch pipe.

Mr. Rolan next reported that the contractor for Project 1B has completed the clearing near the Harris County Water Control and Improvement District No. 116 and Heatherloch Municipal Utility District water plants and has begun the installation of lines to connect to the two (2) water plants to the Authority's transmission system. Mr. Rolan added that the contractor has installed approximately 409 feet of 12-inch and 16-inch pipe line and has completed approximately 216 feet of tunneling.

Mr. Rolan next reported that the pre-construction conference for Project 4 had been held on August 18, 2004, that Notice to Proceed was issued on August 30, 2004 and that clearing work would begin within the next month.

Mr. Rolan then reported that Project 1A-1 had been advertised for bids and that such bids will be received on October 7, 2004.

Mr. Rolan noted that design efforts continue on Projects 1C-1, 6A, 6B, 7A, 7B and 7C. Mr. Rolan added that official written approval from Harris County (the "County") on the alignment of Projects 7A and 7C had recently been received.

Mr. Rolan next reported that he was working on developing the terms for a Letter of Understanding with Charterwood Municipal Utility District for the proposed Louetta Road Regional Water Plant.

Mr. Rolan concluded his report by noting 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.

Director Graham asked if the tunneling on the various projects was being done mechanically. Mr. Rolan responded that it depends on the contractor whether the tunneling is done manually or mechanically.

STATUS OF BUDGET AND CAPITAL IMPROVEMENT PROGRAM

Concerning the budget and Capital Improvement Program (the "CIP") for the fiscal year ending December 31, 2005, Mr. Schindewolf explained that he had rescheduled the Budget Workshop and Budget Public Hearing due to several pending matters that may significantly impact the Authority's budget and CIP. Mr. Schindewolf explained that he is proposing that the Budget Workshop be held on Monday, October 18, 2004, at 6:00 p.m., that the Budget Public Hearing be held on Monday, November 1, 2004, at 6:00 p.m. and that the budget for the fiscal year ending December 31, 2005 be presented for the Board's approval at the regular meeting of Monday, November 1, 2004, at 7:00 p.m. Mr. Schindewolf stated that the rescheduled dates would be posted on the Authority's Website.

Mr. Schindewolf next reported that the Authority had submitted a copy of the proposed draft of the Buy/Sell Agreement and the GTP Rules/Regulations to the Texas Commission on Environmental Quality (the "TCEQ") two (2) weeks ago for review, and requested a response from the TCEQ by Friday, September 10, 2004. Mr. Schindewolf noted that the TCEQ response arrived today and that a conference call on such response has been scheduled for tomorrow. Mr. Schindewolf stated that he still has a goal to complete the Buy/Sell Agreements and finalize the GTP Regulations by the Board's October 4th meeting.

ATTORNEY'S REPORT

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

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 tonight's Consent Agenda, such item being the approval of the minutes of the regular meeting of August 2, 2004 and the minutes of the executive session of July 8, 2004, previously distributed to the Board. 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 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 July 31, 2004, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for seven (7) months reflects that the Authority is approximately \$1.6 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

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")

Mr. Schindewolf explained that as part of the routing study for project 7A, the engineers from ARCADIS, on-call engineers for the Authority, and TC&B had initially looked at a number of different options and submitted a routing along Bamwood Drive to the County for approval, but that such routing was rejected by the County and a route along Ella Boulevard was suggested in its place.

Mr. Schindewolf noted that Tab 6 of the meeting packet contains a revised map exhibit to the Resolution that reflects the revised route.

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

APPROVE LETTER AGREEMENT WITH CORNERSTONE COMMUNITY ASSOCIATION, INC. (THE "CCA")

Mr. Schindewolf next directed the Board's attention to Tab 7 of the meeting packet, which includes a proposed Letter Agreement with the CCA and correspondence related to such Letter Agreement, copies of which are attached hereto. Mr. Schindewolf summarized that an agreement had been worked out with the County and the CCA, which will allow the Authority contractor for Project 1A to remove the trees in the esplanade of Bammel North Houston Road from Walters Road eastward approximately 1,300 feet in return for the Authority making a contribution to the CCA of an amount not to exceed \$52,000 for esplanade landscaping design, installation and maintenance, all in accordance with the proposed Letter Agreement. Mr. Schindewolf went on to explain that the \$52,000 will result from the estimated savings achieved by the County agreeing to a proposal to install the 48-inch water line by open-cut method across the esplanade opening in front of the Enclave Apartments, rather than by the more expensive tunneling method. Mr. Schindewolf added that the proposal for removal of the trees in the esplanade will allow the contractor to install the entire length of 48-inch water line by the open-cut method, rather than by tunneling, thereby avoiding an additional contract cost of an estimated \$302,000.

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 approve and authorize the execution of the Letter Agreement with the CCA.

RESOLUTION AUTHORIZING GENERAL MANAGER TO ENTER INTO A LETTER AGREEMENT WITH THE COH REGARDING PARTICIPATION IN THE GREENS ROAD WATER LINE PROJECT (THE "GREENS ROAD RESOLUTION")

Mr. Schindewolf then reported that Tab 8 of the meeting packet contains the Greens Road Resolution and related correspondence, copies of which are attached hereto. Mr. Schindewolf explained that an opportunity exists for the Authority to participate in a cost-sharing agreement with the COH to upsize the 42-inch water line that the COH proposes to construct to provide surface water from the Northeast Water Purification Plant to the Bush Intercontinental Airport/Greenspoint area. Mr. Schindewolf stated that the COH is planning to construct a water line from the existing 84-inch transmission line located at Smith Road and generally follow the ROW and future easements along Beltway 8, Vickery Drive and Greens Road to a proposed delivery point at Greens Road and Greenspoint Drive. Mr. Schindewolf noted that the project is moving forward on an expedited basis and is scheduled to be completed prior to January 2006. Mr. Schindewolf further explained that he had received a letter from Mr. Jeff Taylor with the COH regarding the Authority's possible participation in the project and the upsizing of the proposed 42-inch line to a 66-inch line to accommodate the needs of the Authority. Mr. Schindewolf added that the Authority's participation with the COH in the Greens Road water line project would allow the Authority to get a surface water transmission line approximately eight (8) miles closer to the Authority's 2010 service area at a significant cost savings to the Authority. Mr. Schindewolf recommended that the Board adopt the Greens Road Resolution. Mr. Schindewolf then noted that Mr. Raphael Ortega of LAN, engineering consultants for the COH on the Greens Road water line project, was in attendance at tonight's meeting.

Upon motion by Director Sigler, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Greens Road Resolution.

NEXT MEETING

Director Pulliam then stated that the next regular meeting of the Authority would be held on Monday, October 4, 2004, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 4th day of October, 2004.

/s/Kelly P. Fessler

Secretary, Board of Directors

(SEAL)

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