

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

April 5, 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 5th day of April, 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; Messrs. Tom Rolen, P.E. and Curtis Villarreal, P.E. of Turner Collie & Braden Inc., Engineer Manager for the Authority; Ms. Nancy Blackwell, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Gary R. Myers, P.E. 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. Stephen Ratcliffe, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. John Seifert, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Alfonzo Hernandez, P.E. of HBC/Terracon, 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. Leonard B. Boschetti of Universal Field Services, Inc., ROW/easement acquisition consultants to the Authority; Mr. Jason King, 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 reported that he had attended a meeting of the Texas Water Conservation Association in The Woodlands last month and briefly shared some of his notes taken during the meeting.

Director Fessler extended his thanks to Harris County Municipal Utility District No. 82 for providing him with a tour of their water plant facility.

PUBLIC COMMENT

No public comments were presented.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne first reported that the Authority's Website had 52,342 hits for the month of March.

Ms. Payne next reported that the working luncheon hosted by the Authority's Water Conservation Committee (the "Committee") on March 4, 2004 for six (6) area school district superintendents was a success. Ms. Payne noted that the Committee had proposed to perform water conservation audits of the schools in each of the six (6) school districts to help identify ways for the schools to conserve water and that the superintendents were very receptive to the idea. Ms. Payne explained that the superintendents were especially interested when they realized the potential for savings on the pumpage fees paid to the Authority.

Ms. Payne next reported that the "Stop the Drop" (www.stopthedrop.org) page on the Authority's Website was now up and running and noted that the site has a user friendly format. Ms. Payne also reported that information on the Authority's construction projects is now available on the Authority's Website.

Concerning community outreach, Ms. Payne reported that she was in the process of reviewing eight (8) potential speaking venues for Director Rendl and Mr. Schindewolf.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then briefly 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, copies of which are attached hereto.

Mr. Schindewolf then reported that he had made a presentation at a public hearing of the Senate Select Committee on Water Policy (the "Senate Committee") on March 31, 2004. Mr. Schindewolf noted that preparation of the Authority's presentation was a cooperative effort that included himself, Director Rendl, Mr. Bresnen, Mr. Rolan, Mr. Potok, Ms. Payne, Ms. Sagstetter, Ms. Randecker and Ms. Bobbitt. A copy of the Authority's written statement that was submitted to the Senate Committee, along with the talking points, was included in the Board meeting packets and is attached hereto. Mr. Schindewolf noted that Senator Lindsay had stated that he was pleased with the Authority's presentation.

Mr. Schindewolf next explained that the Water Supply Contract between the Authority and the City of Houston (the "COH") established an Advisory Committee comprised of representatives of the COH, the Authority and the West Harris County Regional Water Authority. Mr. Schindewolf explained that the first meeting of the Advisory Committee was held on March 25th at the offices of Allen Boone Humphries LLP ("ABH"). Mr. Schindewolf stated that he, Ms. Bobbitt and Mr. Rolan attended the meeting and had given an update on the activities of the Authority. Mr. Schindewolf

further reported that Mr. Jeff Taylor of the COH gave a status report on the construction of the Northeast Water Treatment Plant and indicated that Phase I (initial 40 mgd module) will be completed and placed in operation some time in June of this year and that Phase 2 (second 40 mgd module) is now under construction and should be in operation by January, 2006. Mr. Schindewolf also noted that Mr. Taylor had reported that the COH wells in Jersey Village have been taken off line and that Jersey Village is on surface water. Mr. Schindewolf concluded his remarks by stating that minutes of the Advisory Committee meeting would be forwarded to the Board upon receipt from ABH.

Director Pulliam then asked if the Authority would receive any credit from the Harris-Galveston Coastal Subsidence District for early conversion to surface water since the COH's Jersey Village wells are located within the Authority. Mr. Schindewolf stated that the COH's Jersey Village wells are included in the COH Groundwater Reduction Plan, but that he would look into the matter.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Breeding was then called upon by Mr. Schindewolf to present a status report on the ROW/easement acquisitions. Mr. Breeding briefly reviewed the status of the condemnation cases the Authority has pending and related court hearings. Mr. Breeding noted that the construction contract for Project 1A would be awarded later during tonight's meeting. Mr. Breeding went on to report that two (2) of the three (3) properties with pending condemnations were expected to settle and one (1) was being contested.

Concerning Project 6, Mr. Breeding reported that the Hewlett-Packard easement had been acquired and acquisition of the last parcel of land in connection with such project was nearly complete, and that Project 6 would be advertised for bids in the near future.

Mr. Breeding next reported that he has a verbal agreement with CenterPoint Energy ("CenterPoint") concerning the easements needed for Project 1B and anticipates acquiring an easement from Harris County Water Control and Improvement District No. 109 around April 19th in connection with such project. Mr. Breeding also noted that Project 4 continues to be the most problematic project due to the underlying fee ownership of the proposed easement tracts by CenterPoint and the surface ownership by residents, but that an agreement had recently been reached with CenterPoint. Mr. Breeding added that an easement will also be needed from Burlington Northern Railroad and reiterated that such entity is typically only willing to grant a license rather than a permanent easement, which will be an issue for the Authority. Mr. Breeding stated that with regard to Project 1C-1, the surveys and appraisals are being prepared and that negotiations for the necessary easements will begin soon.

Mr. Breeding then noted that the Board meeting packets contained a Resolution which, when adopted, will authorize Mr. Schindewolf and the ROW/easement acquisition team to proceed with acquiring the ROW/easements for Projects 6A, 7A, 7B and 7C. Director Pulliam commented that the Resolution looks exactly like the Resolution adopted in February. Mr. Breeding responded that the language in the Resolution is the same, but that the attached exhibit map reflects routing changes for such projects.

Director Fessler then asked about check no. 3573 to Lakewood United Methodist Church in connection with Project 6 that is being presented for payment at tonight's meeting. Mr. Breeding stated that the check would be held until the easement and the agreement with the church have been finalized.

ENGINEER MANAGER'S REPORT

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

Concerning Project 1C, Mr. Rolan reported that approximately 5,100 feet of pipe has been installed to date. Mr. Rolan stated that a sketch detailing the location of the pipe that has been installed is attached to his report. Mr. Rolan went on to explain that the contractor for such project had completed the boring under Greens Bayou and when the contractor was extracting the auger extension line from the pipe, a portion of the auger extension line separated within the pipe and the contractor is now working in 24/7 shifts to repair the damage.

Mr. Rolan next reported that five (5) bids for the construction of Project 1A had been received on March 25th, ranging from \$7,844,256 to \$9,425,376.50. Mr. Rolan explained that the low bid for the project was approximately \$500,000 less than the engineer's estimate and reported that the low bid was submitted by Jalco, Inc. ("Jalco") in the amount of \$7,844,256. Mr. Rolan added that following the Board's award of the contract this evening, a pre-construction conference will be scheduled and a Notice to Proceed will be issued within the next two (2) weeks. Mr. Rolan explained that Project 1A includes installation of approximately 16,000 feet of 36-inch, 42-inch and 48-inch pipe and that substantial completion of the project had been divided into two (2) pieces, including: 1) from W. Richey Road to just east of Walters Road, to be completed in 300 calendar days; and 2) from just east of Walters Road to T.C. Jester, to be completed in 360 calendar days. Mr. Rolan commented that it was necessary to extend the length of the construction time due to the existence of long pipe delivery due to a steel shortage.

Mr. Rolan noted that engineering was scheduled to begin on Project 6B this month, and that the engineers will also begin work on a feasibility study on the possibility of placing the Authority's transmission lines in the CenterPoint easement/fee strip along and north of Beltway 8.

Mr. Rolan added that he is continuing his discussions with the COH concerning the purchase of additional water for the Groundwater Transfer Program (the "GTP").

Director Fessler then asked Mr. Rolan to explain the process utilized for analyzing the construction bids and recommending the award of a construction contract to the Board. Mr. Rolan explained that the engineers prepare an estimate of costs when design of the project is complete and, once the bids are received, they are checked for accuracy and tabulated by the engineer. The tabulated bids are reviewed to see if any of the unit prices seem out of line. Mr. Rolan added that the engineer also reviews the contractor's references and financial information and then makes a recommendation to Mr. Schindewolf to award the contract to the lowest qualified and responsible bidder.

Director Sigler asked if the casing under Greens Bayou in connection with Project 1C was damaged in the recent construction incident. Mr. Rolan responded that the pipe was pulled apart, but the casing was not damaged.

ATTORNEY'S REPORT

Ms. Bobbitt then reported on the status of the Regulations for Buy/Sell Agreements for Implementation of the GTP (the "Regulations"). Ms. Bobbitt stated that Mr. Johnson and Mr. Schindewolf are scheduled to meet to discuss proposed revisions to the Regulations, subsequent to which the revised Regulations will be disseminated to the utility district attorneys.

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 March 1, 2004, previously distributed to the Board.

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 approve the item 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 February 29, 2004, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for two (2) months reflects that the Authority is approximately \$510,551 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.

Ms. Plunkett then asked for the Board's authorization to open a special Capital Projects - Series 2003 checking account at Klein Bank and adoption of a Corporate Authorization Resolution regarding such account. Ms. Plunkett noted that the checking account will help in tracking capital expenditures from the Authority's Series 2003 Bond proceeds and has been recommended by the Authority's auditor. 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 authorize the Capital Projects - Series 2003 checking account at Klein Bank, to adopt and authorize execution of the Corporate Authorization Resolution, a copy of which is attached hereto.

GENERAL MANAGER'S ACTION ITEMS

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

Mr. Schindewolf then explained that as discussed earlier in the meeting, five (5) bids had been received on March 25, 2004 for the construction of Project 1A, which includes the installation of approximately 16,000 feet of water line from W. Richey Road north to T.C. Jester. Mr. Schindewolf reiterated that the low bidder on the project was Jalco based on a low bid of \$7,844,256, and recommended that the Board approve the award of the construction contract to Jalco. 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 award the construction contract for Project 1A to Jalco 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.

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 in connection with Mr. Breeding's report on the status of ROW/easement acquisitions, the Resolution serves 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 ROW/easements for Projects 6A, 7A, 7B, and 7C.

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.

NEXT MEETING

Director Pulliam then stated that the next regular meeting of the Authority would be held on Monday, May 3, 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 3rd day of May, 2004.

/s/Kelly P. Fessler

Secretary, Board of Directors

(SEAL)