

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
May 3, 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 3rd day of May, 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., Engineer Manager for the Authority; Mr. Alfonzo Hernandez, P.E. of HBC/Terracon, on-call engineers for the Authority; Mr. Carl D. McConnell, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Ralph Cox, P.E. of Klotz Associates, Inc., 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. John Howell of The GMS Group, L.L.C., financial advisor to the Authority; Ms. Marilyn Ellis, staff writer for The 1960 Sun; Ms. Kim Canon, staff writer for The Houston Chronicle; Mr. Mark McGrath of Null-Lairson, P.C. ("Null-Lairson"), auditors for the Authority; Mr. Nick Aschliman, P.E. of Fugro Consultants LP ("Fugro"); 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 the Board, Mr. Schindewolf, Mr. Rolen and others had toured the Houston Area Water Corporation's Northeast Water Purification Plant (the "Northeast Plant") and the new City of Houston (the "COH") bottling water plant on Friday, April 30, 2004. Director Pulliam stated that Ms. Payne would post some photographs of the tour on the Authority's Website. Director Graham reported that he was impressed with the COH bottling water plant, which is

scheduled to open in June or July of this year. Director Pulliam also reported that a tour of various facilities of the Coastal Water Authority had been scheduled for Friday, May 7, 2004.

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 51,000 hits for the month of April. Ms. Payne further noted that the week of May 2nd through May 8th is Water Drinking Week.

Ms. Payne next reported that she was scheduling a working luncheon hosted by the Authority's Water Conservation Committee (the "Committee") for the Facilities Managers of the six (6) area independent school districts whose superintendents had attended the working luncheon held by the Authority on March 4, 2004. Ms. Payne noted that the Committee was working on water conservation audits of the schools in each of the six (6) independent school districts to help identify ways for the schools to conserve water. Ms. Payne also reported that she is working on a "Train the Trainers" workshop.

Concerning community outreach, Ms. Payne reported that she is continuing to schedule speaking opportunities for Director Rendl and Mr. Schindewolf. Ms. Payne next reported that she is working on a new water conservation brochure that will be a children's coloring book.

Ms. Payne again reported that information on the Authority's construction projects is now available on the Authority's Website and information concerning the Authority's new employee, Mr. Crisci, has been posted.

GENERAL MANAGER'S REPORT

Mr. Schindewolf first 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 briefly discussed the recent tour of the Northeast Plant and new COH bottling water plant on Friday, April 30, 2004. Mr. Schindewolf noted that Phase 1 of the Northeast Plant will be operational by the end of May 2004, and that Phase 2 of the Plant, which will provide surface water to the Authority, is expected to be operational by December 2005 or January 2006. Mr. Schindewolf also reported that the COH is planning to hold an Open House for the Northeast Plant in the near future.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Breeding was then called upon by Mr. Schindewolf to present a status report on ROW/easement acquisitions by the Authority. Mr. Schindewolf stated that the ROW/easement acquisition team had made significant progress in negotiating with CenterPoint Energy

("CenterPoint") to allow the Authority to utilize CenterPoint easements and fee strips for the installation of Authority water lines. Mr. Schindewolf also reported a breakthrough in negotiations with Burlington Northern Railroad ("Burlington") to acquire the necessary easements for Project 4. A copy of a memorandum from Mr. Schindewolf to Mr. Breeding regarding such mater is attached hereto.

Mr. Breeding then briefly reviewed the status of the condemnation cases the Authority has pending and related court hearings. Mr. Breeding reported that two (2) of the three (3) properties with pending condemnations in Project 1A were expected to settle, and that a right of entry had been given to the Authority on the third pending case.

Concerning Project 6, Mr. Breeding reported that there were three (3) pending condemnations, two (2) of which are expected to settle and one (1) that would be litigated. In addition, Mr. Breeding reported that the ROW/easement acquisition team had received the executed easement documents from Lakewood United Methodist Church.

Mr. Breeding then reported that the ROW/easement acquisition team was still negotiating with CenterPoint concerning the easements needed for Project 1B. Mr. Breeding reported that the easements from Harris County Water Control and Improvement District No. 109 and Heatherloch Utility District were now in-house, and that the paperwork for the easement from Harris County Water Control and Improvement District No. 116 still needs to be obtained.

Concerning Project 4, Mr. Breeding stated that there are three (3) pending condemnation cases, one (1) that has recently settled and another with a hearing scheduled for May 5, 2004. Mr. Breeding noted that it now appears that Burlington may be willing to consider granting perpetual easements to the Authority in connection with Project 4.

Concerning Project 1A1, Mr. Breeding reported that all but two (2) parcels of land had been appraised, and that he anticipates that condemnation proceedings will likely be necessary on several tracts.

Mr. Breeding stated that with regard to Project 1C1, the surveys and appraisals are being prepared and that negotiations for the necessary easements have begun.

ENGINEER MANAGER'S REPORT

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

Concerning Project 1C, Mr. Rolen reported that the project was substantially completed on April 16, 2004, and noted that the project was completed early and under budget. Mr. Rolen noted that the contractor is now trying to complete the restoration work on the project.

Mr. Rolen next reported that a Notice to Proceed had been issued to Jalco, Inc. ("Jalco") effective April 19, 2004, for the construction of Project 1A. Mr. Rolen noted that Jalco will begin clearing and grubbing this week, but that the pipe for the project is not expected to be delivered until June.

Mr. Rolen next reported that Project 6 has been advertised and that the bids for such project are due on May 13, 2004. Mr. Rolen stated that the schedule provides for consideration of award of the construction contract at the June 7th Board meeting. Mr. Rolen explained that this project included the installation of approximately 10,000 feet of 48-inch pipe to be laid along Louetta Road from west of the railroad and from the termination point of Project 4 to just west of Jones Road.

Mr. Rolen went on to report that the engineers were working on a feasibility study on placing the Authority's transmission lines in the CenterPoint easement/fee strip along and north of Beltway 8.

Mr. Rolen next reported that the proposed alignment of Projects 6A and 7B had been approved by Harris County (the "County"), and that the preliminary engineering for such projects is now under way. Mr. Rolen noted that additional discussions were ongoing with the County regarding the alignment of Projects 7A and 7C.

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

Mr. Schindewolf then introduced Mr. Crisci as the Authority's new Construction Coordinator, and stated that Mr. Crisci brings years of engineering design and construction administration expertise with him to the Authority.

ATTORNEY'S REPORT

Ms. Bobbitt then reported on the status of the Regulations for Buy/Sell Agreements for Implementation of the GTP (the "Regulations"), and noted that Mr. Johnson was in the process of incorporating all of the comments from the various utility district attorneys into the Regulations. Ms. Bobbitt added that the Authority is continuing to work with the Texas Commission on Environmental Quality on various issues related to the GTP.

Ms. Bobbitt further noted that she and Mr. Johnson had reviewed the draft of the Authority's audit report and would forward their comments to Mr. Schindewolf and Mr. McGrath.

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 April 5, 2004, previously distributed to the Board. Ms. Bobbitt reported that corrections to such minutes were made prior to the meeting with regard to Mr. Rolen's report.

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 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 March 31, 2004, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for three (3) months reflects that the Authority is approximately \$772,238 under budget for the current fiscal year. Ms. Plunkett also reported that the new Capital Projects-Series 2003 checking account had been opened, as authorized at the Board's last meeting, and is reflected on the Financial Report. Upon motion by Director Sigler, seconded by Director Fessler, 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.

GENERAL MANAGER'S ACTION ITEMS

APPROVE AUDIT REPORT

Mr. Schindewolf then noted that with the issuance of the Authority's first series of bonds in 2003, the audit was more complex than in past years. Mr. Schindewolf noted that the Authority's draft audit report for the fiscal year ending December 31, 2003 had been sent to the Authority's financial advisors, bond counsel and general counsel for review and comment prior to the meeting.

Mr. Schindewolf then called on Mr. McGrath, who reviewed with the Board the draft of the Authority's audit report for the fiscal year ending December 31, 2003, a copy of which can be found in the files of the Authority. Mr. McGrath stated that Null-Lairson had issued an unqualified and clean audit opinion.

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 audit report for the fiscal year ending December 31, 2003, pending receipt of comments from the Authority's consultants, and to authorize the Authority's attorney to file such audit with the appropriate governmental authorities.

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 Fugro 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 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 negotiate and enter into such an Agreement with Fugro, 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, June 7, 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 7th day of June, 2004.

Secretary, Board of Directors

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