

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

October 24, 2005

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special workshop session, open to the public, at 6:00 p.m. on Monday, the 24<sup>th</sup> day of October, 2005, at the Authority's office 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:

Kelly Fessler	-	President
Ron Graham	-	Vice President
Alan J. Rendl	-	Secretary
Jim Pulliam	-	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; Mr. Tom Rolen, P.E. of Turner Collie & Braden Inc., Engineer Manager for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisor for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the Authority. A copy of the sign-in sheets for those in attendance at the meeting 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.

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 1A-2

Mr. Schindewolf first reported that three (3) bids were received on October 13, 2005 for construction of Project 1A-2, which includes construction of a 16-inch water transmission line from Veteran's Memorial Drive to Northwest Harris County Municipal Utility District No. 23. Mr. Schindewolf reported that the low bidder for such project was Triple B Services, L.L.P. ("Triple B") with a bid in the amount of \$830,775. Copies of the bid tabulations and Mr. Schindewolf's letter recommending award of contract to Triple B are attached hereto. Upon motion by Director Pulliam 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 1A-2 to Triple B.

## UPDATE ON CONSTRUCTION CONTRACT FOR PROJECT 7A-1

Mr. Schindewolf then explained that on July 28, 2005, five (5) bids were received for the construction of Project 7A-1, for construction of a 16-inch water transmission line along Ella Boulevard, and noted that the apparent low bidder, Metro Construction LLP, withdrew its bid at the last minute and, consequently, the contract was subsequently awarded to the second (2<sup>nd</sup>) low bidder, Pace Services, L.P. ("Pace"). Mr. Schindewolf noted that the right-of-way easement acquisition team had to conclude acquiring one (1) parcel of land on the Project before the contractor could proceed. Mr. Schindewolf went on to explain that Pace later notified the Authority that due to the recent escalation in pipe prices, they could no longer honor their original bid, but would consider entering into a contract with the Authority in an amount which increased their original bid by \$45,000. Mr. Schindewolf added that after consultation with Messrs. Tom Rolen, Curtis Villarreal, Showri Nandagiri and Tony Crisci concerning the matter, he is recommending the Authority rescind the contract award to Pace and award the construction contract to Calco Contracting, Ltd. ("Calco") in the amount of \$846,049, rather than rejecting all bids and re-advertising for bids on the project. A copy of Mr. Schindewolf's memorandum concerning such matter is attached hereto.

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 award the contract for Project 7A-1 to Calco.

## 2006 PUMPAGE FEES

Mr. Schindewolf noted that the current pumpage fee of \$0.59 per 1,000 gallons of water pumped adopted at the Board's December 6, 2004 meeting for the year 2005 and the first (1<sup>st</sup>) two (2) quarters of 2006 is proposed to be extended through the third (3<sup>rd</sup>) quarter of 2006. Mr. Schindewolf explained that the amount of the increase in the pumpage fee for the fourth (4<sup>th</sup>) quarter of 2006 has not yet been determined. Mr. Schindewolf also noted that the projected pumpage fee for 2010 of \$1.80 per 1,000 gallons of water is still being projected. A copy of Mr. Schindewolf's memorandum regarding the pumpage fees is attached hereto.

Director Rendl then asked when the Authority would need to issue additional debt to fund the remainder of the Authority's water line construction projects. Mr. Howell responded that the next issuance of bonds would likely occur in early 2008. Mr. Schindewolf added that the Authority will likely issue bond anticipation notes some time in 2007.

## REVIEW OF PROPOSED BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006

Mr. Schindewolf then called on Ms. Plunkett to present an overview of the proposed operating budget for the fiscal year ending December 31, 2006 (the "2006 Budget"), including the Operating Budget Planning Report and the various expense items included in the 2006 Budget. A complete copy of the budget workshop packet, previously distributed to the Board, is attached hereto.

During Ms. Plunkett's review of the Management Services expense portion of the 2006 Budget, Mr. Schindewolf noted that the proposed 2006 Budget carries over the expense for

adding three (3) staff positions that were approved in the budget for the fiscal year ending December 31, 2005 and includes a fourth (4<sup>th</sup>) position for an Operations and Maintenance Coordinator. Mr. Schindewolf added that a 2.9% cost of living increase for Authority employees is also included in the 2006 Budget.

A discussion next ensued concerning the Authority's office lease. Mr. Schindewolf explained that the Board had previously authorized him to negotiate the renewal of the office lease at the June meeting, and that Ms. Randecker and Ms. Plunkett had been working on such matter. Mr. Schindewolf went on to report that as a result of the negotiations, the Authority will lease an additional 1,900 square feet to the north of the current office space, which will result in four (4) additional offices and storage space. Director Sigler asked about the term of the proposed lease. Ms. Plunkett responded that the proposed lease is for 63 months with an opt-out option at 36 months. The Board commended Mr. Schindewolf, Ms. Plunkett and Ms. Randecker for their work on the lease. A copy of Mr. Schindewolf's memorandum concerning the renewal and extension of the office space lease and a summary of the terms of such lease is attached hereto.

Director Graham questioned the necessity for the Authority's large cash reserves. Mr. Howell explained that the Authority's favorable bond ratings from the various rating agencies have been due to the cash reserves maintained by the Authority and that if the cash reserves were not in place, a significantly larger pumpage fee would be needed. Mr. Howell added that the large cash reserves enable the Authority to keep the current pumpage fees as low as possible, which has been the desire of the Authority's constituents. Mr. Howell explained that the Authority will need to continue to build the net reserves due to the fact that additional debt will be required to be issued. Further discussion of such matter then ensued.

#### PUBLIC COMMENT

Mr. Schindewolf then noted receipt at tonight's meeting of two (2) blue public comment cards from Mr. Roger Blankenheim of Fountainhead Utility District. The first (1<sup>st</sup>) comment card asking if the construction contract for Project 7A-1 had been awarded to Calco and the second (2<sup>nd</sup>) comment card inquiring about the anticipated completion date of Project 1A-2. Mr. Schindewolf confirmed that Project 7A-1 had been awarded to Calco and stated that Project 1A-2 had been bid to be substantially complete within 60 days of the Notice to Proceed being given.

#### REVIEW OF THE PROPOSED 2006-2007 CAPITAL IMPROVEMENT PLAN ("2006-2007 CIP")

Mr. Schindewolf then called on Mr. Rolen to review the proposed 2006-2007 CIP. A copy of Mr. Rolen's PowerPoint presentation and a copy of the draft of the 2006-2007 CIP is attached hereto. Mr. Rolen noted that the 2006-2007 CIP is the third (3<sup>rd</sup>) capital improvement plan to be adopted by the Board since 2003 and continues the systematic planning and development process for implementing the Authority's Groundwater Reduction Plan (the "GRP") which was initiated in 2003. Mr. Rolen next stated that the proposed 2006-2007 CIP outlines and initiates a broad-based program to provide the remainder of the infrastructure necessary to allow the conversion to surface water in 2010, as set forth in the Authority's GRP, and provides

for the procurement of sites/easements for several of the key infrastructure components needed to implement the GRP in 2020. Mr. Rolan then noted three (3) considerations to take into account: 1) not all projects have been totally defined at this point and as a result, cost estimates are based on the best information that is currently available; 2) real estate and construction costs are influenced by variables over which the Authority has no control; and 3) the Authority may encounter unexpected costs in the implementation of the 2006-2007 CIP and, therefore, a contingency item is the most practical way to attempt to address the issue.

Mr. Rolan explained that it will cost approximately \$83.5 million to implement the 2006-2007 CIP, approximately \$55 million of which will be funded from the proceeds from the sale of the Authority's Series 2003 and Series 2005 Senior Lien Revenue Bonds, capital contributions from the utility districts and accrued interest. Mr. Rolan went on to explain that the remaining \$28.5 million is proposed to be funded from future bond anticipation notes and a future bond sale.

Mr. Rolan then noted that Appendix B of the 2006-2007 CIP includes all of the project detail information for the 2006-2007 CIP. Mr. Rolan then responded to questions from the Board concerning the 2006-2007 CIP.

Mr. Schindewolf then explained that the 2006 Budget and the 2006-2007 CIP would be presented for approval at the Board's November 7, 2005 meeting following a public hearing on the 2006 Budget and pumpage fees at 6:30 p.m.

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

PASSED, APPROVED AND ADOPTED this 7<sup>th</sup> day of November, 2005.

/s/Alan J. Rendl

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Secretary, Board of Directors

(SEAL)