

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

November 7, 2005

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 6:30 p.m. on the 7<sup>th</sup> day of November, 2005, 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:

Kelly P. Fessler	President
Ron Graham	Vice President
Alan J. Rendl	Secretary
James D. Pulliam	Treasurer
Lenox A. Sigler	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mr. Jimmie Schindewolf, P.E., General Manager 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. of Turner Collie & Braden Inc. ("TCB"), Engineer Manager for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. John Peyton, P.E. of Cobourn Linseisen & Ratcliff, 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. David Scholler, P. E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Dave Krukewitt, P. E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to TCB and project representative for Projects 1A and 1C; Mr. Ralph Cox, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. Mike Voinis of Cobb Fendley & Associates, Inc., right-of-way/easement acquisition consultants for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisor to the Authority; 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.

## PUBLIC HEARING

Mr. Schindewolf announced that the purpose of the special meeting was to conduct a public hearing on the proposed budget for the fiscal year ending December 31, 2006 (the "2006 Budget"), the proposed Capital Improvement Plan for 2006-2007 (the "2006-2007 CIP") and the proposed pumpage fees for the first, second and third quarters of the 2006 fiscal year and to receive public comments on such matters. Complete copies of the 2006 Budget and the 2006-2007 CIP can be found in the Authority's files. Mr. Schindewolf called on Ms. Plunkett, who reviewed the Operating Budget Planning Report. A copy of Ms. Plunkett's presentation is attached hereto. Ms. Plunkett first reviewed the various revenue and expense line items of the 2006 Budget with the Board.

Director Sigler then entered the meeting at 6:37 p.m.

Ms. Plunkett added that the total projected Administrative Expenses for the 2006 Budget are \$3,037,424, which is an \$81,271 increase, or 2.75%, from the 2005 Budget.

Mr. Schindewolf noted that the proposed 2006 Budget includes a 2.9% cost of living increase for the Authority's employees.

Director Graham then entered the meeting at 6:43 p.m.

Mr. Schindewolf then called on Mr. Rolan to briefly review the proposed 2006-2007 CIP that was reviewed and discussed at the October 24<sup>th</sup> Budget Workshop. Mr. Rolan 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. Rolan 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.

Concerning the proposed pumpage fees for 2006, Mr. Schindewolf explained that in 2004, the Board increased the 2005 pumpage fee from \$0.34 per 1,000 gallons of water to \$0.59 per 1,000

gallons of water effective April 1, 2005 through June 30, 2006. Mr. Schindewolf recommended that the current pumpage fee of \$0.59 per 1,000 gallons of water usage be extended for an additional three (3) months through September 30, 2006. Mr. Schindewolf noted that beyond September 30, 2006, the pumpage fee will need to be adjusted, but that the specific amount of any increase in the pumpage fee is not yet known. Mr. Schindewolf stated that he would have a recommendation for consideration by the Board by mid-year of 2006 in order for the utility districts to have adequate notice of the increase.

Director Fessler then opened the floor to comments and questions from the public regarding the proposed 2006 Budget, the 2006-2007 CIP and proposed pumpage fees.

The Board then recognized Ms. Gloria Malek of Northwest Harris County Municipal Utility District No. 10, who asked for a brief clarification regarding the pumpage fees for the first three (3) quarters of 2006. Mr. Schindewolf explained that the pumpage fee for the first three (3) quarters of 2006 would be \$0.59 per 1,000 gallons of usage.

There being no further business to come before the Board, the hearing was adjourned at 6:53 p.m.

PASSED, APPROVED AND ADOPTED this 5<sup>th</sup> day of December, 2005.

/s/Alan J. Rendl

---

Secretary, Board of Directors

(SEAL)

S:\NHCRWA\Minutes\2005\11-07-05-Budget Hearing.DOC