

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
December 5, 2005

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 December, 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. 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 ("TCB"), Engineer Manager for the Authority; Mr. Wayne Ahrens, P. E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Sanjay Ram, P.E. of ARCADIS G&M, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Messrs. David Scholler, P.E. and Charles Shumate, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Mike Bagstad, P.E. of Carter & Burgess, Inc., a subcontractor to AEI for Authority Projects 6 and 6A; Mr. David Krukewitt, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Chris Drabek., P.G. 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, Inc., a subcontractor to TCB and project representative for Projects 1A and 1C; Mr. Mark Breeding of Andrews Kurth LLP, right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Mike Voinis, P.E. of Cobb Fendley & Associates, Inc., ROW/easement acquisition consultants for the Authority; Mr. Mark McGrath of Null-Lairson, P.C., auditors for the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, general counsel and co-bond counsel for the Authority. Numerous members of the public and other consultants to the Authority were also present at the meeting. Copies of the sign-in sheets for those in attendance are 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 Rendl then wished all in attendance at the meeting a Merry Christmas and Happy New Year.

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

A copy of Ms. Payne's PowerPoint presentation for tonight's meeting is attached hereto.

Ms. Payne first reported that the Authority's website had 44,298 hits for the month of November.

Ms. Payne then extended special thanks to Mr. Bart Downum of Advantage Water Management and Mr. Jesse Plunkett of Eagle Water Management for transporting the Authority's Mobile Teaching Lab to various venues. Ms. Payne reported that the Mobile Teaching Lab was used at the Scout "Pushmobile" Event at Spring High School on December 3, 2005 and noted that the Mobile Teaching Lab will be on display at Thornton Middle School in the Cy-Fair Independent School District on December 5th through December 9th and at Winship Elementary School in the Spring Independent School District on December 12th through December 14th. Ms. Payne noted that the Mobile Teaching Lab will be parked at the Harris County Water Control and Improvement District No. 132 Water Conservation Garden when not in use.

Concerning the distribution of the September publication of Waterlines, Ms. Payne reported that the mailing had generated requests for Journey to Pansophigus materials by home school teachers, private school teachers and the new North Fort Bend County Water Authority.

Ms. Payne next reported that Director Rendl will speak at the Northwest Sunrise Rotary Group on December 6th and at the Champions Breakfast Club on December 9th.

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 reported that he, Mr. Steve Bresnen, Ms. Sagstetter, Ms. Payne and Director Rendl have been holding briefing sessions for area legislators and candidates for the Senate District 7 and for the House of Representative District 126 position. Mr. Schindewolf noted that Mr. Rolan has been spending a great deal of time working with the various utility districts on the Buy/Sell Agreements.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Breeding was then called upon by Mr. Schindewolf to present a brief status report on the various ROW/easement acquisitions by the Authority.

Concerning Project 6B-2, Mr. Breeding reported that several condemnation suits have been filed in connection with the acquisition of easements for such project. Mr. Breeding noted that there were four (4) hearings last month, two (2) of which settled and one (1) case had a motion to remove the property from condemnation proceedings filed, but that he is confident of the Authority's

position in the matter. Mr. Breeding stated that there are four (4) other condemnation cases pending, one (1) of which is expected to settle.

UPDATE ON 2010 WATER DISTRIBUTION AND TRANSMISSION SYSTEM - PHASE 1 GROUNDWATER TRANSFER PROJECTS

Mr. Schindewolf then called on Mr. Rolan to review the status of the various Groundwater Transfer Projects (the "GTP"), as outlined below.

ENGINEER MANAGER'S REPORT

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

Concerning Project 1A, Mr. Rolan reported that Jalco, Inc. ("Jalco") has completed the installation of the pipe, completed the tunneling and completed testing of the water line. Mr. Rolan noted that Jalco is continuing with clean-up work on the project.

Mr. Rolan next reported that Triple B Services, L.L.P. has completed installation of approximately 420 feet of 16-inch pipe and started connecting to the district on Project 1A-2.

Mr. Rolan went on to report that the contractor for Project 1B, Huff & Mitchell, Inc., has completed installation and testing of the lines. Mr. Rolan noted that the contractor is in the process of completing the final punch list items noted during the final walkthrough of the project.

Mr. Rolan then reported that R&B Group, Inc. has completed the modifications to the water well, installed one (1) of the two (2) booster pump motors, completed the tank foundation and is erecting the ground storage tank and working on site work for Project 1C-2.

Concerning Project 4, Mr. Rolan reported that Texas Sterling Construction L.P. has completed the installation of the water line and is currently working on completing various punchlist items for such project.

Mr. Rolan went on to report that the Project 5A contractor, Friedel Drilling Company ("Friedel"), completed the water well in the Jasper aquifer, the development of the well in the Evangeline aquifer and has completed the installation of the 16-inch collection line on the well site. Mr. Rolan added that Friedel is now working on the electrical service, chlorine building and site drainage in connection with such project.

Mr. Rolan then reported that the Project 5B contractor, Calco Contracting Ltd. ("Calco"), has completed the installation and testing of the 16-inch line and is performing clean-up work on the project.

Mr. Rolan next reported that the Notice to Proceed for Project 5C with E. P. Brady Ltd. ("E. P. Brady") was effective November 22, 2005.

Mr. Rolan then noted that the Project 6 contractor, D.L. Elliott Enterprises, Inc. ("D.L. Elliott"), has completed the installation of pipe and testing of the 12-inch and 48-inch water lines and is working on clean-up items and landscaping for such project. Mr. Rolan noted that the

contractor is also in the process of connecting the dual 60-inch lines under Louetta Road to the existing 48-inch water line along Louetta Road.

Concerning Project 6A, Mr. Rolan reported that C.E. Barker, Ltd. has completed the installation of the 30-inch pipe and 36-inch pipe and is working on the connections to the district systems, testing of lines and clean-up work on the project.

Mr. Rolan next reported that E. P. Brady has completed 85% of the tunnel construction on Project 6B, Contract 1, installed 3,300 feet of 20-inch pipe and has started the connection to the district.

Concerning Project 7A, Mr. Rolan reported that Calco has completed the installation of all the 16-inch, 20-inch, 24-inch, 30-inch and 42-inch water lines for such project. Mr. Rolan added that Calco has completed the water line testing and is working on project clean-up.

Mr. Rolan next reported that regarding Project 7A-1, Calco has completed installation of 360 feet of 16-inch water line. Mr. Rolan noted that the contractor has demobilized during the holidays and will resume work after January 2, 2006.

Mr. Rolan went on to report that D.L. Elliott, the contractor for Project 7B, has completed all of the tunneling work and installation of the 42-inch pipe. Mr. Rolan noted that the contractor has installed 99% of the 48-inch pipe and is working on connections to the districts and testing of the lines.

Mr. Rolan then reported that Jalco, the contractor for Project 7C, Contract 1, has installed all of the 12-inch, 16-inch, 36-inch, 42-inch and 60-inch water lines. Mr. Rolan added that Jalco has completed 80% of the 30-inch water line and 98% of the 54-inch water line. Mr. Rolan went on to report that Jalco also completed the final 76 feet of tunnel construction and is working on connections to the districts.

Mr. Rolan next stated that Ramos Industries, Inc., contractor for Project 7C, Contract 2, has completed the installation of all water lines and tunnel/auger construction. Mr. Rolan noted that the contractor is also working on the connections to the district system.

Mr. Rolan noted that to date, the Authority has installed a total of 25.6 miles of pipe ranging in size from 12-inch to 60-inch.

Concerning other activities, Mr. Rolan reported that engineering design efforts continue on Projects 3, 4A, 5C, 6B-2 and 15A, and the 2010 transmission line. Mr. Rolan stated that during the prior month, the Engineer Manager has also worked on other items, including assisting with ROW/easement acquisitions, providing construction administration and project representation on construction projects, completed efforts to gather necessary information and secure executed Buy/Sell Agreements from participants in the GTP South and West Systems and worked with possible participants in the GTP North System to complete Buy/Sell Agreements, developed a Request for Proposals to Provide Contract Operational and Maintenance Services to the Authority, assisted in evaluating the possible purchase of the former Hewlett Packard water well and assisted

the Authority with monitoring and discharging its responsibilities concerning the Greens Road water line.

Concerning the Greens Road Water Line Project, Mr. Rolen reported that the installation of the water line is complete and that the line has been tested and disinfected. Mr. Rolen noted that the City of Houston has indicated that the project will be completed under budget. Mr. Rolen stated that he was very pleased with the Greens Road Water Line Project progress and cited the project as an excellent example of two (2) governmental entities working together to benefit both.

Director Pulliam then commented that Mr. Rolen had done a very good job on the Request for Proposals for Operational and Maintenance Services.

Mr. Bob Koperwhats of Harris County Water Control and Improvement District No. 91 asked when the Buy/Sell Agreements for his district and others will be ready. Mr. Rolen responded that although a number of the Buy/Sell Agreements have been prepared, many of the participants in the GTP North System are Sellers with no official Buyer yet, and that he plans to send out additional Buy/Sell Agreements in the near future.

Director Graham asked if the water line leak in Project 6B had been repaired. Mr. Rolen reported that he is not sure that it was a leak in the water lines. Mr. Rolen explained that efforts have been made and will continue to be made to determine the source of the water. Mr. Schindewolf commented that there has been a great amount of water flowing into the tunnel on Project 6B-1.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she did not have anything to report at this time.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Fessler then asked for approval of the minutes of the special meeting of November 7, 2005 and the regular meeting of November 7, 2005, each previously distributed to the Board. Upon motion by Director Sigler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the special meeting of November 7, 2005 and the regular meeting of November 7, 2005, as written.

FINANCIAL ASSISTANT'S REPORT

Director Fessler then recognized Ms. Plunkett, who reviewed the Authority's Financial Report with the Board, including the monthly investment report, the checks being presented for payment and the budget comparison for the month ending October 31, 2005, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for ten (10) months reflects that the Authority is approximately \$1,154,130 under budget for the fiscal year ending December 31, 2005.

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 the Financial Report, the monthly investment report and the checks being presented for payment.

GENERAL MANAGER'S ACTION ITEMS

ENGAGEMENT OF AUDITOR

Mr. Schindewolf then explained that a copy of the Null-Lairson, P.C. ("Null-Lairson") engagement letter was included in the meeting packet and recommended that the Board engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2005. A copy of the Null-Lairson engagement letter is attached hereto. Mr. Schindewolf noted that the estimated fee for the preparation of the 2005 audit report is \$21,000. Director Graham asked what was charged for the preparation of the audit report for the fiscal year ending December 31, 2004. Mr. McGrath responded that the fees paid for the 2004 audit was \$16,000 and noted that the increase in the fee estimate was due to the increase in the number of Authority construction projects in 2005. 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 engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2005 and to authorize the execution of the Null-Lairson engagement letter.

RESOLUTION ADOPTING AMENDED AND RESTATED PROCEDURAL RULES OF THE AUTHORITY (THE "RESOLUTION")

Mr. Schindewolf then called on Ms. Bobbitt to review the proposed amendments to the Authority's Procedural Rules. Ms. Bobbitt reported that Article V of the Procedural Rules has been added to the Procedural Rules to address compliance with Chapter 176 of the Texas Local Government Code.

Ms. Bobbitt next explained that the 79th Legislature had implemented new conflicts of interest disclosure requirements for local governmental officials, such as the Authority's Board members and the Authority's General Manager. Ms. Bobbitt informed the Board that the new disclosure requirements found in House Bill 914 ("H.B. 914") added Chapter 176 of the Texas Local Government Code, which requires local governmental officials and persons seeking to contract with a local governmental entity to complete a conflicts disclosure statement (the "Disclosure Statement") and a conflicts questionnaire (the "Questionnaire"), as applicable. A copy of both the Disclosure Statement and the Questionnaire are attached hereto. Ms. Bobbitt next stated that the new disclosure requirements go into effect January 1, 2006.

As applied to the Authority, Ms. Bobbitt stated that all Board members and the Authority's General Manager are now required to complete a Disclosure Statement, which discloses: (1) gifts received with a total value exceeding \$250.00 from a person contracting with or seeking to contract with the Authority; (2) business relationships the Board member has with a person who contracts or seeks to contract with the Authority that results in the Board member receiving taxable income; or (3) taxable income or gifts received from a person who contracts or seeks to contract with the Authority that is to the benefit of a Board member's spouse, children, or parents. Ms. Bobbitt then explained that the disclosure requirement for gifts does not include gifts of food, travel, lodging, or entertainment accepted as a guest, so, for example, if Ms. Bobbitt took a Board member to a World Series game, that would not have to be disclosed.

Ms. Bobbitt next explained that the consultants and other contractors of the Authority must complete a Questionnaire as applicable. Ms. Bobbitt then explained to the Board that completed Disclosure Statements and Questionnaires are considered public records. Ms. Bobbitt informed the Board that her firm is working on a memo explaining the details of these new disclosure rules and that she would be happy to answer any questions regarding this matter.

Ms. Bobbitt noted that Appendices B and C have been added to the Procedural Rules and are the disclosure statement forms approved by the Texas Ethics Commission.

Ms. Bobbitt next reported that Senate Bill 286, also passed by the 79th Texas Legislature 2005, requires that all elected/appointed officials receive training concerning the provisions of the Public Information Act and the Open Meetings Act. Ms. Bobbitt noted that the Attorney General's office is putting together a training course that will be available on video to satisfy the training requirements. Ms. Bobbitt added that the Association of Water Board Directors - Texas will likely offer the training course at their conferences. Ms. Bobbitt explained that the new provision also takes effect on January 1, 2006, although officials elected/appointed prior to January 1, 2006 have until January 1, 2007 to take the training, and those officers elected/appointed after January 1, 2006 have 90 days to take the training.

Ms. Bobbitt then briefly reviewed the revision to the Public Information Act and noted that Appendix E of the Procedural Rules has been updated to reflect such revisions.

Mr. Schindewolf then reviewed the changes that were made to Article III and Article VI of the Procedural Rules concerning the Treasurer and Investment Officer of the Board and Expense Policy matters.

Upon motion by Director Sigler, seconded by Director Rendl, after full discussion and the question being put before the Board, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto.

AUTHORIZE THE GENERAL MANAGER TO NEGOTIATE AND ENTER INTO AN OPERATIONS SERVICE AGREEMENT FOR THE AUTHORITY'S GTP SYSTEM

Mr. Schindewolf then reported that Tab 8 of the meeting packet contains several items, including: 1) a copy of the Authority's Request for Proposals ("RFP") to Provide Operational and Maintenance Services; 2) a copy of Mr. Rolan's letter dated November 21, 2005 recommending that the General Manager be authorized to negotiate and enter into an Operations and Maintenance Services Agreement (the "Operations Agreement") for the GTP; and 3) a copy of Mr. Schindewolf's letter dated December 2, 2005 to the Board recommending that the General Manager be authorized to negotiate and enter into an Operations Agreement for the GTP, copies of which are attached hereto. Mr. Rolan briefly described the RFP and process to qualify the proposals that are submitted. Director Rendl then asked for the names of the four (4) companies to be considered by the Authority. Mr. Rolan stated that ECO Resources, Inc. ("ECO"), Severn Trent Environmental Services, Inc. ("STES"), Aqua Services, LP and Advantage Water Management were the four (4) companies that attended the mandatory pre-submittal conference earlier in the day. Mr. Rolan noted that the RFP was publicly advertised in the Houston Chronicle in order to obtain proposals from any other firm that meets the qualifications reflected in the RFP. Director Sigler asked if one (1)

operator would operate all of the Authority's facilities. Mr. Rolen responded that it is anticipated that one (1) operator would coordinate the operations of all the Authority's facilities. Mr. Rolen added that the initial Operations Agreement will be for a one (1) year period with a renewal/extension provision. Director Rendl inquired if the operation companies are being advised to take into account the scope of the facilities to be operated. Mr. Rolen responded that yes, they were and that in the RFP, the Authority noted that operating the GTP systems will require coordination with the Buy/Sell participants, their operators and the Authority.

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 authorize the General Manager to negotiate and enter into an Operations Agreement for the operation and maintenance of the Authority's GTP systems.

AUTHORIZE GENERAL MANAGER TO NEGOTIATE AN AGREEMENT WITH V&W PARTNERS, LTD. FOR THE PURCHASE OF THE HEWLETT PACKARD WELL AND RELATED APPURTENANCES

Mr. Schindewolf next reported that Tab 9 of the meeting packet contains his letter dated December 1, 2005 regarding the proposed purchase of the former Hewlett Packard ("HP") well from V&W Partners, Ltd. ("V&W"), a copy of which is attached hereto. Mr. Schindewolf reported that V&W had closed on the purchase of the HP property, which includes the HP well and plant site. Mr. Schindewolf went on to explain that he, Mr. Rolen and Ms. Bobbitt have been negotiating with V&W representatives for the purpose of developing a term for the sale and purchase of the HP well. Mr. Schindewolf went on to explain that based on such negotiations, he is recommending that the Board authorize the General Manager to negotiate a formal agreement with V&W for the Authority's purchase of the HP well and related appurtenances. Mr. Schindewolf noted that the final agreement would be presented to the Board for approval at a future meeting. Mr. Rolen added that LBG-Guyton Associates, on-call engineers for the Authority, had conducted investigative work on the HP well, which is located east of Cutten Road and south of Louetta Road. Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to negotiate an agreement with V&W for the purchase of the HP well.

2006 HOLIDAY SCHEDULE

Mr. Schindewolf then presented the 2006 Holiday Schedule for the Board's approval, a copy of which was included in the Board meeting packet and is attached hereto. Mr. Schindewolf noted that the schedule basically tracts the schedule adopted by Harris County Commissioner's Court for county employees. 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 2006 Holiday Schedule.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated that the next regular meeting of the Board has been changed and will be held on Monday, January 9, 2006, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 9th day of January, 2006.

/s/Alan J. Rendl

Secretary, Board of Directors

(SEAL)

S:\NHCRWA\Minutes\2005\12-05-05-Regular.DOC