

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
June 6, 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 6th day of June 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 except Director Rendl, 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; Messrs. Tom Rolen, P.E. and Curtis Villarreal, P.E. of Turner Collie & Braden, Engineer Manager for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Sanjay Ram, P.E. of ARCADIS, 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; Ms. Aimee Sanderson of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., 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 TC&B and project representative for Projects 1A and 1C; Mr. Mark Breeding of Andrews Kurth LLP ("Andrews Kurth"), right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Mike Voinis of Cobb Fendley & Associates, Inc., ROW/easement acquisition consultants for the Authority; Mr. Len Boschetti of Universal Field Services, ROW/easement acquisition consultants to the Authority; Mr. Gene Shepherd of RBC Dain Rauscher Inc., financial advisors for the Authority; Mr. Steve Bresnen of Steve Bresnen & Associates, lobbyist for the Authority; Ms. Kentesheia L. Dockery, staff writer for The 1960 Sun; Mr. Eric Sliva of W. W. Payton Corporation ("W. W. Payton"); and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), 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.

PUBLIC COMMENTS

The Board first recognized Mr. Jim Hetzel, P.E of Koehn & Associates Engineers, Inc., representing Louetta North Public Utility District, Northwest Harris County Municipal Utility District No. 9 and White Oak Bend Municipal Utility District, who asked if the utility districts will need to switch to a chloramine disinfection process prior to the Authority receiving water from the City of Houston (the "City"). Mr. Rolan responded that the utility districts will not have to switch to a chloramine disinfection process prior to receiving surface water from the City.

The Board then recognized Mr. James Hofmeister of Northgate Crossing Municipal Utility District No. 2, who stated that there seems to be ongoing construction at the northwest corner of the intersection of Bammel N. Houston and Richey Road and wanted to know if there was a problem with the Authority's construction project at such location. Mr. Rolan responded that there was no problem with the project other than normal construction issues that have been encountered over the construction period.

The Board next recognized Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10, who commented that since the West Harris County Regional Water Authority is utilizing some of the existing wells in its area, rather than drilling new wells and considering the cost of drilling new wells, every effort should be made by the Authority to do the same so that taxpayers are not footing the bill for wells that will provide water to districts that are having water quality and quantity problems. Mr. Schindewolf responded that he and the Authority staff have met with and talked with Mr. Broun several times concerning the regional well issue, and that Mr. Broun is welcome to contact him again concerning such matter. Mr. Broun noted that the purpose of the Authority is to get surface water to areas within the Authority not to drill new wells.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

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

Ms. Payne first reported that Director Rendl had made several presentations on behalf of the Authority during the month, including presentations to Chaparral Management on May 12, 2005 and to the Bridgeview Homeowners Association on May 19, 2005. Ms. Payne also reported that construction brochures had been prepared and mailed to the residents in Bilma Public Utility District and Bridgestone Municipal Utility District.

Ms. Payne next reported that the Authority's website had 42,359 hits for the month of May. Ms. Payne noted that the "Stop the Drop" page on the website had been redesigned. Ms. Payne also reported that the Authority's Water Conservation Committee had prepared an On Campus Water Conservation video to be distributed to the Facility Managers of the six (6) independent school districts located within the Authority. Ms. Payne added that she and Ms. Plunkett would staff the Authority's water conservation exhibit at the Association of Water Board Directors – Texas (the "AWBD") Summer Conference in Corpus Christi, Texas.

GENERAL MANAGER'S REPORT

Mr. Schindewolf next reviewed the General Manager's Report with the Board, a copy of which is attached hereto.

STATUS OF BUY/SELL AGREEMENTS

Mr. Schindewolf first reported that he had held a Buy/Sell Agreement Strategy meeting on May 24, 2005, that included Ms. Bobbitt, Mr. Andy Johnson, Ms. Plunkett, Mr. Rolen, and Mr. Nandagiri. Mr. Schindewolf emphasized the importance of each prospective Buy/Sell district to authorize and encourage their attorney, engineer and operator to work with the Authority's consultants, staff, General Manager and Engineer Manager toward the common goal of making the Groundwater Transfer Program (the "GTP") a success. Mr. Schindewolf noted that the Authority will be mailing a letter to the presidents, attorneys, engineers and operators of the prospective Buy/Sell districts requesting their cooperation and assistance with providing the necessary information for participation in the GTP. Mr. Schindewolf also noted that a representative of the Authority would be available to attend district meetings concerning the GTP during the months of June and July.

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.

Mr. Breeding reported that the ROW/Easement Acquisition Team had been very successful with Projects 7C-1 and 7C-2 parcel acquisitions over the past month. Mr. Breeding also reported that the ROW/Easement Acquisition Team continues to work on parcel acquisitions for Project 6B. Mr. Breeding stated that all acquisition deadlines are currently being met.

Director Graham then questioned why the Authority purchases easements from districts that are participating in the GTP or that will receive surface water from the Authority. Mr. Breeding responded that Article 3 of the Texas Constitution prohibits a governmental entity from lending its credit or granting public money or anything of value without compensation and added that the Authority's policy has been to provide for payment for all of the easements needed by the Authority.

ENGINEER MANAGER'S REPORT

Mr. Rolen next presented the Engineer Manager's Report, a copy of which is attached hereto. Mr. Rolen noted that there are currently 12 Groundwater Transfer Projects underway and one (1) new contract to be awarded at tonight's meeting.

Concerning Project 1A, Mr. Rolen reported that Jalco, Inc. ("Jalco") has installed approximately 98% of the pipe on such project, including an additional 372 feet of 42-inch pipe and 172-feet of 48-inch pipe installation during the prior month.

Mr. Rolen further reported that Triple B Services, L.L.P. has substantially completed Project 1A-1.

Mr. Rolen went on to report that the contractor for Project 1B, Huff & Mitchell, Inc., has installed an additional 200 feet of 24-inch water line, completed installation of the 24-inch pipe under FM 1960, resulting in the installation of a total of 10,097 feet or 84% of the pipe and completed the tunnel from north of FM 1960 to Wunderlich; thus 100% of the tunnel construction is complete.

Mr. Rolen then noted that Calco Contracting, Ltd. ("Calco") had installed the final 255 feet of pipe and has now substantially completed Project 1C-1.

Concerning Project 4, Mr. Rolen reported that Texas Sterling Construction L.P. has completed the installation of large diameter pipe and completed testing of approximately 75% of water line and is working on project cleanup and landscaping restoration.

Mr. Rolen next reported that Friedel Drilling Company, the contractor for Project 5, has completed the plugging of the pilot test hole and the clean-up of the site and that the project is now substantially complete.

Mr. Rolen then noted that the Project 6 contractor, D.L. Elliott Enterprises, Inc. ("D.L. Elliott"), has completed installation of the pipe and had begun testing of the line and clean-up work on such project.

Concerning Project 6A, Mr. Rolen reported C.E. Barker, Ltd. has installed an additional 230 feet of 12-inch pipe and completed an additional 121 feet of tunneling on such project.

Concerning Project 7A, Mr. Rolen reported that Calco has completed the clearing and grubbing work, installed 1,005 feet of 30-inch water line under Cypress Creek and begun installing the 24-inch water line along Ella Boulevard. Mr. Rolen further noted that approximately \$300,000 was recently saved on such project as a result of obtaining a waiver from the Texas Commission on Environmental Quality (the "TCEQ") regarding the type of pipe used to go under Cypress Creek and the use of directional drilling to install the pipe under Cypress Creek.

Mr. Rolen then reported that D.L. Elliott, the contractor for Project 7B, has completed an additional 546 feet of tunneling and begun installation of the 48-inch water line.

Mr. Rolen next reported that Jalco, the contractor for Project 7C, Contract 1, has completed 95% of the clearing on such project, installed 3,403 feet of 54-inch water line and completed 84 feet of tunneling on such project.

Mr. Rolen then reported that Ramos Industries, Inc., contractor for Project 7C, Contract 2, has completed the clearing work on such project, installed approximately 2,375 feet of 24-inch water line and has begun the tunneling work on the project.

Mr. Rolen next explained that on May 26, 2005, four (4) bids ranging from \$1,835,000.00 to \$4,043,005.00 were received for Project 5A. Mr. Rolen stated that the low bidder on such project was W. W. Payton Corporation, based on their low bid of \$1,835,000.00. Mr. Rolen noted that the project, which includes construction of two (2) wells at the Louetta Regional Plant site, including one (1) in the Jasper aquifer and one (1) in the Evangeline aquifer, is specified for substantial

completion in 180 calendar days. A copy of Mr. Rolen's award recommendation letter is attached hereto.

Concerning the Greens Road Water Line Project, Mr. Rolen reported that the City has awarded the contracts for each of the four (4) segments of the project and issued the Notices to Proceed on. Mr. Rolen added that the City has reported that the projects are generally on schedule.

Mr. Rolen then further noted that engineering design efforts have continued on Projects 1A-2, 3, 4A, 5A, 6B-1, 6B-2, 7A-1 and 15A during the prior month. Mr. Rolen added that the Engineer Management Team has also been assisting with the acquisition of easements for Projects 6B-1, 6B-2, 7A, 7B and 7C and assisted in the follow-up and finalization of the acquisition efforts on several other projects.

Mr. Rolen then stated that he was proud to report that the Authority's Master Storm Water Quality Management Plan had been approved by Harris County (the "County") and that the Authority has now received a Master Storm Water Quality Permit from the County.

Mr. Rolen went on to state that the Authority has also received TCEQ approval on the last of the initial eight (8) Authority projects that included connections to districts.

Mr. Rolen also reported that the Engineer Management Team has continued its efforts to gather information for the Buy/Sell Agreements and work on the implementation of the GTP.

Director Pulliam congratulated Mr. Rolen on the Authority's receipt of the Master Storm Water Quality Permit from the County.

Director Sigler inquired if arsenic was detected in the Project 5 pilot hole. Mr. Rolen responded that it was detected but that only the level of arsenic detected in the shallow layers of the Evangeline aquifer slightly exceeded the proposed 2006 levels for arsenic.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she had nothing to report, but may have some comments concerning the 79th Legislative Session after Mr. Bresnen's presentation.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Fessler then asked for approval of the minutes of the regular meeting of May 2, 2005, and the special meeting of April 25, 2005, previously distributed to the Board. Upon motion by Director Graham, 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 regular meeting of May 2, 2005, and the special meeting of April 25, 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 April 30, 2005, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for four (4) months reflects that the Authority is approximately \$459,590 under budget for the fiscal year ending December 31, 2005.

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

GENERAL MANAGER'S ACTION ITEMS

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 5A

Mr. Schindewolf then recommended award of the construction contract to W. W. Payton in the amount of \$1,835,000 for Project 5A of the GTP. Copies of Mr. Schindewolf's letter recommending award of the contract and the bid tabulation are attached hereto. 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 award the contract for Project 5A to W. W. Payton. Mr. Schindewolf then introduced Mr. Eric Sliva of W. W. Payton to the Board.

STATUS OF ISSUANCE OF THE AUTHORITY'S SENIOR LIEN REVENUE BONDS, SERIES 2005 (THE "SERIES 2005 BONDS")

Mr. Schindewolf then called on Mr. Shepherd, who briefly reported that the closing on the Series 2005 Bonds was held on May 25, 2005, and that \$88,021,763.43 in bond proceeds had been deposited into the Authority's Construction Fund.

AUTHORIZE GENERAL MANAGER TO NEGOTIATE RENEWAL OF THE AUTHORITY'S OFFICE LEASE AND EXECUTION OF SAME

Mr. Schindewolf next explained that the Authority's office lease would expire on October 31, 2005, and requested the Board's authorization to negotiate the renewal of the Authority's office lease for a period of two (2) to three (3) years with an option to extend to a longer term. Upon motion by Director Pulliam, 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 the renewal of the Authority's office lease and execution of same.

REQUEST FOR WAIVER OF CONFLICT OF INTEREST – MALCOMSON ROAD UTILITY DISTRICT ("MALCOMSON ROAD")

Mr. Schindewolf then directed the Board's attention to Tab 9 of the meeting packet, which includes a letter to the Board and a letter from Andrews Kurth regarding the acquisition of easements for Project 6B-1, copies of which are attached hereto. Mr. Schindewolf explained that Mr. Breeding has identified a conflict of interest between Andrews Kurth and Malcomson Road in

that the Authority is in the process of acquiring two (2) water line easements from Malcomson Road across property that is currently part of a condemnation litigation in which Andrews Kurth is representing Malcomson Road. Mr. Schindewolf stated that he had requested Ms. Bobbitt to review the matter and provide a memorandum to him on such matter, a copy of which is attached hereto. Mr. Schindewolf then recommended that the Board grant a waiver of the conflict of interest and consent to Andrews Kurth representing the Authority in an eminent domain proceeding against Malcomson Road and Frank George Newsom in connection with the Authority's acquisition of the necessary easements from Malcomson Road. Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to grant the waiver of the conflict of interest to Andrew Kurth and authorize execution of the letter regarding such waiver, a copy of which is attached hereto.

Director Graham then asked who would grant the easements to the Authority. Mr. Breeding explained that both Mr. Newsom and Malcomson Road would grant the easements, and that the consideration for such easements would be filed with the registry of the court until the case is settled.

79TH LEGISLATIVE SESSION REVIEW

Mr. Schindewolf then called on Mr. Bresnen for a report on the 79th Legislative Session. Mr. Bresnen reported that the Authority's bill, Senate Bill ("SB") 331 had passed through the House of Representatives and the Senate, but had not yet been signed by the Governor. Mr. Bresnen expressed appreciation to Senator Jon Lindsay and Representative Peggy Hamric for sponsoring the Authority's bill in the legislative session. Mr. Bresnen also thanked Representative Bill Callegari for his assistance with the Authority's bill. Mr. Bresnen noted that a copy of SB 331 is behind Tab 10 of the meeting packet. A copy of such bill is attached hereto. Mr. Bresnen then briefly reviewed the items reflected in SB 331, noting that the heart of the bill deals with the Authority's relationship with the TCEQ. Mr. Bresnen interjected that the TCEQ seems to be much more educated about the Authority as a result of the efforts of Mr. Rolan and Mr. Schindewolf.

Ms. Bobbitt then noted that JRPB would be distributing to the Board a summary of the bills affecting utility districts from the 79th Legislative Session within the next month. Regarding revisions to the Texas Election Code, Ms. Bobbitt reported that House Bill 57 reduces the number of uniform election dates in Texas to only two (2) dates, such dates being the second Saturday in May and the first Tuesday after the first Monday in November. Ms. Bobbitt stated that this change will affect the Authority's 2006 Director Election, which will change from the first Saturday in February to the second Saturday in May.

The Board then recognized Mr. Broun, who asked a question about the effects of House Bill 2667 on utility district elections. Mr. Bresnen explained that this bill, which requires the County Clerk of the county in which a district is located to administer director elections for municipal utility districts, slipped under the wire at the last minute and had not been on anyone's radar screen recently. Mr. Bresnen noted that the bill had not yet been signed by the Governor and suggested that calls be made and letters sent to the Governor's office to try to get the bill vetoed. Mr. Schindewolf asked Ms. Bobbitt if the AWBD would be mounting a campaign to get the bill vetoed. Ms. Bobbitt stated that she anticipates that the Legislative Committee of the AWBD will be discussing such matter at their upcoming conference call on June 14th and may work to try to get the bill vetoed.

Mr. Schindewolf then expressed his thanks to Mr. Bresnen and his lobbying team, Mr. Bobbitt and Mr. Rolan for their efforts concerning the Authority's legislative activities.

CONFIRM UPCOMING MEETING DATES

Director Fessler then stated that in light of the July 4th holiday, the next regular meeting of the Board would be held on Monday, July 11, 2005, and that a special meeting would be held on Monday, June 20, 2005.

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

PASSED, APPROVED AND ADOPTED this 11th day of July, 2005.

/s/Lenox A. Sigler

Assistant Secretary, Board of Directors

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