

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
January 10, 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 10th day of January, 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:

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: Ms. Carole Baker, Director of Intergovernmental Relations of the Harris-Galveston Coastal Subsidence District (the "HGCSA"); 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. Lisa Sagstetter, Community Relations Coordinator for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Messrs. Tom Rolan, P.E. and Curtis Villarreal, P.E. of Turner Collie & Braden Inc. ("TC&B"), Engineer Manager for the Authority; Ms. Nancy Blackwell, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation ("Dannenbaum"), 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. Dave Scholler, P.E. of Brown & Gay Engineers, Inc. ("Brown & Gay") on-call engineers for the Authority; Mr. Al Hernandez, P.E. of HBC/Terracon, on-call engineers for the Authority; Mr. Brian Cunningham of Project Surveillance, a subcontractor to TC&B and project representative for Projects 1A and 1C; Mr. Mark Breeding of Andrews & Kurth L.L.P., right-of-way ("ROW")/easement acquisition attorneys for the Authority; Messrs. Allen Watson and Bobby Greer of Cobb Fendley & Associates, Inc., ROW/easement acquisition consultants for the Authority; Mr. Gene Shepherd of RBC Dain Rauscher Inc., financial advisors for the Authority; Mr. Bob Smith of Severn Trent Services ("Severn Trent"); Ms. Kentesheia L. Dockery, staff writer for The 1960 Sun; 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. 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 Pulliam first delivered some opening remarks regarding the recent tsunami and earthquake disasters and stressed the importance of people having an emergency survival plan in place. A copy of Director Pulliam's remarks is attached hereto.

Director Rendl wished everyone a happy new year and stated that he looked forward to working with everyone in the coming year.

Director Graham then remarked that this meeting marks the two (2) year anniversary of Mr. Schindewolf's employment at the Authority and thanked him for a job well done.

PUBLIC COMMENTS

There were no public comments.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne commended Mr. Schindewolf, Director Rendl, Board liaison to the communications team, and the Authority staff for their hard work. Ms. Payne noted that Lisa Sagstetter's organizational skills were invaluable to the communication team.

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

Ms. Payne then reported that the Authority's website had 44,381 hits for the month of December. Ms. Payne noted that she and her staff were continuing with the improvements to the Authority's website and noted that a "Where Am I" button had been added to the website to allow visitors to identify the water district and the single-member voting district in which they live. Ms. Payne went on to report that she and Mr. Rolan had prepared an informational brochure on the Project 1B water line construction along Wunderlich Drive that had been mailed to over 2,900 residents in the area of the construction project, a copy of which is attached hereto. Ms. Payne also reported that the Water Users Advisory Group asked for a brochure regarding water costs and pumpage fees to be developed and sent to all residents of the Authority, a copy of which is attached hereto.

Ms. Payne next acknowledged the members of the Authority's Water Conservation Committee including: Ms. Diane Flynn of Post Wood Municipal Utility District; Ms. Carole Baker of the HGCSO; Ms. Carolyn Gandy of Harris County Municipal Utility District No. 360; Mr. Michael Murr of Harris County Municipal Utility District No. 18; Mr. Bill Papp of Harris County Water Control and Improvement District No. 132 ("HCWCID No. 132"); Mr. Mike Plunkett of Eagle Water Management, Inc.; Mr. Dave Scholler of Brown & Gay; Mr. Bob Smith of Severn Trent; Mr. Gary Struzick of Klotz Associates, Inc.; Ms. Brenda Templeton of the Houston Area Water Corporation; and Mr. Wayne Ahrens of Dannenbaum.

Ms. Payne then stated that in 2003, she had visited the Severn Trent Visitor Center at Carsington Water, Peak District, in the United Kingdom, and had reported back to the Board that the facility was the perfect combination of education and entertainment regarding water conservation. Ms. Payne then announced that Severn Trent had recently made a generous donation of a 16-foot by 7-foot trailer to the Authority for a Mobile Teaching Lab to be known as Adventures in WATERWORLD. Ms. Payne then gave special thanks to Messrs. Jim Gillam, Bob Smith and Gary Mechler, all of Severn Trent, for their help and their company's generosity. Ms. Payne went on to describe the Adventures in WATERWORLD interactive program and acknowledged the education team for the project, including: Ms. Tanya Cantrell, Ms. Delores Garay, Ms. Carol Fraser and Ms. Nikki Wynn, the writer for the project. Ms. Payne explained that the trailer will be stored at HCWCD No. 132's Water Conservation Garden when it is not traveling or in use.

Ms. Payne next introduced Ms. Baker, Director of Intergovernmental Relations of the HGCSO. Ms. Baker first reviewed portions of HB 2660, HB 2663 and HB 338 of the 2003 Legislative Session with the Board. Ms. Baker explained that HB 2660 requires municipalities to update their water conservation plans by May 1, 2005, and that HB 2663 requires municipalities to also update their drought contingency plans by May 1, 2005. Ms. Baker explained that the water conservation plans and drought contingency plans must set targets and goals. Ms. Baker then noted that HB 3338 requires water audits to be filed with Texas Water Development Board (the "TWDB") every five (5) years. Ms. Baker next reviewed the Water Conservation Implementation Task Force (the "Task Force") report, and stated that all water suppliers serving a population of over 3,300 will be required to submit a water conservation plan to the TWDB, which must include targets and goals and may consider the State of Texas (the "State") guidelines for water use reduction as a rolling average of 1% annually over five (5) years. Ms. Baker noted that utility districts that want to receive funding from the TWDB will need to have advanced conservation plans implemented. Ms. Baker then addressed the Best Management Practices Guide prepared by the Task Force and accessible on the TWDB website. In conclusion, Ms. Baker stressed the importance of consumer conservation awareness.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then commented on the importance of water conservation in the State and thanked Ms. Payne, Director Rendl and Ms. Baker for their efforts.

Mr. Schindewolf next thanked the Board and staff for acknowledging his second anniversary with the Authority and stated that the Authority would be faced with many challenges in 2005, including gaining the Texas Commission on Environmental Quality (the "TCEQ") approvals for the Authority's Groundwater Transfer Projects (the "GTPs"), along with the Buy/Sell Agreements and GTP Rules and Regulations. Mr. Schindewolf noted that the meeting packet contained several pieces of correspondence from Mr. Steve Bresnen to Mr. Michael D. Cowan, Director of the Water Supply Division of the TCEQ and from Senator Jon Lindsay to Mr. Glen Shankle, Executive Director of the TCEQ, copies of which are attached hereto. Mr. Schindewolf explained that the letters offered historical information regarding the Authority and requesting approval by the TCEQ for the construction of water lines and related appurtenances in connection with the GTPs. Director Rendl stated that the failure to gain the TCEQ approval was certainly not from lack of effort by the Authority. Mr. Schindewolf noted that if a favorable resolution is not forthcoming from the TCEQ,

the Authority is in a position to proceed with any necessary legislation that may be needed to resolve the matter.

Mr. Schindewolf next reviewed the General Manager's Report with the Board, a copy of which is attached hereto. Mr. Schindewolf also noted that the meeting packets contained various items of correspondence received during the month, copies of which are attached hereto.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Breeding was then called upon by Mr. Schindewolf to present a status report on the various ROW/easement acquisitions by the Authority. Mr. Breeding first briefly reviewed the status of the various condemnation cases the Authority has pending and the related court hearings. Mr. Breeding noted that there are three (3) condemnation cases pending for Project 6.

Mr. Breeding then reported that a construction problem had arisen on Project 1B, the problem relating to a conflict with a CenterPoint Energy electrical tower. The water line is being rerouted and the problem has been resolved.

Concerning Project 4, Mr. Breeding reported that there continues to be issues with the landowners, but it appears that they were moving along with the necessary acquisitions.

Mr. Breeding noted that Project 1A-1 was in great shape.

Mr. Breeding next reported that bids had been received for the construction of Project 1C-1 and that such matter would be discussed in detail later in the meeting.

Concerning Project 6A, Mr. Breeding reported that all rights of entry had been acquired and that the project should be ready for bid advertising shortly.

Concerning Projects 7A, 7B and 7C, Mr. Breeding reported that the ROW/Easement Acquisition Team is making progress on the acquisitions, and that several condemnation cases have been filed since last month's report. Mr. Breeding stated that a great deal of re-engineering and surveying is being done on Project 7C.

Mr. Breeding concluded his report by stating that the ROW/Easement Acquisition Team is continuing to hold conference calls every Tuesday and is working very hard to meet its deadlines.

ENGINEER MANAGER'S REPORT

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

Concerning Project 1A, Mr. Rolen reported that Jalco, Inc. had installed approximately 70% of the pipe on such project, including an additional 1,739 feet of pipe, and an additional 670 feet of tunneling had been completed on such project.

Concerning Project 6, Mr. Rolen reported that the contractor had completed the final two (2) feet of tunneling and installed 2,102 feet of 48-inch pipe, for a total of 5,556 feet of pipe being installed to date. Mr. Rolen noted that the contractor has completed the installation of pipe under State Highway 249.

Mr. Rolen went on to report that the contractor for Project 1B has installed a total of 4,833 feet of pipe.

Concerning Project 4, Mr. Rolen reported that a total of approximately 657 feet of tunneling had been completed and that 774 feet of 48-inch pipe had been installed to date.

Mr. Rolen then reported that Triple B Services, L.L.P. began construction on Project 1A-1 on January 3, 2005.

Mr. Rolen went on to explain that 12 bids were received on December 21st on Project 1C-1, and that the low bid on the project was submitted by Calco Contracting, Ltd. ("Calco") in the amount of \$884,274.00. Mr. Rolen stated that Mr. Schindewolf would provide additional information on the project later in the meeting

Mr. Rolen went on to report that design efforts were continuing on Projects 6A, 6B, 7A, 7B, 7C and 15A and had begun on wells at the proposed Louetta Regional Water Plant.

Mr. Rolen then noted that he has been working on the acquisition of the proposed Louetta Regional Water Plant site, and assisting Mr. Schindewolf with negotiations for the proposed Interlocal Agreement between the City of Houston (the "City") and the Authority in connection with the Authority's participation in the construction of the Greens Road Water Line Project.

Mr. Rolen added that discussions are continuing with various utility district engineers to gather additional information for use in the development and implementation of the Authority's GTP and inclusion in the respective Buy/Sell Agreements.

Director Graham asked if the Authority should be using fiberglass pipe with the increasing cost of steel pipe. Mr. Rolen responded that the Authority generally must use the pipe materials approved by the City, and that the cost for steel pipe apparently had not increased enough to warrant it not being considered as an acceptable piping material to be utilized by the Authority.

ATTORNEY'S REPORT

Ms. Bobbitt reported that page 2 of the regular minutes of December 6, 2004 had been corrected since the meeting packets were assembled and that revised copies of the minutes had been distributed.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Pulliam then asked for approval of the minutes of the regular meeting of December 6, 2004 and the special meeting of December 6, 2004. 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 minutes of the special and regular meetings of December 6, 2004.

FINANCIAL ASSISTANT'S REPORT

Director Pulliam 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 November 30, 2004, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for 11 months reflects that the Authority is approximately \$2.3 million under budget for the current fiscal year.

Upon motion by Director Sigler, seconded by Director Rendl, 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 being presented for payment.

Concerning capital contributions, Ms. Plunkett reported that the Notice of Financing letters had been mailed to all districts on December 7, 2004. Ms. Plunkett reminded those in attendance that intent resolutions are due to the Authority by February, 15, 2005, that capital contribution contracts are due by March 15, 2005, and that capital contribution funds must be deposited with the Authority by June 1st.

GENERAL MANAGER'S ACTION ITEMS

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 1C-1

Mr. Schindewolf then explained that as discussed earlier in the meeting, 12 bids had been received on December 21, 2004 for the construction of Project 1C-1, which includes the installation of a 20-inch water transmission line from the Northwest Harris County Municipal Utility District No. 24 water plant to connect to Project 1C. Mr. Schindewolf reiterated that the lowest qualified bid on the project had been submitted by Calco in the amount of \$884,274.00. 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 award the construction contract for Project 1C-1 to Calco and to authorize execution of the contracts for such project. Copies of Mr. Schindewolf's letter recommending award of the contract and the bid tabulation are attached hereto. Mr. Schindewolf then introduced Messrs. Lorn Frazer and Henry Haphill of Calco to the Board.

AUTHORIZE GENERAL MANAGER TO REVISE CONTRACT BIDDING AND AWARD PROCESS IN CONNECTION WITH PIPE AND VALVES FOR PROJECTS 7B AND 7C

Mr. Schindewolf then reported that pipe and valve manufacturers are experiencing increased delivery periods to supply contractors with pipe and valves. Mr. Schindewolf stated that TC&B has recommended and he has agreed to the pre-selection of manufacturers for pipe and valves on Projects 7B and 7C. Mr. Schindewolf noted that by pre-selecting the pipe and valve manufacturers, the Authority would cut construction time on each of the projects by at least one (1) month. Mr. Rolen's letter regarding the use of such procedure is attached hereto. Upon motion by Director Sigler, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to revise the contract bidding and award process in connection with the pipe and valves for Projects 7B and 7C, as outlined above.

STATUS REPORT ON PROPOSED COST SHARING INTERLOCAL AGREEMENT BY AND BETWEEN THE CITY AND THE AUTHORITY FOR CONSTRUCTION OF THE GREENS ROAD WATER LINE (THE "INTERLOCAL AGREEMENT")

Mr. Schindewolf next reported that on December 16, 2004, he, Ms. Bobbitt and Mr. Rolen met with Messrs. Paul Nelson and Jeff Taylor from the City, at which time it was agreed that Ms. Bobbitt would draft the Interlocal Agreement, and that she is in the process of preparing such agreement. Mr. Schindewolf further reported that he and Mr. Rolen met again with Mr. Nelson and Mr. Taylor on January 5th and reached agreement on all but two (2) issues relating to the project, both of which are technical issues. Mr. Schindewolf stated that it is hoped that the final two (2) issues can be resolved by Friday of this week. Mr. Schindewolf requested that the Board authorize him to negotiate the final terms and provisions of the Interlocal Agreement with the City. Mr. Schindewolf added that once the City approves a final draft of the Interlocal Agreement, it will be presented to the Board for approval. 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 the final terms and provisions of the Interlocal Agreement with the City. A copy of Mr. Schindewolf's status report on such matter is attached hereto.

ANNUAL ELECTION OF OFFICERS

Director Pulliam then opened the meeting to nominations for the officers of the Board. 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 elect Director Fessler as President, Director Graham as Vice President, Director Rendl as Secretary, Director Pulliam as Treasurer, and Director Sigler as Assistant Secretary of the Board.

CONFIRM UPCOMING MEETING DATES

Director Fessler then stated that the next regular meeting would be held on Monday, February 7, 2005.

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

PASSED, APPROVED AND ADOPTED this 7th day of February, 2005.

/s/Alan J. Rendl

Secretary, Board of Directors

(SEAL)

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