

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
February 7, 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 7th day of February, 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: 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., Curtis Villarreal, P.E. and Michael Baugher, P.E. of Turner Collie & Braden Inc., Engineer Manager 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, on-call engineers for the Authority; Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Ms. Nancy Blackwell, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Messrs. Dave Scholler, P.E. and Charles Shumate, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Dave Keukewitt, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Ralph Cox, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. Herbert Johnson, P.E. of HVJ Associates, Inc., on-call engineers for the Authority; Mr. Mark Breeding of Andrews & Kurth L.L.P., right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. 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; Ms. Kentesheia L. Dockery, staff writer for The 1960 Sun; Mr. Steve Bresnen of Steve Bresnen & Associates, lobbyist for 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. 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 Fessler then offered thanks to Director Pulliam for his service as President of the Board and presented him with a gift.

PUBLIC COMMENTS

The Board then recognized Mr. Gerald Jozwiak, a member of the Board of Directors of Harris County Municipal Utility District No. 43, who voiced a complaint concerning Authority Board members who do not pay pumpage fees that they impose on others who live within the boundaries of the Authority.

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 then reported that the Authority's website had 42,969 hits for the month of January. Ms. Payne noted that she and her staff were continuing with the improvements to the Authority's website and noted that the Authority's "Rising Cost of Water" brochure and Water-IQ information is now available online. Ms. Payne reported that Director Rendl premiered the "Rising Cost of Water" brochure to a local group earlier today. Ms. Payne further reported that work is continuing on the ADVENTURES IN WATERWORLD mobile teaching lab.

GENERAL MANAGER'S REPORT

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. Mr. Schindewolf reported that negotiations were ongoing with the Texas Commission on Environmental Quality (the "TCEQ") regarding the Groundwater Transfer Program (the "GTP") and Buy/Sell Agreements Rules and Regulations.

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.

Concerning Project 4, Mr. Breeding reported that a settlement had been reached with a property owner on Louetta Road and reported that the easement agreement from the Burlington Northern Railroad had been finalized and received.

Mr. Breeding next reported that the ROW/Easement Acquisition Team was wrapping up the acquisition of the last parcel of land for Project 1C-1.

Concerning Project 6A, Mr. Breeding reported that all rights of entry had been acquired and that there has been a problem with contacting the owner of an Islamic center but the project should be ready for bid advertising shortly.

Mr. Breeding went on to report that all the property rights for Project 7A had been acquired. Mr. Breeding stated that four (4) or five (5) condemnation cases were set for hearing in February and three (3) were scheduled in March for Project 7B. Mr. Breeding noted that Project 7C had been the most difficult project to date due to numerous title problems.

Mr. Breeding concluded his report by stating that the ROW/Easement Acquisition Team continues 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. ("Jalco") had installed approximately 85% of the pipe on such project, including an additional 2,185 feet of pipe installation, and an additional 197 feet of tunneling being completed. Mr. Rolen then reported that it had recently been discovered that sand was entering the contractor's tunnel and a void had developed under the pavement of Walters Road, at which point a portion of Walters Road was closed. Mr. Rolen went on to explain that an existing 12-inch water main had also ruptured in the area. A portion of the pavement on Walters Road finally fell in. Mr. Rolen stated that the Authority's representatives are working with Jalco, Harris County Precinct 4 and the district operator to develop a plan for the repair of the 12-inch water main, installation of the Authority's 48-inch water line and repair of the Walters Road pavement. A copy of Mr. Schindewolf's February 3, 2005 memorandum regarding this matter is attached hereto. Mr. Rolen noted that the contractor is currently installing a steel casing into the tunnel to mitigate the problem and will then repair Walters Road.

Concerning Project 6, Mr. Rolen reported that the contractor had completed the tunneling and installed 2,526 feet of 48-inch pipe, for a total of 8,082 feet of pipe being installed to date.

Mr. Rolen went on to report that the contractor for Project 1B has installed a total of 7,158 feet of pipe on such project to date.

Concerning Project 4, Mr. Rolen reported that a total of approximately 300 feet of tunneling had been completed and that 8,340 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 and installed approximately 2,000 feet of 16-inch pipe.

Mr. Rolen went on to report that Notice to Proceed was issued to Calco Contracting, Ltd. ("Calco") regarding Project 1C-1 and that Calco would begin clearing on the project this week.

Concerning the pipe and potable water valve pre-selection on Projects 7B and 7C, Mr. Rolen reported that one (1) bid on Project 7B was received from ACT Pipe & Supply, Ltd. ("ACT") on January 20, 2005 for 10 potable water valves for such project in the amount of \$143,705.68.

Mr. Rolan went on to report that one (1) bid had also been received from ACT for 20 potable water valves for Project 7C in the amount of \$325,732.41. Mr. Rolan further reported that Hanson Pipe & Products had submitted the low bid of \$2,370,947 for 42-inch and 48-inch pipe for Project 7B and that Northwest Pipe Company had submitted the low bid of \$2,737,020 for pipe for Project 7C.

Mr. Rolan next reported that design efforts were continuing on Projects 6A, 6B, 7A, 7A-1, 7B, 7C and 15A and for the wells to be located at the proposed Louetta Regional Water Plant (the "Louetta Plant").

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

Mr. Rolan added that he has been assisting with the Interlocal Agreement by and among the Authority, Charterwood Municipal Utility District ("Charterwood MUD"), and V&W Partners, Ltd. ("V&W") concerning the Louetta Plant.

Mr. Rolan 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.

Mr. Rolan also reported that he had initiated efforts in development of a Master Storm Water Quality Management Plan for submission to Harris County (the "County") in conjunction with the Authority's construction projects.

Director Rendl inquired as to the condition of surrounding property when the Authority completes a construction project. Mr. Rolan stated that the Authority is restoring the property as closely as possible, if not better, than its condition prior to construction. Director Rendl commended Mr. Rolan on his success with working with the County.

ATTORNEY'S REPORT

Ms. Bobbitt stated that Mr. Schindewolf would report on the Interlocal Agreement with Charterwood MUD and the Interlocal Cost Sharing Greens Road Water Line Agreement with the City, and that she had nothing to report.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Fessler then asked for approval of the minutes of the regular meeting of January 10, 2005. A correction was noted on page 2 of such minutes. 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 January 10, 2005, as corrected.

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 December 31, 2004, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for 12 months reflects that the Authority is approximately \$2.4 million under budget for the fiscal year ending December 31, 2004.

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 payment of the checks being presented for payment.

Concerning capital contributions, Ms. Plunkett reported that a total of 17 Capital Contribution Intent Resolutions had been received and that two (2) Capital Contribution Contracts would be presented for the Board's approval later in the meeting.

GENERAL MANAGER'S ACTION ITEMS

AWARD CONTRACT FOR CONSTRUCTION OF PROJECTS 7B and 7C

Mr. Schindewolf then recommended award of the following contracts:

- 1) Hanson Pipe & Products in the amount of \$2,370,947 for 42-inch and for 48-inch pipe for Project 7B;
- 2) Northwest Pipe Company in the amount of \$2,727,020 for 30-inch through 60-inch pipe for Project 7C;
- 3) ACT in the amount of \$143,705.68 for 10 potable water valves for Project 7B; and
- 4) ACT in the amount of \$325,732.41 for 20 potable water valves for Project 7C.

Mr. Rolan explained that the corresponding contracts for pipe and valves will be assigned to the respective construction contractors for Projects 7B and 7C. Mr. Rolan added that the pipe and valve pre-selection is intended to reduce the construction time by reducing the time the contractor has to wait for the materials to be delivered.

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 contracts reflected above, as recommended by the General Manager. Copies of the bid tabulations, Recommendations of Award of Contract, and related correspondence for each of the contracts are attached hereto.

Director Graham asked why only one (1) bid was received on the potable water valves. Mr. Rolan stated he was not sure, as others were aware of the advertisement.

STATUS OF INTERLOCAL AGREEMENT BY AND AMONG THE AUTHORITY, CHARTERWOOD MUD, AND V&W

Mr. Schindewolf reported on the status of negotiations on the Interlocal Agreement by and among the Authority, Charterwood MUD, and V&W. Mr. Schindewolf reported that Charterwood MUD has scheduled a special meeting for February 8, 2005 to review and approve the proposed Interlocal Agreement. Mr. Schindewolf added that the Board had already authorized the General Manager to proceed with final negotiations on the Interlocal Agreement and the acquisition of the Louetta Plant site at the December 6, 2004 meeting.

Director Sigler asked who V&W are. Mr. Schindewolf stated that V&W is the developer that owns land adjacent to Charterwood MUD and holds a Sale Agreement on the approximately 10-acre tract that is being sold to the Authority for the Louetta Plant site.

STATUS OF GREENS ROAD WATER LINE PROJECT INTERLOCAL COST SHARING AGREEMENT BY AND BETWEEN THE CITY AND THE AUTHORITY

Mr. Schindewolf next reported that the proposed Greens Road Water Line Project Interlocal Cost Sharing Agreement by and between the City and the Authority (the "Cost Sharing Agreement") that had been prepared by Ms. Bobbitt had been sent to the City for review on January 26, 2005, and that the Authority heard from City representatives earlier today that the basic terms of the Cost Sharing Agreement are acceptable to the City. Mr. Schindewolf stated there are still several issues to negotiate and resolve with the City, but it is his hope that he can present the Cost Sharing Agreement to the Board for approval at a special meeting scheduled for February 21, 2005. A copy of Mr. Schindewolf's status report is attached hereto.

APPROVE CAPITAL CONTRIBUTION CONTRACTS

Mr. Schindewolf then referred the Board to Tab 8 of the meeting packet and noted that Ms. Plunkett had prepared a status report on the 17 utility districts that had submitted Capital Contribution Intent Resolutions. Mr. Schindewolf reported that there were two (2) Capital Contribution Contracts being presented for the Board's approval tonight, including contracts from CNP Utility District and Cy-Champ Public Utility District. 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 approve the two (2) Capital Contribution Contracts, copies of which are attached hereto.

LEGISLATIVE AGENDA FOR THE 79TH LEGISLATIVE SESSION

Mr. Schindewolf then reviewed the status of the Authority's negotiations with the TCEQ regarding the Buy/Sell Agreements and GTP Rules and Regulations and then called on Mr. Bresnen to further discuss such matters. Mr. Bresnen reported that he was currently working on two (2) tracks concerning the GTP issues, including: 1) ongoing negotiations with the TCEQ; and 2) through the legislative process. Mr. Bresnen reported that Senator Jon Lindsay has filed SB 331 as a "placeholder" in the event that the Authority is unable to negotiate and resolve the GTP issues with the TCEQ. A copy of SB 331 is attached hereto. Mr. Bresnen reported that he has met with Representatives Peggy Hamric and Bill Callegari and will also meet with Representatives Debbie

Riddle and Corbin Van Arsdale concerning the TCEQ issues. Director Rendl offered to give legislative testimony, if necessary.

CONFIRM UPCOMING MEETING DATES

Director Fessler then stated that the next regular meeting would be held on Monday, March 7, 2005, and noted that a special meeting would be scheduled on Monday, February 21, 2005.

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

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

/s/Alan J. Rendl

Secretary, Board of Directors

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