

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
April 4, 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 4<sup>th</sup> day of April, 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. and Curtis Villarreal, P.E. of Turner Collie & Braden, Engineer Manager for the Authority; Mr. Mark McGrath of Null-Lairson, P.C., auditors for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Buddy Barnes, P.E. of Carter & Burgess, Inc., a subcontractor to AEI Engineers, Inc. ("AEI") for Projects 6 and 6A; Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI, on-call engineers for the Authority; Mr. Charles Shumate, P.E. of Brown & Gay Engineers, Inc. ("Brown & Gay"), on-call engineers for the Authority; Ms. Aimee Sanderson 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; Messrs. Michael Lavelle, John Burke and A. R. Thompson of Professional Service Industries, Inc. ("PSI"), on-call engineers for the Authority; Mr. Kyle Bertrand, P.E. of Cobourn Linseisen & Ratcliff, Inc., on-call engineers for the Authority; Messrs. Robert M. Collie, Jr. and Marcus Deitz of Andrews & Kurth L.L.P. ("Andrews & Kurth"), co-bond counsel for the Authority; Mr. Mark Breeding of Andrews & Kurth, right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Gene Shepherd of RBC Dain Rauscher Inc., financial advisors for the Authority; Mr. John F. Howell, Jr. of The GMS Group, L.L.C., financial advisors for the Authority; Messrs. Trey Cash and Mike Bartolotta of First Southwest Company, co-senior managing underwriters for the Authority; and Ms. Robin S. Bobbitt and Mr. Andrew P. Johnson, attorneys, 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.

#### MESSAGE FROM THE PRESIDENT

Director Fessler commented briefly on a recent article in the Houston Chronicle concerning Senate Bill 3, which relates to the development and management of water resources in the State of Texas, including the creation of a groundwater conservation district with authority to impose fees and penalties.

#### BOARD MEMBER COMMENTS

Director Rendl reported that, effective April 1, 2005, the City of Houston has increased its water and sewer rates. Director Rendl stated that a residential customer using an average of 20,000 gallons per month would see an increase in their monthly billing statement from \$128.00 to \$143.00.

Director Rendl encouraged the Board to use this information when discussing the cost of water with residents within 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 first reported that Mr. Schindewolf spoke at the ASCE Houston Branch on March 15, 2005, and that Director Rendl attended the HMW Special Utility District meeting on March 8, 2005 and the Harris County Water Control and Improvement District No. 91 meeting on March 24, 2005.

Ms. Payne next reported that the Authority's website had 44,552 hits for the month of March. Ms. Payne expressed thanks to Mr. Mike Ammel of Environmental Development Partners, L.L.C. for the use of a trailer as a float in the FM 1960 St. Patrick's Day Parade. Ms. Payne also thanked Mr. Fessler and his daughters and Ms. Plunkett and her son and daughter for their participation in the parade.

Concerning the ADVENTURES IN WATERWORLD mobile teaching lab, Ms. Payne reported that the exterior graphics and interior design elements are near completion and reported that the Teacher's Resource Guide for the project is being prepared for publication.

#### 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.

## 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 6A, Mr. Breeding reported that the ROW/Easement Acquisition Team was trying to resolve an issue regarding an Islamic mosque that had built a road over a portion of a ROW easement.

Mr. Breeding next reported that the ROW/Easement Acquisition Team had acquired all the necessary ROWs/easements for Project 7A and is working to save a grove of trees located along the route for this project. Mr. Breeding noted that almost all ROWs/easements had also been acquired on Project 7B. Mr. Breeding noted that the ROW/Easement Acquisition Team had made great progress on Project 7C this month to resolve most of the issues and problems associated with such project.

## UPDATE ON THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (THE "TCEQ") NEGOTIATIONS

Mr. Schindewolf then reported that the latest draft of the Regulations for Buy/Sell Agreements for Implementation of the Groundwater Transfer Program (the "GTP") (the "GTP Regulations") will be forwarded to the buyer/seller districts this week for review and comment, and that he is proposing a special meeting of the Board be held on Monday, April 25, 2005, to review and adopt the final version of the GTP Regulations. A copy of Mr. Schindewolf's memorandum concerning such matter is attached hereto.

## ENGINEER MANAGER'S REPORT

Mr. Rolan next presented the Engineer Manager's Report, a copy of which is attached hereto. Mr. Rolan noted that there are currently nine (9) ongoing GTP projects and three (3) new GTP projects that will soon be underway.

Concerning Project 1A, Mr. Rolan reported that Jalco, Inc. ("Jalco") had installed approximately 93% of the pipe on such project, including an additional 476 feet of pipe installation, and that approximately 98% of the tunneling is complete, including an additional 289 feet of tunneling which was completed during the month.

Concerning Project 6, Mr. Rolan reported that the contractor, D.L. Elliott Enterprises, Inc. ("D.L. Elliott"), had completed the tunneling and the installation of the 48-inch pipe. Mr. Rolan added that the contractor has started testing and clean-up work on the project.

Mr. Rolan went on to report that the contractor for Project 1B, Huff & Mitchell, Inc., has installed an additional 988 feet of pipe, that 95% of the water line installation down Wunderlich is complete, and that the tunneling under FM 1960 is approximately 50% complete.

Concerning Project 4, Mr. Rolen reported that Texas Sterling Construction L.P. has completed a total of approximately 1,302 feet of tunneling, that an additional 709 feet of 48-inch pipe had been installed, and that 96% of the pipe is now installed.

Mr. Rolen then reported that Project 1A-1 was substantially complete, and that Triple B Services, L.L.P. is now cleaning up and working on the punch list items for finalization of the project.

Concerning Project 1C-1, Mr. Rolen reported that Calco Contracting, Ltd. ("Calco") has completed 95% of the clearing, both tunnels under Bammel N. Houston and is 50% complete on the tunnel under Beltway 8. Mr. Rolen also reported that open cut pipe installation is scheduled to begin in early April, 2005.

Mr. Rolen next reported that Friedel Drilling Company, the contractor for Project 5, started drilling a pilot test hole at the Louetta Regional Water Plant (the "Louetta Plant") site on March 28, 2005, and water sampling operations should begin this week.

Concerning Project 6A, Mr. Rolen reported that the Notice to Proceed was issued March 21, 2005 to C.E. Barker, Ltd., and that the contractor is scheduled to begin work early in April.

Concerning Project 7B, Mr. Rolen then reported that the Notice to Proceed was also issued on March 21, 2005 to D.L. Elliott and that the contractor is scheduled to begin work early in April.

Mr. Rolen then reported that on March 22, 2005, five (5) bids ranging from \$4,748,945.00 to \$6,398,083.50 were received for Project 7A. Mr. Rolen stated that the low bidder on the project was Calco, with a low bid of \$4,748,945.00. Mr. Rolen noted that the project is specified for substantial completion in 180 calendar days.

Mr. Rolen then reported that on March 29, 2005, three (3) bids ranging from \$10,442,100.41 to \$11,284,505.85 were received for Project 7C, Contract 1. Mr. Rolen stated that the low bidder on such project was Jalco, with a low bid of \$10,442,100.41. Mr. Rolen noted that the project is specified for substantial completion in 210 calendar days. Mr. Rolen also reported that a portion of the pipe and potable water valve contracts approved at the February meeting for Project 7C would be assigned to Jalco.

Mr. Rolen then reported that on March 31, 2005, three (3) bids ranging from \$2,187,967.00 to \$2,712,280.83 were received for Project 7C, Contract 2. Mr. Rolen stated that the low bidder on such project was Ramos Industries, Inc. ("Ramos"), with a low bid of \$2,187,967.00. Mr. Rolen noted that the project is specified for substantial completion in 120 calendar days.

Mr. Rolen next reported that design efforts were continuing on Projects 1C-2, 4A, 4B, 6B, 7A-1, 15A and for the wells to be located at the Louetta Plant.

Mr. Rolen then noted that the engineering management team has also been working on the acquisition of easements for Projects 7A, 7B and 7C and assisted in the follow-up and finalization of the acquisition of easements for Projects 1C, 1C-1, 1A, 1B, 4, 6 and 6A.

Mr. Rolen noted that he and the engineering management team had also assisted with the development of proposed revisions to the GTP Regulations and had participated in the development of the documents for the Authority's pending bond sale.

In conclusion, Mr. Rolen reported that the engineering management team had also been developing the engineering reports on the GTP for submission to the TCEQ.

Director Rendl asked how many miles of water line had been installed by the Authority to date. Mr. Rolen said he did not have the exact number at hand, but estimated that eight (8) to ten (10) miles of water line had been installed to date.

Director Sigler asked who the on-call engineer was for Project 5. Mr. Rolen responded that Brown & Gay is the on-call engineer for Project 5.

#### ATTORNEY'S REPORT

Ms. Bobbitt stated she had nothing additional to report.

#### REGULAR AGENDA

##### APPROVAL OF THE MINUTES

Director Fessler then asked for approval of the minutes of the regular meeting of March 7, 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 March 7, 2005, as written.

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 special meeting of February 21, 2005, as written.

##### REVIEW AND APPROVE AUDIT REPORT

Mr. Schindewolf then called on Mr. McGrath, the auditor for the Authority, to review the draft of the Authority's audit report for the fiscal year ending December 31, 2004, a copy of which is attached hereto. Mr. McGrath noted that his review resulted in an excellent report for the Authority and complimented the Authority's financial and administrative staff on a job well done. 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 audit report for the fiscal year ending December 31, 2004, and authorize filing of same with the appropriate governmental authorities.

##### 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 February 28, 2005, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for two (2) months of the year

reflects that the Authority is approximately \$243,653 under budget for the fiscal year ending December 31, 2005.

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.

Director Rendl inquired if the Authority had received information from the Harris-Galveston Coastal Subsidence District (the "HGCSO") regarding new well permits that were issued during the past year. Ms. Plunkett stated that the Authority receives information on new well permits that are issued by the HGCSO and will soon be receiving the 2004 pumpage reports from the HGCSO.

Concerning capital contribution matters, Ms. Plunkett noted that three (3) Capital Contribution Contracts would be presented for the Board's approval later in the meeting.

ADOPT SECOND SUPPLEMENTAL RESOLUTION REGARDING ISSUANCE OF SENIOR LIEN REVENUE BONDS, SERIES 2005 (THE "SERIES 2005 BONDS")

Mr. Schindewolf then noted that at the Board's December 6, 2004 meeting, the Board adopted a Resolution Making Official Findings Concerning Issuance of Debt and Establishing Procedures for Utility Districts to Make Capital Contributions concerning the Authority's second issuance of bonds. Mr. Schindewolf noted that the initial estimate for the Authority's capital improvement projects was \$91,092,000, which would have resulted in a bond issue in the amount of \$105,200,000. Mr. Schindewolf went on to explain that the most recent estimate for the capital improvement projects by Mr. Rolan is now estimated to be \$100,274,000 and would result in a bond issue amount of \$99,000,000. Mr. Schindewolf explained that the \$99,000,000 bond issue amount is slightly smaller than the project cost estimate and takes into account the Capital Contribution commitments from 19 utility districts. Mr. Schindewolf stated that the capital project cost estimates increased due to significant increases in real estate acquisition costs and substantial increases in construction costs due to shortages of materials, workers and equipment and escalating costs of fuel. Mr. Schindewolf also reported that the Bond sale special meeting would be changed from April 18<sup>th</sup> to April 25<sup>th</sup>. Mr. Schindewolf added that Ms. Plunkett and Mr. Howell have verified that the current \$0.59 per 1,000 gallon pumpage fee is adequate to cover the debt service on the proposed bond issue amount.

Mr. Shepherd then reviewed the revised schedule for sale and issuance of the Authority's bonds, a copy of which is attached hereto. Director Rendl asked if the Authority would need to meet with the bond rating agencies. Mr. Shepherd responded that Mr. Howell had handled discussions with the rating agencies by telephone. Mr. Shepherd next distributed three (3) items regarding the current market trends, copies of which are attached hereto, and stated that he would like to proceed with the sale of the Series 2005 Bonds as soon as possible in order to take advantage of the low interest rates. Director Rendl then asked if the Series 2005 Bonds will be insured. Mr. Shepherd responded that the Series 2005 Bonds would be qualified for insurance, and that the underwriters will determine if the Series 2005 Bonds will be insured.

Mr. Schindewolf then called on Mr. Collie, who stated that all of the documents necessary to authorize the issuance of the Series 2005 Bonds had been prepared and that the issuance of the

Series 2005 Bonds would be very similar to the issuance of the Series 2003 Bonds, with the exception that authority to price the Series 2005 Bonds would be delegated to one Authorized Representative (as defined in the Resolution Authorizing the Series 2005 Bonds), rather than a pricing committee comprised of Board Members and the General Manager. Mr. Collie explained that since the issuance of the Series 2003 Bonds, it had become common practice for bonds to be priced by a single authorized representative rather than by a pricing committee, and that the Texas Attorney General preferred that such delegations be to a single authorized representative. Mr. Collie recommended that Mr. Schindewolf be appointed as the Authorized Representative for the pricing of the Series 2005 Bonds.

Mr. Collie then briefly reviewed with the Board the Second Supplemental Resolution Regarding Issuance of Series 2005 Bonds, which had been included in the Board meeting packet and a copy of which is attached hereto. Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Second Supplemental Resolution Authorizing the Issuance of Series 2005 Bonds, and to appoint the General Manager as the Authority's Authorized Representative.

#### **EXTENSION OF TIMETABLE FOR CAPITAL CONTRIBUTION MATTERS**

Mr. Johnson then briefly noted that due to the increase in the Authority's capital project costs and the resulting increase in the issuance amount of the Series 2005 Bonds, it is being recommended that the Authority allow the utility districts electing to make capital contributions an additional period of time to respond to the notice of increased costs and to make their capital contribution payments. Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to grant the General Manager the authority to waive the time requirements in the Capital Contribution Contracts as follows: 1) to increase the 15-day response time to a notice of increase in Project Costs in Section 3.03 to 30 days; 2) to change the June 1, 2005 deadline for making Capital Contribution payments to the Authority in Section 3.06 to August 1, 2005; and 3) to authorize the General Manager to grant any further extensions of time that may be requested at his own discretion.

#### **GENERAL MANAGER'S ACTION ITEMS**

##### **AWARD CONTRACT FOR CONSTRUCTION OF PROJECTS**

Mr. Schindewolf then recommended award of the following contracts:

- 1) Calco for construction of Project 7A in the amount of \$4,748,945.00;
- 2) Jalco for construction of Project 7C, Contract 1 in the amount of \$10,442,100.41; and
- 3) Ramos for construction of Project 7C, Contract 2 in the amount of \$2,187,967.00.

Copies of correspondence regarding Mr. Schindewolf's recommendation that the Board award the construction contracts listed above are attached hereto.

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 award the contract for Project 7A to Calco. Mr. Schindewolf then introduced Mr. Henry Happel of Calco to the Board.

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 award the contract for Project 7C, Contract 1 to Jalco. Mr. Schindewolf then introduced Messrs. David George and Jim Roy Rathburn of Jalco to the Board.

Upon motion by Director Pulliam, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to award the contract for the Project 7C, Contract 2 to Ramos. Mr. Schindewolf then introduced Mr. Rosbel Ramos to the Board.

#### APPROVE CAPITAL CONTRIBUTION CONTRACTS

Mr. Schindewolf then referred the Board to Tab 11 of the meeting packet and noted that Ms. Plunkett had prepared a status report on the 23 utility districts that had previously submitted Capital Contribution Intent Resolutions to the Authority. Ms. Plunkett reported that there were three (3) Capital Contribution Contracts being presented for the Board's approval tonight, including contracts from Harris County Municipal Utility District No. 275, Harris County Municipal Utility District No. 44, and Northwest Harris County Municipal Utility District No. 15, for a total of 19 Capital Contribution Contracts submitted to the Authority.

Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the three (3) Capital Contribution Contracts referenced above.

#### AUTHORIZE GENERAL MANAGER TO NEGOTIATE AND ENTER INTO AGREEMENT FOR PROFESSIONAL MATERIALS ENGINEERING LABORATORY SERVICES

Mr. Schindewolf next explained that upon recommendation by Mr. Rolen, the Board was being asked to authorize the General Manager to negotiate and enter into an Agreement for Professional Materials Engineering Laboratory Services (the "Agreement") with PSI for services to include, but not limited to, construction materials testing, inspection and geotechnical investigations, as may be needed in support of Authority-sponsored projects. Mr. Schindewolf noted that the Agreement had been prepared by Ms. Bobbitt in the same format as other similar agreements the Authority has in place with other on-call engineering firms. 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 and enter into an Agreement with PSI, a copy of which is attached hereto. Mr. Schindewolf then introduced Mr. Michael Lavelle, Senior Vice President of PSI, to the Board.

#### CONFIRM UPCOMING MEETING DATES

Director Fessler then stated that the next regular meeting of the Board would be held on Monday, May 2, 2005, and noted that a special meeting of the Board has been scheduled for Monday, April 25, 2005.

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

PASSED, APPROVED AND ADOPTED this 2<sup>nd</sup> day of May, 2005.

/s/Alan J. Rendl

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Secretary, Board of Directors

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