

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
April 25, 2005

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 7:00 p.m. on the 25th 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: Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Lisa Randecker, Executive Assistant for the Authority; Mr. Anthony Crisci, P.E., Construction Coordinator for the Authority; Mr. Showri Nandagiri, P.E., Engineering Coordinator for the Authority; Mr. Marcus Deitz of Andrews Kurth LLP, co-bond counsel for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Tom Rolen, P.E. of Turner Collie & Braden Inc., Engineer Manager for the Authority; Mr. David Scholler, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Gene Shepherd of RBC Dain Rauscher Inc., financial advisors for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisors for the Authority; Messrs. Michael G. Bartolotta and Trey Cash of First Southwest Company, co-senior managing underwriter for the Authority; Mr. Jamie Liang of UBS Financial Services Inc., co-senior managing underwriter 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.

PUBLIC COMMENTS

Director Fessler first recognized Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10, who had submitted five (5) public comment cards. Mr. Broun first wanted to know why the Authority needs four (4) regional well sites. Mr. Rolen stated that the regional wells will enable the Authority to provide water during the Groundwater Transfer Program (the "GTP") and to handle peak flows once the conversion to surface water occurs in 2010.

Mr. Broun then asked how many pump stations sites have been selected and purchased by the Authority to date. Mr. Rolan responded that the Authority had initially identified a pump station site at T.C. Jester as the primary pumping station for receiving surface water from the City of Houston (the "City") in 2010, but that such pump station location is being reconsidered in light of the Authority's participation in the Greens Road water line project with the City. Mr. Rolan noted that the Authority's 2005-2006 Capital Improvement Plan calls for future site studies for the 2020 pumping stations.

Mr. Broun next asked why nothing had yet been done in planning for the Authority's lines connecting to the City's Greens Road water line. Mr. Schindewolf responded that the Authority is looking into the alignment of Harris County ditches and potential line routes for the placement of the Authority's transmission line from the delivery point on the Greens Road water line. Mr. Broun commented that the Authority should consider moving the proposed T.C. Jester pump station closer to the location of the Greens Road water line. Mr. Broun also stated that the Authority needs to move up its surface water conversion schedule in order to avoid drilling so many regional wells. Mr. Schindewolf stated that he was not prepared at this time to make such a recommendation to the Board.

Mr. Schindewolf then explained that the purpose of tonight's meeting is to approve the final version of the amended Regulations for Buy/Sell Agreements for Implementation of the GTP (the "GTP Regulations") and to report on the sale of the Authority's Senior Lien Revenue Bonds, Series 2005 (the "Series 2005 Bonds").

REVIEW AND APPROVE REGULATIONS FOR BUY/SELL AGREEMENTS FOR IMPLEMENTATION OF THE GTP

Mr. Schindewolf first provided a brief history of the Authority's GTP Regulations. Mr. Schindewolf explained that the GTP Regulations had been initially adopted on September 8, 2003 and, subsequently, amended on October 6, 2003. Mr. Schindewolf stated that the Authority has been working with the Texas Commission on Environmental Quality (the "TCEQ") to obtain the necessary approvals of the Authority's GTP projects and the necessary rules and regulations for the implementation of the GTP that satisfy the issues and concerns of the TCEQ. Mr. Schindewolf added that the Authority has also been working with the potential participants in the GTP concerning the proposed Buy/Sell Agreements. Mr. Schindewolf stated that several project approvals had been obtained from the TCEQ, and that the Authority is now ready to approve and implement the amended GTP Regulations and negotiate the necessary Buy/Sell Agreements. Mr. Schindewolf noted that the GTP is an interim and voluntary program designed to encourage the maximum utilization of existing water production facilities to provide water to districts that are currently in need of water from districts with a surplus of water. Mr. Schindewolf then reviewed the three (3) priorities of the GTP, including: 1) supply water to districts with water quality issues, such as arsenic; 2) supply water to districts that need additional water for growth; and 3) supply water to districts needing water for emergency, backup or peaking purposes.

Mr. Schindewolf next introduced and acknowledged the staff members and consultants who have been working on the amended GTP Regulations, including, but not limited to, Mr. Rolan, Ms. Bobbitt, Mr. Johnson, Mr. Petrov, Ms. Payne, Ms. Plunkett, Ms. Randecker and Mr. Nandagiri.

Mr. Johnson then reviewed the highlights of the proposed amended GTP Regulations.

Mr. Schindewolf next opened the floor for comments. Mr. Broun asked why the Authority was drilling a well at the Louetta Road Plant site, which is in very close proximity to other wells in the area that are producing high levels of arsenic. Mr. Rolan responded that the initial results of the water quality tests on the early samples from the pilot test well showed low levels of arsenic. Mr. Broun expressed concern that once the Authority's Louetta Road well is completed and the water demand is increased, higher concentrations of arsenic may develop in the water pumped by such well. Mr. Schindewolf then suggested that Mr. Rolan arrange a meeting between Mr. Broun and Mr. Seifert of LBG-Guyton Associates, on-call engineers working on hydrology and well assessment issues for the Authority, to further address his concerns.

Mr. Broun then asked how the districts would be able to issue long-term debt when the Buy/Sell Agreements are only for a three (3) year or possibly slightly longer commitment. Mr. Johnson noted that the Buy/Sell Agreements will specify the term of the agreement and noted that the termination of the Buy/Sell agreements will be somewhat dependent on when the Authority is able to provide surface water to particular areas within the Authority.

Mr. Colin Kinder of Harris County Municipal Utility District No. 202 then asked what assurances do seller districts have that it is beneficial for them to sell water to the Authority and that they will be able to recover their costs to produce the water that is sold to the Authority. Mr. Johnson stated that he can provide information and calculations to the districts and their consultants that reflect the benefits of selling water to the Authority.

The Board next recognized Mr. Larry LaHaie of Northwest Harris County Municipal Utility District No. 15, who asked for clarification of the costs that Buyers will pay for water. Mr. Rolan explained that the Authority's Pricing Policy, adopted September 5, 2002, addresses both short-term and long-term pricing for water, which includes the period of time before surface water is available (2005-2009) and then after the Authority begins receiving surface water from the City (2010 and after). Mr. Johnson explained that it is anticipated that under the short-term pricing strategy, Buyers will pay \$1.70 per 1,000 gallons of water purchased from the Authority, but would be eligible to receive a depreciated asset credit up to \$0.80 per 1,000 gallons of water purchased from the Authority. Mr. Johnson added that the Authority will purchase water from Seller districts with surplus water supplies at a rate of \$0.91, plus the pumpage fee, per 1,000 gallons, and that such district will continue to pay the then current pumpage fee of the Authority on all water pumped by such district. Mr. Johnson noted that the pricing was intended to be a neutral break-even program between Buyer and Seller districts and should encourage the sharing of water. Director Rendl commented that the Authority had tried to include a fairness factor in the Pricing Policy and in the amended GTP Regulations.

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 adopt the amended GTP Regulations, a copy of which is attached hereto. Mr. Johnson noted that the amended GTP Regulations provide the General Manager with full authority to negotiate and enter into the Buy/Sell Agreements with the districts. Director Fessler noted that the Board would like to be briefed on any special considerations that are included in any Buy/Sell Agreement.

REVIEW TERMS OF SALE AND ISSUANCE OF THE AUTHORITY'S SERIES 2005 BONDS

Mr. Schindewolf then commended the Pricing Team for the sale of the Authority's Series 2005 Bonds. Mr. Shepherd then addressed the Board and announced that the sale of the Series 2005 Bonds took place on April 21, 2005, and the bonds were purchased by 20 to 30 different buyers. Mr. Shepherd explained that the Series 2005 Bonds were sold in the par amount of \$93,875,000, with a reoffering premium of \$5,127,106.45. Mr. Shepherd further reported that the true interest cost for the Series 2005 Bonds was 4.6833259%, compared to an interest rate of 5.05% on the Series 2003 Bonds. Mr. Shepherd noted that the Series 2005 Bonds will be insured by MBIA Inc., which results in the Series 2005 Bonds having an enhanced credit rating of AAA. Mr. Shepherd acknowledged Mr. Bartolotta, Mr. Cash, Mr. Liang and Mr. Howell regarding their efforts in connection with the sale of the Series 2005 Bonds. Mr. Howell stated that the Series 2005 Bonds had been well marketed. Mr. Shepherd also commended Ms. Plunkett, Mr. Rolen, Ms. Bobbitt, Mr. Johnson, Mr. Collie and Mr. Deitz on their efforts concerning the Series 2005 Bonds. Director Rendl expressed his appreciation to everyone for a job well done.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated that the next regular meeting of the Board would be held on Monday, May 2, 2005.

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

PASSED, APPROVED AND ADOPTED this 6th day of June 2005.

/s/Lenox A. Sigler

Assistant Secretary, Board of Directors

(SEAL)