

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
May 1, 2006

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 1st day of May, 2006, 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:

Alan J. Rendl	President
Kelly P. Fessler	Vice President
Lenox A. Sigler	Secretary
James D. Pulliam	Treasurer
Ron Graham	Assistant Secretary

All members of the Board were present, except Director Graham, thus constituting a quorum. Also attending the meeting were: Honorable Robert Eckels, County Judge, Harris County, Texas; 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; Mr. Paul Nelson, Planning and GIS 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; Mr. Mark McGrath of Null-Lairson, P.C., auditors for the Authority; Messrs. Tom Rolen, P.E. and Curtis Villarreal, P.E. of Turner Collie & Braden Inc. ("TCB"), Engineer Manager for the Authority; Mr. Carl D. McConnell of Dannenbaum Engineering Corporation, 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. Tom Matkin, P.E. of AEI Engineering, Inc. ("AEI"), on-call engineers for the Authority; Messrs. Buddy Barnes, P.E. and Michael Bagstad, P.E. of Carter & Burgess, Inc., a subcontractor to AEI for Projects 6A and 15A; Mr. David Krukewitt, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Pardha Namuduri, P.E. of Klotz Associates, on-call engineers for the Authority; Mr. Gary Myers, P.E. of Edwards and Kelcy, Inc., on-call engineers for the Authority; Mr. Nick Aschliman, P.E. of Fugro Consultants, LP, on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., 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, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to TCB and project representative on several Authority projects; Mr. Mike Voinis, P.E. of Cobb Fendley & Associates, Inc., right-of-way ("ROW")/easement acquisition consultants for the Authority; Mr. Leroy Mensik of Severn Trent Environmental Services, Inc. ("Severn Trent"), operators for the Authority; Mr. Mark Breeding of Andrews Kurth LLP, ROW/easement acquisition attorneys for the Authority; 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 at the meeting 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.

SWEARING-IN CEREMONY FOR DIRECTORS RENDL AND SIGLER

Mr. Schindewolf then introduced Judge Eckels, who administered the oaths of office to Directors Rendl and Sigler. Copies of the oaths of office and statements of elected officers are attached hereto. Mr. Schindewolf noted that Director Graham's oath of office had been administered last week.

Judge Eckels then exited the meeting at 7:10 p.m.

PRESIDENT'S COMMENTS

Director Rendl then stated that it was an honor to serve as President of the Board again. Director Rendl also acknowledged that Mr. Nelson recently joined the Authority as Planning and GIS Coordinator for the Authority.

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

A copy of Ms. Payne's PowerPoint presentation for the meeting is attached hereto.

Ms. Payne first reported that the Authority's website had 41,087 hits for the month of April. Ms. Payne also reported that Director Rendl had made presentations to the Lakes of Rosehill Homeowners Association and the Olde Oaks Homeowners Association last month.

Ms. Payne next called on Mr. David Schnitzer to report on the Water Users Advisory Group (the "WUAG") meeting held on April 27th. Mr. Schnitzer then requested that the WUAG members in tonight's audience raise their hands. Mr. Schnitzer commended Mr. Schindewolf and Mr. Rolan for their handling of the WUAG members' concerns and questions. Mr. Schnitzer also noted that the Authority's pumpage fee will be increased for the fourth quarter of 2006.

Ms. Payne next reported that the City of Houston's (the "City") 13th Annual Water Festival will be held at the Downtown Aquarium on Thursday, May 11, 2006.

Ms. Payne then reported that the Authority's Mobile Teaching Lab had been taken to the Humble Independent School District to be previewed by the teaching staff. Ms. Payne thanked Mr. Andy Phelps of EDP for transporting the Mobile Teaching Lab. Ms. Payne added that the Mobile Teaching Lab is currently at Bammel Elementary School in the Spring Independent School District. Ms. Payne also stated that the Mobile Teaching Lab has been booked for six (6) weeks this fall in the Cy-Fair Independent School District. Director Rendl inquired about the feedback Ms. Payne is getting on the Mobile Teaching Lab from the school districts. Ms. Payne responded that all of the surveys are extremely favorable. Director Rendl encouraged the utility districts to sponsor the water education program in the various school districts.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then reviewed the General Manager's Report with the Board, a copy of which is attached hereto and noted that miscellaneous correspondence was included in the meeting packet.

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 has begun work on easement acquisitions for Project 15A, the project that will connect Project 7C with Project 4. Mr. Breeding stated that title reports are being obtained and appraisals are being prepared for the tracts needed for such project.

Mr. Breeding next reported that there is one (1) lawsuit pending in connection with Project 6 and three (3) lawsuits pending in connection with Project 6B. Mr. Breeding added that the ROW/Easement Acquisition Team has successfully acquired hundreds of parcels of land with a minimal amount of litigation.

UPDATE ON 2010 WATER DISTRIBUTION AND TRANSMISSION SYSTEM - PHASE 1 GROUNDWATER TRANSFER PROGRAM

Mr. Schindewolf next called on Mr. Rolen to review the status of the various Groundwater Transfer Program (the "GTP") projects, as outlined below.

ENGINEER MANAGER'S REPORT

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

Mr. Rolen reported that Projects 5A, 6B-1, 7A and 7C-2 are substantially complete and acceptance of such projects by the Authority is on tonight's agenda.

Mr. Rolen then reported that Projects 1B, 6 and 7A-1 are also substantially complete, and it is anticipated that acceptance of such projects will be on the June 5, 2006 agenda.

Mr. Rolen then reported that Project 1A is substantially complete and that the contractor is in the process of completing final punch list items and site cleanup work.

Mr. Rolen next reported that Project 1C-2 is partially in service and that R&B Group, Inc. is now working on the installation of the electrical switchgear.

Concerning Project 5C, Mr. Rolen reported that E. P. Brady, Inc. ("E. P. Brady") has installed the final 1,027 feet of 60-inch water line and is now testing the water line, completing site cleanup and constructing an access road to the plant site.

Mr. Rolan next reported that C.E. Barker, Ltd., contractor for Project 6A, has substantially completed the base project and is working on the final punch list items and the additional district connection.

Mr. Rolan then reported that D.L. Elliott Enterprises, Inc., the contractor for Project 7B, has substantially completed construction work and is working on the final punch list items.

Mr. Rolan then reported that Jalco, Inc., the contractor for Project 7C, Contract 1, has completed installation and testing of the water line and is working on site cleanup work and preparing for the final walkthrough on such project.

Mr. Rolan went on to report that the Authority's Supervisory Control and Data Acquisition ("SCADA") system contractor, Mercer Controls, Inc., has completed the plan submittal process and coordination with the telephone and power companies and is continuing with the installation of the conduits and pads at various sites.

Mr. Rolan noted that to date, the Authority has installed a total of 28.6 miles of water line ranging in size from 12-inch to 60-inch.

Concerning other activities, Mr. Rolan reported that they continue to monitor engineering efforts on Projects 6B-2, 10, 15A, and the 2010 transmission line. Mr. Rolan stated that during the prior month, the Engineer Manager has also worked on other items on behalf of the Authority, such as assisting with ROW/easement acquisitions, providing construction administration and project representation on construction projects, monitoring the operation of the GTP South and West Systems, provide oversight on behalf of the Authority of Severn Trent's activities and contract, assisting the Authority in negotiating an agreement to purchase the former Hewlett Packard water well, and secured verbal approval from Harris County (the "County") for the route alignment of the 2010 transmission line (Project 17), which will start at the Greens Road water line and eventually tie into Project 1A.

Concerning the GTP, Mr. Rolan reported that there are currently five (5) Buyer districts and five (5) Seller districts and noted that approximately 2.4 million gallons per day of water is currently being purchased by the Buyer districts. Mr. Rolan added that Harris County Municipal Utility District No. 16 has expressed an interest in purchasing water, and that the Authority is working on responding to such request.

Mr. Rolan went on to report that the Authority's regional pump station that was originally planned to be located at T.C. Jester Boulevard has been relocated to the south along Spears Road.

Mr. Rolan also noted that the Greenspoint Management District has received a grant to install a Hike/Bike Trail along Greens Bayou. Mr. Rolan stated that the Authority is working with such entity to be certain that the Authority's construction does not conflict with the Hike/Bike Trail.

Mr. Rolan then reported that the Authority will host a Town Hall meeting regarding Project 10 for the residents of the Olde Oaks subdivision on Wednesday, May 10th, at 6:30 p.m. at the Authority office. Project 10 will connect Projects 1A and 7C along T.C. Jester Boulevard and across Cypress Creek. Ms. Bobbitt noted that if the Board members plan to attend the Town Hall meeting,

she will post a notice of such meeting. Director Rendl stated that when he addressed the Olde Oaks Homeowners Association, the residents did not appear to be concerned about the project.

Director Rendl then noted that he had attended the walkthrough for Project 7C in Bilma Public Utility District on April 28, 2006.

Director Sigler then inquired about the size of pipe to be installed in connection with Project 10. Mr. Rolen responded that 42-inch to 48-inch pipe would be installed on such project.

Mr. Schindewolf next commended Severn Trent on their excellent performance as operators for the Authority.

Mr. Schindewolf then introduced Mr. Nelson as the Authority's new Planning and GIS Coordinator. Mr. Schindewolf explained that Mr. Nelson is currently working to incorporate all of the Authority's transmission lines on the base GIS map. Mr. Schindewolf also noted that Mr. Nelson will work closely with the various local and state agencies such as the Texas Commission on Environmental Quality, Texas Water Development Board and Harris-Galveston Subsidence District and the City regarding various Authority issues and concerns.

REPORT ON HOUSE COMMITTEE ON NATURAL RESOURCES HEARING

Mr. Nelson then reported that on April 18, 2006, he, Ms. Payne and Director Rendl attended the House Committee on Natural Resources Hearing on State Wastewater Reuse Policies (the "Hearing") in Austin. Mr. Nelson noted that water reuse issues, policies and regulations will be important topics to be closely monitored next year during the 80th Legislative Session. Mr. Nelson also noted that the Authority will need to participate in the formulation of water reuse policies within Region H. Mr. Nelson then reviewed some of the information and issues concerning water reuse that were discussed at the Hearing.

Director Sigler then asked if the City has implemented any water reuse programs. Mr. Nelson responded that there were some reuse programs in Clear Lake City and Kingwood, but he was not familiar with the details of such programs. Director Sigler next asked if the Authority has any plans to work with developers regarding water reuse. Mr. Schindewolf stated that the Authority had looked at several potential projects with golf courses/country clubs within the Authority, but that no project has yet been implemented or put into place.

ATTORNEY'S REPORT

Ms. Bobbitt then stated that Tab 4 of the meeting packet includes a memorandum from JRPB regarding Senate Bill 286 concerning the Open Government Training Requirements, a copy of which is attached hereto. Ms. Bobbitt stated that the directors who took their oaths of office prior to January 1, 2006 have one (1) year (until January 1, 2007) to complete the required one (1) hour Open Meeting Act and the one (1) hour Texas Public Information Act training, and that directors who take their oaths of office after January 1, 2006 have 90 days from the date they take their oath of office to complete the required training. Ms. Bobbitt went on to explain that Directors Rendl, Graham and Sigler, who have just recently executed their new oaths of office, will have 90 days from the date they executed their oaths to complete the training, and that Directors Fessler and

Pulliam will have until January 1, 2007 to complete the training requirements. Ms. Bobbitt noted that the Board members can view the videos online, at the Authority's office, at the Association of Water Board Directors - Texas Summer Conference or at the JRPB offices, as outlined in the memorandum. Mr. Schindewolf noted that Ms. Sagstetter would be happy to assist the Board members to schedule their training.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Rendl then asked for approval of the minutes of the regular meeting of April 3, 2006, previously distributed to the Board. Upon motion by Director Fessler, 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 April 3, 2006, 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, 2005, a copy of which is attached hereto. Mr. McGrath noted that his review of the Authority's books and records has 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 Fessler, seconded by Director Pulliam, 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, 2005, and authorize filing of same with the appropriate governmental authorities. Mr. Schindewolf commended Ms. Plunkett and the other Authority staff on a job well done.

FINANCIAL ASSISTANT'S REPORT

Director Rendl 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 March 31, 2006, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for the three (3) month period ending March 31st reflects that the Authority is approximately \$2,807,475 under budget for the fiscal year ending December 31, 2006.

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

ACCEPTANCE OF PROJECTS 5A, 6B-1, 7A AND 7C, CONTRACT 2

Mr. Schindewolf next recommended that the Board authorize final acceptance of the work performed by W.W. Payton Corporation ("Payton") under their contract with the Authority for Project 5A for construction of the Louetta Regional Water Plant Water Well Nos. 1 and 2, with a final contract amount of \$1,653,098. Mr. Schindewolf noted that the initial contract bid was in the amount of \$1,835,000. Mr. Schindewolf also stated that the one (1) year warranty period for the

project began on December 13, 2005, the date of the contractor's substantial completion of the project.

Mr. Schindewolf then recommended that the Board authorize final acceptance of the work performed by E. P. Brady under their contract with the Authority for Project 6B-1 for construction of the water main along Louetta Road and HCFC D K142-05-00 to the Malcomson Road Utility District Water Plant No. 2, with a final contract amount of \$3,215,450. Mr. Schindewolf noted that the initial contract bid was in the amount of \$3,456,398. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on January 27, 2006, the date of the contractor's substantial completion of the project.

Mr. Schindewolf next recommended that the Board authorize final acceptance of the work performed by Calco Contracting, Ltd. ("Calco") under their contract with the Authority for Project 7A for construction of 24-inch, 30-inch and 42-inch water line along Ella Boulevard and the CenterPoint easement, with a final contract amount of \$4,489,432.20. Mr. Schindewolf noted that the initial contract bid was in the amount of \$4,748,945. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on November 14, 2005, the date of the contractor's substantial completion of the project.

Mr. Schindewolf then recommended that the Board authorize final acceptance of the work performed by Ramos Industries, Inc. ("Ramos") under their contract with the Authority for Project 7C, Contract 2 for construction of 24-inch to 54-inch water lines along Louetta Road, Theiss Gully, Spring Gully and the tributary to Spring Gully, with a final contract amount of \$1,942,475.90. Mr. Schindewolf noted that the initial contract bid was in the amount of \$2,187,967. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on February 3, 2006, the date of the contractor's substantial completion of the project.

Mr. Schindewolf then noted that to date, the Authority is running 5.82% under budget on the total cost of construction contracts.

Upon motion by Director Fessler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to authorize final acceptance of Projects 5A, 6B-1, 7A and 7C, Contract 2 and approval of Pay Estimate No. 11 and Final to Payton, Pay Estimate No. 9 and Final to E. P. Brady, Pay Estimate No. 12 and Final to Calco and Pay Estimate No. 12 and Final to Ramos, respectively. Copies of Mr. Schindewolf's letters, Certificates of Completion, and final Pay Estimates are attached hereto.

CONFIRM UPCOMING MEETING DATE

Director Rendl then stated that the next regular meeting of the Board will be held on Monday, June 5, 2006, at 7:00 p.m. at the Authority's office.

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

PASSED, APPROVED AND ADOPTED this 5th day of June, 2006.

/s/Lenox A. Sigler

Secretary, Board of Directors

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