

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
December 4, 2006

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 6:00 p.m. on the 4th day of December, 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, thus constituting a quorum. Also attending the meeting were: 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 Sagstetter, Community Relations Coordinator for the Authority, Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Tom Rolen, P.E. of Turner Collie & Braden Inc. ("TCB"), Program Manager for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisor to the Authority; Mr. Gene Shepherd of RBC Dain Rauscher Inc., financial advisors to the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, general counsel and co-bond counsel for the Authority. Members of the public and other consultants to the Authority were also present at the meeting.

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 HEARING

A copy of the PowerPoint presentation is attached hereto.

Mr. Schindewolf first explained that the purpose of the special meeting was to conduct a public hearing on the proposed budget for the fiscal year ending December 31, 2007 (the "2007 Budget"), the proposed Capital Improvement Plan for 2007-2008 (the "2007-2008 CIP") and the proposed pumpage fees for the fourth quarter of 2007 and the first through third quarters of the 2008 fiscal year and to receive public comments on such matters. Complete copies of the 2007 Budget and the 2007-2008 CIP can be found in the Authority's files and on the Authority's website. Mr. Schindewolf then called on Ms. Plunkett, who reviewed the Operating Budget Planning Report.

Mr. Schindewolf noted that the proposed 2007 Budget includes a 4.7% cost of living increase for the Authority's employees.

Director Pulliam then entered the meeting at 6:12 p.m.

Mr. Schindewolf then called on Mr. Rolan to briefly review the proposed 2007-2008 CIP that was reviewed and discussed at the November 15th Budget Workshop. Mr. Rolan noted that the 2007-2008 CIP is the fourth (4th) capital improvement plan to be adopted by the Board since 2003 and continues the systematic planning and development process for implementing the Authority's Groundwater Reduction Plan (the "GRP") which was initiated in 2003. Mr. Rolan next stated that the proposed 2007-2008 CIP outlines and initiates a broad-based program to provide the remainder of the infrastructure necessary to allow the conversion to surface water in 2010, as set forth in the Authority's GRP, and provides for the procurement of sites/easements for several key infrastructure components needed to implement the GRP in 2020. Mr. Rolan then noted three (3) considerations which need to be kept in mind concerning the proposed 2007-2008 CIP are: 1) not all projects have been totally defined at this point and, as a result, cost estimates are based on the best information that is currently available; 2) real estate and construction costs are influenced by variables over which the Authority has no control; and 3) the Authority may encounter unexpected costs in the implementation of the 2007-2008 CIP and, therefore, a contingency item is the most practical way to attempt to address such issue.

Mr. Rolan explained that it will cost approximately \$222.7 million to implement the 2007-2008 CIP, approximately \$64.5 million of which will be funded from existing bond proceeds, capital contributions and accrued interest and \$158.2 million from future bond anticipation notes and/or bonds.

Mr. Rolan then reviewed the highlights of the 2007-2008 CIP as outlined in the PowerPoint presentation. Director Rendl then commented that the Authority will continue to be receptive to shared project opportunities such as the Greens Road water line project that the Authority participated in with the City of Houston. Director Pulliam inquired if funds for the Authority's Supervisory Control and Data Acquisition ("SCADA") system were included in the 2007-2008 CIP. Mr. Rolan responded that funds for the SCADA system are included.

Mr. Schindewolf then reported that he, Mr. Howell, Ms. Plunkett and Mr. Rolan have been working to determine the proposed pumpage fee beginning with the fourth (4th) quarter of 2007. Mr. Schindewolf stated that it is the consensus of the group that the current pumpage fee of \$0.84 per 1,000 gallons should be increased to \$0.99 per 1,000 gallons effective October 1, 2007. Mr. Schindewolf stated that it is hoped that such rate can remain in effect until the Authority begins delivery of surface water some time in the latter part of 2009, at which time the cost of surface water will be \$1.80 per 1,000 gallons. Mr. Schindewolf further noted that there are circumstances and/or opportunities that could arise between now and then that would cause the Authority to revisit the pumpage fee issue. Mr. Howell noted that the \$0.00 per 1,000 gallons pumpage fee will result in an increase of \$1.50 per month to a household using 10,000 gallons of water per month. Mr. Howell added that the \$0.15 increase in the pumpage fee will generate an additional \$3.45 million a year in revenue, which will pay debt service on the Authority's outstanding bonds and allow the Authority to

continue to build its cash reserves. Mr. Schindewolf noted that the proposed pumpage fee is consistent with the Authority's effort to keep pumpage fees as low as possible for as long as possible.

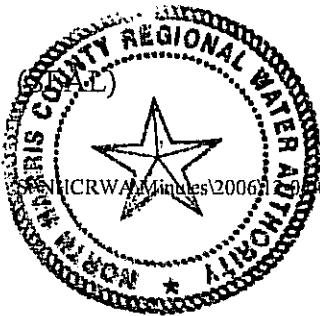
Director Rendl then opened the floor to comments and questions from the public regarding the proposed 2007 Budget, the 2007-2008 CIP and proposed pumpage fees. No public comments were received.

Director Sigler then complimented Mr. Schindewolf, the staff and consultants for an extremely well thought out 2007 Budget and 2007-2008 CIP.

There being no further business to come before the Board, the hearing was adjourned at 6:30 p.m.

PASSED, APPROVED AND ADOPTED this 8th day of January, 2007.


Secretary, Board of Directors



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