

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 regular session, open to the public, at 7:00 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: Senator Jon Lindsay, member of the Texas Senate representing District 7; Representative Peggy Hamric, member of the Texas House of Representatives representing District 126; Judge Tony Lindsay of the 280th Civil District Court; 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; Messrs. Tom Rolen, P.E. and Curtis Villarreal, P.E. of Turner Collie & Braden Inc. ("TCB"), Program Manager for the Authority; Mr. Steve Bresnen of Steve Bresnen & Associates, state governmental affairs consultant to the Authority; Mr. Mark McGrath of Null-Lairson Certified Public Accountants, auditors 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 advisor to the Authority; Messrs. David Scholler, P.E. and Charles Shumate, P.E. of Brown & Gay Engineers, Inc. ("Brown & Gay"), on-call engineers for the Authority; Messrs. John Peyton, P.E. and Scott Fair, P. E. of CLR, Inc. ("CLR"), on-call engineers for the Authority; Mr. Joe Castronovo, P.E. of Jones & Carter, Inc. ("Jones & Carter"), on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation ("Dannenbaum"), 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., Hoyt Brown, P.E. and Mike Bagstad, P.E. of Carter & Burgess, Inc. ("Carter & Burgess"), a subcontractor to AEI for Projects 6A and 15A; Mr. Chris Drabek, P.E. of LBG-Guyton Associates ("LBG-Guyton"), on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc. ("Binkley & Barfield"), on-call engineers for the Authority; Mr. Pardha Namuduri, P.E. of Klotz Associates, Inc., 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. Leroy Mensik of Severn Trent Environmental Services, Inc. ("Severn Trent"), operators for the Authority; Mr. Mike Voinis, P.E. of Cobb Fendley & Associates, Inc., right-of-way ("ROW")/easement acquisition consultants 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, 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.

RESOLUTIONS HONORING SENATOR JON LINDSAY AND REPRESENTATIVE PEGGY HAMRIC

Mr. Schindewolf then recognized and explained that the Authority is honoring Senator Lindsay and Representative Hamric for their many years of service to the State of Texas, the North Harris County area, and the Authority at tonight's meeting. Director Rendl then delivered congratulations to Senator Lindsay and Representative Hamric. Director Rendl also wished Senator Lindsay happy birthday and thanked both Senator Lindsay and Representative Hamric for attending the meeting. Mr. Schindewolf next introduced Mr. Bresnen who stated on behalf of the Authority, that Senator Lindsay and Representative Hamric will be greatly missed in the upcoming legislative session and wished them both well in their future endeavors. Director Pulliam then expressed his thanks for all Senator Lindsay and Representative Hamric have done for the citizens of the North Harris County area and the Authority.

Mr. Schindewolf then called Representative Hamric to the podium and read aloud the Resolution Honoring Representative Peggy Hamric regarding her service to the House of Representatives from 1991 through 2006. 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 adopt a Resolution Honoring Representative Peggy Hamric, a copy of which is attached hereto. Representative Hamric then expressed her thanks and noted that the Authority is doing an excellent job with the installation of the surface water infrastructure.

Mr. Schindewolf next called Senator Lindsay to the podium and read aloud the Resolution Honoring Senator Jon Lindsay regarding his service as a Harris County Judge for 20 years and as a Senator for the last 10 years. 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 adopt the Resolution Honoring Senator Jon Lindsay, a copy of which is attached hereto. Senator Lindsay graciously thanked the Authority and stated that he will stay in touch with what is going on in the community and with the Authority. Senator Lindsay then emphasized that Mr. Bresnen serves an important function as the governmental affairs consultant for the Authority and stated that Mr. Bresnen is one of the best governmental affairs consultants in Austin.

Representative Hamric, Senator Lindsay and Judge Lindsay then exited the meeting.

BUDGET MATTERS

Mr. Schindewolf noted that the meeting packet contained his memorandum regarding the 2007 budget for the fiscal year ending December 31, 2007 (the "2007 Budget") and the 2007-2008 Capital Improvement Plan (the "2007-2008 CIP"), a copy of which is attached hereto.

ADOPTION OF 2006 BUDGET

Mr. Schindewolf then explained that the 2007 Budget and the 2007-2008 CIP had been presented and discussed in detail at the November 15, 2006 Budget Workshop meeting and was also presented at the Public Hearing held earlier this evening at 6:00 p.m. Mr. Schindewolf then recommended Board adoption and approval of the 2007 Budget. 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 adopt and approve the 2007 Budget. A copy of the 2007 Budget is attached hereto, the complete detail of which can be found in the Authority's files.

APPROVAL OF 2007-2008 CIP

Mr. Schindewolf then recommended approval of the 2007-2008 CIP and adoption of a Resolution Approving and Implementing CIP for 2007-2008. 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 2007-2008 CIP as presented and to adopt a Resolution Approving and Implementing CIP for 2007-2008. Copies of the Resolution and the 2007-2008 CIP are attached hereto.

REPORTS

Director Fessler stated that he has a 9:05 p.m. flight to catch tonight and may have to leave before the end of the meeting.

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 56,327 hits for the month of November.

Ms. Payne next reported that the new edition of the Waterlines newsletter will be mailed out to approximately 125,000 homes within the Authority and posted on the Authority's website soon.

Ms. Payne next announced that Binkley & Barfield had donated 3,000 copies of the Water Is Life coloring book to the Spring Independent School District. Ms. Payne extended the Authority's thanks to Mr. Barfield. Director Rendl also thanked Mr. Barfield and invited other companies to participate in sponsoring the purchase of the Authority's water conservation education materials.

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.

Concerning the Authority's geographic information system (the "GIS"), Mr. Schindewolf noted that Mr. Nelson, with the assistance of the other GIS team members, will provide a GIS status report at the upcoming January 8, 2007 meeting.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Schindewolf then called on Mr. Breeding to give the status report on the various ROW/easement acquisitions by the Authority.

Mr. Breeding reported that the ROW/easement acquisitions for Project 15A, which will run along Louetta Road and connect Projects 6 and 7C-1, have progressed well. Mr. Breeding stated that several condemnation cases were successfully concluded last month and noted that there is still one (1) pending condemnation case in connection with such project. Concerning Project 10, which will run along T C Jester Boulevard and connect Projects 1A and 7C-1, Mr. Breeding stated that Harris County (the "County") has provided Right of Entry for a majority of the parcels in the project. Mr. Breeding also reported that on the other projects there are four (4) condemnation cases pending, two (2) of which are about to be settled.

UPDATE ON 2010 WATER DISTRIBUTION AND TRANSMISSION SYSTEM - PHASE 1 GROUNDWATER TRANSFER PROGRAM (THE "GTP")

Mr. Schindewolf then called on Mr. Rolan to review the status of the various GTP projects.

PROGRAM MANAGER'S REPORT

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

Mr. Rolan first reported that Projects 1C-2 and 7C-1 are complete, and acceptance of such projects by the Authority is on tonight's agenda.

Mr. Rolan went on to report that the Authority's Supervisory Control and Data Acquisition ("SCADA") system contractor, Mercer Controls, Inc., has completed the installation of conduits and pads at all sites, and that the central control equipment is now installed and that AT&T is continuing with the installation of the communication portion of the SCADA system. Mr. Rolan noted that a communication problem in the AT&T system has been resolved and that the contractor is in the process of connecting and testing the individual sites.

Mr. Rolan then noted that no additional pipe was installed during the prior month and that to date, the Authority has installed a total of approximately 28.6 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolen next reported that there is no change in the status of the Greens Road water line projects. Mr. Rolen stated that when the City of Houston (the "City") resolves the outstanding issues on the final two (2) Greens Road water line projects, the projects will be submitted to City Council for final acceptance.

Mr. Rolen then reported that the GTP system continues to operate effectively, and that approximately 2.1 million gallons of water per day had been sold to Buyer districts during October.

Concerning other activities, Mr. Rolen reported that TCB continues to monitor engineering efforts on Projects 6B-2, 10 (A and B), 15A, and the siting study for the Spears Road Regional Pump Station. Mr. Rolen noted that during the prior month, the Program 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, providing oversight on behalf of the Authority of Severn Trent's activities, assisting with the GIS update, preparing the draft 2007-2008 CIP, working on the draft 2007 Budget and developing the content/format of a form to be used by utility districts to provide asset information for the Authority's database.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she did not have anything to report.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Rendl then asked for approval of the regular meeting minutes of November 6, 2006 and the minutes of the Budget Workshop held on November 15, 2006, previously distributed to the Board. 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 minutes of the regular meeting of November 6, 2006 and the Budget Workshop of November 15, 2006, as written.

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 October 31, 2006, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for the 10-month period ending October 31st reflects that the Authority continues to operate under budget for the fiscal year ending December 31, 2006.

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

ADOPT ORDER ESTABLISHING WELL PUMPAGE FEES AND WATER IMPORTATION FEES FOR THE FOURTH QUARTER OF THE 2007 FISCAL YEAR AND THE FIRST THROUGH THE THIRD QUARTERS OF 2008 FISCAL YEAR AND ADOPTING RULES AND REGULATIONS CONCERNING MEASURING WELL PUMPAGE AND WATER IMPORTATION AND COLLECTING FEES (THE "ORDER")

Mr. Schindewolf next reported that during the preparation of the 2007 Budget and 2007-2008 CIP, Mr. Howell, Ms. Plunkett, Mr. Rolan and he had conducted a thorough review of the Authority's finances as they relate to the current pumpage fee of \$0.84 per 1,000 gallons, which rate is set to expire September 30, 2007. Mr. Schindewolf reported 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 on October 1, 2007 and remain in place through the third quarter of 2008. Upon motion by Director Sigler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order, a copy of which is attached hereto.

ENGAGEMENT OF AUDITOR

Mr. Schindewolf then explained that a copy of the Null-Lairson, P.C. ("Null-Lairson") engagement letter was included in the meeting packet and recommended that the Board engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2006. A copy of the Null-Lairson engagement letter is attached hereto. Mr. Schindewolf then introduced Mr. McGrath who briefly addressed the Board and reported that the estimated fee for the preparation of the 2006 audit report is \$22,500 (an increase of \$1,500 over the 2005 fee). 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 engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2006 and to authorize the execution of the Null-Lairson engagement letter.

ACCEPTANCE OF PROJECT 1C-2

Mr. Schindewolf then recommended that the Board authorize final acceptance of the work performed by R&B Group, Inc. ("R&B") under their contract with the Authority for Project 1C-2 for construction of the water plant improvements at Northwest Harris County Municipal Utility District No. 24, at a final contract amount of \$1,067,770.90. Mr. Schindewolf noted that the initial contract bid was in the amount of \$1,124,270. Mr. Schindewolf also stated that the one (1) year warranty period for such project began on May 25, 2006, the date of the contractor's substantial completion of the project. 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 authorize final acceptance of Project 1C-2 and approval of Pay Estimate No. 13 and Final to R&B. Copies of Mr. Schindewolf's letter and Pay Estimate No. 13 and Final are attached hereto.

ACCEPTANCE OF PROJECT 7C-1

Mr. Schindewolf then recommended that the Board authorize final acceptance of the work performed by Jalco, Inc. ("Jalco") under their contract with the Authority for Project 7C-1 for

construction of 24/54-inch water lines along Louetta Road, Theiss Gully, Spring Gully and tributary to Spring Gully, at a final contract amount of \$10,258,653.41. Mr. Schindewolf noted that the initial contract bid was in the amount of \$10,442,100.41. Mr. Schindewolf also stated that the one (1) year warranty period for such project began on March 6, 2006, the date of the contractor's substantial completion of the project. 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 authorize final acceptance of Project 7C-1 and approval of Pay Estimate No. 18 and Final to Jalco. Copies of Mr. Schindewolf's letter and Pay Estimate No. 18 and Final are attached hereto.

PUBLIC COMMENT

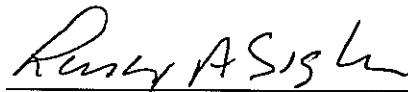
Mr. Bob Koperwhats of Harris County Water Control and Improvement District No. 91 then commended the Authority for staying under budget for the fiscal year ending December 31, 2006.

CONFIRM UPCOMING MEETING DATE

Director Rendl then stated that the next regular meeting of the Board will be held on Monday, January 8, 2007, 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 8th day of January, 2007.



Secretary, Board of Directors



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