

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
July 6, 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 6th day of July, 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: 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. 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., Engineer Manager for the Authority; Mr. Dave Scholler, 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; Mr. Buddy Barnes, P.E. of Carter & Burgess, Inc., a subcontractor to AEI for Projects 6A and 15A; Mr. Robert Ybanez, 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. Alfonzo Hernandez, P. E. of Terracon Consultants, Inc., on-call engineers for the Authority; Mr. Fred Richardson 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; and Ms. Robin S. Bobbitt 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.

BOARD'S COMMENTS

Director Pulliam commented on the recent death of Mr. Jim Adams, the General Manager of San Jacinto River Authority and member of the Region H Water Planning Group.

Director Pulliam then reported that he attended a session during the Texas Water Conservation Association conference regarding the use of information derived from the study of tree

age rings. Director Pulliam noted that the compiled data reflects that about every 70 years there is a drought, and that the State of Texas (the "State") is using this data to estimate the frequency of droughts in the State.

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 39,164 hits for the month of June.

Ms. Payne next reported that Prestonwood Utility District and ECO Resources, Inc. have made donations towards the purchase of Journey to Pansophigus books. Ms. Payne added that Spring Independent School District has requested 2,900 copies of the Water Is Life coloring book, and that sponsors are needed in order to respond to such request.

Ms. Payne then reported that she is working on the next edition of Waterlines, is in the process of updating the "Cost of Water" brochure and that three (3) of the water conservation brochures have been reprinted and are now available for districts to use. Ms. Payne stated that many districts have used the brochures for customer mailings.

Ms. Payne next announced that the Authority's website now has a location map showing the general alignment of the 2010 Water Distribution and Transmission System (the "2010 System"). Director Rendl reminded district board members to have their engineers contact the Authority when planning construction projects near the Authority's transmission lines.

Director Rendl then commended all of the districts, consulting firms and other entities that are sponsoring the Journey to Pansophigus program.

Director Pulliam then asked for a status report on the Mobile Teaching Lab. Ms. Payne reported that the Mobile Teaching Lab is being retrofitted and renovated and is currently parked at Harris County Water Control and Improvement District No. 132's water conservation garden. Ms. Payne noted that the Mobile Teaching Lab has been booked by various school districts for the months of August through October. Director Pulliam asked if the Authority charges any fees for the use of the Mobile Teaching Lab. Ms. Payne responded that no fees are charged by the Authority for use of the Mobile Teaching Lab. Ms. Payne stated that she does request assistance from several of the operating companies to transport the trailer to various venues.

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.

Mr. Schindewolf reported that Mr. Nelson, Ms. Payne, Mr. Rolen and representatives of Cobourn, Linseisen & Ratcliff, Inc. continue to update the Authority's Geographical Information System ("GIS") to include the Authority's water distribution and transmission lines that have been constructed, those lines that are currently being constructed and those lines that will be designed and constructed as part of the 2010 System.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Schindewolf noted that Mr. Breeding is on vacation and, therefore, he would present a brief status report on the various ROW/easement acquisitions by the Authority.

Mr. Schindewolf reported that there is one (1) pending lawsuit for Project 6, that there are three (3) pending lawsuits for Project 6B with one (1) having recently been resolved to our satisfaction, and that the acquisition process for Project 15A is progressing very well.

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.

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 5C and 7B are substantially complete and acceptance of such projects by the Authority is on tonight's agenda.

Mr. Rolen then reported that Projects 1B, 1C-2 and 7C-1 are also substantially complete, and it is anticipated that acceptance of such projects will be on the August Authority agenda.

Mr. Rolen then reported that Project 1A is substantially complete, and that the contractor is working on completing the final punch list items and final project cleanup.

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

Mr. Rolen went on to report that the Authority's Supervisory Control and Data Acquisition ("SCADA") system contractor, Mercer Controls, Inc., is continuing with the installation of conduits and pads at various sites, and that AT&T has started the installation of the communication portion of the SCADA system.

Mr. Rolen noted that no additional pipe was installed this month and stated 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 reported that it appears that the City of Houston has reached tentative agreement with the contractors who constructed the Greens Road water line concerning their Hurricane Rita related claims. Mr. Rolen added that this should allow the process of closing out and finalizing the projects to move forward.

Concerning the GTP, Mr. Rolen reported that there are currently five (5) Buyer districts and five (5) Seller districts, and that approximately 2 million gallons per day of water is currently being purchased by the Buyer districts. Mr. Rolen added that the Authority continues its efforts to provide water to Harris County Municipal Utility District No. 16.

Concerning other activities, Mr. Rolan reported that they continue to monitor engineering efforts on Projects 6B-2, 10, 15A, and the 2010 transmission line and the siting study for the Spears Road Regional Pump Station. 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, providing oversight on behalf of the Authority of Severn Trent's activities, assisting the Authority in accomplishing various tasks needed to finalize the purchase of the former Hewlett-Packard water well, and providing input to the Authority's financial advisor concerning the proposed pumpage fee increase.

ATTORNEY'S REPORT

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

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Rendl then asked for approval of the minutes of the regular meeting of June 5, 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 June 5, 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 May 31, 2006, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for the five (5) month period ending May 31st reflects that the Authority is approximately \$4,649,628 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.

ACCEPTANCE OF PROJECTS 5C and 7B

Mr. Schindewolf next recommended that the Board authorize final acceptance of the work performed by E. P. Brady, Ltd. ("E. P. Brady") under their contract with the Authority for Project 5C for construction of the dual 60-inch water lines from the Louetta Regional Water Plant to Louetta Road, with a final contract amount of \$1,780,839.99. Mr. Schindewolf noted that the initial contract bid was in the amount of \$1,890,357.50. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on May 19, 2006, 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 D. L. Elliott Enterprises, Inc. ("D. L. Elliott") under their contract with the Authority for Project 7B for construction of the 42-inch to 48-inch water line along the CenterPoint Energy

ROW from Cypresswood to Aberton, with a final contract amount of \$7,102,109.14. Mr. Schindewolf noted that the initial contract bid was in the amount of \$7,651,547.68. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on February 10, 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 Projects 5C and 6B and approval of Pay Estimate No. 6 and Final to E. P. Brady and Pay Estimate No. 15 and Final to D. L. Elliott, respectively. Copies of Mr. Schindewolf's letters, the Certificates of Completion, and final Pay Estimates are attached hereto.

ADOPT ORDER ESTABLISHING WELL PUMPAGE FEES AND WATER IMPORTATION FEES FOR THE FOURTH QUARTER OF THE 2006 FISCAL YEAR AND THE FIRST THROUGH THE THIRD QUARTERS OF 2007 FISCAL YEAR AND ADOPTING RULES AND REGULATIONS CONCERNING MEASURING WELL PUMPAGE AND WATER IMPORTATION AND COLLECTING FEES (THE "PUMPAGE FEE ORDER")

Mr. Schindewolf noted that based on the information and recommendations presented during the public hearing on the proposed pumpage fee held prior to tonight's regular meeting, he is recommending the adoption of the Pumpage Fee Order by the Board. Mr. Schindewolf explained that the pumpage fee would be increased from \$0.59 per 1,000 gallons of water usage to \$0.84 per 1,000 gallons of water usage, and would be in effect from October 1, 2006 through September 30, 2007. 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 adopt the Pumpage Fee Order, a copy of which is attached hereto.

CONFIRM UPCOMING MEETING DATE

Director Rendl then stated that the next regular meeting of the Board will be held on Monday, August 7, 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 7th day of August, 2006.

/s/Lenox A. Sigler

Secretary, Board of Directors

(AUTHORITY SEAL)

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