

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 special session, open to the public, at 6:00 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; Mr. Tom Rolen, 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. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. John Peyton, P.E. of Cobourn Linseisen & Ratcliff, Inc., on-call engineers for the Authority; Mr. Michael Bagstad, P.E. of Carter & Burgess, Inc., a subcontractor to AEI Engineering, Inc. for Projects 6A and 15A; Mr. John Howell of The GMS Group, L.L.C., financial advisor to 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.

Director Rendl welcomed the attendees and thanked them for their interest and attendance at tonight's public hearing.

PUBLIC HEARING

Mr. Schindewolf announced that the purpose of the special meeting was to conduct a public hearing on the proposed pumpage fee for the fourth quarter of 2006 and the first through third quarters of 2007 and to receive public comments on the proposed pumpage fee increase.

Mr. Rolen, aided by a PowerPoint presentation, gave an overview of what is needed to complete the 2010 Water Distribution and Transmission System ("2010 System"). Mr. Rolen noted that the current plans are to have the construction of the 2010 System complete by the third quarter of 2009 and have all of the necessary line testing completed by the beginning of the fourth quarter of 2009. Mr. Rolen explained that there are six (6) distribution lines (Projects 10, 11, 14, 15A, 15B and 16) to be installed, ranging in size from 18-inch to 54-inch in diameter and totaling approximately 77,000 feet. Mr. Rolen went on to explain that the alignment of the transmission line will extend from the recently completed Greens Road water line to T. C. Jester/Project 1A and will include 54-inch and 60-inch diameter pipe totaling approximately 34,000 feet.

Mr. Rolen next discussed plans for construction of the Spears Road Regional Pump Station (formerly referred to as T. C. Jester Regional Pump Station) which will receive water from the City of Houston and pump it into the Authority's system.

Mr. Rolen next discussed the Louetta Regional Water Plant which will serve as a key storage and system pressure maintenance facility and will facilitate operation of the distribution system on the west side of the 2010 System service area. Mr. Rolen noted that the Authority's original groundwater reduction plan called for eight (8) regional wells in 2010. Mr. Rolen noted that currently, the Authority has two (2) regional wells located at the Louetta Regional Water Plant and is in the process of completing the purchase of the former Hewlett-Packard well. Mr. Rolen stated that the exact number of regional wells will be determined by the level of water service required in 2010.

Mr. Rolen then explained that the Authority's Supervisory Control and Data Acquisition System ("SCADA") will monitor and control the volume and pressure of water to each participating district, as well as monitor the operation of the Authority's 2010 System facilities.

Mr. Schindewolf then reviewed the upcoming Authority efforts needing participation and assistance from the districts located within the Authority. Mr. Schindewolf stated that the Authority will be compiling operational information for each district scheduled to use surface water in 2010 and will be compiling district asset information for the calculation of the Non-Depreciated Asset Values for each participating district.

Mr. Schindewolf then reported that he is recommending a pumpage fee of \$0.84 per 1,000 gallons, beginning October 1, 2006 and through the third quarter of 2007. Mr. Schindewolf added that the next pumpage fee increase would be determined in mid-2007.

Mr. Schindewolf then called on Mr. Howell, who outlined the reasons for the proposed pumpage fee increase. Mr. Howell explained that the \$0.25 increase in the pumpage fee is projected to generate an additional \$5.75 million a year in revenue, which will be used to pay the debt service on the first and second bond issues and allow the Authority to continue to build cash reserves. Mr. Howell noted that the proposed pumpage fee increase is consistent with the Authority's plan of financing and the Authority's effort to keep the pumpage fees as low as possible for as long as possible. Mr. Howell added that by building the Authority's cash reserves, the pumpage fee can be approximately \$1.00 lower than a traditional rate order would require while the water transmission system is being developed. Mr. Howell reminded the Board that the Authority's Pricing Policy,

adopted September 5, 2002, called for a cost of water of \$1.80 per 1,000 gallons in 2010, which is still what is being planned.

Concerning what impact the proposed pumpage fee increase will have on homeowners, Director Rendl explained that a household using 10,000 gallons of water per month would pay approximately \$2.50 per month more or 8⅓ cents per day.

Director Fessler then asked what the pumpage fee is currently for the West Harris County Regional Water Authority (the "WHCRWA"). Ms. Payne stated that the current WHCRWA pumpage fee for groundwater is \$0.65 per 1,000 gallons, and the WHCRWA pumpage fee for surface water is \$0.95 per 1,000 gallons.

PUBLIC COMMENTS

Director Rendl then opened the floor to comments and questions from the public regarding the proposed pumpage fee.

The Board then recognized Mr. Garry Matocha of Louetta Road Utility District, who asked when the next pumpage fee increase would be. Mr. Schindewolf responded that in July 2007, he and the Authority consultants will evaluate the pumpage fee increase that is needed, but that the fee will likely be in the range of \$0.90 to \$1.00 per 1,000 gallons. Mr. Schindewolf noted that once surface water is delivered, the cost of water will be \$1.80 per 1,000 gallons.

Director Rendl noted that the Authority's participation with the COH in the Greens Road water line project is an example of a cost savings benefit to the Authority and that similar opportunities may arise in the future.

Mr. Matocha asked if the Authority is currently paying interest on the outstanding bonds. Mr. Howell responded that the Authority will pay only interest on the bond until 2010, at which time payments on the principal will start. Mr. Matocha then asked if the PowerPoint presentation from tonight's meeting will be posted on the Authority's website. Mr. Schindewolf stated that the PowerPoint presentation will be posted on the website.

Mr. Matocha next asked about the timeline for the connection of the various participating districts to the Authority's 2010 System. Mr. Rolan stated that, as the requested information and data is received from the participating districts, the Authority will develop its plan for connection of the districts to the 2010 System.

Mr. Nichola Fava of Bammel Utility District noted that a question had come up at a recent board meeting as to how the surface water will be delivered to the participating districts. Mr. Rolan explained that the delivered surface water will be potable water from the Northeast Water Purification Plant, which will be delivered to the Authority and then pumped into the Authority's distribution system and thence to the participating districts. Director Pulliam inquired if the Authority will deliver the surface water to a district's ground storage tank or to a district's water transmission line. Mr. Rolan stated that the Authority is still evaluating this matter. Mr. Schindewolf again stressed the importance of the need for the participating districts to timely submit their information and data to the Authority when requested.

Director Rendl stated that some districts may shut down existing wells and others will be blending water, which means there will be different criteria to take into account in connection with the delivery of surface water. Mr. Rolan concurred with Director Rendl's statements. Director Rendl added that the Authority's contract with the COH calls for the Authority to take and pay for 31 million gallons of water.

Mr. John Porea of Harris County Municipal Utility District No. 383 then asked how many districts will be converted to surface water in 2010. Mr. Rolan stated that it is currently estimated that between 45 and 55 districts will be converted to surface water.

Director Rendl then referred to the yellow area of the wall map that reflects the area to be served by surface water in 2010 and noted that the service area for the 2020 System conversion may undergo several adjustments as water needs change.

The Board next recognized Mr. Bob Koperwhats of Harris County Water Control and Improvement District No. 91, who commented that the pumpage fee increases seem to correspond with the Authority's issuance of bonds and asked how many additional bond issues are projected to be sold. Mr. Howell responded that there would be one (1) or two (2) bond issues between 2007 and 2010, but there will also be several years where no bonds will be issued.

Mr. Roger Blankenheim of Fountainhead Municipal Utility District asked if districts will be able to make capital contributions in connection with the next bond issue. Director Rendl noted that the Authority's creation legislation allows the Authority to determine whether districts will be given the option to make capital contributions. Mr. Schindewolf noted that the decision will be made prior to the next bond sale.

Director Graham then entered the meeting.

There being no further business to come before the Board, the hearing was adjourned at 6:47 p.m.

PASSED, APPROVED AND ADOPTED this 7th day of August, 2006.

/s/Lenox A. Sigler

Secretary, Board of Directors

(AUTHORITY SEAL)