

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
August 7, 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 7th day of August, 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. 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; Messrs. Dave Scholler, P.E. and Charles Shumate, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, 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. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Pardha Namuduri, P.E. of Klotz Associates, on-call engineers 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, right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Steve Bresnen of Steve Bresnen & Associates, lobbyists 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.

PRESIDENT'S COMMENTS

Director Rendl welcomed all in attendance and offered several observations concerning the House Natural Resources Committee (the "House Committee") hearing recently held in the City of Houston (the "City") Council Chambers on Thursday, August 3, 2006. Director Rendl encouraged people to attend the Senate Natural Resources Committee (the "Senate Committee") hearing scheduled for Tuesday, August 8, 2006, at 10:00 a.m. to be held at the Authority's office.

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 49,545 hits for the month of July.

Ms. Payne next announced that Carter-Burgess, Inc. and Harris County Municipal Utility District No. 24 are the two (2) newest circle sponsors for the Authority's Journey to Pansophigus program. Ms. Payne stated that the company names would be added to the side of the Mobile Teaching Lab. Ms. Payne asked Mr. Buddy Barnes and Mr. Ruben Gonzalez to stand up and be acknowledged. Concerning Journey to Pansophigus classroom book sponsorships, Ms. Payne reported that: 1) Spring West Municipal Utility District donated two (2) sets of classroom books to the Spring Independent School District ("ISD") and Klein ISD and asked Ms. Kim Stephens, a member of the Board of such district, to stand; 2) Prestonwood Forest Utility District donated five (5) sets of classroom books to Bleyl Middle School and asked Mr. John Broadfoot, a member of the Board of such district, to stand; and 3) Harris County Municipal Utility District No. 18 donated five (5) sets of classroom books to Hamilton Middle School and asked Mr. Michael Murr, a member of the Board of such district, to stand. Director Rendl thanked all of the sponsors and extended a challenge to other districts and entities to also become sponsors of Journey to Pansophigus.

Ms. Payne then reported that at the request of the Authority's Water Users Advisory Group, a new brochure entitled *The Rising Cost of Water* is being printed and will soon be available to utility districts as an informational and water conservation tool for their customers.

Ms. Payne then reported that the Mobile Teaching Lab has been booked next month by Postwood Municipal Utility District and Timberlane Utility District.

Ms. Payne added that Director Rendl will give a presentation at a Cy-Fair ISD Teacher Workshop scheduled for August 10, 2006 at Cy-Ridge High School.

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. ("CLR"), on-call engineers for the Authority, recently met to discuss the continued update of the Authority's Geographical Information System (the "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 Authority's 2010 water distribution system. Mr. Schindewolf reported that CLR is digitizing the Authority's as-built construction drawings into a format that will allow the Authority to provide specific vertical and horizontal alignment data to those consulting engineers who will be designing projects in close proximity to the Authority's water transmission lines. Mr. Schindewolf stated that Mr. Nelson will make a presentation on the GIS update at the Board's September 11, 2006 meeting.

Mr. Schindewolf next announced that Mr. Reed Eichelberger has been appointed to serve as the General Manager of the San Jacinto River Authority, a position formerly held by Mr. Jim Adams, who recently passed away on June 26, 2006.

Mr. Schindewolf then reported that Mr. Jeff Taylor, Deputy Director of the Public Utilities Division of the Department of Public Works and Engineering for the City, was elected to serve as President of the Region H Water Planning Group on August 2, 2006.

Mr. Schindewolf went on to report that by invitation of State Representative Robert Puente, Chairman of the House Committee, he presented testimony to the House Committee at a hearing held on August 3, 2006 concerning the benefits of the use of utility districts in the Houston Metropolitan area and in the State of Texas (the "State").

Mr. Schindewolf further reported that Senator Kip Averitt, Chairman of the Senate Committee, will conduct a hearing at the Authority's offices on Tuesday, August 8, 2006, beginning at 10:00 a.m. Mr. Schindewolf noted that he has also been invited to present testimony to the Senate Committee. Mr. Schindewolf then called on Mr. Bresnen to comment on the upcoming Senate Committee hearing. Mr. Bresnen stated that the Senate Committee has invited 10 to 12 people to give testimony. Mr. Bresnen added that the two (2) main areas of interest that will be discussed are: 1) the future financing of water facilities in the State; and 2) the statutory and practical barriers to the implementation of the State water plan. Director Sigler inquired if the discussions and testimony will be similar to that provided at previous hearings. Mr. Bresnen responded that Senator Averitt was not the Chairman of the Senate Committee during the 2005 Legislative Session and, therefore, other topics will be covered during the upcoming hearing, and that efforts are being made to help educate the Senate Committee on State water issues and concerns. Director Rendl commented that the State's plan for financing the water plan could impact the Authority, since the Authority has already taken steps to finance its own groundwater reduction plan.

Mr. Schindewolf then reported that he and Mr. Dan Sallee, President of the West Harris County Regional Water Authority, have been invited by Senator Jon Lindsay to speak at the August 17th meeting of the North Houston Association.

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 the 2010 Groundwater Transfer Project 6B were nearly complete, and that the ROW/easement acquisitions for the 2010 Groundwater Transfer Project 15A are going quite well. Mr. Breeding noted there are currently only four (4) pending condemnation lawsuits. Mr. Breeding noted that two (2) lawsuits are very close to being settled, one (1) lawsuit involving a homeowners association may go to trial, and one (1) lawsuit involving a shopping center on Louetta Road between Jones Road and State Highway 249 has been set for mediation.

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

Mr. Schindewolf next called on Mr. Rolan to review the status of the various Groundwater Transfer Program (the "GTP") projects.

ENGINEER MANAGER'S REPORT

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

Mr. Rolan reported that Project 1B is complete and acceptance of such project by the Authority is on tonight's agenda.

Mr. Rolan then reported that Projects 1A, 1C-2, 6A and 7C-1 are substantially complete, and it is anticipated that acceptance of such projects will be on the September agenda.

Mr. Rolan 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. Rolan added that the factory witness test of the equipment is scheduled for the week of August 7, 2006.

Mr. Rolan 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.

Concerning the Greens Road water line, Mr. Rolan reported that it appears that the City has resolved the matter of outstanding Hurricane Rita related change orders with the construction contractors, and the acceptance of the projects will soon appear on the City Council agenda.

Concerning the GTP, Mr. Rolan reported that there continues to be 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.

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 assisting with the GIS update.

Director Pulliam then asked Mr. Rolan how much the Authority will owe on the Greens Road water line change orders. Mr. Rolan stated that it is estimated the Authority will pay approximately 57% of the change order amounts. Mr. Schindewolf noted that the total aggregate amount of the change orders is less than \$100,000.

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 special and regular meeting minutes of July 6, 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 special and regular meetings of July 6, 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 June 30, 2006, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for the six (6) month period ending June 30th reflects that the Authority is approximately \$2,347,491 under budget for the fiscal year ending December 31, 2006.

Director Graham questioned whether the interest rate on the General Fund and Bond Fund might pose a potential arbitrage problem. Ms. Plunkett responded that proceeds from the sale of the Authority's Series 2003 Bonds have been completely expended, and that the proceeds of the Series 2005 Bonds are in the process of being expended and there is not an arbitrage problem.

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 PROJECT 1B

Mr. Schindewolf next recommended that the Board authorize final acceptance of the work performed by Huff & Mitchell, Inc. ("Huff & Mitchell") under their contract with the Authority for Project 1B for construction of the 30-inch to 12-inch water line along the CenterPoint fee strip and Wunderlich Drive, with a final contract amount of \$3,683,861.79. Mr. Schindewolf noted that the initial contract bid was in the amount of \$3,665,570. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on August 25, 2005, the date of the contractor's substantial completion of the project.

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 Project 1B and approval of Pay Estimate No. 21 and Final to Huff & Mitchell. Copies of Mr. Schindewolf's letters, the Certificates of Completion and final Pay Estimate are attached hereto.

Mr. Schindewolf then noted that inclusive of Project 1B, the Board has authorized final acceptance of construction contracts that total approximately \$42.5 million in final contract amounts as compared to \$44.3 in original contract amounts, thereby resulting in a savings of approximately 4%.

CONFIRM UPCOMING MEETING DATE

Director Rendl then stated that due to the Labor Day holiday, the next regular meeting of the Board will be held on Monday, September 11, 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 at 7:40 p.m.

PASSED, APPROVED AND ADOPTED this 11th day of September, 2006.



Lon Gulia
Asst. Secretary, Board of Directors

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