

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
September 11, 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 11th day of September, 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, except Directors Rendl and Fessler, 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. 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., Curtis Villarreal, P.E. and David Dow, P. E. of Turner Collie & Braden Inc. ("TCB"), 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. Buddy Barnes, P.E. of Carter & Burgess, Inc., a subcontractor to AEI Engineering, Inc. for Projects 6A and 15A; Messrs. Paul Ullman, GIS Manager, Kyle Bertrand, P. E. and Scott Fair, Production Manager of Cobourn, Linseisen & Ratcliff, Inc. ("CLR"), on-call engineers for the Authority; Mr. W. John Seifert, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Pardha Namuduri, P.E. of Klotz Associates, 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. ("Cobb Fendley"), right-of-way ("ROW")/easement acquisition consultants for the Authority; Mr. Mark Breeding of Andrews Kurth LLP ("Andrews Kurth"), ROW/easement acquisition attorneys for the Authority; and Ms. Robin S. Bobbitt of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), 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 COMMENTS

Director Sigler noted that in the absence of Directors Rendl and Fessler, he would be presiding over tonight's 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 53,303 hits for the month of August.

Ms. Payne next announced that a workshop had been held at Cy-Ridge High School on August 10, 2006 for the Cy-Fair Independent School District ("ISD") teachers and school volunteers. Ms. Payne stated that Director Rendl gave a presentation at the workshop, and that the Mobile Teaching Lab was on site. Ms. Payne further reported that 5,000 copies of the Authority's Journey to Pansophigus book were delivered to Klein ISD fifth grade teachers. Ms. Payne noted that Klein ISD would also like to have copies of the Authority's new coloring book to use with its younger students.

Ms. Payne then reported that the Mobile Teaching Lab appeared at a Neighbor's Night Out in Fountainhead Municipal Utility District on August 1, 2006, and reported that the Mobile Teaching Lab has been booked for numerous events through the end of October.

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 approximately 150 people, including four (4) Authority Board members, had attended the Senate Natural Resources Committee hearing at the Authority's offices on August 8, 2006. Mr. Schindewolf stated that the hearing went very well and commended Mr. Steve Bresnen, the Authority's legislative consultant, the Authority's staff and the Authority's consultants for a great job in organizing and hosting the hearing. Mr. Schindewolf noted that at the invitation of Senator Kip Averitt, Chairman of the Senate Natural Resources Committee, he had presented testimony at the public hearing. Mr. Schindewolf noted that the major topic of discussion at the public hearing revolved around the need to update the State of Texas' Water Plan and the implementation and funding of an updated plan.

Mr. Schindewolf next reported that he was a guest speaker, along with Mr. Dan Sallee, President of the West Harris County Regional Water Authority, at the monthly membership meeting of the North Houston Association, held on August 17, 2006. Mr. Schindewolf noted that Directors Rendl, Sigler and Graham were also in attendance at such meeting.

GEOGRAPHIC INFORMATION SYSTEM ("GIS") PRESENTATION

Mr. Schindewolf then called on Mr. Nelson to demonstrate the capabilities of the GIS digitized "as-built" construction drawings format, which will allow the Authority to provide specific vertical and horizontal alignment information to those consulting engineers who will be designing underground utilities/improvements that will be located in close proximity to the Authority's water transmission lines.

Mr. Nelson first explained that CLR serves as the Authority's GIS consultant, but that the GIS team has included TCB, Cobb Fendley, Universal Field Services, Inc., Andrews Kurth and several Authority staff members. Mr. Nelson then proceeded with review of his GIS PowerPoint presentation and demonstration of the updated GIS program.

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 with three (3) condemnation cases pending. Mr. Breeding further stated that the ROW/easement acquisitions for Project 15A are going quite well, with over one-half (½) of the necessary easements having been acquired. Mr. Breeding added that title work has begun on Project 10, which will run along T. C. Jester and connect Projects 1A and 7C.

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

Mr. Schindewolf next called on Mr. Rolen to review the status of the various GTP projects.

ENGINEER MANAGER'S REPORT

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

Mr. Rolen first reported that Project 1A and Project 6A are complete and acceptance of such projects by the Authority is on tonight's agenda.

Mr. Rolen then reported that Projects 1C-2 and 7C-1 are substantially complete, and that the contractors for such projects are working on the final punch list items.

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 is continuing with the installation of the communication portion of the SCADA system. Mr. Rolen added that the factory witness test of the equipment was completed, and that the SCADA equipment has been delivered for installation.

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. Rolan next reported that the Houston City Council has accepted two (2) of the four (4) Greens Road water line projects, including Projects 71-A and 71-D. Mr. Rolan noted that the Authority has approved the final pay estimate on Project 71-C. Mr. Rolan stated that the City of Houston (the "City") should be sending the final pay estimate for Project 71-B to the Authority for review and approval within the next several weeks. Mr. Rolan also reported that the City is in the process of engaging an auditor to perform an audit of the costs for the Greens Road water line project.

Mr. Rolan then reported that the GTP system continues to operate effectively, and that approximately 2.3 million gallons of water per day had been sold to Buyer districts during August.

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 noted 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 where the monitoring station for the SCADA system will be located. Mr. Rolan responded that the controls for the SCADA system will be located at the offices of Severn Trent, and that there will also be monitoring capability at the Authority's office.

ATTORNEY'S REPORT

Ms. Bobbitt then reminded the Board that several months ago, she had presented and reviewed with the Board a memorandum concerning the new conflict disclosure requirements reflected in House Bill 914 ("HB 914") that became effective January 1, 2006 and added Chapter 176 to the Local Government Code ("Chapter 176"). Ms. Bobbitt reported that on August 2, 2006, the Texas Attorney General's (the "AG") office released its opinion concerning the requirements of HB 914. Ms. Bobbitt explained that the AG's interpretation of the new requirements will pose administrative issues for local governmental entities, such as the Authority. Ms. Bobbitt then reviewed a memorandum prepared by JRFB regarding the requirements of HB 914 and the findings reflected in the AG opinion, along with proposed procedures to ensure compliance with the new requirements, a copy of which is attached hereto. Ms. Bobbitt explained that Chapter 176 requires local governmental officials and persons seeking to contract with a local governmental entity, including consultants, to complete a conflicts disclosure statement and a conflicts questionnaire.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Sigler then asked for approval of the regular meeting minutes of August 7, 2006, previously distributed to the Board. 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 approve the minutes of the special and regular meetings of August 7, 2006, as written.

FINANCIAL ASSISTANT'S REPORT

Director Sigler 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 July 31, 2006, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for the seven (7) month period ending July 31st reflects that the Authority is approximately \$3,248,080 under budget for the fiscal year ending December 31, 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 approve the Financial Report, the monthly investment report and the checks being presented for payment.

ACCEPTANCE OF PROJECTS 1A AND 6A

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 1A for construction of the 36-inch, 42-inch and 48-inch water line along Bammel N. Houston from W. Richey Road to T. C. Jester, with a final contract amount of \$8,188,878.38. Mr. Schindewolf noted that the initial contract bid was in the amount of \$7,844,256 and explained that the main reason for the contract over run was due to the construction problems encountered on Walters Road. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on November, 3 2005, the date of the contractor's substantial completion of the project.

Mr. Schindewolf next recommended that the Board authorize final acceptance of the work performed by C. E. Barker, LTD. ("C. E. Barker") under their contract with the Authority for Project 6A for construction of the 30-inch and 36-inch water line along the CenterPoint Energy easement, with a final contract amount of \$2,221,520.56. Mr. Schindewolf noted that the initial contract bid was in the amount of \$2,246,524.02. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on January 30, 2006, the date of the contractor's substantial completion of the project.

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 authorize final acceptance of Project 1A and approval of Pay Estimate No. 27 and Final to Jalco and final acceptance of Project 6A and approval of Pay Estimate No. 17 and Final to C. E. Barker. Copies of Mr. Schindewolf's letters, the Certificates of Completion and final Pay Estimates are attached hereto.

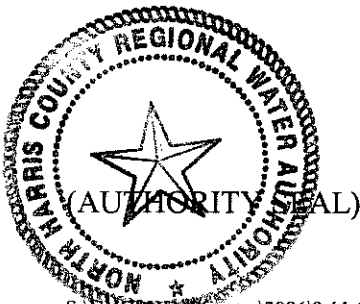
Mr. Schindewolf then noted that with the acceptance of Projects 1A and 6A, the Board has awarded contracts totaling approximately \$54.3 million as compared to \$52.9 for completed contract work, resulting in a total savings of approximately 2.6%.

CONFIRM UPCOMING MEETING DATE

Director Sigler then stated that the next regular meeting of the Board will be held on Monday, October 2, 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 8:05 p.m.

PASSED, APPROVED AND ADOPTED this 2nd day of October, 2006.




Secretary, Board of Directors