

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
December 3, 2007

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 3<sup>rd</sup> day of December, 2007, 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:

James D. Pulliam	President/Investment Officer
Alan J. Rendl	Vice President
Ron Graham	Secretary
Lenox A. Sigler	Treasurer
Kelly P. Fessler	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; Ms. Lisa Randecker, Executive Assistant 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. Barbara Payne of Payne Communications, communications coordinator for the Authority; Messrs. Tom Rolen, P.E. and Curtis Villarreal, P.E. of TCB INC., Program Manager for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisor to 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. Members of the public and other consultants to the Authority were also present at the meeting. A copy of the sign-in sheets for those in attendance at the meeting is 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.

PUBLIC HEARING

A copy of the PowerPoint presentation is attached hereto.

Mr. Schindewolf first explained that the purpose of the special meeting was to conduct a public hearing on the Authority's proposed budget for the fiscal year ending December 31, 2008 (the "2008 Budget") and the proposed Capital Improvement Plan for 2008-2009 (the "2008-2009 CIP"). Complete copies of the 2008 Budget and the 2008-2009 CIP will be available in the Authority's files and on the Authority's website once they are adopted by the Board. Mr. Schindewolf noted that a Budget Workshop was held on November 14, 2007, at which time the details of the proposed 2008 Budget and 2008-2009 CIP were presented to and reviewed with the Board. Mr. Schindewolf then called on Ms. Plunkett, who presented an overview of the Operating Budget Planning Report.

Mr. Schindewolf then noted that the proposed 2008 Budget includes: 1) \$150,000 for the upcoming Directors election on May 10, 2008; 2) carries over two (2) personnel positions that were not filled in the current fiscal year; and 3) includes a 3% cost of living increase for the Authority's employees.

Director Rendl then stated that he has assumed that the 2008 Budget was prepared by reviewing each revenue and expense item line-by-line and not by calculating a percentage increase. Mr. Schindewolf and Ms. Plunkett confirmed that the 2008 Budget was prepared by a line-by-line review and analysis.

Mr. Schindewolf next called on Mr. Rolan to review the proposed 2008-2009 CIP that was reviewed and discussed at the November 14<sup>th</sup> Budget Workshop. Mr. Rolan noted that the 2008-2009 CIP will be the fifth (5<sup>th</sup>) capital improvement plan to be adopted by the Board since 2003, and continues the systematic planning and development process for implementing the Authority's Groundwater Reduction Plan (the "GRP") which was initiated in 2003. Mr. Rolan next stated that the proposed 2008-2009 CIP outlines and initiates a broad-based program to provide the remainder of the infrastructure necessary to allow the conversion to surface water in 2010, as set forth in the Authority's GRP, and provides for the procurement of sites/easements for several key infrastructure components needed to implement the GRP in 2020. Mr. Rolan then reviewed the highlights of the 2008-2009 CIP as outlined in the PowerPoint presentation. Mr. Rolan then noted the following considerations which need to be kept in mind concerning the proposed 2008-2009 CIP: 1) several of the projects are still under design, thus the possibility that unexpected conditions could impact costs; 2) cost estimates are based on the best information that is currently available; 3) real estate and construction costs are influenced by variables over which the Authority has no control; and 4) the Authority may encounter unexpected costs in the implementation of the 2008-2009 CIP and, therefore, a contingency amount has been provided in the 2008-2009 CIP.

Mr. Rolan next explained that it will cost approximately \$233.6 million to implement the 2008-2009 CIP, approximately \$29.6 million of which will be funded with the proceeds of the Authority's Series 2003 and Series 2005 Senior Lien Revenue Bonds, capital contributions received from utility districts, and accrued interest on such funds. Mr. Rolan went on to explain that the remaining \$204.0 million is proposed to be funded with the issuance of future bond anticipation notes and/or a future bond sale.

Director Fessler then asked the amount of bonds previously issued by the Authority. Ms. Plunkett stated that \$124.685 million in 2003 and \$99.0 million in 2005 in bonds have been issued by the Authority, and capital contributions received from utility districts were \$32.6 million in 2003 and \$14.7 million in 2005. Mr. Howell noted that the bonds proposed to be issued in 2008 will be in the amount of approximately \$200.0 million.

Mr. Schindewolf then explained that the current pumpage fee of \$0.99 per 1,000 gallons went into effect on October 1, 2007 and is to remain in effect through September 30, 2008. Mr. Schindewolf went on to explain that during the review of the 2008 Budget and 2008-2009 CIP, he, Mr. Rolan, Mr. Howell and Ms. Plunkett reviewed and discussed the amount of the pumpage fee that may need to be implemented for the fourth quarter of 2008 and have determined that a

recommendation will be made in the early summer of 2008 regarding the pumpage fees for the fourth quarter of 2008.

Director Pulliam then opened the floor to comments and questions from the public regarding the proposed 2008 Budget and the 2008-2009 CIP.

A gentleman asked if a copy of the 2008 Budget would be made available to the public. Ms. Plunkett stated that the approved 2008 Budget will be posted on the Authority's website tomorrow.

Mr. Jim Burke, General Manager of Northwest Harris County Municipal Utility District No. 5 ("NW 5") inquired when his district would hear from the Authority regarding when surface water will be made available to NW 5. Mr. Schindewolf responded that a response letter to NW 5 on such matter is in the process of being finalized.

Director Graham then asked when surface water would be available to Faulkey Gully Municipal Utility District ("Faulkey Gully MUD"). Mr. Rolan explained that Faulkey Gully MUD was originally included in the 2020 conversion area, but has been moved to the 2010 conversion area. Mr. Rolan stated that there are four (4) districts that will be served by Project 6B-2, including NW 5, Faulkey Gully MUD, Grant Road Public Utility District and Harris County Municipal Utility District No. 18, and all have been moved to the 2010 conversion area. Mr. Rolan explained that the growth being experienced in the Authority has necessitated the expansion of the 2010 conversion area, and that these four (4) districts are part of that expansion.

Mr. Burke then stated that the earlier the Authority can let the utility districts know about any change in the pumpage fee, the better it would be for the districts and their budgeting processes. Mr. Schindewolf assured Mr. Burke that the Authority is sensitive to the budget concerns of the districts.

Mr. John Porea of Harris County Municipal Utility District No. 383 then asked about when the Authority plans to award the construction contract for Project 6A-1. Mr. Rolan stated that the contract would be awarded later this evening at the Authority's regular meeting that follows the public hearing.

There being no further business to come before the Board, the hearing was adjourned at 6:30 p.m.

PASSED, APPROVED AND ADOPTED this 7<sup>th</sup> day of January, 2008.

  
Secretary, Board of Directors

