

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 regular session, open to the public, at 7:00 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; Mr. Paul Nelson, Planning and GIS Coordinator for the Authority; Mr. Showri Nandagiri, P.E., Engineering 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 TCB INC. ("TCB"), Program Manager for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Buddy Barnes, P.E. of Carter & Burgess, Inc., on-call engineers for the Authority; Messrs. John Peyton, P.E. and Scott Fair of CLR, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Ken Stanley, P.E. of Montgomery & Associates, L.L.C. , on-call engineers for the Authority; Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Tobin Synatschk, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Dave Scholler, P.E. of Brown & Gay Engineers, Inc., 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. Mark Breeding of Andrews Kurth LLP, right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operators for the Authority; Mr. Mark McGrath of Null-Lairson, P.C. ("Null-Lairson"), auditors for 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. 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.

## MESSAGE FROM THE PRESIDENT

Director Pulliam stated that he had no comments.

## BOARD MEMBER COMMENTS

Director Rendl wished everyone a Merry Christmas and a Happy New Year. Directors Pulliam and Sigler joined in extending holiday greetings to everyone.

## BUDGET MATTERS

Mr. Schindewolf noted that the meeting packet contained his memorandum regarding the budget for the fiscal year ending December 31, 2008 (the "2008 Budget") and the Capital Improvement Plan for 2008-2009 (the "2008-2009 CIP"), copies of which are attached hereto.

## ADOPTION OF 2008 BUDGET

Mr. Schindewolf then explained that the 2008 Budget and the 2008-2009 CIP had been presented and discussed in detail at the November 14, 2007 Budget Workshop meeting and was also presented at the Public Hearing held earlier this evening at 6:00 p.m. Mr. Schindewolf then recommended Board adoption and approval of the 2008 Budget. Upon motion by Director Rendl, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve and adopt the 2008 Budget. A copy of the 2008 Budget is attached hereto, the complete detail of which can be found in the Authority's files.

## APPROVAL OF 2008-2009 CIP

Mr. Schindewolf then recommended approval of the 2008-2009 CIP and adoption of a Resolution Approving and Implementing CIP for 2008 and 2009. Upon motion by Director Sigler, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to approve the 2008-2009 CIP as presented and to adopt a Resolution Approving and Implementing CIP for 2008 and 2009 (the "Resolution"). Copies of the Resolution and the 2008-2009 CIP are attached hereto.

## REPORTS

### 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 provided a report of the activity on the Authority's website during the month of November. Ms. Payne reported that during the past month, there had been 47,503 hits on the Authority's website.

Mr. Breeding entered the meeting at 7:05 p.m.

Ms. Payne went on to report that the Mobile Teaching Lab has returned from eight (8) weeks in the field at the Cy-Fair Independent School District ("ISD") middle schools.

Ms. Payne next informed the Board that 15,000 copies of the Journey to Pansophigus are being reprinted for distribution to the Klein ISD and for use by the City of Houston (the "City"). Ms. Payne noted that the Authority would like to encourage sponsorships for providing copies of the book to the Spring ISD.

### 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 Board's meeting packet.

### STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Schindewolf next called on Mr. Breeding to give the status report on the various ROW/easement acquisitions by the Authority.

Mr. Breeding reported that negotiations for the one (1) major parcel remaining to be acquired from the Burlington Northern Santa Fe Railroad for Project 6A-1 were near completion.

Mr. Breeding next noted that ROW/easement acquisitions for Project 7C-3 are in process.

Concerning Project 17 (Segments 1, 2, 3 and 4), Mr. Breeding stated that easement acquisitions are moving along well on Segment 1, and that there is one (1) case set for hearing next Monday. Mr. Breeding next reported that there is one (1) condemnation case to settle next week and one (1) case set for hearing in connection with Segment 2 of Project 17. Concerning Segment 3 of Project 17, Mr. Breeding reported that the ROW/Easement Acquisition Team has completed nearly all of the easement acquisitions. Mr. Breeding further noted that the ROW/Easement Acquisition Team is also working on the parcel acquisition on Segment 4 of Project 17, which is a large segment that goes across the Bammel gas field.

Mr. Breeding added that the ROW/Easement Acquisition Team is beginning title and acquisition work on Projects 11, 14A, 14B, 15B and 16.

Mr. Breeding added that a trial is set for early 2008 regarding the Lakewood Grove Homeowners Association condemnation matter.

Mr. Schindewolf thanked Mr. Breeding for his presentation.

### UPDATE ON 2010 WATER DISTRIBUTION AND TRANSMISSION SYSTEM (THE "SYSTEM")

Mr. Schindewolf then called on Mr. Rolan to review the status of the various projects and efforts underway to complete development of the System.

## PROGRAM MANAGER'S REPORT

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

Mr. Rolen first reported that the contractor for Project 10A has installed the final 1,219 feet of 48-inch water line for a total of 7,573 feet. Mr. Rolen stated that the contractor is approximately 98% complete with the connections within Harris County Municipal Utility District No. 20 and Northwest Harris County Municipal Utility District No. 44 water plants.

Mr. Rolen went on to report that the contractor for Project 10B has installed a total of 4,735 feet of 42-inch water line to date. Mr. Rolen further reported that the contractor is working on the tunnel between Cypress Creek and Cypresswood Drive. Regarding the tunnel under Cypress Creek, Mr. Rolen reported that the contractor is developing methods to complete the crossing by utilizing another tunnel. Mr. Rolen also reported that the contractor is approximately 98% complete with the meter and pressure/flow control stations on the Cypress Klein Utility District water plant site.

Mr. Rolen next reported on Project 15A, stating that the contractor installed an additional 1,276 feet of 36-inch water line, for a total of 3,440 feet, and completed an additional 674 feet of primary liner for the 36-inch water line.

Mr. Rolen then noted that to date, the Authority has installed a total of approximately 32.6 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolen next reported that 12 bids were received and opened on November 20, 2007 for the construction of Project 6A-1 ranging from \$3,883,276 to \$5,568,550. Mr. Rolen noted that Texas Sterling Construction Company ("Texas Sterling") was the lowest qualified bidder on the project, and that award of the construction contract is on the agenda later in the meeting.

Concerning the Greens Road water line project, Mr. Rolen reported that he and Mr. Nelson are working with representatives of the City on the final cost "true-up" and audit for such project.

Mr. Rolen then reported that the Groundwater Transfer Program (the "GTP") systems continue to operate effectively, and that approximately 2.37 million gallons of water per day had been sold to Buyer districts during the period.

Director Rendl then commended Mr. Rolen and his entire team for their excellent work on the construction projects and their accomplishments.

Concerning other activities, Mr. Rolen reported that during the prior month, TCB had assisted with development of the 2008 Budget and development of the 2008-2009 CIP; assisted the Authority in its negotiation efforts concerning the proposed Luce Bayou Interbasin Transfer Project ("Luce Bayou Project"); received bids on Project 6A-1 and advertised Project 17 - Segment 1 for bids; continued to oversee engineering efforts on Projects 4C, 6B-2, 7C-3, 11, 14A, 14B, 15B, 16 and 17 - Segments 2 and 3 design, Project 17 - Segment 4 preliminary engineering, Spears Road Regional Pump Station and the Louetta Regional Water Plant; provided construction administration and project representatives on Projects 10A, 10B and 15A; supported the acquisition of easements

and finalization of acquisition efforts on Projects 4C, 6A-1, 6B-2, 7C-3 and 17 (all segments) and assisted in follow-up and finalization of acquisition efforts and conflict resolution on other projects; provided oversight of STES ' operation of the Authority's GTP systems; and continued to gather the remainder of the data needed to develop the Authority's 2010-2019 Preliminary Surface Water Conversion Strategy.

#### ATTORNEY'S REPORT

Ms. Bobbitt stated that she did not have anything to report at this time.

#### REGULAR AGENDA

##### APPROVAL OF THE MINUTES

Director Pulliam then asked for approval of the regular meeting minutes of November 5, 2007 and the Budget Workshop meeting of November 14, 2007, previously distributed to the Board. Upon motion by Director Graham, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of November 5, 2007 and the Budget Workshop meeting of November 14, 2007, as written.

##### FINANCIAL ASSISTANT'S REPORT

Director Pulliam next 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 ten (10) months ending October 31, 2007, a copy of which is attached hereto. Ms. Plunkett noted that the Authority had continued to operate under budget for the month ending October 31, 2007.

Upon motion by Director Sigler, 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.

##### AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 6A-1

Mr. Schindewolf then reported that 12 bids were received on November 20, 2007 for the construction of Project 6A-1, for the construction of a 16-inch and 30-inch water transmission line to serve Harris County Municipal Utility District No. 367 and Harris County Municipal Utility District No. 368. Mr. Schindewolf recommended award of the construction contract to the lowest qualified bidder, Texas Sterling, in the amount of \$3,883,276. Upon motion by Director Fessler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to award the construction contract for Project 6A-1 to Texas Sterling. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence are attached hereto.

AUTHORIZE GENERAL MANAGER TO NEGOTIATE AND EXECUTE AN AGREEMENT FOR ELECTION CONSULTANT SERVICES RELATING TO THE UPCOMING MAY 10, 2008 DIRECTORS ELECTION

Mr. Schindewolf reported that prior to the November 14, 2007 budget workshop meeting, he had met with Ms. Bobbitt and Ms. Robyn M. German, who had served as the Authority's election consultant for the May 13, 2006 Directors Election, to begin preparations for the upcoming May 10, 2008 Directors Election. Mr. Schindewolf noted that Directors Pulliam (Voting District 3) and Fessler (Voting District 5) are up for re-election. Mr. Schindewolf then recommended that the Board engage Ms. German to serve as an election consultant regarding the May 10, 2008 Directors Election. Upon motion by Director Graham, seconded by Director Rendl, following full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's recommendation to engage an election consultant and to authorize the General Manager to negotiate and execute an Election Consultant Services Agreement by and between the Authority and Robyn M. German Relating to Directors Election to be held on May 10, 2008 (the "Agreement"). A copy of the proposed Agreement is attached hereto.

ENGAGEMENT OF AUDITOR

Mr. Schindewolf then explained that a copy of the Null-Lairson engagement letter was included in the meeting packet and recommended that the Board engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2007. A copy of the Null-Lairson engagement letter is attached hereto. Mr. Schindewolf reported that the estimated fee for the preparation of the 2007 audit report is between \$26,500 and \$28,500. Upon motion by Director Fessler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2007 and to authorize the execution of the Null-Lairson engagement letter.

AUTHORIZE THE GENERAL MANAGER TO NEGOTIATE, APPROVE AND EXECUTE, AS NECESSARY, A PROPOSED DRAFT AGREEMENT WITH THE CITY CONCERNING THE LUCE BAYOU PROJECT

Mr. Schindewolf stated that the Luce Bayou Project has long been envisioned and planned to supplement the City's source of water from the San Jacinto River. Mr. Schindewolf remarked that it appears the City has decided to move forward with the Luce Bayou Project. Mr. Schindewolf continued that he, the Authority's Planning and GIS Coordinator, the Authority's General Counsel and the Authority's Program Manager have participated in discussions on how the implementation will likely proceed and the Authority's role in the implementation and participation in the funding. Mr. Schindewolf noted that there have been some very recent unexpected developments which have caused him to come to the Board this evening concerning the Luce Bayou Project. Mr. Schindewolf then asked Mr. Rolen to give a brief review of the Authority's need for the Luce Bayou Project, what it entails, current thoughts concerning its implementation and funding.

A copy of Mr. Rolen's PowerPoint presentation is attached hereto.

Mr. Rolan briefly reviewed the findings of the recent update of the Authority's population and water needs projection that showed a significant growth within the Authority. Further, Mr. Rolan noted that the Authority plans to meet those needs by purchasing water from the City, and that the construction of the Luce Bayou Project is key to the City being able to provide the Authority the water it will need in 2020 and beyond.

Mr. Rolan stated that the Luce Bayou Project that will transfer an estimated 450,000 acre-feet of water per year (approximately 400 MGD) from the Trinity River to Lake Houston, and that the key components of the Luce Bayou Project are: 1) a 400+ MGD pump station on the City's 96-acre site on the Trinity River; 2) approximately 3.6 miles of pipeline; and 3) approximately 16 miles of new canal. The current estimate of the total cost of the Luce Bayou Project is \$250.0 million. Mr. Rolan stated that the water transferred by the Luce Bayou Project will be treated at the City's Northeast Water Purification Plant located on the west side of Lake Houston and at the City's East Water Purification Plant located on the east side of the City. Mr. Rolan then presented a graphic depicting the proposed route of the canals and pipelines for the Luce Bayou Project.

Mr. Rolan went on to explain that the Authority, the West Harris County Regional Water Authority (the "WHCRWA") and the Central Harris County Regional Water Authority (the "CHCRWA") have entered into contracts with the City to provide surface water to meet their future needs. Mr. Rolan noted that the North Fort Bend Water Authority (the "NFBWA") is in the process of negotiating a contract with the City to provide surface water to meet its future needs. Mr. Rolan explained that the Luce Bayou Project is a key component of the infrastructure needed in order for the City to meet the Authority's, the WHCRWA's, the CHCRWA's and the NFBWA's (collectively, "the Authorities") future water needs.

Mr. Rolan further explained that the City has requested the Coastal Water Authority (the "CWA") to proceed with development of the Luce Bayou Project. Mr. Rolan indicated that the CWA has initiated work on the project and has utilized some "in-house" money to fund various front-end studies. However, Mr. Rolan stated that additional funds will be required to fund permitting, property (real estate) acquisition, design, construction and construction management costs.

Mr. Rolan went on to explain that the CWA will be submitting an application to the Texas Water Development Board (the "TWDB") to obtain a Water Infrastructure Fund ("WIF") Deferred Loan to provide financing for permitting and design of the Luce Bayou Project. Mr. Rolan noted that the WIF, which was created by the 77<sup>th</sup> Legislature, was funded in the 80<sup>th</sup> Legislative Session earlier this year. Mr. Rolan further explained that one (1) of the terms of the TWDB WIF Deferred Loan is deferred payment of interest and principle for ten (10) years. Mr. Rolan stated that the application filing deadline for the TWDB WIF Deferred Loan is January 1, 2008, which is sooner than was originally thought. Mr. Rolan added that, inasmuch as the draft agreements between the City and the CWA and between the City and the Authorities concerning the Luce Bayou Project must be included with the application, there was an urgency for Mr. Schindewolf to bring the issue before the Board this evening.

Mr. Rolan noted that the current indication is that the CWA will initially use "in-house" funds or a TWDB WIF Non-Deferred Loan to purchase the necessary real estate acquisitions for the

Luce Bayou Project. Mr. Rolan further noted that the CWA is considering applying for a TWDB State Participation Loan to provide funding for construction and construction-related costs of the Luce Bayou Project.

Mr. Schindewolf reiterated that with the imminent filing deadline for the application for the TWDB WIF Deferred Loan, it is necessary to move very quickly to develop the draft agreement between the City and the Authorities. Further, inasmuch as the Board will not meet again prior to the filing deadline and with the holiday season upon us, Mr. Schindewolf stated that he is requesting the Board's authorization to negotiate, approve and execute, as necessary, a proposed draft agreement with the City and the Authorities concerning the Luce Bayou Project.

Director Rendl commented that when the Authority first became aware of the Luce Bayou Project in 1999, it was estimated to cost \$100.0 million and now the cost estimate is \$250.0 million.

Upon motion by Director Rendl, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to negotiate, approve and execute, as necessary, a proposed draft agreement with the City concerning the Luce Bayou Project.

CONFIRM UPCOMING MEETING DATE

Director Pulliam then stated that the next regular meeting of the Board will be held on Monday, January 7, 2008, 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 7<sup>th</sup> day of January, 2008.

  
Secretary, Board of Directors

