

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
February 4, 2008

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 4<sup>th</sup> day of February, 2008, 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. Anthony Crisci, P.E., Construction 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; Ms. Robyn German, election consultant for the Authority; Mr. Eugene Shepherd of RBC Dain Rauscher Inc., financial advisor 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; Mr. Scott Fair of CLR, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Dave Scholler, P.E. of Brown & Gay Engineers, Inc., on-call engineer for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Paul Wallick, P.E. of Pate Engineers, Inc., on-call engineers for the Authority; Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Tobin Synatschk, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Ralph Cox, P.E. of Klotz Associates, 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 ("Andrews Kurth"), right-of-way ("ROW")/easement acquisition attorneys 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 reported that he had recently read an interesting article in Museum of Natural Science about water purification systems in 1450 BC.

## PUBLIC COMMENTS

Mr. Schindewolf reported that Mr. Marvin Fesler of Reid Road Municipal Utility District No. 1 had submitted a blue card, a copy of which is attached hereto. Mr. Fesler asked if we (districts within the boundaries of the Authority) have water problems like Lake Lanier or if Lake Houston runs dry or low enough where the water is unusable, will those of us with water wells be able to use them and what will those of us who no longer have usable wells, like Malcomson Road Utility District, do? Mr. Rolan responded that, in determining the available water from a reservoir such as Lake Houston, drought conditions are considered. Mr. Rolan noted that when surface water conversion begins, the water wells within the Authority that remain viable will not be permanently shut down.

## 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 January. Ms. Payne reported that during the past month, there had been 61,898 hits on the Authority's website.

Ms. Payne went on to report that the Mobile Teaching Lab is booked every week from January through March for use at Klein Independent School District schools.

Ms. Payne gave special thanks to Kellogg Brown & Root for sponsoring five (5) classroom sets of Journey to Pansophigus books and teaching materials.

Ms. Payne further reported that she had held a press briefing with Ms. Valerie Jones, a new reporter, with the 1960 Sun. Ms. Payne added that Director Rendl will give a presentation to the Champions Forest Garden Club on February 14, 2008.

Ms. Payne next reported that copies of the recent edition of Waterlines will be distributed to 145,000 households later this week.

Ms. Payne then congratulated Harris County Water Control & Improvement District No. 132, Town Center Landscape, Inc. of Tomball and Murr Incorporated on being awarded the Planet 2007 Green Industry Contribution Award by the Professional Landcare Network.

Ms. Payne further congratulated the Friends of the Kickerillo Mischer Preserve on having won the Houston-Galveston Area Council's Parks and Natural Areas Best Practices Honor Award – Planning Category.

### 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.

Mr. Schindewolf then called on Mr. Nelson to present an update on Phase II of the Authority's Geographical Information System ("GIS") program. Mr. Nelson briefly reviewed the GIS goals and explained the benefits of having the digital data stored in the GIS. Mr. Nelson then outlined Phase I of the GIS and noted that all of the data on 17 water line projects had been entered into the database, along with related easement documents, encroachments and related side letter agreements. Mr. Nelson noted that Phase I encompassed 28.5 miles of pipe, with a total construction value of approximately \$61.3 million.

Concerning Phase II of the GIS program, Mr. Nelson stated that Phase II is comprised of projects scheduled between November 30, 2007 and May 30, 2010 and encompasses 173,000 feet of pipe ranging in size from 16-inches to 60-inches. Mr. Nelson noted that data related to the Spears Road Regional Pump Station and the Louetta Regional Water Plant will also be included in Phase II of the program. Mr. Nelson added that 75 district boundary updates have been completed in the GIS. Mr. Nelson noted that the GIS team is also tracking and entering new well information from data received from the Houston-Galveston Subsidence District.

Mr. Nelson went on to report that the Online Pumpage Reporting System ("OPRS") has been operational during the last three (3) pumpage fee reporting periods and noted that 80% of the well owners are using the OPRS.

Mr. Schindewolf then commended Mr. Nelson and the GIS team and stated that it is great that all of the distribution and transmission system is being entered into the GIS as it is built, and noted that having access to the information will be both time and cost efficient to the Authority, as well as the districts within the Authority.

Concerning the proposed Luce Bayou Interbasin Transfer Project (the "Luce Bayou Project"), Mr. Schindewolf reported that an application for funding for such project was submitted by the Coastal Water Authority (the "CWA") to the Texas Water Development Board (the "TWDB") on December 21, 2007, reflecting the Authority, the West Harris County Regional Water Authority, the North Fort Bend Regional Water Authority and the City of Houston (the "City") as participants. Mr. Schindewolf noted that he had spoken with the CWA Chief Financial Officer on January 31, 2008, and was advised that the TWDB review staff will most likely make their recommendation to the TWDB Board for consideration at the March 24, 2008 meeting.

## 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 first noted that the ROW/easement acquisitions for Project 7C-3 are nearing completion, and that an agreement has been reached with the Windrose Golf Club.

Concerning Project 17 (Segments 1, 2, 3 and 4), Mr. Breeding reported that easement acquisitions are moving along well on Segment 1, and that the January 16, 2008 condemnation hearing went well, and the Authority has Right of Possession on the Katz tract of land. Mr. Breeding next reported that all of the parcels have been settled for Project 17, Segment 2. Concerning Project 17, Segment 3, Mr. Breeding reported that one (1) condemnation hearing is set for February 13, 2008. Mr. Breeding further noted that the ROW/Easement Acquisition Team has also been working on negotiations in connection with the Settlement and Interlocal Agreement between Houston Pipe Line Company, L.P. ("Houston Pipe Line"), the Authority, and Harris County (the "County") regarding parcel acquisitions for Project 17, Segments 3 and 4 (the "Settlement Agreement"), which will be presented for approval later in the meeting.

Mr. Breeding then reported that the ROW/Easement Acquisition Team has forwarded a check and easement agreement to the Burlington Northern Santa Fe Railroad regarding a key parcel in connection with Project 6A-1.

Mr. Breeding then reported on the Texas Landowner's Bill of Rights that was passed during the 80<sup>th</sup> Legislative Session and became effective as of February 1, 2008 (the "Bill of Rights"). Mr. Breeding noted that a memorandum regarding the Bill of Rights had been distributed to the directors, a copy of which is attached hereto. Mr. Breeding stated that the Bill of Rights must be provided to all landowners prior to entering into negotiations to acquire property and prior to any steps toward condemnation being taken. Mr. Breeding noted that he had provided comments during the 80<sup>th</sup> Legislative Session regarding the amendment to the Section 21.0112 of the Texas Property Code.

Mr. Schindewolf thanked Mr. Breeding for his presentation.

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

Mr. Schindewolf then called on Mr. Rolen 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 6A-1 is continuing the submittal process and the work crew is scheduled to mobilize in February.

Mr. Rolan next reported that the contractor for Project 10A has completed the hydrostatic testing of the 48-inch water line, is working on final site cleanup, and has scheduled a final walkthrough of the project in February.

Mr. Rolan went on to report that the contractor for Project 10B has completed an additional 117 feet of the tunnel between Cypress Creek and Cypresswood Drive. Regarding the tunnel under Cypress Creek, Mr. Rolan reported that the contractor is preparing to re-mobilize and start work on the tunnel under Cypress Creek that will run adjacent to the original tunnel. Mr. Rolan also reported that the contractor has decided to work from the original shaft on the south side of the creek and work towards the north side of the creek. Mr. Rolan further reported that to date the contractor has installed 4,819 feet of 42-inch waterline, completed the connection to the ground storage tank and the meter and pressure/flow control stations on the Cypress Klein Utility District water plant site, and completed the installation of the 16-inch and 20-inch water lines.

Mr. Rolan next reported on Project 15A, stating that the contractor installed an additional 1,209 feet of 36-inch water line, for a total of 5,649 feet, and completed an additional 943 feet of primary liner for the 36-inch water line, for a total of 4,870 feet.

Concerning Project 17, Segment 1, Mr. Rolan reported that the pre-construction meeting for such project is scheduled for February and that the contractor has initiated the submittal process.

Mr. Rolan then noted that to date, the Authority has installed a total of approximately 33.1 miles of water line ranging in size from 12-inch to 60-inch.

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

Mr. Rolan then reported that the Groundwater Transfer Program (the "GTP") systems continue to operate effectively, and that approximately 2.10 million gallons of water per day had been sold to Buyer districts during the last month.

Concerning other activities, Mr. Rolan reported that during the prior month, TCB had assisted with efforts concerning the proposed Luce Bayou Project; continued oversight of engineering efforts on 16 projects; provided construction administration and project representatives on Projects 10A, 10B and 15A and construction administration on Projects 6A-1 and 17, Segment 1; supported the acquisition of easements for Authority projects; provided oversight of Severn Trent Environmental Services, Inc.'s operation of the Authority's GTP systems; continued efforts on the possible placement of the 2020 transmission line within the CenterPoint Energy corridor generally along North Beltway 8; and assisted in the development of the draft Letter of Understanding with the Central Harris County Regional Water Authority (the "CHCRWA") concerning the design and construction of facilities to provide surface water to the CHCRWA.

## ATTORNEY'S REPORT AND ELECTION AGENDA

Mr. Schindewolf then introduced Ms. German to the Board.

Ms. Bobbitt reported that Ms. German has been organizing and working on various items for the upcoming May 10, 2008 Directors Election, including polling locations and joint election matters. Ms. Bobbitt explained that the County is not conducting any elections and, therefore, Ms. German has contacted Mr. Howard Katz, legal counsel for many Emergency Services Districts, including Harris County Emergency Services District Nos. 7, 9 and 11 that overlay the boundaries of the Authority, which are conducting elections on May 10, 2008, to determine if the Authority could contract to hold a joint election with such entities. Ms. German then explained that the U. S. Department of Justice encourages entities to have joint elections to make voting easier for the voters. Ms. Bobbitt noted that the deadline for a candidate's application to be on the ballot is 5:00 p.m. on Monday, March 10, 2008, and that the deadline to file as a write-in candidate is 5:00 p.m. on Monday, March 17, 2008.

Director Pulliam then asked if the amount budgeted for the Directors Election is adequate. Ms. Bobbitt responded that the amount was a very conservative estimate, but that the budget can be amended at any time it is determined that the election expense line item is too low.

Director Fessler then asked if the County will ever conduct another election for the Authority. Ms. German responded that if the County holds a countywide election on the same date as the Authority's election date in the future, the County may agree to hold the election for the Authority.

Ms. Bobbitt then stated that the Order Calling Directors Election will be presented at the March meeting for adoption, and that the Board will be asked to set a date for canvassing of the May 10, 2008 election.

## REGULAR AGENDA

### APPROVAL OF THE MINUTES

Director Pulliam then asked for approval of the regular meeting minutes of January 7, 2008, previously distributed to the Board. Upon motion by Director Graham, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting minutes of January 7, 2008, 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 the 12 months ending December 31, 2007, a copy of which is attached hereto. Ms. Plunkett noted that the Authority had continued to operate under budget for the month ended December 31, 2007.

Director Graham noted that it seemed as though many of the checks were for larger amounts than usual. Ms. Plunkett stated that in order to accrue the year 2007 payables, more invoices were finalized and recommended for payment.

Upon motion by Director Sigler, seconded by Director Fessler, 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.

APPROVE AND AUTHORIZE EXECUTION OF PROPOSED SETTLEMENT AGREEMENT AND AUTHORIZE GENERAL MANAGER TO NEGOTIATE AND FINALIZE SAME

Mr. Schindewolf then noted that Tab 6 contains the proposed Settlement Agreement and a Letter of Intent prepared by Andrews Kurth that was discussed earlier in the meeting, copies of which are attached hereto. Upon motion by Director Fessler, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Settlement Agreement and Letter of Intent, and to authorize the General Manager to negotiate and finalize the Settlement Agreement.

REVIEW AND APPROVE THE INTERLOCAL AGREEMENT FOR DESIGN AND CONSTRUCTION OF WATER LINE FACILITIES BY AND BETWEEN THE CHCRWA AND THE AUTHORITY (THE "INTERLOCAL AGREEMENT")

Mr. Schindewolf next reported that Tab 7 contains a memorandum regarding the proposed Interlocal Agreement, a copy of which is attached hereto. Mr. Schindewolf noted that Mr. Wallick, engineer for the CHCRWA, had contacted the Authority concerning the possibility of the Authority constructing a portion of the secondary surface water distribution system needed by the CHCRWA to provide surface water to its Member Districts in 2010. Mr. Schindewolf noted that the construction would be added to the Authority's Project 17, Segment 3 and the Spears Road Regional Pump Station, and that the CHCRWA would reimburse the Authority for their portion of the construction costs. Mr. Schindewolf further noted that construction of this portion of the water line is not covered in either of the agreements previously entered into with CHCRWA. Mr. Schindewolf recommended that the Board approve the Letter of Understanding (the "LOU"), a copy of which is attached to the memorandum, and advised them that an amendment to the 2004 Agreement for Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities (the "Joint Financing Agreement") will be necessary in order to address the construction of the CHCRWA's secondary surface water distribution line, as well as other issues that have arisen since the Joint Financing Agreement was written.

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 authorize execution of the LOU.

CONFIRM UPCOMING MEETING DATE

Director Pulliam then stated that the next regular meeting of the Board will be held on Monday, March 3, 2008, at 7:00 p.m. at the Authority's office.

PUBLIC COMMENT

Mr. Schindewolf then addressed a public comment card submitted by Mr. Bob Koperwhats of Harris County Water Control & Improvement District No. 91, a copy of which is attached hereto. Mr. Koperwhats asked if the price paid by the Authority to sellers of water would rise above \$1.75/1,000 gallons. Mr. Rolen responded that there is a pricing formula for sellers of water that is \$0.91, plus the pumpage fee that is currently in effect at the time the water is sold to the Authority.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 3<sup>rd</sup> day of March, 2008.



Secretary, Board of Directors

