

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
May 5, 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 5th day of May, 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, except Director Rendl, thus constituting a quorum. Also attending the meeting were: Ms. 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; Messrs. Eugene Shepherd and Duncan Lamme of RBC Dain Raüschler Inc., financial advisors for the Authority; Messrs. Tom Rolen, P.E., Steve Berkenhoff, P.E. and Doug Schmidt, P.E. of TCB INC. ("TCB"), Program Manager for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Scott Fair of CLR, 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. Buddy Barnes, P.E. of Jacobs Carter Burgess, on-call engineers for the Authority; Mr. R. Gary Montgomery, P.E., of Montgomery & Associates, LLC; Mr. Ralph Cox, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operators for the Authority; Messrs. Michael G. Bartolotta and Trey Cash of First Southwest Company, co-senior managing underwriter for the Authority; Mr. Mark Breeding of Andrews Kurth LLP ("Andrews Kurth"), right-of-way ("ROW")/easement acquisition attorneys for the Authority; Messrs. Bob Collie and Marcus Deitz, attorneys of Andrews Kurth, co-bond counsel for the Authority; Mr. Mark McGrath of Null-Lairson, P.C., 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.

PUBLIC COMMENTS

Mr. Schindewolf reported that a blue public comment card had been submitted by Mr. David Granadino of Harris County Municipal Utility District No. 150, a copy of which is attached hereto. Mr. Schindewolf noted that the question related to the chloramine disinfection process prior to the 2010 surface water conversion. Mr. Schindewolf stated that Mr. Rolan would respond to the question during his Program Manager's Report.

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 March. Ms. Payne reported that during the past month, there had been 62,147 hits on the Authority's website.

Concerning community outreach, Ms. Payne reported that Director Rendl gave presentations to groups at Holy Comforter Church on April 15th, the Spring First Church on April 19th, and to an AARP Group at Spring Baptist Church on April 24th.

Ms. Payne went on to report that the Mobile Teaching Lab visited Heritage, Winship, Reynolds, Lewis and Salyers elementary schools in the Spring Independent School District ("ISD") and Khorville and Ehrhardt elementary schools in the Klein ISD.

Ms. Payne next reported that the teachers of Spring ISD have requested 2,500 additional copies of Water Is Life coloring books and 10 new classroom sets of the Journey to Pansophigus materials. Ms. Payne encouraged new sponsors to participate in order to meet these requests.

Ms. Payne also announced that the Klein ISD has called to reserve the Mobile Teaching Lab for the 2008-2009 school year.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then reviewed the General Manager's Report with the Board, a copy of which is attached hereto.

Concerning the proposed Luce Bayou Interbasin Transfer Project, Mr. Schindewolf reported that there was nothing new to report tonight, but that he will have an update at the June 2nd meeting.

STATUS OF ROW/EASEMENT ACQUISITIONS

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

Mr. Breeding reported that there is one (1) pending litigation case concerning the meter station site for Project 17, Segment 1; one (1) pipeline company acquisition being negotiated for Project 17, Segment 2; one (1) parcel of land to settle in Project 17, Segment 3; and that the Special Commissioners hearing on the Authority's transmission line crossing a mobile home park in Project 17, Segment 4 resulted in an award in the amount the Authority had initially offered.

Concerning Project 15B, Mr. Breeding reported that three (3) cases settled last Thursday and everything is in good shape on such project.

Mr. Breeding further noted that all parcels have been acquired for Project 7C-3.

UPDATE ON FINANCIAL MATTERS

Mr. Schindewolf noted that Tab 3 of the meeting packet contains the proposed schedule for the issuance of the Authority's Senior Lien Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), a copy of which is attached hereto. Mr. Schindewolf noted that Mr. John Howell was unable to attend tonight's meeting, and stated that Messrs. Shepherd and Lamme are in attendance to review the schedule. Mr. Lamme reviewed the proposed schedule, which anticipates the adoption of the Bond Resolution at the July 7th meeting and a review of the terms of the sale of the Series 2008 Bonds at the August 4th meeting. Mr. Lamme noted that the Series 2008 Bonds will be in the range of \$200 million, and that the sizing of the issue will be determined in July after hearing from the districts regarding the capital contributions that will be made. Mr. Lamme stated that Notice Letters will be mailed out tomorrow to notify each eligible district of the Authority's intention to issue the Series 2008 Bonds, and to offer them an option to make a capital contribution.

UPDATE ON EFFECT OF RECENT INSURER RATINGS DOWNGRADES ON THE AUTHORITY'S DEBT SERVICE RESERVE FUND

Mr. Schindewolf next noted that Tab 4 of the meeting packet contains a copy of memorandums prepared by Mr. Schindewolf and Mr. Collie that were distributed April 16th and April 15th respectively, copies of which are attached hereto. Mr. Schindewolf then called on Mr. Deitz to discuss the effect the recent insurer ratings downgrades have on the Authority's Series 2003 Bonds and Series 2005 Bonds. Mr. Deitz stated that the ratings downgrading of the Federal Guaranty Insurance Company (the "FGIC") on March 26, 2008 to below an "A" rating affects the Authority's Series 2003 Bonds. Mr. Deitz explained that as a result of the FGIC downgrades, the surety policy currently held for the Debt Service Reserve Fund (the "Reserve Fund") does not satisfy the requirements of the Master Resolution Authorizing the Issuance of Bonds. Mr. Deitz noted that the Authority's financial advisors and co-bond counsels are evaluating appropriate options to either 1) satisfy that portion of the Reserve Fund requirement applicable to the Series 2003 Bonds with another surety bond, insurance policy or letter of credit, or 2) fund that portion of the Reserve Fund requirement applicable to the Series 2003 Bonds with cash. Mr. Deitz noted that the following

insurers currently have acceptable ratings: 1) Financial Security Assurance Inc.; 2) MBIA, Inc. ("MBIA"); and 3) Assured Guaranty Corp.

Mr. Deitz reported that MBIA insured the Authority's Series 2005 Bonds, that they continue to be rated "AAA" by Standard & Poor's Ratings Services and Moody's Investors Services, and that the Authority will not need to take action to replace the surety bond unless the insurer strength rating falls below "A".

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

Mr. Rolan first reported that the contractor for Project 6A-1 has installed 2,378 feet of 16-inch line, installed 341 feet of 30-inch pipe and is working on tunnels.

Mr. Rolan next reported that the contractor for Project 7C-3 was issued a Notice to Proceed effective April 28, 2008 and is working on submittals.

Mr. Rolan went on to report that the contractor for Project 10B has installed the final 608 feet of 42-inch water line and completed the tunnel under Cypress Creek. Mr. Rolan stated that the contractor is testing the pipe and working on site restoration.

Mr. Rolan next reported on Project 15A, stating that the contractor had installed the final 931 feet of 36-inch water line, for a total of 10,496 feet, and is testing the pipe and working on site restoration.

Concerning Project 16, Mr. Rolan reported that the contractor's Notice to Proceed will be issued this month and that the contractor is working on submittals.

Mr. Rolan reported that the contractor for Project 17, Segment 1 is digging the shafts for the Greens Bayou crossing, had cleared the proposed meter station site and had begun receiving pipe.

Mr. Rolan then noted that to date, the Authority has installed a total of approximately 34.7 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolan went on to report that eight (8) bids were received and opened on April 22, 2008 for the construction of Project 17, Segment 2, ranging in cost from \$5,689,415.55 to \$7,762,999.99. Mr. Rolan stated that the project consists of the installation of approximately 7,800 feet of 54-inch water line along Spears Road/West Rankin Road from River Laurel to Harris County Flood Control District Unit P145-00-00. Mr. Rolan further noted that substantial completion of the project is

specified within 230 calendar days. Mr. Rolan then reported that E. P. Brady, Ltd. ("E. P. Brady") had submitted the low bid on the project in the amount of \$5,689,415.55. Mr. Rolan noted that TCB tabulated the bids and reviewed the qualification statements and experience information submitted and, based on such review, recommends that the construction contract be awarded to E. P. Brady. Mr. Rolan stated that award of the construction contract for Project 17, Segment 2 is on the agenda for action by the Board later in the meeting.

Mr. Rolan then reported that the Groundwater Transfer Program (the "GTP") systems continue to operate effectively, and that approximately 1.99 million gallons of water per day had been sold to Buyer districts.

Mr. Rolan then addressed the chloramine disinfection question asked by Mr. Granadino earlier in the meeting. Mr. Rolan reported that he had met with representatives of the Texas Commission on Environmental Quality (the "TCEQ") on Friday, May 2, 2008, to discuss the appropriate measures that districts will need to take to prepare for the 2010 surface water conversion. Mr. Rolan stated that if a district is scheduled to receive surface water in 2010, the District must request TCEQ permission/approval of the district's chloramine disinfection system. If a district slated to receive 2010 surface water has water interconnects with other districts, the district must notify all of those districts about the pending implementation of their chloramine disinfection system and use of surface water disinfected using chloramines. If a district has interconnects with other districts that are not scheduled to receive surface water in 2010, the district will need to work out an agreement with that district which complies with the TCEQ requirements. Mr. Rolan commented that in the last scenario, a district may need to terminate use of an interconnect until such time the other district receives surface water or converts to chloramines disinfection and all TCEQ requirements are met. Mr. Rolan then stated that the Authority plans to work both with the TCEQ and the districts regarding this chloramine disinfection issue.

Concerning other activities, Mr. Rolan reported that during the prior month, TCB assisted with the compilation of the package on chloramine disinfection, which was sent to the well owners in the 2010 surface water conversion area; assisted the Authority in the preparation for the upcoming bond sale; continued oversight of engineering efforts on 13 projects; received bids on Project 17, Segment 2; provided construction administration and project representatives on Projects 6A-1, 7C-3, 10B, 15A and 17, Segment 1 and construction administration on Projects 4C, 10A, 16 and 17, Segment 2; supported the acquisition of easements for Authority projects; provided oversight of STES operation of the Authority's GTP systems; coordinated efforts to add Harris County Water Control and Improvement District No. 119 ("HCWCID No. 119") and Bilma Public Utility District ("Bilma PUD") as Buyers in the GTP; and continued preparation of the annual report and application for renewal of the Authority's Harris County Master Storm Water Quality Permit.

Mr. Rolan further reported that the Authority received permission from the TCEQ to sell water to HCWCID No. 119, and that such water will be passed through to Harris County Municipal Utility District No. 367 until Project 6A-1 is built.

Mr. Rolan then reported that Water Well No. 1 in Bilma PUD had failed in April, and that the Authority acted quickly to process a Groundwater Transfer Agreement – Buyer with Bilma PUD and

delivered such agreement to the TCEQ on May 2, 2008. Mr. Rolan stated that he anticipates TCEQ approval to sell water to Bilma PUD by June 1st and, in the interim, STES is preparing the transmission line for service.

Director Pulliam then asked if there was a cost overrun for Project 10B. Mr. Rolan responded that he has not seen an overrun to date.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she had nothing to report at this time.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Pulliam then asked for approval of the regular meeting minutes of April 7, 2008, previously distributed to the Board. 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 minutes of the regular meeting of April 7, 2008, as written.

REVIEW AND APPROVE AUDIT REPORT

Mr. Schindewolf then called on Mr. McGrath to review the draft of the Authority's audit report for the fiscal year ended December 31, 2007, a copy of which is attached hereto. Mr. McGrath noted that his review of the Authority's books and records has resulted in an excellent report for the Authority, and complimented the Authority's financial and administrative staff on a job well done. Mr. McGrath further stated that the Authority's staff does an excellent job of handling the Authority's financial matters with a limited number of staff.

Mr. McGrath then briefly reviewed the draft of the Authority's audit report for the fiscal year ended December 31, 2007, a copy of which is attached hereto. 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 audit report for the fiscal year ended December 31, 2007, and to authorize filing of same with the appropriate governmental authorities.

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 three (3) months ending March 31, 2008, a copy of which is attached hereto. Ms. Plunkett noted that the Authority had continued to operate under budget for the month ended March 31, 2008. 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 approve the Financial Report, the monthly investment report and the checks being presented for payment.

AUTHORIZE FINANCIAL ASSISTANT TO UPDATE CONTINUING DISCLOSURE

Ms. Plunkett then requested authorization to prepare and file the District's continuing disclosure materials with the Nationally Recognized Municipal Securities Information Repositories and any applicable State Information Depository, pursuant to Securities and Exchange Commission Rule 15c2-12. 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 authorize the Financial Assistant to prepare and file the Authority's continuing disclosure materials.

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 17, SEGMENT 2

Mr. Schindewolf then explained that, as reported by Mr. Rolen earlier in tonight's meeting, eight (8) bids were received on April 22, 2008 for Project 17, Segment 2 for the construction of a 54-inch line along Spears/West Rankin Road. Mr. Schindewolf recommended award of the construction contract to the lowest qualified bidder, E. P. Brady, in the amount of \$5,689,415.55. 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 award the construction contract for Project 17, Segment 2 to E. P. Brady. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence are attached hereto.

Mr. Schindewolf then recognized Mr. Dan Brady, President of E. P. Brady, as being in attendance at tonight's meeting. Mr. Brady noted that this would be his fourth (4th) construction project for the Authority.

ADOPT RESOLUTION MAKING OFFICIAL FINDINGS CONCERNING ISSUANCE OF DEBT AND ESTABLISHING PROCEDURES FOR UTILITY DISTRICTS TO MAKE CAPITAL CONTRIBUTIONS (BOND ISSUE NO. 3, SERIES 2008) (THE "CAPITAL CONTRIBUTION RESOLUTION")

Mr. Schindewolf then noted that Tab 10 of the meeting packet includes the proposed Capital Contribution Resolution, a copy of which is attached hereto. Mr. Schindewolf next explained that as part of the process involving the Authority's third (3rd) bond issue, the utility districts will be provided with the opportunity to provide their pro rata share of the capital costs included in such bond issue by making a capital contribution to the Authority. Mr. Schindewolf then called on Ms. Bobbitt to explain the capital contributions process.

Ms. Bobbitt then reviewed the Capital Contribution Resolution and noted that the amount of the pro rata capital contributions for each utility district are included in Attachment 3 of such Resolution. Ms. Bobbitt also noted that the cost allocations were calculated based on actual 2007 pumpage figures, and that the pro rata shares had been determined based on an estimated project cost of \$224.5 million, excluding costs of issuance. Ms. Bobbitt then reviewed the timeline for utility districts desiring to make capital contributions. Ms. Bobbitt explained that the Notice Letters will be mailed to the utility districts on May 6, 2008, and that the Intent Resolution of any district desiring to make a capital contribution must be filed with the Authority on or before June 30, 2008. Ms. Bobbitt went on to explain that a fully executed Capital Contribution Contract will be prepared by the

Authority for a district filing an Intent Resolution and must be delivered back to the Authority by July 31, 2008, and that capital contribution payments must be deposited with the Authority on or before October 1, 2008, all of which is outlined in the Capital Contribution Resolution.

Mr. Bob Koperwhats of Harris County Water Control and Improvement District No. 91 asked what advantage the capital contribution is to a utility district. Ms. Bobbitt explained that if a capital contribution is made, the utility district receives a credit calculation on that district's pumpage fees.

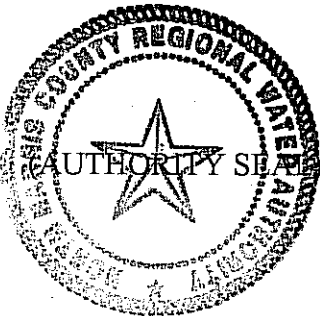
Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Capital Contribution Resolution, a copy of which is attached hereto. It was noted that the Capital Contribution Resolution and related items will be immediately posted on the Authority's website.

CONFIRM UPCOMING MEETING DATE

Director Pulliam then stated that the next regular meeting of the Board will be held on Monday, June 2, 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 2nd day of June 2008.





Secretary, Board of Directors