

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
June 2, 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 2nd day of June, 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: District 150 State Representative Debbie Riddle and her husband, Mr. Mike Riddle; 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; Messrs. Gene Shepherd and Duncan Lamme of RBC Capital Markets Corporation, financial advisors for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisors for the Authority; Messrs. Tom Rolen, 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. John Peyton of CLR, Inc. ("CLR"), on-call engineers for the Authority; Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Dave Scholler of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, 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 ("Jacobs"), on-call engineers 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; Mr. Marcus Deitz, attorney, of Andrews Kurth, co-bond counsel 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 first noted that two (2) weeks ago, Mr. Schmidt took him on a tour of Project 17 along Greens Bayou to the pumping station. Director Pulliam went on to report that last Friday, Mr. David Ellett of BRH-Garver Construction, L.P. took him on a tour of the first tunnel on Project 17 at Greens Bayou, at which time he observed the assembly of the 70-inch diameter German micro-tunneling machine. Director Pulliam stated that Project 17 is an amazing construction project. A copy of Director Pulliam's message is attached hereto.

SWEARING-IN CEREMONY FOR DIRECTORS PULLIAM AND FESSLER

Mr. Schindewolf then introduced Representative Riddle and Mr. Riddle. Representative Riddle then administered the oaths of office to Directors Pulliam and Fessler. Copies of the oaths of office and statements of elected officers are attached hereto. It was noted that a copy of the oaths of office will be filed with the Secretary of State's office, pursuant to Article XVI, Section 1 of the Texas Constitution.

Representative Riddle and Mr. Riddle then exited the meeting at 7:07 p.m.

BOARD MEMBER COMMENTS

Director Rendl then commented that during his recent travels through Australia, New Zealand and Fiji, it was apparent that there is a shortage of water. Director Rendl noted that during the trip, he visited several places where there were timers on the showers and other steps being taken to reduce and/or limit water usage. Director Rendl further commented that Americans are very fortunate to have a bountiful supply of water.

PUBLIC COMMENTS

Mr. Schindewolf next noted that a blue public comment card had been submitted by Mr. Jim Holarth of Prestonwood Forest Utility District ("Prestonwood"), a copy of which is attached hereto. Mr. Schindewolf noted that the question relates to the Authority's letter dated May 6, 2008 regarding capital contributions. Mr. Schindewolf explained that Mr. Holarth wants to know how the Authority will calculate the pumpage fees for districts that do not make capital contributions. Mr. Schindewolf then asked Ms. Bobbitt to respond to the question. Ms. Bobbitt explained that districts who make capital contributions receive a credit that can be applied against the pumpage fees.

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 May. Ms. Payne reported that during the past month, there had been 65,026 hits on the Authority's website.

Concerning community outreach, Ms. Payne reported that Director Rendl will speak to the Houston Northwest Chamber of Commerce Public Affairs Committee on June 18th.

Ms. Payne went on to report that the Mobile Teaching Lab visited 27 schools during the 2007/2008 school year. Ms. Payne stated that the Mobile Teaching Lab is in the process of being refurbished for the 2008/2009 school year.

Ms. Payne then announced that Mr. Barnes has arranged for Jacobs to donate the Water Is Life coloring books for all of the elementary schools in the Spring Independent School District, and that Harris County Water Control and Improvement District No. 91 has committed to donating the Journey to Pansophigus books to be used at Ponderosa Elementary School.

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 (the "Luce Bayou Project"), Mr. Schindewolf reported that he had spoken to the Coastal Water Authority's (the "CWA") Chief Financial Officer on May 29, 2008, and was advised that the CWA attorneys are working on the first draft of an agreement by and between the CWA and the City of Houston (the "City") that will be submitted to the City for review and comment in the next few days. Mr. Schindewolf added that negotiations regarding the draft supplemental agreement between the City and the Regional Authorities regarding the Luce Bayou Project are moving forward.

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 first reported that there is one (1) pending litigation case concerning the meter station site for Project 17, Segment 1; one (1) pending litigation case to settle in connection with Project 17, Segment 3; and two (2) matters pending regarding the Authority's transmission line crossing a mobile home park and a vacant tract of land in Project 17, Segment 4.

Concerning Project 15B, Mr. Breeding reported that 10 cases have been settled, one (1) case will be cited by publication since the owner cannot be found, and that there are two (2) pending condemnation cases.

Mr. Breeding next reported that the ROW/Easement Acquisition Team has begun work on easement acquisitions for Project 11 that will cross from Kuykendahl Road to Ella Boulevard north of FM 1960; Project 14A, which is a short segment along Cypresswood Drive; and Project 14B, which is another short segment that will connect with Project 7A east of Ella Boulevard.

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 installed an additional 2,952 feet of 30-inch pipe and continues working on tunnels.

Mr. Rolan next reported that the contractor for Project 7C-3 is performing site preparation work and working on submittals.

Mr. Rolan went on to report that the contractor for Project 10B has installed the final 72 feet of 42-inch water line, completed testing of the pipe and is working on site restoration.

Mr. Rolan next reported on Project 15A, stating that the contractor is working on the final punch-list items and working on site restoration.

Concerning Project 16, Mr. Rolan reported that the Notice to Proceed was issued to the contractor effective June 2, 2008, and that the contractor is currently working on submittals.

Mr. Rolan further reported that the contractor for Project 17, Segment 1 is digging the shafts for the Greens Bayou crossing, tunneling under Rush Creek Drive, made the tie-in to the Greens Road water line and installed 850 feet of 54-inch water line during the prior month.

Concerning Project 17, Segment 2, Mr. Rolan stated that the contractor received the Notice to Proceed effective June 2, 2008 and is working on submittals.

Mr. Rolan then noted that to date, the Authority has installed a total of approximately 35.5 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolan went on to report that 10 bids were received and opened on March 11, 2008 for the construction of Project 4C, ranging in cost from \$961,830.57 to \$1,439,862.50. Mr. Rolan stated

that the project consists of the installation of approximately 4,000 feet of 16-inch water line and the connection to Prestonwood Water Plant No. 1. Mr. Rolan further noted that substantial completion of the project is specified within 240 calendar days. Mr. Rolan further explained that Metro City Construction, L.P. ("Metro City") had submitted the low bid on the project in the amount of \$961,830.57. 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 Metro City. Mr. Rolan stated that award of the construction contract for Project 4C is on the agenda for action by the Board later in tonight's meeting.

Mr. Rolan then reported that the Groundwater Transfer Program (the "GTP") systems continue to operate effectively, and that approximately 2.33 million gallons of water per day had been sold to Buyer districts. Mr. Rolan added that service to Harris County Water Control and Improvement District No. 119 ("HCWCID 119") has been initiated, and that he expects to receive approval from the Texas Commission on Environmental Quality to sell water to Bilma Public Utility District ("Bilma PUD") within the next two (2) to three (3) days.

Concerning other activities, Mr. Rolan reported that during the prior month, TCB assisted the Authority with preparations for the upcoming bond sale; continued oversight of engineering efforts on 14 projects; provided construction administration and project representatives on Projects 6A-1, 7C-3, 10B, 15A and 17, Segment 1 and construction administration on Projects 2, Construction Package No. 1, 4C, 16 and 17, Segments 2 and 3; supported the acquisition of easements for Authority projects; provided oversight of Severn Trent Environmental Services, Inc. operation of the Authority's GTP systems; initiated delivery of water to HCWCID 119; coordinated efforts to add Bilma PUD as a Buyer in the GTP; and completed preparation of the annual report and submitted the application for renewal of the Authority's Master Storm Water Quality Permit with Harris County.

Director Rendl then commented that it is significant that the Authority was able to change a Seller district into a Buyer district. Director Pulliam asked why Bilma PUD changed to a Buyer district. Mr. Rolan explained that Bilma PUD had originally planned to sell water to the Authority, but that one of its wells failed and, therefore, Bilma PUD needs to buy water from the Authority.

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 May 5, 2008, previously distributed to the Board. 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 approve the minutes of the regular meeting of May 5, 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 four (4) months ending April 30, 2008, a copy of which is attached hereto. Ms. Plunkett noted that the Authority had continued to operate under budget for the month ended April 30, 2008. 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 Financial Report, the monthly investment report and the checks being presented for payment.

APPROVE AND AUTHORIZE EXECUTION OF INTERLOCAL COST SHARING AGREEMENT BY AND BETWEEN THE AUTHORITY AND PRESTONWOOD REGARDING THE CONNECTION 1 ALTERNATIVE (THE "INTERLOCAL AGREEMENT")

Mr. Schindewolf then reported that Prestonwood had approved the proposed Interlocal Agreement at its May 27, 2008 meeting. Mr. Schindewolf explained that Prestonwood is located within the Authority's 2010 surface water conversion area. Mr. Schindewolf noted that the Authority had engaged CLR to conduct an alignment study to determine the most feasible route to construct the water line that would connect one (1) of the two (2) Prestonwood Water Plants to Project 4. Mr. Schindewolf further explained that CLR had reviewed the two (2) alternative routes, the least expensive route being to connect at Prestonwood's Water Plant No. 2, but that Prestonwood had expressed a preference for the Authority to construct the water line to their Water Plant No. 1. Mr. Schindewolf added that the Interlocal Agreement provides that Prestonwood will pay the additional cost to connect to Water Plant No. 1.

Director Fessler then asked why Prestonwood chose the more expensive route alternative. Mr. Rolan responded that Prestonwood plans to expand its Water Plant No. 1, and felt that water plant could better serve it in terms of using surface water. Director Rendl noted that it was nice that the Authority had the flexibility to work with Prestonwood concerning the connection.

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 Interlocal Agreement, a copy of which is attached hereto.

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 4C

Mr. Schindewolf then explained that, as reported by Mr. Rolan earlier in tonight's meeting, 10 bids were received on March 11, 2008 for Project 4C for the construction of approximately 4,000 feet of 16-inch line and the connection to Prestonwood's Water Plant No. 1. Mr. Schindewolf recommended award of the construction contract to the lowest qualified bidder, Metro City, in the amount of \$961,830.57. 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 award the construction contract for Project 4C to Metro City. Copies of Mr. Schindewolf's and Mr. Rolan's correspondence regarding the contract award are attached hereto.

Mr. Schindewolf then recognized Mr. Rob Ovalle of Metro City as being in attendance at tonight's meeting.

ADOPT RESOLUTION AUTHORIZING CERTAIN ACTIONS IN CONNECTION WITH THE RESERVE FUND OF THE AUTHORITY SENIOR LIEN REVENUE BONDS, SERIES 2003 (THE "SERIES 2003 BONDS") (THE "RESOLUTION")

Mr. Schindewolf then noted that Tab No. 8 of the meeting packet includes the proposed Resolution and related memorandums from Andrews Kurth regarding the effect of recent insurer ratings downgrades, copies of which are attached hereto. Mr. Schindewolf then asked Mr. Howell to discuss what must be done in order to satisfy the requirements of the Master Resolution Authorizing the Issuance of Bonds (the "Master Resolution"). Mr. Howell stated that the ratings downgrade of Federal Guaranty Insurance Company ("FGIC") on March 26, 2008 to below an "A" rating affects the Authority's Series 2003 Bonds. Mr. Howell noted that the Authority's financial advisors and co-bond counsel have evaluated the following three options: 1) satisfy that portion of the Debt Service Reserve Fund (the "Reserve Fund") requirement applicable to the Series 2003 Bonds with a AAA letter of credit; 2) borrowing funds from a local bank to fund the Reserve Fund; or 3) make monthly payments over the next 12 months to the Reserve Fund. Mr. Howell then recommended that the Authority make the monthly payments to the Reserve Fund over the next 12 months.

Mr. Schindewolf noted that Tab No. 8 also contains a memorandum prepared by Ms. Plunkett that provides an excellent summary of the situation.

Director Graham then asked the amount of the premium for the insurance policy on the Authority's Series 2003 Bonds. Mr. Lamme responded that the premium was \$272,000. Director Graham inquired if the Authority can obtain a refund for any portion of the premium. Mr. Howell stated that the Authority cannot obtain a refund on any portion of the premium, and noted that the insurance policy is still in effect but, due to the requirements of the Master Resolution, the Authority must pay more money into the Reserve Fund.

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 adopt the Resolution.

UPDATE ON CAPITAL CONTRIBUTIONS

Ms. Plunkett noted that Tab No. 9 of the meeting packets contains a status sheet on the capital contributions, and stated that no contracts have been received to date. A copy of the status sheet is attached hereto.

ELECTION OF OFFICERS

Director Pulliam then opened the meeting to nominations for the officers of the Board. Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Fessler as President, Director Pulliam as Vice President, Director Graham as Secretary, Director Sigler as Treasurer, and Director Rendl as Assistant Secretary of the Board.

CONFIRM UPCOMING MEETING DATE

Director Pulliam then stated that a special meeting of the Board will be held on Monday, June 23, 2008, and that the next regular meeting of the Board will be held on Monday, July 7, 2008, both meetings to be 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 7th day of July 2008.

Lon Graha

Secretary, Board of Directors

