

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
August 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 4th day of August, 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:

Kelly P. Fessler	President
James D. Pulliam	Vice President/Investment Officer
Ron Graham	Secretary
Lenox A. Sigler	Treasurer
Alan J. Rendl	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; 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. Carl D. McConnell, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. W. John Seifert, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. John Peyton of CLR, Inc., on-call engineers for the Authority; Ms. Melinda Silva of Brown & Gay Engineers, Inc., 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. 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. Art Morales of Ramirez & Co., Inc., co-underwriter for the Authority in connection with the Authority's Senior Lien Revenue Bonds, Series 2008 (the "Series 2008 Bonds"); 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; 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 noted that one (1) blue public comment card had been submitted by Mr. Bob Koperwhats of Harris County Water Control and Improvement District ("WCID") No. 91, a copy of which is attached hereto. Mr. Koperwhats questioned whether the Authority would consider increasing the price it pays to utility districts selling water to the Authority to cover the increased electrical costs the districts are incurring to pump water. Mr. Schindewolf stated that he would take the question under advisement.

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 June. Ms. Payne noted that during the past month, there had been 74,160 hits on the Authority's website.

Concerning community outreach, Ms. Payne reported that Director Rendl will speak at the Houston Northwest Chamber of Commerce general membership luncheon next week. Ms. Payne further reported that she is planning a meeting with the Klein Independent School District ("ISD") Science and Social Studies Coordinators on August 12, 2008, and that there is a community event on August 14th in Spring West Municipal Utility District ("MUD").

Ms. Payne then reported that the NWP Services Corporation in San Antonio that serves property owners/managers/residents of multi-family residential complexes has asked permission to include the Authority's Conservation Kid video on their website.

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 Luce Bayou Interbasin Transfer Project (the "Luce Bayou Project"), Mr. Schindewolf reported that he had spoken with the Coastal Water Authority's (the "CWA") Chief Financial Officer earlier this week and was told that the first draft of a proposed funding agreement between the CWA and the City of Houston (the "City") is in the process of being reviewed by City representatives.

Mr. Schindewolf added that negotiations with the Authority, the West Harris County Regional Water Authority, the North Fort Bend Regional Water Authority and the Central Harris

County Regional Water Authority regarding the proposed supplemental agreement with the City concerning the Luce Bayou Project are ongoing.

Mr. Schindewolf next reported that he, Messrs. Nelson, Rolen, Tony Bennett, Mike Baugher and Steve Bresnen had met with high level representatives of the Texas Commission on Environmental Quality (the "TCEQ") on July 29, 2008 to discuss the implementation of the 2010 surface water conversion process, with particular emphasis on developing a mutually agreeable plan for streamlining and expediting the plan review process for utility districts that are required to install chloramination systems in order for those utility districts to receive surface water from the Authority. Mr. Schindewolf stated that Mr. Bresnen had prepared a memorandum summarizing the July 29th meeting with the TCEQ, a copy of which is behind Tab 2 of the meeting packet and attached hereto. Mr. Schindewolf indicated that he was generally satisfied with the meeting with the TCEQ, and that he and Mr. Rolen will be following up with the TCEQ on the proposed plan review process.

STATUS OF ROW/EASEMENT ACQUISITIONS

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

Mr. Breeding first reported that a trial has been set on January 15, 2009 for the one (1) pending litigation case in connection with the meter station site for Project 17, Segment 1, and that all of the necessary parcels have been acquired for Project 17, Segment 2. Mr. Breeding went on to report that a trial has been set on November 3, 2008 for the one (1) pending litigation case for Project 17, Segment 3, and that there is one (1) parcel still pending for Project 17, Segment 4.

Concerning Project 15B that connects Projects 1A and 16, Mr. Breeding reported that there are two (2) parcels remaining to be acquired through the condemnation process.

Mr. Breeding next reported that the ROW/Easement Acquisition Team is working on various acquisitions regarding Project 11, which will cross from T. C. Jester Boulevard to Ella Boulevard north of FM 1960.

Concerning Project 14A, which is a short segment along Cypresswood Drive, Mr. Breeding stated that there is at least one (1) parcel remaining to be acquired through the condemnation process and several other parcels to acquire, hopefully by voluntary acquisition.

Mr. Breeding then reported that the property owner along the Project 14B route, which is another short segment that will connect with Project 7A east of Ella Boulevard, is causing some problems, but that negotiations with CenterPoint Energy and Spring ISD have been or are being completed.

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. Mr. Schindewolf noted that Mr. Rolen

and his staff have discussed emergency weather measures with the various construction contractors regarding Tropical Storm Edouard.

PROGRAM MANAGER'S REPORT

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

Mr. Rolan noted that the acceptance of Project 15A was on the agenda for action by the Board later in the meeting.

Mr. Rolan first reported that the Notice to Proceed was issued on July 18, 2008 to the contractor for Project 2, Construction Package No. 1, which is the construction of a portion of the Spears Road Regional Pump Station, and that the contractor is working on submittals.

Concerning Project 4C, Mr. Rolan reported that to date, the contractor has installed 2,125 feet of 16-inch water line.

Mr. Rolan then reported that the contractor for Project 6A-1 has installed an additional 2,904 feet of 30-inch line and an additional 269 feet of 16-inch line, bringing the total lengths of installed lines to 8,883 feet and 2,626 feet, respectively.

Mr. Rolan next reported that the contractor for Project 7C-3 has installed an additional 1,646 feet of 30-inch line and is working on the tunnels associated with such project.

Mr. Rolan went on to report that the contractor for Project 10B is completing the final punch list items and is establishing the ground cover.

Mr. Rolan next reported that Project 15A is complete and acceptance of the project is on tonight's agenda.

Concerning Project 16, Mr. Rolan reported that the contractor has installed 1,606 feet of 54-inch line and is working on the tunnels.

Mr. Rolan further reported that the contractor for Project 17, Segment 1 has installed an additional 1,333 feet of 54-inch line, is digging the east tunnel shafts for crossing under Interstate 45 and is working on the meter station.

Mr. Rolan then stated that the contractor for Project 17, Segment 2 has completed clearing the easement and is working on the tunnels.

Mr. Rolan next reported that the Notices to Proceed have been issued for the construction of Project 17, Segment 3 and Project 17, Segment 4.

Mr. Rolan then noted that to date, the Authority has installed a total of approximately 39.1 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolen went on to report that two (2) bids were received on July 24, 2008 for the construction of Project 2, Construction Package No. 2, which is the second portion of the Spears Road Regional Pump Station, in the amounts of \$16,301,907 and \$16,617,575. Mr. Rolen reported that CSA Construction, Inc. ("CSA") submitted the lowest qualified bid on the project in the amount of \$16,301,907. Mr. Rolen added that TCB had 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 CSA. Mr. Rolen noted that the project consists of several key components of the Spears Road Regional Pump Station, including, but not limited to, the pump station and administrative area, chemical feed and monitoring facilities, electrical system and substation, instrumentation and SCADA system and emergency generator. Mr. Rolen further noted that substantial completion of the project is specified in the contract within 345 calendar days. Mr. Rolen added that award of the construction contract for Project 2, Construction Package No. 2 is on the agenda for action by the Board later in tonight's meeting.

Mr. Rolen then reported that the Groundwater Transfer Program (the "GTP") systems continue to operate effectively, and that approximately 3.31 million gallons of water per day had been sold to Buyer districts. Mr. Rolen added that there are currently eight (8) Buyer districts and ten (10) Seller districts participating in the GTP.

Concerning other activities, Mr. Rolen reported that during the prior month, TCB had assisted the Authority with preparations for the upcoming bond sale; assisted the Authority's legislative liaison in developing a document to present to the TCEQ outlining the proposed proactive protocols aimed at streamlining the implementation of the GRP; continued oversight of engineering efforts on 10 projects; received bids on Project 2, Construction Package No. 2; advertised for bids on Projects 14B and 15B; provided construction administration services and project representatives on Projects 2, Construction Package No. 1, 4C, 6A-1, 7C-3, 10B, 15A, 16 and 17, Segments 1, 2 and 3 and construction administration services on Projects 2, Construction Package No. 2, 14B, 15B and 17, Segment 4; supported the acquisition of easements for Authority projects; provided oversight of STES operation of the Authority's GTP systems; and responded to inquiries from districts concerning the conversion to surface water and the conversion to chloramine disinfection systems.

Mr. Rolen added that Mr. Bresnen did an excellent job on the memorandum submitted to the TCEQ in connection with the July 29th meeting.

ATTORNEY'S REPORT

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

REGULAR AGENDA

APPROVAL OF THE MINUTES

The Board then considered approval of the regular meeting minutes of July 7, 2008, previously distributed to the Board. Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of July 7, 2008, as written.

FINANCIAL ASSISTANT'S REPORT

Director Fessler 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 five (5) months ending June 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 June 30, 2008. Upon motion by Director Sigler, seconded by Director Pulliam, 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.

ADOPT ORDER REGARDING ANNUAL REVIEW OF RULES, POLICIES, CODE OF ETHICS AND LIST OF AUTHORIZED BROKERS FOR THE INVESTMENT OF AUTHORITY FUNDS

Ms. Plunkett then explained that the Authority is required by the Public Funds Investment Act to review its Investment Policy and investment strategies each year, as well as to review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Authority. Ms. Plunkett recommended that the Board adopt the Order Regarding Annual Review of Rules, Policies, Code of Ethics and List of Authorized Brokers for the Investment of Authority Funds, a copy of which is located at Tab 6 of the meeting packet.

Ms. Plunkett next explained that upon her annual review of the Authority's Investment Policy, she noted that there was no investment strategy provided regarding the Authority's Reserve Fund, and recommended that the Board approve the addition of Exhibit A-5 to the Authority's Investment Policy and adopt the Second Amended and Restated Order Designating Investment Officer and Establishing Rules, Policies, and Code of Ethics for the Investment of Authority Funds and Review of Investments, a copy of which is located at Tab 6 of the meeting packet, along with a copy of Ms. Plunkett's memorandum regarding her recommendation.

Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Regarding Annual Review of Rules, Policies, Code of Ethics and List of Authorized Brokers for the Investment of Authority Funds, and to adopt the Second Amended and Restated Order Designating Investment Officer and Establishing Rules, Policies, and Code of Ethics for the Investment of Authority Funds and Review of Investments, copies of which are attached hereto.

REVIEW TERMS OF SALE AND ISSUANCE OF THE AUTHORITY'S SERIES 2008 BONDS

Mr. Shepherd next distributed information concerning the Terms of Sale for the Authority's \$238,115,000 Series 2008 Bonds, a copy of which is attached hereto. Mr. Shepherd reported that the negotiated sale of the Series 2008 Bonds was held on July 31, 2008, and that the co-underwriters for the Series 2008 Bonds include First Southwest Company, Citigroup Global Markets Inc., Coastal Securities, Inc., DEPFA First Albany Securities LLC, J.P. Morgan Securities Inc., Morgan Keegan & Company, Ramirez & Co., Inc. and Banc of America Securities LLC. Mr. Shepherd noted that the average interest rate per annum on the Series 2008 Bonds is 5.35%, which is slightly higher than the Authority's two (2) previous bond issues. Mr. Shepherd went on to report on the successful work to get Standard & Poor's to increase the Authority's underlying rating on the Series 2008 Bonds to an A+. Mr. Shepherd commented that the A+ rating was an excellent "report card" from Standard & Poor's and commended Mr. Howell's efforts to obtain the rating upgrade. Mr. Shepherd noted that Moody's Investors Service had assigned a rating of A3 to the Series 2008 Bonds. Mr. Shepherd added that the Series 2008 Bonds will not be insured. Mr. Shepherd concluded his remarks by stating that the funding of the Series 2008 Bonds will take place on Wednesday, August 27, 2008.

Mr. Shepherd complimented Mr. Schindewolf, Mr. Rolen, the Authority's staff, financial advisors and attorneys for a superb job in connection with the sale of the Series 2008 Bonds.

ACCEPTANCE OF PROJECT 15A FOR OPERATION AND MAINTENANCE AND COMMENCEMENT OF ONE (1) YEAR WARRANTY PERIOD

Mr. Schindewolf then recommended that the Board authorize final acceptance of the work performed by Boyer, Inc ("Boyer") under their contract with the Authority for Project 15A, which included construction of the water line along Louetta Road from the Burlington Northern Santa Fe Railroad to Squyres Road, at a final contract amount of \$8,449,150.92. Mr. Schindewolf noted that the initial contract bid was in the amount of \$8,563,220. Mr. Schindewolf also stated that the one (1) year warranty period for the project began on April 29, 2008, the date of the contractor's substantial completion of the project. 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 authorize final acceptance of Project 15A, and to approve payment of Pay Estimate No. 13 and Final to Boyer. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding acceptance of Project 15A and Pay Estimate No. 13 and Final are attached hereto.

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 2, CONSTRUCTION PACKAGE NO. 2

Mr. Schindewolf then explained that, as reported by Mr. Rolen earlier in tonight's meeting, two (2) bids were received on July 24, 2008 for the Spears Road Regional Pump Station Project 2, Construction Package No. 2. Mr. Schindewolf recommended award of the construction contract for such project to the lowest qualified bidder, CSA, in the amount of \$16,301,970. Upon motion by Director Sigler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to award the construction contract for Project 2, Construction Package No. 2 to CSA. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract award are attached hereto.

Mr. Schindewolf then recognized Mr. Rich Austin, President, and Mr. Ray Elliot, Project Manager, of CSA as being in attendance at tonight's meeting.

UPDATE ON CAPITAL CONTRIBUTION CONTRACTS

Ms. Plunkett noted that Tab No. 10 of the meeting packet contains a status sheet on the Capital Contribution Contracts received from districts in connection with the Series 2008 Bonds, a copy of which is attached hereto. Ms. Plunkett reported that 16 Capital Contribution Contracts were being submitted for approval at tonight's meeting, for a total of 23 districts making capital contributions. Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Capital Contribution Contracts received from CNP Utility District, Faulkey Gully MUD, Fountainhead MUD, Harris County MUD No. 25, Harris County MUD No. 44, Harris County MUD No. 168, Harris County MUD No. 275, Harris County WCID No. 119, Meadowhill Regional MUD, Northgate Crossing MUD No. 2, Shasla Public Utility District, Timberlake Improvement District, West Harris County MUD No. 9, West Harris County MUD No. 10, West Harris County MUD No. 11 and West Harris County MUD No. 21.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated that a public hearing on the Authority's pumpage fee increase will be held on Monday, September 8, 2008, at 6:15 p.m. at the Authority's office, and that the next regular meeting of the Board will be held on Monday, September 8, 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 8th day of September, 2008.



Secretary, Board of Directors

