

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
September 8, 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 8th day of September, 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, except Director Rendl, 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. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisors for the Authority; Messrs. Tom Rolen, P.E. and Douglas 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 Nelson, P.G. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. John Peyton of CLR, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, 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. 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.

BOARD MEMBER COMMENT

Director Pulliam then shared an article entitled Where's the Water, a copy of which is 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 reported that the format of the Authority's website has been updated and asked people to log in to look at the website and to sign-up for the e-blast feature.

Concerning community outreach, Ms. Payne reported that Spring West Municipal Utility District held a community event on August 14, 2008. Ms. Payne went on to report that Harris County Water Control and Improvement District No. 110 will hold a grand opening for their new park on September 13, 2008, and that Fountainhead Municipal Utility District will host a Neighbors Night Out on October 7, 2008.

GENERAL MANAGER'S REPORT

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

Mr. Schindewolf reported that prior to Hurricane Gustov, the construction management team reviewed each one of the Authority's construction projects to make certain that the contractors had properly secured all construction materials and equipment.

Mr. Schindewolf next announced that Mr. Jeff Taylor has resigned his position as Deputy Director of Utilities at the City of Houston's (the "City") Department of Public Works and Engineering. Mr. Schindewolf noted that Mr. Taylor will be heading the Houston office of a prominent national engineering firm that specializes in water projects and issues. Mr. Schindewolf then extended his thanks to Mr. Taylor from the directors, Authority staff members and consultants who have worked with Mr. Taylor over the years.

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 on September 4, 2008, and was told that the CWA and the City have completed a final draft of the proposed funding agreement between the two (2) entities. Mr. Schindewolf added that it is his understanding that a copy of the draft agreement will be distributed by the City to the Authority, the West Harris County Regional Water Authority (the "WHCRWA") and the North Fort Bend Regional Water Authority (the "NFBRWA") representatives early next week for review. Mr. Schindewolf added that negotiations with the Authority, the WHCRWA and the NFBRWA regarding the proposed supplemental agreement with the City concerning the Luce Bayou Project are progressing well.

Mr. Schindewolf then reported that progress is being made with the Texas Commission on Environmental Quality (the "TCEQ") regarding 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.

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 date has been set for January 23, 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 date has been set for November 23, 2008 for the one (1) pending litigation case for Project 17, Segment 3, and that a trial date has been set for December 8, 2008 regarding the mobile home park in Project 17, Segment 4.

Concerning Project 15B that connects Projects 1A and 16, Mr. Breeding reported that two (2) condemnation cases were favorably settled last month.

Mr. Breeding next reported that the Northgate Country Club case will soon be settled in connection with Project 11, which project 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 reported that the ROW/Easement Acquisition Team is negotiating with several of the landowners, and that one (1) condemnation suit has been filed.

Mr. Breeding then reported that, concerning Project 14B, the acquisitions of several parcels were settled last month and noted that a hearing has been set for September 26, 2008 for one (1) of the parcels.

Mr. Breeding further reported that the title work and mapping had been completed on Project 1A-3, which connects four (4) water plant sites to the system.

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 2, Construction Package No. 1 (the Spears Road Regional Pump Station) is setting up the field office, preparing the foundations for the ground storage tanks and working on submittals.

Mr. Rolen next reported that a Notice to Proceed was issued on August 25, 2008 to the contractor for Project 2, Construction Package No. 2, 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. Rolen reported that the contractor installed an additional 1,058 feet of line for a total of 3,183 feet of 16-inch water line.

Mr. Rolen then reported that the contractor for Project 6A-1 has completed the installation of the 30-inch line and installed an additional 96 feet of 16-inch line for a total of 3,042 feet of 16-inch line.

Mr. Rolen next reported that the contractor for Project 7C-3 installed an additional 176 feet of 30-inch line and is working on the tunnels associated with such project.

Mr. Rolen went on to report that the contractor for Project 10B is completing the final punch list items and is establishing the ground cover. Mr. Rolen noted that the final inspection on the project will be held later this week.

Concerning Project 16, Mr. Rolen reported that the contractor has installed 3,999 feet of 54-inch line and is working on the tunnels.

Mr. Rolen further reported that the contractor for Project 17, Segment 1 has installed 7,444 feet of 54-inch line, is tunneling under Interstate 45 right-of-way and is working on the meter station.

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

Mr. Rolen next reported that the contractor is working on submittals for the construction of Project 17, Segment 3 and Project 17, Segment 4.

Mr. Rolen then noted that to date, the Authority has installed a total of approximately 39.8 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolen went on to report that seven (7) bids were received on September 3, 2008 for the construction of Project 6B-2 for installation of water line along Grant Road, Malcomson Road and Louetta Road, ranging from \$9,988,335.00 to \$16,937,012.25. Mr. Rolen further explained that Texas Sterling Construction Co. ("Texas Sterling") had submitted the lowest qualified bid on the project in the amount of \$9,988,335.00. 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 Texas Sterling. Mr. Rolen noted that the project consists of the installation of approximately 7,500 feet of 24-inch water line and approximately 9,500 feet of 30-inch water line. Mr. Rolen further noted that substantial completion of the project is specified in the contract within 330 calendar days. Mr. Rolen added that award of the construction contract for Project 6B-2 is on the agenda for action by the Board later in tonight's meeting.

Mr. Rolan next reported that nine (9) bids were received on September 4, 2008 for the construction of Project 14A for installation of water line along Cypresswood Drive and Mirror Lake Drive from the CenterPoint Energy ("CenterPoint") easement to Senger Gully, ranging from \$6,660,829.95 to \$8,892,877.75. Mr. Rolan reported that Calco Contracting, Ltd. ("Calco") had submitted the lowest qualified bid on the project in the amount of \$6,660,829.95. Mr. Rolan 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 Calco. Mr. Rolan noted that the project consists of the installation of approximately 4,000 feet of 16-inch water line and approximately 10,500 feet of 30-inch water line. Mr. Rolan further noted that substantial completion of the project is specified in the contract within 330 calendar days. Mr. Rolan added that award of the construction contract for Project 14A is on the agenda for action by the Board later in tonight's meeting.

Mr. Rolan went on to report that 10 bids were received on August 21, 2008 for the construction of Project 14B for the installation of water line along Red Oak Drive, Timor Lane and the CenterPoint easement, ranging from \$2,068,452.70 to \$2,855,746.10. Mr. Rolan stated that Mar-Con Services LLC ("Mar-Con") had submitted the lowest qualified bid on the project in the amount of \$2,068,452.70. Mr. Rolan 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 Mar-Con. Mr. Rolan noted that the project consists of the installation of approximately 6,000 feet of 30-inch water line and a connection to CNP Utility District. Mr. Rolan further noted that substantial completion of the project is specified in the contract within 240 calendar days. Mr. Rolan added that award of the construction contract for Project 14B is on the agenda for action by the Board later in tonight's meeting.

Mr. Rolan then reported that 12 bids were received on August 12, 2008 for the construction of Project 15B for the installation of water line along Bourgeois Road and W. Richey Road to Northwest Municipal Utility District No. 6 ("NW 6"), ranging from \$4,698,880.52 to \$6,108,709.66. Mr. Rolan explained that TRCU, Ltd. ("TRCU") had submitted the lowest qualified bid on the project in the amount of \$4,698,880.52. Mr. Rolan 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 TRCU. Mr. Rolan noted that the project consists of the installation of approximately 11,100 feet of 30-inch water line and a connection to NW 6. Mr. Rolan further noted that substantial completion of the project is specified in the contract within 270 calendar days. Mr. Rolan added that award of the construction contract for Project 15B 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 3.51 million gallons of water per day had been sold to Buyer districts during the prior month.

Concerning other activities, Mr. Rolan reported that during the prior month, TCB continued oversight of engineering efforts on eight (8) projects; received bids on Projects 6B-2, 14A, 14B and 15B; provided construction administration services and project representatives on Projects 2, Construction Package Nos. 1 and 2, 4C, 6A-1, 7C-3, 10B, 15A, 16 and 17, Segments 1, 2, 3 and 4

and construction administration services on Projects 6B-2, 14A, 14B and 15B; supported the acquisition of easements for Authority projects; provided oversight of STES operation of the Authority's GTP systems; responded to inquiries from districts concerning the conversion to surface water and the conversion to chloramine disinfection systems; and submitted necessary documentation to the TCEQ and requested permission to place Project 6A-1 in service, as well as the connections to Harris County Municipal Utility District Nos. 367 and 368.

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 August 4, 2008, previously distributed to the Board. 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 minutes of the regular meeting of August 4, 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 seven (7) months ending July 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 July 31, 2008. 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 Financial Report, the monthly investment report and the checks being presented for payment.

AWARD CONTRACTS FOR CONSTRUCTION OF PROJECTS 6B-2, 14A, 14B and 15B

Mr. Schindewolf then explained that, as reported by Mr. Rolen earlier in tonight's meeting, seven (7) bids were received on September 3, 2008 for Project 6B-2, with the lower bidder being Texas Sterling; nine (9) bids were received on September 4, 2008 for Project 14A, with the low bidder being Calco; 10 bids were received on August 21, 2008 for Project 14B, with the low bidder being Mar-Con; and that 12 bids were received on August 12, 2008 for Project 15B, with the low bidder being TRCU. Mr. Schindewolf then recommended award of each construction contract to the lowest qualified bidder, as outlined by Mr. Rolen. Director Graham then asked if the Board could award the four (4) construction contracts in one (1) motion. 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 following construction contracts: 1) Project 6B-2 to Texas Sterling in the amount of \$9,988,335; 2) Project 14A to Calco in the amount of \$6,660,829.95; 3) Project 14B to Mar-Con in the amount of \$2,068,452.70; and 4) Project 15B to TRCU in the amount of \$4,698,880.52. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract awards are attached hereto.

Mr. Schindewolf then recognized Messrs. Orrell Espree, Jr. and Pat Manning of Texas Sterling, Mr. Trent Salch of Calco, Messrs. Robert Ramos, Jr. and Oscar Gonzalez of Mar-Con and Ms. Laura T. De Jesus of TRCU as being in attendance at tonight's meeting.

ADOPT ORDER ESTABLISHING WELL PUMPAGE FEES AND WATER IMPORTATION FEES FOR THE FOURTH QUARTER OF THE 2008 FISCAL YEAR AND THE FIRST THROUGH THE THIRD QUARTERS OF 2009 FISCAL YEAR AND ADOPTING RULES AND REGULATIONS CONCERNING MEASURING WELL PUMPAGE AND WATER IMPORTATION AND COLLECTING FEES (THE "PUMPAGE FEE ORDER")


Mr. Schindewolf then explained that based on the information and recommendations presented during the public hearing on the proposed pumpage fee held prior to tonight's regular meeting, he is recommending the adoption of the Pumpage Fee Order by the Board. Mr. Schindewolf explained that the pumpage fee would remain at the current rate of \$0.99 per 1,000 gallons for the fourth quarter of 2008, but that the pumpage fee will be increased to \$1.50 per 1,000 gallons of water usage for the first through third quarters of 2009. Upon motion by Director Pulliam, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Pumpage Fee Order, a copy of which is attached hereto.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated that the next regular meeting of the Board will be held on Monday, October 6, 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 6th day of October, 2008.



Secretary, Board of Directors

