

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 special session, open to the public, at 6:15 p.m. on the 8<sup>th</sup> 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; Messrs. Tom Rolen, P.E. and Douglas Schmidt, 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. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. John Peyton, P.E. of CLR, Inc., on-call engineers for the Authority; Mr. John Nelson, P.G. of LBG-Guyton Associates, 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. John Howell of The GMS Group, L.L.C., financial advisor to 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.

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 HEARING

Mr. Schindewolf announced that the purpose of tonight's special meeting is to conduct a public hearing on the proposed pumpage fee for the fourth quarter of 2008 and the first through third quarters of 2009 and to receive public comments on the proposed pumpage fee increase.

## BOARD MEMBER COMMENTS

Mr. Schindewolf first read a letter from Director Rendl, who was unable to attend tonight's hearing and regular meeting, regarding the proposed pumpage fee. A copy of Director Rendl's letter is attached hereto.

A copy of the PowerPoint presentation for the public hearing is attached hereto.

Mr. Schindewolf first explained that the Authority's goal all along has been to keep the pumpage fee as low as possible and for as long as possible. Mr. Schindewolf then stated that he is recommending that the current \$0.99 per 1,000 gallons pumpage fee be extended for the fourth quarter of 2008, and that the pumpage fee be increased to \$1.50 per 1,000 gallons for the first through third quarters of 2009. Mr. Schindewolf went on to explain that the pumpage fee increase is necessary for the following reasons: 1) allow continued implementation of the Authority's 2008-2009 Capital Improvement Plan; 2) increased project costs; 3) completion of the 2010 surface water system; 4) installation of chloramination equipment; 5) fourth quarter 2009 conversion start-up costs; 6) Series 2008 Bond sale costs; and 7) fund the 2003 and 2005 Debt Service Reserve Fund requirements.

Mr. Schindewolf then called on Mr. Howell, who reviewed the components of the \$1.50 per 1,000 gallons pumpage fee increase, as outlined and reflected in the PowerPoint materials. A gentleman in the audience asked if the component breakout could be posted on the Authority's website. Mr. Schindewolf responded that if the proposed pumpage fee increase is approved tonight by the Board, the information will be posted on the Authority's website tomorrow morning. Mr. Howell then reviewed and discussed the Authority's financial history. An extensive discussion also ensued regarding depreciated asset credits and eligibility for such credits.

## PUBLIC COMMENTS

Director Fessler then opened the floor to comments and questions from the public regarding the proposed pumpage fee.

The Board first recognized Mr. Alan Kaniss of Bammel Utility District, who asked about the calculation to determine depreciated asset credits. Mr. Kevin Vigneaux of Klein Public Utility District then asked for clarification regarding the 80 districts that must fund and install chloramination equipment for their respective facilities. Mr. Howell then responded to such question by explaining that those districts will be funding the capital costs for the chloramination equipment, but that they will be eligible to receive a depreciated asset credit for such costs.

Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10 then asked for further clarification about how the surface water conversion and chloramination equipment costs will be shared by all districts, even though not all districts will be converting to surface water. Mr. Rolan explained that, based on information currently available, when the cost estimates for depreciated asset credits were initially formulated, the costs for the chloramination equipment were not included. Thus, Mr. Rolan added, a portion of the proposed increase in the pumpage fee is intended to address those increased costs.

The Board next recognized Mr. Bob Koperwhats of Harris County Water Control and Improvement District No. 91, who asked if the cost for his district to install chloramination equipment will be borne by all of the districts within the Authority. Ms. Bobbitt reiterated that all districts will share in the costs for conversion to surface water, and that Mr. Koperwhats' district would be eligible to receive a depreciated asset credit for the chloramination equipment costs.

Mr. Owen Parker of Harris County Municipal Utility District No. 109 then noted that his district will never receive surface water from the Authority, and that he is unclear about the eligibility for and calculation of the depreciated asset credits. Mr. Howell explained that although Mr. Parker's district may not get a depreciated asset credit for their facilities, they would receive an operation and maintenance cost credit from the Authority for the water they pump from their system beginning in 2010.

Directors Pulliam and Fessler then thanked Mr. Schindewolf, Mr. Howell and Mr. Rolan for their explanation of the pumpage fee increase.

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

PASSED, APPROVED AND ADOPTED this 6<sup>th</sup> day of October, 2008.



*Ron Graham*  
Secretary, Board of Directors

S:\NHCRWAM\minutes\2008\09-08-08-Pumpage Fee Hearing.doc