

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
October 6, 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 6th day of October, 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 Fessler, thus constituting a quorum. Also attending the meeting were: 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; Mr. Gene Shepherd of RBC Capital Markets Corporation, 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. W. John Seifert, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. John Peyton, P.E. of CLR, Inc., on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc; on-call engineers for the Authority; Mr. Tobin Synatschk, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Buddy Barnes, P.E. of Jacobs Carter Burgess, on-call engineers for the Authority; Messrs. Leroy Mensik and 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 ("Johnson Radcliffe"), 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 Rendl commended STES, on behalf of the Authority, and all of the operators working for the utility districts within the Authority, for their hard work and diligence during and after Hurricane Ike.

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 reminded the audience 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. Ms. Payne also reported that a new brochure, entitled *The Cost of Water*, can be ordered from the Authority by districts to send to their customers, or a plain text version can be inserted in a newsletter.

Ms. Payne then welcomed Louetta North Public Utility District ("Louetta North"), a new sponsor, to the Journey to Pansophigus Sponsor's Circle and introduced Mr. Merko Slavych, a member of the board of directors of Louetta North. Ms. Payne also announced that Dannenbaum Engineering Corporation, Johnson Radcliffe and Allen Boone Humphries Robinson LLP had renewed their sponsorships.

Ms. Payne next reported that a Klein Independent School District Teachers Workshop is scheduled for November 15, 2008 in the Authority's conference room. Ms. Payne stated that new teaching modules on Texas wind and water and watersheds will be presented at the workshop.

Director Pulliam then complimented Ms. Payne on the new format of the Authority's 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, Mr. Schindewolf reported that he had received a draft of the proposed agreement between the Coastal Water Authority and the City of Houston (the "City"), and that he, Mr. Nelson, Mr. Rolen and Ms. Bobbitt had provided comments on such agreement. Mr. Schindewolf stated that he had also participated in a three (3) hour conference call with representatives of the City and representatives of the West Harris County Regional Water Authority, North Fort Bend Water Authority and the Authority (collectively the "Authorities") earlier today regarding the proposed supplemental agreement between the Authorities and the City.

Mr. Schindewolf next reported that there had not been much progress made since the September meeting with the Texas Commission on Environmental Quality (the "TCEQ") regarding implementation of the 2010 surface water conversion process 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 noted that Mr. Steve Bresnen had attended a meeting with TCEQ representatives last week.

Mr. Schindewolf went on to report that prior to Hurricane Ike, 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 prior to the storm, and that none of the construction projects contained any impediments to drainage in the event of heavy rains. Mr. Schindewolf further explained that in the aftermath of Hurricane Ike, he has been spending time with the Authority staff, consultants, contractors and STES in an effort to conduct a thorough assessment of the impact of the storm on the Authority's facilities, Groundwater Transfer Program ("GTP") operations and construction projects. Mr. Schindewolf noted that STES did an excellent job in the field checking the GTP operations. Mr. Schindewolf stated that when the Authority receives water from the City, it will come from the Northeast Water Purification Plant, which operated without difficulty during the storm. Mr. Schindewolf then noted that the Authority's offices were closed on Monday and Tuesday, September 15th and 16th, because of lack of electrical power, but that the staff was carrying on as best they could through use of telephones.

Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10 asked if natural gas powered generators would be more reliable to operate Authority facilities during extreme weather conditions. Mr. Schindewolf stated that he is looking into the Authority using natural gas generators.

STATUS OF RIGHT-OF-WAY ("ROW")/EASEMENT ACQUISITIONS

In the absence of Mr. Breeding, Mr. Schindewolf proceeded to give the status report on the various ROW/easement acquisitions by the Authority.

Mr. Schindewolf first reported that a settlement had recently been negotiated regarding one (1) parcel of land in connection with Project 17, Segment 3. Mr. Schindewolf noted that the property owner had originally wanted \$1.4 million for the parcel, then reduced that amount to \$500,000, and that the matter has now been settled for \$195,000.

Mr. Schindewolf next reported that there is one (1) parcel in Project 11 that remains to be acquired from the Harris County Flood Control District.

Concerning Project 14A, Mr. Schindewolf reported that there is one (1) condemnation case pending regarding a parcel located between Kuykendahl Road and Interstate 45, along Cypresswood Drive. Mr. Schindewolf stated that the owner has requested \$84,000 for the parcel, and the Authority has offered \$9,800.

Mr. Schindewolf then reported that there are two (2) parcels remaining to be acquired in connection with Project 14B. Mr. Schindewolf stated that on one (1) parcel, the Special Commissioners had awarded the amount offered by the Authority, but that the award has been appealed by the owner. Mr. Schindewolf added that the second parcel is possibly involved in a bankruptcy but, in both cases, the Authority is free to proceed with construction.

UPDATE ON 2010 WATER DISTRIBUTION AND TRANSMISSION SYSTEM (THE "SYSTEM")

Mr. Schindewolf next 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) has completed the excavation of the foundations for both ground storage tanks and is currently backfilling the foundations, digging the detention pond and installing the drainage outfall.

Mr. Rolan next reported that the contractor for Project 2, Construction Package No. 2, which is the construction of a portion of the Spears Road Regional Pump Station, has completed excavation of and poured the seal slab for the pipe gallery of the pump building. Mr. Rolan noted that the original engineering plans call for a diesel emergency generator at the Spears Road Regional Pump Station, but that the Authority is looking into the cost for a natural gas powered emergency generator. Mr. Rolan noted that the current plans call for a diesel generator, which is typically more economical initially than a natural gas generator.

Concerning Project 4C, Mr. Rolan reported that the contractor had installed an additional 682 feet of line, for a total of 3,865 feet of 16-inch water line. Mr. Rolan stated that the contractor is working on the metering and flow control station and related on-site piping.

Mr. Rolan then reported that the contractor for Project 6A-1 has completed the installation and testing of all the water line and is completing the electrical work at the two (2) water plant sites.

Concerning Project 6B-2, Mr. Rolan reported that a Notice to Proceed was issued effective October 6, 2008, and that the contractor is working on submittals.

Mr. Rolan next reported that the contractor for Project 7C-3 had installed an additional 354 feet of 30-inch line, for a total of 3,156 feet, completed work on the tunnels and is working on the metering and flow control station.

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

Concerning Project 14A, Mr. Rolan reported that the contractor is working on submittals.

Mr. Rolan then noted that a Notice to Proceed was issued effective October 6, 2008 for Project 14B, and that the contractor is working on submittals.

Mr. Rolan next reported that a Notice to Proceed for Project 15B was issued effective October 6, 2008, and that the contractor is working on submittals.

Concerning Project 16, Mr. Rolan reported that the contractor had installed an additional 3,316 feet of 54-inch line, for a total of 7,315 feet, and that the contractor is working on the tunnels.

Mr. Rolan went on to report that the contractor for Project 17, Segment 1 installed an additional 491 feet of 54-inch line, for a total of 7,935 feet. Mr. Rolan stated that the contractor is tunneling under the Interstate 45 ROW and constructing the meter station.

Mr. Rolan then stated that the contractor for Project 17, Segment 2 installed 130 feet of 54-inch pipe and is working on the tunnels.

Mr. Rolan next reported that the contractor is clearing and working on submittals 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 40.7 miles of water line ranging in size from 12-inch to 60-inch.

Concerning the GTP, Mr. Rolan reported that TCB had provided administrative oversight of the GTP systems and assisted in interfacing with STES concerning preparation for and response to Hurricane Ike. Mr. Rolan further noted that STES had maintained the systems' integrity before, during and after Hurricane Ike, and that the Authority had provided approximately 3.14 million gallons per day of water to the Buyer districts during the prior month.

Concerning other activities, Mr. Rolan reported that during the prior month, TCB continued oversight of engineering efforts on six (6) projects; provided construction administration services and project representatives on Projects 2, Construction Package Nos. 1 and 2, 4C, 6A-1, 7C-3, 10B, 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 secured approval from the TCEQ to place Project 6A-1 in service, as well as the connections to Harris County Municipal Utility District Nos. 367 and 368.

Mr. Rolan then extended thanks on behalf of the Program Management team to STES for its efforts in maintaining the Authority's GTP systems before, during and after Hurricane Ike.

Concerning emergency generator back-up, Director Pulliam asked how many additional fuel tanks might be required in the future to have an adequate fuel supply for the Authority's facilities. Mr. Rolan stated that not more than one (1) additional fuel tank would likely be needed due to the limited shelf life of diesel fuel. Director Pulliam then asked about the cost difference between diesel and natural gas powered generators. Mr. Rolan stated that based on data received to date, the natural gas powered generator would cost three (3) to four (4) times more than a diesel powered generator, and estimated the cost of the Spears Road Regional Pump Station diesel generator to be approximately \$660,000, and that the estimated cost of a natural gas generator for such facility would be approximately \$2.1 million. Mr. Schindewolf stated that he will be coming back to the Board with information regarding emergency generators.

Mr. Schindewolf next reported that after the storm, he had received a call from Senator Dan Patrick and met with him on October 1st, with Director Fessler connected by teleconference. Mr. Schindewolf explained that Senator Patrick was interested in knowing how the Authority and the utility districts in the area faired during and after the storm. Mr. Schindewolf further explained that he recommended that Senator Patrick contact the Association of Water Board Directors - Texas for information regarding the utility districts in the area. Mr. Schindewolf further reported that the County had been contacting engineering firms regarding utility district operations during and after the storm. Mr. Schindewolf also noted that Governor Rick Perry has requested information regarding storm relief and damaged caused to facilities by Hurricane Ike.

Ms. Bobbitt then explained that since the storm, there have been quite a few inquiries which fall into two (2) categories: 1) inquiries from State agencies regarding damages to facilities; and 2) inquiries from elected officials regarding power issues and the number and type of facilities without emergency generators.

Director Graham then asked why Senator Patrick is asking about the existence of generators. Mr. Schindewolf explained that Senator Patrick received calls regarding wastewater systems not working during and after, and that he is following up to see if he should work with the TCEQ regarding emergency operator requirements. Ms. Bobbitt added that she has heard of numerous problems following the storm with CenterPoint Energy not recognizing utility district systems as essential service providers.

ATTORNEY'S REPORT

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

REGULAR AGENDA

APPROVAL OF THE MINUTES

The Board then considered approval of the regular meeting minutes of September 8, 2008, and the public hearing of September 8, 2008, previously distributed to the Board. Upon motion by Director Rendl, 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 and public hearing of September 8, 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 eight (8) months ending August 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 August 31, 2008. 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 the Financial Report, the monthly investment report and the checks being presented for payment.

PUBLIC COMMENTS

Mr. Schindewolf noted that one (1) blue public comment card had been submitted by Mr. Scott Christensen of Reid Road Municipal Utility District No. 1, a copy of which is attached hereto. Mr. Christensen asked if the Authority is monitoring the amount or percentage of its invested funds in pools that invest in commercial paper in light of the current financial/credit market. Ms. Plunkett responded that the Authority utilizes TexPool Prime for most of its funds, and that the Authority is looking for long-term investments for its Reserve Funds. Mr. Schindewolf added that the Authority has been and will continue to be conservative with its investments.

CONFIRM UPCOMING MEETING DATE

Director Pulliam then stated that the next regular meeting of the Board will be held on Monday, November 3, 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 3rd day of November, 2008.



Secretary, Board of Directors

