

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
December 1, 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 1<sup>st</sup> day of December, 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: 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; 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. Tom Rolon, P.E. and Douglas Schmidt, P.E. of TCB INC. ("TCB"), Program Manager for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to TCB and project representative on several Authority projects; Mr. Dave Scholler, P.E. and Ms. Melinda Silva, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Johnny T. Carson of Jones & Carter, Inc., 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. Jay Chapman of AEI Engineering, 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; Mr. Ralph Cox, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operators for the Authority; Mr. Mark Breeding of Andrews Kurth LLP, right-of-way ("ROW")/easement acquisition attorneys 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. 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 first reported that he had attended the Water Resource Alternatives Program hosted by the San Jacinto River Authority (the "SJRA") on November 13, 2008. Director Rendl noted that Montgomery County is mandated to facilitate a 30% conversion to surface water by 2015. Director Rendl stated that the SJRA has held a series of meetings to assist Montgomery County with its groundwater reduction plan, and noted that Montgomery County has a great deal to do in less time than the Authority had to meet the 30% conversion deadline.

## PUBLIC COMMENT

Mr. Schindewolf noted that one (1) 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 noted that two (2) months ago, he had posed a question regarding the Authority's concentration of investments in investment pools that are heavily invested with commercial paper and the limited diversification within the Authority's accounts and was assured that the matter was being reviewed. Mr. Christensen stated that over 50% of Authority's investments are still in investment pools utilizing commercial paper with little investment diversification. Mr. Christensen expressed concern over the current economic problems in the country, and strongly urged the Authority to have its financial advisors fully review and analyze the Authority's investments.

Mr. Schindewolf responded that security of the Authority's investments is the first and foremost priority. Mr. Schindewolf noted that Ms. Plunkett and Mr. Howell have been working diligently to review the Authority's investments and investment strategies. Mr. Howell then stated that during his work on the Authority's budget for the fiscal year ending December 31, 2009 (the "2009 Budget"), he has been reviewing the investments, and that he intends to continue to work with Ms. Plunkett on such matter. Ms. Plunkett then reported that she had met with representatives of TexPool two (2) weeks ago regarding the Authority's investments and offered to share that information with Mr. Christensen.

## BUDGET MATTERS

Mr. Schindewolf noted that tonight's meeting packet includes his memorandum regarding the 2009 Budget and the Capital Improvement Plan for 2009-2010 (the "2009-2010 CIP"), copies of which are attached hereto, and the complete details of which can be found in the Authority's files.

## ADOPTION OF 2009 BUDGET

Mr. Schindewolf then explained that the 2009 Budget and the 2009-2010 CIP had been presented and discussed in detail at the November 17, 2008 Budget Workshop meeting and was also presented at the special meeting held earlier this evening at 6:00 p.m. Mr. Schindewolf then recommended that the Board approve and adopt the 2009 Budget. 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 and adopt the 2009 Budget.

## APPROVAL OF 2009-2010 CIP

Mr. Schindewolf then recommended approval of the 2009-2010 CIP and adoption of a Resolution Approving and Implementing CIP for 2009 and 2010 (the "Resolution"). 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 2009-2010 CIP as presented and to adopt the Resolution. A copy of the Resolution 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 announced that an events calendar, without the booking schedule for the Mobile Teaching Labs, is now posted on the Authority's website. Ms. Payne noted that, as reported during the Budget Workshop meeting, the West Harris County Regional Water Authority will split the costs with the Authority to purchase and equip a second Mobile Teaching Lab.

Ms. Payne then reported that Fountainhead Municipal Utility District recently sponsored a Neighbors' Night Out evening.

### 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 Diversion Project (the "Luce Bayou Project"), Mr. Schindewolf reported that the City of Houston (the "City") would not be placing approval of the First Supplement to Water Supply Contract between the City and the Authority (the "Supplement") on the City Council agenda for December 3, 2008, and that it would be reviewed by the Council Transportation, Infrastructure and Aviation Committee prior to action by the full Council. As a result of such action, Mr. Schindewolf stated that item G.3.a. on tonight's agenda would be deferred.

### 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 the last parcel to be acquired for Project 17, Segment 1 is the site for the meter station, and that a mediation on such matter has been set for January 9, 2009. Mr. Breeding next reported that the acquisition of the final parcel remaining for Project 17, Segment 3 had been resolved. Concerning Project 17, Segment 4, Mr. Breeding reported that a mediation date has been set for April 6, 2009 regarding the easement through the CMH Parks mobile home community. Mr. Breeding added that the ROW/Easement Acquisition Team is still waiting to receive the appraisals from opposing counsel for Project 17, Segments 1 and 4.

Mr. Breeding next stated that he believes the case regarding the remaining parcel in Project 15B will be settled in the near future.

Concerning Project 14A, Mr. Breeding reported that there is one (1) parcel remaining to be acquired, and that although the owner has hired an attorney to represent him in connection with such acquisition, he expects a settlement to be reached on the matter. Mr. Breeding next reported that the acquisition of the last parcel for Project 14B will settle soon.

Mr. Breeding went on to report that the ROW/Easement Acquisition Team is, or in the near future will be, negotiating easement acquisitions for the connections to various utility district water plants (Projects 1A-3, 6B-3, 7C-4, 7C-5 and 7C-6). Mr. Breeding then explained that the resolution referred to in item G.3.f. of tonight's agenda includes these projects.

#### 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) had completed the foundations for both ground storage tanks and begun forming and pouring the roof panels and is installing the concrete pilot channel in the detention pond.

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, had completed the construction of the below grade walls of the pipe gallery for the pump building, continued installation of the pump building electrical conduit and has installed the lift station wet well.

Concerning Project 4C, Mr. Rolan reported that the contractor is working on the metering and flow control stations, the connection to the ground storage tank and related on-site piping.

Mr. Rolan then reported that the contractor for Project 6A-1 is working on the restoration of the construction site.

Concerning Project 6B-2, Mr. Rolan reported that the contractor is working on submittals.

Mr. Rolan next reported that the contractor for Project 7C-3 had installed an additional 56 feet of 30-inch line, for a total of 3,809 feet, installed 177 feet of 16-inch water line and is working on the metering and flow control stations.

Mr. Rolan then reported that, concerning Project 10B, project finalization is ongoing.

Mr. Rolan noted that a Notice to Proceed would be issued effective December 2, 2008 to the contractor for Project 11.

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

Mr. Rolan next reported that the contractor for Project 14B had installed an additional 2,072 feet of 20-inch water line, for a total of 2,786 feet of 20-inch line.

Mr. Rolan went on to report that the contractor for Project 15B is clearing the easement and had installed 177 feet of 16-inch water line.

Concerning Project 16, Mr. Rolan reported that the contractor had installed an additional 247 feet of 54-inch line, for a total of 7,830 feet, and installed 149 feet of 42-inch water line.

Mr. Rolan next reported that the contractor for Project 17, Segment 1 is tunneling under the Interstate 45 ROW and constructing the meter station.

Mr. Rolan then stated that the contractor for Project 17, Segment 2 had installed an additional 2,445 feet of 54-inch line, for a total of 4,910 feet, and is working on the tunnels.

Mr. Rolan went on to report that the contractor for Project 17, Segment 3 had installed 42 feet of 60-inch water line and continued work on tunnels.

Concerning Project 17, Segment 4, Mr. Rolan reported that the contractor had completed clearing of the easement and is working on submittals.

Mr. Rolan then noted that to date, the Authority has installed a total of approximately 42.7 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolan went on to report that 11 bids were received and opened on November 11, 2008 for the construction of Project 1A-3, Contract 1, ranging from \$1,996,072.60 to \$3,017,010.70. Mr. Rolan further explained that SER Construction Partners, Ltd ("SER") had submitted the lowest qualified bid on the project in the amount of \$1,996,072.60. 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 SER. Mr. Rolan noted that the project consists of installation of 12-inch and 16-inch water line connections and various district water plant connections. Mr. Rolan further noted that substantial completion of the project is specified within 280 calendar days. Mr. Rolan added that award of the construction contract for Project 1A-3, Contract 1 is on the agenda for action by the Board later in tonight's meeting.

Mr. Rolan next reported that four (4) bids were received and opened on November 18, 2008 for the construction of Project 7C-4, Contract 1, ranging from \$2,935,496.00 to \$3,205,135.00. Mr. Rolan explained that George Construction, Inc. had submitted the lowest bid on the project in the amount of \$2,935,496.00, and that W. W. Payton Corporation ("W. W. Payton") had submitted the second lowest bid on the project in the amount of \$2,950,000, a difference of \$14,504. Mr. Rolan went on to explain that following the review of qualification statements and experience information

submitted by the two (2) contractors, TCB is recommending award of the construction contract to W. W. Payton. Mr. Rolen stated that the project consists of connections to various district water plants. Mr. Rolen further noted that substantial completion of the project is specified within 210 calendar days. Mr. Rolen added that award of the construction contract for Project 7C-4, Contract 1 is on the agenda for action by the Board later in tonight's meeting.

Concerning the Groundwater Transfer Program (the "GTP"), Mr. Rolen reported that TCB had provided administrative oversight of the GTP systems during the prior month. Mr. Rolen further noted that the systems continue to be reliable, responsive and function effectively. Mr. Rolen stated that approximately 2.99 million gallons per day of water had been provided to the Buyer districts during the prior month.

Concerning other activities, Mr. Rolen reported that during the prior month, TCB continued oversight of engineering efforts on five (5) projects; provided construction administration services and project representatives on Projects 2, Construction Package Nos. 1 and 2, 4C, 6A-1, 6B-2, 7C-3, 10B, 14B, 15B, 16 and 17, Segments 1, 2, 3 and 4 and construction administration services on Projects 1A-3, Contract 1, 7C-4, Contract 1, 11 and 14A; 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; submitted the draft 2009-2010 CIP; developed and submitted the Operation and Maintenance component of the proposed 2009 Budget; and continued to assist the Authority in developing and evaluating information and documents concerning the Luce Bayou Project.

ATTORNEY'S REPORT

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

REGULAR AGENDA

APPROVAL OF THE MINUTES

The Board next considered approval of the regular meeting minutes of November 3, 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 November 3, 2008, as written.

FINANCIAL ASSISTANT'S REPORT

Director Fessler then 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 10 months ending October 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 October 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.

REVIEW OF EXECUTIVE SUMMARY, APPROVE AND AUTHORIZE EXECUTION OF THE SUPPLEMENT

Mr. Schindewolf noted that, as stated earlier in the meeting, action on the Supplement would be deferred until further notice from the City.

ENGAGEMENT OF AUDITOR

Mr. Schindewolf then explained that a copy of the engagement letter from Null-Lairson, P.C. ("Null-Lairson"), auditor for the Authority, was included behind Tab 9 of the meeting packet, and recommended that the Board engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2008. A copy of the Null-Lairson engagement letter is attached hereto. Mr. Schindewolf explained that the estimated fee for the preparation of the 2008 audit report is between \$26,500 and \$28,500. 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 engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2008 and to authorize execution of the Null-Lairson engagement letter.

APPROVE 2009 HOLIDAY SCHEDULE

Mr. Schindewolf next explained that the proposed 2009 Holiday Schedule for the Authority's employees was behind Tab 10 of the meeting packet, a copy of which is attached hereto. 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 approve the 2009 Holiday Schedule.

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 1A-3, CONTRACT 1

Mr. Schindewolf then explained that, as reported by Mr. Rolen earlier in tonight's meeting, 11 bids were received on November 11, 2008 for the construction of Project 1A-3, which consists of the installation of approximately 6,800 feet of 12-inch water line and approximately 2,200 feet of 16-inch water line, modification of connection piping at two (2) water plants and installation of new metering and flow control stations at such facilities, GST connections and associated piping at three (3) other water plants. Mr. Schindewolf then recommended award of the construction contract for such project to SER, in the amount of \$1,996,072.60. 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 award the construction contract for Project 1A-3, Contract 1 to SER. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract award are attached hereto.

Mr. Schindewolf then introduced Mr. Eddie Ramos, the representative from SER in attendance at tonight's meeting, to the Board.

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 7C-4, CONTRACT 1

Mr. Schindewolf next stated that, as reported by Mr. Rolen earlier in tonight's meeting, four (4) bids were received on November 18, 2008 for the construction of Project 7C-4., Contract 1, which consists of modification of connection piping at five (5) water plants and installation of new metering and flow control stations at such facilities, GST connection and associated piping at four

(4) other water plants. Mr. Schindewolf then recommended award of the construction contract for such project to W. W. Payton, the second low bidder, in the amount of \$2,950,000. 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 7C-4, Contract 1 to W. W. Payton. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract award are attached hereto.

Mr. Schindewolf then introduced Mr. Eric Sliva, the representative from W. W. Payton in attendance at tonight's meeting, to the Board.

ADOPT RESOLUTION DECLARING THE EXISTENCE OF A PUBLIC NECESSITY FOR THE CONSTRUCTION OF FACILITIES FOR THE TRANSPORTATION, DISTRIBUTION, AND DELIVERY OF WATER, INCLUDING REASONABLE AND NECESSARY APPURTENANCES THERETO, AND AUTHORIZING THE ACQUISITION, BY DONATION, PURCHASE, OR EXERCISE OF THE POWER OF EMINENT DOMAIN, OF PROPERTY AND PROPERTY INTERESTS NECESSARY FOR SUCH FACILITIES (THE "ROW RESOLUTION")

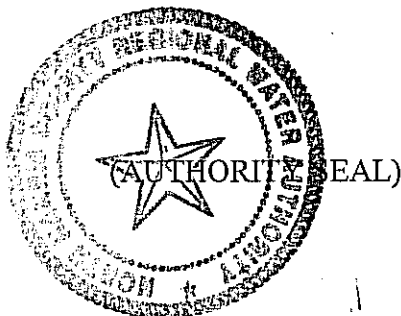
Mr. Schindewolf explained that the Board has previously adopted several ROW Resolutions, the initial ROW Resolution being adopted on June 2, 2003 and the most recent ROW Resolution being adopted on January 8, 2007. Mr. Schindewolf noted that, as previously noted by Mr. Breeding, it is now timely and necessary that an updated ROW Resolution be adopted to enable the ROW/Easement Acquisition Team to proceed with the acquisition process for certain additional Authority projects that are depicted in Exhibit "A" attached to the ROW Resolution and included under Tab 13 of the meeting packet. 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 ROW Resolution, 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, January 5, 2009, 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 5<sup>th</sup> day of January, 2009.



  
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Secretary, Board of Directors