

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 special session, open to the public, at 6:00 p.m. on the 1st 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; Ms. Lisa Randecker, Executive Assistant for the Authority; Mr. Showri Nandagiri, P.E., Engineering Coordinator for the Authority; Mr. Paul Nelson, Planning and GIS 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 Doug Schmidt, P.E. of TCB INC., Program Manager 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. Members of the public and other consultants to the Authority were also present at the meeting. A copy of the sign-in sheets for those in attendance at the meeting is 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.

REVIEW OF PROPOSED BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2009
AND PROPOSED 2009-2010 CAPITAL IMPROVEMENT PLAN

A copy of the PowerPoint presentation on the proposed budget for the fiscal year ending December 31, 2009 (the "2009 Budget") and the 2009-2010 Capital Improvement Plan (the "2009-2010 CIP") is attached hereto.

Mr. Schindewolf first explained that the purpose of the special meeting was to conduct a review of the Authority's proposed 2009 Budget and the proposed 2009-2010 CIP. Complete copies of the 2009 Budget and the 2009-2010 CIP will be available in the Authority's files and on the Authority's website once such items are approved and adopted by the Board. Mr. Schindewolf noted that a Budget Workshop was held on November 17, 2008, at which time the details of the proposed 2009 Budget and 2009-2010 CIP were presented to and reviewed with the Board. Mr. Schindewolf noted that two (2) revisions were made to the proposed 2009 Budget following the November 17th

Budget workshop meeting, including: 1) an additional \$35,500 was added for potential increased costs for printing and postage expenses in the Communications Services category in connection with additional publications and mailings to residents within the 2010 surface water distribution area; and 2) Operation & Maintenance Reserve Fund and Coverage Fund Requirement line items were added to the Interest Expense & Reserves category of the proposed 2009 Budget in order to better reflect such expense items.

Mr. Schindewolf then called upon Ms. Plunkett, who began her review of the 2009 Budget. Ms. Plunkett then called on Mr. Rolan to review the Operation & Maintenance section of the 2009 Budget.

Ms. Plunkett next resumed her review of the remainder of the proposed 2009 Budget. In summary, Ms. Plunkett stated that the 2009 Budget anticipates total revenues of \$37,258,600, with total expenses of \$36,950,124.

Mr. Schindewolf reminded the Board that the proposed 2009 Budget carries over two (2) personnel positions not filled during 2008 and includes a 4.9 % cost of living increase for the Authority's staff members.

Mr. Schindewolf next called on Mr. Rolan to review the proposed 2009-2010 CIP that was reviewed and discussed at the November 17th Budget Workshop meeting. Mr. Rolan noted that the 2009-2010 CIP will be the sixth (6th) capital improvement plan to be adopted by the Board since 2003, and continues the systematic planning and development process for implementing the Authority's Groundwater Reduction Plan (the "GRP") which was initiated in 2003. Mr. Rolan went on to explain that the proposed 2009-2010 CIP's primary focus is to provide the remainder of the components needed to deliver surface water in 2010, refines the infrastructure necessary to continue the implementation of the GRP in 2020 and initiates efforts to provide that infrastructure.

Mr. Rolan explained that it will cost approximately \$148.5 million to implement the 2009-2010 CIP. Mr. Rolan stated that the source of such funds will be from the proceeds of the Authority's Series 2003, Series 2005 and Series 2008 Senior Lien Revenue Bonds (collectively, the "Bonds"), capital contributions received from utility districts, and accrued interest on such funds. Mr. Rolan went on to explain that approximately 65% of the Authority's Bonds earmarked for the implementation of the CIP have been authorized, and that the remaining funds are scheduled to be authorized by the end of 2010.

Director Sigler then asked about the funds designated for the completion of the Louetta Road Pump Station. Mr. Rolan stated that funding is included in the 2009-2010 CIP for completion of the 2010 component of the facility.

Mr. Schindewolf then invited comments from the public.

Mr. Colin Kinder, a member of the board of directors of Harris County Municipal Utility District No. 202, expressed a concern regarding the percentage of the annual cost of living increase given to the Authority's staff members.

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

PASSED, APPROVED AND ADOPTED this 5th day of January, 2009.



Ron Gubian
Secretary, Board of Directors