

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
January 5, 2009

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 5<sup>th</sup> day of January, 2009, 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. 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; Messrs. Tom Rolen, 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; Ms. Melinda Silva, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Carl D. McConnell, 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. John Nelson, of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Kyle Bertrand of CLR, Inc., on-call engineers for the Authority; Mr. Tom Matkin 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. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operators 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 Pulliam reported that he had taken an interesting tour of the Spears Road Pump Station on December 12, 2008, and stated that he has forwarded photographs from the tour to Ms. Payne for posting on the Authority's website.

## PUBLIC COMMENT

Mr. Schindewolf noted that one (1) public comment card had been submitted by Mr. Bob Kimball of Emerald Forest Utility District, a copy of which is attached hereto. Mr. Kimball requested that the Program Manager's Report include the percent of completion for each of the Authority's projects. Mr. Schindewolf noted that Mr. Rolan will include such information in future reports.

## 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 the Authority's original Mobile Teaching Lab is in the process of being refurbished, and that the new Mobile Teaching Lab is in the process of being outfitted with air conditioning, electricity, water/drain and lighting.

Ms. Payne then reported that the Waterlines newsletter will be ready for distribution at the end of January.

Ms. Payne also reported that additional copies of the "Rising Cost of Water" brochure will be available next week.

Concerning educational programs, Ms. Payne noted that a Cy-Fair Independent School District ("ISD") Science Teacher Workshop is scheduled in late January. Ms. Payne further noted that the additional copies of the Journey to Pansophigus books are ready for delivery to Klein ISD and Cy-Fair ISD elementary schools.

Ms. Payne then announced that three (3) water conservation workshops are planned for February 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup>, and noted that the Authority is the host and co-sponsor for the February 11<sup>th</sup> workshop.

## GENERAL MANAGER'S REPORT

Mr. Schindewolf noted that this is his sixth (6<sup>th</sup>) anniversary as General Manager of the Authority. Mr. Schindewolf then reviewed the General Manager's Report with the Board, a copy of which is attached hereto.

## 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 Project 14A is under construction, and noted that the owner of the last remaining parcel to be acquired had appealed the case and requested a jury trial, which is scheduled for May. Concerning Project 14B, Mr. Schindewolf reported that there are two (2) parcels remaining to be acquired, one (1) for a condemnation hearing and one (1) that is a possible bankruptcy.

Mr. Schindewolf next reported that the December 16, 2008 mediation regarding the last parcel remaining to be acquired for Project 17, Segment 1 resulted favorably for the Authority. Mr. Schindewolf noted that there is only one (1) easement remaining in Project 17, Segment 4 to acquire.

Mr. Schindewolf then stated that the ROW/Easement Acquisition Team is now focused on acquiring the easements for Projects 7C-4, 1A-3 and 6B-3.

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

Mr. Schindewolf next called on Mr. Rolen to review the status of the various projects and efforts underway to complete development of the System.

## PROGRAM MANAGER'S REPORT

Mr. Rolen then presented the Program Manager's Report, a copy of which is attached hereto.

Mr. Rolen first reported that the pre-construction meeting for Project 1A-3, Contract 1 is scheduled for January 8, 2009 and stated that the contractor is currently working on submittals.

Mr. Rolen next reported that the contractor for Project 2, Construction Package No. 1 (the Spears Road Regional Pump Station) began setting roof panels on Ground Storage Tank (the "GST") No. 1 and continues to pour the roof panels and wall panels for GST No. 2.

Concerning Project 2, Construction Package No.2, Mr. Rolen reported that the contractor is installing the pump building electrical conduit and plumbing. Mr. Rolen also reported that the contractor has completed the chlorine building foundation and is installing the electrical conduit.

Mr. Rolen went on to report that the contractor for Project 4C is working on the metering and flow control stations, the connection to the GST and related on-site piping.

Mr. Rolen 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 installed 160 feet of 24-inch water line.

Mr. Rolan next reported that the contractor for Project 7C-3 installed the final 50 feet of 30-inch line, for a total of 3,859 feet, and installed the final 540 feet of 16-inch water line, for a total of 717 feet.

Mr. Rolan then noted that the Notice to Proceed was effective January 5, 2009 for Project 7C-4, Contract 1 and that the contractor worked on submittals.

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

Mr. Rolan also noted that the contractor for Project 11 installed 732 feet of 20-inch water line during the prior month.

Concerning Project 14A, Mr. Rolan reported that the contractor installed 300 feet of 30-inch water line.

Mr. Rolan next reported that the contractor for Project 14B installed an additional 1,998 feet of 20-inch water line, for a total of 4,784 feet.

Mr. Rolan went on to report that the contractor for Project 15B is in the process of clearing the easement and installed an additional 2,046 feet of 30-inch water line, for a total of 2,706 feet.

Concerning Project 16, Mr. Rolan reported that the contractor is working on site restoration.

Mr. Rolan next reported that the contractor for Project 17, Segment 1 has completed the tunneling under Interstate 45 ROW, installed an additional 650 feet of 54-inch water line, for a total of 9,228 feet, and is in the process of constructing the meter station.

Mr. Rolan then stated that the contractor for Project 17, Segment 2 had installed an additional 1,467 feet of 54-inch line, for a total of 6,377 feet, and is working on the tunnels.

Mr. Rolan went on to report that the contractor for Project 17, Segment 3 had installed an additional 1,752 feet of 60-inch water line, for a total of 1,794 feet, and is continuing work on the tunnels.

Concerning Project 17, Segment 4, Mr. Rolan reported that the contractor began receiving water line for the project and is working on submittals.

Mr. Rolan then noted that to date, the Authority has installed a total of approximately 44.5 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolan went on to report that 13 bids were received and opened on December 16, 2008 for the construction of Project 1A-3, Contract 2, ranging from \$1,961,805.50 to \$3,266,870.25. Mr. Rolan further explained that Industrial TX Corp. ("Industrial TX") submitted the lowest qualified bid on the project in the amount of \$1,961,805.50. Mr. Rolan added that TCB 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 Industrial TX. Mr. Rolan noted that the project consists of installation of 5,258 feet of 12-inch and 626 feet of 16-inch water line and the installation of new metering and flow control stations, GST connection and associated piping at four (4) utility district water plants. Mr. Rolan further noted that substantial completion of the project is specified within 200 calendar days. Mr. Rolan added that award of the construction contract for Project 1A-3, Contract 2 is on the agenda for action by the Board later in tonight's meeting.

Mr. Rolan next reported that seven (7) bids were received and opened on December 18, 2008 for the construction of Project 5D, ranging from \$12,089,980 to \$17,434,620. Mr. Rolan explained that Holloman Corporation ("Holloman") submitted the lowest qualified bid on the project in the amount of \$12,089,980.00. Mr. Rolan added that TCB 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 Holloman. Mr. Rolan noted that the project consists of installation of a pump facility, disinfection facility, two (2) GSTs, detention pond and related appurtenances at the Authority's Louetta Regional Water Plant. Mr. Rolan further noted that substantial completion of the project is specified within 310 calendar days. Mr. Rolan added that award of the construction contract for Project 5D is on the agenda for action by the Board later in tonight's meeting.

Concerning the Groundwater Transfer Program (the "GTP"), Mr. Rolan reported that TCB had provided administrative oversight of the GTP systems during the prior month. Mr. Rolan noted that Harris County Municipal Utility District No. 16 was a new Buyer in the GTP. Mr. Rolan further noted that the systems continue to be reliable, responsive and function effectively. Mr. Rolan stated that approximately 3.22 million gallons per day ("MGD") of water was provided 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 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, Part 1, 10B, 11, 14A, 14B, 15B, 16 and 17, Segments 1, 2, 3 and 4 and construction administration services on Projects 1A-3, Contract 1, 5D and 7C-4, Contract 1; supported the acquisition of easements for Authority projects; provided oversight of STES' operation of the Authority's GTP systems; and responded to inquiries from districts concerning the conversion to surface water and the conversion to chloramine disinfection.

Director Rendl then asked Mr. Rolan if he anticipates any major obstacles in the Authority's system that might delay the 2010 conversion. Mr. Rolan responded that he was not aware of any such obstacles at this point in time in meeting the 2010 conversion date. Director Rendl then asked if the utility districts were moving ahead with the installation of chloramination disinfection systems. Mr. Rolan responded that the districts were at various points in the process, and that Mr. Schindewolf plans to send out another mailing to urge utility districts to proceed with the necessary actions to insure timely installation of their chloramination equipment.

## 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 special meeting minutes of November 17, 2008 and December 1, 2008 and the regular meeting minutes of December 1, 2008, previously distributed to the Board. 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 minutes of the special meetings of November 17, 2008 and December 1, 2008 and the regular meeting of December 1, 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 11 months ending November 30, 2008, a copy of which is attached hereto. Ms. Plunkett noted that the Authority had continued to operate under budget for the month ended November 30, 2008. 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 Financial Report, the monthly investment report and the checks being presented for payment.

Ms. Plunkett next reported that Tab 6 of the meeting packet contains the proposed Public Funds Depositor Collateral Security Agreement (the "Collateral Security Agreement") with Amegy Bank, a copy of which is attached hereto. Ms. Plunkett explained that the Authority had entered into a Collateral Security Agreement with Klein Bank on June 10, 2000, and stated that the proposed Collateral Security Agreement updates that agreement to reflect Amegy Bank, who had previously acquired Klein Bank. Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Collateral Security Agreement.

### REVIEW OF EXECUTIVE SUMMARY AND APPROVE AND AUTHORIZE EXECUTION OF THE FIRST SUPPLEMENT TO WATER SUPPLY CONTRACT

Mr. Schindewolf then discussed the Executive Summary and approval of the First Supplement to Water Supply Contract (the "First Supplement") between the City of Houston, Texas (the "City") and the Authority, which had been tabled at the December 1, 2008 regular meeting, copies of which are attached hereto. Mr. Schindewolf stated that the initial contract between the City and the Authority was entered into in December, 2002, and provided for the purchase of an initial allocation of 31 MGD of treated surface water from the City for the 2010 conversion. Mr. Schindewolf further explained that the initial contract also provided a mechanism for purchasing additional surface water to meet the 2020 and 2030 conversion requirements, as well as the future needs of the Authority. Mr. Schindewolf went on to explain that the First Supplement provides for

the purchase of treated surface water from the City to meet the Authority's projected needs through 2040. Mr. Schindewolf further stated that the Luce Bayou Interbasin Diversion Project (the "Luce Bayou Project") will be constructed by the City in order to meet the Authority's projected needs for 2020 and beyond, as well as the needs of the West Harris County Regional Water Authority (the "WHCRWA"), the North Fort Bend Water Authority (the "NFBWA") and the Central Harris County Regional Water Authority (the "CHCRWA"). Mr. Schindewolf then described the Luce Bayou Project that will provide the infrastructure to transfer 400 MGD of water from the Trinity River to Lake Houston and, ultimately, the City's Northeast Water Purification Plant and the East Water Purification Plant for treatment. Mr. Schindewolf added that the Luce Bayou Project will consist of two (2) phases at a total estimated cost of \$257 million. Mr. Schindewolf noted that the Luce Bayou Project is scheduled to be substantially complete by June 30, 2019. Mr. Schindewolf further noted that the Luce Bayou Project implementation will be managed by the Coastal Water Authority.

Concerning the funding of the Luce Bayou Project, Mr. Schindewolf explained that the Phase 1 funding will be \$28 million from the Texas Water Development Board's Water Infrastructure Fund and \$15 million from the participants, including: the Authority, the City, the WHCRWA, the NFBWA and the CHCRWA. Mr. Schindewolf went on to explain that Phase 2 funding will be determined by the City, and is to be done with the most cost effective financing available at the time, with such cost to be paid by the City and the other participants. Mr. Schindewolf then reviewed the basic components of costs to be paid by the Authority, as outlined in the PowerPoint presentation attached hereto. Mr. Schindewolf noted that the First Supplement provides for a "true-up" of the Luce Bayou Project costs upon completion of the project.

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 and authorize execution of the First Supplement.

#### AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 1A-3, CONTRACT 2

Mr. Schindewolf then explained that, as reported by Mr. Rolen earlier in tonight's meeting, 13 bids were received on December 16, 2008 for the construction of Project 1A-3, Contract 2, which provides for the installation of 5,258 feet of 12-inch water line and 626 feet of 16-inch water line, and installation of new metering and flow control stations, GST connection and associated piping at four (4) utility district water plants. Mr. Schindewolf then recommended award of the construction contract for such project to Industrial TX in the amount of \$1,961,805.50. 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 award the construction contract for Project 1A-3, Contract 2 to Industrial TX. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract award are attached hereto.

Mr. Schindewolf then introduced Mr. David Haynes, President of Industrial TX.

#### AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 5D

Mr. Schindewolf next explained that, as reported by Mr. Rolen earlier in tonight's meeting, seven (7) bids were received on December 18, 2008 for the construction of Project 5D, which

provides for the construction of the pump facility, disinfection facility, two (2) GSTs, detention pond and related appurtenances at the Authority's Louetta Regional Water Plant. Mr. Schindewolf then recommended award of the construction contract for such project to Holloman in the amount of \$12,089,980. 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 5D to Holloman. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract award are attached hereto.

Mr. Schindewolf then introduced Mr. Mark Wright, Project Manager for Holloman.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated that the next regular meeting of the Board will be held on Monday, February 2, 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 2<sup>nd</sup> day of February, 2009.



Secretary, Board of Directors

