

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
April 5, 2010

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 Monday, the 5th day of April, 2010, 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 Graham, thus constituting a quorum. Also attending the meeting were: Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Mr. Anthony Crisci, P.E., Construction Coordinator 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. Lisa Randecker, Executive Assistant for the Authority; Ms. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Messrs. Tom Rolen, P.E., Stephen Berckenhoff, P.E. and Douglas Schmidt, P.E. of AECOM Technical Services, Inc. ("AECOM"), Program Manager for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to AECOM and project representative on several Authority projects; Mr. Wendell L. "Buddy" Barnes, P.E. of Montgomery & Barnes, Inc., on-call engineers for the Authority; Mr. Tobin Synatschk, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Messrs. Vernon Webb, P.E. and Michael Perez, P.E. of Jacobs Engineering Group, on-call engineers for the Authority; Mr. Jay Chapman, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. John Peyton, P.E. of CLR, Inc., on-call engineers for the Authority; Mr. Dave Scholler, P.E. and Ms. Melinda Silva, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. W. John Seifert, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Messrs. Ralph Cox, P.E. and Jerry Newell, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. Paul Wallick, P.E. of Pate Engineers, Inc., on-call engineers for the Authority; Mr. Ravi Yanamandala, P. E. of Geotest Engineering, Inc., material testing engineers for the Authority; Mr. Arthur D. West of Cobb Fendley & Associates, Inc., a member of the Right-of-Way ("ROW")/Easement Acquisition Team for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for 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.

PUBLIC COMMENT

Director Fessler then noted that there was one (1) public comment card reminding the Board that the NCAA Basketball playoff game would start at 8:00 p.m. this evening.

BOARD MEMBER COMMENTS

Director Pulliam then announced that the April issue of National Geographic was entitled "Water", and includes a number of interesting articles on water-related topics. Director Pulliam next reported that Mr. Schmidt had taken him on a tour of Project 7C-4 last week. Director Pulliam stated that he had sent photographs from the tour to Ms. Payne.

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 first reported that Mr. Rolen recently made a presentation to the Southeast Chapter Texas American Water Works Association, and that Director Rendl will address the St. Ignatius Catholic Church Senior Friends Group on April 14, 2010.

Concerning outreach and education, Ms. Payne reported that Ms. Linn Smyth of Cypress Forest Public Utility District had been extremely helpful in arranging the Community Family Garden Event recently held at Brill Elementary School that included the Authority's mobile teaching lab and frontier demonstrations.

GENERAL MANAGER'S REPORT

Mr. Schindewolf first congratulated Directors Sigler, Rendl and Graham on being elected to office.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Schindewolf, in the absence of Mr. Mark Breeding of Andrews Kurth LLP, ROW attorney, then gave the status report on the various ROW/easement acquisitions by the Authority.

Mr. Schindewolf reported that the Authority has now acquired access to all the easement tracts (water line easements, pump station sites, meter station sites, etc.) necessary for the Authority to complete construction of the 2010 Surface Water Distribution and Transmission System (the "System"). Mr. Schindewolf extended his congratulations to the members of the real estate acquisition team for their excellent work and to the Board for their support in this effort.

Mr. Schindewolf then briefly reported on four (4) parcels of land that continue to be involved in the condemnation process, including: one (1) parcel for Project 1A-3; two (2) parcels for Project 6B-3; and one (1) parcel for Project 7C-4, Contract III.

UPDATE ON THE SYSTEM

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

Mr. Rolan first noted that quite a few of the Authority's construction projects are nearly complete and will be brought to the Board for acceptance over the next several months.

Mr. Rolan then reported that the contractor for Project 2, Construction Package No. 1 (the Spears Road Regional Pump Station) is working on final punch list items on such project.

Concerning Project 2, Construction Package No. 2 (the Spears Road Regional Pump Station), Mr. Rolan reported that the contractor continues to work on final punch list items.

Mr. Rolan next reported that the contractor for Project 5D, the Louetta Regional Water Plant, has installed the emergency generator, continues to install electrical conduit, is in the process of installing plumbing and lighting in the pump building and is installing the chemical feed system.

Mr. Rolan then reported that the contractor for Project 6B-3 is working on preliminary punch list items.

Mr. Rolan went on to report that the contractor for Project 7C-3, Contract 2 continues to work on the electrical system installation.

Mr. Rolan then reported that the contractor for Project 7C-4, Contract 1 is working on project finalization.

Concerning Project 7C-5, Mr. Rolan reported that the contractor is working on final punch list items.

Mr. Rolan next reported that the contractor for Project 7C-6 is installing the steel casing for several of the trenchless crossings and working on a connection to one (1) utility district water plant.

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

Mr. Rolan went on to report that the contractor for Project 14A is working on final punch list items.

Mr. Rolan next reported that the contractor for Project 17, Segment 1 has been working on final punch list items.

Mr. Rolan further reported that the contractor for Project 17, Segment 3 has been working on turf establishment.

Mr. Rolan then referred to the Water Line Installation Chart in the PowerPoint presentation that reflects the water line installation during the current reporting period for Projects 7C-4, Contract III, 7C-5 and 7C-6. Mr. Rolan noted that 2,941 feet of pipe had been installed during the reporting period, bringing the total footage of water line installed to date to approximately 70.6 miles.

Concerning the Groundwater Transfer Program (the "GTP"), Mr. Rolan reported that AECOM had provided administrative oversight of the GTP systems during the reporting period, that the North and West GTP Systems continue to be interconnected, and that approximately 2.83 million gallons per day of water was provided to the Buyer districts during such period.

Mr. Rolan further reported that the Authority delivered an average of 1.665 million gallons of surface water to five (5) utility districts during the reporting period. Mr. Rolan explained that start-up problems on several utility districts' chloramination systems have delayed the delivery of surface water to additional districts within the 2010 conversion areas. Mr. Rolan added that the Authority hopes to initiate delivery of surface water to approximately 10 to 15 additional districts during April.

Concerning other activities, Mr. Rolan reported that during the prior month, AECOM continued oversight of engineering efforts; provided construction administration services and project representation on the remaining construction projects as required, provided oversight of STES's operation of the Authority's GTP systems; responded to inquiries from utility districts concerning the conversion to surface water and the conversion to chloramine disinfection; assisted the Authority in the scheduling and planning associated with the phasing-in of the conversion to surface water; and assisted the Authority in developing information for renewal and expansion of the Authority's aggregated water well permit within the Harris-Galveston Subsidence District (the "HGSD").

Concerning the status of the installation of chloramination disinfection systems by the various utility districts within the Authority that will be receiving surface water in 2010, Mr. Rolan reported that 17 districts are now using their chloramination disinfection systems, that all of the 2010 districts have now submitted the required chloramination packages to the Texas Commission on Environmental Quality (the "TCEQ") for review and approval, and that only two (2) districts have not yet acquired the necessary approvals from the TCEQ. Mr. Rolan added that 55 districts have issued Notices to Proceed for construction for their respective chloramination disinfection systems.

Director Fessler then inquired if the Authority is behind or ahead with the utility district chloramination system conversions. Mr. Rolan responded that the chloramination conversions are running behind schedule, but noted that everyone is working very hard to catch up. Mr. Rolan stated that he did not believe that the slower pace of chloramination system

conversions would become an issue in complying with conversion requirements. Mr. Schindewolf then explained that chloramination system conversion is a complicated process. Mr. Schindewolf further stated that he is hopeful that the HGSD will work with the Authority if it gets behind in converting to surface water. Mr. Schindewolf noted that he and Mr. Rolen plan to meet with Mr. Ron Neighbors of the HGSD to review the situation. Mr. Schindewolf then asked Ms. Bobbitt to review past conversations she has been involved in with Mr. Neighbors concerning the conversion timeframes. Ms. Bobbitt responded that Mr. Neighbors had always indicated that the HGSD would try to remain flexible, as long as the Authority was showing that it was making an effort to comply.

Director Fessler then stated that the HGSD had recently increased the disincentive fee from \$3.50 to \$5.00 per 1,000 gallons of water.

Director Rendl commented that many districts have their chloramination disinfection systems ready and running, but cannot go online yet until neighboring districts have completed and tested their chloramination disinfection systems.

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 minutes of the regular meeting of March 1, 2010, previously distributed to the Board. Upon motion by Director Sigler, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of March 1, 2010, 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 two (2) months ended February 28, 2010, a copy of which is attached hereto. 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.

GENERAL MANAGER'S ACTION ITEMS

ACTIONS ASSOCIATED WITH AGGREGATION OF THE HGSD WELL PERMITS

Mr. Schindewolf then reviewed a memorandum, dated April 5, 2010, to the Board regarding the aggregation of water well permits in the Authority, a copy of which is attached hereto. Mr. Schindewolf reminded the Board that last year, the HGSD had mandated an aggregated well permitting process to include all applicable water wells located within the boundaries of the Authority in one (1) aggregate well permit in the name of the Authority.

Mr. Schindewolf stated that the first step in the process involved the aggregation of 123 water wells located within the 2010 surface water conversion area for the permit term beginning September 1, 2009 through August 31, 2010. Mr. Schindewolf went on to explain that the second step in the aggregated well permitting process will be to aggregate all applicable well permits for wells located within the Authority into one (1) aggregate well permit for the permit term beginning September 1, 2010 through August 31, 2011.

Mr. Schindewolf then explained that in order to insure that the aggregated permitting process being required by the HGSD is accomplished in an effective manner, he recommends that the Board approve the following items: 1) authorize the General Manager to establish and implement a process for submitting an aggregated application to the HGSD and to execute any and all documents pertaining to that process; and 2) authorize the General Manager to make payment to the HGSD for the aggregated permit fees (estimated to be \$700,000) with funds from the Fiscal Year 2010 Budget Water System O&M Account.

Mr. Schindewolf further noted that last year, the aggregated permit fee for the 123 wells had been paid by the Authority and billed back to those districts. Mr. Schindewolf stated that he is recommending that the aggregated permit fees for the permit term beginning September 1, 2010 through August 31, 2011 be paid by the Authority and not billed back to the utility districts.

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 and authorize the General Manager to proceed with the two (2) items outlined above regarding the aggregation of well permits within the boundaries of the Authority.

APPOINT SUB-COMMITTEE TO REVIEW AND NEGOTIATE PROPOSED EXTENSION AND UPDATE OF GENERAL MANAGER'S AMENDED AND RESTATED EMPLOYMENT AGREEMENT (THE "EMPLOYMENT AGREEMENT")

Director Fessler then explained that the Employment Agreement by and between the Authority and Mr. Schindewolf expires at the end of 2010, and that Mr. Schindewolf, along with the Board, is interested in extending and updating his Employment Agreement with the Authority. Director Fessler then appointed himself and Director Rendl to serve on a sub-committee to review and negotiate an extension and update to the Employment Agreement.

ELECTION AGENDA

ADOPT ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE AND CANCELING ELECTION

Mr. Schindewolf then called on Ms. Bobbitt, who presented the Order Declaring Unopposed Candidates Elected to Office and Canceling Election (the "Order") in connection with the May 8, 2010 Directors Election for the Board's approval, a copy of which is attached hereto. Ms. Bobbitt explained that since the incumbent directors to be listed on the ballot for the 2010 Directors Election are unopposed, the Authority is not required to hold an election and reminded the Board that it had previously determined that no election would be held if there were no opposed candidates. Ms. Bobbitt next presented an executed Certificate Regarding Unopposed Candidates to the Board, a copy of which is attached hereto. 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 adopt the Order, thereby declaring Directors Graham, Rendl and Sigler elected to office on May 8, 2010 to serve a four (4) year term expiring in May 2014.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated the next regular meeting of the Board will be held on Monday, May 3, 2010, 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 May, 2010.



Ron Graham
Secretary, Board of Directors