

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
December 6, 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 6<sup>th</sup> day of December, 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:

Alan J. Rendl	President
Kelly P. Fessler	Vice President
Lenox A. Sigler	Secretary
James D. Pulliam	Treasurer/Investment Officer
Ron Graham	Assistant Secretary

All members of the Board were present, except Director Rendl, thus constituting a quorum. Also attending the meeting were: Mr. Jimmie Schindewolf, P.E., General Manager 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., 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. W. John Seifert, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Ralph Cox, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Ms. Melinda Silva, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Messrs. Ravi Yanamandala, P.E. and V. N. Vijayvergiya, P.E. of Geotest Engineering, Inc., material testing engineers for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; Mr. Steve Bresnen of Steve Bresnen & Associates, lobbyist for the Authority; Mr. Mark McGrath, CPA, of McGrath & Co., PLLC ("McGrath & Co."); 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.

Mr. Schindewolf announced that Director Rendl was unable to attend tonight's meeting due to illness and that in his absence, Director Fessler, as Vice President of the Board, would preside over the meeting.

### PUBLIC COMMENTS

Director Fessler noted that one (1) public comment card had been received from Ms. Colette Lange, a resident of Reid Road Municipal Utility District No. 2 ("Reid Road MUD No. 2"). Director Fessler noted that Ms. Lange had asked to make comment at the end of the meeting.

### BUDGET MATTERS

Mr. Schindewolf then explained that tonight's meeting packet includes his memorandum regarding the budget for the fiscal year ending December 31, 2011 (the "2011 Budget") and the Capital Improvement Plan for 2011-2012 (the "2011-2012 CIP"), copies of which are attached hereto and the complete details of which can be found in the Authority's files. In addition, Mr. Schindewolf stated that the meeting packet includes his memorandum regarding the continuation of the current well pumpage fee of \$1.75/1,000 gallons and the current surface water cost of \$2.20/1,000 gallons through June 30, 2011. Mr. Schindewolf noted that a key component in determining the cost of surface water is the City of Houston's (the "City") Operation and Maintenance ("O&M") cost for the Northeast Water Purification Plant (the "NEWPP"). Mr. Schindewolf went on to explain that the City's O&M cost will likely increase as a result of multi-million dollar contracts that were recently approved by the City and the Coastal Water Authority (the "CWA") with NRG Energy for the installation of emergency generators at all of the City's and the CWA's major surface water facilities, including the NEWPP. Mr. Schindewolf further noted that the Authority will make every effort to give the utility districts as much notice as possible of any future pumpage fee and surface water cost increases.

### ADOPTION OF 2011 BUDGET

Mr. Schindewolf next explained that the 2011 Budget and the 2011-2012 CIP had previously been presented and discussed in detail at the November 22, 2010 Budget Workshop meeting. Mr. Schindewolf stated that the Authority's goal was to develop a fiscally sound budget that is at the same time comprehensive enough to efficiently and properly operate and maintain the Authority's 2010 Surface Water Transmission and Distribution System in conformance with all local, state, and federal regulations and in compliance with the Authority's Groundwater Reduction Plan approved by the Harris-Galveston Subsidence District. Mr. Schindewolf noted that the 2011 Budget also includes funding to continue the planning and development process for the 2020 Surface Water Conversion Program. Mr. Schindewolf further noted that the 2011 Budget carries over two (2) unfilled positions (Accounting Clerk and Operations and Maintenance Coordinator) from the 2010 Budget. Mr. Schindewolf added that the 2011 Budget does not include a cost of living pay increase for the Authority's employees.

Mr. Schindewolf then recommended that the Board approve and adopt the 2011 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 2011 Budget.

#### APPROVAL OF 2011-2012 CIP

Mr. Schindewolf then reported that the 2011-2012 CIP includes all of the projects that the Authority plans to undertake during 2011 and 2012. Mr. Schindewolf noted that the major components of the 2011-2012 CIP include Engineering Design, Engineering Management, Real Estate Acquisition, Construction, Construction Management, and Construction Materials Testing.

Mr. Schindewolf then recommended approval of the 2011-2012 CIP and adoption of a Resolution Approving and Implementing Capital Improvement Plan for 2011 and 2012 (the "Resolution"). 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 2011-2012 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 first reported that Director Rendl had made a presentation to the Cy-Fair Rotary Club on November 29, 2010.

Ms. Payne next reported that Save Water Texas, a non-profit umbrella for water conservation activities, has launched an Adopt A School Program inviting water districts to help underwrite the cost of presenting the "*A Frontier Adventure*" assembly to second (2<sup>nd</sup>) grade classes and "*Learning from Our Past to Improve Our Future*" program for fourth (4<sup>th</sup>) grade classes in the Klein Independent School District ("Klein ISD").

Ms. Payne then introduced Ms. Jennifer Wilson, a second (2<sup>nd</sup>) grade teacher at Mueller Elementary School in Klein ISD, as the Authority's Educator of the Month. Ms. Wilson thanked the Board and exited the meeting at 7:12 p.m.

Ms. Payne then informed the Board that the Authority is a sponsor of the Texas Irrigation Network's December 15<sup>th</sup> winter workshop, "Realistic Water Conservation Methods". Ms. Payne stated that the workshop will be held at The Berry Center in Cypress, Texas, and noted that registration can be done online at [www.TexasIrrigation.net](http://www.TexasIrrigation.net).

## GENERAL MANAGER'S REPORT

Mr. Schindewolf next reviewed the General Manager's Report with the Board, a copy of which is attached hereto.

## UPDATE ON THE 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 reviewed the Program Manager's Report, a copy of which is attached hereto.

Mr. Rolen reported that the acceptance of Project 17, Segment 1 is on this evening's agenda, and will be further discussed later in the meeting.

Mr. Rolen next reported that the contractors for Project 2, Construction Package Nos. 1 and 2 (the Spears Road Regional Pump Station), are working on the final punch list items for such projects.

Mr. Rolen went on to report that the contractor for Project 5D (the Louetta Regional Water Plant) is refining programming of the facility's SCADA system and continues to work on start-up of the facility's booster pumps and chemical feed system.

Mr. Rolen then reported that the contractor for Project 6B-3 is working on turf establishment.

Mr. Rolen added that project finalization is still ongoing for Projects 7C-4, Contract 1, and 10B.

Mr. Rolen then reported on the status of the 2010 Surface Water Conversion Program. Mr. Rolen explained that the Authority had delivered an average of approximately 22.5 million gallons per day of surface water to 54 utility districts within the Authority during the reporting period. Mr. Rolen stated that four (4) more utility districts have converted to chloramine disinfection systems, but have not yet converted to surface water. Mr. Rolen added that based on the most recent information available, the number of water discoloration, taste and odor complaints received by the districts appear to have significantly decreased during the prior month.

Concerning other activities, Mr. Rolen reported that during the prior month, AECOM had 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 system; responded to inquiries from utility districts concerning the conversion to surface water and the conversion to chloramine disinfection; continued coordination of the delivery of surface water to the utility districts in the 2010

conversion area; assisted the Authority in implementing and performing related tasks regarding its aggregated water well permit; completed development of the draft 2011-2012 CIP; and assisted the Authority in preparing the draft 2011 Budget.

#### 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 November 1, 2010 and the special meeting of November 22, 2010, 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 1, 2010, as written, and the minutes of the special meeting of November 22, 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 the 10 months ended October 31, 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

##### ENGAGEMENT OF AUDITOR

Mr. Schindewolf then reported that Tab 8 of the meeting packet included the proposed engagement letter from McGrath & Co. for the preparation of the Authority's audit report for the fiscal year ending December 31, 2010. Mr. Schindewolf next called on Mr. McGrath to address the Board.

Mr. McGrath then addressed the Board and thanked them for giving his auditing team the opportunity to continue to serve as the Authority's auditors. Mr. McGrath noted that he estimates that his fee for the Authority's audit report for the fiscal year ending December 31, 2010 will be \$26,000.

Mr. Schindewolf then recommended that the Board engage McGrath & Co. 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 engage McGrath & Co. to prepare the Authority's audit report for the fiscal year ending December 31, 2010 and to authorize the execution of the McGrath & Co. engagement letter, a copy of which is attached hereto.

## APPROVE AUTHORITY'S 2011 HOLIDAY SCHEDULE

Mr. Schindewolf next reported that the proposed 2011 Holiday Schedule for the Authority's employees is located at Tab 9 of the meeting packet, a copy of which is attached hereto. 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 2011 Holiday Schedule.

## ACCEPTANCE OF PROJECT 17, SEGMENT 1

Mr. Schindewolf then noted that Tab 10 of the meeting packet includes a letter from him recommending acceptance of Project 17, Segment 1, 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 authorize final acceptance of the work performed by BRH-Garver Construction, Ltd. on Project 17, Segment 1 for the construction of a 54-inch water line along Greens Bayou and Harris County Flood Control District Unit P145-00-00 from Greens Road to West Rankin Road, with a final contract amount of \$9,225,055.26 (the initial amount of the contract being \$9,438,769.00) and to approve payment of Pay Estimate No. 33 and Final for such project.

## REVIEW AND APPROVE LEGISLATIVE AGENDA FOR THE 82<sup>nd</sup> LEGISLATIVE SESSION

Mr. Schindewolf then noted that he, Ms. Bobbitt, Mr. Bresnen, Mr. Nelson and Mr. Jonathan D. Polley of Johnson Radcliffe have been considering items that the Authority may want to address during the 82<sup>nd</sup> Legislative Session that convenes January 11, 2011.

Ms. Bobbitt then reviewed the items suggested for the Authority's Legislative Agenda, including addressing the following items: 1) Authority boundary issues arising from district annexation of property over the past years that impact the ability of residents to vote in Authority elections; 2) current requirement for the Authority to re-draw its five (5) single-member voting districts following each U.S. Census and hold a directors election in each of the single-member voting districts after such re-drawing; 3) clarification that Chapter 36 of the Texas Water Code does not apply to the Authority; 4) clarification that governmental immunity provisions apply to the Authority; and 5) general clean-up of provisions that are no longer relevant or applicable to the Authority.

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 Authority's proposed Legislative Agenda for the upcoming 82<sup>nd</sup> Legislative Session.

## APPROVE AND AUTHORIZE LETTERS TO CERTAIN UTILITY DISTRICT/GOVERNMENTAL ENTITIES REGARDING RESIDENTS' VOTING RIGHTS IN AUTHORITY ELECTIONS

Ms. Bobbitt next explained that there are eight (8) or nine (9) areas that have been annexed by utility districts within the Authority subsequent to the Authority's creation whose residents are not eligible to vote in the Authority's elections, since such annexed land is not

technically located within the Authority's boundaries. Ms. Bobbitt explained that she, Mr. Nelson and Mr. Bresnen are recommending that letters should be sent to such districts explaining the issue, and requesting that they consider submitting a petition to the Authority to include their respective annexed land into the Authority's boundaries in order for the residents of the annexed land to be able to vote in Authority elections.

Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the matter being put to the Board, the Board voted unanimously to approve and authorize preparation of letters to certain utility districts/governmental entities regarding residents' voting rights in Authority elections.

#### EXECUTIVE SESSION

Director Fessler then adjourned the regular meeting at 7:39 p.m. and announced that the Board would convene in executive session to consult with the Authority's attorney pursuant to Section 551.071(1)(A) and (B), Texas Government Code, as amended, on matters related to pending or contemplated litigation and a settlement offer in connection with the Harris County Municipal Utility District No. 217 ("HCMUD No. 217") matter. Mr. Schindewolf stated that the Board would be in executive session for a short period of time and would then address item no. G.3.f. of the meeting agenda. Directors Fessler, Sigler, Pulliam and Graham, Mr. Schindewolf, Mr. Rolen, Ms. Bobbitt and Ms. Dold remained in the executive session.

#### RECONVENE IN OPEN SESSION

Director Fessler then reconvened the meeting in open session at 7:59 p.m., at which time the following action was taken by the Board. 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 authorize execution of the Settlement Agreement by and between HCMUD No. 217 and the Authority and the Wastewater Service Agreement Between the Authority and HCMUD No. 217. Copies of such documents can be found in the Authority's files.

#### PUBLIC COMMENT

The Board then recognized Ms. Lange, a resident of Reid Road MUD No. 2, who, among other things, expressed her concerns regarding numerous matters related to the Authority.

#### CONFIRM UPCOMING MEETING DATES

Director Fessler then noted that the Board's regular meeting date has been changed to Monday, January 10, 2011, at 7:00 p.m., and that such meeting will be held in the Authority's office.

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

PASSED, APPROVED AND ADOPTED this 10<sup>th</sup> day of January 2011.

*Randy A. Sizer*

Secretary, Board of Directors

