

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 5, 2011

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 December, 2011, 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
Lenox A. Sigler	Vice President
Ron Graham	Secretary
James D. Pulliam	Treasurer/Investment Officer
Kelly P. Fessler	Assistant Secretary

All members of the Board were present, except Directors Graham and Fessler, thus constituting a quorum. Also attending the meeting were: Mr. Showri Nandagiri, P.E., Engineering 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 Douglas Schmidt, P.E. of AECOM Technical Services, Inc. ("AECOM"), Program Manager for the Authority; Mr. Mark McGrath of McGrath & Co., PLLC – CPAs ("McGrath & Co."), auditor for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to AECOM and project representative on several Authority projects; Mr. John Peyton, P.E. of CLR, Inc., on-call engineers for the Authority; Mr. Jerry Newell, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Dennis Sander, P.E. of Sander Engineering Corporation, on-call engineers for the Authority; Mr. Tobin Synatschk, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; 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. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Trent Slovak, P.E. of Malcolm Pirnie, Inc., special water quality consultant 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.

MESSAGE FROM THE PRESIDENT

Director Rendl first greeted the meeting attendees and thanked the directors of utility districts that have notified the Authority about implementing their drought contingency plans to promote water conservation. Director Rendl noted that Mr. Schindewolf will talk further about the current water levels in Lakes Houston, Conroe and Livingston later in the meeting.

PUBLIC COMMENT

Director Rendl then reported that one (1) public comment card had been received at tonight's meeting from Mr. Ron Chapman, a resident of Harris County Municipal Utility District No. 222, a copy of which is attached hereto. Mr. Schindewolf then read Mr. Chapman's comment card, as follows:

- 1) "Has there been further discussion of a water conservation plan for the Authority? 2) Is there any per 1,000 gallon rate increase on the horizon? and 3) Is there a possibility that the rate charges may be impacted by conservation efforts or because a decreased water supply in the future?"

Mr. Schindewolf responded that the Authority has had a great deal of discussion with Mr. Rolan and the Authority's attorneys regarding water conservation plan matters. Mr. Schindewolf noted that Mr. Chapman's other two (2) questions would be dealt with later in the meeting.

BUDGET MATTERS

Mr. Schindewolf then explained that tonight's meeting packet includes his memorandum regarding the proposed budget for the fiscal year ending December 31, 2012 (the "2012 Budget") and Capital Improvement Plan for 2012-2013 (the "2012-2013 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, 2012. Mr. Schindewolf noted that the Authority is working with representatives of the Coastal Water Authority concerning the Luce Bayou Interbasin Transfer Project and with City of Houston representatives concerning the proposed expansion of the Northeast Water Purification Plant (the "NEWPP"), together with a proposed second transmission line from the NEWPP, with all of these projects pointed toward providing additional surface water for compliance with the Harris-Galveston Subsidence District's (the "HGSD") 2020 groundwater reduction requirements.

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.

Mr. Schindewolf next read an email from Director Fessler regarding the 2012 Budget and 2012-2013 CIP, as follows:

"Having reviewed the CIP and budget and discussed the matters with Jimmie, I can, for yet another year, say how proud I am to be associated with the

professionals on staff and on contract with the Authority. These plans account for our future needs while also looking out for the bottom line for our customers and the districts. Thank you all so much for the extraordinary effort and I give my full support to the approval of these two (2) items."

ADOPTION OF 2012 BUDGET

Mr. Schindewolf next explained that the 2012 Budget and the 2012-2013 CIP had previously been presented and discussed in detail at the November 28, 2011 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 HGSD. Mr. Schindewolf noted that the 2012 Budget also includes funding to continue the planning and development process for the 2020 Surface Water Conversion Program. Mr. Schindewolf further noted that the 2012 Budget carries over four (4) unfilled staff positions (an Accounting Clerk, an Operations and Maintenance Coordinator, a Planning & GIS Coordinator, and a Construction Coordinator) from the 2011 Budget. Mr. Schindewolf added that the 2012 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 2012 Budget. 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 adopt the 2012 Budget.

APPROVAL OF 2012-2013 CIP

Mr. Schindewolf then reported that the 2012-2013 CIP generally includes the projects that the Authority plans to undertake during 2012 and 2013. Mr. Schindewolf noted that the major components of the 2012-2013 CIP include engineering, program management, real estate acquisition, construction, construction management, construction materials testing and other related services to implement the 2012-2013 CIP.

Mr. Schindewolf then recommended approval of the 2012-2013 CIP and adoption of a Resolution Approving and Implementing Capital Improvement Plan for 2012 and 2013 (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 2012-2013 CIP as presented and to adopt the Resolution, a copy of which 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 Klein Independent School District ("ISD") held second (2nd) and fourth (4th) grade "Windmills and Barbed Wire" Assemblies at Krahn Elementary School on December 1, 2011 and have scheduled second (2nd) and fourth (4th) grade "Windmills and Barbed Wire" Assemblies at Roth Elementary School (sponsored by Bridgestone Municipal Utility District) on December 8, 2011.

Ms. Payne further reported that since September 1, 2011, 3,929 second (2nd) and fourth (4th) grade students in the Klein ISD and Spring ISD schools have participated in the Authority's Texas Water Assemblies and received the Authority's water conservation materials.

Ms. Payne next reported that according to Mr. Jeffrey Lindner, Meteorologist for the Harris County Flood Control District, the rainfall deficit from October 2010 to the end of November 2011 is still -31.54 inches at Bush IAH and -40.92 inches at Tomball.

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 "2010 SYSTEM")

Mr. Schindewolf first noted that Tab 4 of the meeting packet includes the Authority's Annual Reconciliation Report for Permit Year 2010-2011 to the HGSD, a copy of which is attached hereto.

Concerning the water levels in surrounding lakes, Mr. Schindewolf reported as follows: 1) Lake Livingston is down 3.9 feet below its normal level; 2) Lake Houston is up 5 feet, but is still 2.7 feet below its normal level; and 3) Lake Conroe is down 8.9 feet below its normal level.

Mr. Schindewolf next called on Mr. Rolen to review the status of the various projects and efforts underway to complete development of the 2010 System.

PROGRAM MANAGER'S REPORT

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

Mr. Rolen first reported that project finalization is ongoing on Project 2, Construction Package No. 1 (Spears Road Regional Pump Station).

Mr. Rolen further reported that the contractor for Project 2-3 is installing the variable speed frequency drives at Spears Road Regional Pump Station.

Mr. Rolen went on to report that the contractor for Project 5D (the Louetta Regional Water Plant) is working through startup issues concerning the facility's control system and two (2) of the booster pumps.

Mr. Rolan then noted that the contractor for Project 7B-1 has completed the tap and tie-in to Project 7B and has begun installing pipe.

Mr. Rolan next reported that the contractor for Project 101-B (the Supervisory Control and Data Acquisition ("SCADA") System) for the 2010 System continues conduit installation at the districts' water plants.

Concerning the status of the 2010 Surface Water Conversion Program, Mr. Rolan reported that the Spears Road Regional Pump Station had delivered an average of approximately 27.2 million gallons per day of surface water during the reporting period. Mr. Rolan went on to report that the alternative water (i.e., surface water) used in October was approximately 30.3%, compared to 24.4% in September. Mr. Rolan then reminded everyone that we are entering the traditionally lower water use period and, as such and in accordance with the Authority's Rate Order, all districts receiving surface water are asked to maximize their use of surface water to meet their needs and use groundwater only as needed to properly exercise their well(s) and meet peak needs if the Authority cannot provide enough surface water.

Director Rendl then stated that it is unfair to the 60 districts located in the Authority's 2010 Surface Water Conversion area if some of the districts do not take as much surface water as possible, especially now during the low usage period.

Mr. Rolan also reported that the Authority's special water quality consultant, Malcolm Pirnie, Inc., continues to work with two (2) utility districts on water quality issues.

Concerning other activities, Mr. Rolan 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; monitored, tabulated and analyzed amounts of water used by public water systems ("PWS") covered by the Authority's aggregate water well permit and, where necessary, in consort with STES and the respective PWS operators, took appropriate actions; assisted the Authority in implementing and performing related tasks regarding its aggregate water well permit with the major effort focused on the preparation and submission of the Annual Reconciliation Report for the 2010-2011 Permit Year to the HGSD; assisted the Authority in gathering and compiling water well meter information for use in the annual meter update required by the HGSD; assisted the Authority in the development of the proposed 2012 Authority Budget and the Draft 2012-2013 CIP; and evaluated PWS submittals requesting Chloramination Credits.

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 7, 2011. 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 minutes of the regular meeting of November 7, 2011, as written.

FINANCIAL ASSISTANT'S REPORT

Director Rendl 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, 2011, 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 MCGRATH & CO. FOR PREPARATION OF THE AUDIT REPORT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011

Mr. Schindewolf then reported that Tab 8 of the meeting packet includes the proposed engagement letter from McGrath & Co. for the preparation of the Authority's audit report for the fiscal year ending December 31, 2011. Mr. Schindewolf noted that Mr. McGrath estimates his fee for the preparation of Authority's audit report for the fiscal year ending December 31, 2011 will be \$26,000, the same as last year.

Mr. Schindewolf then recommended that the Board engage McGrath & Co. 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 engage McGrath & Co. to prepare the Authority's audit report for the fiscal year ending December 31, 2011 and to authorize the execution of the McGrath & Co. engagement letter, a copy of which is attached hereto.

APPROVE AUTHORITY'S 2012 HOLIDAY SCHEDULE

Mr. Schindewolf next reported that the proposed 2012 Holiday Schedule for the Authority's employees is located behind Tab 9 of the meeting packet, 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 approve the 2012 Holiday Schedule.

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, IN CONNECTION WITH PROJECT 6A-2 (THE "EMINENT DOMAIN RESOLUTION")

Mr. Schindewolf then stated that the Board adopted an initial Eminent Domain Resolution on June 2, 2003 and subsequently, adopted several additional Eminent Domain Resolutions, the last of which was adopted on May 2, 2011, which authorized the real estate

acquisition process to proceed for certain designated projects. Ms. Schindewolf noted that the adoption of an additional Eminent Domain Resolution is again necessary in connection with the upcoming Project 6A-2. Mr. Schindewolf explained that Project 6A-2 is the first Authority project for which the real estate acquisition process will be conducted in compliance with Senate Bill 18, enacted by the 82nd Legislative Session, which became effective on September 1, 2011. Mr. Schindewolf noted that Ms. Bobbitt has been working very closely with Messrs. Mark Breeding and Charles Dippel of Andrews Kurth LLP, right-of-way attorneys for the Authority, to develop the appropriate language for the Eminent Domain Resolution being presented to the Board and utilize the proper procedures this evening to be certain that the Authority is in compliance with the provisions of Senate Bill 18.

Ms. Bobbitt then explained that Senate Bill 18 requires specific language to be used whenever an entity considers exercising its power of eminent domain and that is the reason item G.3.d. is on tonight's agenda regarding the consideration of the use of eminent domain to condemn the tracts of property needed for Project 6A-2. Ms. Bobbitt further explained that Mr. Rolen had worked closely with her and Messrs. Breeding and Dippel to provide the map that depicts Project 6A-2 attached to the Eminent Domain Resolution as Exhibit "1."

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 Eminent Domain Resolution, a copy of which is attached hereto.

CONSIDER USE OF EMINENT DOMAIN TO CONDEMN MULTIPLE TRACTS OR UNITS OF PROPERTY FOR THE CONSTRUCTION, INSTALLATION, OPERATION AND MAINTENANCE OF THE AUTHORITY'S WATER LINE FACILITIES KNOWN AS PROJECT 6A-2 FOR THE DELIVERY OF WATER TO HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 383'S PROPOSED WATER PLANT NO. 3

Director Pulliam then made the following motion in compliance with the provisions of Section 2206.053(e) of the Government Code, implemented by the provisions of Senate Bill 18:

"I move that the Authority authorize the use of the power of eminent domain to acquire the necessary multiple tracts or units of property, rights-of-way, easements and other property interests for the construction, installation, operation and maintenance of water line facilities and appurtenances thereto at the locations and along the general routes depicted in the Exhibit attached to the Eminent Domain Resolution for the transportation, distribution and delivery of water to and within the Authority's boundaries, including the delivery of water to Harris County Municipal Utility District No. 383's proposed Water Plant No. 3 and future extension of such line to Boudreaux Road, known as Project 6A-2."

The motion was seconded by Director Sigler and after full discussion and the question being put to the Board, the Board voted unanimously to authorize the use of the Authority's power of eminent domain as stated in the motion.

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that the Board's next regular meeting will be held on Monday, January 9, 2012 and not on January 2, 2012, at 7:00 p.m., which will be held at the Authority's office.

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

PASSED, APPROVED AND ADOPTED this 9th day of January, 2012.



~~Secretary~~, Board of Directors
V.P.

