

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

September 12, 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 12th day of September, 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, 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; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Mr. Chris DeBow of RBC Global Asset Management (U.S.) Inc. ("RBC"), Investment Advisor for the Authority; Mr. Gene Shepherd of RBC Capital Markets, Financial Advisor 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. Jerry Newell, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Vernon Webb, P.E. of Jacobs Engineering Group, Inc., on-call engineers for the Authority; Mr. David Warner, P.E. of Montgomery & Barnes, Inc., on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Ms. Melinda Silva, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Ravi Yanamandala, P.E. of Geotest Engineering, Inc., material engineering laboratory services consultant for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; Mr. Wendell L. "Buddy" Barnes, P.E. of W. L. Barnes Consulting, Inc.; Ms. Lynn Smyth of SaveWaterTexas; 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.

MESSAGE FROM THE PRESIDENT

Director Rendl stated that the message he wants to emphasize at tonight's meeting is the importance of conserving water during the extreme drought period that is being experienced throughout the State of Texas.

PUBLIC COMMENT

Director Rendl then noted that one (1) public comment card had been received 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: "How has the drought affected most of the districts' voluntary rationing and any effect on the Authority's well production?"

Director Rendl responded that he does not know if or how individual districts are restricting water usage. Director Rendl further stated that the Authority can deliver 31 million gallons of surface water per day to the 60 districts that have converted to surface water, but during high demand periods many of those districts must supplement the surface water used with ground water pumped by their wells.

ELECTION AGENDA

Director Rendl commented regarding the need for Spanish and Vietnamese translations on the agenda. Ms. Bobbitt advised the Board that effective January 1, 2012, the United States Department of Justice (the "DOJ") will require election information in Harris County to be translated in two (2) additional languages.

ADOPT ORDER ESTABLISHING POLICY REGARDING CANCELLATION OF GENERAL ELECTIONS UPON DECLARATION OF UNOPPOSED CANDIDATES ELECTED TO OFFICE (THE "ORDER")

Ms. Bobbitt then explained to the Board that the DOJ has implemented a new policy requiring that governmental entities subject to Section 5 of the Voting Rights Act of 1965 request preclearance of cancellations of all general elections as a result of the DOJ's determination that an election cancellation is now deemed to be a change that affects voting. Ms. Bobbitt further explained that the DOJ has recommended that governmental entities adopt a policy regarding cancellation of general elections for preclearance submission to avoid having to redundantly make cancellation submissions for each election. Ms. Bobbitt then presented the Order Establishing Policy Regarding Cancellation of General Elections Upon Declaration of Unopposed Candidates Elected to Office, a copy of which is attached hereto, for the Board's review and noted that the policy generally states that the Authority will follow the provisions of the Texas Election Code regarding cancellation of its general elections. Ms. Bobbitt then asked the Board to adopt the Order. 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.

REVIEW SENATE BILL 100 ("SB 100"), EFFECTIVE SEPTEMBER 1, 2011, AND ITS EFFECT ON MAY 2012 ELECTIONS

Ms. Bobbitt then reviewed a memorandum prepared by Johnson Radcliffe explaining the effect of the Federal Military and Overseas Voter Empowerment Act (the "Federal MOVE Act") on the upcoming May 2012 general elections, a copy of which is attached hereto.

Ms. Bobbitt explained that in 2009, Congress passed the Federal MOVE Act to provide that all states must plan for a 45-day window for a military or overseas ballot to make a "round-trip" back to a governmental entity. In response, Ms. Bobbitt went on to explain, the Texas Legislature passed SB 100, which extended the deadline for receipt of military and overseas ballots for the March 2012 primary and set the March 2012 primary run-off early voting to begin three (3) days after the May 2012 uniform election date.

Because of these legislative changes, Ms. Bobbitt further explained that many counties throughout the State have found themselves unable to provide voting equipment to local governmental entities preparing to conduct May 2012 general elections. Ms. Bobbitt went on to state that a potential remedy for local governmental entities was also provided for in SB 100. Ms. Bobbitt explained that local governmental entities may now choose to keep their general elections on the May 2012 uniform election date or move their general elections to the November 2012 uniform election date and this decision must take place prior to December 31, 2012. She further reported that there is also a rule change proposed by the Texas Secretary of State (the "SOS"), based upon the SOS's perceived intent of SB 100, that local governmental entities may also choose to move their general elections to the May 2013 uniform election date. Ms. Bobbitt stated that the latter is still merely a proposed rule, and she does not recommend moving the Authority's general election to the May 2013 uniform election date, as the proposed rule may change prior to final adoption.

Ms. Bobbitt went on to explain that Harris County (the "County") is unable to provide voting equipment to local governmental entities for the May 2012 general election, as reflected in the letter received from Mr. Stan Stanart, Harris County Clerk, and attached to the Johnson Radcliffe memorandum. Because of this decision by the County, Ms. Bobbitt stated that she has provided to the Board and Mr. Schindewolf, in the Board's meeting packet, information on the iVotronic voting equipment which is available for lease from Election Systems & Software, Inc. ("ES&S") if the Board chooses to conduct the election in May 2012. Ms. Bobbitt added that she had provided the proposed ES&S contract to Mr. Schindewolf for review prior to the Board meeting.

Due to equipment reservation constraints, Ms. Bobbitt further explained that ES&S requires local governmental entities that want to lease voting equipment to approve and execute a lease agreement by September 30, 2011. If, after that date, the Authority chooses not to pursue lease of voting equipment for the May 2012 general election, Johnson Radcliffe can provide 30 days' notice of termination of the lease agreement to ES&S and the Authority will only be responsible for any services provided, costs incurred and deliverables provided by ES&S through the effective date of the termination. Ms. Bobbitt noted that the termination provision applies to election cancellations as well.

Ms. Bobbitt added that if the Authority's election date is moved to November 2012, the County would be able to conduct such election, as well as future Authority elections, by holding a joint election countywide. Ms. Bobbitt reiterated that if the Board wishes to hold its election on May 2012, she recommends that the Board enter into an Equipment Rental and Sales Service Agreement with ES&S in order to reserve the necessary election equipment for such election and that such agreement could be cancelled without financial obligation at a future date. Extensive discussion then ensued. Director Rendl then asked the Board to make a decision regarding the May 2012 election. Upon motion by Director Graham, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to move their election date from the May 2012 uniform election date in even-numbered years to another uniform election date to be determined by the Board at a later date, after the SOS finalizes the rule concerning the moving of election dates under the provisions of SB 100.

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 will make a presentation to the City of Tomball on September 19, 2011 and a presentation to Harris County Municipal Utility District ("MUD") No. 43, Harris County MUD No. 82, Timberlane Utility District ("UD"), Harris County Water Control & Improvement District ("WCID") No. 136, Post Wood MUD and District 5 MUDs on September 21, 2011.

Ms. Payne next reported that the Klein Independent School District ("ISD") and Spring ISD have reserved all available dates for the second (2nd) grade and fourth (4th) grade frontier assemblies for the 2011-2012 school year (total of 42 assemblies). Ms. Payne provided a list of all the schools at which assemblies will be held and asked districts to consider adopting a school located within their boundaries, or one attended by their customers' children.

Ms. Payne then reported that Louetta Road UD and the Civic Association of Terra Nova hosted a Labor Day Water Conservation Event that featured the WATER IS LIFE Mobile Teaching Lab. More than 150 residents attended.

Finally, Ms. Payne reported that the Authority will host a Texas Drought Water Conservation Workshop on Thursday, September 15, 2012, at 9:30 a.m., with Mr. Jeff Linder, Meteorologist for the Harris County Flood Control District, and Mr. Jay Hartley, Immediate Past President of the Houston Gulf Coast Irrigation Association, as the guest speakers. Ms. Payne reported that invitations to the workshop were mailed to the operators of the 60 districts that have converted to surface water with the hope that they would share the information with their districts.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then emphasized the need for water conservation. Mr. Schindewolf noted that on August 16, 2012, the San Jacinto River Authority at the request of the City of Houston (the "City") began releasing water from Lake Conroe to stabilize the water level in Lake Houston. Mr. Schindewolf noted that the water level of Lake Conroe has dropped 1.3 feet since the August 16 release began. Mr. Schindewolf commended Mr. McDevitt and STES on all of their efforts to work with the 60 districts receiving surface water and the City to keep things running smoothly.

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

Mr. Schindewolf next called on Mr. Rolan to review the status of the various construction projects.

PROGRAM MANAGER'S REPORT

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

Mr. Rolan first reported that the contractors for Project 2, Construction Package Nos. 1 and 2 (the Spears Road Regional Pump Station) continue to work on the final punch list items for such projects.

Mr. Rolan next reported that the contractor for Project 2-3 is working on submittals.

Mr. Rolan 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 reported that project finalization is ongoing for Projects 6B-3, 7C-4, Contract I and 10B.

Mr. Rolan next reported that seven (7) bids ranging from \$993,782.40 to \$1,321,530.00 had been received on August 16, 2011, for the construction of a 12-inch water line connection to the Harris County WCID No. 132 Water Plant (Project 7B-1). Mr. Rolan explained that Kingsley Constructors, Inc. ("Kingsley") had submitted the low bid of \$993,782.40. Mr. Rolan noted that awarding the construction contract for the project is on the agenda later in this evening's meeting.

Mr. Rolan then reported that five (5) High Technology Procurement Proposals had been received for the Authority's Supervisory Control and Data ("SCADA") System for the 2010 System. Mr. Rolan noted that the proposals were reviewed on August 22, 2011 and evaluated by a Proposal Evaluation Committee (the "Committee") in accordance with the provisions for high technology procurement reflected in the Texas Local Government Code, and that the Committee and Program Manager recommend that the contract be awarded to BL Technology Inc. for the

amount of \$3,137,657.00. Mr. Rolan stated that awarding the contract for Project 101B is on the agenda later in this evening's meeting.

Concerning the status of the 2010 Surface Water Conversion Program, Mr. Rolan reported that the Spears Road Regional Pump Station had delivered an average in excess of 31 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 July was approximately 25.6%, compared to 26% in June. Mr. Rolan added that the alternative water usage for the period September 2010 through June 2011 was approximately 30.5%. Mr. Rolan noted that, given the fact that August is traditionally a high usage month, the alternative water used during such month is expected to be less than 30%.

Mr. Rolan next noted that the Authority's special water quality consultant, Malcolm Pirnie, Inc., is completing one (1) work assignment and continues to work on one (1) other assignment concerning water quality issues with two (2) utility districts.

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; and evaluated PWS submittals requesting Chloramination Credits.

Mr. Rolan further reported that he had spoken with the Senior Assistant Director of Water Production with the City earlier today, who confirmed that the City will continue to deliver 31 million gallons per day of surface water to the Authority.

Director Graham then asked when the City will initiate the Luce Bayou Transfer Basin Project (the "Luce Bayou Project"). Mr. Rolan responded that the project engineering design is on hold pending the completion of an environmental impact statement ("EIS") required by the United States Army Corps of Engineers ("USACE").

Director Sigler then inquired as to the status of land acquisition for the Luce Bayou Project. Mr. Rolan responded that the Right-of-Way/Easement Team has already addressed a large portion of the land acquisitions necessary for the Luce Bayou Project. Mr. Schindewolf noted that the remainder of the parcels to be acquired are involved in the condemnation process and as such will result in additional time for the acquisition process to be completed.

Director Graham next stated that he thought the route for the Luce Bayou Project had been selected by the Coastal Water Authority ("CWA") because it would not require an EIS. Mr. Schindewolf responded that CWA had selected a route that was less environmentally sensitive than the original route with the hope that an EIS would not be required, but that the USACE office in Galveston decided that an EIS would be required.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she had nothing further to report.

REGULAR AGENDA

APPROVAL OF THE MINUTES

The Board next considered approval of the minutes of the regular meeting of August 1, 2011, previously distributed to 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 the minutes of the regular meeting of August 1, 2011, as written. Approval of the minutes of the executive session of May 2, 2011 was deferred.

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 seven (7) months ended July 31, 2011, a copy of which is attached hereto. Upon motion by Director Sigler, seconded by Director Graham, 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.

ADOPT FOURTH AMENDED AND RESTATED ORDER DESIGNATING INVESTMENT OFFICER AND ESTABLISHMENT OF RULES, POLICIES, AND CODE OF ETHICS FOR THE INVESTMENT OF AUTHORITY'S FUNDS AND REVIEW OF INVESTMENTS (THE "FOURTH AMENDED AND RESTATED ORDER") AND ORDER REGARDING ANNUAL REVIEW OF RULES, POLICIES, CODE OF ETHICS AND LIST OF AUTHORIZED BROKERS

Ms. Plunkett then explained that Mr. Chris DeBow of RBC had assisted her with her annual review of the Authority's Investment Policy this year. Ms. Plunkett noted that a copy of her memorandum outlining the recommended revisions to be included in the proposed Fourth Amended and Restated Order are included behind Tab 8 of the meeting packet and attached hereto.

Mr. DeBow then addressed the Board. Mr. DeBow presented a brief PowerPoint presentation concerning his most recent analysis of the Authority's investment strategies. Mr. DeBow then noted that the recommended revisions are as follows: 1) Exhibit "A-4" Investment Strategy: Coverage Fund - Item B2 be revised to reflect a maximum investment period of three (3) years; 2) Exhibit "A-5" Investment Strategy: Debt Service Reserve Fund – Item B.2 be revised to reflect a maximum investment period of three (3) years; and 3) Exhibit "A-6" Investment Strategy: Improvement Fund – Item B.2 revised to reflect a maximum investment period of three (3) years.

Ms. Plunkett then explained that the Authority is required by the Public Funds Investment Act to review its Investment Policy and investment strategies each year, as well as to review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Authority. Ms. Plunkett recommended that the Board adopt the Order Regarding Annual Review of Rules, Policies, Code of Ethics and List of Authorized Brokers (the "Annual Review Order") included behind Tab 9 of the meeting packet and attached hereto.

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 adopt the Fourth Amended and Restated Order and the Annual Review Order.

GENERAL MANAGER'S ACTION ITEMS

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 7B-1

Mr. Schindewolf then explained that, as reported by Mr. Rolen earlier in tonight's meeting, seven (7) bids were received on August 16, 2011, for the construction of Project 7B-1, which provides for the construction of a 12-inch water line connection to the Harris County WCID No. 132 Water Plant. Mr. Schindewolf then recommended award of the construction contract for such project to Kingsley in the amount of \$993,782.40. Upon motion by Director Fessler, 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 7B-1 to Kingsley and authorize the execution of such contract. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract award are attached hereto.

Director Rendl then asked if Project 7B-1 is part of the 2010 System or the 2020 System. Mr. Rolen responded that Project 7B-1 will be part of the 2010 System.

Mr. Schindewolf then introduced Mr. Jon Kingsley, Jr., of Kingsley to the Board.

AWARD CONTRACT FOR PROJECT 101B

Mr. Schindewolf next explained that, as reported by Mr. Rolen earlier in tonight's meeting, five (5) High Technology Procurement Proposals were received on August 22, 2011, for Project 101B, the Authority's SCADA system for the 2010 System. Mr. Schindewolf then recommended award of the contract for such project to BL Technology Inc. in the amount of \$3,137,657.00. 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 award the contract for Project 101B to BL Technology Inc. and authorize the execution of such contract. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract award are attached hereto.

Mr. Schindewolf then introduced Mr. Robert M. Lee, Vice President of B.L. Technology Inc. to the Board.

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that the Board's next regular meeting will be on Monday, October 3, 2011, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 3rd day of October, 2011.



Secretary, Board of Directors

(AUTHORITY SEAL)

