

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

June 6, 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 6th day of June, 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
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, thus constituting a quorum. Also attending the meeting were: Scouts Conrad Chapman and Cameron Autry of Boy Scouts of America, Sam Houston, Troop 84; 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; Messrs. Steve Bresnen and Glen DeShields of Steve Bresnen & Associates, legislative lobbyists for the Authority; Ms. Amy Bresnen, an employee of the Texas Senate; 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. Wendell L. "Buddy" Barnes, P.E. of Montgomery & Barnes, Inc., on-call engineers for the Authority; Mr. Vernon Webb, P.E. of Jacobs Engineering Group, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Ms. Melinda Silva, P.E. of Brown & Gay Engineers, 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. Ralph Cox, P.E. of Klotz Associates, 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. Trent Slovak, P.E. of Malcolm Pirnie, Inc., special water quality consultant for the Authority; Mr. David Ely, P.E. of Terracon Consultants, Inc., material engineering laboratory services consultant for the Authority; Mr. Mark Breeding of Andrews Kurth LLP, right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Arthur West, P.E., of Cobb Fendley & Associates, Inc., ROW/easement acquisition team; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; Ms. Mary Bonetati and Ms. Lynn Smyth of SaveWaterTexas; Ms. Louanne Shaffer, Principal of Hancock Elementary School in the Cypress-Fairbanks Independent School District ("ISD"); 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 acknowledged the presence of Scouts Chapman and Autry, who were in attendance to fulfill a requirement toward their Eagle Scout Communications badge. Director Rendl commended the Scouts for working on their Eagle Scout rank.

PUBLIC COMMENT

Director Rendl then noted that one (1) public comment card had been received from Mr. John Porea, a resident of Harris County Municipal Utility District No. 383, a copy of which is attached hereto. Mr. Schindewolf then read Mr. Porea's comment card, as follows: "Given the continuing drought, does the Authority have any plans for a mandatory water conservation program?" Mr. Schindewolf responded that the Authority does not currently have plans for a mandatory water conservation plan. Mr. Schindewolf added that he had recently spoken with the City of Houston (the "City") representative responsible for operation of the City's three (3) water treatment plants, one of the plants being the Northeast Water Purification Plant, which is the source of water for the Authority and which draws its water from Lake Houston, and that the City representative, Ms. Yvonne Forrest, had advised him that even though the water level in Lake Houston had dropped several feet, she was confident that there is currently sufficient water supply in the lake and that if necessary the City could release City owned water from Lake Conroe to supplement the water supply in Lake Houston. Director Rendl then commented that public water systems ("PWSs") in the area are likely starting to review their drought contingency plans in light of the ongoing drought. Mr. Rolan stated that he has been reviewing water conservation strategies, but noted that the Authority's mission is to sell surface water.

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 Fessler and Mr. Tom Mancini, President of Harris County Water Control and Improvement District No. 132 ("HCWCID No. 132"), attended a Windmills and Barbed Wire Assembly at Haude Elementary School in May that was sponsored by HCWCID No. 132.

Ms. Payne next reported that Prestonwood Forest Utility District had sponsored a Frontier Assembly at Hancock Elementary School last week. Ms. Payne noted that 680 students had attended the assembly.

Ms. Payne then introduced Ms. Shaffer as the Authority's Educator of the Month. Ms. Payne stated that Ms. Shaffer had been instrumental in planning the Frontier Day Assembly at Hancock Elementary School ("Hancock"). Ms. Payne added that Ms. Shaffer has developed a Sensory Garden at Hancock. Ms. Shaffer thanked the Board for the Educator of the Month recognition and exited the meeting at 7:07 p.m.

Ms. Payne next reported that educator workshops will be held on June 27, 28 and 29 for approximately 100 Klein ISD science and social studies educators.

Ms. Payne then welcomed Dannenbaum Engineering and SouthWest Water Company to the Sponsors' Circle and six (6) water districts as returning sponsors for the 2011-2012 school year, including Harris County MUD No. 364, Harris County MUD No. 365, Reid Road MUD No. 1, Reid Road MUD No. 2, Rolling Fork Public Utility District, and Northwest Harris County MUD No. 29.

GENERAL MANAGER'S REPORT

Mr. Schindewolf first reported that the 82nd Legislative Session had ended on May 30, 2011, but that Governor Rick Perry had called a special session immediately thereafter. Mr. Schindewolf then welcomed Mr. Bresnen, Mr. DeShields and Ms. Bresnen to the meeting and asked Mr. Bresnen to report on the recent legislative session. A copy of Mr. Bresnen's letter to the Board regarding the 82nd Legislative Session is attached hereto.

Mr. Bresnen first extended his thanks to Mr. Schindewolf and, his staff, Ms. Bobbitt, and especially to Mr. Jonathan D. Polley of Johnson Radcliffe, for their great and timely assistance during the legislative session.

Mr. Bresnen noted that House Bill ("HB") 2418 (the Authority's bill) had passed, thanks to efforts by Senator Dan Patrick and Representative Bill Callegari. Mr. Bresnen noted that the bill cleans up the Authority's boundary lines and guarantees that any resident of a utility district that is within the Authority's boundaries will be allowed to vote in Authority elections. Mr. Bresnen went on to explain that the bill also exempts the Authority from various provisions of the Texas Water Code that conflict with the statutes that created and established the Authority, provides the Authority with the tools needed to enforce fees, water rates or orders, and repeals provisions in the Authority's legislation that are no longer applicable. Mr. Bresnen noted that once HB 2418 is signed by Governor Perry, it will become effective immediately.

Mr. Bresnen next briefly reviewed Senate Bill ("SB") 332 and described it as a confusing bill that purports to "recognize" that a landowner owns the water beneath the land as "real property." Mr. Bresnen noted that the bill also states that nothing prevents a district, which includes the Authority, from regulating the production of groundwater as provided in any special law creating the district. Mr. Bresnen added that the bill further states that its provisions do not affect the authority of the Harris-Galveston Subsidence District (the "HGSD") to regulate groundwater pursuant to the HGSD's enabling statute.

Mr. Bresnen went on to report that Senate Joint Resolution 4 proposes a constitutional amendment on the ballot of the November 8, 2011 election which, if passed, will establish a \$6

billion evergreen bonding authority for the Texas Water Development Board (the "TWDB") for its existing programs, including State water plan projects.

Mr. Bresnen then discussed SB 660, which is the TWDB sunset legislation, reporting that there were no significant changes that would affect the Authority's business.

Mr. Bresnen next discussed SB 181 (which is not included in his letter to the Authority), which directs the Texas Commission on Environmental Quality and the TWDB to develop a State water conservation plan, and deals with ongoing water conservation efforts and how to measure/monitor these efforts.

Concerning the Special Legislative Session, Mr. Bresnen reported that the legislature is addressing the \$4 billion budget cut from public education and the distribution of such budget cuts. Mr. Bresnen explained that \$4.8 million had been deferred for payment during the next biennium (2014 through 2015) from the State Medicaid program. Mr. Bresnen also reported that some of the State's "rainy day" fund will be used to fund deficits for the current fiscal year ending August 31, 2011. Mr. Bresnen noted that the legislature will also deal with immigration and Texas windstorm insurance issues during the Special Legislative Session.

Director Pulliam then asked what the estimated cost of implementing the State water plan would be. Mr. Bresnen responded that it depends on how soon Governor Perry moves on it and speculated a funding requirement of \$30 to \$50 billion.

Director Graham then questioned the purpose of SB 332. Mr. Bresnen responded that he was not sure due to the confusing nature of the bill. Mr. Bresnen noted that it is rare for the legislature to create property rights by statute and usually those rights are constitutional, either one has a right or does not. Mr. Bresnen surmised that SB 332 will likely lead to extensive litigation. Director Graham then inquired how the Legislature could defer Medicaid benefits. Mr. Bresnen explained that the expense is incurred in one (1) fiscal year and paid out in another fiscal year.

Mr. Breeding then addressed the Board regarding SB 18, the eminent domain legislation, that was signed by the Governor Perry on May 19th and becomes effective on September 1, 2011. Mr. Breeding noted that the bill provisions will require some modifications to the Authority's procedures for acquiring rights-of-way and other properties. Mr. Breeding went on to report that Mr. Bresnen did an excellent job of negotiating aspects of the bill to eliminate amendments that were tacked on at the end of the legislative session. Mr. Breeding added that the bill provides greater rights to the landowner, and will extend time required for the condemnation process. Mr. Breeding then noted that all governmental entities with eminent domain powers, including the Authority, must file a notice with the Texas Comptroller's office by December 31, 2012, to retain such powers.

Mr. Breeding further explained that SB 18 has changed the law on negotiation to require a bona fide offer to agree with landowners concerning the purchase of their property prior to filing a condemnation action. Mr. Breeding stated that condemnation actions to be filed by governmental entities such as the Authority will require a public hearing and a record vote on each property that is being condemned. Mr. Breeding explained that the Authority had

previously declared a public necessity in order to commence a condemnation proceeding, but now the Authority will be required to hold public hearings on the acquisition of properties.

Mr. Schindewolf then thanked Mr. Bresnen and Mr. Breeding for their reports. Mr. Bresnen, Ms. Bresnen, Mr. DeShields and Mr. Breeding then exited the meeting at 7:44 p.m.

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

Mr. Schindewolf next 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 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. 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 five (5) bids ranging from \$1,259,468 to \$1,542,911 had been received on May 26, 2011, for the construction of additional variable frequency drives ("VFDs") at the Spears Road Regional Pump Station (Project 2-3). Mr. Rolan reported that Pfeiffer & Son, Ltd. ("Pfeiffer") had submitted the low bid of \$1,259,468. Mr. Rolan noted that awarding the construction contract for the project was on the agenda for this evening's meeting.

Concerning the status of the 2010 Surface Water Conversion Program, Mr. Rolan reported that there was significant improvement in the volume of surface water used in April, which continued through May. Mr. Rolan stated that the Spears Road Regional Pump Station had delivered at least 31 million gallons per day of surface water to the 60 PWSs located within the Authority's 2010 conversion area during the reporting period. Mr. Rolan went on to report that, based on information for the period September through April 2011; approximately 32.6% of the reported water used in the Authority was alternate water (i.e., surface water). Mr. Rolan added that the alternate water usage during April was approximately 34.9%. Mr. Rolan further noted that the Authority is optimistic that it will meet the surface water usage goal barring any unforeseen circumstances.

Mr. Rolan next noted that the Authority's special water quality consultant, Malcolm Pirnie, Inc., is currently working on assignments concerning water quality issues with two (2) utility districts.

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; monitored, tabulated and analyzed amounts of water used by PWSs covered by the Authority's aggregate water well permit and where necessary, in consort with STES and the respective PWS operator took appropriate actions; assisted the Authority in implementing and performing related tasks regarding its aggregate water well permit; assisted the Authority in the preparation and submission of the renewal application and annual report for its Harris County Master Storm Water Quality Permit and evaluated PWS submittals requesting Chloramination Credits.

Mr. Rolen then reminded those in attendance that if a well owner replaces its water well meter or the register in the meter , they must notify the Authority of such change.

Mr. Schindewolf thanked Mr. Rolen for his report. Mr. Schindewolf then emphasized his appreciation to the utility districts for their efforts to maximize the use of surface water. Mr. Schindewolf commended Mr. McDevitt and STES for all of their hard work.

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 May 2, 2011, previously distributed to the Board. 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 May 2, 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 four (4) months ended April 30, 2011, 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 Financial Report, the monthly investment report, and the checks being presented for payment.

GENERAL MANAGER'S ACITON ITEMS

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 2-3

Mr. Schindewolf then explained that, as reported by Mr. Rolen earlier in tonight's meeting, five (5) bids were received on May 26, 2011, for the construction of Project 2-3, which

provides for the construction of VFDs at the Spears Road Regional Pump Station. Mr. Schindewolf then recommended award of the construction contract for such project to Pfeiffer in the amount of \$1,259,468. Director Graham stated that the cost seems high and asked why the work was not included in the construction contract for Project 2, Construction Package Nos. 1 and 2. Mr. Rolen responded that there had only been funds to pay for two (2) VFDs on two motors previously, and now they will add VFDs to other motors. Mr. Rolen added that the bid is comparable to the costs in Project 2, Construction Package Nos. 1 and 2. Upon motion by Director Pulliam, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to award the construction contract for Project 2-3 to Pfeiffer. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence regarding the contract award are attached hereto.

Mr. Schindewolf then introduced Messrs. Mark Antley and Matt Ryan of Pfeiffer, and noted that Pfeiffer had been in business since 1895.

ELECTION OF OFFICERS

The Board then considered the election of officers. 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 elect the following slate of officers:

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

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that the Board's next regular meeting will be on Monday, July 11, 2011, at 7:00 p.m., due to the July 4th holiday, at the Authority office.

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

PASSED, APPROVED AND ADOPTED this 11th day of July, 2011.



Secretary, Board of Directors

