

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

October 3, 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 3rd day of October, 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:

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| 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 Director Fessler, 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; 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. Larry Barfield, P.E. of Binkley & Barfield, 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; 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. Mary Bonetati and Ms. Linn 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 then stated that he is pleased to report that based on preliminary information, it appears that the Authority has met the mandated 30% conversion requirement for the 2010-2011 aggregated permit term and thanked the 60 utility districts for their efforts in

helping the Authority meet the conversion requirement. Director Rendl added that if the drought continues, as suggested by the guest speakers at the Water Conservation Workshop hosted by the Authority on September 15, 2011, the 31 million gallons per day ("MGD") of surface water that the Authority purchases from the City of Houston (the "City") may not be adequate to meet the conversion requirement. Director Rendl encouraged the meeting attendees to consciously cut back on watering their lawns.

PUBLIC COMMENT

Director Rendl then noted that one (1) public comment card had been received from Mr. Garry Matocha, a resident of Louetta Road Utility District, a copy of which is attached hereto. Mr. Schindewolf then read Mr. Matocha's comment card, as follows: "How long is the current rate structure with the City in effect and can we expect an increase in fees next year?"

Mr. Schindewolf responded that he is not in a position to answer Mr. Matocha's question at this time and explained that the Authority is in the process of preparing the budget for the fiscal year ending December 31, 2012. Mr. Schindewolf added that the Authority will hold a budget workshop in November and a budget hearing in December. Mr. Schindewolf went on to explain that the City's fiscal year end is June 30th, which makes it difficult to know about any increases in operation and maintenance costs from the City. Mr. Schindewolf stated that the Authority will give the utility districts as much lead time as possible regarding any rate increases. Director Rendl then commented that the Authority has previously paid the City for the 31 MGD of surface water capacity. Mr. Rendl added that it is the Authority's share of the City's maintenance and operation costs to treat the water it provides the Authority which can be a major factor in determining if the Authority increases the cost of surface water and pumpage fees.

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 made a presentation to the City of Tomball on September 19, 2011, which received good news coverage. Ms. Payne noted that Director Rendl will be speaking to a group at Christ the Good Shepherd Church, on Saturday, November 5, 2011. Director Rendl stated that he was looking forward to the presentation.

Ms. Payne next reported that the Klein Independent School District ("ISD") held assembly programs at the following schools in September: Brill Elementary, Theiss Elementary, Benignus Elementary, Kaiser Elementary and Middlestadt Elementary. Ms. Payne noted that Fountainhead Municipal Utility District had sponsored the second grade assembly at Kaiser Elementary. Ms. Payne added that Spring ISD held assemblies in September at McNabb Elementary and Major Elementary. Ms. Payne then encouraged entities to sponsor the upcoming assembly programs listed in her PowerPoint presentation.

Concerning the Water Conservation Workshop held on September 15th, Ms. Payne reported that the PowerPoint presentation given by Mr. Jeff Lindner, Meteorologist for the Harris County Flood Control District, is now posted on the Authority's website.

Ms. Payne also noted that, for the first time, the Authority's annual newsletter, *Waterlines*, has been produced in concert with the West Harris County Regional Water Authority and the North Fort Bend Water Authority, and focuses on the drought and water conservation measures that can be taken to help reduce demand. The publication will soon be mailed to approximately 325,000 homes within the three authorities.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then echoed Director Rendl's opening comments regarding the achievement of the 2010-2011 aggregated permit term 30% conversion requirement and commended the 60 utility districts, their consultants, and the Authority's operator, consultants and staff on a job well done.

A copy of the General Manager's Report is attached hereto.

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 reported that the acceptance of Projects 6B-3 and 10B is on this evening's agenda, and will be further discussed later in the meeting.

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

Mr. Rolan further 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 noted that a Notice to Proceed was issued, effective October 3rd, on Project 7B-1.

Mr. Rolan then reported that project finalization is ongoing for Project 7C-4, Contract I.

Mr. Rolan next reported that the pre-construction meeting was held on September 23rd and Notice to Proceed was issued, effective October 10th, on Project 101-B (the Supervisory Control and Data Acquisition ("SCADA") System for the 2010 System.

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 MGD of surface water during the reporting period. Mr. Rolan went on to report that the alternative water (i.e., surface water) used in August was approximately 26.2%, compared to 25.4% in July. Mr. Rolan added that water usage for the month of August (approximately 4.9 billion gallons) was the largest single month usage during the 2010-2011 permit year (the "Permit Year"), which began September 1, 2010 and ended August 31, 2011.

Mr. Rolan then stated that the Authority achieving the 30% conversion requirement was a significant accomplishment, especially in light of the prevailing drought conditions. Director Rendl again congratulated the 60 utility districts located within the 2010 conversion area. Mr. Rolan pointed out that the Authority meeting the conversion requirement is a testament to the efforts of a lot of people working together and something all should be proud of.

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

Mr. Rolan then congratulated STES on the great job they have done in operating the Authority's system with managing the volume of surface water usage.

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 gathering, compiling and checking water usage data during the Permit Year, which will in turn be used to prepare the Authority's report to the Harris-Galveston Subsidence District; assisted in the preparation of the Water Conservation Workshop; and evaluated PWS submittals requesting Chloramination Credits.

ATTORNEY'S REPORT

Ms. Bobbitt then explained that copies of the Johnson Radcliffe Legislative Update of the 82nd Legislature (2011) had been distributed to the Board. Ms. Bobbitt then proceeded to highlight several of the bills of interest, including: House Bill 3372 (Rainwater Harvesting, page 6), and Houston Bill 3391 (Rainwater Harvesting, page 40); House Bill 451 (Don't Mess with Texas Water Program, page 7); House Bill 2226 (Public Funds Investment Act requirements, page 23); Senate Bill 18 (Eminent Domain procedures, page 28); Senate Bill 1 (Goods-In-Transit, page 35); Senate Bill 14 (Voter Identification, page 19); and Senate Joint Resolution 4 (Proposition 2 on November 8th ballot, page 45). Ms. Bobbitt noted that Proposition 2 will provide for the issuance of additional general obligation bonds by the Texas

Water Development Board in an amount not to exceed \$6 billion. Ms. Bobbitt encouraged anyone with questions about the Legislative Update to call her.

Director Rendl noted that House Bill 805, page 8, regarding emergency operations during an extended power outage was authored by Representative Bill Callegari.

REGULAR AGENDA

APPROVAL OF THE MINUTES

The Board next considered approval of the minutes of the regular meeting of September 12, 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 September 12, 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 eight (8) months ended August 31, 2011, 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 Financial Report, the monthly investment report, and the checks being presented for payment.

GENERAL MANAGER'S ACTION ITEMS

ACCEPTANCE OF PROJECTS 6B-3 and 10B

Mr. Schindewolf then noted that Tab 6 of the meeting packet includes letters from him recommending acceptance of 1) Project 6B-3 for the work performed by Kingsley Constructors, Inc. for the construction of the water distribution system service connections to Faulkey Gully Municipal Utility District Water Plant No. 2, Grant Road Public Utility District Water Plant No. 1, Harris County Municipal Utility District No. 18 Water Plant No. 2 and Northwest Harris County Municipal Utility District No. 5 Water Plant No. 3; and 2) Project 10B for the work performed by E. P. Brady, Ltd., for the construction of the 42-inch water main along T.C. Jester Boulevard, Cypresswood Drive and Spring Gully, from Ivy Falls Drive to Theiss Gully, and the 20-inch water line along Cypresswood Drive from Spring Gully to Cypress-Klein Utility District Water Plant, copies of such letters are 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 Project 6B-3 in the final contract amount of \$3,630,920.09 and Project 10B in the final contract amount of \$4,463,860.46.

AUTHORIZE PREPARATION OF LETTER TO TEXAS STATE COMPTROLLER (THE "COMPTROLLER") REGARDING THE AUTHORITY'S ABILITY TO CONTINUE TO EXERCISE THE POWER OF EMINENT DOMAIN IN RESPONSE TO SENATE BILL 18

Ms. Bobbitt then explained that Senate Bill 18 requires that an entity authorized to exercise the power of eminent domain must submit a letter to the Comptroller by December 31, 2012, stating that the entity is authorized to exercise its power of eminent domain and identifying the law granting such authority, in order for the Comptroller to file a report with the executive and legislative branches of the State of Texas. Ms. Bobbitt added that if such letter is not submitted, the eminent domain powers for an entity will expire on September 1, 2013.

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 authorize preparation and submission of the letter to the Comptroller, on behalf of the Authority.

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that the Board's next regular meeting will be held on Monday, November 7, 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 7th day of November, 2011.



Secretary, Board of Directors

