

**MINUTES OF REGULAR MEETING
OF
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY**

June 14, 2006

The Board of Directors of the West Harris County Regional Water Authority (the "Authority") met in regular session, open to the public, on June 14, 2006, at 15300 Falmouth, Houston, Texas, inside the boundaries of the Authority, and the roll was called of the duly appointed members of the Authority to wit:

| | |
|----------------------|--------------------------|
| Dan Sallee | President |
| George L. Rush, Jr. | Vice President |
| Douglas (Cam) Postle | Secretary |
| Stacey L. Burnett | Assistant Vice President |
| Art Garden | Assistant Secretary |
| Larry Weppler | Director |
| Bruce Parker | Director |
| Karla Cannon | Director |
| Johnny Nelson | Director |

and all of the above were present except Director Nelson, Postle and Cannon, thus constituting a quorum.

Also present at the meeting were: Malcolm Beckendorff; Erin Garcia of Myrtle Cruz, Inc.; Rick Van Dyke of ECO Resources, Inc. ("ECO"); Wayne Ahrens of Dannenbaum Engineering Corporation; Debbie Gibson of McCall, Gibson & Company, PLLC; and Alex Garcia and Linda Sotirake of Allen Boone Humphries Robinson LLP ("ABHR"). Also present at the meeting are those persons included on the attached list.

MINUTES OF PREVIOUS MEETING

The Board reviewed the minutes of the May 10, 2006, meeting. Following discussion, Director Garden moved that the minutes of the May 10, 2006, meeting be approved as submitted. This motion was seconded by Director Parker and passed by unanimous vote.

REVISED MINUTES OF MARCH 8, 2006

Mr. Garcia reported that the minutes of the March 8, 2006, meeting have been revised to reflect that the Board approved an Order Adopting Water Conservation Plan; Providing for Implementation and Enforcement Thereof; and Containing Other Provisions Related to the Subject. Following discussion, Director Garden moved that the revised minutes of the March 8, 2006, meeting be approved as submitted. This motion was seconded by Director Burnett and passed by unanimous vote.

APPROVE SWORN STATEMENTS, OFFICIAL BONDS AND OATHS OF OFFICE

The Board considered approving Sworn Statements, Official Bonds and Oaths of Office executed by its members in conjunction with appointments to the Board of Directors. Following discussion, Director Parker moved that the Board approve the Sworn Statements, Official Bonds and Oaths of Office and that the Board direct that the documents be filed in the permanent records of the Authority and the Oaths be filed with the Secretary of State as required by law. Director Garden seconded the motion, which carried unanimously.

REORGANIZE THE BOARD AND ELECT OFFICERS

The Board next considered reorganizing the Board and electing new officers. Director Parker moved that Malcolm Beckendorff be appointed to Johnny Nelson's position and that the other directors retain their positions. Director Garden seconded the motion, which carried unanimously.

AUTHORIZE EXECUTION AND FILING OF REGISTRATION FORM

The Board next considered approving a Registration Form for Board members of Water Districts and Authorities in Texas revised to reflect the appointment of the Board members and their respective terms. After review, Director Beckendorff moved that the Board authorize the execution and filing of the Registration Form. The motion was seconded by Director Garden and carried by unanimous vote.

RECEIVE QUESTIONS AND FEEDBACK FROM THE PUBLIC

In response to a question regarding the time required to request reimbursement for the disinfection modifications, Director Sallee stated that the Authority would be amending the Rate Order to extend the time to 180 days.

REVIEW AND APPROVE AUDIT REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2005

Ms. Gibson distributed and reviewed a draft of the audit report for the fiscal year ended December 31, 2005. Following discussion, Director Burnett moved that the Board approve the audit report for the fiscal year ended December 31, 2005. Director Rush seconded the motion, which carried unanimously.

RECEIVE REPORT REGARDING SEMI-ANNUAL TEST OF CONSULTANT CONTRACTS

Ms. Gibson reviewed the report regarding the semi-annual test of consultant contracts ending September 30, 2005, and pointed out that there were no adverse findings.

DISCUSS SERIES 2006 BONDS, INCLUDING ENGAGE AUDITOR OR RATE CONSULTANT FOR REPORT NECESSARY FOR ISSUANCE OF BONDS

Mr. Garcia discussed the tentative schedule for the sale of the Authority's Series 2006 Bonds. The Board then considered engaging an auditor for indenture certification regarding the Bonds. Following discussion, Director Garden moved that the Board engage McCall, Gibson & Company, PLLC for the indenture certification. Director Rush seconded the motion, which carried unanimously.

RECEIVE CUSTOMER APPEALS REGARDING PAYMENT, SERVICE, OR OTHER MATTERS

Ms. Garcia reviewed with the Board 2005 pumpage exception reports and stated that invoices have been sent. Discussion ensued regarding accounts that owe less than \$1,000 and accounts that have a credit of less than \$1,000. Upon a motion made by Director Parker and seconded by Director Garden, the Board voted unanimously to take no action on accounts that have a credit or payment of less than \$1,000 until the accumulated amount reaches \$1,000.

BOOKKEEPER'S REPORT

Ms. Garcia then presented the bookkeeper's report, the investment report, budget comparison, and submitted the bills for the Authority's review. She then presented check no. 2946 in the amount of \$66,223.40 payable to Van De Wiele Engineering, Inc. and check no. 2947 in the amount of \$54.80 payable to One Call for staking services. Following discussion, Director Parker moved that the Board approve the bookkeeper's report and the checks presented for payment. Director Burnett seconded the motion, which carried by a vote of six for the motion with Director Wepler abstaining. The bookkeeper's report is attached as an exhibit to these minutes.

DISCUSS TRAVEL REIMBURSEMENT GUIDELINES

Mr. Garcia reviewed with the Board draft Travel Reimbursement Guidelines (the "Guidelines"). Discussion ensued regarding the Guidelines. The Board deferred action on this matter.

DISCUSS WEBSITE

Ms. Payne reported that the Authority received approximately 77,000 hits for the month.

Ms. Payne presented a plaque from the City of Houston for sponsorship of the Houston Water Festival.

Ms. Payne stated the cost has not yet been determined for the water conservation coloring book.

Ms. Payne reported that Cypress-Fairbanks Independent School District is the biggest participant of the water conservation trailer.

APPROVE PUBLIC COMMUNICATIONS AND WEBSITE AGREEMENT

The Board deferred action on this matter.

ADOPT AMENDED RATE ORDER

The Board considered adopting an Amended Rate Order. Following discussion, Director Garden moved that the Board adopt the Amended Rate Order. Director Parker seconded the motion, which carried unanimously. The Rate Order, thus adopted, is attached to and shall be considered a part of these minutes.

ENGINEER'S REPORT

Mr. Ahrens presented an engineer's report, a copy of which is attached, and reviewed it with the Board.

Mr. Ahrens reviewed with the Board a monthly pumpage report. He pointed out that the pumpage is approximately 122% of that at this time last year.

Mr. Ahrens reported that the Authority has received verbal approval from the Texas Commission on Environmental Quality for the draft monitoring plan.

Mr. Ahrens stated that he had nothing new to report regarding the Harris-Galveston Subsidence District ("HGSD").

Mr. Ahrens stated that the Public Drinking Water Conference is scheduled for August 15-16, 2006, in Austin.

Mr. Ahrens reported that the Texas Water Conservation Association considers the Authority a success story.

Mr. Ahrens then reported that the water reuse study is in progress.

Mr. Ahrens reported that the development of the GIS database is in progress.

Mr. Ahrens stated that revised population projections are being evaluated and new flow projections will be prepared.

Mr. Ahrens reported that a request for reimbursement from Harris County Municipal Utility District No. 188 has been received.

Mr. Ahrens stated that letters regarding the HGSD permit requests have been sent to all districts that will be receiving water before December 1, 2009.

REVIEW BIDS AND AWARD CONTRACT

Mr. Ahrens reported that the Authority received nine bids for the construction of the Copperfield surface water lines Contract 8. He stated that DEC had reviewed the bids and recommended award of the construction contract to the low bidder, Bearden Contracting Company, in the amount of \$4,681,855.00. After discussion, Director Weppler made a motion that was seconded by Director Parker and the Board voted unanimously to award the contract in the amount of \$4,681,855.00 to Bearden Contracting Company for construction of Copperfield surface water lines Contract 8 because, in the Board of Directors' judgment, the contract will be the most advantageous to the Authority and result in the most economical completion of the Authority's facilities, subject to review and approval of the contractor's payment and performance bonds by the Authority's attorney.

REVIEW BIDS AND AWARD CONTRACT

Mr. Ahrens reported that the Authority received six bids for the construction of the Copperfield surface water lines Contract 9. He stated that DEC had reviewed the bids and recommended award of the construction contract to the low bidder, C.E. Barker, Ltd., in the amount of \$1,713,565.15. After discussion, Director Weppler made a motion that was seconded by Director Parker and the Board voted unanimously to award the contract in the amount of \$1,713,565.15 to C.E. Barker, Ltd. for construction of Copperfield surface water lines Contract 9 because, in the Board of Directors' judgment, the contract will be the most advantageous to the Authority and result in the most economical completion of the Authority's facilities, subject to review and approval of the contractor's payment and performance bonds by the Authority's attorney.

REVIEW BIDS AND AWARD CONTRACT

Mr. Ahrens reported that the Authority received two bids for the construction of the pump station. He stated that DEC had reviewed the bids and recommended award of the construction contract to the low bidder, T&C Construction, Ltd., in the amount of \$15,380,504.00. After discussion, Director Weppler made a motion that was seconded by Director Parker and the Board voted unanimously to award the contract in the amount of \$15,380,504.00 to T&C Construction, Ltd. for construction of the pump station because, in the Board of Directors' judgment, the contract will be the most advantageous to the Authority and result in the most economical completion of the Authority's facilities, subject to review and approval of the contractor's payment and performance bonds by the Authority's attorney.

DISCUSS STATUS OF CONSTRUCTION CONTRACT FOR CENTRAL CONTROL SYSTEM

Mr. Ahrens updated the Board on the status of the construction of the central control and monitoring system. He stated that Prime Controls has been working on resolving issues with the SCADA system and making the modifications to the control panels at the plant sites as the contractors install the panels.

DISCUSS REQUESTS FOR SURFACE WATER AVAILABILITY

Mr. Garcia stated that no requests were received.

DISCUSS PURCHASE OF HGSD CONVERSION CREDITS

Mr. Ahrens reported that 189 kits for the schools have been purchased.

DISCUSS STATUS OF WATER LINE PROJECT TO COPPERFIELD AREA DISTRICTS

Mr. Ahrens reported that Contracts 1, 2, and 4 are substantially complete and delivering water or able to deliver water when the districts are able to receive the water.

Mr. Ahrens reported that E.P. Brady is working on the completion of Contracts 3 and 6. He stated that Triple B Services, L.L.P. was given notice to proceed on Contract 10 on April 17, 2006, and that pipe is scheduled for delivery at the end of June. Mr. Ahrens then reported that Contract 7A is on hold pending acquisition of certain easements and Contract 12A is on schedule.

APPROVE INTERLOCAL AGREEMENT

Mr. Garcia stated that the HGSD has forwarded an Interlocal Agreement, which includes the purchase of conservation kits. Following discussion, Director Parker moved that the Board approve the Interlocal Agreement and the purchase of 5,000 kits. Director Garden seconded the motion, which carried unanimously.

APPROVE REIMBURSEMENT TO DISTRICTS FOR SURFACE WATER CONVERSION COSTS AND APPROVE AMENDED REIMBURSEMENT STANDARDS

Mr. Ahrens reported that Horsepen Bayou Municipal Utility District has requested reimbursement in the amount of \$294,400 for two water plants and Harris County Municipal Utility District No. 179 has requested reimbursement in the amount of \$159,327.89 for one water plant. Following discussion, Director Weppler moved that the Board approve the reimbursement. Director Garden seconded the motion, which carried unanimously.

Mr. Ahrens submitted to the Board revised conversion reimbursement standards, as set forth in the attached engineer's report. Following discussion, Director Weppler moved that the Board approve the modified conversion reimbursement standards. Director Burnett seconded the motion, which carried unanimously.

DISCUSS WATER SUPPLY CONTRACT WITH CITY OF HOUSTON

Mr. Garcia stated that he had nothing new to report regarding the water supply contract with the City of Houston.

DISCUSS APPROVING ENGINEERING SERVICES CONTRACTS

The Board took no action on this matter.

DISCUSS CAPITAL IMPROVEMENTS PLAN

Mr. Ahrens reported that based on new flow data and population data the capital improvements plan would need to be modified and requested that the Board approve proceeding with modifying the modeling for 2010. Following discussion, Director Garden moved that the Board approve modifying the modeling. Director Burnett seconded the motion, which carried unanimously.

OPERATOR'S REPORT

Mr. Van Dyke presented copies of the operator's report and reviewed it with the Board, a copy of which is attached.

ADOPT ORDER ADOPTING DROUGHT CONTINGENCY PLAN; PROVIDING FOR IMPLEMENTATION AND ENFORCEMENT THEREOF, PROVIDING PENALTIES FOR VIOLATIONS; AND CONTAINING OTHER PROVISIONS RELATED TO THE SUBJECT AND TAKE ACTION, IF APPROPRIATE

The Board considered adopting an Order Adopting Drought Contingency Plan; Providing for Implementation and Enforcement Thereof; Providing Penalties for Violations; and Containing Other Provisions Related to the Subject ("Order"). Upon a motion made by Director Parker and seconded by Director Burnett, the Board voted unanimously to adopt the Order as presented. The Order, thus adopted, is attached to and shall be considered a part of these minutes.

UPDATE ON STATUS OF GROUNDWATER REDUCTION PLAN

Mr. Ahrens stated that he had nothing new to report regarding the groundwater reduction plan.

ACCEPT REALTY INTERESTS IN CONNECTION WITH WATER LINE PROJECTS

The Board took no action on this matter.

ADOPT RESOLUTIONS AUTHORIZING CONDEMNATION

The Board took no action on this matter.

RECEIVE UPDATE REGARDING REAL ESTATE, DESIGN, FINANCE, AND COMMUNICATIONS COMMITTEES

Director Sallee suggested that Director Beckendorff be the alternate member of the design and finance committees. Following discussion, Director Garden moved that the Board appoint Director Beckendorff as the alternate member of the design and finance committees. Director Burnett seconded the motion, which carried unanimously.

DISCUSS ANY DELINQUENT RATE PAYER(S)

The Board took no action on this matter.

DISCUSS REGION H WATER PLANNING GROUP

Mr. Ahrens reported that he had nothing new to report regarding the Region H Water Planning Group.

AUTHORIZE CONSULTANTS TO PREPARE ANNUAL REPORT AND APPROVE ANNUAL REPORT IN ACCORDANCE WITH CONTINUING DISCLOSURE OF INFORMATION AGREEMENT

Mr. Garcia reminded the Board that the District is required to file an annual report in accordance with the Continuing Disclosure of Information Agreement. Upon a motion made by Director Burnett and seconded by Director Rush, the Board voted unanimously to authorize preparation of the annual report and to approve the annual report prepared in accordance with the Continuing Disclosure of Information Agreement.

ATTORNEY'S REPORT

Mr. Garcia stated that he had nothing additional to report.

There being no further matters to come before the Authority, the meeting was adjourned.

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

| | Minutes <u>Page</u> |
|---|------------------------|
| bookkeeper's report | 3 |
| Rate Order | 4 |
| engineer's report | 4 |
| operator's report..... | 7 |
| Order Adopting Drought Contingency Plan; Providing for Implementation and Enforcement Thereof; Providing Penalties for Violations; and Containing Other Provisions Related to the Subject | 7 |