

MINUTES
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

September 10, 2008

The Board of Directors (the "Board") of the West Harris County Regional Water Authority (the "Authority") met in regular session, open to the public, on the 10th day of September, 2008, at 15300 Falmouth, Houston, Texas, inside the boundaries of the Authority, and the roll was called of the members of the Board:

Dan Sallee	President
George L. Rush, Jr.	Vice President
Douglas (Cam) Postle	Secretary
Stacey L. Burnett	Assistant Vice President
Bruce Parker	Assistant Secretary
Art Garden	Director
Larry Wepler	Director
Karla Cannon	Director
Malcolm Beckendorff	Director

and all of the above were present except Directors Sallee, Wepler, and Rush, thus constituting a quorum.

Also present at the meeting were Rick Van Dyke of SWWC Services, Inc. ("SWWC"); Wayne Ahrens of Dannenbaum Engineering Corporation ("DEC"); Erin Garcia of Myrtle Cruz, Inc.; Barbara Payne of Payne Communications; and Jim Boone and Linda Sotirake of Allen Boone Humphries Robinson LLP ("ABHR"). Also present at the meeting were those persons included on the attached list.

MINUTES OF PREVIOUS MEETING

The Board reviewed the revised minutes of the August 13, 2008, meeting. Following discussion, Director Beckendorff moved to approve the revised minutes of the August 13, 2008, meeting. The motion was seconded by Director Garden and passed by unanimous vote.

RECEIVE QUESTIONS AND FEEDBACK FROM THE PUBLIC

In response to a question from Mr. Tamm regarding Harris County Municipal Utility District No. 163 reimbursement, Mr. Boone stated that the Design Committee is reviewing the matter.

RECEIVE CUSTOMER APPEALS REGARDING PAYMENT, SERVICE, OR OTHER MATTERS

The Board did not receive any customer appeals.

DISCUSS WEBSITE

Ms. Payne reported that conservation information is being forwarded to the Cypress Fairbanks Independent School District. Ms. Payne stated that because of requests for use of the conservation trailer, another trailer may need to be purchased.

Ms. Payne updated the Board on the status of the online reporting implementation.

ENGINEER'S REPORT

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

Mr. Ahrens reported that the townhall meeting was held on August 20, 2008, for Contract 11 construction at Harris County Municipal Utility District No. 102's water plant.

Mr. Ahrens reported that the Coastal Water Authority ("CWA") Board approved the payment agreement with the City of Houston for the Luce Bayou project. CWA is scheduling a stakeholders meeting to discuss the use of alternative delivery methods for the Luce Bayou project.

Mr. Ahrens then recommended that the Board approve work authorization no. 2 in the amount of \$15,900.00 for Contract 22A1, work authorization no. 3 in the amount of \$14,680.00 for Contract 22A2, work authorization no. 4 in the amount of \$14,450.00 for Contract 22B, and work authorization no. 5 in the amount of \$17,235.00 for Contract 22C. Following discussion, Director Garden moved that the Board approve work authorization no. 2 in the amount of \$15,900.00 for Contract 22A1, work authorization no. 3 in the amount of \$14,680.00 for Contract 22A2, work authorization no. 4 in the amount of \$14,450.00 for Contract 22B, and work authorization no. 5 in the amount of \$17,235.00 for Contract 22C. Director Beckendorff seconded the motion, which carried unanimously.

Mr. Ahrens reviewed with the Board a monthly pumpage report. He pointed out that the pumpage for 2008 through July is approximately 127% of that for last year at this date. Mr. Ahrens reported that approximately 8.08 million gallons per day of surface water was purchased from the City of Houston during August.

Mr. Ahrens reported that the Authority received correspondence from the Texas Commission on Environmental Quality on various items and that the correspondence is attached to his report. He stated that DEC and SWWC are in the process of addressing the items.

Mr. Ahrens reported that DEC has updated the Monitoring Plan (the "Plan") to include pump station no. 1 and will submit the updated Plan to the TCEQ the week of September 8, 2008.

Mr. Ahrens reported that DEC gave a presentation on September 2, 2008, to the Design Committee regarding the second source alternatives. He stated that DEC is in the process of finalizing the draft report.

Mr. Ahrens reported that the Authority's Program Management staff members are working on the water supply source to the Precinct 1 municipal utility districts.

Mr. Ahrens reported that the TWCA 2008 fall meeting will be held from October 8-10, 2008, in San Antonio. Following discussion, Director Garden moved to authorize any interested board members to attend this meeting. Director Cannon seconded the motion, which carried unanimously.

Mr. Ahrens reported that the Authority's Program Manager has prepared a draft letter that will be mailed to all districts that have converted to surface water. He stated that the letter would inform the districts that the Authority would be increasing the amount of surface water required to be taken by the districts. Following discussion, Director Parker moved to authorize DEC to mail the letter. Director Beckendorff seconded the motion, which carried unanimously.

ADOPT FIRST AMENDED RESOLUTION ESTABLISHING CONVERSION REIMBURSEMENT STANDARDS

The Authority considered adopting a First Amended Resolution Establishing Conversion Reimbursement Standards. After review and discussion, Director Parker moved that the Authority adopt the First Amended Resolution Establishing Conversion Reimbursement Standards. The motion was seconded by Director Cannon and carried unanimously.

CONVERSION CREDITS

Mr. Ahrens reported that the sale of 1,200,000 gallons of Type A credits to Brittany Lake Homeowners Association has been completed.

Mr. Ahrens reported that the sale of 5,000,000 gallons of Type B credits to Galveston Country Club has not been completed.

DISCUSS REQUESTS FOR SURFACE WATER AVAILABILITY

The Board took no action on this matter.

APPROVE WATER SUPPLY AGREEMENT WITH ADDICKS UTILITY DISTRICT

Mr. Boone reviewed with the Board a Water Supply Agreement with Addicks Utility District (the "Agreement"). Following discussion, Director Garden moved to approve the Agreement. Director Parker seconded the motion, which carried unanimously.

DISCUSS STATUS OF WATER LINE PROJECTS

Mr. Ahrens stated that Contract 12B (Pace Services) is installing an augured 16-inch water line along Royal Mile Drive and restoring pavement along Jura Street in the residential portion of the contract; Contract 15A (Cravens Partners) has completed the water main installation with the exception of the connection to Contract 9 and water plants; Contract 14A (Huff & Mitchell) is working on plant work for Harris County Municipal Utility District Nos. 14, 15, and 172; pump station no. 1 (T&C Construction) continues to operate with ongoing discussions with the City regarding adequate water supply; Contract 13B, C, and D (Metro City Construction) is awaiting Harris County Municipal Utility District No. 250 to be ready to receive surface water and Langham Creek Utility District water plant no. 3 started receiving water on July 17, 2008; Contract 14B (Texas Sterling) has completed the installation of the 24-inch and 36-inch water main and is working on the Remington Municipal Utility District plant work; Contract 7A (Texas Sterling) is piped out and beginning hydrostatic testing and disinfection; Contract 18 (D.L. Elliott) is piped out and working on plant work for Harris County Municipal Utility Districts No. 370 and 341; Contract 11 (Texas Sterling) is working on submittals and materials, and Contract 17A (T&C Construction) has begun installation of a 36-inch water main between Windsong and Tarnbrook.

APPROVE REIMBURSEMENT TO DISTRICT FOR SURFACE WATER CONVERSION COSTS

Mr. Ahrens recommended that Barker Cypress Municipal Utility District be reimbursed the amount of \$474,991.98 and Harris County Municipal Utility District No. 250 be reimbursed the amount of \$148,995.00. Following discussion, Director Beckendorff moved to approve the reimbursement costs. Director Garden seconded the motion, which carried unanimously.

Mr. Ahrens reported that Harris County Municipal Utility Districts No. 102 and Langham Creek Utility District submitted requests for reimbursement for costs associated with surface water conversion. He stated that the requests are being reviewed.

DISCUSS WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

Mr. Boone reported that negotiations are continuing with the City of Houston regarding Luce Bayou.

DISCUSS ENGINEERING SERVICES CONTRACTS

Mr. Ahrens discussed Addendum No. 4 (Contract 17A) to the contract with Jones & Carter, Inc., which increases the fees from \$300,907.80 to \$305,685.80. Following review and discussion, Director Beckendorff moved to approve Addendum No. 4 to the contract with Jones & Carter, Inc. Director Garden seconded the motion, which carried unanimously.

DISCUSS CAPITAL IMPROVEMENTS PLAN

Mr. Ahrens stated that he had nothing new to report regarding the Capital Improvements Plan.

PAY ESTIMATES AND CHANGE ORDERS

Mr. Ahrens recommended approval of Pay Estimate No. 7 in the amount of \$183,711.96 for Contract 7A, Pay Estimate No. 7 in the amount of \$23,466.60 for Contract 18, Pay Estimate No. 25 in the amount of \$982,475.09 and Change Order No. 7 in the amount of \$39,931.85 for the pump station no. 1 Contract, Pay Estimate No. 4 in the amount of \$235,581.81 for Contract 12B, Pay Estimate No. 14 in the amount of \$114,247.48 for Contract 14A, Pay Estimate No. 4 in the amount of \$491,806.35 for Contract 15A, and Pay Estimate No. 3 in the amount of \$275,477.15 on Contract 17A. Upon a motion made by Director Beckendorff and seconded by Director Garden, the Board voted unanimously to approve the above mentioned pay estimates and change order.

REVIEW BIDS AND AWARD CONTRACT

Mr. Ahrens reported that the Authority received bids for the construction of Contract 21. He stated that the design engineer (Van de Wiele Engineering, Inc.) had reviewed the bids and recommended award of the construction contract to the low bidder, D.L. Elliott, in the amount of \$1,517,074.50 and DEC concurred with the recommendation. After discussion, Director Beckendorff made a motion that was seconded by Director Cannon and the Board voted unanimously to award the contract in the amount of \$1,517,074.50 to D.L. Elliott for construction of Contract 21 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.

Mr. Ahrens reported that the Authority received bids for the construction of Contract 20. He stated that the design engineer (Brown & Gay Engineers, Inc.) had reviewed the bids and recommended award of the construction contract to the low bidder, Cravens Partners, Ltd., in the amount of \$3,992,769.25 and DEC concurred with the recommendation. After discussion, Director Beckendorff made a motion that was seconded by Director Parker and the Board voted unanimously to award the contract in the amount of \$3,992,769.25 to Cravens Partners, Ltd. for construction of Contract 20 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.

BOOKKEEPER'S REPORT

The Board reviewed the bookkeeper's report, the investment report, a budget comparison, and the disbursements in the bookkeeper's report submitted for the Authority's review. Ms. Garcia also reviewed check no. 4434 in the amount of \$2,157.00 payable to The Houston Business Journal, check no. 4435 in the amount of \$4,042.99 payable to Precision Printing, check no. 4436 in the amount of \$474,991.98 payable to Barker Cypress Municipal Utility District, check no. 4437 in the amount of \$148,995.00 payable to Harris County Municipal Utility District No. 250, and check no. 4438 in the amount of \$5,000.00 payable to Barbara Payne. She then reviewed check no. 4439 in the amount of \$275.00 payable to Vinson & Elkins, check no. 4440 in the amount of \$2,887.50 payable to Vinson & Elkins, check no. 4441 in the amount of \$4,274.28 payable to Vinson & Elkins, and check no. 4442 in the amount of \$1,935.00 payable to Gary Grote, and Director Postle stated that he had received these check requests. Following discussion, Director Parker moved to approve the bookkeeper's report, the above-mentioned checks, and the disbursements reflected in the bookkeeper's report. Director Beckendorff seconded the motion, which carried by a vote of five for the motion, with Director Postle abstaining. A copy of the bookkeeper's report is attached.

ANNUAL REVIEW OF DISTRICT'S INVESTMENT POLICY AND AUTHORIZED BROKER/DEALERS

The Board reviewed the District's Investment Policy and authorized list of broker/dealers to determine if any amendments were necessary. After discussion, the Board determined to make no amendments at this time. Upon a motion made by Director Beckendorff and seconded by Director Garden, the Board voted unanimously to adopt a Resolution Regarding Annual Review of Investment Policy.

The Board then considered adopting a resolution that approves a list of qualified broker/dealers with whom the District may engage in investment transactions. Upon a motion made by Director Beckendorff and seconded by Director Garden, the Board voted unanimously to adopt the Resolution Adopting List of Qualified Broker/Dealers

with Whom the West Harris County Regional Water Authority May Engage in Investment Transactions.

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.

UPDATE ON STATUS OF GROUNDWATER REDUCTION PLAN

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

ACCEPT REALTY INTERESTS IN CONNECTION WITH WATER LINE PROJECTS

Mr. Boone stated that last month the Board granted an encroachment to Aldine Management District but the encroachment should have been granted to East Aldine Management District. He then requested that the Board rescind the encroachment granted to Aldine Management District. Mr. Boone also stated that ABHR represents East Aldine Management District.

The Board discussed acquisition of a water line easement from DKD Clay Road II, L.P. and granting encroachments to East Aldine Management District, Northwest Harris County Municipal Utility District No. 12, and the City of Houston. Following discussion, Director Beckendorff moved to authorize acceptance of the water line easement from DKD Clay Road II, L.P., granting encroachments to East Aldine Management District, Northwest Harris County Municipal Utility District No. 12, and the City of Houston, and rescinding the encroachment to Aldine Management District. Director Parker seconded the motion, which carried unanimously.

DISCUSS REGION H WATER PLANNING GROUP

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

DISCUSS PURCHASE OF ELECTRICITY

The Board took no action regarding this matter.

AUTHORIZE ATTENDANCE OF BOARD MEMBERS AT ASSOCIATION OF WATER BOARD DIRECTORS' WINTER CONFERENCE

The Board next considered authorizing Board members to attend the Association of Water Board Directors' winter conference. After discussion, Director Cannon moved

to authorize any interested Board member to attend the conference on behalf of the District. This motion was seconded by Director Garden and carried unanimously.

ARBITRAGE REBATE ANALYSIS

Ms. Sotirake presented copies of the arbitrage rebate analysis prepared by OmniCap Group LLC, a copy of which is attached. Mr. Boone pointed out that OmniCap Group LLC determined that there was no rebate or yield reduction payment due on the Series 2003 bonds.

ATTORNEY'S REPORT

Mr. Boone stated that he had nothing new to report.

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

Secretary, Board of Directors

(SEAL)

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