

MINUTES
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

November 11, 2009

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 11th day of November, 2009, at 15300 Falmouth, Houston, Texas, inside the boundaries of the Authority, and the roll was called of the members of the Board:

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

and all of the above were present, 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.; Alex Garcia 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 minutes of the October 14, 2009, meeting. Following discussion, Director Beckendorff moved to approve the minutes of the October 14, 2009, meeting as revised. The motion was seconded by Director Burnett and passed by unanimous vote.

ADOPT ORDER DECLARING DIRECTOR ELECTED FOR PRECINCT 3 AND CANCELING DIRECTOR APPOINTMENT PROCESS

The Board next considered adopting an Order Declaring Director Elected for Precinct 3 and Canceling Director Appointment Process ("Order"). Mr. Garcia reviewed the Order and stated that the Order provides that Eric Hansen is declared a director of the Authority to serve until May, 2012. Director Wepler moved that the Board adopt the Order. Director Parker seconded the motion, which passed unanimously.

APPROVE SWORN STATEMENT, OFFICIAL BOND AND OATH OF OFFICE

The Board considered approving the Sworn Statement, Official Bond, and Oath of Office executed by Eric Hansen in conjunction with his new position on the Board of Directors. Following discussion, Director Wepler moved to approve the Sworn Statement, Official Bond, and Oath of Office and direct that the documents be filed in the permanent records of the Authority and the Oath be filed with the Secretary of State as required by law. Director Beckendorff seconded the motion, which carried unanimously.

REORGANIZE THE BOARD AND ELECT OFFICERS

After discussion, Director Wepler moved that Director Hansen serve as "Director," and that the other directors retain their current positions. Director Parker 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 new director, Eric Hansen, and his term. After review, Director Wepler moved to authorize the execution and filing of the Registration Form. The motion was seconded by Director Parker and carried by unanimous vote.

DISCUSS OPEN MEETINGS ACT AND PUBLIC INFORMATION ACT TRAINING REQUIREMENTS

Mr. Garcia reviewed with Director Hansen the memorandum regarding the Open Meetings Act and Public Information Act training prepared by ABHR, a copy of which is attached.

DISCUSS CONFLICT OF INTEREST DISCLOSURE

Mr. Garcia next reviewed with Director Hansen Chapter 176 of the Texas Local Government Code, which requires directors and consultants to disclose certain conflicts of interest. He reviewed the forms adopted by the Texas Ethics Commission for making disclosures under Chapter 176.

RECEIVE QUESTIONS AND FEEDBACK FROM THE PUBLIC

Ms. Brandenburg, a director from the board of directors of Harris County Municipal Utility District No. 105 ("MUD 105"), requested that the Authority consider accelerating MUD 105's conversion date because of MUD 105 water quality issues.

RECEIVE CUSTOMER APPEALS REGARDING PAYMENT, SERVICE, OR OTHER MATTERS

There was no action on this matter.

DISCUSS WEBSITE

In Ms. Payne's absence, Mr. Ahrens reported that the annual newsletter will be mailed in January, 2010 and that Ms. Payne is working on the Rising Cost of Water brochure.

Mr. Ahrens also reported that the PowerPoint presentation from the townhall meeting held October 29, 2009, is on the Authority's website.

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 for 2009 through September is approximately 113.1% of that for last year at this date. Mr. Ahrens reported that approximately 10.79 million gallons per day of surface water was purchased from the City of Houston (the "City") during October.

Mr. Ahrens reported that the Texas Commission on Environmental Quality's draft rules for emergency preparedness should be completed in December, 2009.

Mr. Ahrens reported that the Authority Program Manager met with the Harris County Toll Road Authority ("HCTRA") on November 10, 2009, to discuss the proposed Grand Parkway crossing over the Authority's easement south of Clay Road. He stated that the Program Manager submitted a sketch for the relocation of the easement within the proposed Grand Parkway right-of-way and that the HCTRA has tentatively approved the relocation.

Mr. Ahrens reported that coordination with the Harris Galveston Subsidence District ("HGSD") regarding the Authority's aggregated permit for the wells in the Authority's groundwater reduction plan is ongoing.

Mr. Ahrens then reported that the Authority Program Manager has reviewed the City's 2007 and 2008 audits for operations and maintenance costs. He stated that comments have been reviewed with the Design Committee and that a letter will be forwarded to the City requesting clarification on several items.

Mr. Ahrens also reported that the Authority Program Manager received the Preliminary Engineering Report (the "Report") on October 27, 2009, from the Coastal Water Authority for the Luce Bayou Interbasin Transfer Project and that the Program

Manager is reviewing the Report. He stated that the next CWA meeting will be held on November 17, 2009.

Mr. Ahrens stated that the Authority received a letter dated October 15, 2009, from Sander Engineering Corp., on behalf of Morton Road Municipal Utility District, requesting conversion to surface water earlier than required due to water well issues.

Mr. Ahrens then stated that the Authority received a letter dated October 13, 2009, from John Peyton, on behalf of Harris County Municipal Utility District No. 238, outlining the causes for delayed conversion.

Mr. Ahrens reported that DEC is researching automatic meter reading systems for implementation on the well meters within the Authority.

Mr. Ahrens then reported that DEC is working with ABHR to develop procedures for managing the aggregated permit for the 2009-2010 permit period.

Mr. Ahrens then stated that DEC is working on the evaluation of a portion of the City's Jersey Village Well Field and Collection Line.

Mr. Ahrens also reported that DEC is evaluating three additional alternative alignments for the Authority's second source water study.

Mr. Ahrens then reported that at a meeting held on October 12, 2009, with the Authority, the North Fort Bend Water Authority ("NFBWA") and the City, the City's staff indicated that there is insufficient capacity in the City's infrastructure to meet the demands of the Authority's Mission Bend districts and the NFBWA's demand past the initial 19.5 million gallons per day purchased from the City by the NFBWA. He stated that the NFBWA is researching pipeline alignments that would extend from the future Authority second source pipeline to the NFBWA's pump station, the City's Bellaire Braes Pump Station or the Katy Addicks RePump Station.

Mr. Ahrens reported that 3,000,000 gallons of Type A credits have been sold to PolyOne Corp. in the amount of \$6,750.00.

APPROVE WATER SUPPLY AGREEMENT

The Board took no action on this matter.

APPROVE REIMBURSEMENT TO DISTRICTS FOR SURFACE WATER CONVERSION COSTS

Mr. Ahrens recommended that Jackrabbit Public Utility District be reimbursed in the amount of \$60,987.50. Following discussion, Director Parker moved to approve the reimbursement costs. Director Beckendorff seconded the motion, which carried unanimously.

Mr. Ahrens reported that the Authority received a letter from Severn Trent Services on behalf of Jackrabbit Public Utility District requesting reimbursement for loss of water at water plant no. 3. Following discussion, Director Postle moved to deny the request. Director Rush seconded the motion, which carried unanimously.

DISCUSS STATUS OF WATER LINE PROJECTS

Mr. Ahrens provided an update regarding the status of Contracts 14A, 14B, 17A, 11, 20, 21, and 23.

PAY ESTIMATES AND CHANGE ORDERS

Mr. Ahrens recommended approval of Pay Estimate No. 13 in the amount of \$224,101.27 for Contract 11, Pay Estimate No. 10 in the amount of \$22,027.46 for Contract 20, and Pay Estimate No. 10 in the amount of \$65,809.26 for Contract 21. Upon a motion made by Director Beckendorff and seconded by Director Burnett, the Board voted unanimously to approve the above mentioned pay estimates.

The Board requested that the check to Cravens Partners, Ltd. (Contract 20) be held until verification of the recipient of the payment.

REVIEW BIDS AND AWARD CONTRACT

Mr. Ahrens reported bids were received for the construction of the ground storage tanks at Pump Station No. 1. He then recommended that the Board accept the bid in the amount of \$6,624,520.00 submitted by Industrial TX Corp. Based on the engineers' recommendation, the Board determined in their judgment that Industrial TX Corp. would be the most advantageous to the Authority and would result in the best and most economical completion of the Authority's facilities. Director Wepler moved that the contract in the amount of \$6,624,520.00 be awarded to Industrial TX Corp., subject to approval of the payment and performance bonds by the District's attorney. Director Cannon seconded the motion, which carried unanimously.

WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

Mr. Ahrens reported that he had nothing new to report on the Water Supply Contract.

DISCUSS ENGINEERING SERVICES CONTRACTS AND WORK AUTHORIZATIONS

Mr. Ahrens reported that Lockwood, Andrews & Newnam, Inc., the engineer for Contract 22A-1, is waiting for one easement along the CenterPoint corridor to be recorded before beginning the signature process, Sander Engineering, the engineer for Contract 22B, has received agency signatures, Jones & Carter, Inc, the engineer for Contract 22A-2, has received agency signatures, and Costello, Inc., the engineer for

Contract 22C, submitted plans to the Texas Commission on Environmental Quality ("TCEQ") for review and is awaiting TCEQ approval.

Mr. Ahrens reported that topographical surveys, environmental site assessments and geotechnical investigations are being done for Contracts 25, 26, and 27.

Mr. Ahrens then stated that Directors Wepler, Beckendorff, Cannon and Postle of the Design Committee recommended approval of work authorization No. 6 for DEC, in the amount of \$794,808.00 for preparation of the Authority's 2020 Phase Capital Improvement Plan. Following discussion, Director Postle moved to approve work authorization No. 6. Director Wepler seconded the motion, which carried by a vote of eight voting for the motion with Director Sallee abstaining.

Mr. Ahrens then requested that the Board authorize the Authority's attorney to work on an on-call services contract with Invensys Process Systems to provide support services to SWWC regarding potential issues with the control system at Pump Station No. 1. The Board concurred to authorize the Authority's attorney to work on an on-call services contract with Invensys Process Systems.

APPROVE AMENDMENT TO BOOKKEEPER'S CONTRACT

Ms. Garcia requested that the Board consider approving an amendment to the bookkeeper's contract (the "Amendment"). She reviewed the Agreement and pointed out that the number of hours working on the Authority's investments for compliance with the investment policy has increased. Following discussion, Director Burnett moved to approve the Amendment as presented. Director Rush seconded the motion, which carried unanimously.

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. 5156 in the amount of \$943.85 payable to One Call Systems, check no. 5157 in the amount of \$12,771.36 payable to DEC, check no. 5158 in the amount of \$82.00 payable to Barbara Payne, check no. 5159 in the amount of \$623.40 payable to Karla Cannon, check no 5160 in the amount of \$2,000.00 payable to Integra Realty Resources, and check no. 5161 in the amount of \$60,987.50 payable to Jackrabbitt Public Utility District. Director Parker moved to approve the bookkeeper's report, the above-mentioned checks, the disbursements reflected in the bookkeeper's report, and the monthly investment report. Director Rush seconded the motion, which carried by a vote of six for the motion with Directors Postle, Wepler and Sallee abstaining. A copy of the bookkeeper's report is attached.

DISCUSS CAPITAL IMPROVEMENTS PLAN

Mr. Ahrens stated that he had nothing new to report on the 2020 Capital Improvements Plan.

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 RESOLUTIONS AUTHORIZING ACQUISITION OF REALTY INTERESTS

The Board took no action on this matter.

UPDATE ON STATUS OF GROUNDWATER REDUCTION PLAN

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

APPROVE LEGAL CONFLICTS WAIVERS

Mr. Garcia reviewed with the Board a legal conflicts waiver regarding representation by ABHR of the Authority and Harris County Municipal Utility District No. 358 regarding a water line easement. Following review and discussion, Director Postle moved to authorize execution of the legal conflicts waiver. Director Rush seconded the motion, which carried by a vote of eight for the motion with Director Wepler abstaining.

ACCEPT REALTY INTERESTS IN CONNECTION WITH WATER LINE PROJECTS

The Board then discussed acquisition of a water line easement from Harris County Municipal Utility District No. 358 and a correction water line easement from S-G Owners Association, Inc. Director Postle moved to authorize approving the water line easements. Director Cannon seconded the motion, which carried by a vote of eight for the motion with Director Wepler abstaining.

DISCUSS REGION H WATER PLANNING GROUP

Mr. Ahrens reported that the Program Manager attended the Region H Water Planning Group meeting held on November 4, 2009.

AUTHORIZE ENGAGEMENT OF JOYCE MCFARLAND & MCFARLAND

The Board next considered the engagement of Joyce McFarland & McFarland to file an amicus curiae brief regarding *Brownlow v. State of Texas*. After discussion, Director Postle moved to authorize execution of the agreement with Joyce McFarland &

McFarland. Director Rush seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTIONS 551.071 AND 551.072, TEXAS GOVERNMENT CODE, TO DISCUSS PURCHASE AND VALUE OF TRACTS FOR WATER LINE EASEMENTS/RIGHTS-OF-WAY, AND CONSULTATION WITH ATTORNEY REGARDING LITIGATION INVOLVING SUCH TRACTS AND EASEMENTS

The Board did not convene in executive session.

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> |
| list of persons present at the November 11, 2009, meeting | 1 |
| memorandum regarding the Ethics-Open Meetings prepared by ABHR | 2 |
| engineer's report | 3 |
| bookkeeper's report | 6 |
| operator's report..... | 7 |