

MINUTES
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

December 9, 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 9th day of December, 2009, 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
Eric Hansen	Director
Larry Wepler	Director
Karla Cannon	Director
Malcolm Beckendorff	Director

and all of the above were present, except Directors Beckendorff and Wepler, 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"); Kim Shelnutt of Myrtle Cruz, Inc.; Barbara Payne of Payne Communications; Mark McGrath of McGrath & Co., PLLC; Debbie Gibson of McCall Gibson Swedlund Barfoot PLLC; 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 minutes of the November 11, 2009, meeting. Following discussion, Director Burnett moved to approve the minutes of the November 11, 2009, meeting as submitted. The motion was seconded by Director Rush and passed by unanimous vote.

RECEIVE QUESTIONS AND FEEDBACK FROM THE PUBLIC

There were no questions from the public.

RECEIVE CUSTOMER APPEALS REGARDING PAYMENT, SERVICE, OR OTHER MATTERS

There was no action on this matter.

ENGAGE AUDITOR TO PREPARE AUTHORITY FINANCIAL STATEMENTS

Mr. McGrath reviewed with the Board a proposal from McGrath & Co., PLLC. He pointed out that the estimated cost to prepare the Authority's financial statements would not exceed \$19,000. Following discussion, Director Rush moved to engage McGrath & Co., PLLC to prepare the Authority's financial statements. Director Parker seconded the motion, which carried unanimously.

ENGAGE AUDITOR TO PREPARE AUDIT FOR FISCAL YEAR ENDED DECEMBER 31, 2009

Ms. Gibson reviewed with the Board a proposal from McCall Gibson Swedlund Barfoot PLLC. She pointed out that the estimated cost to perform the Authority's audit would be \$26,000-\$28,000. Following discussion, Director Rush moved to engage McCall Gibson Swedlund Barfoot PLLC as the Authority's auditor. Director Parker seconded the motion, which carried unanimously.

DISCUSS WEBSITE

Ms. Payne reported on the water event held November, 16-17, 2009, in Fort Worth.

Ms. Payne then reported that the Dime Novel-"Winning the West" has been published.

Ms. Payne reported that a plaque was made for Director Sallee thanking him for his service on the Board, but the plaque was broken before it could be delivered. She stated that she would have the completed plaque delivered to Director Sallee.

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 October is approximately 110.2% of that for last year at this date. Mr. Ahrens reported that approximately 11.52 million gallons per day of surface water was purchased from the City of Houston (the "City") during November.

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

Mr. Ahrens reported that the Program Manager will attend the Harris Galveston Subsidence District's ("HGSD") Planning Committee meeting on December 16, 2009, regarding the HGSD's contemplated increase in the disincentive fee. He also stated that

letters have been mailed to all well owners with a copy of the Authority's aggregated permit for the wells in the Authority's groundwater reduction plan.

Mr. Ahrens then reported that the Authority Program Manager sent a letter to the City of Houston ("COH") requesting clarification regarding several items in the City's 2007 and 2008 audits for operations and maintenance costs. He stated that the City has not responded to the letter as of December 9, 2009. Mr. Ahrens reported that the next Advisory Committee meeting including the City, the Authority, the North Harris County Regional Water Authority, the Central Harris County Regional Water Authority, and the North Fort Bend Water Authority has been scheduled for January 17, 2010.

Mr. Ahrens also reported that Director Weppeler and the Authority Program Manager attended a Technical Review Committee meeting on November 19, 2009 to review the draft Preliminary Engineering Report (the "Report") from the Coastal Water Authority for the Luce Bayou Interbasin Transfer Project and for the meeting participants to present comments relating to the Report. He stated that the next Technical Review Committee meeting is tentatively scheduled for late January, 2010.

Mr. Ahrens reported that the TRWA Water Board Directors Governance Conference will be held January 21-22, 2010, in Austin. Following discussion, Director Parker moved to authorize any interested board members to attend the conference. Director Cannon seconded the motion, which carried unanimously.

Mr. Ahrens then reported that DEC is working on enhancements to the Authority's GIS for presentation to the Design Committee in January, 2010.

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 the North Fort Bend Water Authority ("NFBWA") is researching pipeline alignments that would extend from the Authority's future second source pipeline to the NFBWA's pump station, the City's Bellaire Braes Pump Station or the Katy Addicks RePump Station. He stated 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 2013.

Mr. Ahrens reported that an additional sale of 3,000,000 gallons of Type A credits is pending to PolyOne Corp. in the amount of \$6,750.00. He also reported that the sale

of 6,250,000 gallons of Type A credits and 3,750,000 gallons of Type B credits to Ronald A. Yeates in the amount of \$20,625.00 has been finalized.

APPROVE WATER SUPPLY AGREEMENT

The Board took no action on this matter.

APPROVE REIMBURSEMENT TO DISTRICTS FOR SURFACE WATER CONVERSION COSTS

Mr. Ahrens reported that requests for reimbursement have been received from West Harris County Municipal Utility District Nos. 14 and 15. He stated that the requests are being reviewed.

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. 11 in the amount of \$152,984.48 for Contract 21. Upon a motion made by Director Parker and seconded by Director Burnett, the Board voted unanimously to approve the above mentioned pay estimate.

Mr. Ahrens then recommended approval of Change Order No. 2 in the amount of \$310,806.04 for Contract 14A. Upon a motion made by Director Cannon and seconded by Director Parker, the Board voted unanimously to approve the above mentioned change order.

PUMP STATION NO. 1 SECURITY SYSTEM

Mr. Ahrens requested that the Board authorize that the bids for the security system be negotiated in lieu of advertising for bids in order to protect the integrity of the security system. Mr. Boone discussed Section 49.273(l) of the Water Code regarding construction of security systems. Director Parker moved that the Board make a finding that advertising and seeking competitive bids for construction of the security system at Pump Station No. 1 would compromise the safety and security of the Authority's facilities and that the Authority should negotiate bids for same instead of advertising and seeking competitive bids. Director Hansen 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 in the process of obtaining agency signatures, 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, is in the process of obtaining agency signatures.

Mr. Ahrens reported that topographical surveys, environmental site assessments and geotechnical investigations have been completed for Contracts 25 and 27. He then reported that the topographical survey, environmental site assessment and geotechnical investigation is expected to be completed the last week of December, 2009 for Contract 26.

Mr. Ahrens then stated that Directors Cannon, Hansen, Parker, Rush, Weppler, and Sallee of the Design and Finance Committees recommended approval of work authorization No. 15 for AECOM USA Group, Inc., in the amount of \$23,255.00 for preparation of a monumentation survey to provide 10 survey control monuments along the Authority's Contract 19 water transmission main and work authorization No. 47 for Weisser Engineering in the amount of \$42,000.00 for performing surveying services for 20 easement surveys which are part of the Authority's Contract 19 water transmission main. Following discussion, Director Parker moved to approve work authorization No. 15 for AECOM USA Group, Inc and work authorization No. 47 for Weisser Engineering. Director Hansen seconded the motion, which carried by a vote of six voting for the motion with Director Postle abstaining.

The Board discussed negotiating with Klotz Associates, Inc. as the engineer for Contract 19. Following discussion, Director Cannon moved to authorize negotiation with Klotz Associates, Inc. as the engineer for Contract 19. Director Rush seconded the motion, which carried unanimously.

DISCUSS CAPITAL IMPROVEMENTS PLAN

Mr. Ahrens stated that DEC is working on the 2020 Capital Improvements Plan.

APPROVE LEGAL CONFLICTS WAIVERS

Mr. Boone reviewed with the Board a legal conflicts waiver regarding representation by ABHR of the Authority and the NFBWA regarding cost sharing agreement(s) for the Second Source Line and related facilities, NFBWA Pump Station and related lines, and COH capacity (the "Cost Sharing Agreement"). Following

review and discussion, Director Postle moved to authorize execution of the legal conflicts waiver. Director Burnett seconded the motion, which carried unanimously.

AUTHORIZE ENGAGEMENT OF FULBRIGHT & JAWORSKI

The Board next considered a supplemental engagement letter with Fulbright & Jaworski related to the Cost Sharing Agreement. After discussion, Director Cannon moved to authorize execution of the supplemental engagement letter with Fulbright & Jaworski. Director Hansen seconded the motion, which was carried by a vote of five for the motion, with Directors Rush and Postle voting against the motion.

ADOPT AMENDED RATE ORDER

Mr. Boone reviewed an Amended Rate Order. Following review and discussion, Director Parker moved to adopt the Amended Rate Order. Director Burnett 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. Shelnutt also reviewed check no. 5202 in the amount of \$836.70 payable to One Call Systems and check no. 5203 in the amount of \$3,931.86 payable to Cypress-Fairbanks Independent School District. Director Rush 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 Burnett seconded the motion, which carried by a vote of five for the motion with Directors Postle and Sallee abstaining. A copy of the bookkeeper's report is attached.

DEPOSITORY PLEDGE AGREEMENT

The Board considered authorizing the execution of the Depository Pledge Agreement. After discussion, Director Burnett moved that the Board authorize execution of the Depository Pledge Agreement with Central Bank. Director Hansen seconded the motion, which carried unanimously.

DISCUSS BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2010

Ms. Shelnutt presented a draft of the budget for fiscal year ending December 31, 2010, and reviewed it with the Board. Following discussion, Director Burnett moved to approve the engineering fees for the Operating Fund included in the budget for fiscal year ending December 31, 2010. Director Parker seconded the motion, which carried by a vote of six for the motion with Director Sallee abstaining from the motion.

Following discussion, Director Parker moved to approve the budget for fiscal year ending December 31, 2010. Director Burnett seconded the motion, which carried by a vote of six for the motion with Director Sallee abstaining from the motion.

AUTHORIZE ENGAGEMENT OF ABRAMS SCOTT & BICKLEY, LLP

The Board next considered the engagement of Abrams Scott & Bickley, LLP for collection of the pumpage fees owed by the Houston National Golf Club. After discussion, Director Burnett moved to authorize execution of the agreement with Abrams Scott & Bickley, LLP. Director Rush seconded the motion, which was 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.

APPROVE AMENDMENT TO SWWC'S CONTRACT

Mr. Van Dyke requested that the Board consider approving an amendment to the contract with SWWC (the "Amendment"). He reviewed the Amendment and pointed out the services provided in the base fees. Following discussion, Director Postle moved to approve the Amendment as presented. Director Cannon seconded the motion, which carried unanimously.

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.

ACCEPT REALTY INTERESTS IN CONNECTION WITH WATER LINE PROJECTS

The Board then discussed acquisition of water line easements from Harris County Municipal Utility District No. 166, Renn Road Municipal Utility District and Beechnut Municipal Utility District. Director Postle moved to authorize approving the water line easements. Director Parker seconded the motion, which carried unanimously.

DISCUSS REGION H WATER PLANNING GROUP

Mr. Ahrens reported that the Program Manager attended the Region H Water Planning Group meeting held on December 2, 2009.

ADOPT FIRST AMENDED RESOLUTION ESTABLISHING COMMITTEES OF THE BOARD OF DIRECTORS

The Board considered adopting a First Amended Resolution Establishing Committees of the Board of Directors. After discussion, Director Rush moved that the Authority adopt the First Amended Resolution Establishing Committees of the Board of Directors. The motion was seconded by Director Postle and carried by unanimous vote.

REORGANIZE THE BOARD AND ELECT OFFICERS

After discussion, Director Postle moved that Director Parker serve as President, Director Hansen serve as Assistant Secretary, Director Sallee serve as Director, and that the other directors retain their current positions. Director Rush 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 positions. After review, Director Cannon moved to authorize the execution and filing of the Registration Form. The motion was seconded by Director Rush and carried 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)

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