

MINUTES
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

February 10, 2010

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 February, 2010, 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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|----------------------|--------------------------|
| Bruce Parker | President |
| George L. Rush, Jr. | Vice President |
| Douglas (Cam) Postle | Secretary |
| Stacey L. Burnett | Assistant Vice President |
| Eric Hansen | Assistant Secretary |
| Vacant | Director |
| Larry Weppler | Director |
| Karla Cannon | Director |
| Malcolm Beckendorff | Director |

and all of the above were present, except Directors Beckendorff 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; Mike Harrington of American Enerpower, Inc.; 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 January 13, 2010, meeting. Following discussion, Director Burnett moved to approve the minutes of the January 13, 2010, meeting as submitted. The motion was seconded by Director Hansen and passed by unanimous vote.

RECEIVE QUESTIONS AND FEEDBACK FROM THE PUBLIC

Mr. Murphy stated that during the construction of the surface water line by D. L. Elliott, his fence was torn down and a new entry gate installed. He also stated that he had to board his horses during the construction and is still boarding them. Mr. Murphy further explained that there is no grass on his property and now there are sinkholes. He stated that his septic system has also failed. Mr. Ahrens stated that no construction trucks should have driven over his septic lines. Mr. Anthony stated that he will meet with Mr. Murphy regarding these matters.

RECEIVE CUSTOMER APPEALS REGARDING PAYMENT, SERVICE, OR OTHER MATTERS

There was no action on this matter.

DISCUSS PURCHASE OF ELECTRICITY

Mr. Harrington discussed with the Board current electricity rates. He then requested that the Board authorize Director Parker to approve and execute a contract for electricity for the Authority. Following discussion, Director Burnett moved to authorize Director Parker to approve and execute a three-year contract for electricity for the Authority. Director Postle seconded the motion, which carried unanimously.

DISCUSS WEBSITE

Ms. Payne reported that AEI is a new sponsor of the water conservation program.

Ms. Payne then reported that the teachers at Klein Independent School District suggested that the television in the water conservation trailer be installed on an arm for better visibility. She stated that the approximate cost of the arm is \$900, which cost would be split with the North Harris County Regional Water Authority. Following discussion, Director Burnett moved that the Board approve the cost for the installation of the television arm at a cost not to exceed \$500. Director Cannon seconded the motion, which carried unanimously.

Ms. Payne then reported that 80,000 copies of the "Rising Cost of Water" brochure have been published.

PAY ESTIMATES AND CHANGE ORDERS

Mr. Ahrens recommended approval of Pay Estimate No. 1 in the amount of \$90,225.00 for the ground storage tanks' project, Pay Estimate No. 12 in the amount of \$32,038.75 for Contract 21, and Pay Estimate No. 12 in the amount of \$29,352.27 for Contract 23. Upon a motion made by Director Weppler and seconded by Director Cannon, the Board voted unanimously to approve the above mentioned pay estimates.

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. 5280 in the amount of \$616.10 payable to George Rush, check no. 5281 in the amount of \$649.60 payable to Eric Hansen, check no. 5282 in the amount of \$1,396.51 payable to Karla Cannon, check no. 5283 in the amount of \$6,023.22 payable to Binkley & Barfield, and check no. 5284 in the amount of \$39,353.05 payable to SWWC. Director Weppler 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 Hansen 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.

Mr. Ahrens reported that Harris County Municipal Utility District No. 183 ("MUD 183") has requested reimbursement in the amount of \$6,250.00 for the loss of 5,000,000 gallons of surface water due to the Authority's meter malfunctioning. The Board then considered approving check no. 5285 in the amount of \$6,250.00 payable to MUD 183. Director Cannon moved to approve the check to MUD 183. Director Wepler seconded the motion, which carried unanimously.

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 December is approximately 108% of that for last year at this date. Mr. Ahrens reported that approximately 11.16 million gallons per day of surface water was purchased from the City of Houston (the "City") during January.

Mr. Ahrens reported that the Authority received a letter from Harris County regarding the renewal of the Storm Water Quality Permit which will expire on April 16, 2010. He stated that DEC will submit the annual Storm Water Quality Management Report and permit renewal application by March 8, 2010.

Mr. Ahrens reported that the Program Manager attended the Harris Galveston Subsidence District's ("HGSD") Planning Committee meeting on January 26, 2010. He stated that the Planning Committee will recommend to the Board an increase in the disincentive fee to \$5.00 per 1,000 gallons.

Mr. Ahrens then reported that the Program Manager met with the City of Houston (the "City") on February 8, 2010. He stated that the City expressed an interest in participating in the proposed Authority/North Fort Bend Water Authority ("NFBWA") line to transport water to the NFBWA's pump station in the Mission Bend area. Mr. Ahrens reported that the City anticipates requiring between 20-40 MGD to deliver additional water to its Katy Addicks Pump Station and possible Bellaire Braes Pump Station.

Mr. Ahrens also reported that the Program Manager attended the February 10, 2010, Coastal Water Authority ("CWA") meeting. He stated that during the monthly CWA conference call, the CWA indicated that the schedule for completion of the Luce Bayou Project could be accelerated to be completed as early as 2017. He stated that the next Technical Review Committee meeting is tentatively scheduled for March 2, 2010.

Mr. Ahrens then reported that Chad Walker of Jones & Carter, Inc. has requested that the Authority's water quality data be sent to him monthly.

Mr. Ahrens then reported that DEC emailed the Authority's GIS User Manual to the Authority's Board on February 1, 2010.

Mr. Ahrens then stated that DEC submitted the Draft Assessment Report of the City's Jersey Village Well Field and Collection Line to the Design Committee on January 26, 2010.

Mr. Ahrens also reported that DEC completed the draft Second Source City of Houston Alternate Alignment Study report. He stated that DEC anticipates submitting the report to the Design Committee on February 23, 2010.

Mr. Ahrens reported that on January 29, 2010, the engineers from the Authority, the NFBWA, the North Harris County Regional Water Authority and the Central Harris County Regional Water Authority met to discuss the topics from the January 12, 2010, Advisory Committee meeting.

Mr. Ahrens then reported that the Authority and NFBWA Program Managers and attorneys are working on the outline of issues for the Joint Facilities Agreement.

Mr. Ahrens reported that the sale of 9,720,000 gallons of Type A credits to Sheldon Independent School District in the amount of \$21,870.00 has been finalized. The Board concurred to discuss the price of Type A and B credits at the next Finance Committee meeting.

APPROVE LEGAL CONFLICTS WAIVERS

Mr. Boone reviewed with the Board a legal conflicts waiver regarding representation by ABHR of the Authority and the Harris County Utility District No. 6 regarding a water supply commitment letter agreement. Following review and discussion, Director Postle moved to authorize execution of the legal conflicts waiver. Director Wepler seconded the motion, which carried unanimously.

APPROVE WATER SUPPLY AGREEMENT

Mr. Boone reviewed with the Board a water supply commitment letter agreement with Harris County Utility District No. 6 (the "Agreement"). Following discussion, Director Wepler moved to approve the Agreement. Director Postle seconded the motion, which carried unanimously.

Director Wepler requested that Mr. Ahrens verify that the Authority has not overcommitted water supply capacity in connection with the various water supply commitment letter agreements entered into by the Authority.

APPROVE REIMBURSEMENT TO DISTRICTS FOR SURFACE WATER CONVERSION COSTS

Mr. Ahrens reported that Harris County Municipal Utility District No. 172 ("MUD 172") requested reimbursement for the loss of 1,482,000 gallons of surface water as a result of MUD 172's tank overflowing. He stated that the Design Committee recommends that this issue be addressed when MUD 172 submits its request for reimbursement for conversion costs.

DISCUSS STATUS OF WATER LINE PROJECTS

Mr. Ahrens provided an update regarding the status of Contracts 11, 14A, 17A, 20, 21, and 23 and the ground storage tanks' contract.

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, has received agency signatures, Sander Engineering, the engineer for Contract 22B, has received agency signatures and Jones & Carter, Inc, the engineer for Contract 22A-2, has received agency signatures. He stated that Directors Cannon, Hansen, Parker, Rush and Weppler of the Design and Finance Committees recommended the close-out of the Agreement for Professional Engineering Services with Costello, Inc., the engineer for Contract 22C, by February 28, 2010. Following discussion, Director Cannon moved to approve close-out of the Agreement for Professional Engineering Services with Costello, Inc. Director Hansen seconded the motion, which carried by a vote of 5 for the motion with Director Postle abstaining.

Mr. Ahrens reported that 10% design phases and environmental site assessments have been completed for Contracts 25, 26, and 27.

Mr. Ahrens then stated that Directors Hansen, Parker, and Weppler of the Design Committee recommended approval of work authorization No. 21 for Cobb, Fendley and Associates, Inc., in the amount of \$1,270.00 for surveying services for easements 25-6A and 25-6B. Following discussion, Director Weppler moved to approve work authorization No. 21 for Cobb, Fendley and Associates, Inc. Director Burnett seconded the motion, which carried by a vote of five for the motion with Director Postle abstaining.

Mr. Ahrens stated that Directors Hansen, Parker, Postle and Weppler of the Design and Finance Committees recommended approval of work authorization No. 22 for Hawkins Lease Service, Inc., in the amount of \$90,984.80 for maintenance along the

43-mile second source pipeline. Following discussion, Director Weppler moved to approve work authorization No. 22 for Hawkins Lease Service, Inc. Director Burnett seconded the motion, which carried by a vote of five for the motion with Director Postle abstaining.

Mr. Ahrens reported that Directors Hansen, Parker, Postle and Weppler of the Design Committee recommended approval of the Agreement for Professional Engineering Services with Klotz Associates, Inc., as the engineer for Contract 19A. Following discussion, Director Weppler moved to approve the Agreement for Professional Engineering Services with Klotz Associates, Inc. Director Hansen seconded the motion, which carried by a vote of five for the motion with Director Postle abstaining.

Mr. Ahrens then stated that Directors Cannon, Hansen, Parker, Rush, Postle, and Weppler of the Design Committee recommended approval of work authorization No. 7 for DEC, in the amount of \$650.00 for the title report for the potential future pump station site. Following discussion, Director Weppler moved to approve work authorization No. 7 for DEC. Director Burnett seconded the motion, which carried by a vote of five for the motion with Director Postle abstaining.

DISCUSS CAPITAL IMPROVEMENTS PLAN

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

AUTHORIZE ENGINEER TO PERFORM INSPECTION REQUIRED BY SECTION 701(C) OF INDENTURE OF TRUST

The Board considered authorizing DEC to perform the inspection required by Section 701(c) of the Indenture of Trust. Upon a motion made by Weppler and seconded by Director Burnett, the Board moved to authorize DEC to perform the inspection required by Section 701(c) of the Indenture of Trust which carried by a vote of five for the motion with Director Postle abstaining.

Mr. Ahrens then stated that Directors Cannon, Hansen, Parker, Rush, Postle, and Weppler of the Design Committee recommended approval of work authorization no. 8 for DEC in an amount not to exceed \$50,000.00 for the inception of the Authority's facilities as required by Section 701(c) of the Indenture of Trust. Following discussion, Director Weppler moved to approve work authorization no. 8 for DEC. Director Burnett seconded the motion, which carried by a vote of five for the motion with Director Postle abstaining.

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 AMENDED RATE ORDER

Mr. Boone reviewed an Amended Rate Order. Following review and discussion, Director Wepler moved to adopt the Amended Rate Order. Director Cannon seconded the motion, which carried unanimously.

SENATE BILL 361 REQUIREMENTS AND AUTHORIZE PREPARATION AND FILING OF EMERGENCY PREPAREDNESS PLAN

Mr. Ahrens reported that DEC forwarded the draft Emergency Preparedness Plan to the Design Committee on February 9, 2010. He stated that the Emergency Preparedness Plan must be submitted to the Texas Commission on Environmental Quality by March 1, 2010. Director Wepler moved that the Board authorize preparation of and approve the Emergency Preparedness Plan, subject to approval by the Design Committee. Director Cannon seconded the motion, which carried unanimously.

APPROVE CONFIDENTIALITY AGREEMENT REGARDING SECURITY FACILITIES

Mr. Ahrens reported that the bid for the Pump Station No. 1 proposed Access S/CCTV System Project will be negotiated in February, 2010. The Board then considered approving the Confidentiality Agreement with bidders and the contractor regarding such security facilities. Director Wepler moved that the Board approve the Confidentiality Agreement. Director Cannon seconded the motion, which carried unanimously.

AMENDED CRISIS MANAGEMENT MEDIA RELATIONS PLAN

Mr. Boone reviewed with the Board the Amended Crisis Management Media Relations Plan, a copy of which is attached. Following discussion, Director Cannon moved to approve the Amended Crisis Management Media Relations Plan. Director Wepler seconded the motion, which carried unanimously.

ADOPT RESOLUTION AUTHORIZING ACQUISITION OF REALTY INTERESTS

The Board considered adopting Resolution Authorizing Acquisition of Real Property Interests for Contract 19A. Following discussion, Director Postle moved to adopt the Resolution. Director Wepler seconded the motion, which carried unanimously.

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. Ahrens reported that Aldine Independent School District is proposing to install a 24-inch storm sewer across the former Exxon Mobil easement and the abandoned 6-inch pipeline. Mr. Ahrens stated that Director Weppler recommended that the Board authorize the Program Manager to issue a Letter of No Objection. Following discussion, Director Hansen moved to authorize the Program Manager to issue a Letter of No Objection.

Mr. Ahrens then reported that Harris County has requested a No Objection Letter for grading operations, installation of trees, pedestrian trails, a 24-inch storm sewer and grate inlets over the Authority's 16-inch surface water pipeline and 20-foot easements. He stated that DEC and Director Weppler have requested that Harris County resubmit its plans and show cross sections of the proposed grading operations over the Authority's pipeline and provide a profile drawing showing the storm sewer in relationship to the Authority's pipeline. Mr. Ahrens also stated that DEC and Director Weppler requested that all trees be planted by hand.

DISCUSS REGION H WATER PLANNING GROUP

Mr. Ahrens reported that the draft 2011 Region H Water Plan is on the Region H website.

ASSOCIATION OF WATER BOARD DIRECTORS ("AWBD") WINTER CONFERENCE, APPROVE REIMBURSEMENT OF ELIGIBLE EXPENSES, AND AUTHORIZE ATTENDANCE AT SUMMER CONFERENCE

Mr. Boone informed the Board that the AWBD will hold its summer conference in San Antonio, Texas. Following discussion, Director Weppler moved to authorize any interested board members to attend the Association of Water Board Directors summer conference and to approve reimbursement of eligible expenses from the AWBD winter conference. Director Hansen seconded the motion, which carried unanimously.

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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