

MINUTES
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

September 8, 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 8th day of September, 2010, at 15300 Falmouth, Houston, Texas, inside the boundaries of the Authority, and the roll was called of the members of the Board:

Bruce Parker	President
George L. Rush, Jr.	Vice President
Douglas (Cam) Postle	Secretary
Stacey L. Burnett	Assistant Vice President
Eric Hansen	Assistant Secretary
Mark Janneck	Director
Larry Weppler	Director
Karla Cannon	Director
John Nelson	Director

and all of the above were present, except Directors Rush and Nelson, 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 Welch of Integra Realty Resource-Houston, LLC; and Alex Garcia and Katie Dorfman 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 August 11, 2010, meeting. Following discussion, Director Burnett moved to approve the minutes of the August 11, 2010, meeting as submitted. The motion was seconded by Director Hansen and passed by unanimous vote.

RECEIVE QUESTIONS AND FEEDBACK FROM THE PUBLIC

There was no action on this matter.

RECEIVE CUSTOMER APPEALS REGARDING PAYMENT, SERVICE, OR OTHER MATTERS

There was no action on this matter.

DISCUSS WEBSITE

Ms. Payne presented the last Dime Novel and a reader's quiz.

Ms. Payne updated the Board on the educational materials for the Cypress-Fairbanks Independent School District and the Klein Independent School District.

Ms. Payne then updated the Board on the modifications to the mobile teaching lab and the irrigation inserts.

The Board then discussed a possible November townhall meeting.

ADOPT SECONDED AMENDED RESOLUTION ESTABLISHING CONVERSION REIMBURSEMENT STANDARDS

The Authority considered adopting a Second Amended Resolution Establishing Conversion Reimbursement Standards. After review and discussion, Director Weppler moved that the Authority adopt the Second Amended Resolution Establishing Conversion Reimbursement Standards. The motion was seconded by Director Cannon and 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 2010 through July is approximately 83% of that for last year at this date. Mr. Ahrens reported that approximately 24.27 million gallons per day ("MGD") of surface water was purchased from the City of Houston (the "City") during August.

Mr. Ahrens reported that the Authority, the North Harris County Regional Water Authority and the City of Houston met with the Harris Galveston Subsidence District (the "HGSD") on August 26, 2010, to discuss the HGSD proposed rules regarding the aggregated water well permit. Mr. Garcia updated the Board on the HGSD's rules. Mr. Ahrens reported that he attended two meetings of the Rules and Legal Affairs Committee regarding proposed rule changes. He then reported that the Program Manager submitted the application for the renewal of the Authority aggregated water well permit to the HGSD on August 31, 2010.

Mr. Ahrens reviewed an August 25, 2010, letter from Memorial Municipal Utility District regarding well no. 5486 and a proposed response letter from the Authority.

Mr. Ahrens then reviewed a draft letter to the Fort Bend Subsidence District requesting that Cimarron Municipal Utility District's well no. 1351 be included in the Authority's groundwater reduction plan. Following discussion, Director Weppler moved to authorize execution of the letter to the Fort Bend Subsidence District. Director Postle seconded the motion, which carried unanimously.

Mr. Ahrens reported that Director Weppler and Mr. Garcia participated in a telephone conference with the Coastal Water Authority on September 7, 2010. He stated that the next Coastal Water Authority Board meeting is scheduled for September 15, 2010.

Mr. Ahrens then reported that DEC is evaluating the feasibility of the installation of an automatic meter reading system.

Mr. Ahrens stated that DEC is coordinating the surveying and abstracting for the Second Source Line and that the meetings with elected officials to discuss the Second Source Line have been completed.

Mr. Ahrens reported that DEC is coordinating photogrammetric surveying for the East-West segment of the Second Source alignment.

Mr. Ahrens reported that the next Advisory Committee meeting with the City will be held on October 27, 2010, and the next City Water Resources Management Committee meeting will be held on September 20, 2010.

APPROVE REIMBURSEMENT TO DISTRICTS FOR SURFACE WATER CONVERSION COSTS

Mr. Ahrens reported that DEC has received a request from Harris County Municipal Utility District No. 172 for reimbursement for chloramines conversion modifications, which is still under review.

Mr. Ahrens then reported that DEC has received a request from Remington Municipal Utility District No. 1 for reimbursement for chloramines conversion modifications, which is still under review.

Mr. Ahrens then recommended that Harris County Municipal Utility District No. 136 ("MUD 136") be reimbursed in the amount of \$485,164.76 in lieu of the \$408,425.00 approved by the Board at its May 12, 2010, meeting. Following discussion, Director Weppler moved to approve the reimbursement costs as full and final payment, subject to execution of a receipt and release by MUD 136. Director Cannon seconded the motion, which carried unanimously.

Mr. Ahrens then recommended that Clay Road Municipal Utility District (“Clay Road”) be reimbursed in the additional amount of \$15,675.00. Following discussion, Director Weppler moved to approve the reimbursement costs as full and final payment, subject to execution of a receipt and release by Clay Road. Director Cannon seconded the motion, which carried unanimously.

Mr. Ahrens then recommended that Harris County Municipal Utility District No. 127 (“MUD 127”) be reimbursed in the additional amount of \$44,750.00. Following discussion, Director Weppler moved to approve the reimbursement costs as full and final payment, subject to execution of a receipt and release by MUD 127. Director Cannon seconded the motion, which carried unanimously.

Mr. Ahrens then recommended that Harris County Municipal Utility District No. 250 (“MUD 250”) be reimbursed in the additional amount of \$60,370.14. Following discussion, Director Weppler moved to approve the reimbursement costs as full and final payment, subject to execution of a receipt and release by MUD 250. Director Cannon seconded the motion, which carried unanimously.

Mr. Ahrens then recommended that Harris County Municipal Utility District No. 257 (“MUD 257”) be reimbursed in the additional amount of \$81,250.00. Following discussion, Director Weppler moved to approve the reimbursement costs as full and final payment, subject to execution of a receipt and release by MUD 257. Director Cannon seconded the motion, which carried unanimously.

Mr. Ahrens then recommended that Rolling Creek Utility District (“Rolling Creek”) be reimbursed in the additional amount of \$162,500.00. Following discussion, Director Weppler moved to approve the reimbursement costs as full and final payment, subject to execution of a receipt and release by Rolling Creek. Director Cannon seconded the motion, which carried unanimously.

DISCUSS POTENTIAL TEXAS WATER DEVELOPMENT BOARD (“TWDB”) FINANCING

Mr. Ahrens reported that DEC contacted the TWDB to determine the Authority’s priority status for the Second Source Line project.

DISCUSS STATUS OF WATER LINE PROJECTS

Mr. Ahrens provided an update regarding the status of Contract 14A and Contract 20 and the hot box repairs and the ground storage tanks’ contracts.

PAY ESTIMATES AND CHANGE ORDERS

Mr. Ahrens recommended approval of Pay Estimate No. 8 in the amount of \$194,400.00 for the ground storage tanks’ project and Pay Estimate No. 3 in the amount

of \$298,552.50 for the hot box repairs. Upon a motion made by Director Hansen and seconded by Director Burnett, the Board voted unanimously to approve the above mentioned pay estimates.

WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

Mr. Ahrens reported that the City is expected to provide the LAN report on the alternative Second Source Line by the next Advisory Committee meeting.

DISCUSS ENGINEERING SERVICES CONTRACTS AND WORK AUTHORIZATIONS

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

Mr. Ahrens reported that Klotz Associates, Inc. should have 100% plans for review by October, 2010 for Contract 19A.

Mr. Ahrens reported that LAN, 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, but the project has been delayed. He stated that DEC is in the process of obtaining updated signatures and re-approvals from the reviewing agencies.

Mr. Ahrens reported that he approved work authorization no. 3 for Top Results Title Services in the amount of \$125.00 for an updated title report for easement parcel 25-6B.

Mr. Ahrens then requested approval of work authorization no. 2 for Courthouse Specialists, Integrity Title Company, LLC in the amount of \$25,200.00 to provide abstracting services for 84 parcels along the Second Source Line, work authorization no. 2 for Mustang Engineering, LP in the amount of \$27,650.00 to provide abstracting services for 79 parcels along the Second Source Line, and work authorization no. 4 for Top Results Title Services in the amount of \$32,987.50 to provide abstracting services for 100 parcels, two street rights-of-way and one railroad right-of-way along Segment E. Following discussion, Director Postle moved to approve work authorization no. 2 for Courthouse Specialists, Integrity Title Company, LLC, and work authorization no. 2 for Mustang Engineering, LP, and work authorization no. 4 for Top Results Title Services. Director Hansen seconded the motion, which carried unanimously.

DISCUSS CAPITAL IMPROVEMENTS PLAN

Mr. Ahrens stated that DEC is working on the 2020 Capital Improvements Plan ("CIP").

In response to a question regarding the completion of the CIP, Mr. Ahrens stated that the CIP is not expected to be available prior to the November townhall meeting.

RENEW AUTHORITY INSURANCE

The Board reviewed the insurance proposals from Anco-McDonald Waterworks Insurance Services, L.L.C. ("Anco"). Following discussion, Director Burnett moved to accept the proposals from Anco. Director Janneck seconded the motion, which carried unanimously.

AUTHORIZE EXECUTION OF A NON-RENEWAL LETTER FOR CONSTRUCTION OFFICE LEASE

Mr. Ahrens requested that the Board authorize execution of a non-renewal letter for the construction office lease. Following execution, Director Weppeler moved that the Board authorize execution of a non-renewal letter for the construction office lease. Director Hansen 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 stated that check no. 5619 will be voided and replaced with the correct amount. She then reviewed check no. 5662 in the amount of \$38,280.00 payable to Weisser Engineering, check no. 5663 in the amount of \$15,500.00 payable to the HGSD, check no. 5664 in the amount of \$579.10 payable to Mark Janneck, check no. 5665 in the amount of \$332.05 payable to Karla Cannon, check no. 5666 in the amount of \$61,649.00 payable to Anco, check no. 5667 in the amount of \$485,164.76 payable to Harris County Municipal Utility District No. 136, check no. 5668 in the amount of \$15,675.00 payable to Clay Road Municipal Utility District, check no. 5669 in the amount of \$44,750.00 payable to Harris County Municipal Utility District No. 127, check no. 5670 in the amount of \$60,370.14 payable to Harris County Municipal Utility District No. 250, check no. 5671 in the amount \$81,250.00 payable to Harris County Municipal Utility District No. 257, and check no. 5672 in the amount of \$62,500.00 payable to Rolling Creek Utility District. Director Hansen 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 six for the motion with Director Postle abstaining. A copy of the bookkeeper's report is attached.

CONDUCT HEARING REGARDING ANY DELINQUENT FEES AND RULE VIOLATIONS, INCLUDING IMPOSITION OF CIVIL PENALTIES

The Board took no action on this matter.

AUTHORIZE DISTRIBUTION OF NOTICE REGARDING INCREASE IN PUMPAGE FEE AND SURFACE WATER FEE

The Board then considered authorizing distribution of a notice regarding a \$0.30 increase in its pumpage fee and surface water fee to be adopted by the Board at its December 8, 2010, meeting. Following discussion, Director Burnett moved to authorize distribution of such notice. Director Janneck 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.

Mr. Van Dyke reported that SWWC will obtain estimates for the repair to the motor for the pump.

In response to a question regarding atrazine and symazine in the surface water supplied by the City of Houston, Director Wepler stated that the Texas Commission on Environmental Quality informed the Authority that each district is responsible for its own testing. He explained that testing has shown atrazine and symazine levels to be well below maximum contaminant levels. Discussion ensued and Mr. Ahrens stated that the levels are the same from the City as in the districts.

ADOPT RESOLUTION AUTHORIZING ACQUISITION OF REALTY INTERESTS

The Board considered adopting a Resolution Authorizing Acquisition of Realty Interests. Following discussion, Director Cannon moved that the Board adopt the Resolution. Director Postle seconded the motion, which carried unanimously.

UPDATE ON STATUS OF GROUNDWATER REDUCTION PLAN ("GRP")

The Board took no action on this matter.

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. 196 (19A-5, 19A-6, and 19A-10) and Cypress Northwest Associates, Ltd. (19-A-2). Director Postle moved to authorize acceptance of the water line easements from Harris County Municipal Utility District No. 196 and Cypress Northwest Associates, Ltd. Director Cannon seconded the motion, which carried unanimously.

Ms. Dorfman updated the Board on the status of the encroachment by the landowner on the 18.1552 acre-tract.

DISCUSS REPORT REGARDING INSPECTION OF AUTHORITY WATER SYSTEM
REQUIRED BY SECTION 701(C) OF INDENTURE OF TRUST (THE "INDENTURE")
AND AUTHORIZING FILING WITH TRUSTEE

Mr. Garcia reported that the Indenture requires an inspection of the Authority's system. Following review and discussion about the report prepared by Lockwood, Andrews & Newman, Inc., Director Weppeler moved to authorize filing of the inspection report with the Trustee. Director Cannon seconded the motion, which carried unanimously.

DISCUSS REGION H WATER PLANNING GROUP

Mr. Ahrens reported that the next Region H Water Planning Group meeting will be held on October 6, 2010.

CONVENE EXECUTIVE SESSION TO DISCUSS THE PURCHASE AND VALUE OF
WATER LINE EASEMENTS/RIGHT-OF-WAY AND CONSULTATION WITH
ATTORNEY REGARDING CONTEMPLATED LITIGATION

The Board concurred to convene in executive session to discuss the purchase or value of real property and consultation with attorney regarding any pending or contemplated litigation. The Board entered executive session at 7:01 p.m.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION

At 8:25 p.m., the Board then reconvened in open session. Following discussion, Director Cannon moved to approve the range of values presented by Steve Bonjonia for the 19B easements. Director Postle seconded the motion, which carried unanimously.

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

Secretary, Board of Directors

(SEAL)

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