

MINUTES  
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

November 9, 2011

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 November, 2011, 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 Director Rush, thus constituting a quorum.

Also present at the meeting were Chris Wilson of SWWC Services, Inc. ("SWWC"); Wayne Ahrens of Dannenbaum Engineering Corporation ("DEC"); Erin Garcia of Myrtle Cruz, Inc; Barbara Payne of Payne Communication; and 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 12, 2011, meeting. Following discussion, Director Burnett moved to approve the minutes of the October 12, 2011, meeting as submitted. The motion was seconded by Director Weppler and passed by unanimous vote.

QUESTIONS AND FEEDBACK FROM THE PUBLIC

There were no comments from the public.

WEBSITE AND CONFERENCE

Ms. Payne updated the Board on the status of the newsletter.

Ms. Payne then reported that the New World of Water meeting was held last month.

Director Parker thanked Harris County Municipal Utility District No. 102 for allowing the Authority to use its building for meetings.

### 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 2011 through September is approximately 135% of that for last year at this date. Mr. Ahrens reported that approximately 24.00 million gallons per day ("MGD") of surface water was purchased from the City of Houston (the "City") during October.

Mr. Ahrens reported that the Program Manager attended the November 9, 2011, Coastal Water Authority ("CWA") meeting. He stated that the CWA approved the amended scope and budget for AECOM to prepare the EIS for the U.S. Army Corps of Engineers.

Mr. Ahrens then reported that the Harris County Toll Road Authority ("HCTRA") agreed to allow the Authority to relocate its easement alignment across the Grand Parkway right-of-way. He stated that the HCTRA is expected to sign the exchange easement in November, 2011.

Mr. Ahrens then reviewed a letter from Jana Cogburn, on behalf of Harris County Municipal Utility district No. 163 ("MUD 163"), regarding low chlorine residuals.

Mr. Ahrens then reported that the Program Management staff is in the process of determining the easement parcels to be acquired for the Second Source Pipeline project and the 2020 Capital Improvement Plan ("CIP") project.

Mr. Ahrens also reported that the right-of-way tracking software is complete and the Program Management staff is in the process of inputting abstracting data regarding the Second Source easement parcels.

Mr. Ahrens then reported that the plat for the Authority's Central Pump Station was submitted to the City of Houston (the "City") Development Services Division on October 17, 2011.

Mr. Ahrens also reported that the Authority's RePumping Station plat has been approved by the City.

Mr. Ahrens then reported that Harris County Municipal Utility District No. 276 ("MUD 276") has expressed interest in a Water Supply Contract.

Mr. Ahrens also reported that the City should be scheduling a meeting to discuss the True-Up Report for the East Water Purification Plant Operations and Maintenance Expenditures for the fiscal years ending June 30, 2009 and 2010.

Mr. Ahrens reported that the City should also be scheduling a meeting to begin the negotiations for the sale of certain wells within the Jersey Village well field prior to the Authority performing surveying and assessment for the wells, various easements and related properties.

Mr. Ahrens then reported that the Program Manager attended the Advisory Committee meeting on November 4, 2011.

Mr. Ahrens also reported that the Project Team for the Harris Galveston Subsidence District ("HGSD") has scheduled a meeting for December 2, 2011, to discuss the population projections from Metrostudy and University of Houston CPP. He stated that the Project Team will also discuss the results of their water demand projections made for the Authority.

Mr. Ahrens then reported that the Harris County Commissioner's Court approved the Amendment to Interlocal Agreement with Harris County on October 11, 2011, which adds Harris County Well No. 4411 (Bear Creek Pioneers Park East in Houston, Texas) to the Interlocal Agreement with Harris County and Harris County Flood Control District and to the Authority's groundwater reduction plan.

Mr. Garcia reported that Nick Rivas of Pine Forest Country Club and Paul Philban of Spencer Road Public Utility District have each contacted ABHR to request a contract for credits for alternative water supply use.

#### REIMBURSEMENT TO DISTRICTS FOR SURFACE WATER CONVERSION COSTS

The Board took no action on this matter.

#### TEXAS WATER DEVELOPMENT BOARD ("TWDB") FINANCING

Mr. Ahrens reported that the updated information was provided to the TWDB for the Second Source Project on October 24, 2011.

Mr. Ahrens then reported that the TWDB informed First Southwest Company that the available Water Infrastructure Fund ("WIF") funding has been increased from \$40,100,000 to \$41,965,000. He then stated that the Program Manager requested that the Board approve submittal of the updated financial and engineering data to the TWDB in the amount of \$41,965,000. Following discussion, Director Postle moved to authorize submittal of the updated financial and engineering data to the TWDB in the amount of \$41,965,000. Director Burnett seconded the motion, which carried unanimously.

## STATUS OF WATER LINE PROJECTS

Mr. Ahrens provided an update regarding the status of Contract 19A. In response to a question from Director Wepler regarding delays in receiving delivery of water after the contractor is ready to deliver water, Mr. Ahrens stated that there is a remobilization item in the contract if that should occur.

Mr. Ahrens reported that the Authority has received Mischer Investments, L.P.'s and GCP-Bridgeland, LP's share of the costs of Contracts 22A-1, 22A2, 22B, and 22C. He stated that CW SCOA West, L.P. has not yet contributed its share of the costs. Mr. Ahrens then requested that the Board authorize DEC to send a letter to CW SCOA West, L.P. regarding this matter. Following discussion, Director Hansen moved to authorize DEC to send a letter to CW SCOA West, L.P. Director Burnett seconded the motion, which carried by a vote of six for the motion with Director Postle and Wepler abstaining.

## REVIEW BIDS AND AWARD CONTRACT

Mr. Ahrens reported bids were received for Contract 22A1. He then recommended that the Board accept the bid in the amount of \$3,925,497.08 submitted by S. J. Louis Construction of Texas, Ltd. Director Cannon moved that (i) based on the engineer's recommendation, the Board determine in their judgment that S. J. Louis Construction of Texas, Ltd., would be the most advantageous to the Authority and would result in the best and most economical completion of the Authority's facilities, and (ii) the contract in the amount of \$3,925,497.08 be awarded to S. J. Louis Construction of Texas, Ltd., subject to approval of the payment and performance bonds by the Authority's attorney. Director Nelson seconded the motion, which carried by a vote of six for the motion with Directors Postle and Wepler abstaining.

Mr. Ahrens reported bids were received for Contract 22A2. He then recommended that the Board accept the bid in the amount of \$3,482,335.64 submitted by Lewis Contractors, Inc. Director Cannon moved that (i) based on the engineer's recommendation, the Board determine in their judgment that Lewis Contractors, Inc., would be the most advantageous to the Authority and would result in the best and most economical completion of the Authority's facilities, and (ii) the contract in the amount of \$3,482,335.64 be awarded to Lewis Contractors, Inc., subject to approval of the payment and performance bonds by the Authority's attorney. Director Nelson seconded the motion, which carried by a vote of six for the motion with Directors Postle and Wepler abstaining.

Mr. Ahrens reported bids were received for Contract 22B. He then recommended that the Board accept the bid in the amount of \$1,256,328.00 submitted by E. P. Brady, Ltd. Director Cannon moved that (i) based on the engineer's recommendation, the Board determine in their judgment that E. P. Brady, Ltd., would

be the most advantageous to the Authority and would result in the best and most economical completion of the Authority's facilities, and (ii) the contract in the amount of \$1,256,328.00 be awarded to E. P. Brady, Ltd., subject to approval of the payment and performance bonds by the Authority's attorney. Director Nelson seconded the motion, which carried by a vote of six for the motion with Directors Postle and Weppler abstaining.

Mr. Ahrens reported bids were received for Contract 22C. He then recommended that the Board accept the bid in the amount of \$3,327,589.50 submitted by James Construction Group, LLC. Director Cannon moved that (i) based on the engineer's recommendation, the Board determine in their judgment that James Construction Group, LLC, would be the most advantageous to the Authority and would result in the best and most economical completion of the Authority's facilities, and (ii) the contract in the amount of \$3,327,589.50 be awarded to James Construction Group, LLC, subject to approval of the payment and performance bonds by the Authority's attorney. Director Nelson seconded the motion, which carried by a vote of six for the motion with Directors Postle and Weppler abstaining.

#### PAY ESTIMATES AND CHANGE ORDERS

Mr. Ahrens recommended approval of Pay Estimate No. 7 in the amount of \$197,541.72 for the Contract 19A contract. Upon a motion made by Director Weppler and seconded by Director Nelson, the Board voted unanimously to approve the above mentioned pay estimate.

#### WATER SUPPLY CONTRACT WITH THE CITY

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

#### ENGINEERING SERVICES CONTRACTS AND WORK AUTHORIZATIONS

Mr. Ahrens requested that the Board approve the contract with Binkley & Barfield, Inc. for Contract 39 in the amount of \$334,671.10. Following discussion, Director Weppler moved to approve the contract with Binkley & Barfield, Inc. for Contract 39 in the amount of \$334,671.10. Director Hansen seconded the motion, which carried by a vote of seven for the motion with Director Postle abstaining.

Mr. Ahrens requested that the Board approve the contract with Edminster, Hinshaw, Russ and Associates, Inc. for Contract 40 in the amount of \$419,273.00. Following discussion, Director Weppler moved to approve the contract with Edminster, Hinshaw, Russ and Associates, Inc. for Contract 40 in the amount of \$419,273.00. Director Hansen seconded the motion, which carried by a vote of seven for the motion with Director Postle abstaining.

Mr. Ahrens then discussed the Master Services Agreements for right-of-way acquisition services with S&V Surveying, Inc., TranSystems Corporation d/b/a TranSystems Corporation Consultants, GeoSurv, Inc. d/b/a TSC Surveying, GeoSolutions, LLC, Cotton Surveying Company, and Baseline Corporation, Inc. Director Hansen moved to approve the Master Services Agreements with S&V Surveying, Inc., TranSystems Corporation d/b/a TranSystems Corporation Consultants, GeoSurv, Inc. d/b/a TSC Surveying, GeoSolutions, LLC, Cotton Surveying Company, and Baseline Corporation, Inc. Director Burnett seconded the motion, which carried by a vote of six for the motion with Directors Postle and Weppler abstaining.

Mr. Ahrens discussed Addendum No. 2 to the contract with Terracon Consultants, Inc. Director Cannon moved to approve Addendum No. 2 to the contract with Terracon Consultants, Inc. Director Burnett seconded the motion, which carried by a vote of seven for the motion with Director Postle abstaining.

Mr. Ahrens reported that the Program Manager approved work authorization no. 10 for Terracon Consultants, Inc. in the amount of \$2,500.00 for reviewing and editing the draft Purpose and Need Report for the Second Source North-South Project.

Mr. Ahrens then requested that the Board approve the following work authorizations: (1) work authorization no. 2 for Berg Oliver Associates, Inc. in the amount of \$30,050.00 for the environmental assessment of the Second Source Central pump Station Site; (2) work authorization no. 11 for Terracon Consultants, Inc. in the amount of \$16,500.00 for the environmental assessment of the Second Source RePump Station Site; (3) work authorization no. 12 for Terracon Consultants, Inc. in the amount of \$8,500.00 for preparation of presentation material for the U.S. Army Corps of Engineers regarding the Purpose and Need Report for the Second Source North-South Project; and (4) work authorization no. 13 for Terracon Consultants, Inc. in the amount of \$39,700.00 for preparing a Waters of the U.S. Determination, Mitigation Assessment, and Endangered Species Assessment for the Second Source North-South Project. Following discussion, Director Nelson moved to approve the following work authorizations: (1) work authorization no. 2 for Berg Oliver Associates, Inc. in the amount of \$30,050.00; (2) work authorization no. 11 for Terracon Consultants, Inc. in the amount of \$16,500.00; (3) work authorization no. 12 for Terracon Consultants, Inc. in the amount of \$8,500.00; and (4) work authorization no. 13 for Terracon Consultants, Inc. in the amount of \$39,700.00. Director Hansen seconded the motion, which carried by a vote of seven for the motion with Director Postle abstaining.

#### APPROVE FINANCIAL ADVISOR AGREEMENT AMENDMENT AND LEGAL SERVICES AGREEMENT AMENDMENT

The Board considered amendments to the agreements with First Southwest Company, RBC Capital Markets Corporation, and ABHR regarding the Series 2012

bond sale. Following discussion, Director Burnett moved that the Board approve such amendments. Director Hansen seconded the motion, which carried unanimously.

#### BOOKKEEPER'S REPORT

Ms. Garcia 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. She then reviewed the following checks: (1) check no. 6410 in the amount of \$499.97 payable to George Rush; (2) check no. 6413 in the amount of \$485.62 payable to Karla Cannon; (3) check no. 6414 in the amount of \$149.29 payable to Mark Janneck; (4) check no. 6415 in the amount of \$1,080.00 payable to Brown & Kornegay LLP; (5) check no. 6416 in the amount of \$3,730.00 payable to the Terracon Consultants, Inc.; (6) check no. 6417 in the amount of \$7,347.70 payable to Gary E. Grote; and (7) check no. 6418 in the amount of \$3,658.65 payable to Jones & Carter, Inc. Director Burnett moved to approve the bookkeeper's report, the disbursements reflected in the bookkeeper's report, the above-mentioned checks, and the monthly investment report. Director Hansen seconded the motion, which carried by a vote of six for the motion with Directors Wepler and Postle abstaining. A copy of the bookkeeper's report is attached.

#### PENALTIES AND INTEREST FOR DELINQUENT FEES/CUSTOMER APPEALS REGARDING PAYMENT, SERVICE, OR OTHER MATTERS

The Board took no action on this matter.

#### OPERATOR'S REPORT

Mr. Wilson presented copies of the operator's report and reviewed it with the Board, a copy of which is attached.

In response to a question from Director Postle regarding the amount of work performed outside of the base fee for the month, Mr. Wilson stated that the billing cycle is being changed and the work is for a two-month period.

#### ENCROACHMENTS OF EASEMENTS OR OTHER REALTY INTERESTS, INCLUDING ACCEPT CONVEY, MODIFY, OR RELEASE ENCROACHMENT AGREEMENTS

There was no discussion on this matter.

#### REALTY INTEREST ACQUISITION AND CONVEYANCE, INCLUDING ACCEPT, CONVEY, MODIFY, OR RELEASE EASEMENTS, EASEMENT AGREEMENTS, ASSIGNMENTS OF EASEMENTS, AND DEEDS

There was no action on this matter.

CONSIDERATION OF THE USE OF EMINENT DOMAIN TO CONDEMN PROPERTY AND REQUEST BOARD APPROVAL OF A SECOND AMENDED RESOLUTION AUTHORIZING ACQUISITION OF REAL PROPERTY INTERESTS TO CONFIRM THE EXISTENCE OF A PUBLIC NECESSITY FOR THE AUTHORITY TO ACQUIRE CERTAIN PROPERTIES AND PROPERTY INTERESTS ALONG THE SECOND SOURCE LINE ROUTE AND AUTHORIZING THE INITIATION OF CONDEMNATION PROCEEDINGS TO ACQUIRE SUCH PROPERTIES AND PROPERTY INTERESTS

Director Postle moved that the Board of Directors of the West Harris County Regional Water Authority, in a record vote applying to all units of property to be condemned, adopt a Second Amended Resolution Authorizing Acquisition of Real Property Interests which authorizes the use of the power of eminent domain to acquire properties and property interests for the construction, installation, operation, and maintenance of facilities and appurtenances thereto necessary and convenient for the transportation and delivery of water at the general locations and along the Second Source Line route, as shown on Exhibit A to the Resolution, and delegating to the Authority's Chief Administrative Official for land and property acquisition the authority to supervise such acquisitions and, as necessary, to initiate condemnation proceedings to acquire such properties and property interests. Director Weppler seconded the motion, which carried unanimously.

Discussion ensued regarding acquisition and use of Authority easements.

STATUS OF GROUNDWATER REDUCTION PLAN ("GRP")

The Board took no action on this matter.

REGION H WATER PLANNING GROUP

Mr. Ahrens reported that the next meeting is scheduled for December 7, 2011.

ARBITRAGE REBATE ANALYSIS

Mr. Garcia discussed with the Board the arbitrage rebate analysis prepared by OmniCap Group LLC. He pointed out that OmniCap Group LLC determined that there was no rebate or yield reduction payment due on the Series 2006 Bonds.

CONVENE EXECUTIVE SESSION TO DISCUSS THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY AND CONSULTATION WITH ATTORNEY REGARDING ANY PENDING OR CONTEMPLATED LITIGATION OR SETTLEMENT OFFERS

The Board did not convene in executive session.

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

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Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
list of persons present at the November 9, 2011, meeting .....	1
engineer's report .....	2
bookkeeper's report .....	7
operator's report.....	7