

MINUTES  
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

December 14, 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 14th day of December, 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 Wepler	Director
Karla Cannon	Director
John Nelson	Director

and all of the above were present, except Directors Nelson and Janneck, 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; Mark McGrath of McGrath & Co., PLLC; Debbie Gibson of McCall Gibson Swedlund Barfoot PLLC; and Jim Boone, Katie Sherborne, 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 8 and 9, 2011, meetings. Following discussion, Director Postle moved to approve the minutes of the November 8 and 9, 2011, meetings as submitted. The motion was seconded by Director Burnett and passed by unanimous vote.

ENGAGE MCGRATH & CO., PLLC 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 Weppler seconded the motion, which carried unanimously.

#### ENGAGE AUDITOR TO PREPARE AUDIT FOR FISCAL YEAR ENDED DECEMBER 31, 2011

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 Cannon seconded the motion, which carried unanimously.

The Board then considered engaging McCall Gibson Swedlund Barfoot PLLC to calculate previously incurred Second Source water line realty costs. Director Weppler moved to engage McCall Gibson Swedlund Barfoot PLLC to calculate previously incurred Second Source water line realty costs, subject to final review of the engagement letter. Director Rush seconded the motion, which carried unanimously.

#### CONSULTANT INVOICE REVIEW

The Board reviewed the report prepared by McCall Gibson Swedlund Barfoot PLLC regarding the semi-annual test of consultant invoices for the period April 1, 2011, through September 30, 2011.

#### QUESTIONS AND FEEDBACK FROM THE PUBLIC

In response to a question from Louise Hronas regarding the estimated date surface water will be available to Harris County Municipal Utility District No. 167 ("MUD 167"), Mr. Ahrens stated that MUD 167 is currently expected to receive surface water in five or six years.

#### WEBSITE AND CONFERENCE

Ms. Payne reported that the newsletter has been mailed.

Ms. Payne then reported that there is a new version of the "Rising Cost of Water."

Mr. Payne also reported that ABHR, McGrath & Co., PLLC and DEC are sponsors of water conservation materials for the 2011-2012 school year.

#### 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 October is approximately 131% of that for last year at this date. Mr. Ahrens reported that approximately 20.17 million gallons per day ("MGD") of surface water was purchased from the City of Houston (the "City") during November.

Mr. Ahrens reported that the Coastal Water Authority ("CWA") meeting was held on December 14, 2011.

Mr. Ahrens reported that the Texas Rural Water Association Water Board Directors Governance conference will be held January 19-20, 2012, in Austin, Texas. Following discussion, Director Cannon moved to authorize any interested board members to attend the conference. Director Hansen seconded the motion, which carried unanimously.

Mr. Ahrens then reported that the Program Manager attended a meeting with representatives of the North Fort Bend Water Authority ("NFBWA"), North Harris County Regional Water Authority, and the Central Harris County Regional Water Authority to discuss drought contingency matters within the respective groundwater reduction plan service areas.

Mr. Ahrens also reported that the Program Manager presented the right-of-way tracking software to the Real Estate Committee and the NFBWA Program Manager.

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 then reported that the application for the Authority's Central Pump Station plat will be re-submitted to the City Development Services Division.

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

Mr. Ahrens reported that he participated in a meeting with the United States Army Corps of Engineers to present preliminary information on the North-South Project of the Second Source Transmission Main.

Mr. Ahrens then reported that he attended a meeting with the Texas Department of Transportation ("TxDOT") regarding the left turn lane on FM 529 from Greenhouse to US 290. He stated that he provided TxDOT with drawings and information regarding the Authority's water line crossings.

Mr. Ahrens also reported that the NFBWA received bids for the Bellaire Pump Station and the NFBWA intends to award the contract at its December 22, 2011,

meeting. He stated that the low bid was received from Pepper Lawson in the amount of \$22,021,675.06. Mr. Ahrens then stated that pursuant to the Joint Facilities Agreement, the Authority can comment on the award of the contract. In response to a question from Director Weppler regarding Pepper Lawson's workload, Ms. Silva, the engineer for the NFBWA, stated that she did not see a problem with Pepper Lawson completing the project with its current workload.

Mr. Ahrens reviewed a letter to the City from the Authority reflecting comments to the City's list of fiscal year 2012 Proposed Water Plants Project Spending Analysis.

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 discussions 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 Harris Galveston Subsidence District's permit fee rate may be increased from \$17.00 per million gallons to \$22.00 per million gallons.

Mr. Ahrens reported that the Program Manager mailed the Meter Reading at the End of the 2010-2011 Permit Term, Data Collection Questionnaire, and Annual Groundwater Pumpage Report to the Authority's groundwater reduction plan ("GRP") participants for completion.

Mr. Ahrens also reported that the sale of 7,550,000 gallons of Type A credits to Southwest Shipyard, LP and 7,200,000 gallons of Type B credits to Westlake Park Association are pending.

#### NOTICE REGARDING DROUGHT

Mr. Ahrens reviewed a November 28, 2011, letter from the Authority to the City regarding the City's drought contingency plan.

Mr. Ahrens then reported that the Program Manager requested that the Authority approve sending a Notice to the Authority's GRP participants requesting the implementation of at least voluntary drought response measures. Following discussion, Director Weppler moved to authorize sending the Drought Notice. Director Cannon 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. 276 (the "Agreement"). Following discussion, Director Weppler moved to approve the Agreement. Director Rush seconded the motion, which carried unanimously.

Director Weppler 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. Upon a motion made by Director Weppler and seconded by Director Hansen, the Board voted unanimously to authorize DEC to prepare such a study.

## REIMBURSEMENT TO DISTRICTS FOR SURFACE WATER CONVERSION COSTS

Mr. Ahrens then reported that Harris County Municipal Utility District No. 196 ("MUD 196") submitted a request for reimbursement in the amount of \$34,833.24 for repair work to a damaged sanitary sewer line and water line that occurred in June, 2011 and July, 2011 during construction of the Authority's Contract 19A surface water transmission main. Following discussion, Director Hansen moved to approve the reimbursement request as full and final payment, subject to execution of a receipt and release by MUD 196. Director Rush seconded the motion, which carried unanimously.

## TEXAS WATER DEVELOPMENT BOARD ("TWDB") FINANCING, ISSUANCE OF BONDS TO TWDB AND FINANCING AGREEMENT WITH THE TWDB

Mr. Ahrens reported that the TWDB staff will present and recommend the Authority's Water Infrastructure Fund ("WIF") funding application for the Second Source Project at the December 15, 2011, meeting. He stated that the Authority is eligible to receive \$41,965,000.

Ms. Sherborne then reviewed with the Board the proposed Financing Agreement with the TWDB. Following review and discussion, Director Rush moved to approve the Financing Agreement. Director Burnett seconded the motion, which carried unanimously.

## STATUS OF WATER LINE PROJECTS

Mr. Ahrens provided an update regarding the status of Contracts 19A, 22A-1, 22A-2, 22-B, and 22-C.

## PAY ESTIMATES AND CHANGE ORDERS

Mr. Ahrens recommended approval of Pay Estimate No. 8 in the amount of \$29,127.78 for the Contract 19A contract. Upon a motion made by Director Weppler

and seconded by Director Cannon, 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 then discussed the Master Services Agreement for land planning services with Broussard Group, Inc. dba TBG Partners. Director Postle moved to approve the Master Services Agreement with Broussard Group, Inc. dba TBG Partners. Director Hansen seconded the motion, which carried unanimously.

Mr. Ahrens then requested that the Board approve the following work authorizations: (1) work authorization no. 8 for Property Acquisition Services, Inc. in the amount of \$21,000.00 for right-of-way research and acquisition services for 11 easement parcels along the Contract 39 alignment; (2) work authorization no. 9 for Property Acquisition Services, Inc. in the amount of \$24,000.00 for right-of-way research and acquisition services for nine easement parcels along the Authority Contract 40 alignment; (3) work authorization no. 1 for Cotton Surveying Company in the amount of \$24,250.00 for surveying services along the Contract 39 alignment; (4) work authorization no. 1 for Baseline Corporation, Inc. in the amount of \$26,880.00 for surveying services along the Contract 40 alignment; and (5) work authorization no. 4 for DEC in the amount of \$99,084.00 for updating the Authority's 2010 Census Demand Projections through 2050. Following discussion, Director Hansen moved to approve the following work authorizations: (1) work authorization no. 8 for Property Acquisition Services, Inc. in the amount of \$21,000.00; (2) work authorization no. 9 for Property Acquisition Services, Inc. in the amount of \$24,000.00; (3) work authorization no. 1 for Cotton Surveying Company in the amount of \$24,250.00; (4) work authorization no. 1 for Baseline Corporation, Inc. in the amount of \$26,880.00; and (5) work authorization no. 4 for DEC in the amount of \$99,084.00. Director Cannon seconded the motion, which carried by a vote of five for the motion with Directors Postle and Weppler abstaining.

#### ADOPT AMENDED RATE ORDER

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

In response to a question from the audience regarding a waiver of the import fees, Mr. Boone stated that the Authority will be taking the matter under consideration.

## 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. 6463 in the amount of \$8,272.60 payable to Terracon Consultants, Inc.; (2) check no. 6464 in the amount of \$2,689.30 payable to Gurrola Reprographics; and (3) check no. 6465 in the amount of \$34,833.24 payable to MUD 196. 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 Director Postle abstaining. A copy of the bookkeeper's report is attached.

## DISCUSS GENERAL BUDGET AND FACILITIES BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2012

Ms. Garcia presented drafts of the general budget and facilities budget for fiscal year ending December 31, 2012, and reviewed them with the Board. Following discussion, Director Burnett moved to approve the general budget and facilities budget for fiscal year ending December 31, 2012. Director Hansen seconded the motion, which carried by a vote of six for the motion with Director Postle abstaining.

## ADOPT RESOLUTION REGARDING PAYMENT OF DISBURSEMENTS AND AUTHORIZING BOOKKEEPER TO SIGN CERTAIN DISBURSEMENTS

The Board considered adopting a Resolution Regarding Payment of Disbursements and Authorizing Bookkeeper to Sign Certain Disbursements (the "Resolution"). After review and discussion, Director Cannon moved to adopt the Resolution. The motion was seconded by Director Rush and carried by unanimous vote.

## 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.

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

The Board discussed the acceptance of the Correction Water Line Easement (19A-7) from Riata Ranch Homeowners Association. Director Postle moved to authorize acceptance of the Correction Water Line Easement (19A-7) from Riata Ranch Homeowners Association. Director Cannon seconded the motion, which carried unanimously.

AGREEMENT REGARDING CREDITS FOR ALTERNATIVE WATER SUPPLY USE

Ms. Sherborne reviewed with the Board the Agreement Regarding Credits for Alternative Water Supply Use with Pine Forest Country Club (the "Agreement"). Director Weppeler moved to approve the Agreement, subject to final review by Director Parker. Director Rush seconded the motion, which carried unanimously.

REGION H WATER PLANNING GROUP

Mr. Ahrens reported that the next meeting is scheduled for February 1, 2012.

APPROVE ENGAGEMENT LETTER WITH BLANK ROME LLP

The Board considered approving the engagement letter with Blank Rome LLP. Ms. Sherborne explained that Barry Abrams is now part of Blank Rome LLP. Director Rush moved, and Director Cannon seconded, to approve the engagement letter with Blank Rome LLP.

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 December 14, 2011, meeting .....	1
engineer's report .....	2
bookkeeper's report .....	7
operator's report.....	7