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**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 52**

**MINUTES OF BOARD OF DIRECTORS MEETING**

May 10, 2010

The Board of Directors (the "Board" or "Directors") of Harris County Fresh Water Supply District No. 52 (the "District") met in regular session open to the public, at 3:00 p.m., at the District's meeting place located at 6333 F.M. 1960 West, Houston, Texas 77069, on Monday, May 10, 2010, pursuant to notice of said meeting posted in accordance with Chapter 551 of the Texas Government Code, whereupon the roll was called of the members of the Board, to-wit:

R. R. (Rudy) Avila	President
Alfred B. Taylor	Vice President
William S. Dillon	Secretary
Tom Dunn	Treasurer
Bob Pryor	Assistant Secretary/Treasurer

All members of the Board were present. Also attending were: Gus Gustafson of SouthWest Water Company ("SWWC" or "Operator"); Karen Hoffpauir ("Bookkeeper"); Bill Rosenbaum of Lockwood, Andrews & Newnam ("Engineer"); and Andrew P. Johnson, III, and Elliot Barner, attorneys, and Mira Jakupovic, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney" or "JRPB").

The President, after finding that the notice of meeting was posted as required by law and determining that a quorum of the Board of Directors was present, called the meeting to order at 3:00 p.m. and declared it open for such business as may regularly come before it.

1. **Public Comment.** There were no members of the general public present.
2. **Election Agenda.** The President executed the Certificates of Election as required by law, declaring the election of Directors Avila, Dillon and Dunn. Mr. Johnson next presented Directors Avila, Dillon and Dunn with the Certificates of Election and the Directors executed the sworn Statements of Elected Officers and Oaths of Office, as required by the Texas Constitution. Mr. Johnson declared that Directors Avila, Dillon and Dunn were now officially elected for additional terms of four (4) years.

Mr. Johnson then inquired if the Board would like to change any of the officers and the Board discussed keeping the officers as they are at this time.

Upon motion by Director Taylor, seconded by Director Pryor, after full discussion and with all Directors present voting aye, the slate of officers which currently exists was elected for the next year.

3. **Bookkeeper's Report.** Ms. Hoffpauir then presented to and reviewed with the Board the Bookkeeping Report, a copy of which is attached hereto as Exhibit "A". She presented for approval Check Nos. 6352 to 6376 on the Operating Fund and discussed various expenditures and balances.

Ms. Hoffpauir next presented the proposed budget for fiscal year July 1, 2010 to June 30, 2011, a copy of which is attached to the Bookkeeper's Report, and stated that per the Operator's instruction, the budget for the North Harris County Regional Water Authority (the "Authority") has been increased from \$250,000 to \$527,500 per year. The Board then discussed possible future adjustment of the Rate Order to implement the pumpage increase from the Authority. Mr. Rosenbaum noted that the District can request a chloramination credit upon the completion and successful operation of its chloramination equipment. Mr. Rosenbaum also noted that the credit would range between \$10,000 to \$15,000 a year and the Engineer will prepare and submit the request on behalf of the District. Mr. Johnson stated that the District's Rate Order currently provides for a direct pass-through of the fees and suggested that additional 10 cents be added to account for the District's losses. The Board then concurred to table discussion regarding the Rate Order until the next meeting.

The Board requested Mr. Gustafson to prepare notices to be placed on the water and sewer bills regarding the increase in the Authority's surface water cost and submit them to Director Dillon for final review and approval.

Then, upon motion by Director Dillon, seconded by Director Pryor, after discussion and with all Directors present voting aye, the Board (i) approved the Bookkeeper's Report as presented; and (ii) authorized payment of Check Nos. 6352 to 6376 from the Operating Fund in the amounts, to the persons, and for the purposes listed in the Report. [Ms. Hoffpauir departed the meeting following her report.]

4. **Engineer's Report.** The President next recognized Mr. Rosenbaum who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "B".

- A. **Sanitary Sewer System Phases 1 & 2 Rehabilitation.** Mr. Rosenbaum reported that the Sanitary Sewer System Phases 1 & 2 Rehabilitation plans have been combined with the results of the TV surveys to produce a Phase 1 & 2 plan set. The estimated cost for the Sanitary Sewer Phase 1 Rehab is \$227,369 and \$172,659 for Phase 2. The project is ready for advertising for bids.
- B. **Chloramine Conversion.** Mr. Rosenbaum reported that the contractor is Nunn Construction. Mr. Rosenbaum informed the Board that the system is on line and the project is substantially complete. Mr. Rosenbaum noted that that the Engineer is waiting on delivery of surface water and an operational period prior to closing out the project.

Mr. Rosenbaum next recommended the Board approve Pay Application No. 8 in the amount of \$4,482.00 to Nunn Constructors, Ltd for the Water Plant

Chloramine Conversion project, a copy of which is attached to the Engineer's report.

Mr. Rosenbaum next reported that that the Operators are drawing down the Elevated Storage Tank ("EST") each morning and sending chloraminated water to the water distribution system, then replenishing the EST with fresh chloraminated water. Mr. Rosenbaum stated that this operational change is due to the use of chloraminated water and the concern of potential taste and odor issues in the EST. The Operators are currently replenishing the EST water by turning off the booster pumps manually each morning and letting the system ride solely on the EST pressure.

Mr. Rosenbaum recommended the Board approve the System Programming which would automatically perform this operation. Mr. Rosenbaum then reported on a quote receive from Shrader Electrical and Mechanical Engineering of \$8,000 to make the programming change.

Mr. Gustafson noted that SWWC would recommend the System Programming Change as well.

- C. Non-Potable Water Re-use System for the Wastewater Treatment Plant: Mr. Rosenbaum reported that the electrical work is 60 percent complete and the pump piping and valves installation is 30 percent complete. Mr. Rosenbaum stated that the anticipated delivery date for the pumps is late May and completion is anticipated in July.

Mr. Rosenbaum next recommended the Board approve Pay Application No. 8 in the amount of \$7,506.00 to T&C Construction, Ltd. in connection with the above-detailed project, a copy of which is attached to the Engineer's report.

- D. Water Conservation Plan/Drought Contingency Plan Requirements of the NHCRWA Rate Order. Mr. Rosenbaum noted that the Authority's rate order requires that Water Conservation/Drought Contingency Plans be in compliance with Texas Administrative Code 30, Chapter 288. Mr. Rosenbaum then reviewed the proposed action aimed at insuring compliance.

- E. Well Performance Tests from April 20, 2010. Mr. Rosenbaum updated the Board on the well performance tests and noted that Water Well Nos. 1 and 2 are fine but the Engineer will continue to monitor Water Well No. 3 as its pumping level has dropped one half since the construction ended.

Director Avila then inquired about the District's utility map and noted that the map needs to be updated.

Mr. Rosenbaum next reported on his correspondence from Joyce Waller requesting that the lift station be removed from her property located at 14310

Bonney Brier Drive. Mr. Rosenbaum noted that all parts of the lift station can be saved for future use on a different lift station.

Upon motion by Director Pryor, seconded by Director Taylor, after discussion and with all Directors present voting aye, the Board approved (i) the Engineering Report as presented; (ii) Pay Application No. 8 in the amount of \$4,482 to Nunn Construction for the Water Plant Chloramine Conversion project; (iii) the System Programming Change; (iv) Pay Application No. 8 in the amount of \$7,506 to T&C Construction for the Wastewater Treatment Plant project; and (v) removal of the lift station from the property located at 14310 Bonney Brier Drive.  
[Mr. Rosenbaum departed the meeting following his report.]

5. **Operator's Report.** The President recognized Mr. Gustafson who first informed the Board about the incident which occurred on May 5, 2010 when the District's Operator received verbal threats from Mr. Robert Rossini for trying to terminate Mr. Rossini's water for nonpayment of a water bill. Mr. Gustafson stated that his supervisor, Todd Burrer, spoke to Mrs. Rossini who was very upset when she heard of Mr. Rossini's actions and paid the bill. Mr. Gustafson stated that Mr. Burrer recommends not filing a complaint against Mr. Rossini. Mr. Gustafson noted that Mr. Burrer will contact Mrs. Rossini to request that the remaining balance of \$178 be paid. Mr. Gustafson also stated that Mr. Burrer will ask Mr. Rossini to apologize to the Operator for the threats he made against him.

Mr. Gustafson reported that SWWC checked the notes on the Rossini's account and found nothing that would indicate that the incident could have been avoided as SWWC had followed all required procedures.

Mr. Gustafson then presented to and reviewed with the Board, the Operator's Report, a copy of which is attached hereto as Exhibit "C". Mr. Gustafson first reviewed the written Operations Report with the Board, including the productivity report, which indicated that the District's billed vs. produced water accountability rating was 93.2% for the period from March 12, 2010 to April 13, 2010.

Mr. Gustafson then reported on numerous calls received from residents in the Kings Row area regarding water quality and suggested installation of flushing devices at the estimated cost of \$850.00 each. Mr. Gustafson noted that the flushing devices will register exactly how many gallons of water were flushed.

Responding to Director Avila's question, Mr. Gustafson stated that SWWC does not add an up-charge on subcontractors' invoices. Mr. Gustafson then stated that SWWC contract probably should be updated as it was prepared in 1987.

Mr. Gustafson then presented to and reviewed with the Board the Consumer Confidence Report ("CCR") and requested the Board approve the CCR for distribution to District customers by July 1, 2010.

Mr. Gustafson next stated that SWWC did respond to the Authority's letter of March 22, 2010 regarding the Aggregated Permit and distributed copies of the letter to the Board.

Mr. Gustafson next reviewed the Termination List, a copy of which is attached to the Operator's Report.

Upon motion by Director Pryor, seconded by Director Taylor, after full discussion and with all Directors present voting aye, the Board approved (i) the Operator's Report; (ii) authorized installation of flushing devices at the Kings Road area at the estimated cost of \$850.00 each; and (ii) the Termination List after verifying that all customers on the list have been notified of the opportunity to attend the meeting to address the Board regarding their bills and failure to respond would result in termination of utility service at any time after this meeting.

6. **Approval of minutes of the March 8, 2010 meeting.** Upon motion by Director Taylor, seconded by Director Dillon, after full discussion and with all Directors present voting aye, the Board approved the minutes of April 12, 2010 as presented.

7. **Attorney's Report:**

A. Approve Capital Improvement Budget. Mr. Johnson first presented to and reviewed with the Board the terms letter from Sterling Bank related to the sale of a Revenue Anticipation Note (the "Note"), a copy of which is attached hereto as Exhibit "D". Mr. Johnson stated that Sterling Bank has offered a \$500,000 advancing line of credit with a fixed interest rate of 4.95%. Mr. Johnson then reviewed the Capital Improvement Plan, a copy of which is attached hereto as Exhibit "E", and stated that the estimated cost of the anticipated project should be over \$500,000, thus the District should have enough projects on which to spend the funds and can accurately represent it is borrowing the funds in good faith.

Upon motion by Director Dunn, seconded by Director Pryor, after full discussion and with all Directors present voting aye, the Board (i) approved the Capital Improvement Budget; and (ii) authorized the sale of the Note and execution of the related sale documents.

B. Revenue Anticipation Note, Series 2010. This matter was discussed under the previous agenda item.

C. Champions North Abandonment of Easement (Russell Residence). Mr. Johnson presented an Abandonment of Easement with respect to a request to encroach upon the District's utility easement by Mr. Eugene Russell, as the District's Engineer and Operator both have affirmed that the District no longer needed the Easement and thought it appropriate to abandon same.

Upon motion by Director Dunn, seconded by Director Pryor, after full discussion and with all Directors present voting aye, the Board approved the Abandonment

of Easement and authorized the President to execute same as the act and deed of the District.

- D. Abandonment of Lift Station Site (Waller Residence). This matter was tabled until the next Board meeting.

8. **New Business:**

- A. Approve Insurance Renewal. Director Taylor reviewed the proposals for renewal of the District's insurance coverage received from AquaSurance, LLC ("AquaSurance") and Anco-McDonald Waterworks Insurance ("Anco"), copies of which are attached hereto as Exhibit "F". Director Taylor stated that although Anco's premium is a little bit cheaper, their deductible on submersible pumps is \$75,000. Discussion ensued and Director Taylor recommended that the Board accept the proposal submitted by AquaSurance.

Upon motion by Director Pryor, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board accepted the proposal for renewal of its insurance coverage submitted by AquaSurance, its current carrier, and authorized the President to execute the contract for insurance renewal, on behalf of and as the act and deed of the Board. [Mr. Gustafson departed the meeting at this time.]

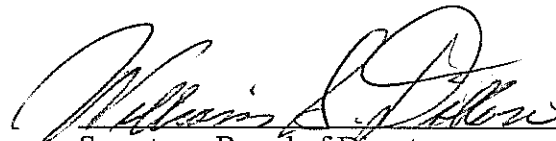
- B. The Green Medians Committee. Director Pryor then updated the Board on the fundraising efforts of the Green Medians Committee stating the FM 1960 medians project is underway. Director Pryor also stated the Committee has raised \$450,000 which has been reported to the Texas Department of Transportation.

Director Pryor also updated the Board on Bermuda Dunes improvements.

9. **Adjournment.**

There being nothing further to come before the Board, the Board adjourned the meeting at 5:02 p.m.

Passed and approved this 14<sup>th</sup> day of June 2010.

  
Secretary, Board of Directors

**Exhibits:**

- Exhibit "A" – Bookkeeper's Report
- Exhibit "B" – Engineer's Report
- Exhibit "C" – Operator's Report
- Exhibit "D" – Sterling Bank letter
- Exhibit "E" – Capital Improvement Report
- Exhibit "F" – Insurance Proposals

