

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS

APRIL 9 , 2009

The Board of Directors (the "Board" or "Directors") of Montgomery County Municipal Utility District No. 8 (the "District" or "MCMUD 8") met in special session, jointly with Montgomery County Municipal Utility District No. 9 ("MCMUD 9"), open to the public, on Thursday, April 9, 2009, at 9:00 a.m., at the regular meeting place located at the Walden Yacht Club, 13101 Melville Drive, Montgomery, Texas 77356, inside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Roy McCoy	President
Robert Leasure	Vice President
Daniel L. Davis	Assistant Vice President
Roy Harpold, Jr.	Secretary
Arch Payne	Assistant Secretary

All members of the Board were present, except for Director Payne. Also attending were Erich Peterson, P.E. and Justin Abshire of Jones & Carter, Inc. ("Engineer"); Phillip Wright of Hays Utility North Corporation ("Operator"); Ross J. Radcliffe of Johnson Radcliffe Petrov & Bobbitt PLLC ("District's Attorney"); Jim Bustin, Ernie Harris, Phil Griffin, Linda Wilson, and Judy Sanders, Board of Directors of MCMUD 9; Clark Lord of Vinson & Elkins ("MCMUD 9's Attorney"); and William J. Kotlan, P.E. and Michael W. Mathena, P.E. of Bleyl & Associates ("MCMUD 9 Engineer").

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

1. The President first opened the meeting to public comment. As no public comment was offered, the President directed the Board to proceed with the agenda.
2. The Boards reviewed the status of options to reduce the groundwater demands for MCMUD 8 and MCMUD 9.
 - a. The Boards discussed the San Jacinto River Authority's (the "SJRA") proposed legislation. Concerns were raised with the SJRA accountability, with the notice and/or hearing process for increasing fees and rates, and with the control of the lake level. It was agreed that Mr. Lord will communicate with the legislators about these issues to see what language can be incorporated into the proposed legislation.

b. A discussion ensued regarding the need for the Lone Star Groundwater Conservation District ("LSGCD") to modify their rules subject to the completed United States Geological Survey (the "USGS") study and update of population projections by Region H.

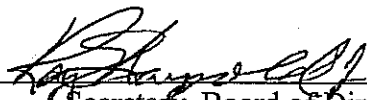
3. The Boards next discussed the status of the bed & banks permit application. Mr. Radcliffe indicated that Carolyn Ahrens has presented a draft application, which he has forwarded to Mr. Lord for review and comment.

4. The Boards reviewed NRS Consulting Engineers, Inc.'s ("NRS") proposal for engineering and planning services for the water credit feasibility study, a copy of which is attached hereto as Exhibit "A." A discussion ensued regarding the cost/ownership of the surface water plant project. Upon a **motion** by Director Leasure, seconded by Director Harpold, after full discussion and with all Directors present voting aye, the Board approved the basic services described for Task 1, Proof of Concept, and Task 2, Conceptual Feasibility, subject to NRS reviewing the required items in Task 2, after completion of Task 1.0, at which time Task 2 will be pursued only upon approval of the Districts' Presidents and the Districts' Engineers.

5. The Boards then discussed emergency preparedness issues. The consensus was to work on a joint emergency preparedness/response plan for presentation to the other local agencies in preparation for the hurricane season.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned.

PASSED AND APPROVED this the 13th day of May, 2009.


Secretary, Board of Directors

EXHIBITS

A - NRS Consulting Engineers, Inc. proposal

Proposal



Date: March 13, 2008

Project: Water Credit Feasibility Study

To: Montgomery County Municipal Utility District No. 8 and
Montgomery County Municipal Utility District No. 9

From: Joseph W. "Bill" Norris, P.E., NRS

Subject: Proposal for Engineering and Planning Services

As requested by the Montgomery County Municipal Utility Districts (MUDs) No. 8 and No. 9, NRS Consulting Engineers, Inc. (Engineer) has prepared the following proposal for a feasibility study (Study) of the water credit project presently under consideration.

Proposed Scope of Work

The Study shall identify whether MUDs 8 and 9 would benefit from the construction of a water treatment facility to take advantage of return flow credits and thereby reduce their dependency upon local groundwater resources. This analysis will require an identification of wastewater production and discharge location(s) in the study area, potential legal and regulatory requirements, and an evaluation of engineering alternatives for project components.

To perform the Study, the Engineer will conduct the following work tasks:

TASK 1: Proof of Concept

Subtask 1.1: Data Gathering

The Engineer will compile and review available data, including but not limited to:

- A. Topographic and geologic maps with designated jurisdictional boundaries, including land ownership by MUDs 8 and 9.
- B. Existing documents and data for groundwater quantity and quality information and studies by Federal, State, local, private, and academic entities.
- C. Existing water resources planning and engineering documents and reports for the study area.
- D. Regional water planning data for population and water demands.
- E. Water supply and treatment capacities
- F. Water and wastewater treatment and distribution infrastructure within the study area.
- G. Existing water treatment costs on a per 1,000 gallon basis.
- H. Existing power service agreements, costs, and sources.
- I. Water quality data provided by MUDs 8 and 9.



Subtask 1.2: Proof of Concept Determination

Based on a review of the data gathered, the Engineer will make a determination of fundamental project viability (proof of concept) based on an assessment of fatal flaws. This determination will result in a conceptual description of:

- A. Facility treatment capacity.
- B. Primary water treatment process.
- C. Suitability of potential facility sites.

Subtask 1.3: Meetings and Expenses

The Engineer will travel to present and discuss the results of Task 1.

TASK 2: Conceptual Engineering Feasibility Assessment

Upon the completion of Task 1, if authorized by MUDs 8 and 9, the Engineer will complete Task 2, including:

Subtask 2.1: Conceptual Recommendations

The Engineer will assess the engineering and operational feasibility of the proposed water credit project. For this, the Engineer will:

- A. Develop recommendations for the conceptual facility design, including:
 - a. Primary treatment process.
 - b. Facility size, capacity, and location.
 - c. Intake structure and location
 - d. Finished water treatment process.
 - e. Integration of operations into the existing SCADA system.
- B. Develop project implementation strategies and timelines, including:
 - a. Options for project delivery
 - b. Options to satisfy TCEQ piloting requirements.
- C. Present conceptual project cost estimates, including:
 - a. Capital and construction costs for project facilities.
 - b. Operation and maintenance costs.
 - c. Treated water cost analysis per 1,000 gallons, including estimated direct and indirect costs.
- D. Identify potential problem issues or areas with significant risk or uncertainty.

Subtask 2.2: Permitting Requirements

The Engineer will assist attorney(s) retained by MUDs 8 and 9 in obtaining permitting and approvals from the Texas Water Development Board (TWDB), Texas Commission on Environmental Quality (TCEQ), San Jacinto River Authority (SJRA), and other state and federal agencies to:

- A. Determine their applicability to the proposed water credit project.
- B. Identify standards or limitations they may impose on project design and operation.

Subtask 2.3: Reports

The Engineer will prepare conceptual draft and final reports summarizing all findings and conclusions.

- A. The Draft Report will be completed and presented to MUDs 8 and 9 for review and comment.
- B. The Final Report will then be prepared which incorporates all recommendations for changes and revisions. Upon completion, twelve (12) hard copies of the Final

Report will be provided. An electronic version of the Final Report will also be provided.

Subtask 2.4: Meetings and Expenses

The Engineer will travel to present and discuss the results of Task 2.

Proposed Fees and Schedule

The Engineer will perform the basic services described for Task 1 within 45 days of notice to proceed. For Task 1, the Engineer will be paid a lump sum of \$15,040, which includes up to two meetings for updates and presentations.

At the conclusion of Task 1, if directed by MUDs 8 and 9, the Engineer will continue and perform the basic services described in Task 2 within 60 days of notice to proceed. For Task 2, the Engineer will be paid a lump sum of \$29,790, which includes up to two meetings for updates and presentations.

A project budget and schedule for both tasks are presented in Table 1. Travel expenses to attend meetings will be reimbursed at cost. The sums for each task do not include water quality sampling, testing, or analysis expenses. For each task, monthly statements will be submitted by the Engineer for services rendered proportionate to the work completed.

Table 1: Project Budget

Task	Duration (days)	Budget
1.0 Proof of Concept	45	\$ 15,040
1.1 Data Gathering		6,960
1.2 Determination		4,880
1.3 Meetings and Expenses		3,200
2.0 Conceptual Feasibility	60	\$ 29,790
2.1 Recommendations		12,340
2.2 Permitting Requirements		4,690
2.3 Reports		9,560
2.4 Meetings and Expenses	-	3,200
TOTAL	105	\$ 44,830