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MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 12, 2000

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in regular session, open to the public, at 7:00 p.m. on the 12th day of December, 2000, at the Ponderosa Fire Station, 17061 Rolling Creek, Houston, Texas; whereupon, the roll was called of the duly constituted officers and members of the Board, to-wit:

Alan J. Rendl	-	President
Jim Burke	-	Vice President
Lenox A. Sigler	-	Secretary
Jim Pulliam	-	Treasurer
Dwight "Clint" Moore	-	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mr. Ed Shackelford, General Manager for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Messrs. Joseph T. Wozny and Jack Sakolosky of WSBC Civil Engineers, Inc. ("WSBC"), Program Manager for the Authority; Mr. Alan Potok of Turner Collie & Braden, Inc. ("TC&B"), alternate source study engineering consultant for the Authority; Mr. Ray Zobel, City of Houston Regional Advisory Board Member; Mr. Jack Searcy, Region H Water Planning Group Member; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Winstead Sechrest & Minick P.C. ("WSM") and Messrs. Andy Johnson and Alan Petrov of Johnson Radcliffe & Petrov L.L.P., attorneys for the Authority. Numerous members of the public were also present at the meeting. A copy of the sign-in sheets for those in attendance is attached hereto.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

PUBLIC COMMENT

Director Rendl first announced that a brief presentation on the alternate source study would be given following the General Manager's Report. Director Rendl also reported that Bruce Hilcrest of the Tomball Chamber of Commerce had forwarded a letter in support of the Authority's proposed legislative agenda. Mr. Searcy also reported that the Authority will also receive a similar letter from the Northwest Chamber of Commerce.

Director Rendl then opened the floor for public comments.

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Mr. Broun of Northwest Harris County Municipal Utility District No. 10 ("NW No. 10") questioned whether the Authority's EAP (the "EAP") was still a viable program. Director Rendl responded that of the one hundred thirty (130) letters mailed out to districts concerning the EAP, there had been only a few responses. Director Rendl explained that due to the lack of responses, a portion of the funds budgeted for the EAP has been reallocated in the Authority's budget. Director Pulliam inquired as to how much had been spent to date on the EAP. Mr. Wozny responded that \$63,000 is anticipated to be expended by year-end, but a portion of such expenditure is for the collection and preparation of data to be incorporated in the Authority's groundwater reduction plan (the "GRP"). Director Burke then stated that items related to the GRP should be taken out of the EAP tasks. Mr. Shackelford reminded the Board that a portion of the Texas Water Development Board (the "TWDB") grant funds were designated for the EAP and that he will be seeking a reallocation of funds, as well as a redesignation of tasks, in connection with the TWDB grant. Director Burke then began to make a motion to suspend any further expenditure of funds on the EAP, at which point Ms. Bobbitt recommended that action on such matter would best be handled under the Bookkeeper's Report or in connection with the Program Manager's Report.

Mr. Broun then stated that NW No. 10 had a problem with the Authority requesting information from districts concerning their water supplies and systems. Director Rendl explained that the information being requested is crucial to the development of the GIS database and will be an important tool in determining the overall conversion plan and the development of the GRP.

Mr. Broun then inquired why it is so hard to reach an agreement with the City of Houston (the "COH") for the purchase of surface water if it is obvious that the COH will be the Authority's water supplier. Director Rendl responded that it is not obvious that the COH will be the Authority's water supplier or that the COH will be willing to reach an agreement with the Authority. Director Rendl went on to explain that the bill creating the Authority, as well as the voters' mandate, made it the responsibility of the Authority to explore all options for sources of water and to strike the best possible deal to obtain surface water for the Authority's constituents. Director Rendl further explained that, to date, the COH has had a difficult time acknowledging the existence of the Authority. Director Rendl stated that the COH is a primary potential source of water, but that supplies from the Brazos River Authority (the "BRA") and/or the Trinity River Authority (the "TRA") cannot be ruled out at this point. Director Sigler inquired why Mr. Broun was of the opinion that the COH will be the water supplier for the Authority. Mr. Broun responded that the Authority has not yet identified any other viable water supplier. Director Rendl stated that the General Manager's Report would provide an update on the status of the alternate source study. Mr. Broun added that NW No. 10 believes the Authority is focusing their efforts on matters that are not of any concern to them, such as arsenic levels in the water and water conservation. Director Rendl explained that HB 2965 created the Authority to develop a GRP to meet the criteria set forth in the Harris-Galveston Coastal Subsidence District's (the "HGCSA") 1999 Regulatory Plan and that, in order to accomplish that task, the Authority must identify a viable and economical source of water. Director Rendl emphasized that the Authority has no intention of getting involved with individual district's operations, but there will be a time when the Authority will have to determine when the districts must convert to surface water under the Authority's GRP. Director Rendl then offered for a representative

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of the Authority to attend a NW No. 10 meeting to answer any other questions or concerns they might have.

CONSENT AGENDA

Director Rendl then briefly reviewed with the Board the items reflected on the Consent Agenda. Director Rendl explained that this portion of the agenda will deal with routine matters of the Board and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda.

Ms. Bobbitt then noted several typographical errors on the minutes of the meetings of November 4, 2000 and November 14, 2000 and explained that she had also identified an error in the previously approved minutes of the October 2, 2000 meeting.

The Board then discussed several of the proposed revisions in the Resolution Adopting Amended and Restated Procedural Rules, a copy of which is attached hereto, including the policy of not reimbursing Board members for the purchase of alcoholic beverages. Further discussion then ensued regarding such matter. Ms. Bobbitt was then requested to make the revisions discussed by the Board and provide copies of the revised Resolution to the Board and the General Manager prior to posting the Resolution on the Authority's website.

Upon motion by Director Burke, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to approve 1) the minutes of the special workshop meeting of November 4, 2000, as corrected, the minutes of the executive session of November 4, 2000, the minutes of the regular meetings of October 10, 2000 and November 14, 2000, as corrected, and the minutes of the executive session of November 14, 2000; 2) the adoption of the Resolution Adopting Amended and Restated Procedural Rules, as revised; 3) the Purchasing/Payment Policies and Procedures, a copy of which is attached hereto; and 4) the letter agreement with Reliant Energy regarding participation in a water reuse study.

BOOKKEEPER'S REPORT

Director Rendl then introduced Ms. Plunkett as the Authority's new Financial Assistant. Ms. Plunkett noted that the Bookkeeper's Report had been revised since the meeting packets were delivered to the Board to reflect two (2) fund transfers to TexPool and the addition of check no. 1278 to WSBC. A copy of the Bookkeeper's Report is attached hereto. Ms. Plunkett then reviewed the Report, including the budget comparison and checks being presented for payment. Ms. Plunkett then noted that the Report included an update of the third quarter pumpage fee payments and that the fourth quarter pumpage fee reminder statements had been mailed. Upon motion by Director Burke, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report and the payment of checks reflected therein.

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

The Board next recognized Ms. Payne, who reported that during the past month, the Authority's website had 7,200 visits, averaging 266 visits per day and that the most popular item on the website is the Action Report newsletter. Ms. Payne reported that the Authority's list of e-mail addresses is in the process of being updated and appealed to the audience for assistance with such information. Ms. Payne reported that the December edition of the Action Report newsletter would be mailed out shortly after tonight's meeting. A copy of the Action Report for November is attached hereto. Ms. Payne next reported that she is in the process of revising and finalizing the 150 most frequently asked questions from the Authority's Town Hall meetings for posting on the Authority's website. Ms. Payne then reported that she had prepared a comprehensive communications plan which is currently being reviewed by the Authority's General Manager. Ms. Payne added that an Authority briefing book is also being prepared, which will include information and maps on the districts located within the Authority. Ms. Payne noted that she was also compiling a list of public officials and contacts for use by the Authority.

Director Pulliam then requested that Ms. Payne provide each director with a list of the directors and districts located within each of their respective voting districts. Ms. Payne responded that the assembly of such information is near completion and will be provided to each director as soon as possible.

GENERAL MANAGER'S REPORT

The Board next recognized Mr. Shackelford, who presented the General Manager's Report, a copy of which is attached hereto.

Mr. Shackelford first reported that the professional services agreement with Jones & Carter, Inc. ("Jones & Carter") for on-call engineering services has been returned for execution by the Board.

Mr. Shackelford then reported that the GIS questionnaires had been mailed to the well owners at the end of November and noted that a finalized copy of the questionnaire has been provided to the directors at tonight's meeting. A copy of the questionnaire is attached hereto.

Mr. Shackelford next reported that he was reviewing the professional services agreement with Alexander Engineering for preparation of the water reuse/reclamation study and will forward it to Ms. Bobbitt for revision and finalization.

Mr. Shackelford further reported that Dannenbaum Engineering ("Dannenbaum") has initiated work on the Reliant Energy reuse study and noted that the study area includes 27 utility districts. Mr. Shackelford added that Dannenbaum is also preparing a scope of services for reviewing the concept of the regionalization of water wells throughout the Authority. It was further noted that Pate Engineers ("Pate") is also developing a scope of services for refining the equitable rate structure for

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conversion to an alternate water source and that Jones & Carter has been participating in the investigation of the Brazos River private water rights.

Mr. Shackelford then reported that TC&B had submitted a draft of the alternate source study for review and comment prior to the Christmas holidays. Director Burke asked that a copy of the draft study be sent to the Board members.

Mr. Shackelford next reviewed the status of proposals for the purchase of water rights. Mr. Shackelford reported that a letter had been sent to the BRA requesting a response to the Authority's proposal, a copy of which is attached hereto, but that no other change has occurred regarding such matter since the November 14th meeting.

Mr. Shackelford reported that the Chambers-Liberty Counties Navigation District ("CLCND") has executed a contract with the San Jacinto River Authority ("SJRA") for the sale of 30,000 acre feet of water and is in the process of determining if it has additional water to sell.

Mr. Shackelford noted that a meeting with representatives of the Authority and the COH is scheduled for December 15, 2000.

Mr. Shackelford then reported that Mr. Howell, of The GMS Group, Inc., a financial advisor to the Authority, has reviewed the draft of the proposal letter recently delivered to Jersey Village concerning the Authority's offer to acquire the Jersey Village interconnect with the COH, and suggested that the Authority offer to pay Jersey Village's debt service on the line, thereby reducing the cost of the water. A copy of the revised letter is attached hereto. Mr. Shackelford indicated that he would meet with Dale Brown in the near future to go over the revised proposal prior to presenting it to the Jersey Village City Council for approval.

Director Rendl then reported that he had received a call from a member of the West Harris County Surface Water Committee to advise him that they were meeting tonight to approve proceeding with the creation of the West Harris County Regional Water Authority.

Mr. Shackelford then requested authorization to proceed with the purchase of an accounting software package at a cost not to exceed \$25,000. Mr. Shackelford explained that he and Ms. Plunkett are in the process of reviewing several different software packages to identify the package that best suits the Authority's needs. Upon motion by Director Burke, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to purchase an accounting software package at a cost not to exceed \$25,000.

Mr. Shackelford then requested authorization to develop criteria and a scope of services for the audit of pumpage fees and authorization to negotiate a professional services agreement for preparation of same. Director Rendl then requested that Mr. Shackelford bring the criteria back to the Board before entering into a professional services agreement. Director Burke requested that the General Manager also work with the HGCSO on such matter. Upon motion by Director Pulliam,

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seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to develop the criteria and scope of services and negotiate a professional services agreement for the preparation of a pumpage fee audit.

Mr. Shackelford reminded the Board that the transition audit report that was originally proposed to cover the period between the employment of a Financial Assistant and the fiscal year-end would not be prepared since the close of the fiscal year is December 31st. Mr. Shackelford added that the December 31, 2000 audit report would be prepared as planned.

Mr. Shackelford then stated that he is trying to schedule a meeting with the water district directors to review and update them on the alternate source study, and that he expected the meeting would not be held until February, 2001 due to the heavy schedule of activities in January, including the AWBD Conference and the meetings with individual districts. The Board suggested that Mr. Shackelford try to schedule the meeting on February 22nd or 27th.

Mr. Shackelford next reported that he and the Program Management team members are attending as many individual district meetings as possible during the months of December and January to update Board members on Authority matters. Director Burke then commented that the presentations were well done and have received positive comments. Mr. Shackelford added that the responses to the presentations have been very favorable.

Under miscellaneous matters, Mr. Shackelford presented a holiday schedule for the Authority staff, a copy of which is attached hereto. Mr. Shackelford noted that the office would be closed if the forecasted bad weather made driving hazardous tomorrow. In addition, Mr. Shackelford reminded the Board of the conference January 25-26, 2001 in Austin, Texas entitled "Water Allocation in Texas: The Legal Issues". Mr. Shackelford reported that the Authority will be participating in a program on January 13, 2001 at the AWBD Mid-Winter Conference in San Antonio, Texas to update the directors in attendance on Authority matters. Mr. Shackelford also stated that Ms. Plunkett had prepared an expense reimbursement form for the Board's use. Director Rendl stated that the form was helpful and easy to use.

Director Moore commented that there was an article today in The Houston Chronicle Metropolitan section regarding lobbyist costs and the COH legislative agenda.

Mr. Potok then reviewed with the Board the presentation being given at the December and January water district meetings. A copy of the corresponding handout is attached hereto. Following the presentation, the floor was opened for questions. An inquiry was made of who will pay for the maintenance of the wells and other facilities in a district that is converted to 100% surface water. Mr. Potok responded that these issues will be addressed in the final financial model of the alternate source study and in the GRP. Director Rendl interjected that the point is to equalize the costs of surface water conversion for all participants within the Authority. Mr. Broun inquired how a district with well problems and desiring early conversion, but that is located on the outer fringe of the Authority will receive surface water. Mr. Potok explained that the concept of regional groundwater systems may be utilized until surface water can be delivered to such areas. Mr. Landwermeyer asked

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about BRA's plans to build a new reservoir. Mr. Potok responded that a new reservoir could not be built in time to meet the 2010 conversion requirements. Mr. Potok added that a contract with the BRA would allow the Authority to take water on demand. Another inquiry was made as to whether the costs for water included capital or maintenance costs. Mr. Potok responded that both costs were included in the costs reflected in each of the alternatives included in the alternate source study. A woman inquired where the number was obtained for the COH water cost. Mr. Potok stated that \$0.37 is the current COH ordinance rate and explained that costs must also be included for engineering costs, treatment plant costs, transmission costs and distribution costs. Mr. Potok explained that a consistent costing methodology was applied for all of the alternatives reflected in the alternate source study. Mr. Potok then reminded the audience of the potential for increases in the COH water rate.

PROGRAM MANAGER'S PROGRESS REPORT UPDATE

Mr. Wozny then reviewed the Program Manager's Progress Report Update with the Board, a copy of which is attached hereto. Mr. Wozny then explained that it will be necessary to reallocate several of the Program Management tasks and related costs, but that the budget for 2001 would not significantly change. Director Burke then re-addressed the issue regarding the EAP activities and related costs and stated that, with the curtailment or cancellation of the EAP, he expected to see a cost reduction in the Program Management budget. Director Burke then requested that no further expenditures be made on the EAP. Mr. Shackelford then stated he would meet with the Program Manager to review, revise and reallocate the Program Management tasks and budget as discussed and have such information ready for the Board's review and approval at the January meeting. Director Burke then stated that he was willing to proceed into 2001 with the understanding that the numbers/hours for the Program Management tasks will be revised and reduced and not just reallocated.

DISCUSS PUBLIC RELATIONS STRATEGIES

Mr. Shackelford then requested the Board's authorization to obtain proposals for public relations/communications consulting services. Director Rendl asked if the proposed consultant would be a replacement of the services currently provided by Payne Communications. Mr. Shackelford explained that the public relations consultant would not conflict with the services provided by Payne Communications, but would be independent of the day-to-day work done by such firm. Director Burke noted that the public perception of the Authority was not accurate and that assistance is needed with such matters. Director Moore agreed and attributed the problem to a lack of public education rather than a lack of public relations. Further discussion then ensued. Upon motion by Director Burke, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to obtain proposals for public relations/communications consulting services for the Board review and consideration at the January meeting.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that the fourth quarter pumpage fee reminder statements had been mailed by Ms. Plunkett. Ms. Bobbitt further reported that she was working with Mr. Wozny and Mr. Shackelford to resolve the delinquent accounts and to establish the process and procedures for implementing penalties and interest on the delinquent pumpage fee accounts. Mr. Shackelford reported that he had meetings scheduled with six (6) well owners that have not been paying the pumpage fees. Mr. Shackelford added that he was updating the aerial photo of the Authority to better identify new developments and water wells located within the Authority.

Mr. Johnson reported that the last meeting of the Import Fee Committee was held in September and that the Committee is dealing with several equitable issues and will soon draft proposed rules concerning the import fees. The Board expressed concern that the districts within the Authority be made aware of the proposed levy of the import fees and the impact of such fees if they elect to contract with the COH.

NEXT MEETING DATE

Director Rendl then announced that the next regular meeting of the Board would be held on Tuesday, January 9, 2001, at 7:00 p.m. at the Ponderosa Fire Station.

EXECUTIVE SESSION

Director Rendl then adjourned the regular meeting at 9:25 p.m. and announced that the Board would convene in executive session at approximately 9:30 p.m. pursuant to Section 551.072, Texas Government Code, as amended, to consult with its attorneys regarding matters concerning real property.

Director Rendl then reconvened the meeting in open session at 11:40 p.m., at which time no action was taken by the Board

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 9th day of January, 2001.

Secretary, Board of Directors

(SEAL)