

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
November 14, 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 14th day of November, 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; Mr. Joseph T. Wozny, P.E. of WSBC Civil Engineers, Inc. ("WSBC"), Program Manager for the Authority; Mr. Alan Potok of Turner Collie & Bradell, Inc. ("TC&B"), alternate source study engineering consultant for the Authority; Mr. Ray Zobel, City of Houston Regional Advisory Board 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 Mr. Andy Johnson 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 gave a statement regarding the workshop meeting of the Board held on November 4, 2000 at the Hotel Galvez in Galveston, Texas, a copy of which is attached hereto. Director Rendl explained that the Board needed a session of seminars concerning negotiation strategies regarding alternative water sources and strategies for communicating with the media. Director Rendl stated that no actions were taken by the Board at the workshop meeting.

Director Rendl then opened the floor for public comments.

Mr. Zobel then reviewed the contents of a November 5th article that ran in The Houston Chronicle, a copy of which is attached hereto, concerning arsenic levels in Harris County utility districts, many of which are within the boundaries of the Authority, and upcoming changes in

Environmental Protection Agency (the "EPA") regulations regarding arsenic levels. Mr. Zobel noted that the article stated that treatment of water to reduce the level of arsenic in one entity could cost over \$1 million and \$200,000 in annual maintenance expenses. Mr. Zobel added that utility districts with high arsenic levels might consider an early conversion to surface water rather than resort to the use of costly treatment equipment. Director Rendl stated that the GIS data request form that was recently mailed by the Authority did not specifically mention arsenic or other contaminants and asked those districts with high levels of arsenic to include such information on the form. The Board acknowledged that changes in EPA regulations might alter the timetable for conversion to surface water and requested that the General Manager and GIS consultants to be alert to the changing EPA regulations.

Mr. Garey Nelson with Bammel Utility District ("Bammel UD") then commented that the most recent set of minutes on the Authority's website is from the September meeting. Mr. Nelson expressed concern that the Board's decision to meet in Galveston could be perceived by the public that the Board does not want the public to know about its business. Mr. Nelson stated that the Authority leases offices that are adequate for workshop meetings. Mr. Nelson stressed the importance of communication with the utility districts and the need to improve the Authority's image and questioned the lack of discussion at the meetings on various issues. Director Burke explained that the Board members receive a meeting packet before each meeting which provides an opportunity to prepare for the agenda items to be discussed.

Mr. Nicholas Fava with Bammel UD questioned the Board as to how many future meetings would be held out of town. Director Rendl responded that the Board does not anticipate at this time holding any additional meetings out of town. Mr. Fava reported that he has visited the Authority's offices several times en route to his dentist and stated that Mr. Shackelford was never in his office and inquired whether Mr. Shackelford worked out of his home. Director Rendl responded that Mr. Shackelford attends many meetings in his capacity as General Manager for the Authority and is frequently out of the office.

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.

Upon motion by Director Sigler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve 1) the minutes of the executive session of June 20, 2000, the regular meeting of September 12, 2000, and the special meetings of August 12, 2000 and September 20, 2000, as presented; 2) authorize execution of the Texas Water Development Board contract for the Regional Facility Planning Grant; and 3) adopt an Amended Resolution Regarding Klein Bank Visa Credit Card Account, a copy of which is attached hereto. The Board first considered approving the minutes of the workshop meeting of October 2, 2000, the executive session of October 2, 2000, the special meetings of October 10, 2000 and

October 27, 2000 and the regular meeting of October 10, 2000. 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 approve all sets of minutes as written, with the exception of the minutes of the regular meeting of October 10, 2000, which were deferred until the Board's December meeting.

Director Rendl then explained that with the recent death of David Albrecht, the Authority had a vacant position on the City of Houston Regional Advisory Board and that such vacancy needs to be filled. Upon motion by Director Pulliam, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to designate Mr. Shackelford as the Authority's additional representative to the City of Houston Regional Advisory Board.

Director Rendl next explained that the Authority needs to designate a spokesperson to handle the questions and inquiries received by the Authority from the media and public. 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 appoint Mr. Shackelford as the Authority's spokesperson. Director Moore then stated and made clear that the designation of a spokesperson was not intended to force a silent mode on the Board, and did not preclude the Board members from commenting on certain issues to the media should they feel it is appropriate.

Director Rendl then explained that Harris County Municipal Utility District No. 132 ("HCMUD No. 132") whose petition to be excluded from the Authority was approved at the October 10, 2000 meeting, had requested a written agreement with the Authority outlining the terms and conditions under which they could rejoin the Authority. Ms. Bobbitt then stated she had prepared such an agreement for the Board's approval and execution. 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 approve and authorize the execution of the Agreement Regarding Terms to Rejoin the Authority with HCMUD No. 132, a copy of which is attached hereto.

BOOKKEEPER'S REPORT

The Board next recognized Ms. Bobbitt, who on behalf of Myrtle Cruz, Inc., presented the Bookkeeper's Report, financial statements and invoices to be approved for payment, copies of which are attached hereto. Director Burke questioned check no. 1259 payable to Harris County Municipal Utility District No. 82 ("HCMUD No. 82"). Ms. Bobbitt offered to obtain an explanation from Ms. Jarmon and follow-up with Mr. Shackelford regarding such matter. Director Rendl then requested that the fourth quarter reminder statements include a statement that the entity that pumps the water should be the entity responsible for paying the pumpage fees to the Authority. Ms. Bobbitt then reported that the third quarter pumpage fees were due October 31, 2000, and that to date, \$2,366,830.17 in such pumpage fees had been collected. A copy of the list of payments is attached hereto. Mr. Shackelford stated that the fourth quarter reminder statements would be mailed out early in December, along with a letter outlining the process and procedures for the payment of pumpage fees and advising the entities of the Authority's intent to initiate the imposition of interest and penalties on late or delinquent payments.

Director Rendl then inquired as to how the Authority is notified of new wells being drilled. Mr. Shackelford explained that he is working with the Harris-Galveston Coastal Subsidence District (the "HGCSO") to receive notice at the time a new well permit is issued and that he will also request notification from the Texas Natural Resource Conservation Commission (the "TNRCC") regarding the creation of new districts. Director Rendl then recognized Mr. Tom Michel of the HGCSO, who indicated that the HGCSO could commit to providing to the Authority with a quarterly update of new well permits in Area 3. The Board requested that Mr. Shackelford submit a letter requesting such information to the HGCSO.

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 approve the Bookkeeper's Report and the payment of the invoices 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 8,663 visits, 496 of which were requests to view the budget for the fiscal year ending December 31, 2001. Ms. Payne reported that a temporary employee had been hired recently to assist with the consolidation of the various mailing lists and databases. Ms. Payne reported that the third edition of the Action Report newsletter would be mailed out shortly after tonight's meeting. Ms. Payne then reported that she is in the process of compiling a list of 150 frequently asked questions and answers from the Town Hall meetings for posting on the Authority's website. Director Burke commented that it seemed to be taking a considerable length of time to compile the questions and answers from the Town Hall meetings. Mr. Shackelford stated that the review of the questions and answers has been on his list of things to do and that he will proceed with the review as soon as possible. Director Burke also commented on the delay in posting the Authority's minutes on the website. Director Rendl requested that the attorney and Ms. Payne work to get the draft of the meeting minutes on the website within two (2) weeks of the meeting.

Director Burke then requested that Ms. Payne provide him with a list of the directors in District 1 of the Authority as soon as possible. Director Moore then requested that each Director be provided a list of the utility districts and directors in the district of the Authority that they each represent. Ms. Payne stated she would provide such information.

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 service agreement with WSBC has been executed and a copy of the Program Manager's Report was included in the meeting packets. A copy of such Report is attached hereto. Mr. Shackelford noted that the Program Manager's estimate of man

hours and several of the Program Manager's tasks required adjustment and that such adjustments would be presented for the Board's review and approval at the December meeting.

Mr. Shackelford next reported that Reliant Energy has expressed a willingness to contribute \$10,000 to the cost of the Authority's water reuse study. A copy of the letter from Reliant Energy regarding such matter is attached hereto. Director Pulliam then inquired whether the \$10,000 from Reliant Energy would be reimbursed to the Authority. Mr. Shackelford clarified that the Authority's budgeted amount of \$30,000 for such study would be reduced as a result of Reliant Energy's participation in the study. Mr. Shackelford stated that approval of a letter agreement with Reliant Energy regarding their participation in the study would be placed on the December meeting agenda.

Mr. Shackelford then reported that comments had been received on the professional services agreement with Jones & Carter, Inc. ("Jones & Carter"), but that the agreement had not yet been executed by Jones & Carter.

Mr. Shackelford next reported that the professional services agreement with Cobourn, Linseisen & Ratcliff for the GIS data collection project has been executed. Mr. Shackelford stated that a draft of the GIS Data Collection Project Questionnaire had been presented to the engineers and attorneys who had attended the presentation regarding the Authority's alternate water source study on November 10, 2000. Mr. Shackelford reported that the questionnaire would be mailed to the engineers and operators of entities within the Authority prior to the end of November. Director Rendl then requested that the attorneys for each district be sent copies of the letter and questionnaire as well.

Mr. Shackelford further reported that the proposal for the water reuse reclamation study had been received from Alexander Engineering, Inc. and that a professional services agreement will be negotiated and brought to the Board for execution.

Mr. Shackelford then reported that TC&B had given a presentation regarding the findings of the alternate water source study at the Board's workshop meeting on November 4, 2000 and again to the utility district engineers and attorneys at a meeting at H.E.S.S., on November 10, 2000. Mr. Shackelford stated that he would like to present the study results to the utility districts and the Board. Director Rendl then suggested that a special meeting be scheduled in January for such presentation. Mr. Shackelford stated that a meeting date would be determined and submitted to the Board for approval at the December meeting.

Mr. Shackelford next reported that there were no new developments concerning the Authority's proposal to purchase water rights from the Brazos River Authority (the "BRA"). Mr. Shackelford explained that the BRA cannot at this time identify any water rights that are available, but is willing to enter an option contract with the Authority. Mr. Shackelford added that discussions with the Chambers-Liberty Counties Navigation District were continuing.

Mr. Shackelford then reported that a letter of response had been received from the City of Houston (the "City"), a copy of which is attached hereto, concerning the Authority's request to commence water purchase negotiations with the City. Mr. Shackelford added that he, Ms. Bobbitt,

Mr. Johnson and Mr. Potok had attended an initial meeting with Mr. Al Haines, Mr. Chuck Settle, Mr. Tom Rolen and Ms. Jo Wiginton of the City earlier today.

Mr. Shackelford then reported that a draft proposal letter was recently delivered to Jersey Village concerning the Authority's offer to acquire the Jersey Village interconnect with the City, a copy of which is attached hereto. Mr. Shackelford indicated that he was in the process of gathering additional information to present at Jersey Village's December City Council meeting regarding the proposal. Mr. Shackelford added that he would have more to report on the matter at the Board's December meeting.

Mr. Shackelford then introduced Ms. Cynthia Plunkett to the Board and stated that Ms. Plunkett will serve as the Authority's bookkeeper, effective November 16, 2000. Mr. Shackelford indicated that due to the timing of hiring Ms. Plunkett and the Authority's fiscal year end of December 31, 2000, the interim audit report that was originally planned would not be prepared. Mr. Shackelford added that the December 31, 2000 audit report would be prepared as planned. Mr. Shackelford added that Ms. Jarmon will continue to perform bookkeeping services for the Authority through at least December and that a parallel set of books will likely be kept for several months.

Mr. Shackelford then explained that the Authority's Texas Water Development Board grant application included funding for a water conservation plan and requested the Board's authorization to negotiate a contract with Brown & Gay Engineers, Inc., for the preparation of such plan. 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 authorize the General Manager to negotiate a professional services agreement with Brown & Gay Engineers, Inc. for the preparation of the Authority's water conservation plan.

Mr. Shackelford next reported that the Association of Water Board Directors - Texas (the "AWBD") Mid-Winter Conference will be held in San Antonio, on January 11-13, 2001. Mr. Shackelford stated that the early registration deadline for such conference is November 15th and requested that the Board members contact the office regarding their attendance at such conference. Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager and any interested Board members to attend the upcoming AWBD Mid-Winter Conference.

In addition, Mr. Shackelford announced that the Water Allocation in Texas Conference is scheduled for January 25-26, 2001, in Austin. Director Moore then stated he was interested in attending such conference. A brief discussion regarding the conference topics then ensued. Director Burke recommended that one (1) Board member and Mr. Shackelford attend such conference, if appropriate. Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager and a Board member to attend such conference.

Mr. Shackelford then presented an Executive Summary of the Authority's legislative agenda, a copy of which is attached hereto. Mr. Shackelford reported that he had presented the Executive Summary to the Water Subcommittee of the Greater Houston Partnership on November 9th.

PUBLIC COMMENT

Director Rendl then opened the floor for additional public comment.

Mr. John Corea of Faulkey Gully Municipal Utility District suggested the Authority make a presentation at the AWBD Summer Conference. Mr. Corea then inquired whether the Board and consultants were on track for having the Groundwater Reduction Plan (the "GRP") completed on time to comply with the HGCSO's deadline of January 1, 2003. Director Burke agreed that such a program at the AWBD Summer Conference would be beneficial. Director Burke further responded that the Authority was on track with the timely preparation of the GRP. Mr. Wozny then explained that the Program Manager would be working on conversion strategies over the next six (6) to seven (7) months and will be working with district engineers regarding the reduction of groundwater pumping.

Director Rendl then stated that early in January, 2001, the Authority would be forming steering committees to assist with the formation of the conversion plan and requested that any interested persons contact the Authority's office.

Mr. Roy Lackey of Harris County Municipal Utility District No. 368 then inquired regarding the budgeted amount for the water reuse/reclamation study. Mr. Shackelford stated he could not recall the specific amount allocated in the budget for such study, but would contact Mr. Lackey with such information.

Mr. Ray Zobel inquired whether the Program Manager will be including something on the GIS data collection form regarding arsenic levels in district water supplies. Mr. Wozny responded that he was working with the TNRCC to obtain such information.

Ms. Diane Flynn of Postwood Municipal Utility District then commented that she was disappointed that the Authority would waste time and money partnering with Reliant Energy on the water reuse study since Reliant Energy was not within the Authority's boundaries. Mr. Shackelford explained that the study will help determine whether the Authority would be able to supply reused water to Reliant Energy as a customer. Mr. Shackelford added that Reliant Energy is required to participate in a GRP and may be included in the Authority's GRP through an interlocal agreement.

Mr. Steve Williams of Kleinwood Municipal Utility District inquired if the Authority was aware of the proposed Conroe power plant that would be utilizing water from Lake Conroe. Director Rendl responded that the Authority was not aware of the proposed power plant and that it is likely the plant would be purchasing its water from either the San Jacinto River Authority or the City.

Director Sigler then inquired how many present at the meeting were utility district board directors and thanked them for attending the Authority's meeting. Director Sigler added that the Authority is working on improving communications with the districts and Board members.

Director Pulliam then inquired as to how the Authority's legislative agenda would be accomplished. Director Rendl and Ms. Bobbitt both responded that the process has begun and that Mr. Bresnen and the Authority's lobbying team have already initiated meetings with local legislators to discuss the Authority's legislative agenda.

REVIEW OF PETITIONS TO WITHDRAW FROM THE AUTHORITY

Ms. Bobbitt next reported that the most recent Petitions for Exclusion of Territory (collectively, the "Petitions") had been received from Harris County Municipal Utility District No. 151 ("HCMUD No. 151") on October 10, 2000 and Northwest Park Municipal Utility District ("Northwest Park") on October 20, 2000, copies of which are attached hereto. It was noted that no representatives of such districts were present at the meeting. 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 Petitions, effective on the 60th day after the date of receipt by the Authority, such dates being December 11, 2000 and December 21, 2000, respectively, and to refund/rebate the pumpage fees for the period beginning with the date the Petition is withdrawn to the dates HCMUD No. 151 and Northwest Park make a final determination on whether to be excluded from the Authority, but in no event subsequent to February 28, 2001. A chart reflecting information on the Petitions received by the Authority to date is attached hereto.

Ms. Bobbitt then noted that correspondence had been received from Harris County Municipal Utility District No. 110 requesting a presentation by the Authority at its January, 2001 meeting, a copy of which is attached hereto.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that the third quarter pumpage fee payments were due on October 31, 2000, and that there were still several delinquent entities. Ms. Bobbitt further reported that she was working with Mr. Wozny and Mr. Shackelford to resolve the delinquencies and to establish the process and procedures for implementing penalties and interest on the delinquent pumpage fee accounts. Mr. Shackelford stated that pumpage fee payments are still being sent to the old post office box in Tomball. Mr. Shackelford noted that the lock box address printed on the quarterly reminder letters is the correct address to which the pumpage fee payments should be mailed.

NEXT MEETING DATE

Director Rendl then announced that the next regular meeting of the Board would be held on Tuesday, December 12, 2000, at 7:00 p.m. at the Ponderosa Fire Station.

ADDITIONAL PUBLIC COMMENT

Director Rendl then opened the meeting to further public comment.

Ms. Kathie Ware of Fountainhead Municipal Utility District announced that on December 6, 2000, at 7:00 p.m., at 4714 Fountainhead Drive, there would be a Town Hall meeting featuring State Representative Peggy Hamric regarding the upcoming legislative session.

Mr. Garey Nelson of Bammel UD then inquired why the Board had not discussed their Galveston workshop meeting during tonight's meeting. Director Rendl explained that he had made a statement regarding the November 4th workshop meeting prior to Mr. Nelson's arrival at tonight's meeting. Director Rendl again stated that the Board had participated in seminars concerning negotiation strategies and strategies for communicating with the media and reiterated that no actions were taken by the Board at the workshop meeting.

Mr. Ron Koval of Cypress-Klein Utility District suggested that the Authority form a communications committee. The Board concurred with Mr. Koval's suggestion.

Director Moore inquired whether the Board had answered all of Mr. Nelson's questions. Mr. Nelson pointed out that the Authority was spending utility district money and stated that the Board's workshop meeting in Galveston was not well received by the districts. Mr. Nelson again emphasized the importance of the perception the utility districts have of the Authority and the need for improved communications with the districts

EXECUTIVE SESSION

Director Rendl then adjourned the regular meeting at 8:45 p.m. and announced that the Board would convene in executive session at approximately 8:55 p.m. pursuant to Section 551.071(2), Texas Government Code to consult with its attorneys regarding matters covered by the attorney-client privilege.

Director Rendl then reconvened the meeting in open session at 9:23 p.m. at which time the following action was taken by the Board. Upon motion by Director Sigler, 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 execute the confidentially agreement with a private water source.

There being no further business to come before the Board, the meeting was adjourned at 9:25 p.m.

PASSED, APPROVED AND ADOPTED this 12th day of December, 2000.

/s/Lenox A. Sigler

Secretary, Board of Directors

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