

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 22, 2000

THE STATE OF TEXAS §
COUNTY OF HARRIS §
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY §

The Board of Directors (the "Board") of North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at Northwoods Presbyterian Church, 3320 West FM 1960, Houston, Texas, on February 22, 2000, at 7:00 p.m.; whereupon the roll was called of the directors, 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. Also attending portions of the meeting were Myrtle Cruz of Myrtle Cruz, Inc., temporary bookkeepers for the Authority; Joseph T. Wozny and Paul Kipp of WSBC Civil Engineers, Inc. ("WSBC"), temporary general manager for the Authority; Alan Potock of Turner, Collie & Braden; Kathleen R. Ellison, of Fulbright & Jaworski LLP, temporary attorneys for the Authority; and members of the public. A public comment sign-in sheet is attached as Exhibit "A."

The meeting was called to order and, in accordance with notice posted pursuant to law, copies of certificates of posting of which are attached hereto as Exhibit "B", the following business was transacted:

1. **Call to Order.** The President stated that the purpose of the meeting is to hear the concerns of the Authority's constituents and not to take any action to set a groundwater withdrawal fee. The President reviewed the history of the Authority's creation and its powers under HB 2965. He noted that Mr. Wozny, acting as temporary general manager, would be presenting various ways to finance conversion to alternative water sources and that the Board has not made a decision on the proper method of financing. He noted that any of the financing methods would still require raising water rates.

The President said the Board would consider the comments made at this meeting and would set the groundwater withdrawal fee at its meeting on March 7.

2. **Presentation on Withdrawal Fee.** The President recognized Mr. Wozny and Mr. Potock, who presented slides and described their study of financing alternatives. Mr. Wozny said the mission was to replace ground water supplies and a plan must be approved by the Houston-Galveston Coastal Subsidence District (the "Subsidence District") by January 1, 2003. He said an

order of magnitude cost of the capital costs involved to accomplish such a replacement is \$725,000,000. He presented several financing strategies entitled: Pay As You Go, Lowest Cost Long Term Flat Fee, Bonds, Bonds When Needed, and Purchase Treated Water. He said for purposes of the analysis, it was assumed that the withdrawal fee associated with each financing strategy would commence in 2000.

At this time Mr. Potock reviewed population growth trends to project water demand within the Authority.

Mr. Wozny indicated that the initial withdrawal fee varied from \$0.20 to \$1.60, depending on the financing strategy. He said the Lowest Cost Long Term Flat Fee was \$1.60 and stayed stable through 2030. By contrast, use of revenue bonds would result in an initial fee of \$0.20 in 2000 rising to a \$4.35 fee in 2030. A combination of bonds and pay as you go would result in an initial fee of \$0.50 rising to a fee of \$3.65 in 2030. The Pay as You Go strategy required an initial rate of 1.00, rising to \$2.30 in 2030. He noted that purchase of treated water at current prices would result in a \$1.82 rate. Mr. Wozny stressed that these figures were very preliminary, but noted that they were consistent with the estimates of rates and costs provided by Harris County.

Mr. Wozny stated that the Authority was deliberating the best way to ramp up to the long-term fee to avoid undue hardship. He noted that the Authority would have to decide how to be fair to different classes of well users.

3. **Comments of Senator Jon Lindsay.** The President introduced Senator Lindsay. Senator Lindsay said that the alternatives to groundwater may change over time. He stressed that the Authority should look at all alternatives, including getting water from Louisiana, Lake Conroe, and the Brazos River. He suggested that the Authority analyze whether the treatment plant, as presently planned to be built by the City of Houston is beneficial to the Authority or could be moved to make it more beneficial. Senator Lindsay suggested that the Authority will need funds to help accomplish necessary changes to its enabling act in the next Legislature. He suggested that the withdrawal fee be set at \$1.00 within six months. He said the maximum fee should not be established until a plan has been designed.

4. **Comments of Al Storey.** Mr. Gary Staub read comments made by Al Storey, Executive Director, Harris County Public Infrastructure Department. Mr. Storey noted that he believed treated water could be delivered to the Harris County areas north and west of the City of Houston at a price in the range of \$2.00 per one thousand gallons. He said he had recommended that a fee somewhat less than \$2.00 be imposed immediately upon adoption of the plan required by the Subsidence District. His comments, along with written comments of other persons submitting such, are attached hereto as Exhibit "C."

5. **Comments of Water Advisory Council.** The President recognized Mr. Jack Searcy, who read the statement of the Water Advisory Council. The statement recommended that the Authority establish a fee that takes care of operating and maintenance costs through the end of

the year. It suggests a minimum of 60 days after a fee is established before it becomes effective to allow the well owners to adjust their rates and impose them on their rate payers. The Council suggested a middle ground between total “pay as you go” and “full bonded indebtedness.” It suggested more time for public input into the groundwater withdrawal fee.

6. **Other Comments.** Approximately 30 persons then made comments. Most speakers stated that they did not approve of a strict “pay as you go” financing strategy, that the Authority should slow down and hire its consultants and develop a plan before deciding on financing alternatives, that for right now, it should impose a groundwater withdrawal fee to cover operations and maintenance for the year, and that it should emphasize communications with its constituents, including implementation of a website. Among the additional comments were the following:

(a) Diane Flynn of Postwood Municipal Utility District stated that the Authority should not assume that all districts charge their residents the same water and sewer rates.

(b) Joe DiMarr was concerned about wells for single family dwellings. The Board pointed out that HB 2965 exempts: wells with a casing diameter of less than five inches that serve single family dwellings and wells that produce 10 million gallons or less annually.

(c) A.D. Mainard of Harris County Fresh Water Supply District No. 52 stated that his district would like to escrow the portion of any fee above \$.010 per one thousand gallons and only give it to the Authority when needed. He suggested that effluent from wastewater treatment plant be used.

(d) Paul Bacon, an attorney representing various municipal utility districts, recommended that the Authority retain a certified public accountant and do a present value analysis of the various financing alternatives, he stressed that undeveloped land must pay its share of costs, and recommended paying for facilities as used.

(e) Gary Nelson asked what would happen if the Authority had a lot of cash and got annexed by the City of Houston.

(f) Kathie Ware of Fountainhead Municipal Utility District was concerned that districts not in the Authority will have to pay huge back fees when they joined. She suggested looking into federal grants.

(g) Dale Brown, City Manager of Jersey Village, stated that the withdrawal rate should be based on the annual budget. He said the budget should be controlling and there should be one rate for each fiscal year. He suggested that the Authority developed a detailed five year capital improvements plan.

(h) Bill Papp of Harris County Water Control & Improvement District No. 132 suggested that the Board set a \$1.00 rate, since that rate had been publicized before the elections.

(i) Dave Millikan of Bammel Utility District suggested that the rate be changed no more than once a year. He suggested the rate be set in November, when low water rates follow.

(j) Cliff Rampy said he owned Treeline Golf Course. He said municipal utility districts should be forced to give effluent to golf courses. He is concerned businesses will go to other counties because of the water withdrawal fee.

7. **Discussion of Board.** The President opened discussion to comments by the Board. Director Burke noted that the Authority wanted to give its constituents the information the Board had at the earliest possible time, even though it had not reviewed all the information presented. Director Sigler said the Board was pleased with the turn-out. He said the \$1.60 fee was hypothetical, and the Board would pursue every avenue. Director Moore stressed the need to communicate.

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

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The forgoing minutes were passed and approved by the Board of Directors on March 7, 2000.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)