

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 7, 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 regular session, open to the public, at the Ponderosa Fire Station, 17061 Rolling Creek, Houston, Texas, on March 7, 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 of WSBC Civil Engineers, Inc. ("WSBC"), temporary engineers for the Authority; Alan Potock of Turner, Collie & Braden; Barbara Payne of Payne Communications; Jace Houston and Tom Michel of the Harris-Galveston Coastal Subsidence District (the "Subsidence District"); Oliver Pennington, Kathleen Ellison, and Carla A. Christensen, of Fulbright & Jaworski LLP, temporary attorneys for the Authority; and members of the public.

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 "A", the following business was transacted:

1. **Minutes.** Proposed minutes of the meetings of February 16, 2000, February 18-19, and 27, 2000, and February 22, 2000, previously distributed to the Board, were presented for review and approval. 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 approve the minutes, as presented.

2. **Public Comments.** The President opened the floor to public comments. The President reported that Ms. Payne will have the Authority's website operable before the Authority's next meeting. The President stated that the Authority's website address is "regionalwaterauthority.com."

Mr. Dave Albrecht, a member of the Water Advisory Council, presented to and

reviewed with the Board comments on the agenda items for the Authority's meeting, a copy of which is attached hereto as Exhibit "B."

Mr. Terry Thomas, inquired about a comment made by the President of the Board in a local newspaper. In response to a question from Mr. Thomas, the President stated that water quality and water quantity are more of an issue in most of the Authority than subsidence.

Mr. Paul Bacon, an attorney for some municipal utility districts ("MUDS") within the Authority, reviewed with the Board his MUDS' suggestions and ideas with regard to formulating construction and finance plans for the Authority's future projects, and the groundwater withdrawal fee alternatives. He urged the Board to be conservative in setting fees and to recoup a part of the cost for the Authority's projects from undeveloped property.

Mr. Jeff Otman of West Harris County Municipal Utility District No. 9 said his district bordered Jersey Village and would like to be involved in any project involving Jersey Village.

Several directors of MUDS and residents of the Authority made suggestions about the organization of the Authority, the billing practices of the Authority, and the setting of the groundwater withdrawal fee ("Fee") by the Authority.

3. **Review of Financial Statements and Approval of Bills.** The President recognized Ms. Cruz, who presented to and reviewed with the Board the bookkeeper's report, including the billing and collection report, a copy of which is attached hereto as Exhibit "C." Director Burke noted that he would like to discuss with Mr. Pennington certain items on F&J's current invoice before the Board approves check no. 1049. 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 the bookkeeper's report and to authorize payment of the checks presented therein, excepting check no. 1049.

4. **Consider Authorizing Legal Action to Collect Delinquent Accounts.** Director Pulliam reviewed with the Board a report on the collection efforts for non-paying well owners. Ms. Cruz noted that both Harris County MUD Nos. 43 and 233 have submitted payment in full to the Authority for the initial water withdrawal fee set by the Temporary Board. Discussion ensued. 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 F&J to prepare and send letters to well owners billed September 15, 1999 who have not submitted payment to the Authority for the initial fee assessed, allowing for a ten day grace period upon receipt of letter before the Authority will proceed with further legal action.

5. **Consider Revised Budget for 2000.** Mr. Wozny and Mr. Potock presented to and reviewed with the Board a summary of the detailed budget forecast for the years 2000-2004, a copy of which is attached hereto as Exhibit "D." Discussion ensued. The President noted that the

Authority needs to have money available to take advantage of opportunities, such as the widening of Spring-Cypress Road, where the Authority will probably need a line eventually and could save a great deal of money by installing such a line while the road is being widened. Mr. Wozny said many technical studies will need to be done in 2000 to identify sources of water if the Authority is going to meet the Subsidence District's deadline for a groundwater reduction plan. Upon motion by Director Moore, seconded by Director Burke, after full discussion and the question being put to the Board, the Board voted unanimously to approve the revised budget for 2000 for \$5,775,000, which includes a 15% contingency.

In response to a question from Director Pulliam, Mr. Potock stated that the budget which was presented did not include investment earnings on any investments of the Authority.

6. **Review water withdrawal fee alternatives and consider "current year" billing and spot audit procedures.** Discussion ensued among the Board members regarding whether the Authority should utilize "current year" billing, including self reporting of well pumpage by well owners, or "prior year" billing, which would not include self reporting of well pumpage by well owners. Director Burke noted that current year billing would allow well owners which practice conservation to reduce their fee. At this time Director Burke asked for comments from the public regarding "current year" billing vs. "prior year" billing. Numerous members of the public stated that they would prefer for the Authority to bill based on the current year's pumpage amounts. It was the consensus of the Board to base the water withdrawal fee levied at this meeting on "current year" billing, which would be self-reported by water users, and to do spot audits of compliance.

7. **Order setting water withdrawal fee including imposition of late fees and penalties.** The President recognized Director Pulliam, who moved that the well pumpage fee for 2000 be equal to \$0.12/1,000 gallons of water pumped in January, February, and March, 2000 (fee due by May 31, 2000 with a 25% discount if payments is received by April 30, 2000), and \$0.25/1,000 gallons of water pumped for the following three quarters of 2000, with payment due 30 days after the end of each quarter. Director Sigler seconded the motion. At this time, Ms. Ellison distributed to the Board an Order Establishing Well Pumpage Fees and Adopting Rules and Regulations Concerning Measuring Well Pumpage and Collecting Fees. The President reviewed the terms of such order, including the self-reporting provisions and the penalties for late payment and failure to follow the Authority's rules.

In response to a question from Director Moore, Director Pulliam stated that the proposed water withdrawal fee schedule for 2000 would raise approximately \$4,800,000 in operating revenue. Director Burke stated that the proposed water withdrawal fee schedule for 2000 would not raise enough money to meet the budget just passed and moved to amend the proposal to make the first quarter fee equal to \$0.25 per 1,000 gallons of water pumped. The President seconded the motion. The question being put to the Board, the Board defeated the amendment. 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 adopt the Order Establishing Well Pumpage Fees and Adopting

Rules and Regulations Concerning Measuring Well Pumpage and Collecting Fees, incorporating the fee schedule proposed by Director Pulliam. A copy of the Order is attached hereto as Exhibit "E."

The President asked Mr. Houston to work with Ms. Ellison to get a letter, a copy of the final Order and the reporting form sent to all well owners.

The Board then took a brief recess and reconvened.

8. Consider Subsidence District proposal regarding MUD billing services.

The President noted that the Order contemplated self-reporting and billing by well owners, so that this item is unnecessary.

9. Consider temporary loan to provide immediate operating funds.

Director Pulliam reported that he has contacted Klein Bank regarding the Authority's interest in obtaining a short term loan for approximately \$100,000-\$300,000. Discussion ensued. The President noted that he has received offers from certain MUDS to loan the Authority money. 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 Director Pulliam to negotiate for a short term loan of up to \$300,000.

10. Receive Committee Reports and take action as necessary.

This item was deferred until the Board's next meeting.

11. Consider contracts with neighboring water districts.

Mr. Pennington presented to and reviewed with the Board a draft of an Interlocal Contract for Planning Services, a copy of which is attached hereto as Exhibit "F." He explained that this would allow MUDS which are not within the Authority or only partly in the Authority to get all services which the Authority provides land within the Authority in consideration for payment of water withdrawal fees on the same basis as well owners within the Authority. 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 draft form of the Interlocal Contract for Planning Services and to authorize its distribution to such MUDS for comment.

The President asked Mr. Pennington to provide Mr. Bacon with a copy of such Interlocal Contract for his review and comments.

12. Consider Legislative Advisor Interim Contract for year 2000.

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 and authorize execution of the Legislative Advisor Interim Contract for year 2000, copies of which were previously distributed to the Board.

13. **Consider Communications Specialist Contract.** 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 and authorize execution of the Communications Specialist Contract, copies of which were previously distributed to the Board.

14. **Consider Communications technology upgrade for Authority Directors and Consultants.** This item was deferred.

15. **Consider RFQ's for General Manager, Engineering Services, Legal Services, Financial Advisor, GIS Study, and Alternatives Sources of Supply Study.** Mr. Wozny presented to and reviewed with the Board the RFQ format for these positions or projects, a copy of which is attached hereto as Exhibit "G." 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 the RFQ format and to authorize distribution of RFQ's. Director Burke said that anyone who had expressed interest in one of the positions or projects and anyone in the Association of Water Board Directors consultant handbook would get the RFQ's. The Board also decided to publish the General Manager position in the Houston Chronicle and Wall Street Journal.

16. **Consider office space lease.** This item was deferred until the Board's next meeting.

17. **Consider office furniture and equipment budget.** This item was deferred until the Board's next meeting.

18. **Consider time and location of next meeting.** 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 hold the Board's next meeting on March 21, 2000 at 7:00 p.m. at the Ponderosa Fire Station.

The President encouraged members of the public to contact him with any ideas on locations to hold future Board meetings.

19. **Consider Resolutions Establishing Meeting Place.** 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 adopt the Resolutions Establishing Meeting Places at the Northwoods Presbyterian Church, the Greenspoint Wyndham Hotel, and the office of Northwest Harris County MUD No. 5, copies of such Resolutions are attached hereto as Exhibit "M."

20. **Adopt Resolution Nominating Jim Burke to AWBD Board of Trustees.** Upon motion by Director Rendl, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Nominating Jim Burke to AWBD Board of Trustees, a copy of such Resolution is attached as Exhibit "N."

21. **Other Matters.** There were no other matters to come before the Board at this time.

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

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