

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
JULY 11, 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, on the 11th day of July, 2000, at 7:00 p.m., 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, except for Director Burke. Also attending the meeting were: Mr. Ed Shackelford, General Manager for the Authority; Ms. Lisa Sagstetter, Administrative Assistant for the Authority; Mr. Joseph T. Wozny, P.E. and Mr. Jack Sakolosky, P.E. of WSBC Civil Engineers, Inc. ("WSBC"), interim engineering consultants for the Authority; Mr. Alan Potok, P.E. of Turner Collie & Braden Inc. ("TCB"), interim engineering consultant for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Gene Shepherd of Legg Mason Wood Walker, Inc. ("Legg Mason"), financial advisors for the Authority; Mr. Orval Rhoads, P.E. of Cobourn Linseisen & Ratcliff, Inc. ("CLR"), GIS consultant for the Authority; Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, legal assistant, 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 then opened the floor for public comments.

Director Rendl first recognized Mr. J. T. Levay. Mr. Levay stated that he was in disagreement with the Authority's decision to charge an annual subscription fee of \$52.00 to obtain the Authority's meeting agendas each month. Mr. Levay stated he intends to provide postage paid envelopes to the Authority with his request for an agenda. Mr. Levay then noted an article regarding the Authority in the "This Week" section of the *Houston Chronicle* dated July 5, 2000. Mr. Levay stated he desires to obtain more information concerning the revenues and expenses of the Authority. In closing, Mr. Levay commented that he did not receive a copy of the Bookkeeper's Report in time to review such report prior to the meeting. Director Sigler responded that communications with the public is an important issue for the Board and that the Authority is still trying to determine how to

best handle communications, publications, and mail requests. Director Sigler further noted that the Authority is proposing to hold Town Hall meetings in order to keep people informed about the activities and work of the Authority and stated that suggestions on how to provide more information to be public are welcome. Director Rendl suggested that Mr. Levay contact him for information concerning the Authority's budget.

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 Moore, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following items on the Consent Agenda: 1) minutes of the special workshop meeting of June 10, 2000, and the minutes of the regular meeting of June 20, 2000; 2) ratification of approval and authorization of execution of agreement with TexPool for investment of funds; and 3) ratification of approval and authorization of execution of resolution with Klein Bank for investment of funds.

BOOKKEEPER'S REPORT

The Board recognized Ms. Bobbitt, who presented on behalf of Myrtle Cruz, Inc., the Bookkeeper's Report, financial statements and bills to be approved for payment, copies of which are attached hereto. It was noted that four (4) of the checks presented for payment would be held by the bookkeeper for the appropriate employee payroll period. Ms. Bobbitt reported that the reminder statements for the payment of the second quarter pumpage fees due July 31, 2000 had been mailed out and that \$192,000 of such fees had been received to date. Director Rendl then requested that all invoices to be paid by the Authority be first submitted to Mr. Shackelford for review and submission to the bookkeeper. 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 approve the Bookkeeper's Report and the payment of the checks reflected therein.

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

The Board next recognized Ms. Payne, who reported that a draft copy of a new informational brochure had been submitted to the Board for review, a copy of which is attached hereto. Ms. Payne went on report that a post card notice would be prepared for the Town Hall meetings and that at the request of Director Rendl, a newsletter was in the planning process. Ms. Payne further reported that from June 18th through July 11th the website had 5,893 visits, 776 of which were first time visitors and that the most utilized search engine was Yahoo.

GENERAL MANAGER'S REPORT

The Board next recognized Mr. Shackelford, who presented the General Manager's Report to the Board. A copy of the General Manager's Agenda Summary is attached hereto.

Mr. Shackelford first introduced Ms. Lisa Sagstetter and stated that Ms. Sagstetter had recently been hired to serve as his Administrative Assistant. Mr. Shackelford then reported on the status of negotiations with various consultants. Mr. Shackelford stated that a letter agreement had been received from The GMS Group, Inc. regarding their agreement to serve as financial advisor to the Authority on day-to-day matters at an hourly rate of \$135 per hour. 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 letter agreement with The GMS Group, Inc., a copy of which is attached hereto. Mr. Shackelford noted he has not yet received the professional services agreement from Legg Mason.

Mr. Shackelford next reported that he had received the GIS consultant proposal from CLR and noted that such proposal was in compliance with the scope of services provided to CLR. A copy of the CLR proposal is attached hereto. Mr. Shackelford explained that the CLR proposal estimates 2,524 total man-hours or approximately three (3) to four (4) months to complete the GIS work at a cost not to exceed \$222,000, plus estimated reimbursable expenses in the amount of \$5,300. Mr. Shackelford noted that the budgeted amount for the GIS project was \$300,000. Mr. Shackelford added that the fee proposal includes an option for the acquisition of computer hardware and software for the GIS project for the Authority's office. Mr. Shackelford requested approval of the CLR proposal and professional services agreement. 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 proposal and authorize the execution of the professional services agreement with CLR.

Mr. Shackelford noted that WSM is in the process of preparing the professional services agreements with the various engineer consultants.

With regard to the water reuse/reclamation study, Mr. Shackelford reported that the planning grant sub-committee of the Region H Planning Group had recently met and voted not to recommend funding of the Authority's planning group application. Mr. Shackelford further reported that the San Jacinto River Authority (the "SJRA") has expressed an interest in participating in the water reuse/reclamation study and will consider the matter at their July meeting. Mr. Shackelford stated he will pursue an agreement with the SJRA and report on the matter at the Board's August 8th meeting.

Mr. Shackelford next reminded the Board that negotiations with Dannenbaum Engineering ("Dannenbaum"), Pate Engineers, Inc. ("Pate") and Jones & Carter, Inc. ("Jones & Carter") had been previously authorized for on-call engineering services and that WSM is preparing the professional service agreements with such firms. Mr. Shackelford explained that Dannenbaum will provide computer modeling for the water transmission line sizing, assist with reclaimed/reuse water for a potential industrial customer, assist with identifying transmission line routes in privately held rights-of-way/easements and provide other consulting services as may be requested for an estimated total contract amount of \$250,000. Mr. Shackelford went on to explain that Pate and Jones & Carter

will establish design criteria standards, identify potential interconnects between utility districts, assist with preliminary engineering services for the groundwater reduction plan and provide other consulting services as may be requested for an estimated total contract amount of \$250,000 each. Director Rendl noted that work performed by the on-call engineering advisory firms will be specifically authorized by the Board. Mr. Shackelford requested approval of the on-call engineering service proposals and the execution of the professional services agreements with Dannenbaum, Pate and Jones & Carter. 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 proposals, copies of which are attached hereto, and authorize the execution of the professional services agreements with Dannenbaum, Pate and Jones & Carter.

Mr. Shackelford then reviewed with the Board his summary memorandum regarding the Program Management proposal from WSBC/TCB, a copy of which is attached hereto. A copy of the WSBC/TCB Program Management Proposal is on file in the records of the Authority. Mr. Shackelford explained that the WSBC proposal identifies eight (8) tasks to be performed for the contract period July 1, 2000 through January 31, 2003, along with the estimated man hours and a not to exceed contract amount of \$2.830 million. Mr. Shackelford noted that the costs reflected for Task 3 in the proposal could be reduced by approximately \$45,000 as a result of the Authority hiring its own computer aided drafting technician. Mr. Shackelford then briefly reviewed the enumerated task items and reminded the Board that the man hours and costs are estimated and that each task will be authorized by the Board prior to WSBC initiating work on the particular task. Mr. Shackelford then recommended that the Board accept the WSBC/TCB proposal and authorize the execution of the professional services agreement with such firms. 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 WSBC/TCB proposal and to authorize the execution of the professional services agreement. Director Pulliam then stated that he would have liked to have had more time to review the proposal. Director Rendl noted that if the Board takes exception to any of the proposed tasks, the work will not be authorized. Director Rendl also noted that some of the work may be performed under other consultant contracts. Director Pulliam inquired whether the acquisition of computer hardware was included in the WSBC/TCB proposal. Mr. Shackelford responded that Task 3 of the proposal does include costs for the purchase of computer hardware, software and training.

Mr. Shackelford next reviewed the status of the alternate water source study. Director Rendl then reviewed the history of the Authority's application for the partial funding of such study through the Texas Water Development Board (the "TWDB"). Director Rendl stated that the Authority will proceed with the alternate water source study regardless of whether funding is received from the TWDB. Mr. Sakolosky added that the TWDB should have a response concerning the Authority's grant application by the end of July.

Mr. Shackelford then reminded the Board that following the Board's meeting of June 20th letters were prepared and forwarded to the Brazos River Authority and the Chambers-Liberty Counties Navigation District indicating the Authority's interest in purchasing water and/or water rights from such entities. Mr. Shackelford added that although no responses have been received to date, it is anticipated that written responses will be received within the next several weeks.

Mr. Shackelford also noted that he is in the process of preparing a similar letter to the City of Houston (the "City").

Mr. Shackelford next reviewed the status of hiring a bookkeeper and additional office staff. Mr. Shackelford reported that job descriptions for a bookkeeper, receptionist and other staff positions were included in the meeting packets for review by the Board, along with a draft of an Employee Handbook, copies of which are attached hereto. Director Rendl expressed concern about the description for the in-house bookkeeper position and requested that comments and input on such description be obtained from the financial advisors, auditor and interim bookkeeper to insure that the right person is selected. Mr. Shackelford added that WSM is also reviewing the job descriptions with regard to any labor law issues. Mr. Shackelford requested that any revisions or comments on the job descriptions, salary schedules and/or Employee Handbook be provided to him in order for such items to be finalized for approval at the Board's August 8th meeting.

Mr. Shackelford next reported on the status of the office build-out, installation of office equipment and telephone system. Mr. Shackelford explained that the office space will be available for move-in by Saturday, July 15th and that is anticipated that he and Ms. Sagstetter will be working from the new office by July 24th. Mr. Shackelford added that a post card announcing the new address, telephone number, fax number and e-mail address of the Authority's office will be mailed out to entities and well owners within the Authority's boundaries.

Mr. Shackelford then reviewed his summary memorandum regarding office furniture and equipment, a copy of which is attached hereto. Mr. Shackelford noted that WSBC will occupy a portion of the office space and added that approximately \$25,000 in additional equipment and furnishings is needed for the office. Mr. Shackelford added that Director Pulliam will be reviewing the list of furniture and computer equipment and make any necessary revisions. Mr. Shackelford requested the Board's approval of the additional items marked with an asterisk on the memorandum totaling approximately \$25,000. Mr. Shackelford further reported that installation of the office telephone cabling is currently underway and that the telephone, fax and DSL lines have been ordered. 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 proceed with the acquisition of the additional furniture and office equipment and requested that Mr. Shackelford and Director Pulliam work together to review and finalize the list of office equipment and furnishings.

Mr. Shackelford then reported on the status of the employee benefit package. Mr. Shackelford reminded the Board that medical, dental, vision, life and accidental death insurance coverage through the package offered by the Texas Municipal League ("TML") had been approved by the Board at the June 20th meeting and that the coverage will become effective on August 1, 2000. Mr. Shackelford added that he and Ms. Bobbitt had met with the ICMA Retirement Corporation representative about a retirement benefit plan on July 7th and that a proposal for the retirement plan will be placed on the August 8th agenda for the Board's consideration.

Mr. Shackelford next reported on the workshop meetings and special meetings attended by himself and/or Board members during the last month. Such meetings included: 1) a Brazos River

Authority meeting on June 6th; 2) a Regional H Water Planning Group meeting on June 7th; 3) attendance at the Texas Water Conservation Association Conference on June 8th; 4) attendance by Director Rendl and Mr. Shackelford a meeting with Dan Feldstein of the *Houston Chronicle* on June 12th; 5) a meeting with Al Haines of the City on June 13th regarding a joint groundwater reduction plan; 6) a AWBD sponsored Town Hall meeting with west side districts on June 14th; 7) a meeting on June 23rd with Harold Wallace regarding the west side districts; 8) attendance by Director Rendl and Mr. Shackelford at the City's Infrastructure Committee on June 27th; 9) attendance at the AWBD Conference in Corpus Christi on June 29th through July 2nd; 10) a presentation by Mr. Shackelford to Copperfield Joint Operations Board on July 6th; and 11) attendance by Director Rendl and Mr. Shackelford at a meeting with Councilman Robinson regarding the Authority's attendance at a special Infrastructure Committee meeting to be held on July 13th.

Director Pulliam inquired whether there had been any response received from the City regarding the Authority's proposal for the preparation of a joint Groundwater Reduction Plan ("GRP"). Mr. Shackelford responded that no response had been received, but that he will be trying to schedule meetings with several City Council members. Director Rendl added that Steve Bresnen, lobbyist for the Authority, would be contacting the City Council members as well. Director Pulliam expressed interest in attending a meeting with Councilman Orlando Sanchez.

Director Rendl then reported that the July issue of the *Jersey Village Star* newsletter had included an article regarding the Authority's pumpage fees, a copy of which is attached hereto. Director Rendl noted that the article incorrectly stated that the Authority's pumpage fees will rise from \$0.25/1,000 gallons to \$1.60/1,000 gallons by this time next year. Director Moore recommended that a response letter be sent to the editor by Mr. Shackelford or Director Rendl. Mr. Shackelford stated he would draft a response letter for the Board's review. Director Pulliam suggested that a meeting be scheduled with the City Manager of Jersey Village to discuss the Authority's pumpage fees. Mr. Shackelford stated he would try to schedule such a meeting.

Mr. Shackelford then reported that the second quarter pumpage fee reminder statements were mailed out by Ms. Bobbitt's office the last week of June, a copy of which is attached hereto.

The Board then reviewed the revised schedule of Board meetings, Town Hall meetings, District meetings and budget workshop meetings, a copy of which is attached hereto. Mr. Shackelford noted that there would be a budget workshop meeting scheduled for September 26th and September 27th rather than September 30th. Mr. Shackelford added that he and Ms. Payne are working on obtaining sites at which to hold the Town Hall meetings. Mr. Shackelford added that the Town Hall meetings would be informational meetings and that no actions would be taken by the Board at such meetings. Director Rendl stated that the regular monthly meetings would continue to be held on the second Tuesday of each month at the Ponderosa Fire Station, rather than at the Authority's new office, as long as there is a large number of people attending the meetings. 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 approve the list of scheduled meetings as discussed.

Mr. Shackelford next reviewed the proposed legislative agenda of the Authority for the 77th Texas Legislative Session in 2001, a copy of which is attached hereto. Director Rendl explained that many of the items reflected on the legislative agenda are house-cleaning issues related to H.B. 2965, the creation act for the Authority. Mr. Shackelford requested that any comments, revisions or additions to the legislative agenda be submitted to him as soon as possible.

Mr. Shackelford went on to report that he and Director Moore plan to attend an aquifer study seminar being presented by the Houston-Galveston Coastal Subsidence District at 10:00 a.m., on August 8, 2000. Mr. Shackelford then inquired whether the Board would like a representative of the Regional H Water Planning Group to address the Board concerning its current activities. The Board indicated its interest in such a presentation and requested that a special workshop meeting be held at 6:00 p.m. prior to the regular meeting on August 8, 2000 to hear such presentation. Mr. Shackelford stated he would contact the Region H representatives regarding such matter.

ATTORNEY'S REPORT

The Board next recognized Ms. Bobbitt, who first reported on the status of the mailout of the Interlocal Contract and Fees to Join and Rejoin the Authority to districts outside of the Authority's boundaries. Ms. Bobbitt informed the Board that her office had drafted a transmittal letter and compiled a master list of approximately 236 districts and were in the process of narrowing such list to approximately 86 districts in the immediate vicinity of the Authority's boundaries to receive the mailout. Ms. Bobbitt added that her office is in the process of obtaining the names and addresses of the attorneys and Board President for each district.

Ms. Bobbitt then reviewed a disclaimer clause for the Authority's website, a copy of which is attached hereto. Ms. Bobbitt stated that the disclaimer will be provided to Ms. Payne for immediate posting on the website.

Ms. Bobbitt then reminded the Board that at the June 20th meeting, Director Moore inquired whether the Code of Ethics contained in the Amended and Restated Procedural Rules of the Authority was in compliance with the recent recommendations made by County Judge Robert Eckels. Ms. Bobbitt explained that the Authority's code of ethics was in compliance with the Texas Natural Resource Conservation Commission's requirements and that her staff had contacted the County and was informed that Judge Eckels had not yet actually published a suggested code of ethics.

The Board next recognized Mr. Johnson, who presented and reviewed with the Board a memorandum regarding proposed regulations protecting the interest of water utilities in the Authority, a copy of which is attached hereto. Mr. Johnson explained that he had been asked to review whether the Authority has the power to adopt regulations to protect water utilities located within the Authority from increased costs as a result of utilities being removed from the planning and water supply obligations of the Authority under H.B. 2965 as a result of such utilities executing contracts with an entity outside the Authority's boundaries. Mr. Johnson recommended that the Board consider implementation of regulations which would 1) regulate water imported into the Authority; 2) impose fees on water imported into the Authority; 3) require participation in the GRP prepared by the Authority; and 4) provide for penalties for violation of such regulations. Mr. Johnson

recommended that the Board and/or a committee appointed by the Board work with the General Manager and consultants to plan and implement any proposed regulations. Mr. Shackelford added that the proposed committee could include directors of utility districts that are subject to the jurisdiction of the Authority. Director Rendl then appointed Directors Sigler and Moore, along with Mr. Roy Lackey of Harris County Municipal Utility District No. 368 and Mr. Garey Nelson, citizen, to serve on such committee and work with the General Manager on such issue.

NEXT MEETING

Director Rendl then announced that the next regular meeting of the Authority would be held on Tuesday, August 8, 2000, at 7:00 p.m. at the Ponderosa Fire Station to be preceded by a special workshop meeting, at 6:00 p.m. for a presentation by representatives of the Region H Water Planning Group.

ADDITIONAL PUBLIC COMMENT

Director Rendl then opened the meeting to additional public comment.

Mr. Skip Warren of Bridgestone Municipal Utility District inquired as to the number of districts that the City is attempting to contact. Director Rendl responded that it is his understanding that letters are to be sent by the City to all districts in the north Harris County area.

Mr. Lackey of Harris County Municipal Utility District No. 368 questioned why the cost of the computer hardware and equipment for the GIS system was not included in the proposal from CLR. Mr. Shackelford responded that such costs were included in the WSBC proposal and that CLR has an option in their proposal for such equipment.

Mr. Zobel of Malcomson Road Utility District inquired whether there had been any comments resulting from the surface water program given at the AWBD Summer Conference. Director Rendl responded that there had been several comments about the City's plan that was presented and that it was noted that the City did not propose any costs related to the preparation and implementation of its GRP. Director Rendl stressed that the Authority is trying to determine the most cost effective means to obtain surface water for the area within the Authority's boundaries and noted that the alternate source study will help to identify the options available.

Mr. Zobel inquired about the status of the Authority's TWDB grant application for funding of the alternate source study. Director Rendl stated that the alternate source study would not be funded by Region H but that the Authority would immediately proceed with the study without TWDB/Region H funds.

A Director of Northwest Harris County Municipal Utility District No. 10 stated that she did not want the constituents of her district to receive copies of the Authority's brochure and inquired whether a district could opt out of being included in the mass mailing of the brochure. The Board responded that it is their intent that all districts will receive the brochure.

An unidentified person inquired as to where notices of the meetings were being posted. Director Rendl responded that the agenda is posted at the Ponderosa Fire Station, at the Harris County Courthouse and on the Authority's website.

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

PASSED, APPROVED AND ADOPTED this 8th day of August, 2000.

/s/Lenox A. Sigler

Secretary, Board of Directors

(SEAL)

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