

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
AUGUST 8, 2000

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in workshop session, open to the public, at 6:00 p.m. followed by a regular session, open to the public, at 7:00 p.m. on the 8th day of August, 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:

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| 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 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; Messrs. Alan Potok, Mike Baugher and Mark Lowry, of Turner Collie & Braden Inc. ("TCB"), engineering consultant for the Authority; Mr. Jim Dannenbaum, P. E, of Dannenbaum Engineering Corporation, on-call engineering consultant for the Authority; Mr. Mark McGrath of Null Lairson, auditors for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Orval Rhoads, P.E. of Cobourn Linseisen & Ratcliff, Inc. ("CLR"), GIS consultant for the Authority; Mr. Steve Bresnen, lobbyist for the Authority; Mr. Jim Adams of the Region H Water Planning Group ("Region H") and General Manager for the San Jacinto River Authority (the "SJRA"); and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Winstead Sechrest & Minick P.C. ("WSM"), 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.

REGION H WATER PLANNING GROUP WORKSHOP SESSION

Director Rendl first introduced Mr. Mark Lowry, who gave a presentation regarding the development and purpose of the Region H. Mr. Lowry explained that Senate Bill No. 1 divided the State of Texas into sixteen (16) regional water planning groups, each of which is comprised of representatives from twelve (12) interest groups. Mr. Lowry noted that Region H includes fifteen (15) counties in the Gulf Coast area. Mr. Lowry stated that the Region H Water Plan is to be completed and filed with the Texas Water Development Board (the "TWDB") by January 5, 2001. Mr. Lowry added that the draft of the Region H Water Plan will be available for public review and comment at four (4) public hearings to be held September 18-21, 2000 and must be submitted to the

TWDB by September 30th. Mr. Lowry added that the TWDB will have sixty (60) days to review and comment on the plan, subsequent to which all of the planning groups will make any necessary revisions and re-submit the plans to the TWDB by January 5, 2001. Mr. Lowry explained that each regional water planning group must submit its water plan to the TWDB, who in turn will produce both short-term (2000-2030) and long-term (2031-2050) water planning strategies for the State. Mr. Lowry added that the final water plan for the State must be approved by TWDB by 2002. A copy of the Region H June, 2000 newsletter is attached hereto.

Director Pulliam then questioned whether the water supplies currently available in the area will be able to meet future demand. Mr. Lowry responded that the projected available water supply is 3.3 million acre feet per day and that the projected water demand is 3 million acre feet per day.

Director Rendl noted that it is his understanding that the City of Houston (the "City") did not have all of the water to meet their needs beyond 2030. Director Rendl added that the Authority, with over 400,000 connections, is not currently recognized as a water supplier by Region H. Director Rendl inquired whether the City can prevent the Authority from obtaining and treating available water. Mr. Lowry responded that the City is designated as a "major water provider" and can only prevent the Authority from obtaining water if the City owns all of the water rights. Mr. Potok interjected that Senate Bill 1 attempts to set-up a local plan for providing water to an entire area. Director Burke questioned what prevents water providers from pitting one entity against the other and thereby placing entities like the Authority at the mercy of the designated water providers. Mr. Potok explained that Senate Bill No. 1 is an attempt to place water planning at the grass roots level and includes certain checks, balances and safeguards.

Director Rendl then acknowledged that Mr. Jim Adams of the Region H and the SJRA was in attendance at the meeting. Mr. Zobel inquired as to why certain minor water supply sources had been discounted. Mr. Lowry responded that it is not cost effective to transport water from such sources.

Director Rendl then adjourned the workshop session at 6:45 p.m.

At 7:00 p.m., Director Rendl called the regular meeting to order.

PUBLIC COMMENT

Director Rendl then opened the floor for public comments; however, no comments were received.

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 Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of July 11, 2000, with the noted correction on page 8 of such minutes.

BOOKKEEPER'S REPORT

Director Rendl then announced that the Authority had discontinued use of the post office box in Tomball and requested that all payments be sent to the Authority's lock box address at P.O. Box 3916, Houston, Texas 77253-3915 and that all other correspondence be sent to the Authority's new office at 3648 FM 1960 West, Suite 110, Houston, Texas 77068.

The Board then recognized Ms. Bobbitt, who on behalf of Myrtle Cruz, Inc., presented the Bookkeeper's Report, financial statements and bills to be approved for payment, copies of which are attached hereto. Ms. Bobbitt reported that Ms. Jarmon had prepared a list of the first and second quarter pumpage fee payments which have been received to date, a copy of which is attached hereto. Ms. Bobbitt then reviewed the Report with the Board and noted that \$1,486,127.61 in second quarter pumpage fees had been received to date. 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 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 from July 11th through August 8th the Authority's website had 7,383 visits, which was an increase of 1,400 visits from last month, 1,118 of which were individual visits. Ms. Payne reported that a water conservation article had been added to the website, a copy of which is attached hereto, and stated that all areas of the website were being accessed by visitors. Ms. Payne then reported that 300 change of address cards and post cards for the August 17, 2000 Town Hall meeting had been mailed to Authority constituents. Ms. Payne added that the informational flyers for the Town Hall meetings of August 17th, August 31st, September 7th, September 14th and September 28th were available at the back of the room and encouraged attendees at the meeting to take as many flyers as they needed. Copies of the Town Hall flyers are attached hereto. Ms. Payne then requested the Board members and consultants to submit their comments regarding the Authority's new informational brochure to her as soon as possible.

AUDIT REPORT

The Board then recognized Mr. McGrath, who reported that the audit for the period from the Authority's inception to January 18, 2000 has been completed and distributed to the Board and consultants prior to the meeting. Mr. McGrath then briefly reviewed the audit report with the Board and noted that no problems had been identified. 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 audit for the period from inception of the Authority to January 18, 2000 and to authorize the auditor to finalize such audit.

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 Import Fee Committee had recently met and had made two (2) requests of the Authority's consultants for additional information, including; (1) identification by WSBC of the districts along the perimeter of the Authority's boundaries which may be interested in entering a water supply contract with the City; and (2) preparation by Mr. Howell, a financial advisor for the Authority, of an analysis of the Authority's revenue stream if revenues are lost due to districts contracting with the City. Mr. Shackelford reported that the next meeting of the Import Fee Committee will be on August 9, 2000.

Director Burke then requested that the General Manager be brief in his report and review only the items that were not covered in his written report since the Board had an opportunity to review the General Manager's Report prior to the meeting. Accordingly, Mr. Shackelford first reported that three (3) options had been submitted by Mr. Bresnen for lobbying representation of the Authority during the upcoming legislative session, including: Option No. 1 which proposes utilizing a team of four (4) full-time members, with Mr. Bresnen as the lead lobbyist, commencing October 1, 2000 at a cost of \$501,000; Option No. 2 which proposes a team of four (4) full-time members and two (2) additional members to be selected in consultation with the Board and to be used only during the legislative session at a cost of \$528,000; and Option No. 3 which proposes a team of five (5) full-time members at a cost of \$618,000. Mr. Bresnen added that the proposals include estimated monthly expenses. Mr. Shackelford then stated that he was recommending the Board approve Option No. 2. 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 Option No. 2, which includes a four (4) member full-time lobbyist team and two (2) additional lobbyists during the legislative session at a cost of \$528,000.

Ms. Bresnen then exited the meeting at 7:25 p.m.

With regard to the water reuse/reclamation study, Mr. Shackelford reported that the SJRA had deferred action for thirty (30) days regarding its participation in the Authority's water reuse/reclamation study to allow time for its Board and General Manager to discuss the purpose of the study with City council members. Mr. Shackelford added that the SJRA is proposing to participate in the study in the amount of \$10,000 in order for the study to include an analysis of the potential impact of reusing treated effluent for irrigation purposes on the "run of the river" volume into Lake Houston. 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 proceed with negotiations and enter into a contract with the SJRA regarding

their joint participation in the water reuse/reclamation study and authorize the consultants to proceed with such study.

Mr. Shackelford next reviewed the General Manager's memorandum regarding Geographical Information Systems ("GIS") Computer Hardware and Software, a copy of which is attached hereto. Mr. Shackelford reported that he, Director Pulliam and representatives of Cobourn, Linseisen & Ratcliff, Inc., the Authority's GIS consultant, will meet at the Authority's office on August 11th to determine what GIS equipment will need to be purchased to accommodate the needs of the Authority. Mr. Shackelford explained that the estimated costs are \$30,000 for the software and \$60,800 for the hardware and requested authorization to proceed with the purchase of such equipment. Mr. Shackelford also recommended the Authority obtain an annual membership with the Harris-Galveston Area Council, along with an annual lease of GIS datasets with updates at an estimated cost of \$10,500. Mr. Shackelford noted that the GIS computer hardware and software being proposed is not included in any other consultant proposal. 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 proceed with the purchase of the GIS hardware and software outlined above within the confines of the previously approved budget.

Director Rendl then stated that he wanted the GIS data collection to look at the continued long-term viability and productivity of wells in the area, to identify problem wells within the Authority and to determine the most logical connection points to supply water to districts within the Authority. Director Burke noted that some districts have questioned the costs they will incur in providing information to consultants during the GIS data collection process and suggested that the Authority consider reimbursing districts for any expenses they incur in providing such data. Director Rendl then requested that districts inform the Authority of any extraordinary costs they incur in providing the GIS data in order for the Board to consider reimbursement of such costs at a later time.

Director Burke then requested that Mr. Shackelford not include copies of the engineering invoicing back-up in the directors' meeting packets, noting that such invoices are on file in the Authority's office for Board members to review if they so desire.

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 all of the items included in the General Manager's Report, with the exception of the report on miscellaneous administrative matters which will be considered as a separate item.

MISCELLANEOUS ADMINISTRATIVE MATTERS AND CORRESPONDENCE

Mr. Shackelford next reported on miscellaneous administrative matters and correspondence. Mr. Shackelford first reported that he had received a notice of an upcoming conference of the Texas Water Conservation Association in San Antonio, September 27th-29th and inquired as to the Board members who are interested in attending such conference. A copy of the conference notice is attached hereto. Director Sigler then stated he would attend the conference and Director Pulliam stated he will notify Mr. Shackelford by August 11th as to whether he will attend such conference.

Mr. Shackelford next briefly reviewed a draft of a letter to the City regarding the purchase of raw or treated water by the Authority, a copy of which is attached. Mr. Shackelford added that a final draft of such letter will be submitted for approval at the Board's workshop meeting on August 12th.

Mr. Shackelford next referred to an inquiry received from City Councilman Bruce Tatro, a copy of which is attached hereto. Mr. Shackelford stated that a response to such inquiry is being prepared by the attorneys for the Authority.

Mr. Shackelford then reported that a reading file of correspondence sent and/or received by the Authority is now available at the Authority's office.

Mr. Garey Nelson then inquired regarding the Authority's office hours. Mr. Shackelford responded that the office hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday.

Mr. Shackelford next informed the Board that the City is currently negotiating with the Trinity River Authority to purchase 200,000 acre feet of water from Lake Livingston.

Mr. Shackelford then presented information on a seminar to be held in Austin on August 30-31, 2000 by the National Environmental Policy Institute, and entitled "Democratizing Environmental Policy: Setting the Agenda". A copy of the seminar information is attached hereto.

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 mailed over 100 of such letters, a copy of which is attached hereto.

Ms. Bobbitt then requested that comments from the Board be submitted either to Mr. Shackelford or her concerning the proposed letter to entities within the Authority regarding participation in the Groundwater Reduction Plan in order for such letter to be finalized. Director Rendl noted that he had recently received a call from an entity interested in joining the Authority, the information for which was passed on to Mr. Shackelford.

PETITIONS FOR EXCLUSION OF TERRITORY

Ms. Bobbitt next reported that to date, six (6) Petitions For Exclusion of Territory (collectively, the "Petitions") have been received by the Authority. Ms. Bobbitt explained that the most recent Petition had been received from Harris County Municipal Utility District No. 119 ("HCMUD No. 119"). It was noted that no representatives of such district were present at the meeting. A chart reflecting information on the Petitions received to date is attached hereto. 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 Petition, effective on the 60th day after the date of receipt by the Authority, such date being September 22, 2000 and to refund/rebate the pumpage fees for the period beginning with the date the Petition is withdrawn to the date HCMUD No. 119 makes a final determination on whether to be excluded from the Authority, but in no event subsequent to February 28, 2001.

Ms. Bobbitt then noted that correspondence had been received from Windfern Forest Utility District regarding its desire to go forward with its Petition for Exclusion from the Authority, a copy of which is attached hereto.

ORDER DESIGNATING OFFICES AND ESTABLISHING MEETING PLACES

Ms. Bobbitt then presented a proposed Order Designating Offices and Establishing Meeting Places. Ms. Bobbitt explained that such Order was necessary to designate the Authority's new office at 3648 FM 1960 West, Suite 110 as an office inside the boundaries of the Authority, to designate the office of WSM as an office outside the boundaries of the Authority and to re-designate the meeting places located inside the boundaries of the Authority. Upon motion by Director Moore, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Designating Offices and Establishing Meeting Places within the Boundaries of the Authority, a copy of which is attached hereto.

TOWN HALL MEETINGS

Director Rendl then noted that if a quorum of the Directors intends to attend the upcoming Town Hall meetings, it will be necessary for Ms. Bobbitt to post notice of the meeting and requested that the Board members contact each other concerning their attendance at such meetings to avoid violation of the Open Meetings Act. Director Burke then stated that he would not be able to attend the District No. 1 Town Hall meeting on August 17th. Director Rendl offered to attend such meeting in Director Burke's absence.

NEXT MEETING

Director Rendl then announced that the next regular meeting of the Authority would be held on Tuesday, September 12, 2000, at 7:00 p.m. at the Ponderosa Fire Station. Mr. Rendl also announced a special workshop meeting of the Authority, from 8:00 a.m. to 12:00 noon on Saturday, August 12, 2000, at the offices of the Authority.

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

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

/s/Lenox A. Sigler

Secretary, Board of Directors

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