

MINUTES OF SPECIAL MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
OCTOBER 10, 2000

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, on the 10th day of October, 2000, at 6:30 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, thus constituting a quorum. Also attending the meeting were: Mr. Ed Shackelford, General Manager for the Authority; Mr. Joseph T. Wozny of WSBC Civil Engineers, Inc. ("WSBC"), Program Manager for the Authority; Mr. Alan Potok of Turner Collie & Braden Inc. ("TC&B"), engineering consultant for the Authority; Mr. Bill Callegari, candidate, State Representative, District 130; Mr. Ray Zobel, City of Houston Regional Advisory Board Member; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Ms. Robin S. Bobbitt, attorney, and Ms. Brooke Dold, paralegal, of Winstead Sechrest & Minick P.C., 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 and in compliance with the law. The posted notices of the meeting are attached hereto.

PRESENTATION OF PROPOSED BUDGET

The Board first recognized Mr. Shackelford, who presented an in-depth and extensive review of the Authority's proposed budget for the fiscal year ending December 31, 2001. A copy of the information included in Mr. Shackelford's review is attached hereto. A complete copy of the proposed budget can be found in the Authority's files.

Following Mr. Shackelford's presentation, Director Rendl questioned whether the pumpage fees from the districts that are able to opt out of the Authority or who have already opted out of the Authority had been excluded from the budget revenue projections. Mr. Shackelford responded that the estimated pumpage volumes had been conservatively based on the districts that are within the Authority's boundaries and that are not able to opt out of the Authority. Director Rendl then noted that the Authority's office space had been sized to accommodate an in-house program management consultant and that such consulting firm would share a portion of the office lease costs. When questioned about how the proposed import fees had been handled in the budget, Director Rendl

responded that the import fee matter is still under consideration and such fees had not been included in the revenue portion of the budget.

Mr. Shackelford concluded his presentation with a recommendation to the Board that the pumpage fees for all four (4) quarters of the fiscal year ending December 31, 2001, remain at \$0.25 per 1,000 gallons. Mr. Shackelford noted however, that the proposed budget did not include expenditures for the purchase of water or water rights and that any such purchase would require an increase in the 2001 pumpage fees.

Director Rendl then opened the meeting to public comment and questions concerning the proposed budget and 2001 pumpage fees.

Mr. J. T. Levay came forth to make several comments concerning Senator Lindsay's letter endorsing the creation of the Authority, House Bill 2965 and recent articles published in the 1960 Sun. Mr. Levay stated he did not understand why the Authority needed a lobbying team to represent the Authority in the upcoming 2001 legislative session. Mr. Levay also made comments concerning engineering and lobbyist expenditures of the Authority and requested a copy of the General Manager's contract.

Ms. Gloria Malek of Northwest Harris County Municipal Utility District No. 10 questioned Mr. Shackelford regarding the plotter cost included in the proposed budget and why the Authority needed to purchase such equipment. Ms. Malek also inquired why the Authority needed to have an inventory system. Mr. Shackelford then explained the purpose of a plotter and the Authority's need for such a device in connection with the GIS data project. Director Rendl added that the Authority will have large amounts of machinery and equipment and that some type of inventory system will be needed to keep track of such machinery and equipment.

An unidentified woman then inquired why a lobbying team was necessary. Director Rendl explained that a lobbying team was needed to assist with the implementation of the Authority's legislative agenda and to track items identified as having potential impact on the Authority as they are dealt with by the Senate and House of Representatives.

An unidentified man then inquired regarding the amount of input the Texas Natural Resource Conservation Commission (the "TNRCC") has in Authority issues and stated he has not been impressed with the TNRCC in connection with a Baytown matter. Director Rendl then briefly reviewed the TNRCC's rules with regard to the reclamation of treated effluent. Director Moore added that the Authority is interested in changing the TNRCC's rules and regulations regarding the usage of reclaimed water, as well as the usage of creeks and bayous as conduits to carry water.

Another unidentified man inquired why the Authority and the City of Houston (the "City") seem to have an adversarial relationship. Director Rendl stressed that the Authority was doing everything possible to have a good working relationship with the City. Director Rendl noted that recently there had been an improved atmosphere of cooperation between the two entities.

Ms. Malek inquired about the status of the Authority's Early Action Program. Director Rendl responded that a letter had been recently sent to all of the districts within the Authority regarding interest in participating in an Early Action Program and that to date, twelve (12) responses had been received, all stating they were not interested in the Early Action Program. Director Rendl stated that unless there is some interest shown in an Early Action Program, it is likely that no further action will be taken by the Board.

An unidentified woman then inquired whether Jersey Village would be subject to paying an import fee if they contract with the City for water. Director Rendl responded that Jersey Village would be subject to the payment of import fees if they are imposed by the Authority. However, Director Rendl noted that the Authority is discussing with Jersey Village officials the possibility of Jersey Village participating in the Authority's Early Action Program.

An unidentified man inquired whether the Authority had initiated work on plans for the placement and construction of infrastructure. Director Rendl responded that the GIS data project must first be completed in order for the Program Manager to go forward with the preparation of the Groundwater Reduction Plan and infrastructure planning.

An attendee then inquired how much money was allocated in the budget for the purchase of water rights. Mr. Shackelford responded that no funds have been allocated in the 2001 budget for the acquisition of water rights.

It was then suggested by one attendee that the Authority set a higher pumpage fee for the upcoming fiscal year rather than raising it later to purchase water rights. A number of attendees then expressed their disagreement with such statement.

A brief discussion then ensued regarding how areas of new development will be dealt with in the future with regard to the payment of pumpage fees. Director Rendl stressed that policies and procedures will be developed to insure that districts currently within the boundaries of the Authority and paying pumpage fees and new areas wishing to join the Authority later are treated fairly.

After inquiring whether there were any further questions concerning the proposed budget for the fiscal year ending December 31, 2001, Director Rendl adjourned the meeting.

PASSED, APPROVED AND ADOPTED this 14th day of November, 2000.

/s/Lenox A. Sigler

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Secretary, Board of Directors

(SEAL)