

MINUTES OF SPECIAL MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
SEPTEMBER 20, 2000

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special workshop session, open to the public, on the 20th day of September, 2000, at 6:00 p.m., at the offices of the Authority, at 3648 FM 1960 West, Suite 110, 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 Director Sigler. Also attending the meeting were Mr. Ed Shackelford, General Manager for the Authority; Mr. Joseph T. Wozny, P.E. of WSBC Civil Engineers, Inc., Program Manager for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. John F. Howell, Jr. of the GMS Group, LLC, financial advisor for the Authority; Ms. Lisa Sagstetter, administrative assistant for the Authority; and Mr. John R. Wallace of Winstead Sechrest & Minick P.C., attorneys for the Authority. Members of the public present at the meeting included Mr. Mark Stoebner, representing Bilma Public Utility District; Ms. Kathi Ware, representing Fountainhead Municipal Utility District; and Ms. Kaye Corprew of Coats, Rose, Yale, Ryman, & Lee, P.C. A copy of the sign-in sheet 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.

BUDGET WORKSHOP

Mr. Shackelford first presented the proposed operating budget for the 2001 fiscal year to the Board for review and discussion. Mr. Shackelford described the budgetary procedures utilized in developing the proposed budget. Mr. Shackelford first reviewed the pumpage fee revenues to date and described some of the assumptions used in projecting revenues for the next fiscal year. Mr. Shackelford noted that the proposed budget was based on no purchases of water or water rights during 2001 and explained that in the event water or water rights are purchased, the budget would need to be amended. Mr. Shackelford also reviewed in detail the proposed expenses for the upcoming fiscal year, and a number of revisions and additions were suggested by the Board members.

The Board then discussed with Ms. Payne the need to budget for periodic mailings of Authority newsletters. The Board recommended budgeting for two (2) mailouts per year to

approximately 140,000 households. Ms. Payne and Mr. Shackelford agreed to review this budget expense item more thoroughly. It was noted that the expense for such mailouts did not include an expenditure for promotion of the Authority's water conservation plan.

Mr. Shackelford noted that some funds were included in the budget for election expenses which were related to the likely revision of the Authority's voting districts as a result of the 2000 Federal Census and the need to re-map the voting districts of the Authority.

Mr. Shackelford and Mr. Wozny next reviewed a proposed five-year capital improvement plan (the "CIP Plan"), which included a budget for engineering. Mr. Shackelford also reviewed with the Board the various assumptions in projecting the engineering expenses over the next five (5) years relative to the CIP Plan. The CIP Plan included the development of raw water sources, as well as the treatment and distribution of water.

Mr. Shackelford then reviewed with the Board the proposed pumpage fee for 2001. Mr. Shackelford noted that with the revised expenses for the 2001 fiscal year, a pumpage fee of \$0.25 per 1,000 gallons would provide the Authority with approximately \$500,000 for a reserve balance at the end of the 2001 fiscal year.

Mr. Shackelford then proceeded to give the Board an update on the alternative water supply source study and discussed the timing of securing a water supply source within the ensuing budget year. Mr. Shackelford reiterated that the budget did not include any costs related to acquiring water, but an amendment to the budget, including a possible increase in the pumpage fee, would be required once a water source is acquired.

In accordance with Section 4.03(b) of H.B. 2965, the Board then called a public hearing at 6:30 p.m. on October 10, 2000 to hear public comments on the proposed pumpage fee. Director Rendl then stated that the Board would then conduct its regular meeting on October 10th commencing at 7:00 p.m. and proceed to approve the budget for the 2001 fiscal year and adopt a pumpage fee for 2001. Mr. Shackelford stated he would revise and redistribute the draft budget prior to such meeting. Ms. Payne stated she would prepare a news release and post a notice concerning the budget meeting on the District's website. Finally, the Board determined to cancel the second budget workshop meeting scheduled for September 21, 2000.

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

PASSED, APPROVED AND ADOPTED this 10th day of October, 2000.

/s/Lenox A. Sigler

Secretary, Board of Directors

(SEAL)