

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

January 9, 2001

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in regular session, open to the public, at 7:00 p.m. on the 9th day of January, 2001, 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; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Messrs. Joseph T. Wozny and Jack Sakolosky of WSBC Civil Engineers, Inc. ("WSBC"), Program Manager for the Authority; Mr. Alan Potok of Turner Collie & Braden, Inc. ("TC&B"), alternate source study engineering consultant for the Authority; Mr. Jim Dannenbaum of Dannenbaum Engineering Corporation ("Dannenbaum"), on-call engineering consultant for the Authority; Mr. Gene Shepherd of Legg Mason Wood Walker, Inc., Financial Advisor for the Authority; Mr. Ray Zobel, City of Houston Regional Advisory Board Member Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Winstead Sechrest & Minick P.C. and Mr. Alan Petrov 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 recognized Mr. Bill Smyrl of Harris County Fresh Water Supply District No. 61 ("No. 61"). Mr. Smyrl expressed No. 61's appreciation for the Authority's presentation at their recent meeting. Mr. Smyrl then presented a list of No. 61's concerns regarding the Authority, a copy of which is attached hereto. Mr. Smyrl expressed concern over the Authority's budgeted expenses for lobby representation in Austin, the proposal to hire a public relations consultant and the necessity to conduct an audit of the well and pumpage information provided by

the Texas National Resource Conservation Commission (the "TNRCC") and Harris-Galveston Coastal Subsidence District (the "HGCSA"). Mr. Smyrl then voiced concerns regarding the Authority's dealings with the City of Houston (the "COH") to negotiate and acquire surface water for the Authority.

No other public comments were provided.

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.

Director Rendl noted that the minutes of the executive session of December 12, 2000, the special meeting of December 23, 2000, the executive session of December 23, 2000 and the adoption of and Amended and Restated Order Establishing Well Pumpage Fees for Fiscal Year Ending December 31, 2001 and Adopting Rules and Regulations Concerning Measurement of Well pumpage and Collection of Fees would be deferred until the February meeting.

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 1) approve the minutes of the regular meeting of December 12, 2000; 2) adopt the Resolution Authorizing Participation in Texpool and Designating Authorized Representatives; 3) authorize the Financial Assistant to make the wire transfers, electronic deposits and payroll retirement contributions of the Authority, the documentation for which is attached hereto; and 4) confirm the employee holiday schedule for 2001, a copy of which is attached hereto.

BOOKKEEPER'S REPORT

Director Rendl then recognized Ms. Plunkett, who reviewed the Bookkeeper's Report, including a budget comparison and the checks being presented for payment. Ms. Plunkett noted that the budget comparison had been adjusted to reflect only expenses for the year 2000. Ms. Plunkett reported that she had begun to post the fourth quarter pumpage fees that are due on or before January 31, 2001. Ms. Plunkett noted that she and Mr. Shackelford are meeting and working with entities that are delinquent in the payment of pumpage fees for the prior quarters.

Director Burke inquired if it would be helpful to Ms. Plunkett to cut off the submission of invoices as of the last day of the month for invoices to be paid at the Board's next meeting. Ms. Plunkett responded that such policy would be helpful. The Board then approved implementation of such policy. 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 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 during the past month, the Action Report newsletter was the most frequently visited site on the Authority's website. Ms. Payne noted that there were numerous requests to receive the newsletter via e-mail. Ms. Payne then reported that she was preparing the quarterly newsletter and finalizing the frequently asked questions (the "FAQs") from the Town Hall meetings. Ms. Payne noted that a draft of the FAQs had been circulated for final review prior to being posted on the Authority's website. In conclusion, Ms. Payne made an appeal to those present at the meeting for the districts to submit all changes in mailing information to her.

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 Dannenbaum has initiated the Reliant Energy reuse study, the completion of which will be delayed until February or March due to the delay in receiving the GIS questionnaire data. Mr. Shackelford added that Dannenbaum is also in the process of preparing a scope of services for developing a concept for the regionalization of wells within the Authority.

Mr. Shackelford next reported that the Jones & Carter, Inc. ("Jones & Carter") professional services agreement has been executed and that Jones & Carter is in the process of developing a scope of services for determining criteria for interfacing with the well owners/utility districts.

Mr. Shackelford then reported that forty-one (41) of the two hundred thirty-two (232) GIS questionnaires have been returned to date. Mr. Shackelford noted that several of the utility operators have stated they will submit all of their districts' GIS responses at one time.

Mr. Shackelford then reported that TC&B had submitted a draft of the alternate source study for review and comment prior to the Christmas holidays and that the comments from the Authority were provided to TC&B the first week of January 2001. Director Burke then requested that a copy of the draft study be sent to the Board members.

Mr. Shackelford next reported that the Brazos River Authority had received the Authority's letter regarding a proposed option contract and that he expected a letter of response from them in the near future. Mr. Shackelford went on to note that there is no change in the status of water availability from the Chambers-Liberty Counties Navigation District.

Mr. Shackelford then reported that the COH recently unveiled its proposed plan for the development of a Groundwater Reduction Plan ("GRP") for Area 3 and the pricing for surface water and

groundwater. Mr. Shackelford stated that transmittal of the Authority's proposal to the COH has been delayed as a result of receiving the new information from the COH. Mr. Shackelford added that several meetings have been held with COH representatives and that it is anticipated that the Authority's proposal will be finalized and forwarded to the COH within the next several days. Director Rendl then encouraged all district board members to obtain and review a copy of the proposed COH contract. Mr. Shackelford stated that the Authority office will provide copies of the COH contract.

Mr. Shackelford next reported that a presentation was given by Authority representatives to the Jersey Village City Council on December 18th at which the Authority agreed to participate in a discussion with the COH and City of Jersey Village ("Jersey Village") staff members to compare financial data regarding the proposed assignment of the Jersey Village water supply contract with the COH.

Mr. Shackelford went on to report that the accounting software has been purchased, as previously authorized by the Board, and is now operational and in use. Mr. Shackelford noted that the cost for the software was under \$15,000.

Mr. Shackelford then requested authorization to issue notices to proceed for the performance of GRP-related tasks by the on-call engineering consultants. Mr. Shackelford explained that the three (3) major GRP component categories that have been identified are 1) rate equalization to be performed by Pate Engineers, Inc.; 2) regionalization of wells to be performed by Dannenbaum; and 3) district interfacing and interconnects to be performed by Jones & Carter. Directors Rendl and Burke commented that this was an area of work that subcommittees of the Authority could assist with and requested a draft of a scope of work for such subcommittees for the Board's review and comment. Mr. Shackelford stated that the information would be prepared and provided to the Board. 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 authorize the General Manager to issue the notices to proceed for the GRP-related tasks outlined above.

Mr. Shackelford then reported that a meeting with the water district directors to review and update them on the alternate source study and other activities of the Authority has been scheduled for March 1, 2001, at the Sheraton Hotel on JFK Boulevard. The proposed schedule includes a welcoming reception from 6:30-7:30 p.m. and a program from 7:30-9:30 p.m.

Mr. Shackelford next reported that he and the Program Management team members have been attending numerous district meetings during the months of December and January to update Board members on Authority matters. A list of the meetings attended and those scheduled in January is attached hereto. Mr. Shackelford added that the responses to the presentations have been very favorable.

Mr. Shackelford then stated that a copy of the Program Manager's progress report update had been included in the Directors' meeting packets, a copy of which is attached hereto. Mr. Shackelford reported that a systematic review of the forecasted man-hours is in process and requested that further discussion of the matter be tabled until the February meeting. Director Burke then stated that with regard

to Task 6 of the Program Management plan/budget, no further work should be done on the early action program tasks unless a district specifically requests such assistance or unless the task/work item relates to the Texas Water Development Board grant.

Mr. Shackelford then noted that notes from the December 13th meeting of the Houston Area Water Corporation were also included in the meeting packets. A copy of such meeting notes is attached hereto.

Mr. Shackelford then briefly reviewed the options proposed in the COH Regional Water Supply Agreement for Regulatory Area 3. Mr. Shackelford explained that in Option A there would be one GRP managed by the COH and that an entity would begin paying the COH on January 1, 2003, but would not receive water at that time. Mr. Shackelford explained that payments would be made on the groundwater that is consumed at a rate of \$1.10 per 1,000 gallons and \$1.30 per 1,000 gallons for surface water. Mr. Shackelford went on to explain that in Option B there could be multiple GRPs with rates of \$1.60 per 1,000 gallons for groundwater and \$1.40 per 1,000 gallons for surface water. Mr. Potok noted that these costs would be in addition to district operating costs. Mr. Shackelford then explained a third scenario, possibly available but not necessarily encouraged by the COH to date, would be the purchase of surface water from at delivery point at the COH's proposed Northeast Plant at a cost of \$1.00 per 1,000 gallons. Mr. Shackelford indicated that it was not yet known if that cost would be based on water purchased at the Northeast Plant site or on the total amount of water consumed. Mr. Shackelford stated he is in the process of scheduling an appointment with COH representatives to further review and discuss the COH agreement as well as the Authority's proposal to the COH.

Under miscellaneous matters, Mr. Shackelford reported that in addition to the correspondence included in the Directors' meeting packets, several additional items had been distributed to the Board, including a letter from the Metropolitan Water Company and information concerning the order of presentation for the upcoming Surface Water Forum at the Association of Water Board Directors Conference in San Antonio, copies of which are attached hereto.

Mr. Shackelford then requested the Board consider changing the Authority's meeting date in March from March 13th to March 20th to accommodate the Klein Independent School District Spring Break schedule. 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 a change in the March meeting date from March 13th to March 20th and to approve the General Manager's Report.

ATTORNEY'S REPORT

Mr. Petrov then reported that the Import Fee Committee would meet this month and that a revised draft of the proposed rules concerning the import fees would be sent to the Board for review and comment.

NEXT MEETING DATE AND MISCELLANEOUS MATTERS

Director Rendl then announced that the next regular meeting of the Board would be held on Tuesday, February 13, 2001, at 7:00 p.m. at the Ponderosa Fire Station.

Ms. Payne then noted that as recently suggested, a communications advisory committee will be formed and that several people have expressed an interest in participating on such committee.

ELECTION OF OFFICERS

Ms. Bobbitt then advised the Board that the election of officers for the fiscal year ending December 31, 2001 was now in order. 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 retain the current officers of the Board.

EXECUTIVE SESSION

Director Rendl then adjourned the regular meeting at 7:55 p.m. and announced that the Board would convene in executive session at approximately 8:00 p.m. pursuant to Section 551.072 and 551.074, Texas Government Code, as amended, to consult with its attorneys regarding real property matters and to discuss certain personnel matters.

Director Rendl then reconvened the meeting in open session at 9:57 p.m., at which time no action was taken by the Board

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

PASSED, APPROVED AND ADOPTED this 13th day of February, 2001.

/s/Lenox A. Sigler

Secretary, Board of Directors

(SEAL)