

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 11, 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 11th day of December, 2001, at the Ponderosa Fire Station, 17061 Rolling Creek, Houston, Texas, the regular meeting place within the boundaries of the Authority; 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, P.E., General Manager for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Michael Baugher, P.E. of Turner Collie & Braden, Inc., Program Manager and alternate source study engineering consultants for the Authority; Mr. Gary Smith, P.E. of ARCADIS WSBC, Program Manager for the Authority; Messrs. Jim Dannenbaum, P.E. and Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation ("Dannenbaum"); Mr. Dale Brown, City Manager for the City of Jersey Village ("Jersey Village"); Mr. Ray Zobel, a member of the City of Houston Regional Advisory Board; Ms. Paris Achen of the 1960 Sun; and Ms. Robin S. Bobbitt and Mr. Andrew P. Johnson, attorneys, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov LLP, 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 called the meeting to order and stated that Mr. Bob Koperwhats of Harris County Water Control & Improvement District No. 91 had submitted a written letter to the Board and had requested that such letter be entered as a matter of public record in the minutes of tonight's meeting. A copy of such letter is attached hereto.

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 deals 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 then stated that the first item on the Consent Agenda is approval of the minutes of the regular meetings of August 14, 2001, October 9, 2001 and November 13, 2001, previously distributed to the Board.

Director Rendl noted that approval of the minutes of the executive sessions of April 25, 2001 and June 12, 2001 would be deferred.

Director Rendl stated that the second item on the Consent Agenda was adoption of the Order Calling Directors Election to be held on February 2, 2002, a copy of which is attached hereto.

Director Rendl noted that Consent Agenda item no. 3 was authorization for the preparation of a supplemental Voting Rights Act submission letter to the U.S. Department of Justice regarding the February 2, 2002 Directors Election related to the upcoming addition of land into the Authority.

Director Rendl then explained that Consent Agenda item no. 4 was the engagement of Null-Lairson P.C. to prepare the Authority's audit report for the fiscal year ending December 31, 2001. A copy of the audit engagement letter is attached hereto.

Director Rendl then explained that Consent Agenda item no. 5 was adoption of the Order Implementing Policies and Fees to Join the Authority after December 31, 2001, a copy of which is attached hereto. Director Rendl explained that the Order included the policies and fees previously approved at the Board's November 13, 2001 meeting.

Upon motion by Director Pulliam, seconded by Director Burke, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meetings of August 14, 2001, October 9, 2001 and November 13, 2001, as written, and to approve Consent Agenda item nos. 2, 3, 4 and 5.

FINANCIAL REPORT

Director Rendl then recognized Ms. Plunkett, who reviewed with the Board the Financial Report, including the monthly investment report, the budget comparison for eleven (11) months ending November 30, 2001 and the checks being presented for payment, a copy of which is attached hereto. Ms. Plunkett noted that the Authority was \$3.1 million under budget for the current fiscal year. Ms. Plunkett reported that letters regarding delinquent pumpage fees and penalties had been sent to several well owners. Director Rendl commended Ms. Plunkett on the diligent job she was doing to keep track of the pumpage fee payments and payment of late penalties.

Director Burke then requested that Ms. Plunkett provide a budget summary to the Board at the fiscal year end.

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 Financial Report and the payment of the checks reflected therein.

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne then reported that the Authority's Web site had approximately 13,000 hits since November 13, 2001, which is an average of 640 hits per day and represents 1,500 unique visitors this month. Ms. Payne reported that the Authority's Holiday Open House would be held on December 13, 2001, from 5:00 p.m. to 7:00 p.m. at the Authority's offices and noted that invitations were on the table at the back of the room. Ms. Payne added that she was presently working on the January, 2002 issue of the Water Lines publication.

PROGRAM MANAGER'S REPORT

Mr. Shackelford then asked Mr. Baugher to present the Program Manager's Progress Report, a copy of which is attached hereto.

Mr. Baugher then reviewed with the Board the status of the various engineering studies currently in progress. Mr. Baugher reported that the final draft of the GIS Project Manual and database had been submitted to the Texas Water Development Board (the "TWDB") on August 30, 2001 for review and that the Program Management Team is still waiting for TWDB comments prior to finalizing such items.

Mr. Baugher then reported that Dannenbaum's final draft report on the Reliant Energy reuse study had been submitted to the Board for review and comment on December 3, 2001 and that comments were requested to be given to Mr. Shackelford by December 10, 2001 in order for the study to be finalized and accepted by the Board at the January, 2002 meeting. Director Rendl noted that he had previously submitted his comments on such draft report. A brief discussion ensued as to whether the Board preferred receiving hard copies or electronic copies of the various draft reports and studies. Director Burke expressed his preference for hard copies. Mr. Shackelford stated that he would provide hard copies to the Board members in the future.

Mr. Baugher next reported that Alexander Engineering, Inc. was scheduled to submit a draft of the Water Reclamation/Reuse Study for review on December 14, 2001.

Mr. Baugher then reported that the Program Management team is still waiting for comments from the TWDB concerning the Authority's Water Conservation Plan prepared by Brown & Gay Engineers, Inc.

Concerning the evaluation of alternative water supply sources, Mr. Baugher noted that the Board's comments had been requested on the final draft report by no later than December 10, 2001 and that such report would be considered for acceptance at the Board's January 8, 2002 meeting.

Mr. Baugher then reported that the groundwater reduction plan (the "GRP") was still on target to be submitted to the Harris-Galveston Coastal Subsidence District in July, 2002. Director Rendl asked if the

Authority can be on schedule even if the GRP does not include a final contract with the City of Houston (the "COH"). Mr. Baugher explained that the draft GRP does not have to include a final contract for the purchase of surface water.

GENERAL MANAGER'S REPORT

Mr. Shackelford then continued with the presentation of his General Manager's Report, a copy of which is attached hereto. Mr. Shackelford referred to miscellaneous correspondence contained in the meeting packets, including a letter from the TWDB dated November 9, 2001, a list of Harris County holidays for 2002, a notice of the TWCA/TRWA Water Law Seminar on January 24-25, 2002, a notice of an Association of Water Board Directors - Texas electrical deregulation seminar on January 9, 2002, a publication of the TWDB and the AWBD Direct publication. Copies of such items are attached hereto.

Concerning the list of Harris County holidays for 2002, Mr. Shackelford proposed that the Authority adopt the same list of holidays for its employees allowing for two (2) floating holidays, one of which would be in lieu of Martin Luther King Day and the other at the discretion of the employee. Director Burke commented that the suggestion was acceptable, but that holidays must be taken at times that are convenient with the General Manager and the Authority. 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 list of holidays for the Authority's employees as recommended by the General Manager. Mr. Shackelford then announced that staff members will take off on December 31st if they have vacation time available.

Mr. Shackelford then announced that he was proposing a special meeting of the Board on Friday, December 28, 2001, at the offices of the Authority to consider any Petitions for Consent to Include Additional Land in the Authority prior to the deadline of December 31, 2001. Directors Pulliam, Rendl and Moore indicated that they would be available to attend such meeting. It was then determined that the meeting would be held at 12:00 noon.

Mr. Shackelford reported that if any of the directors wanted to attend the TWCA/TRWA Water Law Seminar in January, they should contact Lisa Sagstetter at the Authority office.

Mr. Shackelford then announced that it was time to renew agenda subscriptions with the Authority at a cost of \$52 per year.

IMPORT FEE COMMITTEE RECOMMENDATIONS

Mr. Shackelford then referred to the Executive Summary of Recommended Import Fee Regulations (the "Executive Summary"), as approved by the Import Fee Committee appointed by the Board, that was electronically forwarded to the Board earlier in the day, a copy of which is attached hereto. Mr. Johnson reviewed the Import Fee Committee recommendations. Director Rendl stated that it is his understanding that in the case of split districts, a district with a water well located within the Authority would be subject to the payment of pumpage fees for all water pumped from such well. Mr. Johnson responded that Director Rendl was correct in his statement. Director Burke suggested that the phrasing of items 1 and 2 under the paragraph entitled "Emergencies" be clarified. Director Burke noted that the district responsible for the

pumping of water would be responsible for paying the pumpage fees to the Authority. Director Rendl added that in items 2 and 3 under "Emergencies", the term "Receiving District" should be revised to include well owners and not refer only to districts. Mr. Johnson noted that the Import Fee Committee recommended that the effective date of the import fee regulations be the effective date of the Authority's GRP, such date being January 1, 2003. Mr. Shackelford reminded the Board that the Authority had previously held a hearing on the import fees on August 9, 2001 to receive comments from the public. Mr. Shackelford added that the Import Fee Committee had discussed effective dates of January 1, 2002, as well as January 1, 2003. Director Burke recommended that the effective date for the proposed import fees be January 1, 2002. Director Pulliam then questioned if the Import Fee Committee intended to exclude Jersey Village from the payment of import fees. Director Rendl stated that a determination on the Jersey Village matter needed to be made by the Board, not the Import Fee Committee. Mr. Shackelford reminded the Board of a letter received from Mr. Brown of Jersey Village in August requesting an exemption from the payment of import fees.

Director Rendl then opened the meeting to receive public comments on the import fee matter. Director Rendl first recognized Mr. Roy Lackey of Harris County Municipal Utility District No. 368 and a member of the Import Fee Committee, who stated that he agreed with a majority of the Import Fee Committee's recommendations, but in the interest of fairness to all entities within the Authority, he favored implementing the import fees on January 1, 2002.

Mr. Garey Nelson of Bammel Utility District questioned whether the Authority could require pumpage information from districts outside of the Authority that were supplying water to entities inside the Authority. Mr. Johnson stated that the Authority did in fact have the authority to regulate water flowing in to and out of the Authority.

Director Rendl then reviewed the proposed changes to the Executive Summary that had been discussed by the Board, including clarifying the wording in items 1 and 2 under "Emergencies"; changing the "Receiving District" to include the water user or the well owner; and making the effective date January 1, 2002, rather than January 1, 2003. Upon motion by Director Burke, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote against, with Director Pulliam voting against such matter, to approve the Import Fee Committee recommendations on the Executive Summary, as corrected, and to proceed with the imposition of import fees effective January 1, 2002.

Director Pulliam stated that he would like to exempt Jersey Village from the payment of import fees. Director Moore asked for the thoughts of the Import Fee Committee members present at the meeting on such exemption. Mr. Lackey and Mr. Nelson commented that Jersey Village should be included in the payment of import fees. When asked for his thoughts on the matter, Mr. Zobel stated that Jersey Village was a unique situation and he did not have a definite opinion on the matter. Director Pulliam then made a motion that Jersey Village be exempt from the payment of import fees. Such motion died for lack of a second to the motion.

Director Sigler then asked for comments from Mr. Brown of Jersey Village. Mr. Brown explained that their contract with the COH was for lines sufficiently sized for the needs of Jersey Village and not for

other additional users. Mr. Brown explained that negotiations with the COH began prior to the creation of the Authority and were prompted by a serious water shortage in Jersey Village. Director Rendl commented that it was his understanding that at the time of the Authority's creation, there was not a contract with the COH in place or a construction contract for the interconnect lines and pipes. Mr. Brown responded that the Jersey Village/COH negotiations for a contract dated back to November, 1999, but that the final contract was not actually executed until the completion of construction of the interconnect line in March, 2000. Following more discussion, Mr. Brown noted that Jersey Village's concern was securing an adequate source of water, and he has been trying to insure that the needs of the Jersey Village residents could be met. Director Burke commented that everyone's goal is to insure there is an adequate water supply. The Board then directed Mr. Shackelford to continue to negotiate and work with Jersey Village on the interconnect line matter. In response to an inquiry, it was noted that as of January 1, 2002, Jersey Village would be subject to the payment of import fees.

PETITIONS FOR CONSENT TO INCLUDE ADDITIONAL LAND IN THE AUTHORITY

Ms. Bobbitt reported that the Authority has received three (3) Petitions for Consent to Include Additional Land in the Authority (collectively, the "Petitions") from Richey Road Municipal Utility District, Harris County Municipal Utility District No. 86 and Fountainhead Municipal Utility District, copies of which are attached hereto. 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 accept such Petitions. Ms. Bobbitt stated that she anticipates that several other districts will submit petitions to the Board prior to December 31st.

Mr. Bill Smyre of Harris County Fresh Water Supply District No. 61 stated that his district was petitioning to be excluded from the West Harris County Regional Water Authority and would be petitioning the Authority to be included in its boundaries.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that a contract with Harris County (the "County") is in process for the County to conduct the upcoming February 2, 2002 Directors Election and presented the contract for the Board's approval, a copy of which is attached hereto. Ms. Bobbitt added that a supplemental Voting Rights Act submission letter will be submitted to the U.S. Department of Justice as soon as the polling places for the upcoming election are established and the Order Adding Land and Redefining Boundaries is adopted by the Board on December 28, 2001.

Ms. Bobbitt reminded the Board and other interested individuals that the filing deadline for candidate applications is 5:00 p.m., Wednesday, December 19, 2001.

NEXT MEETING DATE AND MISCELLANEOUS MATTERS

Director Rendl then announced that a special meeting will be held at noon on Friday, December 28, 2001, at the offices of the Authority and that the Board's next regular meeting will be held on Tuesday, January 8, 2001, at the Ponderosa Fire Station.

Ms. Gloria Malek of Northwest Harris County Municipal Utility District No. 10 commented that the Authority seemed to be splitting hairs over the Jersey Village matter. Ms. Malek stated that Jersey Village was doing what they had to do in an emergency situation and they should not be penalized for those actions.

Director Moore then requested that his written response to Mr. Koperwhats' earlier written statement be entered as a matter of public record in the minutes of tonight's meeting. A copy of Director Moore's statement is attached hereto.

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

PASSED, APPROVED AND ADOPTED this 8th day of January, 2002.

/s/Lenox A. Sigler

Secretary, Board of Directors

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