

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

July 10, 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 10th day of July, 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: Ms. Zina Holland, representing Senator Jon Lindsay; Mr. Ed Shackelford, P.E., General Manager for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Messrs. Michael Baugher, P.E. and David Dow, P.E. of Turner Collie & Braden, Inc. ("TC&B"), Program Manager and alternate source study engineering consultants for the Authority; Mr. Gary Smith, P.E. of ARCADIS/WSBC, Program Manager for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation ("Dannenbaum"), on-call engineering consultant for the Authority; Mr. Orval Rhoads of Cobourn, Linseisen & Ratcliff, Inc. ("CLR"), on-call engineering consultant for the Authority; Mr. Jeff Taylor, P.E. of Brown & Root, Inc., engineering consultant for the City of Houston (the "COH"); Mr. Ray Zobel, a member of the COH Regional Advisory Board; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Ms. Kim Canon, reporter for the Houston Chronicle; Ms. Parish Achen, reporter for the 1960 Sun; Ms. Sara J. Anderson of Smith, Murdaugh, Little & Bonham, L.L.P.; and Ms. Robin S. Bobbitt and Mr. Andrew 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 then opened the floor for public comments. Director Rendl reminded the audience that, in accordance with the Authority's Policies and Procedures for Public Comment, comments would be limited to three (3) minutes per speaker and requested that all comments be directed to the Board as a whole and not to individual Board members.

Director Rendl first recognized Mr. Roger Blankenheim of Fountainhead Municipal Utility District ("Fountainhead"), who asked to make his comments at the end of the meeting. Director Rendl then recognized Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10 ("NWHCMUD No. 10"), who also asked to make his comments later in the meeting.

Director Rendl next recognized Mr. Nicholas Fava of Bammel Utility District ("Bammel"). Mr. Fava commented that he was disturbed by a recent e-mail from a member of the Authority's Board making threats against Mr. Shackelford and expressed his belief that such an e-mail was damaging to the Authority. Director Rendl stated he had no comments on the matter. Director Moore stated that he would make no public comment on an internal e-mail. Mr. Fava inquired whether the e-mail was a public record. Ms. Bobbitt responded that the e-mail was disseminated in public and has become a public record of the Authority. Ms. Bobbitt added, however, that the Board was not required to respond to comments made by the public during the Authority's meetings. Director Moore stated that he was disappointed that an internal e-mail sent to the Authority's Board members and consultants was released to the public. Mr. Fava then commented that he did not understand how continued pursuit of water from the Brazos River would reap any result other than what was already previously determined. Director Rendl stated that he had no comment except that he concurred with Mr. Fava's comments.

Director Rendl then recognized Ms. Anderson, who stated that her firm serves as legal counsel for approximately eleven (11) districts located within the Authority and has been asked to make a statement to the Board to convey her client's desire that the Authority discontinue further investigation of obtaining water from the Brazos River and concentrate on negotiations with the COH.. Ms. Anderson further stated that the districts she represents do not want the COH to operate their water systems nor do they want the Authority to do so. Ms. Anderson went on to state that her clients want the Authority to be the conduit through which they obtain water from the COH. Ms. Anderson concluded her remarks by exhorting the Authority to stop spending money on investigating the Brazos River as an alternate water source. Director Rendl then commented that it was never the Authority's intention or purpose to take over the operations of the districts within its boundaries. Ms. Anderson thanked Director Rendl for his clarification on the matter.

Director Moore commented that he respects Ms. Anderson's efforts on behalf of the districts, but he also respects Senator Jon Lindsay as a person who represents everyone within the Authority. Director Moore then read a letter dated July 8, 2001 to the Board from Senator Lindsay stating his support of the Authority's efforts to identify a sufficient supply of water from the Brazos River, a copy of which is attached hereto.

Mr. Johnson then entered the meeting at 7:15 p.m.

Director Rendl next recognized Mr. Mark Stoenner of Bilma Public Utility District ("Bilma"), who then read a letter from his Board of Directors, a copy of which is attached hereto. The letter expressed concern over the Authority's continued pursuit of alternate water sources from the Brazos River, rather than focusing on negotiations with the COH.

Mr. Shackelford then reviewed the history of meetings and negotiations the Authority has had with the COH starting back in April, 2000. Mr. Shackelford added that he had recently met with Mr. Al Haines of the COH and that his General Manager's Report references various pieces of correspondence to and from the COH. Director Moore commented that the COH correspondence only discusses ordinance rates and referenced a chart of such rates that was on the information table for the meeting. Mr. Shackelford explained that the letter from the COH defines general principles which would serve as a basis for continued negotiations with the COH. A copy of the COH letter dated June 29, 2001 is attached hereto.

Director Rendl reiterated that for a period of time the Authority was bound by a confidentiality agreement during its negotiations regarding the proposed purchase of the Chocolate Bayou Water Company ("CBWC") water assets.

Director Rendl next recognized Mr. Jerry Homan, operations manager of Harris County Fresh Water Supply District No. 61 ("HCFWSD No. 61"), who expressed concern that the Harris-Galveston Coastal Subsidence District (the "HGCSO") deadline for the groundwater reduction plan (the "GRP") was January 1, 2003 and encouraged the Authority to proceed with negotiations with the COH and to work with the West Harris County Regional Water Authority (the "WHCRWA"). Mr. Homan inquired regarding the timetable for the preparation and filing of the Authority's GRP. Director Rendl responded that a draft of the GRP must be submitted to the HGCSO by June, 2002. Director Burke noted that the WHCRWA anticipates entering into a contract with the COH for the purchase of surface water around the end of the year.

Mr. Bob Koperwhats of Harris County Water Control and Improvement District No. 91 then stated that he had spoken with numerous board members from districts located within the Authority and from the WHCRWA at the recent AWBD Conference in Corpus Christi and that they did not think the Authority would have any additional leverage by waiting to see what the WHCRWA does with the COH. Mr. Koperwhats stated that the districts within the boundaries of the WHCRWA must decide whether to be included within the WHCRWA. Mr. Koperwhats then encouraged the Board to stop wasting time and money and proceed with negotiations with the COH.

Director Rendl next recognized Mr. Tim Kiersz of Northwest Harris County Municipal Utility District No. 6, who questioned why, if there were other water rights sources available on the Brazos River, they were not found or identified during the alternate source analysis. Director Rendl explained that TC&B had identified as many alternate water sources as they thought were viable, and it was the Board's choice to pursue the purchase of the CBWC water rights. Mr. Shackelford added that, to date, the Board had not identified or addressed any private sources for water other than the CBWC.

Director Rendl then recognized Mr. Jeff Taylor, who stated that the graphical presentation of the information in the chart referenced by Director Moore regarding the COH projected treated surface water ordinance rates was not correct, since the projected rate increase should be stair-stepped, rather than a straight line of escalation. Director Moore and Mr. Baugher agreed to modify the graph accordingly.

Mr. Roger Blankenheim of Fountainhead then stated that the political motives of certain Board members were obvious and that the COH chart that had been placed on the meeting information table by an undisclosed person was not accurate. Mr. Blankenheim stated that although Senator Lindsay may represent a large number of people in the area, the Board of the Authority represents the water districts, and the districts care about the negotiation of a contract at a fair price to supply surface water to the area. Director Rendl commented that it is wholesale rates, not retail rates, under negotiation with the COH. Director Moore commented that the information on the chart was wholesale information recently released at a Utility District Advisory Council meeting and stressed that the numbers were correct, but should be stair-stepped as indicated by Mr. Taylor.

Mr. Broun then asked what amount of money had been spent on the CBWC transaction and how much the Authority had expended on negotiation for water from the COH. Mr. Broun also commented that the water rights laws likely will not change within the Authority's timetable to meet the HGCSO deadline for filing a GRP, and it was time for the Authority to stop looking at Brazos River alternatives. Mr. Shackelford responded that \$250,000 had been budgeted for the due diligence on the CBWC contract. Mr. Broun then commented that it appears the Board is now spending more money on the transaction they had just terminated. Mr. Broun observed that of the five (5) members on the Board, only two (2) had water district experience and it was the other three (3) members who were preventing the Authority from negotiating a contract with the COH. Mr. Shackelford then again reviewed the history of the Authority's meetings and dealings with the COH since April, 2000.

At 7:45 p.m., Director Rendl closed the public comment session of the meeting to proceed with the business of the Board.

Director Burke then requested a change in the order of business on the agenda with regard to item no. D.6.a to consider an amendment to the General Manager's contract. Upon motion by Director Burke, seconded by Director Rendl, after full discussion and the matter being put to the Board, the Board voted four (4) votes in favor and one (1) vote opposed, with Director Moore voting in opposition, to change the order of the agenda. It was then determined that discussion of any amendment to the General Manager's contract would be deferred until the executive session. Ms. Bobbitt reminded the Board that any decision on Mr. Shackelford's contract must be made in open session.

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 meeting of June 12, 2001, the special meeting of April 25, 2001 and the executive sessions of April 25, 2001 and June 12, 2001. Director Rendl noted that approval of the minutes of the executive sessions of April 25, 2001 and June 12, 2002 would be deferred. 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 minutes of the regular meeting of June 12, 2001 and the special meeting of April 25, 2001, as written.

Ms. Bobbitt then explained that review of the Authority's insurance policies was underway and requested that action on such matter be deferred until the August meeting. Ms. Bobbitt noted that all of the Authority's coverage had been bound.

Director Rendl then recommended that the third item on the Consent Agenda concerning adoption of an Amended and Restated Procedural Rules of the Authority regarding director per diems be deferred until the 2002 budget is considered by the Board. 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 defer action on item C.3.

Director Rendl then stated that the next item on the Consent Agenda is approval of an amendment to the professional services agreement with CLR. Upon motion by Director Pulliam, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor, with Director Rendl abstaining, to approve an amendment to the professional services agreement with CLR regarding an extension of time to complete the GIS Data collection project and a fee increase of \$35,000. A copy of the information related to the amended contract is attached hereto.

Director Burke then made a motion to defer action on Consent Agenda item no. C.5 concerning approval of an on-call engineering contract with Van De Wiele Engineering, Inc. ("Van De Wiele Engineering") until such time as the 2002 budget is considered by the Board. Such motion died for lack of a second. Director Moore then stated that he had requested the agenda item due to the fact that Van De Wiele Engineering serves as the engineering consultant for many of the districts located in District 5 of the Authority. Upon motion by Director Sigler, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to defer action on Consent Agenda item no. C.5 until the budget workshop in August and to re-evaluate all of the on-call engineering contracts at that time.

Director Rendl then called for action on Consent Agenda item no. C.6 to approve a professional services agreement with Brown & Gay Engineers, Inc. ("Brown & Gay") to prepare a water conservation plan which is required by the Texas Water Development Board ("TWDB") in connection with the Authority's grant. Mr. Shackelford explained that the TWDB will reimburse the Authority \$10,000 of the \$35,480 fee to prepare the water conservation plan. 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 Brown & Gay agreement, a copy of which is attached hereto.

LEGISLATIVE UPDATE

Ms. Bobbitt then reported that the effective date for S.B. 2 is September 1, 2001, June 17, 2001 for S.B. 1444 and June 16, 2001 for H.B. 1110.

FINANCIAL REPORT

Director Rendl then recognized Ms. Plunkett, who reviewed with the Board the Financial Report, including the monthly investment report, budget comparison and the checks being presented for payment, copies of which are included in the Report. Ms. Plunkett next reviewed a summary of quarterly pumpage fee receipts for 2001, a copy of which 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 Financial Report and the payment of the checks reflected therein.

The Board then discussed the request from Sunbelt Fresh Water Supply District (“Sunbelt”) for a waiver of pumpage fees. Mr. Shackelford reminded the Board that the request was considered at the May 8th meeting, but was tabled until additional review and research of the matter could be done. Ms. Bobbitt then reported that efforts had been made to determine whether any residents of Sunbelt had voted in the January 15, 2000 confirmation and directors election of the Authority. Ms. Bobbitt stated that the voting records from the election had been destroyed by Harris County sixty (60) days following the election as authorized by § 66.058(a) of the Election Code. A brief discussion of the matter then ensued. A copy of the memorandum regarding the review of the election records 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 waive the pumpage fees and penalties accrued by Sunbelt prior to its exclusion from the Authority in February, 2001.

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

The Board next recognized Ms. Payne, who reported that the Authority's website had approximately 16,000 hits in June with an average of 500 hits per day. Ms. Payne reported on several recent changes and upgrades made to the website. Ms. Payne asked the Board and consultants to review the draft of the four (4) page quarterly newsletter and submit comments to her as soon as possible. Ms. Payne noted that the new format of the newsletter would result in a savings of \$6,500 to the Authority.

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

Mr. Baugher first reviewed the status of the various engineering studies with the Board. Mr. Baugher reported that the GIS data collection project work being performed by CLR was approximately 90% complete. Mr. Baugher stated that data entry was complete for 139 questionnaires, 17 questionnaires were ready to be input into the GIS system and there are 29 questionnaires still outstanding. A revised list of the GIS questionnaires that have not been returned is attached hereto. Director Rendl then made an appeal for the districts to send in the remaining questionnaires.

Mr. Baugher then reported that the Reliant Energy reuse study being prepared by Dannenbaum was 90% complete and that a final draft of the report was submitted for review and comment on July 2, 2001. Mr. Shackelford stated that a report on the findings of the reuse study will be presented at the Board's August 14th meeting.

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 Program Manager's Report.

Mr. Shackelford then continued with the General Manager's Report and first reported on the status of the alternate source investigation. Mr. Shackelford noted that several Board members had requested that the alternate source study be expanded to include a review of the availability of privately held water rights for an estimated additional cost of \$75,000 to \$100,000. Mr. Shackelford explained that the initial alternate source study only addressed government/public owned water rights and not private water rights. Mr. Shackelford added that it is anticipated that the additional review would be completed by the end of September. Director Burke then moved that no additional expenditures be approved for the alternate source study. Director Rendl seconded the motion, whereupon Director Moore made a motion to table action on the matter and Director Sigler seconded such motion. Ms. Bobbitt then stated that in accordance with Robert's Rules of Order, the motion to table took precedence over Director Burke's motion and stated that a vote on Director Moore's motion must be taken. The Board then voted three (3) votes in favor and two (2) votes opposed to table action on the alternate source study, with Directors Burke and Rendl voting in opposition to such motion.

Mr. Shackelford then reported that it would not be necessary for the Board to hold a workshop to identify criteria to evaluate the alternate water sources as a result of his review of the priorities and goals that had been set by the Board at its November 4, 2000 workshop meeting.

Director Moore then announced that he was bringing back the tabled motion regarding the alternate source study and that he wanted to amend the amount estimated to be expended to be \$75,000 to \$120,000. Director Moore made such motion, which was seconded by Director Sigler. Extensive discussion and debate of the matter then ensued. Director Moore then moved the question. The Board voted three (3) votes in favor and two (2) votes opposed to approve an additional expenditure of \$75,000 to \$120,000 to expand the scope of the alternate source study to include an evaluation of private water rights, with Directors Rendl and Burke voting in opposition to such motion.

Mr. Shackelford next recommended that consideration of an Assistant General Manager position be deferred and be included in the budget process. 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 defer such item as recommended by Mr. Shackelford.

Mr. Shackelford then reviewed the 2000 census survey included in his report and requested Board approval for the expenditure of \$50,000 for the Program Management team to review the 2000 census information and redraw the five (5) voting district boundaries. 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 such expenditure. Mr. Shackelford noted that \$125,000 had been included in the 2001 budget for redistricting mapping and related legal services.

Mr. Shackelford then briefly reviewed the miscellaneous correspondence provided to the Board in their meeting packets, which included letters sent to the well owners with delinquent pumpage fees, a notice of increase of rent for the Authority's offices, a letter from Bilma read earlier in the meeting, resolutions from HCFWSD No. 61, Tattor Road Municipal Utility District ("Tattor Road") and NWHCMUD No. 10 each requesting that the Authority discontinue expenditure of funds in connection with the investigation and acquisition of Brazos River water rights and requesting good faith negotiations with the COH, a letter from the TWDB regarding approval of the Authority's grant application for 2001, notice from the Texas Municipal League of a 5% increase in healthcare insurance costs, a copy of Mr. Shackelford's presentation to Harris County Water Control and Improvement District No. 92, COH letter dated June 29, 2001 and other miscellaneous correspondence. Copies of all of such items are attached hereto.

Mr. Shackelford then requested approval to attend a TWCA meeting July 19 through July 20, 2001. 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 Mr. Shackelford's attendance at such conference.

Mr. Shackelford next announced that a special budget workshop meeting will be held on Wednesday, August 8, 2001, at 6:00 p.m. at the Authority's office and that a 2002 budget hearing will be held on Thursday, August 9, 2001, at 6:00 p.m. at Champions Forest Baptist Church. Mr. Shackelford noted that the Authority's budget will be adopted at the August 14th meeting.

Mr. Shackelford then stated that he would be out of the office July 25th through July 30th on vacation.

ATTORNEY'S REPORT

Ms. Bobbitt first reviewed an election schedule for the upcoming directors election on February 2, 2002, a copy of which is attached hereto. Ms. Bobbitt informed the Board that a request would be sent to the Harris County Election Division regarding arrangements for conducting the election. Ms. Bobbitt added that she will be working with the engineers regarding the redistricting maps and the Voting Rights Act submission to the U.S. Justice Department.

Concerning the request from Northwest Park Municipal Utility District ("Northwest Park") for exclusion of land proposed to be annexed into Northwest Park from the Authority, Ms. Bobbitt reported that Northwest Park has been excluded from the Authority, but that the land to be annexed by Northwest Park is located within the boundaries of the Authority. Ms. Bobbitt explained that it is her understanding that Northwest Park will serve the annexed property with water from wells located outside of the Authority. Ms. Bobbitt further stated that Northwest Park has expressed concern regarding the impact of an import fee on the annexed property. Ms. Bobbitt stated that no definitive response could be given until a decision is made by the Board on the import fee matter.

Ms. Bobbitt next reported that she was working with Ms. Plunkett on the delinquent pumpage fee accounts.

Mr. Johnson then reviewed an Executive Summary of Recommended Import Fee Regulations, a copy of which is attached hereto. Mr. Shackelford recommended that the Board include a hearing on import fee matters on the August 9, 2001 agenda to obtain input from the districts. 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 hold a public hearing regarding the import fees on August 9, 2001.

NEXT MEETING DATE AND MISCELLANEOUS MATTERS

Mr. Shackelford announced that the Board's next regular meeting will be held on Tuesday, August 14, 2001, at the Ponderosa Fire Station.

There being no further business to come before the Board, the meeting was adjourned upon motion by Director Burke.

At this time, members of the audience requested that the Board hear additional public comments.

Mr. Garey Nelson of Bammel asked if the rates on the COH chart handout placed on the meeting information table were real or future rates. Director Moore stated that these were rates that the COH will implement. Mr. Taylor, a consultant for the COH, inquired who had provided the handout. Mr. Taylor explained that the dollar figures were planning numbers only from a previous COH engineering study and that they represented future year costs and numbers, assuming participation in the COH's GRP by everyone in the area.

Mr. Mark Edwards of Bammel commented that the he was not concerned with Senator Jon Lindsay's opinion on the Authority's acquisition of Brazos River water rights or regarding Authority matters. Mr. Edwards stated it is the Board that must represent the water districts regarding the acquisition of surface water. Mr. Edwards suggested that if there is water available from the Brazos River, the Brazos River Authority should be supplying the Authority with the information, rather than the Authority spending its funds to obtain such information.

Mr. Ray Zobel of Malcomson Road Utility District commented that the COH had formed a board of its own to deal with surface water issues and that Mr. Haines has never once recognized the existence of the Authority.

Ms. Frances Bland of Tattor Road questioned the amounts paid to the lobbying team during the legislative session. Mr. Shackelford then reviewed the make-up of the lobbying team and the services provided to the Authority.

Mr. Garey Nelson then asked the Board if they were familiar with the Open Meetings Act and strongly recommended that they read and understand the Act. Mr. Nelson noted that obtaining votes from Board members prior to a public meeting was in violation of the Open Meetings Act.

An unidentified man noted that he had attended a speech given by Ms. Bobbitt at the recent AWBD Conference in Corpus Christi and suggested that the Board should listen to its counsel's advice. The gentleman also added that if Mr. Moore did not want his e-mail concerning the General Manager made public, he should not have sent it.

Public comment ended at 8:55 p.m.

PASSED, APPROVED AND ADOPTED this 18th day of September, 2001.

/s/Lenox A. Sigler

Secretary, Board of Directors

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