

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

August 9, 2001

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 6:00 p.m. on the 9th day of August, 2001, at Champion Forest Baptist Church, in the Student Ministries Building, 15555 Steubner-Airline Road, Houston, Texas, a public 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. Lisa Sagstetter, Administrative Assistant for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Ms. Kim Canon, reporter for the Houston Chronicle; Ms. Paris Achen, reporter for the 1960 Sun; Messrs. Michael Baugher, P.E. and David Dow, P.E. of Turner Collie & Braden, Inc. ("TC&B"), Program Manager and alternate source study engineering consultant for the Authority; Mr. Gary Smith, P.E. of ARCADIS WSBC, Program Manager for the Authority; Messrs. David Scholler, P.E. and Randy Rutherford, P.E. of Brown & Gay Engineers, Inc., water conservation study engineering consultant for the Authority; Messrs. Orval Rhoads, P.E., John Peyton, P.E. and Scott Fair, P.E. of Cobourn Linseisen & Ratcliff, Inc., GIS data collection engineering consultant for the Authority; Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov LLP, attorneys for the Authority. 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.

GIS DATA COLLECTION PROJECT UPDATE

Director Rendl called the meeting to order and Mr. Shackelford introduced Mr. Peyton, who reported that the GIS data collection project was approximately 90% completed. Mr. Peyton stated that there was an 82% response rate on the GIS data questionnaires and encouraged the audience to return any questionnaires that have not yet been returned. Mr. Peyton then reviewed the process for assimilating the GIS data and an explanation of how the GIS data will be used in the preparation of the Authority's Groundwater Reduction Plan (the "GRP").

Mr. Smith then addressed the audience and reported that his team had conducted a telephone survey and sent questionnaires to the water districts in voting District 3 to determine whether interconnection of water lines between districts could serve as a short-term solution for districts within the Authority that are experiencing quantity or quality problems with their water supplies. Mr. Smith reported that such districts generally felt they were meeting their water supply needs and did not require assistance from the Authority.

TEXAS WATER DEVELOPMENT BOARD GRANT HEARING

Mr. Scholler then reported that one of the requirements of the Texas Water Development Board (the "TWDB") grant program was for the Authority to prepare a water conservation plan that would reduce the amount of water being withdrawn from the supply source, reduce water waste and promote recycling. Mr. Smith further explained that the water conservation plan would be submitted to the Authority for approval and then submitted to the TWDB. Mr. Smith added that tonight's meeting was also satisfying a public hearing requirement for the Authority's TWDB grant application.

Mr. Smith then returned to further review the use and purpose of TWDB planning grants. Mr. Smith noted that the TWDB funds 50% of the tasks identified in the grant. Mr. Smith next introduced Mr. Ernest Rebeck of the TWDB as the designated representative to administer the Authority's grant funds. Mr. Smith explained that tonight's meeting would serve as the second public hearing for the Authority's 2001 grant. Mr. Smith noted that the Authority had also submitted an application for a 2002 TWDB grant.

2001 BUDGET AMENDMENT

Mr. Shackelford then announced that the fourth item on tonight's agenda concerning proposed amendments to the Authority's 2001 budget would be considered at the Board's August 14th meeting.

Mr. Shackelford then noted that Representative Peggy Hamric was in the audience. Representative Hamric introduced Paul Saunders from her Austin office and Pat Wisniewski from Senator Jon Lindsay's office.

IMPORT FEE HEARING

Mr. Shackelford next explained that there was some concern that the Authority's initial creation legislation, H.B. 2965, may not be adequate to bind districts to the Authority's GRP and that approximately 22 districts located within the Authority and along the City of Houston's (the "COH") water lines could possibly take water from the COH and, therefore, not be included in the Authority's GRP, which would represent an estimated 25% decrease in projected revenues to the Authority. Mr. Shackelford added that this reduction in revenues would increase the costs for the remaining participants. Mr. Shackelford added that the concept of implementing an import fee arose to offset the possible loss of revenues as a result of districts entering separate contracts with the COH. Mr. Shackelford reported that 23.25 billion gallons of water per year are pumped by entities located within the Authority. Mr. Shackelford then explained that H.B. 1110 clarified and reinforced the authority and power of the Authority to prepare and implement a GRP for the entities located within the boundaries of the Authority.

Mr. Shackelford then outlined the members of the Import Fee Committee, including Garey Nelson, Roy Lackey, Ray Zobel, Directors Sigler and Moore and himself. Mr. Shackelford then outlined the recommendations of the Import Fee Committee to date, including the following:

- Adopt regulations on water imported from sources outside the Authority;
- Establish a self-reporting format for payment of the import fees;
- Install additional meters to meter both permanent and emergency interconnects that serve areas outside of the Authority;
- Establish the import fee as the same amount as the pumpage fee;
- Establish penalties consistent with the existing Pumpage Fee Order;
- Conduct a public hearing before adopting the proposed import fee regulations;
- Include import fee regulations in the Pumpage Fee Order; and
- Designate an effective date of January 1, 2002.

A copy of the Import Fee Committee Findings and Recommendations is attached hereto.

Mr. Shackelford then explained that currently, there are only four (4) entities, Ponderosa Forest Utility District, Fountainhead Municipal Utility District ("Fountainhead"), Harris County Fresh Water Supply District No. 61 ("HCFWSD No. 61") and the City of Jersey Village ("Jersey Village"), that would be affected by the implementation of the import fees.

Ms. Victoria Hawkins of Northwest Harris County Municipal Utility District No. 23 stated that there were concerns whether districts with emergency interconnects with the COH would be subject to paying import fees.

Mr. Bob Bell of Fountainhead explained his district's unique situation of having one (1) well within the boundaries of the Authority and one (1) well located outside the boundaries of the Authority, and stated that Fountainhead should not be penalized over a situation it did not create.

Mr. Dale Brown, City Manager of Jersey Village, explained that Jersey Village had problems with subsidence and a failing primary water well years before the Authority was created. Mr. Brown explained that the City Council decided not to build another well, but to seek an alternate source of water and contracted with the COH to purchase 750,000 gallons of water per day from a COH well until conversion to surface water can be accomplished. Mr. Brown stated that Jersey Village's plan is to be 100% converted to surface water within three (3) to five (5) years. Mr. Brown requested that the Authority not impose an import fee or, alternatively, exempt Jersey Village from the payment of an import fee. A letter to the Authority from Jersey Village regarding the proposed import fees is attached hereto.

Mr. J. T. LeVay of Jersey Village then presented several public comments that were not related to the proposed import fees. Mr. Shackelford then requested that comments not related to the import fee matter be held until later in the meeting.

Mr. Ben Solis of HCFWSD No. 61 stated that his district had one (1) water well that was located outside the boundaries of the Authority long before the Authority was created and does not think it should be penalized with import fees.

Mr. Shackelford noted that H.B. 1110 gave districts that are split by the boundaries of the Authority and that do not have a well within the Authority the ability to opt out of the Authority or petition the Authority to include the land within the boundaries of the Authority by December 31, 2001 without incurring any penalty or payment of the current year's pumpage fees. Mr. Shackelford added that utilizing this provision would also mean that a split district would not have two (2) GRPs.

Mr. Bell of Fountainhead noted that December 31, 2001 was not too far away and asked what the time frame was for the Authority's decision on implementation of the proposed import fees. Mr. Shackelford stated that he anticipates that a decision on the implementation of import fees will be made prior to year end.

Mr. Kerry Simmons of Postwood Municipal Utility District commented that it made sense for the split districts to opt into the Authority.

PUBLIC HEARING ON BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2002

Mr. Shackelford then conducted a review of and public hearing on the proposed budget for the Authority for the fiscal year ending December 31, 2002, and explained that the Authority would consider the budget for approval and adoption at its regular meeting on August 14th. A copy of the budget summary entitled "Budget Planning Report" is attached hereto. A complete copy of the Budget Report for 2002 is on file in the Authority's records. Mr. Shackelford began his review by stating that his recommendation to the Board was to retain the current pumpage fee of \$0.25 per 1,000 gallons of water pumped by non-exempt wells for 2002. An in-depth review of the proposed budget was then presented by Mr. Shackelford. Mr. Shackelford explained that the 2002 base budget includes all of the work items that are needed to complete the Authority's GRP by January 1, 2003.

Mr. Shackelford next reviewed the items contained in the Supplemental Decision Package for the 2002 budget, including the items that were deleted by the Board during the August 8th budget workshop meeting in the Supplemental Decision Package, which can be found in the August 8th minutes.

Mr. Baugher first presented the budget items concerning costs for Engineering Services, including program management services. Following the presentation, Mr. Shackelford opened the floor for questions.

Mr. Bell of Fountainhead asked when the budget as modified would be available on the Authority's website. Mr. Shackelford responded that the revised budget would be available on the website on Friday, August 10th.

Mr. LeVay of Jersey Village stated that he was in favor of getting water as soon as possible from the COH. Mr. LeVay then presented a chart of Authority expenses that he has tracked and maintained since the Authority's inception. Mr. LeVay reminded the Board of the numerous times he had expressed concern about the Authority's expenditures. Mr. LeVay also presented numerous news articles about the Authority. Mr. LeVay stated that he will continue to monitor the activities and expenses of the Authority.

Mr. Solis of HCFWSD No. 61 asked for additional information regarding the engineering services expenses. Mr. Shackelford stated that supporting information on the budget would be posted on the website by Friday.

Ms. Gloria Malek of Northwest Harris County Municipal Utility District No. 10 ("NWHCMUD No. 10") commented that the proposed Groundwater Longevity Study seemed to be a duplication of the study being done by the Harris-Galveston Coastal Subsidence District (the "HGCSA"). Mr. Shackelford explained that the HGCSA is doing an assessment of the Gulf Coast region aquifers and is not studying the existing wells located in the north Harris County area. Mr. Shackelford explained that the proposed Groundwater Longevity Study would look at the sufficiency of the aquifers in the area of the Authority in the coming years. Ms. Malek then asked about the additional \$120,000 approved for the Alternate Source Study. Mr. Shackelford then reviewed the purpose and details of such study. Mr. Shackelford explained that \$15,000 of the 2001 budget reserve is being utilized for TC&B to review and investigate the availability of private water rights on the Brazos River and are the only new funds being used for the study. Mr. Shackelford added that \$105,000 of the study cost is part of the funds allocated in the 2001 budget for on-call engineering services. Mr. Shackelford stated that the on-call engineering consultants, including Dannenbaum Engineering Corporation, Pate Engineers, Inc. and Jones & Carter, Inc., are working on various aspects of the study to help provide the Board with the necessary information to make an informed decision concerning the availability and feasibility of obtaining water from the Brazos River.

Mr. Taylor Broun of NWHCMUD No. 10 commented that the Authority approved the \$120,000 against the public's wishes. Mr. Broun then stated that Director Moore was politicizing the Authority and exhorted the Board to stop spending Authority funds to pursue Brazos River water rights.

Mr. Brown of Jersey Village again addressed the Board and stated that it is his understanding that, if the Authority will enter a contract with the COH, the Authority will save an estimated \$1 million in engineering costs, which would be significant. Mr. Shackelford stated that he would have a report on the status of the study, which will be given at the August 14th meeting, and that the findings of the study, along with a COH update, will be presented at a special meeting of the Board in late September.

Mr. Shackelford then announced that the Authority's regular meeting would be on August 14, 2001 at the Ponderosa Fire Station.

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

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

/s/Lenox A. Sigler

Secretary, Board of Directors

(SEAL)

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