

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

September 18, 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 18th day of September, 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; Messrs. Alan Potok, P.E. and Michael Baugher, 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. Ray Zobel, a member of the City of Houston (the "COH") Regional Advisory Board; Ms. Kim Canon, reporter for the Houston Chronicle; Ms. Parish Achen, reporter for the 1960 Sun; and Ms. Robin S. Bobbitt and Mr. Andrew Johnson, attorneys, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov LLP ("Johnson Radcliffe"), 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 apologized for the inconvenience of canceling and rescheduling the Authority's regular meeting from September 11th to tonight due to the terrorist attacks. 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. Doyle Taylor of Klein Public Utility District of ("Klein PUD"), who stated that the Klein PUD Board of Directors had asked him to convey to the Authority that Klein PUD was in total agreement with Harris County Fresh Water Supply District No. 61 ("HCFWSD No. 61") concerning the need for the Authority to focus on negotiations with the COH and to cease its pursuit of water from the Brazos River.

Director Rendl then recognized Mr. Joe Zeller of Harris County Municipal Utility District No. 104 ("HCMUD No. 104"), who also stated that the Board of Directors of HCMUD No. 104 was in concurrence with HCFWSD No. 61 and that a letter had previously been sent to the Authority stating their position.

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 July 10, 2001 and the special meetings of August 8, 2001 and August 9, 2001. Director Rendl noted that approval of the minutes of the executive sessions of April 25, 2001 and June 12, 2001 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 July 10, 2001 and the special meetings of August 8, 2001 and August 9, 2001, as written.

Mr. Shackelford then explained that the request to increase the signature authority of the General Manager from \$5,000 to \$10,000 was in line with the checking account policy at Klein Bank. Mr. Shackelford further explained that a number of administrative expenditures exceed his signature authority of \$5,000 but have been approved in the Authority's budget and, therefore, he was requesting an increase in the signature authority. 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 adopt the Amended Resolution Regarding Checks Disbursed From Administrative Operating Account, thereby increasing Mr. Shackelford's signature authority to \$10,000, a copy of which is attached hereto.

Ms. Bobbitt then reported that during the redistricting process, the engineers realized that when certain districts were excluded from the Authority's boundaries in February, 2001, there were non-district wells that were not excluded from the Authority, including private wells owned by golf course and other similar entities and that such matter needed clarification. Ms. Bobbitt explained that an Amended and Restated Order Excluding Land and Redefining Boundaries of the Authority has been prepared to make it clear that the privately-owned wells located in districts that have been excluded from the Authority are not excluded or exempt from the payment of pumpage fees. 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 adopt such Order, a copy of which is attached hereto.

FINANCIAL REPORT

Director Rendl then recognized Ms. Plunkett, who reviewed with the Board the Financial Report, including the monthly investment report, budget comparison for eight (8) months and the checks being presented for payment, copies of which are included in the Report. Ms. Plunkett noted that the Authority's

expenditures continue to be under budget by approximately \$2 million. Ms. Plunkett next reviewed a summary of quarterly pumpage fee receipts for 2001, a copy of which is attached hereto. Ms. Plunkett then noted that there had been an error in the budget for 2002, which was approved at the August 14th meeting, and explained that the \$59,595 cost for a GIS/CAD Technician had been itemized under both the Management Services account and the Supplemental Decision Items and should have been listed only under one (1) account. 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

In the absence of Ms. Payne, Mr. Shackelford reported that the Authority's Web site had approximately 21,915 hits in August with an average of 608 hits per day. Mr. Shackelford noted that the Communication Committee had not had a meeting since the Board's last meeting.

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

Mr. Baugher reviewed the status of the various engineering studies with the Board. Mr. Baugher reported that the final draft of the GIS Project Manual and NHCRWA Database had been submitted to the Texas Water Development Board (the ATWDB@) on August 30, 2001 for review.

Mr. Baugher then reported that the Reliant Energy reuse study being prepared by Dannenbaum Engineering Corporation ("Dannenbaum") was submitted for review and comment on August 2, 2001 to the Water Users Advisory group. Mr. Baugher reported that the effluent looks acceptable, but may require additional treatment for reuse purposes.

Mr. Baugher next reported that Alexander Engineering, Inc. had been granted a thirty (30) day extension of time to complete the Water Reclamation/Reuse Study. Mr. Baugher added that a draft of the study has been submitted to the Project Management team for review. Director Burke asked that the Board be provided with copies of the studies and reports.

Mr. Baugher then reported that the notice to proceed for the preparation of the Authority's Water Conservation Plan had been issued on July 12, 2001, and that the plan was presented at the second TWDB public hearing on August 9, 2001 and, subsequently, submitted to the TWDB on August 30, 2001 for review.

Concerning the groundwater reduction plan (the AGRP@), Mr. Baugher reported that the Advisory Consultant team was in the process of reviewing alternate GRP strategies. Mr. Baugher added that the Program Management team has been meeting and working with the Advisory Consultant team to complete

and finalize the components and findings of the alternate source study. Mr. Baugher noted that the findings and conclusions will be presented at the special meeting of the Board on October 2, 2001.

Director Burke commented that the issues concerning the GRP will be of greatest concern to the utility districts and that it may take several public meetings to disseminate the GRP information. Director Rendl noted that there were funds allocated in the budget for public meetings on the GRP, which will provide an opportunity to obtain input from the utility districts on the GRP.

Returning to the General Manager's Report, Mr. Shackelford announced that a special meeting of the Board would be held at the Ponderosa Fire Station on October 2, 2001 to present the preliminary findings of the alternate water supply source investigation.

Director Burke then requested that the General Manager schedule a special meeting for the Board to discuss the COH term sheet. Mr. Shackelford reported that the Director's packets distributed at tonight's meeting contained a draft of a COH term sheet for the Board's review and suggested that a special meeting and executive session be called for September 26, 2001, at 7:00 p.m. at the Authority's offices to discuss such matter.

Mr. Shackelford next asked Mr. Potok to present his recommendation concerning the Groundwater Longevity Study previously proposed by Director Moore. Mr. Potok then reviewed his meetings and discussions with representatives of the TWDB concerning the limited availability of TWDB funds for the remainder of this year and the outcome of his review of various datasets with regard to the proposed study. Mr. Potok noted that a funding request would have to go to the Region H Planning Group for approval. Mr. Potok then presented his conclusions and recommended that the Board postpone the Groundwater Longevity Study until next year when a source of water has been identified and the feasibility of an accelerated conversion schedule is determined. A copy of Mr. Potok's talking points and a map depicting water, oil and gas wells within the boundaries of the Authority are attached hereto.

Mr. Shackelford then reported on the receipt of letters and resolutions from numerous utility districts within the Authority, including Harris County Municipal Utility District No. 364, Cypress Hill Municipal Utility District No. 1, Harris County Municipal Utility District No. 18, Harris County Municipal Utility District No. 358, HCFWSD No. 61, Heatherloch Municipal Utility District, Harris County Water Control & Improvement District No. 91 and HCMUD No. 104, each requesting that the Authority discontinue expenditure of funds in connection with the investigation and acquisition of Brazos River water rights and exhorting the Authority to initiate good faith negotiations with the COH. Copies of such letters and resolutions are attached hereto, along with a complete list of letters and resolutions that have been received to date.

Mr. Shackelford then noted that the Board's meeting packets included a memorandum regarding the draft of the Regional Water Supply Contract between the COH and the West Harris County Regional Authority (the AWHCRWA). Copies of the memorandum and the proposed contract are attached hereto.

Mr. Shackelford then briefly reviewed the miscellaneous correspondence provided to the Board in their meeting packets, which included a letter from Senator J. E. ABuster@Brown concerning S.B. 1335, a

letter from TCB concerning the cost of the water estimate used in the alternate source study, notice of the second annual TWCA/TRWA Water Law Seminar on January 24 and 25, 2002, and other miscellaneous correspondence. Copies of all such items are attached hereto. Mr. Shackelford noted that he was working with Mr. Bresnen and Ms. Bobbitt to prepare a response letter to Senator Brown.

Mr. Shackelford next announced that he was going to schedule an informational meeting following the special October 2, 2001 meeting, for the attorneys representing the utility districts within the Authority. Mr. Shackelford also announced that the Import Fee Committee would meet next week.

Mr. Shackelford reported that he had recently received a call from the Harris County Sheriff's Department to inquire regarding security measures for plant facilities in the utility districts within the Authority. Mr. Shackelford stated that he and Ms. Payne would provide a list of the utility district operators to the Sheriff's Department. Mr. Shackelford added that if any information is received from the Sheriff's Department concerning security matters, it will be posted on the Authority's Web site.

Director Rendl inquired regarding the status of the Authority's relationship with the WHCRWA. Mr. Shackelford responded that he continues to maintain an open line of communication with Joe B. Allen and Dan Sallee of the WHCRWA and that Dannenbaum is a consultant to both the WHCRWA and the Authority. Mr. Shackelford stated that he would attend a meeting of the Harris-Galveston Coastal Subsidence District on September 25, 2001 to discuss GRP issues with representatives of the Authority, the WHCRWA and the COH. Director Pulliam inquired regarding Mr. Shackelford's recent contacts with the COH. Mr. Shackelford responded that he is working on the COH term sheet. Director Pulliam then inquired if it appeared the COH wanted to work out a water supply contract with the Authority. Mr. Shackelford responded that he believes the COH is willing to negotiate contract terms, but that neither side is ready to sign a contract at this point in time. Mr. Shackelford stated that more detailed information would be available at the October 2nd meeting.

Director Sigler then asked Mr. Shackelford how many meetings he had participated in with the COH. Mr. Shackelford responded that approximately twenty (20) meetings had been scheduled with the COH and that fifteen (15) or sixteen (16) of such meetings had been held since the Authority's creation. Director Sigler asked how Mr. Shackelford would characterize the meetings with the COH. Mr. Shackelford responded that the first few meetings were to establish contacts and develop relationships with the COH and that several meetings were necessary to overcome certain barriers that existed due to prior dealings among the parties. Mr. Shackelford reminded the Board that discussions with the COH had slowed during the negotiations with the Chocolate Bayou Water Company. Director Sigler inquired if the Authority was on good terms with the COH. Mr. Shackelford responded that to his knowledge, the Authority is on good terms with the COH, but that a significant number of discussions will be necessary to negotiate all of the terms of a water supply contract.

Mr. Shackelford then reminded the Board that he would be out of the office September 19th through September 21st on vacation.

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 General Manager's Report.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that a memorandum and recommendation regarding the placement of materials and information on the information table during Authority meetings was included in the meeting packet, a copy of which is attached hereto. Upon motion by Director Burke, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to limit information that is placed on the table during meetings to Authority-related and approved items only, such as sign-in sheets, minutes, agendas, etc.

Ms. Bobbitt next reported that a memorandum regarding usage of Robert's Rules of Order had also been included in the meeting packets for the Board's consideration, a copy of which is attached hereto. Following a brief discussion, the Board agreed to continue to use Robert's Rules of Order during Board meetings.

Ms. Bobbitt then discussed the upcoming election on November 6, 2001 and several of the proposed constitutional amendments. A summary of the proposed amendments is attached hereto. Ms. Bobbitt noted that passage of Proposition 11 would allow current and retired public school teachers and retired public school administrators to receive compensation for serving on the governing bodies of school districts, cities, towns, or other local government districts.

Ms. Bobbitt went on to report that she was in the process of preparing the Voting Rights Act submission letter to the U.S. Justice Department for the upcoming Directors Election on February 2, 2002. Ms. Bobbitt stated that each Board member had been provided with a candidate/campaign packet for the February 2, 2002 Directors Election and announced that such packets would be available from the Authority's office or from Johnson Radcliffe for any prospective candidate. Mr. Shackelford noted that the map of the approved redistricting lines was on display at the Authority's office.

Ms. Bobbitt next reported that Northwest Park Municipal Utility District has expressed concern regarding the impact of an import fee on property they are proposing to annex. Ms. Bobbitt stated that no definitive response on the issue 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 to resolve the remaining delinquent pumpage fee accounts.

NEXT MEETING DATE AND MISCELLANEOUS MATTERS

Mr. Shackelford then announced that special meetings of the Board will be held on Wednesday, September 26, 2001, at the Authority offices at 7:00 p.m. and on Tuesday, October 2, 2001, at the Ponderosa Fire Station at 7:00 p.m.

Mr. Shackelford noted that the Board's next regular meeting will be held on Tuesday, October 9, 2001, at the Ponderosa Fire Station.

ADDITIONAL PUBLIC COMMENTS

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

Ms. Frances Bland of Tattor Road Municipal Utility District questioned whether a list of the districts that had submitted letters and resolutions to the Authority had been mentioned in the minutes. Ms. Bobbitt responded that the Authority was maintaining a list of such letters and resolutions and that the minutes of the meetings would reflect what districts had sent letters and resolutions to the Authority.

Ms. Dinorah Gonzalez of Coats Rose Yale Holm Lyman & Lee, P.C. inquired if the policy regarding the type of information to be placed on the information table during meetings should be extended to include the type of information that is allowed on the Authority's Web site. The Board acknowledged that they would need to further discuss the matter in light of the upcoming Directors Election.

Mr. Tom Crain of Postwood Municipal Utility District asked if the list on the Web site concerning the Authority's meetings with the COH was up-to-date. Mr. Shackelford stated that the list was not current and would be updated.

Mr. Garey Nelson of Bammel Utility District ("Bammel UD") then asked for an explanation of the graph that was attached to the Program Manager's Report. A brief discussed ensued.

Mr. Doyle Taylor of Klein PUD asked if the Web site included information on the new voting district lines within the Authority. Mr. Shackelford responded that a list of the districts included within the new voting districts of the Authority should be available tomorrow. Mr. Shackelford stated that at this time, there were no split voting precincts resulting from the redistricting.

Mr. Gerald Jozwiak of Harris County Municipal Utility District No. 43 then asked who had requested the presence of a security officer at the Authority's meetings. Mr. Shackelford responded that a Board member had requested that an officer be present at the July meeting. The Sheriff's deputy present in the meeting stated that his office had received a call to come by the meeting.

Mr. Mark Edwards of Bammel UD commented that 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 utility 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.

Public comment ended at 8:10 p.m. and the meeting was adjourned.

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

/s/Lenox A. Sigler

Secretary, Board of Directors

(SEAL)

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