

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

January 8, 2002

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 8<sup>th</sup> day of January, 2002, 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; Messrs. Alan Potok, P. E. and 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; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation ("Dannenbaum"), on-call engineering consultant for the Authority; Mr. Dave Scholler, P. E. of Brown & Gay Engineers, Inc., ("Brown & Gay"), water conservation study engineering consultant for the Authority; Mr. Ray Zobel, a member of the City of Houston Regional Advisory Board; Ms. Paris Achen of the 1960 Sun; Ms. Kim Canon of the Houston Chronicle; and Ms. Robin S. Bobbitt and Mr. Andrew P. Johnson, attorneys, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, 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

No comments from the public were received at this time.

CONSENT AGENDA

Director Rendl next 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 December 11, 2001, the special meeting of December 28, 2001 and

the executive sessions of April 25, 2001, June 12, 2001 and December 28, 2001. Director Rendl noted that approval of the minutes of the executive sessions of April 25, 2001, June 12, 2001 and December 28, 2001 would be deferred. Director Rendl added that the Board had also been provided with copies of the minutes of the special meeting of October 2, 2001, but that such minutes were not reflected on the agenda.

Director Rendl stated that the second item on the Consent Agenda was adoption of the Resolution Amending Fees of Office, copy of which is attached hereto. Director Rendl briefly explained that, as previously discussed by the Board, the Board's per diem amount would be increased from \$100 to \$150 per meeting with a maximum of \$6,000 per year, effective January 1, 2002.

Director Rendl noted that the third Consent Agenda item was to ratify approval and authorization of execution of the request by the Texas Water Development Board ("TWDB") for a time extension/contract amendment regarding the 2001 Regional Facility Planning Grant.

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 December 11, 2001 and the special meeting of October 2, 2001, as written, and to approve Consent Agenda item nos. 2 and 3.

Ms. Katie Ware of Fountainhead Municipal Utility District asked for a copy of Mr. Bob Koperwhats' statement provided at the meeting of December 11, 2001 for inclusion in the minutes.

#### 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 twelve (12) months ending December 31, 2001 and the checks being presented for payment, a copy of which is attached hereto. Ms. Plunkett noted that the Authority was \$3.5 million under budget for the fiscal year ending December 31, 2001. Ms. Plunkett reported that fourth quarter pumpage fees for 2001 were payable on or before January 31, 2002. Ms. Plunkett noted that pursuant to Director Burke's request at the December meeting, a draft of a year-end budget comparison was attached to her Report for the Board's review.

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 23,727 hits since December 11, 2001, and that the average length of a visit was 8.5 minutes. Ms. Payne reported that final changes were being made to the January publication of the Waterlines newsletter. Director Rendl inquired whether information on the candidates will be posted on the Authority's Web site. Mr. Shackelford responded that the matter had been previously discussed by the Board, but had not been decided upon. Ms. Bobbitt stated that there was nothing illegal about posting the candidate

information, but suggested the Authority not do so to avoid any negative ramifications or implications.

PROGRAM MANAGER'S REPORT

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

Mr. Baugher first 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. Mr. Baugher reported that Dannenbaum received comments from Reliant Energy on December 26, 2001 and is finalizing the study.

Mr. Baugher next reported that he had completed his review and comments on the revised draft report of Alexander Engineering, Inc.'s ("Alexander") Water Reclamation/Reuse Study and provided such comments to Alexander for finalization of such study.

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.

Mr. Baugher next 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.

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 items included in the meeting packets, including a letter from Harris County Fresh Water Supply District No. 52 and Mr. Shackelford's response to such letter; a letter from Harris County Municipal Utility District No. 151 and Mr. Shackelford's response to such letter; and a letter from Harris County Municipal Utility District No. 132 and Mr. Shackelford's response to such letter. Copies of all such items are attached hereto.

Mr. Shackelford next noted that he had received a letter from Bammel Utility District requesting an adjustment in their pumpage fees for the last quarter of 2001 due to 900,000 gallons of their water being used in the efforts to extinguish the fire at the Woods Resources Recycling Landfill. Mr. Shackelford noted that the matter would be placed on the agenda for the February meeting.

Mr. Shackelford also noted that the Authority's Amended and Restated Procedural Rules will need to be revised to reflect the increase in the Board's per diems and that such item will be placed on the February agenda.

Mr. Shackelford next reported that a copy of City of Houston (the "COH") Ordinance No. 2001-1130 adopting a three (3) year annexation plan in accordance with Section 43.052 of the Texas Local Government Code had been included in the meeting packets. A copy of such Ordinance is attached hereto. Mr. Shackelford stated that it appears that the COH is not planning any annexations over the next several years.

Mr. Shackelford then gave a status report on the meeting with the COH representatives on December 14, 2001 to discuss and negotiate a water supply contract. Mr. Shackelford stated that the meeting included good, positive discussions about the proposed terms and provisions of a water supply contract. Mr. Shackelford noted that the COH seems to prefer a system-wide rate structure rather than an area rate structure at this time and that the COH has stated that only 6% of COH revenues come from contract water sales. Director Burke inquired if there had been any discussion concerning the "any lawful purpose fund" issue. Mr. Shackelford explained that it is his understanding that once the COH meets its debt service obligations, any excess funds can be transferred to the "any lawful purpose fund" under existing COH ordinances. Director Rendl commented that if only 6% of the COH revenues are from contract water sales, it was safe to assume that only a small amount of contract water revenue would be available to transfer to the "any lawful purpose fund."

Mr. Shackelford next explained that he had discussed with the COH representatives delivery of water from the Jersey Village pump station which is scheduled to be upgraded by the COH. Mr. Shackelford stated that he had told the COH that the Authority would need approximately 25 million gallons of water and that the COH representatives thought that the Jersey Village pump station could possibly supply such demand. Mr. Shackelford reported that the matter concerning price caps was mentioned during the meeting, but that the COH stated they were not receptive to such provisions.

Director Burke then inquired whether participation in capital costs was discussed at the meeting. Mr. Shackelford responded that the COH has historically been in favor of the Authority paying its pro rata share of capital costs for infrastructure that is not already included in the ordinance rate for surface water. Mr. Shackelford noted, however, that the COH had stated that they did not want multiple owners in any of their surface water plants. Mr. Shackelford added that the COH was somewhat receptive to the suggestion that the Authority participate in the long-range planning of the infrastructure system.

Mr. Shackelford completed his report by noting that as of the special meeting of December 28, 2001, ten (10) water districts and two (2) entities had petitioned to be included in the boundaries of the Authority and that no petitions were received after such date. Such entities include Ponderosa Forest Utility District, Richey Road Municipal Utility District, Harris County Municipal Utility District No. 86, Fountainhead Municipal Utility District, Westador Municipal Utility District, Harris County Fresh Water Supply District No. 61, Harris County Municipal Utility District No. 248, CNP

Utility District, Harris County Municipal Utility District No. 109, North Park Public Utility District, Reliant Energy T. H. Wharton Generator Station and Greens Road Mobile Home Community.

ATTORNEY'S REPORT

Ms. Bobbitt then reported on the status of the upcoming Directors Election to be held on Saturday, February 2, 2002. Ms. Bobbitt stated that the agreement between the Authority and Harris County (the "County") relating to the conduct and administration of the election was approved at the Harris County Commissioners Court meeting earlier today. Ms. Bobbitt reported that she and Ms. Dold met with Tony Sirvello, Administrator of Elections for the Elections Department of the County Clerk's office, on December 20, 2001 to discuss the upcoming election, including the early voting and general polling locations. Ms. Bobbitt noted that Harris County Commissioners Court was scheduled to review and approve the new voting precincts on January 15, 2002 and that early voting for the Directors Election begins on January 16, 2002. Ms. Bobbitt reported that as soon as the County provides her with the polling place designations and the new precinct designation information, such information will be posted on the Authority's Web site. Ms. Payne added that she will work with Ms. Bobbitt's office to assist with distribution of the polling location and precinct information.

Ms. Bobbitt next reviewed a list of the candidates and the order in which the candidates' names will appear on the ballots. A copy of such list is attached hereto. Ms. Bobbitt then reviewed the rules and procedures for the filing of Candidates' and Office Holders' Campaign Finance Reports and explained that the filing agent for the Authority is Johnson Radcliffe Petrov & Bobbitt PLLC.

STATEMENT BY DIRECTOR MOORE

Director Moore then requested time to deliver a statement to the Board and those in attendance at the meeting. A copy of such statement is attached hereto. Upon conclusion of his statement, Director Moore exited the meeting at 7:55 p.m.

NEXT MEETING DATE AND MISCELLANEOUS MATTERS

Director Rendl then announced that a special meeting of the Board will be held at 8:00 a.m., on Friday, February 8, 2002, at the offices of the Authority for the purposes of canvassing the results of the Directors Election and that the Board's next regular meeting will be held on Tuesday, February 12, 2002, at the Ponderosa Fire Station.

Mr. Owen Parker of Harris County Municipal Utility District No. 109, asked that the list of candidates be repeated. Ms. Bobbitt then again reviewed the ballot positions for the candidates.

Mr. Doyle Taylor of Klein Public Utility District asked about the single-member voting district lines and the Harris County voting precinct lines. A brief discussion ensued concerning districts that are split by voting district lines.

There being no further business to come before the Board, the meeting was adjourned at 8:02 p.m.

PASSED, APPROVED AND ADOPTED this 12<sup>th</sup> day of February, 2002.

---

Secretary, Board of Directors

(SEAL)

K:\NHCRA\Minutes\01-8-02-Regular.DOC  
#853.0000