

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

May 6, 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 6<sup>th</sup> day of May, 2002, at the Ponderosa Volunteer Fire Department, 17061 Rolling Creek Drive, 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:

Lenox A. Sigler	President
Jim Pulliam	Vice President
Ron Graham	Secretary
Kelly P. Fessler	Treasurer
Alan J. Rendl	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. Alan Potok, P.E. of Turner Collie & Braden, Inc., Program Manager and alternate source study engineering consultants for the Authority; Messrs. Gary Smith, P.E. and Nathan Billiot, P.E. of ARCADIS WSBC ("ARCADIS"), Program Manager for the Authority; Mr. Dave Scholler, P.E. of Brown & Gay Engineers, Inc. ("Brown & Gay"), water conservation study engineering consultant for the Authority; Mr. Jim Dannenbaum, P.E. of Dannenbaum Engineering Corporation, on-call engineering consultant for the Authority; Mr. Gene Shepherd of Legg Mason Wood Walker, Inc., financial advisors for the Authority; State Representative Peggy Hamric; Ms. Pat Wisniewski, representing Senator Jon Lindsay; Mr. Ernest Rebuck, P.E. of the Texas Water Development Board (the "TWDB"); Mr. Ray Zobel, a member of the City of Houston Regional Advisory Board; Ms. Amanda Waters 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.

Director Sigler first acknowledged the presence of State Representative Hamric and Mr. Rebuck of the TWDB.

FINAL PUBLIC MEETING REGARDING 2000 TEXAS WATER DEVELOPMENT BOARD GRANT

Mr. Smith first gave a power point presentation regarding the final public meeting on the Authority's TWDB 2000 grant which funded portions of the Water Conservation Plan prepared by Brown & Gay, the Geographic Information System prepared by Cobourn Linseisen & Ratcliff, Inc., and the early action plan work done by ARCADIS. A copy of Mr. Smith's presentation is attached hereto. Mr. Smith concluded his presentation by reporting that each of the studies were finalized and had been submitted to the TWDB and that all of the terms of the grant contract had been fulfilled.

Mr. Zobel asked if the work presented by Pate Engineers, Inc. and Jones & Carter, Inc. pertaining to the integrated water distribution system was in fact an early action plan. Mr. Smith noted that the integrated water distribution system could be considered an early conversion plan.

Mr. Garey Nelson of Bammel Utility District inquired as to the feedback from the TWDB on the studies/reports. Mr. Smith responded that the TWDB had only requested certain technical and editorial clarification regarding the studies/reports.

#### PUBLIC COMMENT

Director Sigler then opened the meeting to public comments.

The Board recognized Mr. Steven Teeples of Northwest Harris County Municipal Utility District No. 15, who asked whether the Board had given any thought to Governor Rick Perry's recent statement in the newspaper regarding the use of water desalination to meet future water demands in Texas. Director Sigler responded that to date salt water desalination is too costly a process to provide an alternate source of water.

#### CONSENT AGENDA

Director Sigler next briefly reviewed with the Board the items reflected on the Consent Agenda. Director Sigler 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 Sigler then stated that the first item on the Consent Agenda is approval of the minutes of the regular meeting of April 2, 2002. Director Sigler noted that there were several minor corrections to such minutes. It was noted that approval of the March 23, 2002 minutes was deferred.

Director Sigler stated that the second item on the Consent Agenda is approval of the Authority's audit report for the fiscal year ending December 31, 2001, a copy of which is attached hereto.

Upon motion by Director Rendl, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of April 2, 2002, as corrected, and to approve the audit report for the fiscal year ending December 31, 2001, including authorizing execution of the Affidavit of Filing and authorizing the filing of same with the Texas Natural Resource Conservation Commission (the "TNRCC").

## FINANCIAL REPORT

Director Sigler then recognized Ms. Plunkett, who reviewed the Financial Report with the Board, including the monthly investment report and the budget comparison for the month of March, a copy of which is attached hereto. Ms. Plunkett noted that the budget comparison for the first quarter of 2002 was \$1 million under budget. Director Pulliam noted that the month of April appears to be missing from the budget comparison. Mr. Shackelford reminded him that the books for March had just been closed and that the month of April will not be reflected until next month's meeting. Ms. Plunkett then reviewed the first quarter pumpage fee receipts and noted that there were more unpaid accounts than usual, but that the fees were not delinquent until May 10, 2002. Ms. Plunkett also reviewed a list of well owners that would receive refunds for 2001 pumpage fees as a result of pumping less than 5 million gallons in 2001, a copy of which is attached hereto.

Mr. Shackelford noted that a new investment pool, comprised of the former management team for TexPool, had been formed named TexSTAR and were currently offering an interest rate slightly higher than the current TexPool rate. Ms. Bobbitt stated that she was in the process of reviewing the information packet from TexSTAR.

Ms. Plunkett next noted that a request for an attorneys' representation letter concerning the Authority's audit report for the fiscal year ending December 31, 2001 and a letter from the Tipton Group notifying the Authority of a change in the monthly escalation amount on the Authority's office lease had been received during the month. Ms. Plunkett also reviewed a list of well owners receiving pumpage fee refunds for 2001 and a list of pumpage volumes for 2001. Copies of these items are attached hereto.

Upon motion by Director Pulliam, seconded by Director Fessler, 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 next reported that the Authority's Web site had approximately 21,412 hits in April, which represents an average of 690 hits per day. Ms. Payne announced that 90% of the face lift for the Web site had been completed. Ms. Payne also noted that the agendas and minutes for 2000 will be archived to allow for more space on the Web site and that power point presentations will be archived after thirty (30) days.

Ms. Payne next reported that she is working with Mr. Shackelford on the schedules and presentations for the general Town Hall meeting and the meetings to be held within each of the single-member voting districts and noted that information concerning the meetings is available on the Web site. Ms. Payne reported that the general session Town Hall meeting will be held on Tuesday, May 28, 2002, at 7:30 p.m. at Champion Forest Baptist Church.

Ms. Payne also reported that the Water Users Advisory Group met May 2, 2002 and that there was a lively dialogue and exchange between the members of such group and Directors Sigler and Graham.

#### PROGRAM MANAGER'S REPORT

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

Mr. Smith first noted that the draft of the Groundwater Reduction Plan (the "GRP") would be ready within the next few weeks and will be submitted to the General Manager and the Board for review and comment prior to the Town Hall meetings. Mr. Smith noted that the draft GRP is still on target to be submitted to the Harris-Galveston Coastal Subsidence District on July 3, 2002. Director Pulliam inquired whether the preparation of the GRP is behind schedule. Mr. Smith responded that the GRP is approximately 75% complete and is still on schedule for timely completion.

#### 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 stated that he would first provide a status report on the contract negotiations with the City of Houston (the "COH"). Mr. Shackelford reported that the negotiating team has now met twice with the COH since receipt of the revised principles and terms for the sale of potable water on March 19, 2002 and that the next meeting is scheduled for May 9<sup>th</sup>, at which time it is anticipated that the raw water calculations will be made available. Mr. Shackelford also reported that contract language modifications are being exchanged between the COH and Ms. Bobbitt. Mr. Shackelford noted that representatives of the West Harris County Regional Water Authority (the "WHCRWA") and the Central Harris County Water Users Group (the "CHCWUG") will be joining the negotiation discussions in the future, with such meetings to be held on a biweekly basis.

Mr. Shackelford next reported that meetings are continuing with Reliant Energy pertaining to their joining the Authority's GRP and the possibility of the Authority obtaining an option to purchase Reliant Energy's contract water.

Mr. Shackelford went on to report that he and Mr. Potok have a meeting scheduled with representatives of the Brazos River Authority on May 9, 2002 to discuss the availability and pricing of their water.

Director Rendl noted that he had recently attended a meeting of the North Houston Association, at which Mr. Jon Vanden Bosch, Public Works Director for the COH, was the featured speaker. Director Rendl explained that Mr. Vanden Bosch had discussed water issues and the duty/role that the COH has to provide water to the north Harris County area. Director Rendl noted that Mr. Vanden Bosch stated several times that the cost of water would be whatever the cost is and that he was aware of the time restraints for filing the GRP.

Director Fessler inquired whether the WHCRWA has issues with the COH water contract negotiations that are different from the Authority's issues. Mr. Shackelford responded that there are a few issues that are different, but that the focus is on the common issues and concerns of the three (3) groups.

Mr. Shackelford next reported that the questions and answers from the meetings recently held in the single-member voting districts had been prepared and would be posted on the Authority's Web site. A copy of such questions is attached hereto.

Mr. Shackelford then noted that a news release from Governor Perry concerning water issues was included in the meeting packets, a copy of which is attached hereto.

Director Rendl noted that the first set of single-member voting district meetings seemed to have positive feedback and expressed his appreciation to the directors and consultants who helped to organize such meetings. Mr. Shackelford concurred and stated that a volunteer was needed to organize a meeting in single-member Voting District No. 2. Mr. Roy Lackey of Harris County Municipal Utility District No. 368 then offered to assist in organizing such meeting.

Director Fessler then requested that his constituents communicate with him via e-mail.

Mr. Shackelford next noted that two (2) newspaper articles, a memorandum concerning Senate Bill 2 and the formation of the Texas Water Advisory Council (the "TWAC") and a list of the TWAC members were included in the meeting packets. Copies of such are attached hereto. Mr. Shackelford noted that the Authority is in Group 4 of the TWAC list and is scheduled for review in the Fall of 2003. Mr. Shackelford also reported that the Authority will be required to have a management audit to submit to the TNRCC and the TWDB.

Mr. Shackelford went on to report that a revised list of the Town Hall meetings was included in the meeting packets, a copy of which is attached hereto. Mr. Shackelford noted that at the Board's June meeting, he would likely request the Board's authorization to contact the individual water districts within the designated core area of the proposed integrated water distribution system to discuss their interest in buying or selling water to the Authority. Director Rendl asked if steps were being taken to inform the general public on the proposed integrated water distribution plan. Mr. Shackelford responded that Ms. Payne was working with him to disseminate the information to the general public and that a detailed review of the plan will be presented at the Town Hall meetings.

#### ATTORNEY'S REPORT

Ms. Bobbitt briefly reported on the negotiations with the COH and communications with attorneys with Vinson & Elkins, L.L.P. ("V&E") regarding several sections of the proposed contract with the COH. Ms. Bobbitt noted that Mr. Abraham Rubinsky, legal counsel to the CHCWUG, will attend the meeting with the COH on May 9<sup>th</sup>, along with Messrs. Joe B. Allen and Alex Garcia of V&E, who represent the WHCRWA. Ms. Bobbitt stated that the COH has stressed that they want to use the same general contract for each of the entities involved in the water supply contract negotiations. Ms. Bobbitt further explained that it is proposed that the Authority would enter into a contract with the CHCWUG regarding their participation

in the main water transmission line from the Northeast Plant. Director Sigler inquired whether the utility districts in the CHCWUG were contiguous to the Authority and to the COH. Ms. Bobbitt responded that several of the CHCWUG districts are contiguous to or near both the Authority and existing COH lines.

PUBLIC COMMENT

Director Sigler then opened the floor to additional public comments.

Mr. Lackey asked for the e-mail addresses for persons residing in single-member Voting District No. 2. Ms. Payne responded that she would provide such information to Mr. Lackey.

NEXT MEETING

Mr. Shackelford announced that the next regular meeting of the Board would be held on Monday, June 3, 2002, at 7:00 p.m. at the Ponderosa Volunteer Fire Department.

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

PASSED, APPROVED AND ADOPTED this 3<sup>rd</sup> day of June, 2002.

/s/ Ron Graham  
Secretary, Board of Directors

(SEAL)