

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

February 25, 2002

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 3:00 p.m. on the 25th day of February, 2002, at the Authority's office at 3648 FM 1960 West, 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:

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. Lisa Sagstetter, Administrative Assistant for the Authority; Ms. Cyndi Plunkett, Financial Assistant for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Messrs. Alan Potok, P. E., 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; Messrs. Malcolm Beckendorf, P.E. and Gary Smith, P.E. of ARCADIS WSBC, Program Manager for the Authority; Mr. Carl Linseisen, P.E. of Cobourn Linseisen & Ratcliff, Inc., GIS data collection consultant for the Authority; Mr. John Howell of The GMS Group, Inc., financial advisors for the Authority; Mr. Duncan Lamme of Legg Mason Wood Walker, Inc., financial advisors 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; Messrs. Paul Bacon and John Wallace of Bacon & Wallace, L.L.P. ("Bacon & Wallace"); Ms. Sara Anderson of Smith Murdaugh Little & Bonham, L.L.P. ("Smith, Murdaugh"); Ms. Maria Parker and Ms. Dinorah Gonzales of Coats Rose Yale Ryman & Lee ("Coats Rose"); Mr. Mark Brooks of Young and Brooks; Mr. Michael Cole of Cole & Dougherty; Mr. Howard Cohen of Schwartz Page & Harding, L.L.P. ("Schwartz Page"); and Ms. Robin S. Bobbitt and Mr. Andrew P. Johnson, attorneys, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("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 COMMENTS

Director Rendl requested that the Board accept comments from the public even though the item was not included on the agenda. Director Sigler stated that the Board would take comments from the public, but requested that comments be limited to three (3) minutes each.

The Board first recognized Mr. Bob Koperwhats of Harris County Water Control & Improvement District No. 91, who read a prepared statement, a copy of which is attached hereto. Mr. Koperwhats asked that the Board defer item no. 2 on the agenda until after item no. 5 was discussed. Mr. Koperwhats also asked that the Board not change the Authority's regular meeting date and location.

The Board then recognized Mr. Roy Lackey of Harris County Municipal Utility District No. 368 and representing the City of Tomball, Texas, who read a prepared statement, a copy of which is attached hereto. Mr. Lackey questioned what the Board's intent was concerning the suspension of work on all engineering projects, other than the Groundwater Reduction Plan (the "GRP") work being done by TC&B, as directed by the Board at the February 12th meeting. Mr. Lackey also questioned why the regular meeting date needed to be changed.

The Board next recognized Mr. Michael Cole of Cole & Dougherty, who stated he wished to defer his comments until after the discussion of item no. 5 on the agenda. Mr. Bacon of Bacon & Wallace and Mr. Brooks of Young and Brooks also deferred their comments until after the discussion of agenda item no. 5.

The Board then recognized Mr. Gerald Jozwiak of Harris County Municipal Utility District No. 43, who expressed his concern over the Board's desire to change the regular meeting date.

Mr. Curtis Cook, a concerned citizen, then asked why this special meeting was called on a Monday afternoon and was being held in such a small meeting place. Ms. Anderson of Smith Murdaugh stated that the meeting was originally called to enable utility district attorneys to meet with the Board, but that additional items were subsequently added to the agenda.

Director Sigler next recognized Mr. Skip Warren of Bridgestone Municipal Utility District, who inquired regarding the Board's objective for changing the Authority's meeting date. Mr. Warren also asked how many districts were in the Authority. Mr. Shackelford responded that there are 158 utility districts within the Authority. Mr. Warren stated that he did not like the Authority and did not believe a subsidence problem really existed in the area or that conversion to surface water is needed. Mr. Warren added that the Authority spends the money from the districts as fast as it is given to them. Mr. Warren stated that the Board needs to listen to and represent the people that are paying the Authority's bills. Mr. Warren added that the Board needs to make decisions based on what is best for everyone within the Authority and not be coerced by outside influences.

The Board next recognized Mr. Carl Schwenker, a concerned citizen, who deferred his comments to later in the meeting.

Mr. Jim Burke, a former Board member, requested Director Graham to make a motion that the Board defer all agenda items with the exception of item nos. 2 and 5. Director Rendl then made such motion, which failed due to the lack of a second.

RATIFY ACTION TAKEN AT FEBRUARY 12, 2002 MEETING

Director Pulliam then briefly explained the Board's action of February 12, 2002, to suspend work on all engineering contracts with the exception of those activities being performed by the Program Manager as they directly relate to completion of the GRP. Director Pulliam reported that as requested at the February 12th meeting, he had recently met with the Program Manager, General Manager and Director Rendl to review the status of the various Authority engineering consultant contracts. Director Pulliam stated he would report further on his findings later in today's meeting.

Further discussion then ensued regarding the action taken by the Board at the February 12th meeting. Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to rescind the action taken at the February 12th meeting regarding suspension of work on all non-GRP related engineering contracts.

DIRECTOR PULLIAM'S REPORT

Director Pulliam then presented his report concerning his meeting of February 18th, at which time he reviewed the Authority's engineering needs and issues relative to interaction between the General Manager and the Program Manager and the status of assignments of the Authority's engineering consultants. A copy of Director Pulliam's report is attached hereto. Director Pulliam stated that the Authority needs to focus on two (2) primary tasks: 1) finish preparing the draft GRP and submit it to the Harris-Galveston Coastal Subsidence District (the "HGCSO") for its review no later than July 1, 2002; and 2) sign a contract for surface water, the deadline for which must be when the final GRP is submitted to the HGCSO for approval in December, 2002. Director Pulliam went on to review the two (2) tasks in detail as outlined in his written report, including the duties and responsibilities of the Program Manager and General Manager related to each task. Director Rendl emphasized the need for the General Manager and the Program Manager to work together and communicate with each other and other members of the engineering consultant team. Director Sigler commented that it was evident that communications among the engineering team need improvement in order to complete the GRP and bring a water supply contract to the Board for consideration.

Ms. Bobbitt then made a point of clarification. Ms. Bobbitt stated that following the February 12th meeting, the General Manager had sent a letter to the engineering consultants concerning the Board's action to suspend work. Ms. Bobbitt noted that since the action to suspend engineering work had been rescinded at today's meeting, Mr. Shackelford would need to notify the engineering consultants immediately to resume their respective tasks. Mr. Shackelford stated he intends to issue such notice immediately after today's meeting.

ORDER CANVASSING RETURNS AND DECLARING RESULTS OF 2002 DIRECTORS ELECTION

Ms. Bobbitt then explained that following the February 2, 2002 Directors Election, Mr. Bill Rowden and Mr. Timothy Lowry had petitioned the Board for ballot recounts of single-member voting Districts 3 and 4, respectively. Ms. Bobbitt went on to explain that the recounts were conducted on

February 13, 2002 and that only one (1) vote in each single-member voting district was changed, but the results/outcome of the balloting did not change. Ms. Bobbitt stated that the Texas Election Code requires that the results be re-canvassed if any change occurs in the recounting of the ballots and, therefore, an Order Canvassing Returns and Declaring Results of 2002 Directors Election must be adopted by the Board based on the recount. Upon motion by Director Pulliam, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to adopt an Order Canvassing Returns and Declaring Results of 2002 Directors Election, a copy of which is attached hereto.

REVIEW AND HEAR CONCERNS OF THE UTILITY DISTRICT ATTORNEY COMMUNITY REGARDING ACTIONS AND ACTIVITIES OF THE AUTHORITY

The Board then recognized Ms. Anderson of Smith Murdaugh. Ms. Anderson stated that her firm represents fifteen (15) utility districts within the Authority and noted that many of her colleagues that also represent utility districts are in attendance at today's meeting. Ms. Anderson then presented a historical recap of how the Authority was formed as a single entity desiring to negotiate for a water supply contract. Ms. Anderson next reviewed the actions of the Board concerning its decision in October to cease focusing on obtaining a water supply from the Brazos River and to focus on negotiating a water supply contract with the City of Houston (the "COH"). Ms. Anderson then noted that she and her colleagues have heard that an engineering consultant of the Authority has continued to work on obtaining a supply of water from the Brazos River even though no funds have been authorized by the Board for such purpose. Ms. Anderson stated that she hoped that no funds had been expended for such purpose since nothing has been done in public meetings of the Authority to change the Board's directive to focus on obtaining a water supply from the COH. Ms. Anderson stated that the Authority should be pursuing a contract with the COH as quickly as possible.

Ms. Anderson then stated that if the Authority plans to issue bonds to pay for the conversion to surface water, it must work with the utility districts who are the customers of the Authority, and have contracts with the utility districts for the purchase of water. Ms. Anderson stated that, if necessary, she would counsel her utility districts to approach the COH for water without the Authority if it appears that the Authority cannot meet the GRP deadline in order to avoid paying the disincentive fees from the HGCS. Ms. Anderson then thanked the Board for holding the special meeting.

Director Sigler then stated that the Authority is negotiating with the COH, but is also maintaining its relationship with the Brazos River Authority (the "BRA"). Mr. Shackelford emphasized that he and Ms. Bobbitt continue to negotiate with the COH for a water supply contract.

Director Rendl questioned whether any consultant of the Authority is negotiating for water supply contracts on the Brazos River and if so, it was without the Board's authorization. Ms. Anderson then requested that the Board instruct its consultants to cease and desist any work or negotiations on any Brazos River contract until the conclusion of negotiations with the COH.

Mr. Potok then stated that the General Manager had recently asked him to update the findings of the October 2, 2001 alternate source study to confirm his findings concerning the availability of water on the Brazos River and that he had made two (2) phone calls on such matter. Mr. Shackelford explained that at

the December 28, 2001 meeting, the Board approved including Reliant Energy in the Authority's GRP and in connection with that issue, he had investigated Reliant Energy's water rights in the Brazos River. Mr. Shackelford then stated that the Authority's negotiating team is very close to reaching an agreement with the COH and hopes that a draft of the proposed contract with the COH will be available at the March meeting.

Mr. Carl Schwenker asked whether any individual on the Board or Authority consultant is negotiating with the BRA. Each Board member then stated that they were not negotiating with the BRA.

The Board then recognized Mr. Cole of Cole & Dougherty, who stated that Ms. Anderson had substantially expressed the major concerns of the districts that he represents. Mr. Cole then addressed the Board on arrogance and becoming a blind leader and how important the public's perception of the Board was to the success of the GRP. Mr. Cole stated that without the mutuality of respect between the utility districts and the Board, the Authority will not accomplish its objectives. Mr. Cole stressed the importance for the Board to retain a collective vision.

Mr. Bacon stated that he had nothing more to contribute since Ms. Anderson and Mr. Cole had adequately expressed his concerns.

Ms. Parker of Coats Rose stated that her firm represents twelve (12) districts within the Authority. Ms. Parker expressed concern about the timely completion of the GRP and inquired whether the utility districts will have the opportunity to review the draft of the GRP. Mr. Shackelford then discussed the Authority's plans to conduct approximately ten (10) public meetings in April and May to present, review and obtain comments on the draft GRP. Mr. Shackelford stated that the meeting schedule will be posted on the Authority's Web site.

Ms. Parker suggested that the Authority have one (1) large presentation regarding the GRP draft and then have several other meetings for comments and questions. Mr. Shackelford stated Ms. Parker's suggestion would be considered. Mr. Shackelford added that water pricing and integration of water systems will also be discussed at the meetings.

Mr. Larry LaHaie of Northwest Harris County Municipal Utility District No. 15 ("NWHCMUD No. 15") suggested that the General Manager consider holding two (2) meetings in each of the five (5) single-member voting districts on the draft GRP.

Mr. Brooks of Young and Brooks stated that his firm represents twelve (12) districts within the Authority. Mr. Brooks thanked the Board for holding today's meeting and reminded the Board that the Authority was created with the efforts of the utility district community. Mr. Brooks stated that his clients do not necessarily love the COH, but they also did not think the purchase agreement with Chocolate Bayou Water Company was the right answer. Mr. Brooks suggested that the Board adopt the recommendations in Director Pulliam's report.

Ms. Diane Flynn of Postwood Municipal Utility District ("Postwood") stated that she had concerns about whether this special meeting was truly an open meeting since many of the attendees cannot get into the meeting due to the inadequate room size.

Upon motion by Director Rendl, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to approve and adopt Director Pulliam's recommendations in his report, with noted corrections. Mr. Shackelford noted that the report would be posted on the Authority's Web site.

DISCUSSION REGARDING PROPOSED CHANGE OF REGULAR MONTHLY MEETING DATE

Director Rendl then moved that the regular monthly meeting date continue to be the second Tuesday of the month. Such motion failed due to the lack of a second.

Director Pulliam then moved that the regular monthly meeting date be changed to the first Monday of the month. Such motion was seconded by Director Graham. Extensive discussion of the matter then ensued. Mr. Bill Papp of Harris County Water Control & Improvement District No. 132 ("HCWCID No. 132") asked the Board to reconsider changing the monthly meeting. Director Rendl questioned whether the Ponderosa Fire Station was available on the first Monday of each month. Further discussion of the change in meeting date then ensued. Mr. Shackelford responded that the Ponderosa Fire Station is available on most Mondays, but reminded the Board that several holidays fall on the first Monday of the month.

Ms. Anderson of Smith Murdaugh reminded the Board that the utility districts are the major constituents of the Authority and that many utility districts have arranged their meeting schedules to accommodate the second Tuesday of the month in order for their representatives to attend the Authority's meeting. Ms. Anderson stressed that it was the utility district representatives that need to attend the Authority's meetings.

Mr. Steven Teeples of NWHCMUD No. 15 asked what the Board's motive was in changing the meeting since it would greatly impact the utility districts. Director Sigler stated that the Board was not here solely for the benefit of the utility districts and that there are 400,000 people within the Authority that the Board represents.

Mr. Papp of HCWCID No. 132 commented that the people paying the pumpage fees to the Authority are the utility districts and added that the utility district board members represent and report back to the people in their communities following the Authority's meetings.

Mr. Teeples of NWHCMUD No. 15 again asked the Board why the meeting date needed to be changed.

Mr. Gordon Landwermyer of Westador Municipal Utility District noted that even if Director Fessler could not attend the Authority's meeting on the second Tuesday of each month, there would still be a quorum present with the other four (4) directors.

Mr. Frank Robinson of Harris County Municipal Utility District No. 26 then asked each Director if he lives in a utility district and if he pays utility district taxes. All of the directors, except Director Fessler, stated that they live in a utility district. Mr. Robinson questioned why Director Fessler is on the Board if he does not live in a utility district.

Ms. Anderson of Smith Murdaugh asked that the Board consider a trial period of several months with the meeting date left as the second Tuesday of the month to see how many meetings Director Fessler would not be able to attend.

An unidentified person asked Ms. Bobbitt whether the enabling legislation of the Authority allowed for a recall of the directors. Ms. Bobbitt responded that there is no recall provision in the Authority's legislation.

Director Graham then called the question. After full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote opposed, with Director Rendl voting in opposition, to change the Authority's regular monthly meeting date from the second Tuesday of the month to the first Monday of the month, at 7:00 p.m., at the Ponderosa Fire Station.

ADOPT ORDER CHANGING OFFICE OUTSIDE THE BOUNDARIES OF AND ESTABLISHING MEETING PLACES WITHIN AND OUTSIDE THE BOUNDARIES OF THE AUTHORITY

Ms. Bobbitt explained that regular and special meetings of the Board must be held at designated meeting locations. Ms. Bobbitt added that designating a meeting place located outside of the Authority's boundaries requires publication of a notice in the newspaper. Ms. Bobbitt then reviewed the current designated locations within and outside the boundaries of the Authority. Ms. Bobbitt noted that several Directors had asked about using other locations for Authority meetings. Director Sigler stated that he was surprised at the attendance at today's meeting. Ms. Bobbitt stated that the Board had asked to include the offices of Johnson Radcliffe as a meeting place outside the boundaries of the Authority. Upon motion by Director Graham, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted three (3) votes in favor and two (2) votes opposed, with Directors Rendl and Pulliam voting in opposition, to designate the offices of Johnson Radcliffe as a meeting place outside the boundaries of the Authority. A copy of the Order is attached hereto.

Mr. Papp asked if the Authority's office was still a designated meeting place. Ms. Bobbitt responded that the Authority's office, the Ponderosa Fire Station, Champion Forest Baptist Church and Northwoods Presbyterian Church are all designated meeting places within the boundaries of the Authority.

A member of the audience asked when the change in the regular monthly meeting date would take effect. Mr. Shackelford responded that the new meeting date would take effect with the Board's March meeting, if the Ponderosa Fire Station was available. Mr. Cook stated he would make the arrangements for the Ponderosa Fire Station for the March meeting. Mr. Teeple asked if the Board could at least give more notice regarding the meeting date change. No action was taken on Mr. Teeple's request.

SPECIAL WORKSHOPS

Mr. Shackelford then announced that the special technical and legislative workshops scheduled for March 4th and 5th would be rescheduled as soon as new dates can be determined, but that the administrative workshop scheduled for February 27, 2002, at 7:00 p.m. at the Ponderosa Fire Station would still be held.

Ms. Flynn of Postwood again addressed the Board and stated that after the action taken by the Board at the February 12th meeting regarding the suspension of engineering work that was not included on the agenda for such meeting and after hearing statements made earlier in today's meeting, she believed that the Board was violating the Open Meetings Act. Director Sigler explained to Ms. Flynn that he discussed the motion rescinding the February 12th action only with Director Pulliam after Director Pulliam's meeting of February 18th with the General Manager and Program Manager.

Mr. Shackelford then reported that the Ponderosa Fire Station was available for the March 4th meeting. Mr. Shackelford noted, however, that the Ponderosa Fire Station was not available on April 1st or September 2nd.

There being no further business to come before the Board, the meeting was adjourned at 4:35 p.m.

PASSED, APPROVED AND ADOPTED this 2nd day of April, 2002.

/s/Ron Graham

Secretary, Board of Directors

(SEAL)

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