

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

March 4, 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 4th day of March, 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:

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. Gene Shepherd of Legg Mason Wood Walker, Inc., financial advisor 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. Gary Smith, P.E. and Nathan Billiot 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; Ms. Paris Achen of the 1960 Sun; Ms. Kim Canon of the Houston Chronicle; Mrs. Marcie Fessler; 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 COMMENT

Director Sigler stated that the Board has come under a lot of criticism over the past two (2) years concerning the Authority's search for a source of water. Director Sigler noted that the Board has been exclusively negotiating with the City of Houston (the "COH") over the past five (5) months to obtain a water supply contract for the Authority. Director Sigler stated that the Board does not have a "Plan B" to fall back on if an agreement cannot be reached with the COH. Director Sigler suggested that if anyone in the audience has an idea for an alternate plan for a water supply source to please contact the Authority.

Director Sigler then asked the audience to direct their comments and statements to the Board as a whole and not to individual Board members. At Director Sigler's request, Ms. Bobbitt then reviewed with the audience the Policies and Procedures for Public Comment, previously adopted and implemented by the Board, a copy of which is attached hereto.

PUBLIC COMMENT

The Board first recognized Mr. Roy Lackey of Harris County Municipal Utility District No. 368 and the City of Tomball, who stated that the Authority needs a spirit of cooperation and encouraged everyone to work together. Mr. Lackey expressed concern over Director Sigler's comment that the Authority does not have an alternate plan for a source of water and the potential impact of such statement on negotiations with the COH.

Mr. Nicholas Fava of Bammel Utility District commented that the new Board had held three (3) meetings and that the two (2) new members of the Board had not yet expressed their goals and objectives for the Authority. Mr. Fava asked what the Board was prepared to do to prevent the utility district customers within the Authority from paying the \$3.00 disincentive fee to the Harris-Galveston Coastal Subsidence District (the "HGCSO") next year.

Mr. William Papp of Harris County Water Control and Improvement District No. 132 commented that the Board's Policies and Procedures for Public Comment are necessary and commended the Board for implementing such Policies and Procedures. Mr. Papp urged that Robert's Rules of Order be utilized to conduct Board meetings. Mr. Papp asked if the Board members could use more microphones to enable the audience to hear their comments. Mr. Papp then stated that at the special meeting of February 25, 2002, Director Sigler referred to the Authority's constituents as the 400,000 people living within the Authority and not the 158 utility districts located within the Authority. Mr. Papp stressed to the Board that the utility districts are the Authority's constituents and to whom the Authority will provide surface water.

The Board then recognized Mr. Mike Thomason, a concerned citizen and resident of single-member Voting District No. 5 and Harris County Municipal Utility District No. 82. Mr. Thomason stated that he had seen an e-mail between Director Fessler and former director Clint Moore, in which Director Fessler was asking for directions from Mr. Moore. Mr. Thomason expressed his concern that the person elected to serve on the Board was not making his own decisions and that Mr. Moore was a de facto representative for single-member Voting District No. 5.

The Board next recognized Mr. Carl Schwenker, who deferred his comments until later in the meeting.

Mr. Gerald Jozwiak of Harris County Municipal Utility District No. 43 was then recognized and stated that he agrees with the fifteen (15) minute limitation for public comments. Mr. Jozwiak indicated that the Town Hall meeting format and the respective Board members' meeting with the utility districts in each voting district was mutually beneficial and encouraged the Board to conduct such meetings. Mr. Jozwiak specifically requested that Director Fessler schedule a Town Hall meeting in single-member Voting District No. 5.

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 February 12, 2002, the special meetings of December 28, 2001 and February 8, 2002 and the executive sessions of April 25, 2001, June 12, 2001 and December 28, 2001. Director Sigler noted that approval of the minutes of the special meeting of February 8, 2002 would need to be ratified at the March meeting, since approval of such minutes was inadvertently omitted from tonight's agenda.

Director Sigler stated that the second item on the Consent Agenda is approval of a ninety (90) day extension of the Reliant Energy letter of intent to join the Authority's groundwater reduction plan (the "GRP"), a copy of which is attached hereto.

Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of February 12, 2002, the special meetings of December 28, 2001 and February 8, 2002 and the executive sessions of April 25, 2001, June 12, 2001 and December 28, 2001 and to approve the extension of the Reliant Energy letter of intent to join the Authority.

FINANCIAL REPORT

Director Sigler then recognized Ms. Plunkett, who noted that due to the change of the Authority's regular meeting to the first Monday of the month, the Financial Report, including the monthly investment report and the budget comparison for the month of February, will be presented at the April meeting. Ms. Plunkett reported that nine (9) delinquent pumpage fee letters, copies of which are attached hereto, had been mailed on February 14th and that eight (8) well owners had paid their fees. Ms. Plunkett reported that Ms. Bobbitt is researching a question about whether the Woodwind Homeowners Association was automatically excluded from the Authority when Harris County Municipal Utility District No. 261 petitioned to be excluded from the Authority. Ms. Plunkett then reviewed a list of unpaid 2001 fourth quarter pumpage fees, a copy of which is attached hereto.

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne reported that the Authority's Web site had approximately 28,449 hits in February, which represents an average of 981 hits per day and that on fourteen (14) days during the month, there were more than 1,000 hits per day. Ms. Payne added that there was a record 1,900 hits on February 27, 2002. Ms. Payne went on to report that the Web site is being updated and that there had been some difficulty with the notice for tonight's meeting. Ms. Payne stated that she will finalize the Action Report after tonight's meeting, which will cover the Board's last three (3) meetings. Ms. Payne stated that the Authority's contact list is

being expanded to include chambers of commerce in the area, homeowners associations ("HOAs") and local neighborhoods. Director Sigler asked how many HOAs were on the contact list. Ms. Payne responded that there are currently 40 to 50 HOAs on the Authority's contact list.

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 the project.

Mr. Baugher then reported that Dannenbaum's final report on the Reliant Energy Reuse Study had been received by the Authority on January 25, 2002.

Mr. Baugher next reported that the final copy of Alexander Engineering, Inc.'s ("Alexander") Water Reclamation/Reuse Study was submitted to the Authority on February 7, 2002.

Mr. Baugher went on to report that the Program Management Team is still waiting for comments from the TWDB concerning the Authority's Water Conservation Plan prepared by Brown & Gay Engineers, Inc.

Mr. Baugher next reported that the GRP was still on target to be submitted to the HGCSO on or about July 3, 2002. Mr. Baugher reported that he had prepared a schedule/timeline for preparation, finalization and submission of the Authority's GRP that will be reviewed by Mr. Shackelford.

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 first reviewed the GRP schedule/timeline with the Board, a copy of which is attached hereto.

Mr. Shackelford next announced that the Authority will hold GRP informational meetings with the legal and engineering consultants of the utility district community, after which informational meetings will be held in each of the single-member voting districts. Mr. Shackelford then presented the following list of tentative meeting dates, including a general session on May 28, 2002 at the Champion Forest Baptist Church and single-member voting district meetings on May 30, 2002, June 4, 2002, June 6, 2002, June 11, 2002 and June 13, 2002. Mr. Shackelford noted that the draft of the proposed GRP will be available on the Authority's Web site.

Director Fessler asked whether the water districts to be included in the initial integrated water system plan had been identified. Mr. Shackelford responded that the engineers were currently working on that aspect of the plan.

Ms. Kathie Ware of Fountainhead Municipal Utility District asked for the dates of the meetings to be held in single-member voting districts. Mr. Shackelford explained that the specific schedule for each of the meetings to be held in the single-member voting districts has not yet been determined.

Mr. Larry LaHaie of Northwest Harris County Municipal Utility District No. 15 asked whether the presentations would be the same at each of the single-member voting district meetings. Mr. Shackelford responded that the meetings would all be the same and that he and the Program Management engineers would do the presentations.

Mr. Shackelford then reported that a technical workshop for the Board is scheduled for Saturday, March 23, 2002, at the Ponderosa Fire Station from 9:30 a.m. until 2:00 p.m. Mr. Shackelford stated that Mr. Steve Bresnen, the Authority's lobbyist, has been asked to attend such meeting and make a brief presentation.

Mr. Shackelford reported that comments on the GIS Project Manual and database had been received from the TWDB earlier in the day and will be reviewed by Mr. Baugher.

Mr. Shackelford next reported that he was scheduled to meet with the board of directors of Harris County Municipal Utility District No. 22, along with board members from several other districts in Voting District No. 3, on March 12, 2002 at 7:00 p.m.

Mr. Shackelford next announced that the Association of Water Board Directors - Texas is holding a breakfast on April 10th at the Wyndham Greenspoint Hotel and asked that the directors let Ms. Sagstetter know if they desire to attend the breakfast.

Next, Mr. Shackelford referred to an e-mail dated March 1, 2002 from Ms. Sara Culbreth of the COH, a copy of which is attached hereto. Mr. Shackelford explained that the COH has revised its plan/proposal for providing surface water and that he anticipates receiving the revised principles from the COH in the near future. Director Graham stated that he heard rumors that the COH offered the West Harris County Regional Water Authority a "take or pay" contract. Mr. Shackelford responded that it was his understanding that such contract proposal also included a water reservation fee with payments to begin on the first take volume in 2003. Mr. Shackelford noted that this was not the proposal he is expecting from the COH. Director Pulliam asked whether the consultants were formulating a "Plan B" in case an agreement cannot be reached with the COH for obtaining surface water. Director Graham inquired regarding the Authority's deadline for negotiations with the COH. Mr. Shackelford responded that he has made it clear to the COH that a draft contract is needed in March or the Authority will have to look at other options for obtaining surface water. Mr. Shackelford added that he and Mr. Potok had made several calls regarding what water might be available from the Brazos River Authority and that they were also talking with Reliant Energy about the availability of their Brazos River water rights. Director Pulliam asked if the Authority has enough time to look at other possible supply options and still meet the GRP filing deadline. Mr. Shackelford responded that the Authority's GRP will be based on a COH delivery until it is determined that another source will be utilized. Mr. Shackelford added that a water supply contract must be in place at the time the final GRP is submitted to the HGCSD. Mr. Shackelford further explained that if delays are incurred in obtaining a water supply contract, the Authority must be able to demonstrate that it has used its best efforts

to obtain a water supply contract in order to possibly obtain additional time for compliance from the HGCSO.

Mr. Shackelford next reviewed a memo to the Board concerning the proposed assignment of the Water Supply Contract between the City of Jersey Village ("Jersey Village") and the COH, a copy of which is attached hereto. Mr. Shackelford added that he and Ms. Payne, in conjunction with Jersey Village, were scheduling a public forum for the residents of Jersey Village concerning the proposed contract assignment the first week of April at the Jersey Village Civic Center.

Mr. Shackelford then asked the Board to select a date for the Authority's Directors Reception. The Board agreed to schedule the reception on Monday, April 22, 2002, from 5:00 p.m. to 7:00 p.m. at the Authority's office.

Mr. Shackelford next reported that the Ponderosa Fire Station and the other designated meeting places within the boundaries of the Authority were not available on April 1st and asked that the Board select another date for the regular April meeting. A brief discussion regarding a meeting date and meeting locations then ensued. Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board unanimously voted to hold the April meeting on Tuesday, April 2, 2002, at the Ponderosa Fire Station.

Mr. Shackelford then informed the Board that Labor Day would be a conflict with the September meeting date. The Board asked Mr. Shackelford to investigate whether the Ponderosa Fire Station is available on September 9th.

Director Graham asked if anyone had looked for a more central meeting place for the Board meetings. Director Rendl explained that when the Authority first established the Ponderosa Fire Station as the regular meeting place of the Board, such a search was undertaken, but that most potential meeting locations could not commit to the same monthly meeting date.

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 General Manager's Report.

DIRECTOR ITEMS

A brief discussion then ensued regarding proposed amendments to the Procedural Rules of the Authority. Mr. Shackelford stated that he would like to discuss any such amendments at a future meeting of the Board. Director Fessler indicated that he would like to suggest several revisions to the Procedural Rules. Mr. Shackelford suggested that a draft of the proposed amendments be distributed to the Board and comments obtained prior to consideration by the Board.

Director Graham suggested that the blue public comment card be revised to include a place to request a written response from the Authority.

A discussion of the term of office of the Board President then ensued. Director Graham explained that he had asked for this item to be placed on the agenda and suggested that the term of office for the

President be limited to two (2) consecutive years. Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted as follows: four (4) votes in favor and one (1) vote opposed, with Director Rendl voting in opposition, to limit the term of office of the President of the Board to no more than two (2) consecutive years. Ms. Bobbitt noted that the limitation of the term of office of the President will need to be reflected in the Procedural Rules.

PUBLIC COMMENT

The Board again recognized Mr. Carl Schwenker, who declined comment.

Ms. Dinorah Gonzales of Coats Rose Yale Ryman & Lee inquired if the HGCSO would be receptive to a GRP that included both a Plan A and Plan B water supply scenario. Mr. Shackelford responded that the Authority had not addressed the matter with the HGCSO, but that he will be meeting with Mr. Neighbors later in the week and will make the inquiry.

The Board then recognized Mr. Marvin Fesler of Reid Road Municipal Utility District No. 1, who stated that he was not related to Director Fessler.

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

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

/s/Ron Graham

Secretary, Board of Directors

(SEAL)