

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

February 12, 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 12<sup>th</sup> day of February, 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, with the exception of Director Moore, thus constituting a quorum. Also attending the meeting were: Judge J. Kent Adams, Justice of the Peace, Precinct 4, Position 1; Mr. Ron Graham, director-elect for single-member voting District No. 1; Mr. Kelly P. Fessler, director-elect for single-member voting District No. 5; Mr. Ed Shackelford, P.E., General Manager for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Lisa Sagstetter, Administrative 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. ("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. 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; Mrs. Pam Pulliam; Mrs. Carol Sigler; 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.

PUBLIC COMMENT

Director Rendl asked that the public comments be deferred until later in the meeting.

## 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 January 8, 2002, the special meeting of December 28, 2001 and the executive sessions of April 25, 2001, June 12, 2001 and to ratify the minutes of the special meeting of October 2, 2001.

Director Rendl noted that approval of the minutes of the special meeting of December 28, 2001 and the minutes of the executive sessions of April 25, 2001, June 12, 2001 and December 28, 2001 would be deferred.

Director Rendl stated that the second item on the Consent Agenda is adoption of the Resolution Authorizing Acquisition of a Safe Deposit Box at Klein Bank, copy of which is attached hereto.

Director Rendl noted that the third Consent Agenda item is adoption of a Resolution Adopting Amended and Restated Procedural Rules of the Authority, a copy of which is attached hereto. Director Rendl explained that at the Board's January meeting, the Board had adopted a Resolution Amending Fees of Office increasing the director per diems from \$100 to \$150, effective January 1<sup>st</sup>, which requires the Procedural Rules to also be amended accordingly.

Director Rendl then stated that the fourth Consent Agenda item is a request from Bammel Utility District that the Authority waive the pumpage fees for 900,000 gallons of water used by firefighting personnel to extinguish the Wood Resources Recycling Landfill fire. A copy of the request letter is attached hereto.

Director Rendl stated that the fifth Consent Agenda item is approval of a time extension/contract amendment regarding the 2001 Texas Water Development Board Regional Facility Planning Grant.

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 minutes of the regular meeting January 8, 2002 and to ratify approval of the minutes of the special meeting of October 2, 2001 and to approve Consent Agenda item nos. 2, 3, 4 and 5.

## DIRECTOR MOORE'S STATEMENT

Director Sigler then read a statement from Director Moore that explained his reason for not attending the Board meeting and expressed his appreciation to the Board, consultants and staff of the Authority, a copy of which is attached hereto.

## RESULTS OF DIRECTORS ELECTION AND ADMINISTRATION OF OATHS OF OFFICE AND STATEMENTS OF ELECTED OFFICERS

Mr. Shackelford then presented appreciation gifts to the Authority's inaugural Board and acknowledged the leadership of the Board.

Ms. Bobbitt then reported that the results of the February 2<sup>nd</sup> Directors Election had been canvassed at a special meeting of the Board held on Friday, February, 8, 2002, and stated that Ron Graham is the director-elect for District No. 1; Lenox A. Sigler is the director-elect for District No. 2; Jim Pulliam is the director-elect for District No. 3; Alan J. Rendl is the director-elect for District No. 4; and that Kelly P. Fessler is the director-elect for District No. 5.

Judge J. Kent Adams was then called upon to administer the oaths of office to the new Board. Copies of the oaths of office and statements of elected officers are attached hereto.

## TERMS OF OFFICE AND ELECTION OF OFFICERS

Director Rendl then opened the floor for nominations for President of the Board. 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 elect Director Sigler to serve as President of the Board.

Director Sigler then became the presiding officer of the meeting and opened the floor for nominations for Vice President of the Board. Upon motion by Director Graham, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Pulliam to serve as Vice President of the Board.

Nominations were then taken for Secretary of the Board. Upon motion by Director Fessler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Graham to serve as Secretary of the Board.

Nominations were then taken for Treasurer of the Board. 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 elect Director Fessler to serve as Treasurer of the Board.

Nominations were then taken for Assistant Secretary of the Board. Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Rendl to serve as Assistant Secretary of the Board.

Ms. Bobbitt noted that pursuant to H.B. 2965, two (2) of the Directors would serve two (2) year terms of office expiring February, 2004 and three (3) of the Directors would serve three (3) year terms of office expiring February, 2006, all to be determined by the drawing of lots. Ms. Bobbitt then conducted the drawing with the following results: Directors Pulliam and Fessler will serve until February, 2004 and Directors Sigler, Graham and Rendl will serve until February, 2006.

Director Sigler then presented Resolutions Honoring Dwight McClintock Moore and Jim J. Burke. Upon motion by Director Sigler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to adopt Resolutions Honoring Dwight McClintock Moore and Jim J. Burke, copies of which are attached hereto.

#### FINANCIAL REPORT

Director Sigler then recognized Ms. Plunkett, who reviewed with the Board the Financial Report, including the monthly investment report, the budget comparison for the month of January and the checks being presented for payment, a copy of which is attached hereto. Ms. Plunkett noted that the Authority is currently \$381,000 under budget for the current fiscal year. Ms. Plunkett reported that delinquent notices for the 2001 fourth quarter pumpage fees would be mailed later this week. Director Graham questioned the balance sheet item reflecting a U.S. Treasury note. Ms. Plunkett explained that the note is a pledged security to cover balances in the Authority's bank account in excess of the FDIC coverage of \$95,000.

Upon motion by Director Pulliam, seconded by Director Rendl, 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 reported that 123,000 copies of the Waterlines newsletter were mailed to the community and that the Authority's Web site had approximately 30,651 hits since January 2002, which represents 875 hits per day, and that the average length of a visit was seven (7) minutes. Ms. Payne then outlined her duties as communications coordinator for the Authority. Ms. Payne also introduced Ms. Canon of the Houston Chronicle and Ms. Achen of the 1960 Sun to the Board. A copy of Ms. Payne's report is attached hereto.

#### 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 edited final report on the Reliant Energy ("Reliant") Reuse Study had been received on January 25, 2002.

Mr. Baugher next reported that the revised draft report of Alexander Engineering, Inc.'s ("Alexander") Water Reclamation/Reuse Study was submitted on January 17, 2002 and that comments from the Program Management Team were returned to Alexander on January 24<sup>th</sup>.

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 (the "HGCSA") in July, 2002.

Director Fessler then questioned how many contracts the Authority had with different engineering firms. Mr. Shackelford responded that the Authority has six (6) to seven (7) engineering contracts with various engineering firms.

Director Sigler then stated that the chair would entertain the following motion:

"That all engineering contracts be suspended immediately, with the exception of those activities by the Program Manager as they directly relate to completion of the GRP. Further, that the Program Manager meet with Director Pulliam and the General Manager to provide the status of these contracts and report back at our next regularly scheduled meeting with a recommendation on how to proceed."

Director Rendl inquired regarding the purpose of the motion and stated that three (3) of the current Board members had previously approved and authorized such contracts. Director Sigler stated that the intent of the motion was to allow time for the Board to review all of the existing engineering contracts. Director Rendl asked why it was necessary to cease work during the review of the contracts. Ms. Bobbitt then asked for clarification of the motion and if the motion was to suspend work on the various engineering projects or to suspend the contracts. Director Sigler stated that he meant suspension of work on the contracts. Director Fessler then stated that he wanted a chance to review the engineering contracts and see where the Authority's money is being spent.

Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote against the motion, as clarified, with Director Rendl voting in opposition to such motion.

At this point in the meeting, the audience became very vocal and requested that the two (2) new Directors be introduced to the audience. Director Sigler then introduced Directors Graham and Fessler.

#### 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 requested authorization for him and any interested Board members to attend the Texas Water Conservation Association Conference in Dallas on March 6-8, 2002 and the Association of Water Board Directors - Texas Conference in South Padre on June 20-22, 2002. 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 authorize Mr. Shackelford and any interested Board members to attend the two (2) referenced conferences.

Mr. Shackelford then discussed the scheduling of various workshop meetings for the Board to be briefed concerning administrative and technical issues. Mr. Shackelford stated that his office would contact each of the Board members to schedule the workshops. Director Rendl suggested that the meeting place for the workshops be large enough to accommodate an audience. Mr. Shackelford stated that he would check to see if the Ponderosa Fire Station would be available for the various workshop meetings. Director Sigler inquired why the workshop meetings could not be held at the Authority's office. Mr. Shackelford responded that the office could only accommodate twenty-five (25) persons comfortably. Director Sigler commented that the workshops were for the education of the Board and not the public.

Director Rendl then stated that another meeting of the Board would be needed very soon to discuss the suspension of non-GRP related engineering work and stated that the Board could not afford to wait thirty (30) days to continue work on the GRP. Director Sigler reiterated that the Board was not suspending work on the GRP. Mr. Shackelford explained that there were some activities being done by engineers other than TC&B that are related to the GRP. Director Sigler stated that the Board did not know what activities and projects the other engineering firms were working on. The audience then again became vocal and asked why, after eighteen (18) months on the Board, Director Sigler did not know what was going on with the engineering contracts. Director Rendl stated that he wanted to attend the meeting between the Program Manager, General Manager and Director Pulliam. Director Pulliam stated that he had no problem with Director Rendl attending the meeting. Mr. Potok noted that the Program Manager does not have other engineers working with TC&B on projects. Mr. Shackelford then stated that such was not entirely correct, as the Authority, and not the Program Manager, has several engineering projects in process with other engineering firms.

Mr. Shackelford then suggested that the Authority hold a reception for the community to meet the new Board members. The Board concurred with Mr. Shackelford's suggestion. Mr. Shackelford stated that the Authority's office staff will start coordinating the reception.

Mr. Shackelford then noted that the Board had been provided with a copy of an employee vacation/leave history and letter from TML, the Authority's benefit provider, copies of which are attached hereto.

Mr. Shackelford next referred to miscellaneous correspondence items included in the meeting packet, including a letter from Northampton Municipal Utility District ("Northampton") requesting a letter of support for their efforts to develop a nine (9) acre park within such district. The Board approved the provision of a letter of support from the Authority to Northampton.

Mr. Shackelford then reported that a draft of a letter agreement with Reliant concerning participation in the water reuse/reclamation study was handed out for the Board's review, a copy of which is attached hereto. Mr. Shackelford also handed out a response letter to Harris County Municipal Utility District No. 153.

Mr. Shackelford next discussed his letter to the City of Jersey Village ("Jersey Village") following a meeting with Dale Brown, City Manager of Jersey Village, a copy of which is attached hereto. Mr. Shackelford reminded the Board that payment of the first two (2) quarters of 2002 import fees was

suspended by the Board at the December 28, 2001 meeting in order for negotiations with Jersey Village to continue.

Mr. Shackelford also handed out a memorandum regarding the Water Reuse Study, a copy of which is attached hereto.

Mr. Shackelford next reported that copies of the Reliant Reuse Study and the Alexander Water Reclamation/Reuse Study had been delivered to the Board and consultants at tonight's meeting and asked that comments on such items be submitted to him prior to the Board's March meeting. Director Pulliam asked if the cost for reused water was included in the reports. Mr. Shackelford responded that the cost of reused water was not included in either report since a definitive number of users is not yet known. Director Rendl then recalled that the Board's original intention was that the water reuse program would be revenue neutral. Mr. Shackelford concurred with Director Rendl's statement and pointed out that the water reuse program would also be of benefit to the Authority's GRP and enhance the ability of the Authority to meet the HGCSD's conversion requirements. Mr. Shackelford noted that it is anticipated that the draft GRP will be ready in late February or in March in order for public meetings to be held on the draft GRP in March/April. Mr. Shackelford further noted that some of the engineering work that was suspended by the Board earlier in the meeting dealt with issues related to the GRP, including water pricing, implementation, and evaluation of existing wells. Director Sigler then questioned the cost of the GRP-related work being performed. Mr. Shackelford responded that the cost estimate was not to exceed \$300,000 and had been approved by the Board at the November 13, 2001 meeting.

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.

#### ATTORNEY'S REPORT

Ms. Bobbitt then further reviewed the results of the February 2, 2002 Directors Election and reported that Mr. Bill Rowden, candidate for District No. 3, and Mr. Timothy Lowry, candidate for District No. 4, had submitted Petitions Requesting Recount of the ballots for those voting districts. Ms. Bobbitt reported that the recounts will be conducted on Wednesday, February 13, 2002, at 3:00 p.m., at the Harris County Elections Services Warehouse, at 606 Canino, Houston, Texas. A summary of the election results is attached hereto. Ms. Bobbitt stated that if there is a change in the number of votes cast in the election, the Board will be required to re-canvass the returns of the Directors Election.

Mr. Johnson then entered the meeting at 8:00 p.m.

#### STATUS OF NEGOTIATIONS WITH THE CITY OF HOUSTON

Mr. Shackelford then reviewed the status of negotiations with the City of Houston (the "COH"). Mr. Shackelford reported that it is hoped that a final draft of the proposed contract with the COH will be ready by the end of the month or the first part of March. Director Sigler asked that copies of the current draft COH contract be distributed to the Board members as soon as possible. Ms. Bobbitt advised the Board that the draft contract is still in the negotiation process and requested that the contents of the contract be held in confidence.

Director Sigler then asked what sort of dialogue existed between the Authority and the West Harris County Regional Water Authority (the "WHCRWA"). Mr. Shackelford responded that the two (2) entities were sharing information on their respective contracts and negotiations with the COH. Director Sigler asked if it would be beneficial for the two (2) entities to participate in joint negotiations with the COH. Ms. Bobbitt then explained that the WHCRWA has several issues that differ from the concerns of the Authority, but that the entities have collaborated on price increase language and several other major contract concepts that the entities have in common. Ms. Bobbitt noted that the Authority's draft COH contract was similar to the WHCRWA contract, except for several issues that were not issues or concerns of the Authority. Director Sigler then asked who was on the negotiating team for the Authority. Mr. Shackelford responded that he, Ms. Bobbitt and one (1) engineering consultant were serving as the Authority's negotiating team with the COH. Director Graham commented that he has heard statements that the WHCRWA has made its deal with the COH and asked what the Authority's progress with the COH has been. Ms. Bobbitt responded that the Authority has made good progress with its negotiations and may, in fact, be further along on some issues with the COH than the WHCRWA.

#### NEXT MEETING DATE AND MISCELLANEOUS MATTERS

Director Sigler then announced that the next regular meeting of the Board will be held on Tuesday, March 12, 2002, at the Ponderosa Fire Station.

Director Fessler then stated that he travels during the week and asked that the Board consider moving the regular meeting date to a Monday evening. Mr. Shackelford explained that the regular meeting must fit into the schedules of the Board members, as well as the Authority's consultants, and offered to look into the matter. Ms. Bobbitt noted that she was not available on the second or fourth Monday of the month due to previous commitments to other clients. Mr. Shackelford interjected that changing the regular meeting may cause problems with providing current information in the Authority's financial report. Mr. Shackelford stated that he would investigate the feasibility of moving the meeting to the first Monday. Director Rendl stated that he has adjusted his entire calendar for this year to accommodate the second Tuesday meeting date. Further discussion of the matter then ensued. Director Rendl pointed out that the utility districts have scheduled their meetings around the Authority's meeting date in order to attend Authority meetings. Mr. Shackelford stated he would investigate the possible change in the meeting date and discuss the matter further with Director Fessler.

#### PUBLIC COMMENT

Director Sigler then recognized Mr. Roy Lackey, director of Harris County Municipal Utility District No. 368 and representing the City of Tomball, who delivered a statement of welcome to the new directors of the Authority, presented copies of Growing By Metes and Bounds to the new Board members and encouraged the Board to leave hostilities and politics outside the meetings. A copy of Mr. Lackey's statement is attached hereto.

The Board next recognized Mr. J. T. LeVay, a resident of Jersey Village, who stated that he read the Link Letter circulated prior to the Directors Election and he did not like it and did not think it should have been published. Mr. LeVay then read several quotes from past news articles in the Houston

Chronicle and the 1960 Sun attributed to Senator Jon Lindsay. Mr. LeVay exhorted the Board to proceed with obtaining water from the COH.

Mr. Bill Black of Northampton stated his district was one of the ten (10) largest contributors of pumpage fees to the Authority. Mr. Black stated that he was glad to hear that the Authority is making progress in its negotiations with the COH. Mr. Black urged the Authority to pursue a contract with the COH and asked if the Board intended to focus within the next thirty (30) to sixty (60) days on obtaining a contract with the COH. Director Sigler responded that, as Ms. Bobbitt and Mr. Shackelford had reported earlier in the meeting, the Authority is moving ahead with its negotiations with the COH.

Ms. Kathie Ware of Fountainhead Municipal Utility District ("Fountainhead") commented that Fountainhead was one of the districts split by the boundaries of the Authority, and that one (1) major reason Fountainhead had opted to be included in the Authority was based on discussions with the previous Board that the Authority would pursue early conversion action to help districts that have problems with high arsenic levels. Ms. Ware expressed her concern over the Board's action to suspend work on the various engineering contracts. Ms. Ware noted that it now appears that Fountainhead came into the Authority under false pretenses.

Mr. Carl Schwenker, a concerned citizen, asked about the status of negotiations with the COH and asked whether the negotiating team was addressing all of the issues listed in the letter published by the Lindsay/Moore coalition. Mr. Shackelford responded that the negotiation team had addressed rate protection issues and drought protection issues in the contract and that the COH was not willing to discuss the "lock box" trust fund concept. Mr. Schwenker then stated that based on Mr. Shackelford's comments, it appears that all of the things listed in the Link Letter as not being in the COH contract, with the exception of the "lock box" concept, are included in the COH contract draft.

Mr. Tom Garth, a concerned citizen, commented that suspending the work on the engineering contracts wastes 1/10 of the time the Authority has left to prepare the GRP. Mr. Garth asked what costs would be incurred by the Authority due to the suspension of the engineering work and what had the Authority's legal counsel advised on the matter. Director Sigler responded that the Authority was not suspending any work related to the preparation of the GRP. Several members of the audience responded negatively to Director Sigler's comments. Mr. Garth again asked the Board what the Authority's legal counsel had advised on the suspension of engineering work. Ms. Bobbitt stated that her advice had not been requested concerning any financial impact or potential liability that may result from the engineering work suspension. Ms. Bobbitt then explained that the Board's earlier motion was to suspend work on the engineering contracts, not to terminate the contracts, and went on to explain that all of the engineering contracts have specific termination provisions. Ms. Bobbitt further noted that any invoices for work done by the engineering consultants up until this point in time would be payable by the Authority.

Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10 inquired if tonight's agenda had included an item to suspend work on the engineering contracts. Director Sigler responded that there was not such an item on the agenda, but was taken under the General Manager's Report relating to the status of the engineering consultant contracts. Mr. Broun stated that it sounds as if this matter was discussed by the Board prior to the meeting. Ms. Bobbitt then discussed that actions taken by the Board

that were not specifically included on the agenda were voidable and must be ratified at the next meeting. A discussion ensued concerning who could protest or challenge the action taken by the Board on an item that was not included on the agenda. Ms. Bobbitt stated that a challenge could be made by someone with standing to bring an action on the matter.

Director Sigler then encouraged the audience to give the new Board a chance to get up and running.

There being no further business to come before the Board, the meeting was adjourned at 9:00 p.m.

PASSED, APPROVED AND ADOPTED this 4<sup>th</sup> day of March, 2002.

/s/Ron Graham

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Secretary, Board of Directors

(SEAL)

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