

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

September 14, 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 9:00 a.m. on the 14<sup>th</sup> day of September, 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. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Alan Potok, P. E. of Turner Collie & Braden, Inc., Program Manager for the Authority; 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.

ACCEPT ADDITIONAL LETTERS OF INTENT FROM DISTRICTS

Mr. Shackelford first presented an updated list of districts interested in buying/selling water in connection with the Authority's proposed Integrated Water System Plan (the "IWSP"), a copy of which is attached hereto. Mr. Shackelford noted that additional letters of intent had been received from Harris County Water Control & Improvement District No. 109, Harris County Water Control & Improvement District No. 110, Northwest Harris County Municipal Utility District No. 15, Mills Road Municipal Utility District, Bilma Public Utility District and Bridgestone Municipal Utility District. Copies of such additional letters are attached hereto. Director Pulliam then made a motion that the Board accept such additional letters of intent and forward them on for evaluation by the consultant engineers. Such motion was seconded by Director Rendl. Discussion then ensued on the matter. Letters from Grant Road Public Utility District and PureTex Water Works were then handed to Mr. Shackelford, copies of which are attached hereto. Mr. Randall Allen of Harris County Municipal Utility District No. 202 then stated that a letter of intent would soon arrive from their attorney. Mr. Fava of Bammel Utility District ("Bammel UD") stated that his district will also be delivering a letter of intent to the Authority. Director Rendl then suggested that the motion be amended to include any additional letters of intent that may be submitted to the Authority within the next several weeks. Director Pulliam agreed to amend his motion as suggested by Director Rendl.

After full discussion and the question being put to the Board, the Board voted unanimously to accept the letters of intent presented at today's meeting and any additional letters of intent that may be submitted within the next several weeks and to authorize the General Manager to forward such letters to the consulting engineers for evaluation.

## REVIEW AND DISCUSS PROPOSED WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

Mr. Shackelford then initiated a review of the proposed Water Supply Contract between the City of Houston ("COH") and the Authority ( the "COH Contract"). Director Sigler requested that Mr. Shackelford begin with a review of the cost formulas set forth in the proposed COH Contract. Ms. Bobbitt then distributed redlined copies of the most recent draft of the COH Contract and presented an overview of the most recent revisions. Ms. Bobbitt outlined the changes made to the Untreated Water Facilities cost components, including facilities that are not constructed as of the date of the execution of the COH Contract, facilities that are constructed between the time the COH Contract is executed and the next reservation for additional capacity, and facilities to be constructed in the future. Director Rendl commented that it appears that the same concepts used for Treated Water Facilities are being applied to the Untreated Water Facilities. Ms. Bobbitt responded that the COH Contract draft contains new formulas for Untreated Water Facilities similar to the ones used for Treated Water Facilities.

Mr. Shackelford then reviewed a handout summarizing the formulas contained in the proposed COH Contract draft, a copy of which is attached hereto. Mr. Shackelford first reviewed the cost formulas for the years from 2010 through 2019 for the Initial Untreated Water Facilities Demand Allocation. Mr. Shackelford reported that Mr. John Howell of The GMS Group, Inc. was analyzing the pros and cons of the Authority making a lump sum payment versus making annual payments for the Initial Untreated Water Facilities Demand Allocation. Mr. Shackelford stated that it still appears cost effective for the Authority to make annual payments for 15 years, rather than a lump sum payment.

Mr. Shackelford next reviewed the exhibits to the proposed COH Contract, copies of which are attached hereto. A member of the audience inquired regarding the cost of the Northeast Plant. Mr. Shackelford responded that the Authority's share of the Northeast Plant is currently calculated to be \$46.9 million.

Next, Mr. Shackelford reviewed the cost formulas for the years 2020 and beyond for future increases in the Authority's Untreated Water Facilities Demand Allocation by reservation and the three (3) pricing components for the additional capacity, as reviewed earlier by Ms. Bobbitt. Discussion then ensued regarding such cost formulas. Director Sigler added that the Authority does not have to pay any further costs if it does not need additional capacity when Luce Bayou is brought online. Mr. Shackelford noted that cooperative planning for future Untreated Water Facilities is a critical reason to establish the three (3) member advisory committee in the COH Contract to be comprised of members from the COH, the Authority and the West Harris County Regional Water Authority.

Mr. Shackelford then reviewed in detail the cost formulas for the Treated Water Facilities Demand Allocation and the Operations and Maintenance expenses.

Director Rendl commented that the proposed COH Contract appears to satisfy all of his concerns and noted that the COH Contract seems to be very fair to both the Authority and the COH. Director Fessler inquired regarding the next step in the COH Contract approval process. Mr. Shackelford explained that it is anticipated that the proposed COH Contract will be submitted to the COH Transportation, Infrastructure and Technology Committee, chaired by Councilman Carroll Robinson, for review and approval on September 24, 2002 and, if things progress as planned, the proposed COH Contract would be presented to the Authority Board for final approval and execution at the October 7, 2002 meeting and then sent to the COH City Council for approval and execution in mid-October. Mr. Shackelford recommended that the Board approve the proposed COH Contract, contingent upon there being no significant or substantive revisions to the COH Contract terms. 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 proposed COH Contract, based on the formulas and language discussed and provided that no substantive changes are made to the COH Contract, and to authorize the preparation and issuance of a letter to the COH Transportation, Infrastructure and Technology Committee prior to their meeting on September 24<sup>th</sup> to advise them of the Authority's intent to approve the proposed COH Contract.

#### EXECUTIVE SESSION

Director Sigler then adjourned the meeting at 10:12 a.m. and announced that the Board would convene in executive session, pursuant to Section 551.074, Texas Government Code, as amended, to review and deliberate on the evaluation of the General Manager.

Mr. Mark Edwards of Bammel UD asked if any action would be taken by the Board when the open meeting was reconvened. Director Sigler responded that he does not anticipate any action being taken by the Board.

#### RECONVENE IN OPEN SESSION

Director Sigler then reconvened the meeting in open session at 12:42 p.m., at which time the following action was taken. 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 appoint Directors Fessler and Rendl to a sub-committee of the Board to review and revise the format and process of the annual evaluation of the General Manager and to work with Ms. Bobbitt and Mr. Shackelford on the evaluation form and evaluation process.

There being no further business to come before the Board, the meeting was adjourned at 12:50 p.m.

PASSED, APPROVED AND ADOPTED this 7<sup>th</sup> day of October, 2002.

/s/Ron Graham

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Secretary, Board of Directors

(SEAL)