

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

October 18, 2004

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special workshop session, open to the public, at 6:00 p.m. on Monday, the 18th day of October, 2004, 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:

Jim Pulliam	-	President
Ron Graham	-	Vice President
Kelly Fessler	-	Secretary
Alan J. Rendl	-	Treasurer
Lenox A. Sigler	-	Assistant Secretary

All members of the Board were present, except Director Rendl, thus constituting a quorum. Also attending the meeting were: Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Mr. Anthony Crisci, P.E., Construction Coordinator for the Authority; Mr. Showri Nandagiri, P.E., Engineering Coordinator for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Lisa Randecker, Executive Assistant for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Tom Rolen, P.E. of Turner Collie & Braden Inc., Engineer Manager for the Authority; Ms. Kim Jackson, staff writer for The Houston Chronicle; Mr. Steve Bresnen of Steve Bresnen & Associates, lobbyist for the Authority; and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the Authority. A copy of the sign-in sheets for those in attendance at the meeting 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.

REVIEW OF PROPOSED BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005

Director Fessler expressed his appreciation to Mr. Schindewolf and the Authority staff for the Authority's expenses being consistently under budget. Director Pulliam also expressed his appreciation. Mr. Schindewolf stated that the Authority's staff and consultants were a great team.

Mr. Schindewolf then reviewed his memorandum summarizing the proposed budget for the fiscal year ending December 31, 2005 (the "2005 Budget") and the Capital Improvement Plan for 2005 and 2006 (the "CIP"), a copy of which is attached hereto. A complete copy of the budget workshop packet, previously distributed to the Board, is also attached hereto. Mr. Schindewolf next explained that the proposed 2005 Budget was prepared by the Authority staff members in conjunction with various representatives of the Authority's consulting team,

including legal counsel, financial advisors, engineering management and public relations. Mr. Schindewolf pointed out that the Authority's budget for the fiscal year ending December 31, 2004 (the "2004 Budget") had included two (2) new employee positions (GIS/CAD Technician and Accounting Clerk) that had not been filled, but are being carried over to the 2005 Budget since he intends to fill such positions in the coming year. Mr. Schindewolf then noted that the 2005 Budget includes a new position of Chief Inspector. Mr. Schindewolf also stated that the 2005 Budget includes a 4.2% cost of living increase for Authority employees. Mr. Schindewolf added that Ms. Plunkett, Ms. Payne and he will now review the 2005 Budget in more detail with the Board.

Mr. Schindewolf first reviewed the Revenue Summary (Tab 2) noting that, for budgeting purposes only, the 2005 Budget proposes to keep the estimated pumpage volumes and rate the same as in 2004's Budget. The actual Pumpage Fee rate needed for 2005 is currently under review and will most likely increase during 2005. Mr. Schindewolf also noted that 2004's projected total for Interest Earned is much higher than originally budgeted due to the Construction Funds not being expended as fast as anticipated.

Mr. Schindewolf explained that the Interest Expense category (Tab 3) on bond anticipation notes had been removed from the 2005 Budget since the Authority plans to sell bonds rather than issue bond anticipation notes. Mr. Schindewolf then reviewed the Operation & Maintenance Expense portion of the 2005 Budget (Tab 4) and explained that these expense items are tied to the Authority's Groundwater Transfer Program and stated that the 2005 Budget amount had been decreased by \$221,638.

Mr. Schindewolf then called on Ms. Plunkett to continue the review of the 2005 Budget. Concerning the Administrative Expenses category of the 2005 Budget (Tabs 5-12), Ms. Plunkett explained that Financial Services had been decreased by \$15,000, Engineering Services were remaining the same and Legal Services had decreased by approximately 8%. Mr. Schindewolf noted that Mr. Bresnen's two (2) year contract for legislative services expires December 31, 2004. Mr. Schindewolf went on to explain that he has been negotiating the terms of the 2005-2006 contract and has asked Mr. Bresnen to divide his compensation into equal monthly payments over the next two (2) years. The proposed 2005-2006 contract results in a 36% reduction in expenditures relative to the 2003-2004 contract. Mr. Schindewolf added that Mr. Bresnen's renewal contract will be presented at the Board's November 1st meeting.

Mr. Schindewolf then called on Ms. Payne to review the Communication Services portion of the 2005 Budget (Tab 9). Ms. Payne explained that the Authority pays Payne Communications a set turnkey fee on a monthly basis. Ms. Payne noted that the Printing expense line item does not include the printing expenses for the Water Conservation brochures. Ms. Payne then noted that the Miscellaneous expense line item is intended to include expenses for town hall meetings and other public meetings that may need to be held during the year.

Director Sigler asked which Chambers of Commerce the Authority supports. Ms. Payne responded that the six (6) Chambers of Commerce that receive support from the Authority include the Houston Northwest Chamber of Commerce, the Tomball Chamber of Commerce, the North Houston Greenspoint Chamber of Commerce, the Cy-Fair Chamber of Commerce, the Humble Chamber of Commerce and the Greater Houston Partnership. Director Sigler stated that

he would like to invite Mr. Schindewolf to address the Tomball Chamber of Commerce. Director Sigler also stated that he was planning to hold two (2) town hall meetings in 2005 in the Youth Ministries building of the Champion Forest Baptist Church. Director Pulliam then asked if \$67,000 is an adequate amount to budget for the Water Conservation Committee. Ms. Payne stated that such amount should cover what she proposes to do over the next year with the Water Conservation Committee. Director Graham then asked about the Public Education line item and inquired what the Authority donates to the Texas Water Development Board (the "TWDB"). Ms. Payne stated that the Authority purchases educational materials from the TWDB.

Concerning Management Services (Tab 10), Ms. Plunkett explained that most of the increase proposed in the 2005 Budget is due to the addition of the salary for the Chief Inspector position and the increases in the Authority's property and liability insurance premiums. Director Pulliam then asked when the Authority's office lease expires. Mr. Schindewolf responded that the current lease would expire in October of 2005. The Board agreed that it should consider building an office at the Authority's proposed regional water plant site on T.C. Jester. Director Graham stated that the ability to provide adequate parking at such a facility would be a significant consideration. Director Fessler inquired about the cost of the digital subscriber line/internet service. Ms. Plunkett explained that an upgrade would be necessary to accommodate the Authority's WBIMS needs.

Ms. Plunkett then briefly reviewed the Miscellaneous Services expense category (Tab 11) and explained that the Budget Reserve amount serves as a safeguard for covering any unexpected expenses. Ms. Plunkett next reviewed the Capital Outlay expense category (Tab 12) and explained that the 2005 Budget had been increased by \$15,000 for additional office furniture. In conclusion, Ms. Plunkett reported that the Administrative Expenses portion of the 2005 Budget is 0.3% less than what is projected to be expended in the 2004 Budget.

REVIEW OF THE CIP

Mr. Schindewolf then called on Mr. Rolan to review the CIP for 2005 and 2006, a copy of which is included in the attached budget packet, reflecting a total of \$178 million in Project Authorizations. Mr. Rolan then briefly identified three (3) new items added to the CIP, including: 1) participation in the City of Houston Greens Road Water Line Project; 2) identification and purchase of sites for the Authority's proposed 2020 regional pump stations and water plants; and 3) identification of and securing of easements for the portion of the 2020 system identified in the Authority's Groundwater Reduction Plan to generally extend from just east of US 59 to just east of SH 249.

Mr. Rolan then noted that Appendix B of the CIP includes all of the project detail information for the CIP. Mr. Rolan then responded to various questions from the Board concerning the CIP.

Mr. Schindewolf next announced that the 2005 Budget and the CIP would be presented for approval at the Board's November 1, 2004 meeting following a public hearing on the 2005 Budget at 6:30 p.m.

Director Sigler commended Mr. Schindewolf and the staff and consultants on how smoothly the review of the 2005 Budget and CIP had gone.

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

PASSED, APPROVED AND ADOPTED this 1st day of November, 2004.

/s/Kelly P. Fessler

Secretary, Board of Directors

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