

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

January 5, 2004

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 5<sup>th</sup> day of January, 2004, at the Authority's office, located 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:

Ron Graham	President
Lenox A. Sigler	Vice President
Kelly P. Fessler	Secretary
Jim Pulliam	Treasurer/Investment Officer
Alan J. Rendl	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mrs. Kelly Fessler; Mr. Jimmie Schindewolf, P.E., General Manager 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; Messrs. Tom Rolen, P.E. and Curtis Villarreal of Turner Collie & Braden Inc. ("TC&B"), Engineer Manager for the Authority; Mr. Mark McGrath of Null-Lairson, P.C. ("Null-Lairson"), auditors for the Authority; Mr. Stephen Ratcliffe, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Ms. Nancy Blackwell, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Stephen Yu, P.E. of Epsilon Engineering, Inc., on-call engineers for the Authority; Mr. Wayne Ahrens, P.E. of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Alfonzo Hernandez, P.E. of HBC/Terracon, on-call engineers for the Authority; Mr. John Peyton, P.E. of Cobourn, Linseisen & Ratcliff, Inc., on-call engineers for the Authority; Mr. John Seifert, P.E. of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Mark Breeding of Andrews & Kurth L.L.P., right-of-way ("ROW")/easement acquisition attorneys for the Authority; Messrs. Allen Watson and Bobby Greer of Cobb Fendley & Associates, Inc., ROW/easement acquisition consultants to the Authority; Ms. Kim Canon, staff writer for the Houston Chronicle; Mr. Jason King, staff writer for The 1960 Sun; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), general counsel for the Authority. Numerous members of the public and other consultants to the Authority 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.

## BOARD MEMBER COMMENTS

Director Graham announced that a groundbreaking ceremony in connection with Project 1C of the Authority's 2010 Water Distribution and Transmission System - Phase 1 Groundwater Transfer Projects (the "GTPs") would be held on Tuesday, January 13, 2004, at 2:00 p.m., at West Richey Road and Bammel North Houston Road.

Director Rendl then wished everyone a happy new year.

Director Pulliam also wished everyone a happy new year and stated that he was pleased that the February 7, 2004 Directors Election would be canceled and that the unopposed candidates would be declared elected to office.

## PUBLIC COMMENT

Director Graham then recognized Mr. Taylor Broun of Northwest Harris County Municipal Utility District No. 10. Mr. Broun asked why it was necessary for two (2) attorneys to attend every Authority meeting. Director Graham noted that only one (1) attorney was in attendance at tonight's meeting. Mr. Broun stated that one (1) attorney was necessary, but that two (2) attorneys at the meeting is not necessary. Mr. Schindewolf noted that the Authority has been very active over the last year with the bond financing and construction projects and explained that both attorneys were asked to attend the Board meetings, depending on what items were to be discussed at the meetings. Mr. Schindewolf added that now that some of these activities have been completed, it will not be necessary to have both Ms. Bobbitt and Mr. Johnson in attendance at the meetings.

## STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Ms. Payne reported that the Authority's Website had approximately 51,328 hits, with an average of 1,500 hits per day for the month of December. Ms. Payne noted that there is a new article posted on the Authority's Website regarding water conservation efforts in London, England by Severn Trent Environmental Services. Ms. Payne also announced that there would be a new construction page on the Website with photographs of the construction work on the water transmission lines.

Ms. Payne then reported that Single-Member Voting District No. 1 has scheduled a Town Hall meeting on January 29, 2004 and asked that persons planning to attend such meeting please notify Ms. Lisa Sagstetter and submit any questions they would like answered at the meeting.

Ms. Payne went on to report that the water conservation event that the Authority held in partnership with Lowe's last year had been written up in the Lowe's national employee newsletter.

Concerning the Water Conservation Committee (the "Committee"), Ms. Payne reported that Ms. Diane Flynn and Mr. Dave Scholler were researching a plan to promote commercial water conservation, and that Mr. William Papp was gathering information regarding a business speaker's bureau for the Committee.

Ms. Payne stated that President Bush had recently signed the "Canned Spam Act", which may require the Authority to obtain authorization from everyone who wants to receive e-mail messages from the Authority.

The Board commended Ms. Payne and the staff for an excellent job on the Authority's Holiday Open House held on December 16, 2003.

#### GENERAL MANAGER'S REPORT

Mr. Schindewolf first congratulated Directors Pulliam and Fessler on being unopposed candidates for the February 7, 2004 Directors Election. Mr. Schindewolf next reiterated that the groundbreaking ceremony in connection with Project 1C is scheduled for Tuesday, January 13, 2004, at 2:00 p.m. Mr. Schindewolf also thanked Ms. Payne and Ms. Sagstetter for their hard work on the Holiday Open House.

Mr. Schindewolf then briefly reviewed the General Manager's Report with the Board, a copy of which is attached hereto.

#### STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Breeding was then called on by Mr. Schindewolf to present a status report on the ROW/easement acquisitions. Mr. Breeding reported that there had not been any slow down in activity over December. Mr. Breeding briefly reviewed the status of condemnation cases and related court hearings. Mr. Breeding noted that the form of easement being used by the Authority had been revised in response to various issues that have been encountered. Mr. Breeding stated that there was one (1) pending condemnation case on Project 1C, which he anticipates will be settled in the near future. In summary, Mr. Breeding stated that so far, all of the Authority's condemnation cases have either settled, had the court rule in the Authority's favor or have reached an accommodation.

Director Fessler noted that he read that Hewlett-Packard has a "For Sale" sign on a tract of land on Louetta Road. Mr. Breeding noted that such tract was in the area being considered for a regional water plant site for the Authority.

#### ENGINEER MANAGER'S REPORT

Concerning Project 1C, Mr. Rolan reported that as of December 24, 2003, the contractor for such project had laid approximately 1,000 feet of water line and was progressing well on the project. Mr. Rolan stated that construction work had resumed on the project today.

Mr. Rolan noted that the Authority has recently implemented an answering system for after-hours questions concerning the Authority's construction projects.

Mr. Rolan next reported that comments had been received from the City of Houston (the "City") and Harris County on the plans for three (3) additional GTPs, and that the necessary revisions will be made and the plans will be resubmitted for final approval and signature.

Mr. Rolan stated that engineering work is proceeding on Projects 1A-1, 1C-1, 6A, 7A, 7B and 7C. Mr. Rolan stated that the design engineers for Projects 7A, 7B, and 7C are coordinating

their alignment studies in an effort to develop the most effective alignments for these three (3) projects.

Mr. Rolan then reported that TC&B had a preliminary meeting with the City prior to the holidays to discuss the Authority's GTPs and the possible purchase of an additional unquantified amount of water from the City for use in the GTPs.

Mr. Rolan also noted that TC&B has been trying to initiate discussions with Hewlett-Packard concerning the Authority's purchase and usage of water from their well located on Louetta Road.

Director Rendl then inquired if there had been any surprises encountered in connection with the GTPs so far. Mr. Rolan stated that the volume of water that districts want to purchase has significantly increased.

#### ATTORNEY'S REPORT

Ms. Bobbitt next reported on the status of the Authority's pending litigation against Consumers Water Corporation ("Consumers") and Suburban Utility Company ("Suburban"). Ms. Bobbitt then reviewed a summary memorandum from Kaye Corprew in her office regarding the Settlement Agreement by and among the Authority, Consumers and Suburban, a copy of which is attached hereto. Ms. Bobbitt noted that as of December 31, 2003, Consumers owes the Authority \$45,897.73, and that Suburban owes the Authority \$29,921.14, plus \$10,000 in attorneys' fees. Director Fessler inquired if \$10,000 was enough to cover legal expenses. Ms. Bobbitt responded that \$10,000 is probably not enough to cover legal expenses, but that she would investigate the exact costs incurred by JRPB and report back to the Board. Ms. Bobbitt explained that the Settlement Agreement provides for Consumers to pay the Authority 48 monthly payments of \$1,208.66 each and Suburban to pay the Authority 48 monthly payments of \$787.94 each to pay the outstanding delinquent pumpage fees beginning January 31, 2004. Ms. Bobbitt added that together, Consumers and Suburban will pay the Authority an additional \$263.64 per month for attorney's fees. Ms. Bobbitt noted that interest will continue to accrue on the total outstanding delinquent amount at the rate of 1% per month. Ms. Bobbitt went on to explain that the owners of Consumers and Suburban will also obtain approval to impose a monthly surcharge on their customers' water bills in a sufficient amount to cover their monthly payments to the Authority. In addition, Ms. Bobbitt explained that Consumers and Suburban will also submit an application to the Texas Commission on Environmental Quality to increase the water tariff to their customers in order to pay the Authority's pumpage fees on a current basis beginning in 2004. Ms. Bobbitt added that if Consumers or Suburban does not make the required payments, the Authority will have the right to pursue the enforcement of the Agreed Judgment.

Concerning the February 7, 2004 Directors Election, Ms. Bobbitt explained that since the incumbent directors to be listed on the ballot for the February 7, 2004 Directors Election are unopposed, the Authority is not required to hold the election. Ms. Bobbitt then presented a Certificate Regarding Unopposed Candidates, and went on to explain that the Board is required to adopt an Order Declaring Unopposed Candidates Elected to Office in order to comply with the provisions of the Election Code. Ms. Bobbitt noted that the item is listed as G.2.b on the Regular Agenda. Ms. Bobbitt also stated that a copy of the Order Declaring Unopposed Candidates Elected to Office would be posted at each of the polling places that would have been used on February 7, 2004, for the Directors Election.

## **CONSENT AGENDA**

Director Graham then reviewed with the Board the items reflected on the Consent Agenda. Director Graham 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 Graham stated that there was one (1) item on the Consent Agenda, such item being the approval of the minutes of the regular meeting of December 8, 2003, previously distributed to the Board.

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 the Consent Agenda item.

## **REGULAR AGENDA**

### **FINANCIAL ASSISTANT'S REPORT**

Director Graham then recognized Ms. Plunkett, who reviewed the Financial Report with the Board, including the monthly investment report, the checks being presented for payment and the budget comparison for the month ending November 30, 2003, a copy of which is attached hereto. Ms. Plunkett stated that the budget comparison for 11 months reflects that the Authority continues to be approximately \$1.4 million under budget for the current fiscal year. 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 approve the Financial Report, the monthly investment report and the payment of the checks.

### **GENERAL MANAGER'S ACTION ITEMS**

#### **ADOPT RESOLUTION ADOPTING POLICIES FOR CAPITALIZATION AND DEPRECIATION OF AUTHORITY ASSETS**

Mr. Schindewolf then reported that the Authority's auditor recommends that the Board adopt a depreciation policy, in which the years of useful life are assigned to the Authority's assets and a capitalization threshold is specified for additions to the Authority's asset base, as required by the Governmental Accounting Standards Board Statement No. 34 (the "GASB 34"). 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 the Resolution, a copy of which is attached hereto.

#### **APPROVE CERTIFICATE OF UNOPPOSED CANDIDATES AND ADOPT ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE**

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 Certificate of Unopposed Candidates and adopt the Order Declaring Unopposed Candidates Elected to Office, copies of which are attached hereto.

APPROVE 2004 HOLIDAY SCHEDULE

Mr. Schindewolf then presented the proposed 2004 Holiday Schedule for the Authority's staff for the Board's approval, a copy of which is attached hereto. 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 the 2004 Holiday Schedule.

ENGAGE AUDITORS TO PREPARE AUDIT REPORT

Mr. Schindewolf then introduced Mr. Mark McGrath, who presented an engagement letter for the preparation of the Authority's audit report for the fiscal year ending December 31, 2003, a copy of which is attached hereto. Mr. McGrath noted that the sale of the Authority's bonds and the implementation of the GASB 34 requirements would significantly increase the content of this year's audit report. 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 engage Null-Lairson to prepare the Authority's audit report for the fiscal year ending December 31, 2003.

ANNUAL ELECTION OF OFFICERS

Director Graham then opened the meeting to nominations for the officers of the Board. Upon motion by Director Fessler, seconded by Director Rendl, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Pulliam as President; Director Graham as Vice President; Director Fessler as Secretary; Director Rendl as Treasurer; and Director Sigler as Assistant Secretary.

Director Pulliam then expressed the Board's gratitude to Director Graham for serving as President of the Board during the last year.

NEXT MEETING

Mr. Schindewolf then stated that the next regular meeting of the Authority would be held on Monday, February 2, 2004, at 7:00 p.m. at the Authority's offices.

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

PASSED, APPROVED AND ADOPTED this 2<sup>nd</sup> day of February, 2004.

/s/Kelly P. Fessler

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Secretary, Board of Directors

(SEAL)