

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors January 4, 2017

The Board of Directors (the "Board") of the Central Harris County Regional Water Authority (the "Authority") met in regular session, open to the public on January 4, 2017, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted members of said Board, as follows:

Margaret L. Cox, President
Julian F. Boddy, Vice President
David Granadino, Secretary
Tom Gower, Assistant Secretary
Richard C. Meek, Assistant Secretary

and all of said persons were present, thus constituting a quorum.

Also present were Marcel Khouw, P.E. of IDS Engineering Group, Inc. ("IDS"), engineer for the Authority; Rose Montalbano of F. Matuska, Inc. ("Matuska"), bookkeeper for the Authority; Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; John Howell of The GMS Group, L.L.C. ("GMS"), financial advisor for the Authority; C.J. Treadway, governmental affairs representative for the Authority; Linda Watkins and Arthur Freeman of Fallbrook Utility District ("Fallbrook"); Laura Davis of Harris County Municipal Utility District No. 33 ("No. 33"); Debra Johnson and Cordelia Brown of Harris County Municipal Utility District No. 217 ("No. 217"); Lathan Johnson and Pastor Mitchell Stewart of Rankin Road West Municipal Utility District ("Rankin"); and Abraham Rubinsky of Schwartz, Page & Harding, L.L.P. ("SPH"), attorneys for the Authority.

The President called the meeting to order and declared it open for such business as might properly come before it.

APPROVAL OF MINUTES

As the first order of business, the Board considered approval of the minutes of its meeting held December 7, 2016. After discussion, Director Boddy moved that the minutes of the meeting held December 7, 2016, be approved as written. Director Granadino seconded said motion, which unanimously carried.

PUBLIC COMMENTS

The Board opened the meeting for public comments. There were no comments received from the public in attendance at the meeting.

BOOKKEEPER'S REPORT

Ms. Montalbano presented to and reviewed in detail with the Board the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit A**, including the Summary of Cash Transactions for the Authority's various funds for the period December 1, 2016 through January 4, 2017, and the checks presented for payment from the General Fund, HC304 Agreement Fund and Series 2008 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of November 2016, a Summary of Pumpage Fees Paid by Member Districts through November 2016, and the Authority's Quarterly Investment Report for the period ended September 30, 2016. After discussion, Director Gower moved that (i) the Bookkeeper's Report be approved and the disbursements listed therein be approved for payment, and (ii) the Quarterly Investment Report be approved and the Authority's Investment Officer be authorized to execute same on behalf of the Board and the Authority. Director Meek seconded said motion, which unanimously carried.

RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE AUTHORITY

The Board next considered adopting a list of qualified brokers authorized to engage in investment transactions with the Authority. Mr. Rubinsky reminded the Board that, pursuant to applicable provisions of the Public Funds Investment Act and the Authority's Investment Policy, the Board is required to review and revise such list, if necessary, at least annually. In connection therewith, he presented to and reviewed with the Board a proposed list of financial institutions, brokers and dealers authorized to engage in investment transactions with the Authority, a copy of which is attached hereto as **Exhibit B**, as compared to the list previously adopted by the Board last year. Mr. Rubinsky further noted that the broker list presented is a list of potential institutions with which the Authority may engage in investment transactions compiled with the input of the Authority's Investment Officer, but it is ultimately the Board's decision as to where the Authority's funds are actually invested. After discussion on the matter, Director Meek moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority attached hereto as **Exhibit C** be approved, and that the President and Secretary be authorized to execute same on behalf of the Board and the Authority. Director Gower seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

The Board next recognized Mr. Howell, who briefly discussed the Authority's proposed increases in its GRP Fee, Importation Fee and Surface Water Fee to be effective February 1, 2017, as discussed with the Board in detail at the last meeting.

ADOPTION OF AMENDED RATE ORDER

The Board considered the amendment of its Rate Order. In that regard, Mr. Rubinsky advised the Board that SPH had directed correspondence to all Member Districts on December 16, 2016, advising them of the proposed amendment of the Authority's Rate Order, including the adoption of the proposed increases of the GRP Fee, Importation Fee, and Surface Water Fee

recommended by Mr. Howell at the Board's last meeting. He reminded the Board that the GRP Fee and Importation Fee is being increased from \$2.31 per 1,000 gallons to \$2.51 per 1,000 gallons, and the Surface Water Fee is being increased from \$2.65 per 1,000 gallons to \$2.85 per 1,000 gallons, effective February 1, 2017. Mr. Rubinsky then presented to and reviewed with the Board an amended Rate Order reflecting the GRP Fee, Water Importation Fee and Surface Water Fee increases. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that (i) the Rate Order attached hereto as Exhibit D be passed and adopted by the Board, effective as of February 1, 2017, (ii) the President be authorized to execute and the Secretary to attest said Rate Order on behalf of the Board and the Authority, (iii) all Rate Orders heretofore adopted by the Board be revoked as of such date, and (iv) SPH be authorized to distribute a copy of the new Rate Order to all Member Districts.

Mr. Howell exited the meeting at this time.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated January 4, 2017, a copy of which is attached hereto as Exhibit E, and updated the Board on the status of various matters of interest to the Authority.

Mr. Khouw reported to the Board regarding ground water usage, surface water usage, and total water usage, as detailed in the Engineer's Report.

In connection with the extension of an Authority surface water supply line to Harris County Municipal Utility District No. 304's ("No. 304") Water Plant, Mr. Khouw reported that Berg Oliver Associates, Inc. is working on the environmental study and data form required to be submitted to the Texas Water Development Board ("TWDB"), as previously authorized by the Board.

Mr. Khouw advised the Board that IDS is waiting for the Harris-Galveston Subsidence District ("HGSD") to issue the over conversion credits for the 2015-2016 permit year. He reported that a request had also been received from the HGSD to complete the annual GRP Report. After discussion, the Board authorized IDS to complete and submit the annual GRP Report to the HGSD on behalf of the Authority.

Mr. Khouw next advised the Board that IDS submitted the participation worksheet for the City of Houston's ("City") Northeast Water Purification Plant ("NEWPP") expansion project, the Northeast Transmission Line ("NETL") Phase I project, and the NETL Phase 2 project, funded by the Authority's Series 2015 Bonds to the TWDB on December 14, 2016, for the TWDB's use in preparing its annual Historically Underutilized Businesses Report.

Mr. Khouw further reported that the TWDB had requested the Authority's completion of the Survey of Ground and Surface Water Usage for the year ended December 31, 2016. After discussion, the Board authorized IDS to complete the survey and to submit same to the TWDB on behalf of the Authority prior to the March 1, 2017 deadline.

Mr. Khouw addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. Mr. Khouw reported that correspondence dated January 3, 2017, was forwarded to the City by all four (4) Regional Water Authorities (the "RWAs") today requesting a meeting with representatives of the City to discuss financial alternatives to funding the Component II (Final Design) Contract.

With respect to the City's issuance of Consensus Item No. 8 requesting \$600,000 to purchase approximately 2,654 mitigation credits from the Katy Prairie Stream Mitigation Bank, Mr. Khouw advised the Board that all four (4) RWAs determined not to vote either in favor or against the Consensus Item, which will result in the passing of the said consensus item. Mr. Khouw noted, however, that the RWAs intend to forward correspondence to the City expressing its concerns with the amount of Consensus Item No. 8 and the acceleration of time in depositing said funds with the City. After discussion, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that the Authority's Bookkeeper be authorized to prepare a wire transfer to the City in the amount of \$9,150 for the Authority's share of the funds required to purchase the mitigation credits from the Katy Prairie Stream Mitigation Bank in the event the Authority is required to fund this amount prior to the next Board meeting.

In connection with Phase I of the NETL, Mr. Khouw reported that the City is working on the design and property acquisition for the NETL and advised that the City anticipates bidding three (3) segments of the line in January or February of 2017. He reported that the City held a contractor/vendor workshop in order to increase contractor participation in these projects.

Mr. Khouw then updated the Board on the status of the Luce Bayou Interbasin Transfer Project and reported that Coastal Water Authority has started construction of the Capers Ridge Pump Station and anticipates bidding the canal construction projects this month. He also reported that the dual 96-inch pipelines are currently under design.

In connection with the water quality management study and blending study being performed by AOS Treatment Solutions, LLC ("AOS") with respect to the Authority's 2025 Internal Distribution System, Mr. Khouw reported that AOS has contacted all of the Member Districts' operators for historical data. Mr. Khouw advised the Board that IDS will direct correspondence to the Member Districts requesting the operators' cooperation with the study.

NO. 304'S PROPOSED ANNEXATION OF APPROXIMATELY 23.377 ACRES

Mr. Rubinsky next advised that SPH had received a corrected letter from No. 304 dated December 9, 2016, confirming No. 304's intent to annex approximately 27.377 acres into No. 304. After discussion on the matter, the Board authorized Mr. Khouw to discuss the request for annexation with No. 304's engineer and to review No. 304's new projected water demands as a result of the proposed annexation versus the projected water usage demands used in the GRP.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for December 2016, a copy of which is attached hereto as **Exhibit F**.

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during December 2016 was 43% and is now 41% for the current permit year to date. Mr. Martin advised that the accountability of surface water for the permit year to date is 99%.

Mr. Khouw addressed the Board regarding the status of the evaluation of programs and equipment for the remote monitoring and reading of the Authority's surface water meters and member Districts' water well meters. In that regard, he advised the Board that the West Harris County Regional Water Authority ("WHCRWA") is currently conducting a study regarding the implementation of programs and the installation of equipment for the remote monitoring and reading of its surface water meters and member District's water wells. After discussion, the Board deferred action on this matter until the WHCRWA completes its study.

ANNUAL CONSUMER CONFIDENT REPORTS

The Board next considered authorizing MOC to provide certain required information to Member Districts receiving water from the Authority in connection with the annual Consumer Confidence Report regulations. Mr. Martin stated that MOC will provide information regarding surface water received from the City and delivered to the Member Districts in 2016. After discussion on the matter, Director Gower moved that the Board authorize MOC to provide the required information to the Member Districts that received surface water from the Authority in 2016 for their respective 2016 Consumer Confidence Reports. Director Meek seconded said motion, which carried unanimously.

AUTHORIZE SOLICITATION OF PROPOSALS FOR INSURANCE COVERAGES

The Board next discussed the solicitation of proposals for the Authority's insurance coverages for the term of April 1, 2017, through March 31, 2018. Mr. Rubinsky advised the Board that the Authority's current insurance coverages, through TML Insurance Services ("TML"), will expire on March 31, 2017. After discussion on the matter, it was moved by Director Meek, seconded by Director Granadino and unanimously carried, that SPH solicit a proposal on behalf of the Authority from TML only at this time, and that Director Meek be authorized to review such proposal on behalf of the Board and the Authority.

GOVERNMENT AFFAIRS UPDATE

Ms. Tredway next presented to and reviewed with the Board a Government Affairs Update dated January 4, 2017, a copy of which is attached hereto as **Exhibit G**.

The Board next considered the approval of a Governmental Affairs Representation Agreement ("Agreement") between Ms. Tredway and the Authority in connection with the coming 85th Legislative Session, as presented and discussed at the last Board meeting. After discussion, it was moved by Director Meek and seconded by Director Boddy that (i) the Agreement be approved and that the President be authorized to execute same on behalf of the Board and the Authority, and (ii) the Texas Ethics Commission Form 1295 received from Ms. Tredway be accepted and that SPH be authorized to acknowledge same. The motion carried with

Directors Cox, Boddy, Granadino and Meek voting in favor of such action and Director Gower voting against such action.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky advised the Board that he had no new activity upon which to report at this time.

DISCUSSION REGARDING STATUS OF WEBSITE DESIGN FOR THE AUTHORITY BY THE TEXAS NETWORK, LLC ("TTN")

Mr. Rubinsky advised that SPH is in the process of gathering data to be submitted to Ms. Barbara Payne and Mr. Russell Lambert of TTN in connection with its development of the Authority's website.

CLOSED SESSION PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.071 AND SECTION 551.072

The Board determined that it would not be necessary at this time to convene in Closed Session.

ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

The Board considered items for placement on future agendas. Except as may be reflected above, there were no additional agenda items requested other than routine, ongoing matters.

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, February 1, 2017, at 6:00 p.m.

ADJOURN MEETING

There being no further business to come before the meeting, upon motion made by Director Gower, seconded by Director Meek and unanimously carried, the meeting was adjourned.



David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- EXHIBIT A** Bookkeeper's Report
- EXHIBIT B** List of Financial Institutions, Brokers and Dealers as Compared to List Previously Adopted by the Board
- EXHIBIT C** Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
- EXHIBIT D** Amended Rate Order
- EXHIBIT E** Engineer's Report
- EXHIBIT F** Operator's Report
- EXHIBIT G** Government Affairs Update