

# CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

## Minutes of Meeting of Board of Directors January 6, 2016

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 6, 2016, 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  
Judge Caston, 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; Fran Matuska 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; Arthur Freeman, Eddy Johnston, and Linda Watkins of Fallbrook Utility District ("Fallbrook"); Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin"); Justin Abshire of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"), and Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"), 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 meetings held September 2, 2015, October 7, 2015, October 28, 2015, November 4, 2015, and December 2, 2015. After discussion, the Board deferred consideration of the minutes of the meetings held September 2, 2015, October 7, 2015, October 28, 2015, November 4, 2015, and December 2, 2015, until its next meeting.

### PUBLIC COMMENTS

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

STATUS OF ISSUANCE OF THE AUTHORITY'S SALE OF \$10,805,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2015 (THE "BONDS")

Mr. Rubinsky advised the Board that the Bonds successfully closed, as scheduled, on December 11, 2015.

ENGAGEMENT OF MUNICIPAL RISK MANAGEMENT GROUP, LLC TO PROVIDE YIELD RESTRICTION AND REBATE CALCULATION ANALYSIS SERVICES IN CONNECTION WITH THE AUTHORITY'S OUTSTANDING SERIES 2008 AND SERIES 2015 REVENUE BONDS

The Board next considered the engagement of Municipal Risk Management Group, L.L.C. ("MRMG") to review, catalogue, summarize and make recommendations to the Authority in regards to yield restriction and rebate calculation analysis for the Authority's outstanding bonds and bond anticipation notes. In connection therewith, Mr. Rubinsky advised the Board that federal tax law requires that, every five years, issuers of tax-exempt bonds perform a review to monitor compliance with various requirements, including that the proceeds of the bonds not be invested at yields materially higher than the interest rate on the bonds themselves. He then stated that failure to comply with said requirements may result in arbitrage rebate payments being owed by the issuer to the federal government. Mr. Rubinsky then discussed with the Board the regulations of the Internal Revenue Service which require such analysis to be performed on the Authority's outstanding bonds and reviewed MRMG's engagement letter. Mr. Rubinsky noted that, due to the requirements of House Bill 1295, which will be discussed later in the meeting, MRMG must file form 1295 with the Texas Ethics Commission ("TEC") and provide evidence of said filing to the Authority. After discussion, Director Caston moved that the engagement of MRMG be approved, subject to receipt of evidence of MRMG's filing of form 1295 with the TEC. Director Gower seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Ms. Matuska 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 accounts for the period December 1, 2015 through January 6, 2016, and the checks presented for payment from the General Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the first eleven (11) months of the Authority's fiscal year ending December 31, 2015, a Summary of Pumpage Fees Paid by Member Districts through November 2015, and a Comparison of Costs to TWDB WIF Project No. 21607 related to the expenditure of bond proceeds to date from the Authority's Series 2008 Bonds.

Ms. Matuska noted that she has included in the Bookkeeper's Report detail of funds expended in connection with the extension of surface water supply line to Harris County Municipal Utility District No. 304's ("No. 304") Water Plant.

After discussion, Director Boddy moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment. Director Gower seconded said motion, which unanimously carried.

#### OPERATING BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2016

Ms. Matuska next presented and reviewed in detail with the Board a draft Operating Budget for the Authority's fiscal year ending December 31, 2016, a copy of which is included in the Bookkeeper's Report attached hereto as Exhibit A. Ms. Matuska discussed various revisions made to the initial draft Operating Budget presented and reviewed with the Board at its last meeting. After discussion on the matter, upon motion made by Director Boddy, seconded by Director Meek and unanimously carried, the Board approved the proposed Operating Budget for the Authority's fiscal year ending December 31, 2016, as presented.

#### 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 and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, both of which are attached hereto as Exhibit B. 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, Director Caston moved that: (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority be approved by the Board and the Authority, and (ii) that the President and Secretary or Assistant Secretary be authorized to execute same. Director Gower seconded said motion, which unanimously carried.

#### FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority, including the status of communications with the City of Houston (the "City") regarding the City's FY 2011, FY 2012, FY 2013, FY 2014, and preliminary FY 2015 True Up Reports related to Operations and Maintenance of the City's Northeast Water Purification Plant ("NEWPP"). Mr. Howell advised that he had nothing new to report concerning the subject True Up Reports.

Mr. Howell next presented to and reviewed with the Board an updated financial plan ("Financial Plan") for the Authority, a copy of which is attached hereto as Exhibit C. He noted that pages one two of the Financial Plan detail the Authority's 2016 Operating Revenue Projections. Mr. Howell advised that a one cent increase in the Authority's GRP fee and surface

water fee equates to \$17,500 of additional revenue for the Authority based on the assumption that the total water usage within the Authority will remain level for the next three (3) years. Mr. Howell advised the Board that based on the Financial Plan, he does not recommend an adjustment in the Authority's GRP and surface water fees at this time. Mr. Howell then noted that the Authority will need to re-evaluate the Financial Plan and whether a rate increase is required in approximately five (5) or six (6) months when the City adopts the new operation and maintenance water rate for the NEWPP for its fiscal year ending in 2017.

Mr. Howell next reviewed with the Board Texas Water Development Board's ("TWDB") multi-year commitment to the Authority of funding through the State Water Implementation Fund for Texas ("SWIFT"), as reflected on page three of the Financial Plan. Mr. Howell advised that the Financial Plan includes a proposed Bond Issue in the amount of \$3,770,000 for the 2025 Internal Distribution System Project ("Internal Project"), and noted that said amount has been reduced from previously reported amounts, after accounting for funds that will be applied to the Internal Project from the remaining proceeds of the Authority's 2008 Bonds and the Authority's General Fund. He then recommended that an Abridged Application for financial assistance through SWIFT be filed with the TWDB prior to the February 5, 2016 deadline in connection with the Internal Project. Mr. Howell then reported that the Financial Plan also includes a proposed bond issue in the amount of \$2,950,000, for the Authority's share of the additional costs associated with Phase I of the Northeast Transmission Line (the "Phase I Project"). He then recommended that the Board consider filing an Abridged Application for financial assistance through SWIFT with the TWDB prior to the February 5, 2016 deadline in order to secure additional funds for costs associated with the Phase I Project. After discussion, Director Gower moved to authorize SPH and IDS to prepare and file Abridged Applications with the TWDB for financial assistance through the SWIFT prior to the February 5, 2016 deadline, in connection with (i) the Authority's Internal Project, and (ii) the additional costs associated with the Phase I Project. Director Meek seconded said motion, which unanimously carried.

Mr. Howell advised the Board that it has been determined that an application for the Authority's share of costs of the Luce Bayou Interbasin Transfer Project is not required at this time.

#### ENGINEER'S REPORT

Mr. Khouw presented to and reviewed with the Board a written Engineer's Report attached hereto as Exhibit D, and updated the Board on the status of various matters of interest to the Authority.

Mr. Khouw reported that the Authority's surface water usage through December 2015 was 37.20% of total water use, which is above the mandated 30% conversion percentage and advised that the Authority has accumulated over-conversion credits from the Harris-Galveston Subsidence District.

With respect to the expansion of the NEWPP, Mr. Khouw reported that at its December 9, 2015 meeting, the City Council approved the award of the contract to the Houston Waterworks team as the design build contractor. Mr. Khouw reported that the City has

scheduled a project status meeting for January 12, 2016 and a project kick-off meeting for January 27, 2016.

With respect to No. 304's Agreement for early conversion to surface water, Mr. Khouw advised that IDS has prepared the layout of the meter station and has provided it to the engineer for No. 304 for review and comment. He reported that IDS will complete design and will request authorization to advertise for bids within the coming months.

In connection with the Phase I Project, Mr. Khouw reported that IDS is continuing to work with the City on an updated hydraulic model to verify the size of the Northeast Transmission Line.

Mr. Khouw further advised that IDS and SPH are in the process of working on an agreement with the North Harris County Regional Water Authority ("NHCRWA") for phase II of the the Northeast Transmission Line (the "Phase II Project"). He noted that the agreement for the Phase II Project is required to be in place prior to TWDB's approval of release of any funds for the Phase II Project.

With respect to the Authority's Internal Project, Mr. Khouw requested Board authorization to begin preliminary engineering, planning and water modeling. After discussion, the Board deferred consideration of Mr. Khouw's request until the next meeting.

#### OPERATOR'S REPORT

Mr. Martin presented and reviewed with the Board a written Operator's Report for November 2015, a copy of which is attached hereto as Exhibit E.

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during December 2015 was 47% and remains at 37% for the current permit year to date.

#### 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 2015. 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 2015 for their respective 2015 Consumer Confidence Reports. Director Caston 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, 2016, through March 31, 2017. Mr. Rubinsky advised the

Board that the Authority's current insurance coverages, though TML Insurance Services ("TML") will expire on March 31, 2016. After discussion on the matter, Director Meek recommended that SPH solicit a proposal on behalf of the Authority from TML only at this time, such proposal to be considered by the Board at its meeting scheduled for February 3, 2016.

#### GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky advised the Board that a Government Affairs Update had not been received prior to the meeting.

#### DISCUSSION REGARDING IMPLEMENTATION OF CONFLICT DISCLOSURE REQUIREMENTS PURSUANT TO HOUSE BILL 1295

Mr. Rubinsky informed the Board that, as of January 1, 2016, recently enacted House Bill 1295 will apply to all Authority contracts that require Board approval or have a total value of \$1,000,000 or more. He further explained that, pursuant to the bill, the Authority may not enter into a contract with a business entity unless that entity has (1) filed a Texas Ethics Commission ("TEC") Form 1295 and (2) supplied a signed copy of same and a Certification of Filing from the TEC to the Authority. Mr. Rubinsky informed the Board that SPH is working on issues related to the implementation of HB 1295.

#### ATTORNEY'S REPORT

The Board considered the Attorney's Report. In that regard, Mr. Rubinsky discussed various general legal and administrative matters with the Board.

Mr. Rubinsky informed the Board that, pursuant to recently enacted Senate Bill 1812, all political subdivisions with the power of eminent domain, including the Authority, are now required to file an annual eminent domain report by February 1 of each year with the Texas Comptroller of Public Accounts (the "Comptroller"). He explained that the report will contain the Authority's contact information as well as information related to the Authority's ability to exercise the power of eminent domain. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that the Board authorize SPH to file the annual eminent domain report with the Comptroller on behalf of the Authority.

#### 2016 DIRECTOR APPOINTMENT PROCESS AND CALCULATION OF VOTING PERCENTAGES

Mr. Rubinsky next reported on the status of the 2016 Director Appointment Process and the determination of the Member Districts' final 2015 water usage and calculation of number of votes for At-Large and Director Precinct voting. He advised that SPH sent a Memorandum to all Member Districts, in care of their respective attorneys, on December 2, 2015, a copy of which is attached hereto as Exhibit F, stating that nominations are due by February 15, 2016. Mr. Rubinsky advised that both MOC and IDS are assembling final 2015 water usage totals of each Member District and IDS will provide voting percentages for 2016 Director Appointment Process in the near future.

STATUS OF PROPOSAL(S) FOR DEVELOPMENT AND MAINTENANCE OF A WEBSITE FOR THE AUTHORITY

Mr. Rubinsky advised that SPH has solicited a proposal for the creation and maintenance of a website from Barbara Payne, as previously requested by the Board, and advised that said proposal would be presented for the Board's consideration at next month's meeting. Mr. Rubinsky also presented the Board with correspondence submitted to Mr. Kelvin Smith, President of the Board of Directors of Rankin, advising Mr. Smith that said proposal had been solicited. A copy of said correspondence is attached hereto as Exhibit G.

ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY


The Board considered items for placement on future agendas. No specific agenda items, other than routine and ongoing matters, were requested.

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, February 3, 2016, at 6:00 p.m.

ADJOURN MEETING

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



  
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Judge Caston, Secretary  
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

EXHIBIT A	Bookkeeper's Report
EXHIBIT B	Resolution Adopting List of Qualified Brokers
EXHIBIT C	GMS Financial Plan
EXHIBIT D	Engineering Report
EXHIBIT E	Operations Report
EXHIBIT F	Correspondence to Kelvin Smith, President of the Board of Directors of Rankin Road West Municipal Utility District
EXHIBIT G	Notice of Appointment Process for Directors of the Authority