

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
February 1, 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 February 1, 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, except Director Boddy, 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; Linda Watkins and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Lathan Johnson and Pastor Mitchell Stewart of Rankin Road West Municipal Utility District ("Rankin Road"); Justin Abshire of Jones & Carter, Inc., on behalf of Harris County Municipal Utility District No. 200 ("No. 200"); Jonathan Ward of Harris County Municipal Utility District No. 304 ("No. 304"); 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 January 4, 2017. After discussion, Director Meek moved that the minutes of the meeting held January 4, 2017, be approved as written. Director Gower seconded said motion, which unanimously carried.

PUBLIC COMMENTS

The Board opened the meeting for public comments. Mr. Johnson of Rankin Road advised that, at the recent Association of Water Board Directors mid-winter conference, he had learned of certain awards available to municipal utility districts and noted that he would like the Authority's Member Districts to be recognized for their achievements through these award programs.

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 funds for the period January 1, 2017 through February 1, 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 December 2016, a Summary of Pumpage Fees Paid by Member Districts through December 2016. After discussion, Director Gower moved that the Bookkeeper's Report be approved and the disbursements listed therein be approved for payment. Director Granadino seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

In the absence of the Authority's Financial Advisor, John Howell, Mr. Rubinsky next presented to and reviewed with the Board correspondence received from the Texas Water Development Board ("TWDB") dated January 6, 2017, a copy of which is attached hereto as **Exhibit B**, requesting confirmation of the amount of bonds that the Authority desires to sell out of its State Water Implementation Fund for Texas ("SWIFT") multi-year commitment. Mr. Rubinsky advised the Board that Mr. Howell had reviewed the annual loan closing schedules provided by the TWDB and recommended that the Board approve same based on the initial loan closing schedule approved by TWDB. After discussion on the matter, Director Meek moved that (i) the annual loan closing schedules based on the SWIFT multi-year commitment be approved as recommended by Mr. Howell, and that the President be authorized to execute same on behalf of the Authority, and (ii) SPH be authorized to submit the annual loan closing schedules to the TWDB by February 3, 2017. Director Gower seconded said motion, which unanimously carried.

Mr. Rubinsky next addressed the Board concerning filing an Abridged Application to the TWDB for financial assistance from SWIFT in connection with the additional funds required for the City of Houston's ("City") Northeast Water Purification Plant ("NEWPP") expansion project. Mr. Rubinsky advised that Mr. Howell had recommended an application in the approximate amount of \$4,900,000 be submitted to TWDB by the February 3, 2017, deadline. After discussion, it was moved by Director Gower, seconded by Director Granadino and unanimously carried, that SPH and IDS be authorized to prepare and file an Abridged Application with the TWDB for financial assistance from SWIFT in connection with the additional funds required for the City's NEWPP expansion project.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated February 1, 2017, a copy of which is attached hereto as **Exhibit C**, 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 well as the Harris-Galveston Subsidence District ("HGSD") permit requirements, as detailed in the Engineer's Report.

In connection with the extension of an Authority surface water supply line to No. 304's 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 TWDB, as previously authorized by the Board.

Mr. Khouw also advised the Board that, in connection with No. 304's proposed annexation of approximately 27.377 acres, he has reviewed No. 304's water use projections and concluded that No. 304 can accommodate increased water usage as a result of the proposed annexation. Mr. Khouw further advised the Board that he will, however, request that No. 304's engineers, Edminster, Hinshaw, Russ & Associates, Inc., provide updated water demand requirements through 2035.

Mr. Khouw advised the Board that IDS is waiting for HGSD to issue the over conversion credits for the 2015-2016 permit year. He reported that IDS has completed and submitted the annual GRP Report to the HGSD on behalf of the Authority.

Mr. Khouw reported that IDS is working on completion of the Survey of Ground and Surface Water Usage for the year ended December 31, 2016, to be submitted to the TWDB prior to March 1, 2017. Mr. Khouw advised the Board that IDS is also working on an application to be submitted to the TWDB requesting the release of escrowed funds from the Authority's Series 2015 Bonds to cover projected costs relating to the NEWPP expansion project and the Northeast Transmission Line ("NETL") Phase I project, and requested authorization from the Board to file said application with the TWDB. After discussion on the matter, it was moved by Director Gower, seconded by Director Granadino and unanimously carried, that IDS be authorized to submit said application to the TWDB.

Mr. Khouw addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. After discussion on the matter, Director Gower moved that, due to the urgent need for mitigation credits, the Board authorize the early payment of the City's Cash Call No. 5A in the amount of \$9,150 by February 3, 2017, to fund the Authority's share of the funds required to purchase the mitigation credits from the Katy Prairie Stream Mitigation Bank. Director Granadino seconded said motion, which unanimously carried. Mr. Khouw advised the Board that he anticipates that the City will issue another cash call in the total amount of approximately \$4,000,000 for the purchase of additional mitigation credits, with the Authority's share of such cash call totaling approximately \$61,000.

Mr. Khouw next advised the Board that an invoice had been received from the City in the amount of \$2,084,239.79 for costs relating to Phase I of the NETL. Mr. Khouw reported that payment is due March 6, 2017, and, as reported earlier in the meeting, IDS is working on an application to be submitted to the TWDB requesting the release of escrowed funds from the Authority's Series 2015 Bonds so that the invoice can be paid at the next meeting. Mr. Khouw noted that the amount due is approximately \$250,000 less than the amount budgeted for the project.

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 IDS has completed the water modeling and it appears, based on data provided by Lockwood, Andrews & Newnam, Inc. on behalf of the City, that the Authority will not need to construct a pump station to deliver water to Harris County Municipal Utility District No. 33 and Fallbrook. Mr. Khouw also advised the Board that he will be meeting with Harris County to discuss the proposed alignment of the 2025 Internal Distribution System lines along major thoroughfares to ensure there are no major objections. Mr. Khouw next discussed the blending study and the letter to the operators of the Member Districts requesting information related to its water system, including current and historical water quality information and treatment processes, and groundwater well data and water distribution system information. Mr. Khouw stated that he will discuss this matter with the Board further next month.

Mr. Khouw then updated the Board on the status of the Luce Bayou Interbasin Transfer Project, as detailed further in the Engineer's Report.

ANNUAL REVIEW OF SURVEY OF WAGE RATE SCALES

The Board considered the review of an annual survey of prevailing wage rates for construction projects and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky advised the Board that the Authority previously adopted the United States Department of Labor ("DOL") prevailing wage rates for the Harris County area, which were recently updated as of January 2017. After discussion on the matter, Director Meek moved that the Board adopt the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects attached hereto as **Exhibit D** to reflect the applicable updated prevailing wage rate scales published by the DOL, and that the President and Secretary be authorized to execute same on behalf of the Board and Authority. Director Meek seconded said motion, which unanimously carried.

NO. 304'S PROPOSED ANNEXATION OF APPROXIMATELY 23.377 ACRES

Messrs. Rubinsky and Khouw next advised that they had nothing further to report at this time with respect to No. 304's intent to annex approximately 27.377 acres into its boundaries.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for January 2017, 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 January 2017 was 42% 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. Martin next briefly addressed the Board regarding a problem that occurred during the freeze last month due to a crack in the pressure control valve serving Rankin Road and Harris

County Municipal Utility District No. 217. Mr. Martin advised that said pressure control valve has been repaired and there were no water supply issues.

Mr. Rubinsky next advised the Board that SPH had forwarded a copy of the amended Rate Order adopted at the last meeting to all Member Districts.

APPROVAL AND EXECUTION OF PROPOSALS FOR RENEWAL OF INSURANCE COVERAGES

The Board next deferred action relative to the approval and execution of proposals for renewal of the Authority's insurance coverages for the term of April 1, 2017 through March 31, 2018, pending receipt of the proposals from TML Insurance Services.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated February 1, 2017, a copy of which is attached hereto as **Exhibit F**. Mr. Rubinsky discussed proposed eminent domain reform legislation and the formation of the Coalition for Critical Infrastructure ("CCI") to combat the anti-eminent domain group, Texans for Property Rights. After a lengthy discussion, it was moved by Director Granadino and seconded by Director Meek that the Authority participate in the CCI at the \$2,500 level. The motion carried with Directors Cox, Granadino and Meek voting in favor of such action and Director Gower abstaining.

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, March 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 Correspondence from TWDB dated January 6, 2017 regarding confirmation of multi-year commitment through SWIFT
- EXHIBIT C Engineer's Report
- EXHIBIT D Resolution Adopting Prevailing Wage Rate Scale for Construction Projects
- EXHIBIT E Operator's Report
- EXHIBIT F Government Affairs Update