

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
February 3, 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 February 3, 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; Arthur Freeman, Eddy Johnston, and Linda Watkins of Fallbrook Utility District ("Fallbrook"); Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin"); Patricia Tope of Harris County Utility District No. 16 ("No. 16"); Laura Davis of Harris County Municipal Utility District No. 33 ("No. 33"); Ashley Takacs of Marks Richardson PC, representing Harris County Municipal Utility District No. 150 ("No. 150"); Sean McMillan of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); and Christina Cole 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, December 2, 2015, and January 6, 2016. After discussion, Director Boddy moved that the minutes of the meetings held September 2, 2015, October 7, 2015, October 28, 2015, November 4, 2015, December 2, 2015, and January 6, 2016, be approved, as written. Director Gower 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. 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 January 1, 2016 through February 3, 2016, and the checks presented for payment from the General Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of December and the fiscal year ended December 31, 2015, a Summary of Pumpage Fees Paid by Member Districts through December 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 \$22,050,000 Revenue Bonds, Series 2008 ("Series 2008 Bonds").

Ms. Matuska reviewed the status and activity in each of the Authority's accounts, and discussed certain transactions with the Board. Ms. Matuska then further reviewed the Summary of Pumpage Fees paid and advised the Board that all Authority Member Districts have paid all pumpage fees and surface water charges through December 2015.

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

QUARTERLY INVESTMENT REPORT

Ms. Matuska presented to and reviewed with the Board the Authority's Quarterly Investment Report for the period ended December 31, 2015, a copy of which is attached hereto as Exhibit B. After discussion, it was moved by Director Gower, seconded by Director Caston, and unanimously carried that the Quarterly Investment Report be approved and that the Authority's Investment Officer be authorized to execute same on behalf of the Board and the Authority.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority. In the absence of the Authority's financial advisor, Mr. John Howell of the GMS Group, LLC, Ms. Cole presented to and reviewed with the Board a Summary of the outstanding True-Ups prepared by the City of Houston (the "City"), a copy of which is attached hereto as Exhibit C, in connection with the City's FY 2011, FY 2012, FY 2013, and FY 2014, True Up Reports related to Operations and Maintenance of the City's Northeast Water Purification Plant ("NEWPP"). Ms. Cole advised that the City's records indicate that the Authority has a total credit in the amount of \$162,304 for the Authority's share of the Operation and Maintenance costs of the NEWPP for FY 2011, FY 2012, FY 2013, and FY 2014, and noted that the City's records are currently being reviewed by the Authority's consultants and the North Harris County Regional Water Authority ("NHCRWA").

With respect to the Second Supplement to Water Supply Contract between the Authority and the City ("Second Supplement") in connection with the NEWPP Expansion Project, Ms. Cole reported that the Authority has received correspondence from the City regarding the re-issuance of Cash Call No. 2B, in the amount of \$71,406.02. She advised that the City has requested that the Authority transfer said amount to the escrow fund on or before the original cash call due date of March 7, 2016. Ms. Cole advised that the re-issuance of Cash Call No. 2B did not result in a change to the amount owed by the Authority. After discussion, the Board concurred in the transfer of Cash Call No. 2B, in the amount of \$71,406.02, to the City on or before the original cash call due date of March 7, 2016.

Ms. Matuska reported that the previously appropriated costs associated with the design and construction of the Northeast Transmission Line – Segments 1 and 2 ("Phase I Project"), are due to the City by February 8, 2016, and advised that wire transfers in the amount of \$2,093 for the Authority's pro-rata share of Segment 1, and \$293,973 for the Authority's pro-rata share of Segment 2, are included in the Bookkeeper's Report.

In connection with the Abridged Applications to the Texas Water Development Board ("TWDB") for financial assistance from the State Water Implementation Fund for Texas ("SWIFT"), Ms. Cole reported that Abridged Applications for the Authority's (i) 2025 Internal Distribution System and (ii) additional costs associated with Phase 1, would be submitted to the TWDB prior to February 5, 2016, as previously authorized by the Board. Ms. Cole noted that Mr. John Howell has recommended that the Abridged Applications for (i) the Authority's share of the capital costs of the Luce Bayou Interbasin Transfer Project, and (ii) any additional costs associated with the NEWPP Expansion Project, not be submitted at this time, to which the Board concurred with said recommendation.

Ms. Cole then reviewed with the Board correspondence received from TWDB regarding the annual loan closing schedule in connection with the multi-year commitment to the Authority of funding through SWIFT, a copy of which is attached hereto as Exhibit D, and advised that Mr. John Howell has recommended that no changes be made to the loan closing schedule at this time. After discussion, Director Meek moved to (i) approve the annual loan closing schedule based on the existing multi-year commitment as recommended by the Authority's Financial Advisor, and (ii) authorize the President to execute same on behalf of the Authority. Director Gower seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Khouw presented to and reviewed with the Board a written Engineer's Report attached hereto as Exhibit E, 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 January 2016 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 ("HGSD").

With respect to Harris County Municipal Utility District No. 304's ("No. 304") 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.

Mr. Khouw reported that IDS has received the Permit Renewal Request form from the HGSD and advised that IDS is working to complete same. He noted that the request is due to the HGSD by February 16, 2016. Mr. Khouw advised that IDS is also working on the completion of the annual HGSD pumpage report.

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 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 presented to and reviewed with the Board a proposal for Engineering Services for Preliminary Engineering, Planning, Route Analyses and Preliminary Engineering for the 2025 Internal Distribution System, a copy of which is attached hereto as Exhibit F. Mr. Khouw also presented the Board with a Form 1295, as required by the Texas Ethics Commission ("TEC"). He advised that the Authority has requested authorization from the TWDB to use the remaining proceeds from the Authority's Series 2008 Bonds to fund a portion of the Internal Project. After discussion, Director Boddy moved to approve IDS' proposal for the preliminary design and engineering of the internal distribution system and to authorize acceptance of the TEC Form 1295 in connection with same. Director Meek seconded said motion, which unanimously carried.

Mr. Khouw reported that the TWDB declared the Authority's Water Conservation Plan and 2014 Annual Report complete on January 4, 2016.

Mr. Khouw further reported that the Authority's Survey of Ground and Surface Water Usage for the year ended December 31, 2015 has been completed. After discussion, Director Boddy moved to authorize submission of same to the TWDB prior to March 1, 2016. Director Meek seconded said motion, which unanimously carried.

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 the Resolution adopting Prevailing Wage Rate Scales for Construction Projects, attached hereto as Exhibit G. In that regard, Ms. Cole informed the Board that the Authority previously adopted the United States Department of Labor's ("DOL")

prevailing wage rates for the Harris County area, which were recently updated as of January 2016. After discussion on the matter, Director Gower moved that the Board adopt the Resolution with Exhibit "A" 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.

OPERATOR'S REPORT

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

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during January 2016 was 48% and is 38% for the current permit year to date.

Mr. Martin reviewed correspondence received from the City with the Board, a copy of which is attached hereto as Exhibit I, and advised that the City has scheduled a System Operational Test of "Black Start" of the NRG generators for the NEWPP for Wednesday February 10, 2016. He advised that MOC does not anticipate any issues arising as a result of the test.

Mr. Martin advised that the West Harris County Regional Water Authority ("WHCRWA") is performing a pilot study on the remote monitoring and reading of the WHCRWA surface water meters and reported that the WHCRWA has agreed to provide the information collected during the pilot study to the Authority once completed.

REVIEW PROPOSALS RELATIVE TO RENEWAL OF THE AUTHORITY'S VARIOUS INSURANCE COVERAGE FOR POLICIES EXPIRING MARCH 31, 2016

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. Ms. Cole advised the Board that the Authority's current insurance coverages, though TML Insurance Services ("TML") will expire on March 31, 2016, and that a renewal proposal has been solicited from TML, as requested by the Board, but has not yet been received. After discussion on the matter, the Board requested that the proposal be forwarded to Director Meek for consideration once received.

GOVERNMENT AFFAIRS UPDATE

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

ATTORNEY'S REPORT

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

Ms. Cole advised the Board that she and Mr. Rubinsky would meet with representatives of the NHCRWA in the near future to discuss the Phase II Project.

Ms. Cole presented to and reviewed with the Board correspondence forwarded to the TWDB on behalf of the Authority regarding the status of the remaining proceeds of the Series 2008 Bonds, requesting authorization to use the remaining \$1,285,851 as a local contribution to the Authority's Internal Distribution SWIFT application. A copy of said correspondence is attached hereto as Exhibit J.

Ms. Cole advised the Board that SPH received the Texas Ethics Commission ("TEC") Form 1295 from Arbitrage Compliance Specialists ("ACS"), as previously requested by the Board. After discussion, Director Gower moved to accept the TEC Form 1295 received from ACS. Director Meek seconded said motion, which unanimously carried.

STATUS OF 2016 DIRECTOR APPOINTMENT PROCESS

Ms. Cole discussed with the Board the status of the Authority's 2016 Director Appointment Process, including the status of receipt of nominating resolutions. Mr. Khouw noted that the Authority will release the 2015 final water usage data and voting percentages at the Board's next meeting.

Ms. Cole advised the Board that SPH had received a Resolution from Rankin nominating Director Boddy to continue to serve in the Director At-Large (Position No. 1) position. Ms. Henderson advised that No. 217 has nominated David Granadino to serve in the Director Precinct No. 2 position and that a Resolution would be forwarded to SPH reflecting said nomination. Ms. Takacs also advised that No. 150 has nominated David Granadino to serve in the Director Precinct No. 2 position and that a Resolution would be forwarded to SPH in the near future nominating Mr. Granadino. Ms. Cole advised that the nominations period ends on February 15, 2016, and that she will report on the status of nominations and the next step in the 2016 Director Appointment Process at the Board meeting scheduled for March 2, 2016.

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

Ms. Cole advised that she spoke with Ms. Barbara Payne of Payne Communications regarding the creation and maintenance of a website for the Authority, as previously requested by the Board. She reported that Ms. Payne is working with Texas Network to prepare a proposal for the Board's review. Ms. Cole reported that Ms. Payne has recommended that the Authority join the Save Water Coalition in order to utilize materials provided on its website and distributed to its members.

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.

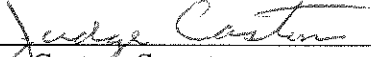
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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

Ms. Cole noted that the next meeting of the Board is scheduled for Wednesday, March 2, 2016, 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 Boddy and unanimously carried, the meeting was adjourned.



Judge Caston, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

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| EXHIBIT A | Bookkeeper's Report |
| EXHIBIT B | Quarterly Investment Report Dated December 31, 2015 |
| EXHIBIT C | Summary of True-Ups for Operation and Maintenance of City of Houston's NEWPP |
| EXHIBIT D | 2016 Annual Confirmation of Multi-Year Commitment Request |
| EXHIBIT E | Engineering Report |
| EXHIBIT F | Proposal for Engineering Services for Preliminary Engineer of the Internal Distribution Project |
| EXHIBIT G | Resolution Adopting Prevailing Wage Rate Scales for Construction Projects |
| EXHIBIT H | Operations Report |
| EXHIBIT I | City of Houston Correspondence Re: Black Start Test at NEWPP |
| EXHIBIT J | Correspondence to Michael Biedeger of the Texas Water Development Board |