

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
April 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 April 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, with the exception of Director Caston, thus constituting a quorum.

Also present were John Howell of The GMS Group, L.L.C. ("GMS"); 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; Greg Sissell of BKD, LLP ("BKD"); Arthur Freeman, Eddy Johnston, and Linda Watkins of Fallbrook Utility District ("Fallbrook"); Justin Abshire 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"); Patricia Tope of Harris County Utility District No. 16 ("No. 16"); Lathan Johnson 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 March 2, 2016. After discussion, Director Boddy moved that the minutes of the meeting held March 2, 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.

AUDIT FOR FISCAL YEAR ENDED DECEMBER 31, 2015

The Board recognized Mr. Sissel, who presented and reviewed with the Board a draft of the Authority's audit report prepared for the fiscal year ended December 31, 2015, a draft management letter related thereto, and a summary of the draft audit for fiscal year ended December 31, 2015, copies of which are attached hereto as Exhibit A. After discussion concerning the audit presented, Director Gower moved that: (i) the audit report for the fiscal year ended December 31, 2015, be approved, subject to final review and comments by SPH and the Authority's other consultants; (ii) the draft management letter be acknowledged and that the Authority's response thereto be approved as presented in said draft management letter; (iii) the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the Authority; and (iv) such audit report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality and the Texas Water Development Board ("TWDB"). Director Boddy seconded said motion, which unanimously carried.

AUTHORIZE DISCLOSURE COUNSEL TO PREPARE AND FILE ANNUAL CONTINUING DISCLOSURE REPORT

The Board next considered authorizing McCall, Parkhurst & Horton L.L.P. ("McCall"), the Authority's continuing disclosure counsel to prepare the Authority's annual continuing disclosure report due on June 30, 2016. Mr. Rubinsky advised the Board that McCall will prepare the annual continuing disclosure report, with the assistance of the Authority's engineer and financial advisor if necessary, when the audit for the Authority's fiscal year ended December 31, 2015, has been completed and released by BKD, and will file said report with the appropriate repositories prior to the filing deadline of June 30, 2016. After discussion on the matter, Director Gower moved that McCall be authorized to prepare the Authority's annual continuing disclosure report and be authorized and directed to file said continuing disclosure report with the appropriate repositories on behalf of the Authority prior to the June 30, 2016 deadline. Director Meek 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 March 1, 2016 through April 6, 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 February 2016, and a Summary of Pumpage Fees Paid by Member Districts through February 2016.

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 February 2016.

Ms. Matuska advised the Board that the refund check received from the City of Houston ("City") in connection with the Luce Bayou Land and Mitigation Costs True-up Refund, in the amount of \$7,912.89, was deposited into the Authority's Capital Projects Fund.

Ms. Matuska reported that, pursuant to the terms of the Second Supplement to Water Supply Contract with the City ("Second Supplement"), Cash Call No. 2B, in the amount of \$71,406.02, was submitted to the City on March 3, 2016. Mr. Rubinsky advised that SPH received correspondence from the City dated March 26, 2015, providing notice to the Authority as to its intent to withdrawal a portion of the funds deposited with the escrow agent in connection with Cash Call 2B, a copy of which is attached hereto as Exhibit C.

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

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority. Mr. Rubinsky advised that correspondence has been received from the City regarding notice of upcoming Cash Call No. 3 and Cash Call No. 4 in accordance with the terms of the Second Supplement. Copies of said correspondence are attached hereto as Exhibit C and Exhibit D, respectively. Mr. Howell advised that said notices reflect (i) Cash Call No. 3, in the amount of \$289,960, being due to the City on September 14, 2016, and (ii) Cash Call No. 4, in the amount of \$76,250, being due to the City on September 21, 2016.

Mr. Rubinsky next advised that pursuant to the terms of the Authority's Second Supplement with the City, the Authority recently received from the City the Annual Financial Report from 1/1/2012 through 6/30/2015, the Cost Recovery Report from Inception through 6/30/15, and the Semi-Annual COH Recovery Report from 7/1/15 through 12/31/15. In connection with the Northeast Water Purification Plant Expansion Project ("NEWPP"), a copy of which is attached hereto as Exhibit F. Mr. Rubinsky noted that said Financial Report and Cost Recovery Reports are being reviewed by the Authority's consultants at this time.

In connection with the Abridged Applications to the TWDB for financial assistance from the State Water Implementation Fund for Texas ("SWIFT"), Mr. Howell reported that the Authority has been advised by the TWDB that the Abridged Applications for the Authority's (i) 2025 Internal Distribution System and (ii) additional costs associated with the design and construction of the Northeast Transmission Line – Segments 1 and 2 (the "Phase 1 Project"), tied for second and third priority ranking out of forty-four abridged applications received by the TWDB. He advised that invitations to formally apply for SWIFT financial assistance will be extended by the TWDB on April 11, 2016. Mr. Howell then requested Board authorization to prepare the formal SWIFT applications for the Authority's (i) 2025 Internal Distribution System, and (ii) the Phase 1 Project. After discussion, Director Gower moved to authorize the Authority's consultants to prepare the formal SWIFT applications for the Authority's (i) 2025 Internal Distribution System, and (ii) the Phase 1 Project for approval at the Authority's next meeting and submission to the TWDB by the May 11, 2016 deadline.

ENGINEER'S REPORT

Mr. Khouw presented to and reviewed with the Board a written Engineer's Report attached hereto as Exhibit G, 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 38.48% 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").

Mr. Khouw reported that the Harris Galveston Subsidence District ("HGSD") hearing for the Authority's water well permit renewal was held on March 8, 2016, and advised that the Authority's request for a 1,200 million gallon aggregated permit was granted.

With respect to the Authority's Agreement with Harris County Municipal Utility District No. 304 ("No. 304") for early conversion to surface water, Mr. Khouw advised that IDS is in the process of completing the plans for the surface water supply line to be submitted to the City for review.

Mr. Khouw next reviewed with the Board a slideshow presentation detailing the Authority's (i) NEWPP Expansion Project, (ii) the Phase I Project, (iii) the Northeast Transmission Line Phase II Project ("Phase II Project"), and (iv) the 2025 Internal Distribution System Project. Mr. Khouw then responded to various questions from the Board regarding said projects.

In connection with the Phase II Project, Mr. Khouw reported that North Harris County Regional Water Authority ("NHCRWA") is in the process of updating its pressure model and advised that he will report to the Board regarding the updated model and its impact on the Authority at a future Board meeting. He also reminded the Board that an agreement must be in place between the Authority and the NHCRWA prior to cash disbursement for the Phase II Project from the SWIFT.

With respect to the Authority's 2025 Internal Distribution System Project, Mr. Khouw reported that IDS is working on preliminary engineering, planning and water modeling of the 2025 Internal Distribution System, as previously authorized by the Board.

Mr. Khouw updated the Board on the status of the Luce Bayou Project and reported that the Coastal Water Authority has finalized its negotiation for mitigation, as discussed at a previous meeting, and therefore, the Army Corps of Engineers has reinstated the permit for said project.

Mr. Khouw next reported that there had been a technical error with the submission of the Survey of the Authority's Ground and Surface Water Usage for the year ended December 31,

2015 prior to the March 1, 2016 deadline, and advised that the survey was re-submitted on March 10, 2016, and accepted by the TWDB.

OPERATOR'S REPORT

Mr. Martin presented and reviewed with the Board a written Operator's Report for March 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 March 2016 was 38% and is 38% for the current permit year to date.

AUTHORIZE PREPARATION OF CONSUMER CONFIDENCE REPORT

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 ("CCR") regulations. After discussion on the matter, Director Boddy moved that the Board authorize MOC to prepare the CCR and provide same to the Member Districts that received surface water from the Authority in 2015 for their respective 2015 Consumer Confidence Reports. Director Gower seconded said motion, which carried unanimously.

GOVERNMENT AFFAIRS UPDATE

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

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 reminded the Board that the Authority previously requested authorization from the TWDB to use the remaining WIF funds from the Authority Series 2008 Revenue Bonds (approximately \$1,285,851) as a local contribution to the Authority's 2025 Internal Distribution System. He reported that Mr. Khouw provided the TWDB with additional information on behalf of the Authority at the request of the TWDB following the original submission, and advised that the TWDB has approved the Authority's request.

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

Mr. Rubinsky reminded the Board that Ms. Cole of SPH and Director Meek met with Ms. Barbara Payne of Payne Communications & Associates ("Payne") regarding Payne's proposal to create and maintain a website for the Authority, and discussed said proposal with the Board. The Board questioned whether the Authority and the Member Districts specifically would benefit

from the expenditure of \$5,000 annually in connection with the maintenance of the proposed website.

The Board solicited input from the public in attendance as to whether the Member Districts would benefit from the Authority having a website. A discussion next ensued with respect to the potential benefits of the Authority having a website. Ms. Watkins, Mr. Johnson, and Ms. Henderson indicated that Fallbrook, Rankin and No. 217, respectively, would all be willing to contribute \$500 per year for the maintenance of the Authority's website. After further discussion, the Board requested that Mr. Rubinsky contact Payne to request additional information regarding the proposed website and the specific benefits of paying the annual fee associated with becoming a partner in the Save Water Texas Coalition. The Board then agreed to consider the matter further at next months meeting.

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.

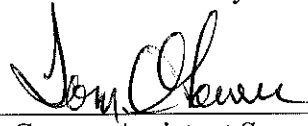
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, May 4, 2016, at 6:00 p.m. Director Gower noted that he would be absent from said meeting.

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.



Tom Gower, Assistant Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

EXHIBIT A	Draft Audit for the Fiscal Year Ended December 31, 2015
EXHIBIT B	Bookkeeper's Report
EXHIBIT C	Notice of Intent to Withdrawal from Escrow Account (Withdrawal #1 for Cash Call 2B)
EXHIBIT D	Notice of Upcoming Cash Call No. 3
EXHIBIT E	Notice of Upcoming Cash Call No. 4
EXHIBIT F	NEWPP Expansion Project – Annual Financial Report from 1/1/12 through 6/30/2015, Annual COH Recovery Report from Inception through 6/30/15, and Semi-Annual Cost Recovery Report as of from 7/1/15 through 12/31/15
EXHIBIT G	Engineering Report
EXHIBIT H	Operations Report

EXHIBIT A