

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
May 4, 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 May 4, 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 John Howell of The GMS Group, L.L.C. ("GMS"), financial advisor for the Authority; 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; 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"); Laura Davis of Harris County Municipal Utility District No. 33 ("No. 33"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin"); Scott Bourgeois, a member of the public; 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 April 6, 2016. After discussion, Director Gower moved that the minutes of the meeting held April 6, 2016, be approved, as written. Director Boddy seconded said motion, which unanimously carried.

PUBLIC COMMENTS

The Board opened the meeting for public comments. Ms. Henderson inquired as to the reason the Authority was not able to provide the Member Districts with surface water following the major weather event that occurred on April 18, 2016. Mr. Martin advised that the City of Houston ("City") requested that the Authority temporarily cease taking surface water from the North East Water Purification Plant ("NEWPP") as the NEWPP was only able to produce ten

million gallons of water per day due to the extremely poor water quality in Lake Houston following the storm.

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 April 1, 2016 through May 4 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 March 2016, and a Summary of Pumpage Fees Paid by Member Districts through March 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 March 2016.

Ms. Matuska next advised the Board that there was no Unclaimed Property to be reported by the Authority for the period ending March 1, 2016.

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.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority. Mr. Rubinsky distributed to and reviewed with the Board correspondence received from the City dated April 8, 2016, regarding reconciliation of the True Up Reports related to the Authority's share of operations and maintenance costs of the NEWPP for fiscal years 2011 through 2015, a copy of which is attached hereto as Exhibit B. He advised that based on the City's records, for all five (5) years combined, the City owes the Authority approximately \$100,000.

Mr. Howell next reminded the Board that, in connection with the ongoing NEWPP Expansion Project, (i) Cash Call No. 3, in the amount of \$289,960, is due to the City on September 14, 2016, and (ii) Cash Call No. 4, in the amount of \$76,250, is due to the City on September 21, 2016. Mr. Khouw reminded the Board that Cash Call No. 4 was currently being revised by the City and that the Authority's revised share may be increased to approximately \$250,000.

Mr. Howell next discussed recent communication with the Texas Water Development Board ("TWDB") regarding the status of the Authority's Abridged Applications for financial assistance from the State Water Implementation Fund for the State of Texas ("SWIFT") in connection with (i) the Authority's 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"). Mr. Rubinsky then presented to and reviewed with the Board

correspondence from the TWBD dated April 11, 2016, and advised that said correspondence extends the Authority an invitation to submit two (2) separate applications for financial assistance from SWIFT for the above described projects and stated that the applications must be submitted to the TWDB by May 11, 2016. A copy of said correspondence is attached hereto as Exhibit C. After discussion, Director Gower moved that (i) the Resolutions Authorizing the Applications to the TWDB for Financial Assistance; Designating Authorized Representatives for such purposes, and containing other provisions relating to the subject, attached hereto as Exhibit D, be adopted by the Board, (ii) IDS, SPH and GMS be authorized to prepare and submit the formal applications to the TWDB for SWIFT financing by May 11, 2016; and (iii) the officers of the Board be authorized to execute any and all documentation necessary to complete and file the two (2) SWIFT applications by May 11, 2015. Director Meek seconded said motion, which unanimously carried

Mr. Howell next discussed the impact that the capital contributions the Authority will be required to make for the above-referenced projects, the expansion of the NEWPP and Phase 2 of the Northeast Transmission Line (the "Phase 2 Project") will have on the Authority's financial condition for the remainder of its current fiscal year ending December 31, 2016, as well as the next several fiscal years. He presented to and reviewed with the Board spreadsheets detailing the proposed bond issues to be issued beginning in 2015 through 2020, totaling \$56,695,000, and detailed the Authority's projected debt service schedule related to the financing thereof. Copies of the spreadsheets are attached hereto as Exhibit E. Mr. Howell indicated that the Authority's Groundwater Reduction Plan Fee, Importation Fee and Surface Water Fee will likely need to be increased periodically through 2021, with an increase of approximately \$0.50 beginning in 2017. He advised that said increases will be necessary to generate the additional revenue that will be required to pay for the Authority's share of the above-referenced projects.

ENGINEER'S REPORT

Mr. Khouw presented to and reviewed with the Board a written Engineer's Report attached hereto as Exhibit F, 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 February 2016 was 38.44% 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 reminded the Board that the HGSD recently approved the Authority's request for a 1,200 million gallon aggregated water well permit for the period June 1, 2016 to May 31, 2016, and advised the Board that IDS has not yet received the permit.

Mr. Khouw reported that the HGSD will hold a coordination meeting with representatives of all of the regional water authorities on May 18, 2016, and that he and Mr. Rubinsky will be attending said meeting.

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 and approval.

In connection with the NEWPP Expansion project, Mr. Khouw next presented to and reviewed in detail with the Board the City's first monthly status report regarding the project for the period January 2016 to March 2016. Mr. Khouw then responded to numerous questions from the Board regarding said project.

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 said project is now moving forward and that the Coastal Water Authority ("CWA") has pre-qualified contractors for the Capers Ridge Pump Station and recently held a pre-bid meeting. He further advised that the CWA is proceeding with the contract for the construction of access road to said Pump Station.

Mr. Khouw next advised that IDS submitted the Authority's 2016 Water Conservation Program Annual Report to the TWDB on April 26, 2016.

OPERATOR'S REPORT

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

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

GOVERNMENT AFFAIRS UPDATE

The Board considered a Legislative Update. In connection therewith, Mr. Rubinsky presented and reviewed with the Board a Legislative Update prepared by Ms. C.J. Tredway, dated May 4, 2016, a copy of which is attached hereto as Exhibit H.

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.

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

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Mr. Rubinsky presented to and reviewed with the Board various materials received from Ms. Barbara Payne of Payne Communications & Associates ("Payne") in connection with the services provided by Payne and The Texas Network in connection with the proposed development of a website for the Authority. After a lengthy discussion regarding said matter, the Board requested that Payne submit a formal proposal with a detailed breakdown of the expenses to be incurred in connection with the development and ongoing maintenance of a website for the Authority for consideration by the Board at its June 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, June 1, 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.



Tom Gower, Assistant Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

EXHIBIT A	Bookkeeper's Report
EXHIBIT B	Correspondence from City of Houston Regarding True-Up Reports
EXHIBIT C	Texas Water Development Board ("TWDB") - Invitation to Submit Applications for Financial Assistance through the State Water Implementation Fund for Texas ("SWIFT")
EXHIBIT D	Resolutions Authorizing the applications to the TWDB for Financial Assistance through SWIFT
EXHIBIT E	Financial Schedules
EXHIBIT F	Engineering Report
EXHIBIT G	Operations Report
EXHIBIT H	Legislative Update