

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors June 1, 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 June 1, 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
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; Keith Arrant of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Linda Watkins and Arthur Freeman of Fallbrook Utility District ("Fallbrook"); Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin"); David Granadino; 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 May 4, 2016. After discussion, Director Gower moved that the minutes of the meeting held May 4, 2016, be approved, as written. Director Meek seconded said motion, which unanimously carried.

ACCEPT QUALIFICATION STATEMENTS, BONDS, OATHS OF OFFICE, AFFIDAVITS OF DIRECTORS AND ELECTIONS NOT TO DISCLOSE CERTAIN INFORMATION OF DIRECTORS

The Board considered acceptance of the Qualification Statements, Official Bonds, Oaths of Office, Affidavits of Current Director and Elections Not to Disclose Certain Information for Julian F. Boddy and David Granadino. Mr. Rubinsky noted that pursuant to that certain Order Declaring Unopposed Nominees Elected adopted by the Board on March 2, 2016, Julian F. Boddy was re-appointed to the Board for an additional four-year term for the At-Large Director No. 1 position, and David Granadino was appointed to the Board for a four-year term for the Director Precinct No. 2 position, both effective as of May 15, 2016. In that regard, Directors Boddy and Granadino presented their respective Qualification Statements, Official Bonds, Oaths

of Office, Affidavits of Current Directors and Elections Not to Disclose Certain Information of Directors, then took their Oaths of Office. It was then moved by Director Meek, seconded by Director Gower and unanimously carried, that the Board accept said Qualification Statements, Official Bonds, Oaths of Office, Affidavits of Current Director and Elections Not to Disclose Certain Information of Directors and declare Directors Boddy and Granadino to be duly appointed and qualified directors of the Authority for four-year terms, effective as of May 15, 2016.

REORGANIZATION OF THE OFFICERS OF THE BOARD OF DIRECTORS

The next item to be considered was the reorganization of the officers of the Board of Directors. Nominations for the office of Secretary and Records Management Officer were called for. Director Granadino was nominated for that office, and there being no further nominations, they were closed. A vote was called, and upon motion duly made by Director Meek, seconded by Director Gower and unanimously carried, Director Granadino was duly elected Secretary and Records Management Officer of the Board and Authority. The Board concurred that the remaining officers of the Board shall remain the same.

APPROVE DISTRICT (AUTHORITY) REGISTRATION FORM

The Board next considered approving an updated District (Authority) Registration Form ("Form"). Mr. Rubinsky explained that the updated Form would be filed with the Texas Commission on Environmental Quality ("TCEQ") to reflect the new terms of office of Directors Boddy and Granadino. After discussion concerning the Form, Director Meek moved that SPH be authorized to prepare and submit the updated Form to the TCEQ on behalf of the Authority. Director Granadino seconded said motion, which carried unanimously.

TRAINING REQUIREMENTS

Mr. Rubinsky next advised the Board that SPH has provided Director Granadino correspondence detailing certain training requirements for public officials. He advised that public officials, including directors of a regional water authority, must complete separate training courses regarding the Texas Open Meetings Act ("OMA") and the Texas Public Information Act ("PIA"). He advised that SPH also presented Director Granadino with a Memorandum prepared by SPH which summarizes the training requirements. He advised that the deadline for public officials to complete their training is the 90th day after they either take their oath of office or otherwise assume their responsibilities as a public official. He noted that the Texas Attorney General has prepared a video which satisfies the training requirements for both the OMA and PIA, and that link to the website on which the video can be viewed has been provided to Director Granadino.

CONFLICTS DISCLOSURE

Mr. Rubinsky advised the Board that SPH has also notified Director Granadino of the conflict of interest provisions of the Texas Local Government Code which include that a director provide the Authority with a disclosure statement on the Texas Ethics Commission Form CIS.

He stated that the form has been provided to Director Granadino for completion, and that a copy of said form will be retained for the Authority's files once completed and returned by Director Granadino.

Director Granadino participated in the remainder of the meeting.

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 May 1, 2016 through June 1, 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 April 2016, and a Summary of Pumpage Fees Paid by Member Districts through April 2016. Ms. Matuska further noted the addition of check no. 3066 for payment from the General Fund, which will be reflected on next month's Bookkeeper's Report.

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 April 2016. Ms. Matuska noted that the Summary of Pumpage Fees attached to the Report does not reflect receipt of Harris County Municipal Utility District No. 150's payment as it was received after she had completed said Report.

After discussion, Director Gower moved that the Bookkeeper's Report be approved and that the disbursements listed therein, including additional check no. 3066 from the General Fund, 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 March 31, 2016, a copy of which is attached hereto as Exhibit B. After discussion, it was moved by Director Boddy, seconded by Director Granadino, and unanimously carried that said 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. Mr. Rubinsky advised that the Authority's Financial Advisor, Mr. John Howell of the GMS Group, L.L.C. ("GMS"), was

not able to attend tonight's meeting but is continuing to assist the Authority's consultants with numerous issues. Mr. Rubinsky reminded the Board that correspondence was 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 City of Houston's ("City") Northeast Water Purification Plant ("NEWPP") for the City's fiscal years 2011 through 2015. He advised that said documentation is still being reviewed by the Authority's consultants and the other regional water authorities ("RWAs"). Mr. Rubinsky then noted that Mr. Khouw will report on various agenda items listed under the Financial Advisor's Report.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report attached hereto as Exhibit C, 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 April 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") for the current permit period.

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, 2017, and advised the Board that IDS has not yet received the permit. He advised that an invoice in the amount of \$24,000 has been received from the HGSD for said permit and reported that a check for payment of same was included in the Bookkeeper's Report. Mr. Khouw advised that once the new permit is received from the HGSD, ground water and surface water allotment letters and permits would be issued to the Authority's Member Districts.

Mr. Khouw next reported that he and Mr. Rubinsky attended a HGSD coordination meeting with representatives of the various regional water authorities on May 18, 2016. He advised that the transfer of over conversion credits and the use of magnetic (electronic) well meters were among the topics discussed at said meeting. Mr. Khouw also advised that the HGSD reported that it will be reviewing its well permit fee and disincentive fee structure and will likely be implementing a plan to increase both fees over time.

Mr. Khouw next advised the Board that the Authority's State Water Implementation Fund for Texas ("SWIFT") applications recently submitted to the Texas Water Development Board ("TWDB") for (i) additional funds in connection with Phase 1 of the Northeast Transmission Line ("NETL") and (ii) funds associated with the Authority's 2025 Internal Distribution System, have been deemed administratively complete by the TWDB. Mr. Khouw reported that IDS is addressing minor technical comments received from TWDB in connection with both applications, and advised that IDS anticipates final approval will be received from the TWDB in July 2016. Mr. Rubinsky advised that the TWDB has expedited the bond closing schedule for 2016, and that it appears the Authority will close on the issuance of its Series 2016 Revenue Bonds for both projects in November 2016, instead of December 2016.

With respect to the Authority's Agreement with Harris County Municipal Utility District No. 304 for early conversion to surface water, Mr. Khouw advised that IDS has submitted the plans for the surface water supply line to the appropriate agencies for review and approval.

In connection with recent operational issues concerning the NEWPP, Mr. Khouw reported that the Authority, the City, and the North Harris County Regional Water Authority ("NHCRWA"), have tentatively agreed to proceed with the minimum required rehabilitation to maintain the existing NEWPP until the plant expansion is completed in 2025. He reported that the City plans to decommission the existing NEWPP once the expansion has been completed. Mr. Khouw reminded the Board that the Authority's share of capacity in the existing NEWPP is 2.12 million gallons per day. A lengthy discussion then ensued regarding the projected water use of the Authority between 2025 and 2035 and the possible future replacement of the Authority's existing capacity in the expanded NEWPP. Mr. Khouw advised that there are a number of variables that will affect the necessity of an additional expansion of the NEWPP and the Authority's participation in same, and discussed such matters at length with the Board.

In connection with the expansion of the NEWPP, Mr. Khouw reported that the Houston Waterworks Team ("HWT") is continuing to work on the Basis of Design report, and advised that said report is anticipated to be completed in July 2016. He reported that a concept refinement and reconciliation meeting has been scheduled for June 2, 2016, and reported that IDS will review the major design decisions that the HWT team will incorporate into the Basis of Design.

Mr. Khouw next reported that a Supplemental Notice of Upcoming Cash Call No. 4, in the amount of \$251,625, was received from the City to add a "bridge" contract in the amount of \$21,500,000 to its contract with HWT prior to full authorization of Component 2 Design. A copy of said correspondence is attached hereto as Exhibit D. Mr. Khouw noted that representatives of the City and the RWAs will be meeting in the near future to discuss same.

Mr. Khouw next reported that at the Water Advisory Committee meeting held on May 31, 2016, the City notified the RWAs that there were additional costs associated with the NETL that were improperly allocated or unallocated in connection with the Previously Appropriated Costs identified in the Third and Fourth Supplements to Water Supply Contract. He reported that the City has advised that they will provide the RWAs with a breakdown of said costs in the near future. Further, with respect to Phase 1 of the NETL, Mr. Khouw reported that the City is currently working on design and property acquisition for said project. He advised that the preliminary schedule for the project was received on May 31, 2016, and that the estimated completion date of the project is September 2021.

Mr. Khouw then updated the Board on the status of the Luce Bayou Interbasin Transfer Project and reported that the temporary access road to the proposed pump station site is currently under construction.

OPERATOR'S REPORT

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

Mr. Arrant advised the Board that the percentage of surface water usage within the Authority during April 2016 was 52% and is 39% for the current permit year to date.

Mr. Arrant further reported that Harris County Municipal Utility District No. 33 ("No. 33") is currently on emergency interconnect with Harris County Utility District No. 14 ("No. 14"). Mr. Rubinsky advised that No. 33 will need to provide information regarding the amount of water received via interconnect from No. 14 to MOC, and requested that MOC follow up with No. 33 to determine whether No. 33 will be paying the Authority's water importation fee associated with said emergency water usage, or is going to request repayment in-kind of water to No. 14, in which case it must comply with the terms of the Authority's Rate Order related thereto.

GOVERNMENT AFFAIRS UPDATE

The Board considered a Legislative Update. In connection therewith, Mr. Rubinsky reported that a Legislative Update had not been received from Ms. C.J. Tredway prior to this evening's meeting

REVIEW ARBITRAGE ANALYSIS REPORT

Mr. Rubinsky presented to and reviewed with the Board the Arbitrage Analysis Report for the Authority's \$22,050,000 Revenue Bonds, Series 2008 ("Series 2008 Bonds") and the Authority's \$10,805,000 Revenue Bonds, Series 2015, prepared by Municipal Risk Management Group, L.L.C., a copy of which is attached hereto as Exhibit F. After discussion, Director Gower moved to approve the engagement of Arbitrage Compliance Services to prepare for the fifth year arbitrage report for the Series 2008 Bonds. Director Meek seconded said motion, which unanimously carried.

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 reported that the Authority's consultants will set up a meeting in the near future with the consultants for the NHCRWA to discuss the proposed Joint Facilities Agreement in connection with the design and construction of the proposed Northeast Transmission Line – Phase II.

REQUEST FROM RECORDS MANAGEMENT OFFICER

The Board next considered a request from the District's Records Management Officer to destroy SPH's handwritten notes of Board meetings held through February 3, 2016. After discussion, Director Boddy moved that the destruction of SPH's handwritten notes of said Board meetings be authorized as requested in accordance with the provisions of the Authority's Records Management Program. Director Meek seconded said motion, which unanimously carried.

STATUS OF PROPOSAL FOR DEVELOPMENT AND MAINTENANCE OF A WEBSITE FOR THE AUTHORITY

Mr. Rubinsky advised that SPH is in the process of obtaining a proposal for the development and maintenance of a website for the Authority for the Board's consideration, but does not yet have same. Thereafter, the Board deferred consideration of said matter until its next 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.

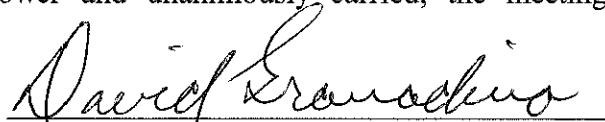
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, July 6, 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.



David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

EXHIBIT A	Bookkeeper's Report
EXHIBIT B	Quarterly Investment Report
EXHIBIT C	Engineering Report
EXHIBIT D	Supplemental Notice of Upcoming Cash Call No. 4
EXHIBIT E	Operations Report
EXHIBIT F	Arbitrage Maintenance Report prepared by MRMG, LLC