

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
April 4, 2018

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 4, 2018, 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, thus constituting a quorum.

Also present were Marcel Khouw, P.E. of IDS Engineering Group, Inc. ("IDS"), engineer for the Authority; Rose Montalbano of F. Matuska, Inc. ("Matuska"), bookkeeper for the Authority; Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Greg Sissel of BKD, LLP ("BKD"), auditor for the Authority; Linda S. Watkins and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Pastor Mitchell B. Stewart and Lathan E. Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); Ryan Casey 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"); Adrian Brown of Harris County Municipal Utility District No. 150 ("No. 150"); Jonathan Ward of Harris County Municipal Utility District No. 304 ("No. 304"); and Abraham I. Rubinsky of Schwartz, Page & Harding, L.L.P. ("SPH"), attorney 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 7, 2018. After discussion, Director Boddy moved that the minutes of the meeting held March 7, 2018, 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, 2017

The Board recognized Mr. Sissel, who presented to and reviewed with the Board a draft of the Authority's Annual Audit Report prepared for the fiscal year ended December 31, 2017, a draft management letter related thereto, and a summary of the draft Audit for fiscal year ended December 31, 2017, 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, 2017, 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, the Texas Comptroller of Public Accounts 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, 2018. 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, 2017, has been completed and released by BKD, and will file said report with the appropriate repositories prior to the filing deadline of June 30, 2018. After discussion on the matter, Director Boddy 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, 2018 deadline. Director Granadino seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Ms. Montalbano next presented to and reviewed in detail with the Board the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit B**, including the Summary of Cash Transactions for the Authority's various funds for the period March 1, 2018 through April 4, 2018, and the checks and wire transfers presented for payment from the General Fund, the Series 2008 Capital Projects Fund, and the Series 2015 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of February 2018 and the first two (2) months of the Authority's fiscal year ended December 31, 2018, and a Summary of Pumpage Fees Paid by Member Districts through February 2018. Ms. Montalbano reviewed the status and activity in each of the Authority's accounts and discussed certain transactions with the Board. After discussion, Director Gower 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, including the status of communications with the City of Houston ("City") regarding the City's FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016 and FY 2017 True Up Reports related to Operations and Maintenance of the City's NEWPP. Mr. Rubinsky advised that he had nothing new to report concerning the subject True Up Reports.

Mr. Rubinsky addressed the Board concerning the status of the Abridged Applications for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") in connection with (i) the additional funds required for the City's NEWPP Expansion Project in the amount of \$7,585,000, and (ii) the Luce Bayou Interbasin Transfer Project in the amount of \$1,500,000, which were filed with the TWDB on February 1, 2018. In that regard, he reported that the TWDB's prioritization list of the projects approved by the TWDB for SWIFT financial assistance in 2018 will be released at the TWDB's Board of Directors meeting scheduled for tomorrow morning. Mr. Rubinsky further advised the Board that, provided the Authority's projects are included on the TWDB's list, formal applications for SWIFT financing for the projects will need to be submitted to the TWDB by May 4, 2018. After discussion, Director Gower moved that, subject to receiving confirmation that the Authority's projects have been selected by the TWDB for funding, (i) the two (2) Resolutions Authorizing Application to the TWDB for Financial Assistance; Designating Authorized Representatives for Such Purposes; and Containing Other Provisions Relating to the Subject attached hereto as **Exhibit C** 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 4, 2018; and (iii) the officers of the Board be authorized to execute any and all documentation necessary to complete and file the SWIFT applications by May 4, 2018. Director Boddy seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated April 4, 2018, a copy of which is attached hereto as **Exhibit D**, and updated the Board on the status of various matters of interest to the Authority.

Messrs. Khouw and Martin reported to the Board regarding ground water usage, surface water usage, and total water usage, as well as the Harris-Galveston Subsidence District (the "HGSD") permit requirements, as detailed in the Engineer's Report.

Mr. Khouw addressed the Board regarding the status of the proposed construction of an extension of an Authority surface water supply line to and meter station to serve No. 304's Water Plant, as detailed in the Engineer's Report. He advised that IDS is evaluating the bids received and will be recommending the award of a contract for said project at the Board next meeting.

Mr. Khouw advised the Board that he had no new activity upon which to report regarding No. 217's possible abandonment of its water well due to continuing arsenic and volatile organic compound issues with the well. Marion Henderson reported that the Board of Directors of No.

217 has not yet reached an agreement as to whether its water well should be replaced or repaired. A lengthy discussion then ensued regarding the need for all Member Districts to maintain their water wells and/or to have reliable interconnects with other Member Districts. After a lengthy discussion regarding said issue, the Board authorized SPH to send a letter to all Member Districts reminding them of the importance of maintaining their groundwater wells and having reliable emergency interconnects with other Member Districts.

Mr. Khouw addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report.

Mr. Khouw next reported to the Board concerning the status of Phase I of the Northeast Transmission Line, as further detailed in the Engineer's Report, including the rebidding by the City of one of the three by-pass segments.

Mr. Khouw advised the Board that he had no new activity upon which to report with respect to Phase II of the Northeast Transmission Line.

Mr. Khouw next reported to the Board regarding the proposed alignment of the 2025 Internal Distribution System lines, as further detailed in the Engineer's Report.

Mr. Khouw advised the Board that the water quality management study and blending study being performed by AOS Treatment Solutions, LLC is currently on hold pending a meeting with the NEWPP Program Advisor/Technical Consultant to discuss the water quality analyses.

Mr. Khouw next addressed the Board concerning the Luce Bayou Interbasin Transfer Project, as further detailed in the Engineer's Report.

Mr. Khouw also reported to the Board relative to the status of communications with the Member Districts regarding a request for updated projected water usage demand requirements. Mr. Marcel stated that he will prepare a report for the Board's review reflecting the updated information once all of the Member Districts have provided same.

ISSUANCE OF SURFACE WATER COMMITMENTS TO MEMBER DISTRICTS

The Board next deferred action regarding the issuance of surface water commitments to those Member Districts that have been converted to surface water in accordance with the terms of the Authority's Rate Order, including Rankin Road, No. 217, No. 150 and No. 200, pending the receipt of updated water usage demand requirements from the Member Districts.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for March 2018, a copy of which is attached hereto as **Exhibit E**.

Mr. Martin reported to the Board regarding the percentage of surface water usage within

the Authority for the current month, as well as surface water accountability for the permit year to date, as reflected in the Operator's Report.

Mr. Martin next addressed the Board regarding the Authority's supply of groundwater to Nos. 150 and 217 last month during the City's repair of the 66-inch joint surface water transmission line and invoicing issues related thereto. Mr. Martin advised the Board that No. 200 will invoice the Authority for the 4,472,000 gallons of groundwater which No. 200 pumped into the Authority's system in order to serve Nos. 150 and 217 while the water from the City was shut off during the repair of the line, and that MOC will invoice Nos. 150 and 217 on behalf of the Authority for water usage in the amounts of 3,599,000 gallons and 873,000 gallons, respectively.

The Board next reviewed a Consecutive Systems Public Notice that was provided to the Member Districts of the Authority that received surface water from the Authority during 2017, in order to comply with public notification requirements relating to the City's chlorine residual "violations" which occurred in October, November and December 2017, as discussed at prior Board of Directors meetings.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next advised the Board that a Government Affairs Update was not received from C.J. Tredway this month.

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 AUTHORITY WEBSITE AND OTHER COMMUNICATIONS WITH MEMBER DISTRICTS

Mr. Rubinsky next advised the Board that he had no new activity to report regarding the Authority's website. Lathan Johnson stated that he is very pleased with the 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, May 2, 2018, at 6:00 p.m.

ADJOURN MEETING

There being no further business to come before the meeting, it was unanimously carried that the meeting be adjourned.

A handwritten signature in cursive script, reading "David Granadino", written over a horizontal line.

David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Draft Audit for the Fiscal Year Ended December 31, 2017
- Exhibit B Bookkeeper's Report
- Exhibit C Resolutions Authorizing Application to the TWDB for Financial Assistance;
Designating Authorized Representatives for Such Purposes; and Containing Other
Provisions Relating to the Subject
- Exhibit D Engineer's Report
- Exhibit E Operator's Report