

# CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

## Minutes of Meeting of Board of Directors April 5, 2017

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 5, 2017, 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; Lonnie Wright of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; John Howell of The GMS Group, L.L.C. ("GMS"), financial advisor for the Authority; Greg Sissel of BKD, LLP ("BKD"), auditor for the Authority; Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); Linda Watkins, Arthur Freeman and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Lathan Johnson and Pastor Mitchell B. Stewart of Rankin Road West Municipal Utility District ("Rankin Road"); Jonathan Ward of Harris County Municipal Utility District No. 304 ("No. 304"); Justin Abshire and Ryan Casey of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); 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 1, 2017. After discussion, Director Boddy moved that the minutes of the meeting held March 1, 2017, be approved as written. Director Meek 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, 2016**

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, 2016, a draft management letter related thereto, and a summary of the draft Audit for fiscal year ended December 31, 2016, 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, 2016, 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 Meek 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, 2017. 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, 2016, has been completed and released by BKD, and will file said report with the appropriate repositories prior to the filing deadline of June 30, 2017. 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, 2017 deadline. Director Meek seconded said motion, which unanimously carried.

## **BOOKKEEPER'S REPORT**

Ms. Montalbano 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, 2017 through April 5, 2017, and the checks presented for payment from the General Fund and Series 2008 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of February 2017 and the first two months of the current fiscal year, and a Summary of Pumpage Fees Paid by Member Districts through February 2017. After discussion, Director Meek moved that the Bookkeeper's Report be approved and the disbursements listed therein be approved for payment. Director Boddy seconded said motion, which unanimously carried.

## **REVIEW OF ARBITRAGE ANALYSIS REPORT**

Mr. Rubinsky next presented to and reviewed with the Board an Arbitrage Analysis Report provided by Municipal Risk Management Group, L.L.C. ("MRMG") dated March 13,

2017, a copy of which is attached hereto as **Exhibit C**, in connection with the yield restriction and arbitrage rebate calculation analyses performed in connection with the Authority's previous bond issues. Mr. Rubinsky advised the Board that, as reflected in the attached Arbitrage Analysis Report, no action is required at this time in connection with any of the Authority's bond issues.

### **FINANCIAL ADVISOR'S REPORT**

The Board next discussed financial matters of the Authority, including the status of communications with the City of Houston (the "City") regarding the City's FY 2011, FY 2012, FY 2013, FY 2014, and FY 2015 True Up Reports related to Operations and Maintenance of the Northeast Water Purification Plant ("NEWPP"). Mr. Khouw advised the Board that a meeting is being scheduled between the City and the North Harris County Regional Water Authority to discuss certain errors in the True Up Reports, and that the Authority will also participate in such meeting as necessary.

In connection with the Abridged Application to the TWDB for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") for the additional funds required to pay the Authority's share of the City's NEWPP Expansion Project, Mr. Howell reported that, by correspondence dated March 29, 2017, the TWDB extended an invitation to the Authority to submit a formal application for SWIFT financial assistance for the project in the amount of \$4,900,000. A copy of said correspondence is attached hereto as **Exhibit D**. After discussion, Director Meek moved that (i) the Resolution 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 E**, be adopted by the Board, (ii) IDS, SPH and GMS be authorized to prepare and submit the formal application to the TWDB for SWIFT financing by April 28, 2017; and (iii) the officers of the Board be authorized to execute any and all documentation necessary to complete and file the SWIFT application by April 28, 2017. Director Boddy seconded said motion, which unanimously carried.

Mr. Howell next reviewed with the Board updated preliminary schedules reflecting the issuance of the proposed additional \$4,900,000 in bonds, which will be sold by the Authority in 2017, copies of which are attached hereto as **Exhibit F**. Mr. Howell reported the total amount of the proposed Series 2017 Bond Issue will now be \$26,550,000.

### **REGULATORY DISCLOSURES REGARDING MUNICIPAL ADVISORY AGREEMENT**

Mr. Howell then presented to and reviewed with the Board correspondence from GMS dated March 30, 2017, a copy of which is attached hereto as **Exhibit G**, regarding the proposed Series 2017 Bond Issue relative to revised MSRB Rule G-23 with respect to new issues for which the Time of Formal Award occurs after November 27, 2011, which states that a broker, dealer or municipal securities dealer is prohibited from acting as a Financial Advisor or Municipal Advisor to an issuer for a particular issue sold on a negotiated or competitive bid basis and subsequently switching roles to underwrite the same issue. Mr. Howell disclosed that GMS will be acting solely as Financial Advisor in connection with the Authority's Series 2017 Bond Issue. Following discussion, it was moved by Director Meek, seconded by Director Granadino

and unanimously carried, that the President be authorized to acknowledge the disclosure on behalf of the Board and the District.

### **ENGINEER'S REPORT**

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated April 5, 2017, a copy of which is attached hereto as **Exhibit H**, and updated the Board on the status of various matters of interest to the Authority.

Mr. Khouw reported to the Board regarding ground water usage, surface water usage, and total water usage, as well as the Harris-Galveston Subsidence District ("HGSD") permit requirements, as detailed in the Engineer's Report. Mr. Khouw advised the Board that IDS is still waiting for HGSD to issue the over conversion credits for the 2015-2016 permit year.

Mr. Khouw also reported that an application for renewal of the Authority's Aggregated Water Well Permit has been submitted to the HGSD and that the HGSD hearing on the permit renewal will be held on April 12, 2017.

Mr. Khouw also advised the Board that a Notice of Public Hearing was received from the HGSD regarding a hearing at the HGSD's office to be held on April 24, 2017, for the purpose of considering testimony, evidence, exhibits and other information presented concerning the effects of groundwater withdrawal on subsidence of land within the HGSD during the preceding groundwater withdrawal year.

In connection with the extension of an Authority surface water supply line to No. 304's Water Plant, Mr. Khouw reported that IDS and No. 304's engineer have identified the new location for the proposed meter station. He further advised the Board that Berg Oliver Associates, Inc. is working on the environmental study and data form required to be submitted to the TWDB in connection with said project, as previously authorized by the Board.

Mr. Khouw advised the Board that IDS will prepare and submit the 2016 Water Conservation Plan Annual Report to the TWDB prior to May 1, 2017, as authorized by the Board at the last meeting.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report, including the City's issuance of Cash Call No. 3 in the amount of \$289,773.85 to cover the Authority's share of costs related to the Program Advisor/Technical Consultant (PATC) Professional Services, Cost Recovery and Outside Legal Services. Mr. Khouw advised the Board that Cash Call No. 3 is within the budgeted amount agreed to by Consensus Item No. 9 and that the Authority has access to the funds from the TWDB. Mr. Khouw recommended funding Cash Call No. 3 in the amount of \$289,773.85. After discussion, the Board unanimously concurred that the funding of Cash Call No. 3 be approved.

Mr. Khouw advised the Board that the City has also issued Cash Call No. 5B in connection with the NEWPP Expansion Project in the amount of \$1,011,075.00 to fund Component 2 Preliminary Services. Mr. Khouw reported that Cash Call No. 5B is within the

budgeted amount agreed to by Consensus Item No. 10 and that the Authority has access to the funds from the TWDB. Mr. Khouw recommended funding Cash Call No. 5B in the amount of \$1,011,075.00. After discussion, the Board unanimously concurred that the funding of Cash Call No. 5B be approved.

Mr. Khouw next addressed the Board concerning the U.S. Army Corp of Engineers' 404 permit, which will require additional wetlands mitigation, and the City's upcoming issuance of Cash Call No. 5C for the purchase of credits from the Gin City Mitigation Bank, as further detailed in the Engineer's Report.

In connection with the NEWPP Expansion Project, Mr. Khouw reported that Paul Vranesic has replaced Rod Brauer as Project Manager for the Houston Waterworks Team.

Mr. Khouw next advised the Board that the City is moving forward with the design of Phase I of the Northeast Transmission Line.

With respect to the proposed alignment of the 2025 Internal Distribution System lines, Mr. Khouw reported that Harris County is reviewing the proposed water line alignment to serve Harris County Municipal Utility District No. 33 and Fallbrook. Mr. Khouw additionally advised the Board that AOS Treatment Solutions, LLC ("AOS") is working with MOC with respect to the data required for the water quality management study and blending study being performed by AOS.

Mr. Khouw stated that he had no new activity upon which to report regarding the Luce Bayou Interbasin Transfer Project.

#### **NO. 304'S PROPOSED ANNEXATION OF APPROXIMATELY 23.377 ACRES**

Mr. Khouw advised the Board that, in connection with No. 304's proposed annexation of approximately 27.377 acres, he had spoken with No. 304's engineer and had concluded that the proposed water usage from the additional land to be annexed will not exceed No. 304's original long term water use projections.

#### **OPERATOR'S REPORT**

Mr. Wright presented to and reviewed with the Board a written Operator's Report for March 2017, a copy of which is attached hereto as **Exhibit I**.

Mr. Wright advised the Board that the percentage of surface water usage within the Authority during March 2017 was 34% and is now 41% for the current permit year to date. Mr. Wright advised that the accountability of surface water for the permit year to date is 100%.

**AUTHORIZE DISTRIBUTION OF CERTAIN REQUIRED INFORMATION TO MEMBER DISTRICTS IN CONNECTION WITH ANNUAL 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. Mr. Wright advised the Board that MOC had already provided a CCR data form to the Member Districts that received surface water from the Authority in 2016 for their respective 2016 Consumer Confidence Reports. After discussion on the matter, it was moved by Director Gower, seconded by Director Granadino and unanimously carried, that the provision of the CCR data form to the Member Districts be approved by the Board. Director Granadino requested that a footnote be added to the CCR data form to indicate that Chromium 6 is not reported as this constituent is below the detectable level.

**GOVERNMENT AFFAIRS UPDATE**

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated April 4, 2017, a copy of which is attached hereto as **Exhibit J**. The Board concurred that no action was required in connection with said Update at this time.

The Board next considered ratifying Director Boddy's execution of written testimony on behalf of the Authority in opposition of House Bill No. 770 ("HB 770"). In that regard, Mr. Rubinsky updated the Board on HB 770 and the proposed amendments to the Texas Government Code. After discussion on the matter, it was moved by Director Boddy, seconded by Director Gower and unanimously carried, that such prior action be ratified and authorized in all respects.

**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. He noted, however, that Dr. Karun Sreerama, P.E., is now the new Director of the City of Houston Department of Public Works and Engineering.

**DISCUSSION REGARDING STATUS OF WEBSITE DESIGN FOR THE AUTHORITY BY THE TEXAS NETWORK, LLC ("TTN")**

Mr. Rubinsky addressed the Board concerning the status of the development of the Authority's website. In that regard, he presented to and reviewed with the Board an outline for the proposed website, a copy of which is attached hereto as **Exhibit K**. Mr. Rubinsky advised the Board that the outline would be submitted to Ms. Barbara Payne and Mr. Russell Lambert of TTN in connection with its development of the Authority's 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 3, 2017, at 6:00 p.m.

**ADJOURN MEETING**

There being no further business to come before the meeting, the meeting was adjourned.



David Granadino, Secretary  
Board of Directors

## LIST OF ATTACHMENTS TO MINUTES

- EXHIBIT A Draft Audit for the Fiscal Year Ended December 31, 2016
- EXHIBIT B Bookkeeper's Report
- EXHIBIT C Arbitrage Analysis Report provided by Municipal Risk Management Group, L.L.C.
- EXHIBIT D Correspondence from TWDB dated March 29, 2017, Extending Formal Invitation to Submit Application for Financial Assistance through SWIFT
- EXHIBIT E Resolution Authorizing Application to the TWDB for Financial Assistance; Designating Authorized Representatives for Such Purposes; and Containing Other Provisions Relating to the Subject
- EXHIBIT F Updated Schedules Reflecting Issuance of Proposed Additional \$4,900,000 in Bonds
- EXHIBIT G Regulatory Disclosure Regarding Municipal Advisor Agreement provided by GMS relative to Municipal Securities Rulemaking Board Rule G-42
- EXHIBIT H Engineer's Report
- EXHIBIT I Operator's Report
- EXHIBIT J Government Affairs Update
- EXHIBIT K Outline for Proposed Website for the Authority