

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors August 2, 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 August 2, 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; Fran Matuska of F. Matuska, Inc. ("Matuska"), bookkeeper for the Authority; Jared Martin 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; Linda Watkins and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); 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"); Ryan Casey of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); and Abraham I. 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 July 5, 2017. After discussion, Director Boddy moved that the minutes of the meeting held July 5, 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.

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 funds for the period July 1, 2017 through August 2, 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 June 2017 and the first six months of the current fiscal year, and a Summary of Pumpage Fees Paid by Member Districts through June 2017. Ms. Matuska reviewed the status and activity in each of the Authority's accounts, and discussed certain transactions with the Board. 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.

Ms. Matuska then further reviewed the Summary of Pumpage Fees paid and advised the Board that all Authority Member Districts, with the exception of Harris County Municipal Utility District No. 150, have paid all pumpage fees and surface water charges through June 2017.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority. Mr. Rubinsky advised the Board that SPH had received additional documentation this week from the City of Houston (the "City") regarding the City's FY 2016 True Up Reports related to Operations and Maintenance of the Northeast Water Purification Plant ("NEWPP"). In that regard, he reported that it was his understanding that representatives of the North Harris County Regional Water Authority (the "NHCRWA") intend to schedule a meeting with the City to discuss such documentation and the resolution of outstanding issues.

Mr. Rubinsky next reported that the Authority's application to the Texas Water Development Board (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 in the amount of \$4,900,000 was approved by the TWDB on July 20, 2017. Mr. Howell advised the Board that the TWDB's net effective interest rate for the Series 2017 Bonds will be approximately 2.8%, which is slightly less than the previously estimated rate. Mr. Howell stated that the closing on the Authority's proposed sale of its Series 2017 Bonds should occur by November 30, 2017.

Mr. Rubinsky next presented to and reviewed with the Board a Financing Agreement between the Authority and the TWDB, a copy of which is attached hereto as **Exhibit B**, in connection with the Authority's proposed sale of its Series 2017 Bonds to the TWDB. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that said Financing Agreement be approved and that the President be authorized to execute same on behalf of the Board and the Authority.

Mr. Howell next addressed the Board concerning the schedule for the proposed sale of the Authority's Series 2017 Bonds. He recommended that, because the TWDB's interest rates will not be received until October 5, 2017, the Authority's regularly scheduled Board meeting on October 4, 2017, be moved to October 11, 2017, at which meeting the Board would adopt the bond sale documents and approve a Plan of Financing. After discussion, the Board concurred

that the Authority's regularly scheduled Board meeting on October 4, 2017, be moved to October 11, 2017.

Mr. Rubinsky next presented to and reviewed with the Board correspondence received today from the City dated July 31, 2017, a copy of which is attached hereto as **Exhibit C**, regarding the City's FY 2018 adopted water rate for the NEWPP in the amount of \$1.3679 per 1,000 gallons. Mr. Howell advised the Board that he does not believe the FY 2018 rate will have a significant impact on the Authority's previously estimated rates.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated August 2, 2017, 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.

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 (the "HGSD") permit requirements, as detailed in the Engineer's Report. He advised the Board that the HGSD has still not yet issued the over conversion credits for the 2015-2016 permit year.

In connection with the extension of an Authority surface water supply line to No. 304's Water Plant, Mr. Khouw reported that Berg Oliver Associates, Inc. has completed the environmental study and submitted the study to the governmental agencies for their review and approval. Mr. Khouw further reported that once a response has been received from the U.S. Army Corp of Engineers, IDS will then submit the study to the TWDB for final approval.

Mr. Khouw advised the Board that IDS received a request to complete a Region H Water Planning Survey on behalf of the Authority, which is due by August 21, 2017. He reported that IDS is working to complete the survey.

Mr. Khouw next addressed the Board concerning his attendance at a City Water Supply Contract Advisory Committee meeting on July 20, 2017. In that regard, Mr. Khouw reported that he had been informed that the City is currently working on updating the FY 2012 True Up Report and that, once the City completes the True Up Report and the Authority agrees to same, the City will then update the True Up Reports for all subsequent fiscal years. Mr. Khouw also discussed his communications with representatives of the City at the Water Advisory Committee meeting regarding the original 80 MGD NEWPP and the City's decision to not place the original Plant out of service as soon as previously reported.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. Mr. Khouw advised the Board that the Houston Waterworks Team ("HWT") and the City have finalized their negotiation on the Basis of Design Report cost model and schedule for the NEWPP Expansion Project. Mr. Khouw reported that the current estimated total non-oversize project cost is approximately \$1,485,000,000, with \$1,335,000,000 in HWT construction/design costs. He advised the Board that the City has provided a draft preliminary annual project funding schedule and that,

according to the schedule, it appears that the cost has increased by approximately 8% over last year's cost estimate. Mr. Khouw stated that, based on the revised cost estimate, the Authority will have a deficit of approximately \$1,800,000 to \$2,000,000 in 2021. Mr. Howell advised the Board that he is not terribly concerned with the Authority's ability to fund the estimated deficit.

Mr. Khouw next reported to the Board regarding Cash Call 5D, Cash Call 5E and Cash Call 6A issued by City in connection with the NEWPP Expansion Project, as further detailed in the Engineer's Report. Mr. Khouw recommended funding all three cash calls by August 24, 2017, as recommended by the City in order to maintain the project schedule. After discussion, it was moved by Director Gower, seconded by Director Granadino and unanimously carried, that the funding of Cash Call No. 5D, Cash Call 5E and Cash Call 6A be approved for payment by August 24, 2017.

Mr. Khouw next reported that HWT is continuing to work on the design of Early Work Packages ("EWP") 2 and 4, as reflected in the Engineer's Report, and that the City anticipates making cash calls to fund construction of EWP 2 and EWP 4 in mid-September 2017. Mr. Khouw noted that the City has interviewed four candidates to fill the position of Project Director of the NEWPP Expansion Project and that the City is recommending that Mr. Ravi Kalyetodi, P.E., who was appointed as Acting Project Director, be offered the position on a permanent basis.

Mr. Khouw next advised the Board that the City is moving forward with the design of Phase I of the Northeast Transmission Line. He reported that the City anticipates advertising for competitive sealed proposals for the construction of two segments of the 108-inch line and one segment of the 54-inch line by the end of this month. Mr. Khouw briefly discussed certain issues related to a segment of the 108-inch line and Morales Road. He stated that the City is negotiating with Harris County regarding same.

With respect to the proposed alignment of the 2025 Internal Distribution System lines, Mr. Khouw reported that IDS is continuing its evaluation of the alternative alignment proposed by Harris County. He advised the Board that the alternative alignment will require the acquisition of certain easements along Harris County Flood Control District channels, as further detailed in the Engineer's Report. Mr. Khouw stated IDS will need to re-run water models, but that the alternative alignment appears to be feasible. Mr. Khouw additionally advised the Board that AOS Treatment Solutions, LLC ("AOS") is analyzing the data provided by Harris County Municipal Utility District Nos. 200, 205 and 399 in connection with the water quality management study and blending study it is performing on behalf of the Authority. He reported that IDS will be coordinating a meeting between AOS and the City's Program Advisor/Technical Consultant to discuss the data analysis.

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

Mr. Khouw additionally advised the Board that the engineer for Harris County Municipal Utility District No. 217 ("No. 217") has inquired as to the need for a written surface water commitment from the Authority in accordance with the terms of the Authority's Rate Order.

After discussion on the matter, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that SPH be authorized to prepare a surface water commitment for No. 217, as well as for any other Member District that has been converted to surface water.

OPERATOR'S REPORT

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

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during July 2017 was 37% and is now 38% year to date for the permit year ending May 31, 2018. Mr. Martin reported that the accountability of surface water for the permit year to date is 99%.

Mr. Martin next presented for the Board's review a photograph of a stainless steel, custom-made enclosure to provide protection from inclement weather for the Authority's surface water meters, a copy of which is attached to the Operator's Report. Messrs. Martin and Khouw recommended that the Board authorize MOC to order eight (8) enclosures for each of the Authority's surface water meters at a cost of \$4,592 per enclosure. After discussion, the Board authorized MOC to order eight (8) of the stainless steel, custom-made enclosures for the Authority's surface water meters. The Board also authorized IDS to add the enclosure as a supplemental item to the contract for the construction of the surface water supply line to serve No. 304, once said project is bid.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated August 1, 2017, a copy of which is attached hereto as **Exhibit F**. The Board concurred that no action was required in connection with said Update at this time.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky distributed to the Board for its review and information a Waterworks newsletter that the West Harris County Regional Water Authority provides to its constituents.

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 advised the Board that SPH is working to provide certain additional documentation requested by TTN.

**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, September 6, 2017, at 6:00 p.m.

ADJOURN MEETING

There being no further business to come before the meeting, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that the meeting be adjourned.



David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- EXHIBIT A Bookkeeper's Report
- EXHIBIT B Financing Agreement with the Texas Water Development Board
- EXHIBIT C Correspondence from City of Houston dated July 31, 2017 regarding
FY 2018 adopted water rate for the NEWPP
- EXHIBIT D Engineer's Report
- EXHIBIT E Operator's Report
- EXHIBIT F Government Affairs Update