

# CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Special Meeting of Board of Directors  
October 11, 2017

The Board of Directors (the "Board") of the Central Harris County Regional Water Authority (the "Authority") met in special session, open to the public on October 11, 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, except Director Boddy, 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; Jerry Sowell of Sowell Consulting Engineers; Linda Watkins and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Jonathan Ward of Harris County Municipal Utility District No. 304 ("No. 304"); Pastor Mitchell B. Stewart of Rankin Road West Municipal Utility District ("Rankin Road"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); 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 meetings held August 2, 2017 and September 6, 2017. After discussion, Director Meek moved that the minutes of the meetings held August 2, 2017 and September 6, 2017, 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.

## **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 September 1, 2017 through October 11, 2017, and the checks presented for payment from the General Fund, Debt Service Fund and Series 2008 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of August 2017 and the first eight months of the current fiscal year, and a Summary of Pumpage Fees Paid by Member Districts through August 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 Gower 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 ("No. 150"), No. 217 and Harris County Municipal Utility District No. 33 have paid all pumpage fees and surface water charges through August 2017.

Mr. Howell next advised the Board regarding the possible need to transfer funds between the Authority's General Fund and its Surplus Revenue Fund in order to ensure compliance with the "additional bonds test" related to the issuance of the Authority's proposed Series 2017 Bonds. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that Ms. Matuska be authorized to make such transfer of funds if and when required, in accordance with Mr. Howell's recommendation.

## **OPERATOR'S REPORT**

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

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during September 2017 was 44% and is now 39% 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 addressed the Board concerning the status of the installation of custom-made enclosures to provide protection from inclement weather for the Authority's surface water meters and cla-vals. In that regard, he advised the Board that MOS has re-assessed the specifications for the enclosures and is now proposing that they be constructed of both stainless steel and canvas at a reduced cost of \$3,300.00 per enclosure. After discussion, it was moved by Director Gower, seconded by Director Granadino and unanimously carried, that the change in the specifications for the enclosures, as proposed by MOC, be approved by the Board.

Mr. Martin next reported to the Board concerning a leaking valve located on one of the Authority's distribution lines within No. 150. Mr. Martin advised the Board that MOC has not

been able to access the valve due to a locked gate and fence that is encroaching upon the Authority's easement. After discussion, the Board requested that Mr. Martin provide the specific location of the leaking valve to Mr. Khouw, so that Mr. Khouw can provide him with a copy of the subject Water Line Easement, and that Mr. Martin contact the Harris County Sheriff's Office to request their assistance in accessing the subject property so that MOC can make the necessary repairs to the Authority's facilities.

**STATUS OF THE AUTHORITY'S PROPOSED SALE OF \$26,550,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2017 (THE "BONDS")**

Mr. Rubinsky and Mr. Howell next discussed various actions to be taken in connection with the issuance of the Authority's Bonds, including the documentation to be presented for the Board's approval at tonight's meeting in connection therewith. Mr. Howell advised the Board that, subject to its approval of the subject documentation, the Texas Water Development Board ("TWDB") has purchased the Authority's Bonds at a net effective interest rate of 2.714970%.

**BOND RESOLUTION**

Mr. Rubinsky next presented to and reviewed in detail with the Board the Resolution Authorizing the Issuance of the Bonds attached hereto as **Exhibit C**. After discussion, Director Meek moved to approve the Resolution Authorizing the Issuance of the Bonds and authorized the President to execute the Bond Resolution and the Secretary to attest same on behalf of the Board and the Authority. Director Granadino seconded said motion, which unanimously carried.

**PRIVATE PLACEMENT MEMORANDUM**

Mr. Rubinsky presented to and reviewed with the Board a Private Placement Memorandum relating to the Bonds, a copy of which is attached hereto as **Exhibit D**. After discussion, Director Meek moved to approve the Private Placement Memorandum. Director Granadino seconded said motion, which unanimously carried.

**PAYING AGENT/REGISTRAR AGREEMENT**

The Board considered approval and execution of a Paying Agent/Registrar Agreement by and between the Authority and ZB, National Association, dba Amegy Bank ("Amegy") in connection with the Bonds, a copy of which is attached hereto as **Exhibit E**. After discussion, Director Meek moved to approve the Paying Agent/Registrar Agreement by and between the Authority and Amegy and authorize the President to execute the Agreement on behalf of the Board and the Authority. Director Granadino seconded said motion, which unanimously carried.

**ESCROW AGREEMENT**

The Board next considered approval and execution of an Escrow Agreement by and between the Authority and Amegy, a copy of which is attached hereto as **Exhibit F**. After discussion, Director Meek moved to approve the Escrow Agreement by and between the

Authority and Amegy and authorize the President to execute the Escrow Agreement on behalf of the Board and the Authority. Director Granadino seconded said motion, which unanimously carried.

### **ATTORNEY GENERAL FEES**

The Board next considered authorizing the District's Bookkeeper to prepare a check for payment of the Attorney General's fees in connection with the review of the transcript of proceedings relative to the issuance of the proposed Bonds. Mr. Rubinsky advised that the fee will be \$9,500.00. After discussion on the matter, Director Meek moved that the District's Bookkeeper be authorized to prepare a check in the amount of \$9,500.00 payable to the Attorney General of Texas and that said check be approved for payment. Director Granadino seconded said motion, which unanimously carried.

### **REVIEW, APPROVE AND AUTHORIZE THE FILING OF THE INTERNAL REVENUE SERVICE FORM 8038-G RELATIVE TO THE BONDS**

The Board next considered review, approval and execution of Form 8038-G relative to the Bonds. Mr. Rubinsky explained the purpose of Form 8038-G and the filing requirements applicable to same. After discussion and review, Director Meek moved that the Form 8038-G be approved and that the President be authorized to execute same on behalf of the Board and the Authority. Director Granadino seconded said motion, which unanimously carried.

### **OTHER MATTERS IN CONNECTION WITH THE ISSUANCE OF THE BONDS**

As the next order of business, the Board considered acting upon any other matters relative to the Bonds. Mr. Rubinsky presented and reviewed with the Board the General Certificate, Signature and No-Litigation Certificate with Letter of Instruction to the Attorney General, and the Initial Bonds relative to the sale of such Bonds. After further discussion concerning said matters, upon motion made by Director Meek, seconded by Director Granadino and unanimously carried, the Board approved such documents and authorized SPH to handle all matters relative to the sale and closing of the Bonds.

There was next discussion regarding the approval of certain documents to be utilized at the closing relative to the issuance of the Authority's Bonds. Mr. Rubinsky reviewed the subject documents with the Board. After discussion on the matter, Director Meek moved that the closing documents be approved and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the Authority. Director Granadino seconded said motion, which unanimously carried. Mr. Rubinsky advised that the closing is scheduled for November 15, 2017 at 10:00 a.m.

### **ANNUAL REVIEW OF ORDER ESTABLISHING POLICY FOR INVESTMENT OF AUTHORITY FUNDS AND APPOINTING INVESTMENT OFFICER**

The Board next considered the annual review of its Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer ("Investment Policy Order"),

and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky presented to and reviewed with the Board a Memorandum prepared by SPH dated October 11, 2017, a copy of which is attached hereto as **Exhibit G**, summarizing the proposed changes to the Investment Policy Order and the form of the Public Funds Depositor Collateral Security Agreement attached as an exhibit to the Order. After discussion on the matter, it was moved by Director Gower, seconded by Director Granadino, and unanimously carried that the Investment Policy Order be adopted to reflect the proposed changes as noted in the Memorandum, that the Board adopt the Resolution Regarding Review of Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer attached hereto as **Exhibit H**, and that the President and Secretary 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. Howell advised the Board that he had no new activity upon which to report at this time regarding the City of Houston's (the "City") True Up Reports.

Mr. Howell next advised the Board that the City's FY 2018 adopted water rate for the NEWPP in the amount of \$1.3679 per 1,000 gallons will not have an adverse impact on the Authority's long term financial plan as the City's FY 2018 adopted rate is lower than the rate that was used in the Authority's long-term financial projections.

### **ENGINEER'S REPORT**

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated October 11, 2017, a copy of which is attached hereto as **Exhibit I**, 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.

In connection with the extension of an Authority surface water supply line to No. 304's Water Plant, Mr. Khouw reported that he anticipates advertising for bids for the project in November or December 2017, with construction to commence in the first quarter of 2018. Mr. Khouw noted that construction of a fence around the Meter Station with an access gate needs to be added to the plans and specifications for the surface water supply line construction project.

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.

Mr. Khouw addressed the Board concerning a preliminary request received from Harris County Municipal Utility District No. 215 that the Authority reconsider converting No. 215 to surface water earlier than currently proposed, as further detailed in the Engineer's Report.

Mr. Khouw next addressed the Board concerning a washout that developed after Hurricane Harvey adjacent to the joint City, Authority and North Harris County Regional Water Authority 54-inch water line along Greens Bayou, as further detailed in the Engineer's Report. Mr. Khouw recommended that MOC maximize surface water usage for the next several months in the event surface water is cut off to the Authority for a period of time due to the need for repairs to the 54-inch water line.

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 attorneys for the City and the regional water authorities are reviewing Amendment No. 4 to the Design-Build Agreement for Early Work Package ("EWP") 1. He further reported that the Houston Waterworks Team is continuing with the design of EWP 2 (West Filters/Pump Station) and EWP 4 (Raw Water Pipelines), but that there continue to be delays due to project bonding issues. He noted that the City now anticipates requiring cash calls to fund the construction of EWP 2 and EWP 4 in mid-November 2017. Mr. Khouw further reported that the City has scheduled two community outreach meetings related to the NEWPP Expansion Project for October 25, 2017, and November 5, 2017.

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. With respect to the construction of the 108-inch water line, Mr. Khouw advised the Board that separate segments of the water line are anticipated to be located under existing Harris County roadway along Cross Continents Drive, Morales Road and Renton Road, and that the County has indicated that these segments should be fully encased, adding substantial cost to the project. Mr. Khouw further advised that the City has prepared two letters to the County requesting a waiver of the requirement for encasement of these water line segments, and that the City is requesting that the Authority and the North Harris County Regional Water Authority execute the letters in support of the City. Mr. Rubinsky stated that SPH is currently reviewing the letters on behalf of the Authority. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that Mr. Khouw be authorized to execute the letters on behalf of the Authority, subject to SPH's final approval of 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. After discussion, it was moved by Director Gower, seconded by Director Granadino and unanimously carried, that IDS be authorized to prepare a proposal for the Board's consideration for the preparation of the metes and bounds descriptions of the easements that will be required in connection with the 2025 Internal Distribution System lines.

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

### **ISSUANCE OF SURFACE WATER COMMITMENTS TO MEMBER DISTRICTS**

The Board next considered the issuance of surface water commitments to Member Districts. In that regard, Mr. Rubinsky reported that, as authorized by the Board at the last

meeting, SPH has prepared surface water commitments for 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, and that he has forwarded the commitments to Mr. Khouw for review and comment.

### **GOVERNMENT AFFAIRS UPDATE**

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated October 10, 2017, together copies of 2017 Interim Legislative Charges issued by both the Lieutenant Governor of Texas and the Speaker of the Texas House of Representatives relating to Hurricane Harvey, copies of which are attached hereto as **Exhibit J**. 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 advised the Board that he had nothing further to discuss with the Board of a legal nature which was not covered under specific agenda items.

### **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 and IDS have prepared an updated Executive Summary regarding the Authority, and that SPH will be providing the Summary, together with the additional documentation requested by TTN, to TTN soon.

### **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, November 1, 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 Granadino and unanimously carried, that the meeting be adjourned.

  
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David Granadino, Secretary  
Board of Directors



**LIST OF ATTACHMENTS TO MINUTES**

<u>EXHIBIT A</u>	Bookkeeper's Report
<u>EXHIBIT B</u>	Operator's Report
<u>EXHIBIT C</u>	Bond Resolution
<u>EXHIBIT D</u>	Private Placement Memorandum
<u>EXHIBIT E</u>	Paying Agent/Registrar Agreement
<u>EXHIBIT F</u>	Escrow Agreement
<u>EXHIBIT G</u>	Memorandum summarizing proposed changes to Investment Policy Order and the form of the Public Funds Depositor Collateral Security Agreement attached as an exhibit to the Order
<u>EXHIBIT H</u>	Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer
<u>EXHIBIT I</u>	Engineer's Report
<u>EXHIBIT J</u>	Government Affairs Update and Copies of 2017 Interim Legislative Charges issued by the Lieutenant Governor of Texas and the Speaker of the Texas House of Representatives relating to Hurricane Harvey