

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
December 6, 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 December 6, 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"); Jonathan Ward of Harris County Municipal Utility District No. 304 ("No. 304"); Lathan E. Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); Laura Davis of Harris County Municipal Utility District No. 33 ("No. 33"); 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 November 1, 2017. After discussion, Director Boddy moved that the minutes of the meeting held November 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.

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 November 1, 2017 through December 6, 2017, and the checks presented for payment from the General Fund, Series 2008 Capital Projects Fund and Series 2017 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of October 2017 and the first ten months of the current fiscal year, and a Summary of Pumpage Fees Paid by Member Districts through October 2017. Ms. Matuska reviewed the status and activity in each of the Authority's accounts, including the Series 2017 Capital Projects Fund, and discussed certain transactions with the Board. Mr. Howell advised the Board that the Authority needs to make a one-time transfer of \$60,274 to the Debt Service Reserve Fund prior to the end of the current fiscal year ending December 31, 2017, in order to maintain the appropriate balance therein required by the covenants in the Authority's outstanding Bond Resolutions. After discussion, Director Boddy moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment and that Ms. Matuska be authorized to transfer \$60,274 from the Authority's General Fund to the Debt Service Reserve Fund prior to the end of the current fiscal year as recommended by Mr. Howell. Director Meek seconded said motion, which unanimously carried.

Ms. Matuska then further reviewed the Summary of Pumpage Fees paid and advised the Board that she had received all Authority Member Districts' October pumpage fees today, with the exception of Fallbrook, which currently has a credit as a result of a double payment. Mr. Rubinsky noted that there has been a significant decrease in the amount of pumpage fees paid by No. 33 since August 2017. Ms. Davis explained that No. 33 was receiving water through its interconnect with Harris County Utility District Nos. 14 and 15 ("Nos. 14 and 15") during part of August, and September and October, but that the interconnect has now been closed. Mr. Rubinsky queried Ms. Davis regarding No. 33's intent relative to the payment of water importation fees to the Authority versus payment in kind to Nos. 14 and 15. Ms. Davis advised that No. 33 will not be making a payment in kind to Nos. 14 and 15 and that No. 33 is aware that it will be required to pay the Authority's importation fees. Mr. Rubinsky stated that, provided that is the case, No. 33 should be paying importation fees to the Authority currently in accordance with the terms of the Authority's Rate Order. After discussion, the Board requested that Mr. Martin follow up with No. 33's Operator to confirm their intent and understanding relative to the payment of the Authority's importation fees and report back to the Board at the next meeting.

ADOPTION OF OPERATING BUDGET FOR THE AUTHORITY'S FISCAL YEAR ENDING DECEMBER 31, 2018

Ms. Matuska presented for the Board's review a draft Operating Budget for the fiscal year ending December 31, 2018, a copy of which is attached hereto as **Exhibit B**. Ms. Matuska discussed various revisions made to the initial draft Operating Budget presented and reviewed with the Board at its last meeting. Messrs. Rubinsky and Khouw next discussed the Authority's projected pumpage fee and surface water revenues and noted that the amounts budgeted for same will change once Mr. Howell provides his recommended fee increases next month. After

discussion on the matter, upon motion made by Director Gower, seconded by Director Granadino and unanimously carried, the Board approved the proposed Operating Budget for the Authority's fiscal year ending December 31, 2018, as presented.

FINANCIAL ADVISOR'S REPORT

The Board next recognized Mr. Howell, who discussed proposed increases in the Authority's GRP Fee, Importation Fee and Surface Water Fee. Mr. Howell stated that he will present a formal recommendation at the next meeting, but that he is preliminarily estimating an increase in each fee of \$0.40 to \$0.50 per thousand gallons, primarily due to additional debt being incurred to implement the Authority's Groundwater Reduction Plan and partially due to total water usage by the Member Districts increasing at rates less than those that were projected back in 2003 when the Authority adopted its initial fee structure. Mr. Howell noted that the Fee, Importation Fee and Surface Water Fee will most likely need to be increased by another \$0.40 per thousand gallons in 2019. Mr. Howell then recommended that the Authority solicit updated water demand projections from the Member Districts in the near future. After discussion, the Board requested that Mr. Khouw solicit such information on behalf of the Authority.

Mr. Howell next presented to and reviewed with the Board a spreadsheet detailing the Authority's past and proposed bond issues for the years 2015 through 2020, as issued through the Texas Water Development Board's ("TWDB") State Water Implementation Fund for Texas ("SWIFT") program in order to finance the design and construction of the expansion of the City's Northeast Water Purification Plant ("NEWPP"), Phases 1 and 2 of the Northeast Transmission Line ("NETL"), and Phase 2 of the Authority's Internal Distribution System. Mr. Howell advised the Board that the spreadsheet will likely have to be updated to include an additional \$3,000,000 in bonds to be issued in 2019 that were not anticipated for the NEWPP and the Luce Bayou Interbasin Transfer Project. A copy of said spreadsheet is attached hereto as **Exhibit C**. After discussion, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that the Authority's consultants be authorized to proceed with the preparation of an application for submittal to the TWDB for additional funding for Authority projects through the SWIFT.

Mr. Rubinsky next addressed the Board regarding the status of the City of Houston's (the "City") True Up Reports relative to the operations and maintenance costs of the City's NEWPP. Mr. Rubinsky updated the Board regarding the discussions between the City and the North Harris County Regional Water Authority ("NHCRWA") regarding same. He reported that the City has almost completed revising the True Up Report for its Fiscal Year 2012 and, once complete, the City will then apply the same changes to the True Up Reports for subsequent fiscal years. Mr. Rubinsky further advised the Board that the City is now also working on the True Up Report for the Fiscal Year 2017.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated December 6, 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.

In connection with the extension of an Authority surface water supply line to No. 304's Water Plant, Mr. Khouw reported that IDS is in the process of finalizing comments on the plans and specifications for the project received from No. 304's engineer and obtaining approval of the plans and specifications from Harris County and the City. Mr. Khouw stated that he anticipates advertising for bids for the project in January 2018, once the plans have been approved by Harris County and the City. Mr. Khouw advised the Board that the Authority most likely will not be able to deliver surface water to No. 304 until August 2018. He noted that No. 304 will need to convert to a chloramine disinfection system for its water supply before that time.

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 advised the Board that he had no new activity upon which to report regarding the recent inquiry received from Harris County Municipal Utility District No. 215 ("No. 215") regarding the possibility of the Authority converting No. 215 to surface water earlier than currently proposed.

Mr. Khouw next reported to the Board concerning the HGSD coordination meeting held on November 14, 2017, as further detailed in the Engineer's Report.

Mr. Khouw addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report, including the City's request for early funding of the cash call for proposed Early Work Package ("EWP") No. 4 (raw water transmission line). In that regard, Mr. Khouw advised the Board that the Authority previously requested release of funds from the TWDB for the Authority's share of EWP No. 4 in the approximate amount of \$706,825. After discussion, it was moved by Director Meek, seconded by Director Gower and unanimously carried, that Ms. Matuska be authorized to wire the funds to the City upon receipt of the cash call for EWP No. 4.

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 status of the Phase II of the Northeast Transmission Line, Mr. Khouw advised the Board that he and Mr. Rubinsky are attempting to schedule a meeting with the attorneys for the NHCRWA to discuss the proposed Joint Surface Water Line Agreement between the Authority and the NHCRWA.

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. He advised the Board that he will request authorization in January 2018 to survey and prepare metes and bounds

descriptions for the easements required for the project. Mr. Khouw further advised the Board that he will send a GIS map and a table reflecting all of the required easements to SPH for review and discussion by next week.

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 deferred action until next month 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.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for November 2017, 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, 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 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. Mr. Martin noted that, as previously discussed, installation of the enclosures will be added 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. Mr. Martin further advised the Board that all surface water meters will be wrapped one last time for this winter.

Mr. Martin next advised the Board that the leaking valve located on one of the Authority's distribution lines within No. 150 has now been repaired.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated December 6, 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.

ANNUAL EMINENT DOMAIN FILING

Mr. Rubinsky next advised the Board that, pursuant to §2206.154, Texas Government Code, all political subdivisions with the power of eminent domain, including the Authority, are required to file an annual eminent domain report by February 1 of each year with the Texas Comptroller of Public Accounts (the "Comptroller"). He requested the Board's authorization for

SPH to prepare and file such annual report. After discussion, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that the Board authorize SPH to file the annual eminent domain report with the Comptroller on behalf of the District prior to February 1, 2018.

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 provided an updated Executive Summary regarding the Authority, as well as all other documentation requested by TTN, to TTN for development of 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, January 3, 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.


David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- EXHIBIT A Bookkeeper's Report
- EXHIBIT B Operating Budget for FYE December , 2018
- EXHIBIT C Spreadsheet Detailing Past and Proposed Bond Issues in the Years
2015 through 2020
- EXHIBIT D Engineer's Report
- EXHIBIT E Operator's Report
- EXHIBIT F Government Affairs Update