

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
February 7, 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 February 7, 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; 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; Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Lathan E. Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); 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"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); Adrian Brown of Harris County Municipal Utility District No. 150 ("No. 150"); 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 January 3, 2018. After discussion, Director Gower moved that the minutes of the meeting held January 3, 2018, be approved as written. Director Granadino 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 next 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 January 1, 2018 through February 7, 2018, and the checks presented for payment from the General Fund and the Series 2008 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of December 2017 and the entire twelve months of the Authority's fiscal year ended December 31, 2017, and a Summary of Pumpage Fees Paid by Member Districts through December 2017. Ms. Matuska reviewed the status and activity in each of the Authority's accounts and discussed certain transactions with the Board. She noted that water importation fees in the amount of \$110,332 had been received from No. 33 on January 10, 2018. After discussion, Director Boddy moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment. Director Meek seconded said motion, which unanimously carried.

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

Ms. Matuska presented for the Board's review a draft amended Operating Budget for the fiscal year ending December 31, 2018, a copy of which is attached to the Bookkeeper's Report, reflecting an adjustment in the amounts budgeted for projected pumpage fee and surface water revenues as a result of the increases in the Authority's Surface Water Fee, GRP Fee and Water Importation Fee to be approved by the Board later in the meeting, effective April 1, 2018. Ms. Matuska also advised the Board that, pursuant to Senate Bill 622, as discussed at the last meeting, a line item had been added to the Operating Budget to reflect expenditures for notices required by law to be published in a newspaper. After discussion on the matter, upon motion made by Director Granadino, seconded by Director Meek and unanimously carried, the Board approved the proposed amended Operating Budget for the Authority's fiscal year ending December 31, 2018, as presented.

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. Howell advised that he had nothing new to report concerning the subject True Up Reports.

Mr. Rubinsky advised the Board that 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 Northeast Water Purification Plant ("NEWPP") Expansion Project in the amount of \$7,580,900 and (ii) the Luce Bayou Interbasin Transfer Project in the amount of \$1,500,000 were filed with the Texas Water Development Board ("TWDB") on February 1, 2018.

Mr. Howell next advised the Board that the Authority had received updated numbers from the City reflecting increased costs for the NEWPP Expansion Project, and that the Abridged Application for the additional funds required for the project which was filed with TWDB on February 1, 2018, however, was therefore increased from approximately \$4,120,000 to \$7,580,900. Mr. Howell noted that the Authority intends to issue only an additional \$2,500,000 in bonds in 2018. Mr. Howell advised that, although he was initially concerned that the Authority might need to increase its rates a second time in 2018, after further review, he now believes that it will not be necessary to do so. Mr. Howell further reported, however, that instead of a \$0.20 increase in the Authority's Surface Water Fee, GRP Fee and Water Importation Fee next year, it may be necessary to increase the fees by \$0.40 or \$0.50. Mr. Howell explained that the amount of next year's increase will depend upon the updated water usage requirements received from the Authority's Member Districts and the actual, final costs of the NEWPP Expansion Project. Director Meek requested that Mr. Howell update the Board again in June or July of this year. Mr. Howell agreed to do so.

ADOPTION OF AMENDED RATE ORDER

The Board next considered the amendment of the Authority's Rate Order. In that regard, Mr. Rubinsky advised the Board that SPH had directed correspondence to all Member Districts on January 11, 2018, advising them of the proposed amendment of the Authority's Rate Order, including the adoption of the proposed increases of the GRP Fee, Importation Fee, and Surface Water Fee recommended by Mr. Howell at the Board's last meeting. He reminded the Board that the GRP Fee and Importation Fee is being increased from \$2.51 per 1,000 gallons to \$3.01 per 1,000 gallons, and the Surface Water Fee is being increased from \$2.85 per 1,000 gallons to \$3.35 per 1,000 gallons, effective March 1, 2018. Mr. Rubinsky then presented to and reviewed with the Board an amended Rate Order reflecting the GRP Fee, Water Importation Fee and Surface Water Fee increases. After discussion, it was moved by Director Boddy, seconded by Director Gower and unanimously carried, that (i) the Rate Order attached hereto as **Exhibit B** be passed and adopted by the Board, effective as of March 1, 2017, (ii) the President be authorized to execute and the Secretary to attest said Rate Order on behalf of the Board and the Authority, (iii) all Rate Orders heretofore adopted by the Board be revoked as of such date, and (iv) SPH be authorized to distribute a copy of the new Rate Order to all Member Districts.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated February 7, 2018, a copy of which is attached hereto as **Exhibit C**, 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 received Harris County and the City's approval and that he expects to receive TWDB approval of the plans and specifications this month and that he

will then advertise for bids. Mr. Khouw advised that he should have a recommendation for the award of a contract for the project for the Board's consideration at its April 2018 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.

Mr. Khouw next addressed the Board concerning the proposed repair of the City's 66-inch surface water transmission line that was damaged during the construction of the Beltway 8 overpass, as further detailed in the Engineer's Report. A lengthy discussion ensued regarding the formulation of a plan to ensure that the Authority's converted customers have sufficient water supply in the event surface water from the City is shut off for seven to ten days, or longer, for repair of the line. Director Granadino noted that No. 150 is evaluating its two water wells to determine the actions that need to be taken and the costs associated therewith in order to place the wells back into operation. Mr. Khouw stated that he will continue to work with No. 150 and No. 217's operators and engineers in connection with their respective water supply issues.

With respect to the joint transmission line project between the Authority and the North Harris County Regional Water Authority ("NHCRW"), Mr. Khouw advised the Board that the attorneys are starting to work on the new Joint Surface Water Transmission Facilities Agreement between the Authority and the NHCRWA.

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 the funding of Cash Call 6B for proposed Early Work Package ("EWP") No. 2 (Filter Module 1), the Authority's share of which is \$549,354.21. 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. 2. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that Ms. Matuska be authorized to wire the funds to the City prior to February 23, 2018.

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.

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 noted that he needs certain information from the City and the NHCRWA in order to complete the modeling of the 2025 Internal Distribution System.

Mr. Khouw next addressed the Board concerning the Luce Bayou Interbasin Transfer Project, as further detailed in the Engineer's Report. He reported that the project is ahead of schedule and will be completed before the NEWPP Expansion Project.

ANNUAL REVIEW OF SURVEY OF WAGE RATE SCALES

The Board considered the review of an annual survey of prevailing wage rates for construction projects and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky advised the Board that the Authority previously adopted the United States Department of Labor ("DOL") prevailing wage rates for the Harris County area, which were recently updated as of January 2018. After discussion on the matter, Director Gower moved that the Board adopt the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects attached hereto as **Exhibit D** to reflect the applicable updated prevailing wage rate scales published by the DOL, and that the President and Secretary be authorized to execute same on behalf of the Board and Authority. Director Boddy seconded said motion, which unanimously carried.

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

Mr. Rubinsky next advised the Board that correspondence had been received from the City on January 29, 2018, regarding public notification requirements relating to chlorine residual "violations" which occurred in October, November and December 2017. Mr. Rubinsky discussed the Texas Commission on Environmental Quality's Rules regarding public notification requirements. Mr. Khouw advised the Board that he will contact the other regional water authorities to determine the actions they intend to take with respect to this matter. After discussion, the Board authorized the Authority's consultants to take whatever legal actions are determined must be taken on behalf of the Authority relative to said notification requirements.

GOVERNMENT AFFAIRS UPDATE

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

APPROVAL AND EXECUTION OF PROPOSALS FOR RENEWAL OF INSURANCE COVERAGES

The Board next deferred action relative to the approval and execution of proposals for renewal of the Authority's insurance coverages for the term of April 1, 2018 through March 31, 2019, pending receipt of the proposals from TML Insurance Services.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky advised the Board that he, Christina Cole of SPH and Mr. Khouw met with the attorneys for the NHCRWA on January 29, 2018, to discuss the proposed Joint Surface Water Transmission Facilities Agreement between the Authority and the NHCRWA for Phase II of the Northeast Transmission Line.

2018 DIRECTOR APPOINTMENT PROCESS AND CALCULATION OF VOTING PERCENTAGES

Mr. Rubinsky next discussed with the Board the status of the Authority's 2018 Director Appointment Process, including the status of receipt of nominating resolutions. Mr. Rubinsky advised the Board that SPH had received a Resolution from No. 33 nominating Director Cox to continue to serve in the Director Precinct No. 1 position and from No. 200 nominating Director Gower to continue to serve in the Director Precinct No. 3 position and Director Meek to continue to serve in the Director At-Large (Position No. 2) position. Mr. Rubinsky advised that the nomination period ends on February 15, 2018, and that he will report on the status of nominations and the next step in the 2018 Director Appointment Process at the Board meeting scheduled for March 7, 2018.

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

Mr. Rubinsky next advised the Board that TTN has completed the Authority's website, which went live today. Mr. Johnson stated that he reviewed the website and found it to be very clean and easy to use. The Board discussed suggested improvements to the website as well as ownership of the URL for the site. Mr. Rubinsky advised that he will discuss the Board's suggestions and ownership of the URL with 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, March 7, 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 Amended Rate Order
- Exhibit C Engineer's Report
- Exhibit D Resolution Adopting Prevailing Wage Rate Scale for Construction Projects
- Exhibit E Operator's Report