

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors January 3, 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 January 3, 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, except Directors Boddy and Meek, 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"); Pastor Mitchell B. Stewart and 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"); 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 December 6, 2017. After discussion, Director Gower moved that the minutes of the meeting held December 6, 2017, 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 December 1, 2017 through January 3, 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 November 2017 and the first eleven months of the Authority's fiscal year ended December 31, 2017, and a Summary of Pumpage Fees Paid by Member Districts through November 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. She noted that Cash Call 6B in the amount of \$731,546.80 for proposed Early Work Package ("EWP") No. 4 in connection with the Northeast Water Purification Plant ("NEWPP") Expansion Project was paid to the City of Houston (the "City") on December 22, 2017, as authorized by the Board at its last meeting. After discussion, Director Gower moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment. Director Granadino seconded said motion, which unanimously carried.

Ms. Matuska then further reviewed the Summary of Pumpage Fees paid, as reflected in the Bookkeeper's Report. Mr. Rubinsky advised the Board that he had spoken to the attorney for No. 33 concerning No. 33's payment of water importation fees. He reported that he was told that the Board of Directors of No. 33 will be meeting on Friday of this week and, at such meeting, will be paying approximately \$110,000 of water importation fees to the Authority for water imported during the months of August, September and October 2017. Mr. Rubinsky noted that the Authority should also receive from No. 33 standard pumpage fees for most of November 2017. In that regard, Ms. Matuska reported that she received the November 2017 pumpage fees from No. 33 today totaling approximately \$42,000.

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

The Board deferred action until next month relative to the adoption of an amended Operating Budget for the fiscal year ending December 31, 2018.

SENATE BILL 622

Mr. Rubinsky next presented to and reviewed with the Board a Memorandum dated January 3, 2018, a copy of which is attached hereto as **Exhibit B**, regarding the implementation of Senate Bill 622 and Senate Bill 625 enacted during the 85th Legislative Session in 2017. He advised the Board that Senate Bill 622 requires that all political subdivisions (including water districts) include in their proposed budgets a line item for expenditures for notices required by law to be published in a newspaper. Mr. Rubinsky discussed the policy initiative behind the legislation and the procedures to be followed by the bookkeepers in order to comply with same, as described in the attached Memorandum.

ADOPTION OF RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE AUTHORITY

The Board next considered adopting a list of qualified brokers authorized to engage in investment transactions with the Authority. Mr. Rubinsky advised that, pursuant to the Public Funds Investment Act and the Authority's Investment Policy, the Board is required to review, and revise if necessary, such list at least annually. He then presented to and reviewed with the Board a proposed list of financial institutions, brokers and dealers authorized to engage in investment transactions with the Authority, a copy of which is attached hereto as **Exhibit C**, as compared to the list previously adopted by the Board. Mr. Rubinsky noted that the broker list presented is a list of potential institutions with which the Authority may engage in investment transactions compiled with the input of the Authority's Investment Officer, but it is ultimately the Board's decision as to where the Authority's funds are actually placed. After discussion on the matter, Director Granadino moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority attached hereto as **Exhibit D** be approved, and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Gower seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority, including the status of communications with the City regarding the City's FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, and FY 2016 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. Howell addressed the Board concerning the proposed filing of Abridged Applications to the Texas Water Development Board (the "TWDB") for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") in connection with the additional funds required for the City's NEWPP Expansion Project and the Luce Bayou Interbasin Transfer Project. Mr. Howell recommended that an application in the approximate amount of \$4,120,000 for the additional funds required for the City's NEWPP Expansion Project and an application in the approximate amount of \$1,500,000 for the Luce Bayou Interbasin Transfer Project be submitted to TWDB by the February 2, 2018, deadline. After discussion, it was moved by Director Gower, seconded by Director Granadino, and unanimously carried that SPH and IDS be authorized to prepare and file Abridged Applications with the TWDB for financial assistance from SWIFT in connection with the additional funds required for the City's NEWPP Expansion Project and the Luce Bayou Interbasin Transfer Project prior to the applicable deadline.

The Board next discussed the Authority's updated Long Term Financial Plan and the need for an adjustment of the Authority's rates. In that regard, Mr. Howell presented to and reviewed with the Board certain spreadsheets, copies of which are attached hereto as **Exhibit E**. Mr. Howell advised the Board that several key issues will impact the Authority's financial condition and, therefore, its future rates and fees, including (i) the increased costs of the NEWPP Expansion Project, (ii) water usage within the Authority's Member Districts being lower than

originally projected by the Member Districts, and (iii) general concern over accuracy of current cost estimates for Phases 1 and 2 of the Northeast Transmission Line ("NETL"). Mr. Howell then recommended that the Authority's GRP Fee, Importation Fee and Surface Water Fee each be increased by \$0.50 per thousand gallons to be effective March 1, 2018. He advised that said increases are necessary to generate the additional revenue that will be required to pay for the Authority's share of the projects referenced in the attached spreadsheets and are generally consistent with the fees imposed by the other regional water authorities in the Houston metropolitan area.

After lengthy discussion, Director Gower moved that (i) the Board indicate its intent to increase the Surface Water Fee from \$2.85 to \$3.35 per 1,000 gallons and the GRP Fee and Water Importation Fee from \$2.51 to \$3.01 per 1,000 gallons, effective March 1, 2017, and that (ii) SPH be authorized to direct correspondence to all Member Districts advising of the proposed rate increase to be considered at the February 7, 2018 Board meeting, to be effective March 1, 2018. Director Granadino seconded said motion, which unanimously carried.

Mr. Howell advised the Board that he had provided SPH, on behalf of the Authority, with GMS's MSRB Rule G-10 Annual Disclosures.

Mr. Howell additionally reported that he has worked with SPH and the TWDB and determined that the Authority will have saved approximately \$13,000,000 over the life of its bonds by financing the bonds through the TWDB, which results in savings to the Authority's Member Districts of approximately \$0.25 per 1,000 gallons. Mr. Howell advised the Board that these savings will be noted on the Authority's website in connection with the description of the projects financed through the SWIFT.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated January 3, 2017, a copy of which is attached hereto as **Exhibit F**, 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 has finalized the plans and specifications for the project and is in the process of obtaining approval of the plans and specifications from Harris County, the City, and the TWDB. After discussion, Director Gower moved that, upon receipt of approval of the plans and specifications from all governmental agencies, IDS be authorized to advertise for bids for the project. Director Granadino seconded said motion, which unanimously carried.

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. The Board requested that this item be removed from the meeting agenda.

Mr. Khouw further reported that the TWDB had requested the Authority's completion of a Survey of Ground and Surface Water Usage for the year ended December 31, 2017. After discussion, it was moved by Director Granadino, seconded by Director Gower, and unanimously carried that IDS be authorized to complete the Survey and to submit same to the TWDB on behalf of the Authority prior to the March 1, 2018 deadline.

Mr. Khouw addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report.

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.

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 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 December 2017, a copy of which is attached hereto as **Exhibit G**.

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.

With respect to the evaluation of programs and equipment for the remote monitoring and reading of the Authority's surface water meters and Member Districts' water well meters, Mr. Martin advised the Board that MOC is monitoring the West Harris County Regional Water Authority's automated metering system that is currently being implemented.

Mr. Martin next advised the Board that MOC had temporarily insulated the Authority's surface water meters and cla-vals for this winter pending the installation of the custom-made enclosures for the meters and cla-vals to be performed under the contract for the construction of the surface water supply line to serve No. 304.

ANNUAL CONSUMER CONFIDENT REPORTS

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 regulations. Mr. Martin stated that MOC will provide information regarding surface water received from the City and delivered to the Member Districts in 2017. After discussion on the matter, Director Gower moved that the Board authorize MOC to provide the required information to the Member Districts that received surface water from the Authority in 2017 for their respective 2017 Consumer Confidence Reports prior to April 1, 2018. Director Granadino seconded said motion, which carried unanimously.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated January 3, 2018, a copy of which is attached hereto as **Exhibit H**. The Board concurred that no action was required in connection with said Update at this time.

AUTHORIZE SOLICITATION OF PROPOSALS FOR INSURANCE COVERAGES

The Board next discussed the solicitation of proposals for the Authority's insurance coverages for the term of April 1, 2018, through March 31, 2019. Mr. Rubinsky advised the Board that the Authority's current insurance coverages, through TML Insurance Services ("TML"), will expire on March 31, 2018. After discussion on the matter, it was moved by Director Gower, seconded by Director Granadino, and unanimously carried that SPH solicit a proposal on behalf of the Authority from TML only at this time, and that Director Meek be authorized to review such proposal on behalf of the Board and the Authority.

SENATE BILL 625

Mr. Rubinsky next advised the Board that, pursuant to provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the District is required to submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Mr. Rubinsky discussed the information

required to be submitted to the Comptroller, as described in the Memorandum presented earlier in the meeting attached hereto as **Exhibit B**. Mr. Rubinsky recommended that, BKD, LLP, the Authority's auditor, be authorized to prepare and submit the information, which work will be performed on an hourly basis at an estimated cost ranging from \$400 to \$600. Following discussion, Director Granadino moved, Director Gower seconded, and it was unanimously carried that BKD, LLP be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Information Database.

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.

2018 DIRECTOR APPOINTMENT PROCESS AND CALCULATION OF VOTING PERCENTAGES

Mr. Rubinsky next addressed the Board regarding the appointment of Directors to the Board of Directors of the Authority in 2018. He described the appointment process, noting that Director Cox's term of office representing Director Precinct No. 1, Director Gower's term of office representing Director Precinct No. 3, and Director Meek's term of office as At-Large Director (Position No. 2) will expire May 15, 2018. Upon motion made by Director Gower, seconded by Director Granadino and which unanimously carried, the Board approved the 2018 Director appointment procedures, as described by Mr. Rubinsky, and authorized SPH to forward a Memorandum to each of the Authority's Member Districts outlining such appointment procedures. Mr. Rubinsky noted that nominations for the three Director positions to be acted upon in 2018 must be delivered to the Board no later than 5:00 p.m., on February 15, 2018.

Mr. Rubinsky next reported on the need for the Authority to determine each Member District's total 2017 water usage in order to calculate the number of votes each Member District may cast in connection with the Authority's 2018 Director Appointment Process and the weight of each Member District's vote for the respective positions to be appointed. Upon motion made by Director Gower, seconded by Director Granadino, and unanimously carried the Board authorized IDS and MOC to calculate the Member Districts' respective voting percentages for the Authority's 2018 Director Appointment Process as soon as possible.

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

Mr. Rubinsky advised the Board that SPH has provided TTN with all outstanding information required in order to complete the development of the Authority's website, and that he expects TTN will be able to have the website completed 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.

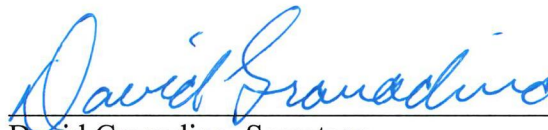
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, February 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

<u>Exhibit A</u>	Bookkeeper's Report
<u>Exhibit B</u>	Senate Bill 622/Senate Bill 625 Memorandum
<u>Exhibit C</u>	List of Financial Institutions, Brokers and Dealers as Compared to List Previously Adopted by the Board
<u>Exhibit D</u>	Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
<u>Exhibit E</u>	Spreadsheets prepared by The GMS Group, L.L.C. in connection with 2018 rate adjustments
<u>Exhibit F</u>	Engineer's Report
<u>Exhibit G</u>	Operator's Report
<u>Exhibit H</u>	Government Affairs Update