

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Special Meeting of Board of Directors
July 11, 2018

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 July 11, 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; Rose Montalbano 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, LLC, financial advisor for the Authority; Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Cordelia Brown and Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); Laura Davis of Harris County Municipal Utility District No. 33 ("No. 33"); Keaton Savoie of Jones & Carter, Inc. on behalf of Harris County Municipal Utility District No. 200 ("No. 200"); Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); and Abraham I. Rubinsky of Schwartz, Page & Harding, L.L.P. ("SPH"), attorney 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 June 6, 2018. After discussion, Director Gower moved that the minutes of the meeting held June 6, 2018, 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.

STATUS OF ANNUAL CONTINUING DISCLOSURE REPORT

The Board next considered the status of the Authority's annual continuing disclosure report due on June 30, 2018. In that regard, Mr. Rubinsky advised the Board that McCall,

Parkhurst & Horton L.L.P. ("McCall"), the Authority's continuing disclosure counsel, had completed and filed the annual continuing disclosure report with the appropriate repositories on June 13, 2018.

BOOKKEEPER'S REPORT

Ms. Montalbano 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 June 1, 2018 through July 11, 2018, and the checks and wire transfers presented for payment from the General Fund, the Series 2008 Capital Projects Fund and the Series 2015 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of May 2018 and the first five (5) months of the Authority's fiscal year ended December 31, 2018, and a Summary of Pumpage Fees Paid by Member Districts through May 2018. Ms. Montalbano reviewed the status and activity in each of the Authority's accounts and discussed certain transactions with the Board. After discussion, Director Boddy moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment, with the exception of check no. 3562 issued on the General Fund, which was voided. Director Gower seconded said motion, which unanimously carried.

Ms. Montalbano next presented to and reviewed with the Board the Authority's Quarterly Investment Report for the period ended March 31, 2018, a copy of which is attached hereto as **Exhibit B**. After discussion, it was moved by Director Boddy, seconded by Director Gower and unanimously carried, that said Quarterly Investment Report be approved and that the Authority's Investment Officer 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, 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. Rubinsky advised the Board that email correspondence had been received from Jennifer Nguyen of the City on June 29, 2018, regarding a credit due to the Authority in the amount of \$11,080.90 as a result of the removal of certain costs associated with City water maintenance functions from the NEWPP O&M budget for the City's FY 2014, FY 2015, FY 2016 and FY 2017. Mr. Rubinsky further reported that, pursuant to the revised True Up Reports, a total of \$476,267.74 is due to the Authority from the City for FY 2011, FY 2012, FY 2013, FY 2014, FY 2015 and FY 2016. Messrs. Rubinsky, Howell and Khouw recommended that the Authority wait until the North Harris County Regional Water Authority ("NHCRWA") gives its final approval of the revised True Up Reports before the Authority approves the Reports.

With respect to the Authority's formal applications to the Texas Water Development Board (the "TWDB") for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") for (i) the additional funds required for the City's NEWPP Expansion Project in the amount of \$7,585,000, and (ii) the Luce Bayou Interbasin Transfer Project in the amount of \$1,500,000, Mr. Rubinsky reported that the TWDB has indicated that they are finalizing their

review of the applications and that the applications appear to be in good shape. Mr. Rubinsky further advised the Board that that the TWDB will consider approval of the applications at its July 26, 2018 Board meeting, and will likely request approval of the Financing Agreement between the Authority and the TWDB in connection with the Authority's proposed sale of its Series 2018 Bonds to the TWDB shortly thereafter.

Mr. Howell next reported to the Board regarding his recent discussions with the TWDB regarding the structure of the proposed Series 2018 Bonds. Mr. Howell stated that he is proposing that the Series 2018 Bonds be structured in such a manner that the Authority would pay reduced principal payments on new debt from 2018 through 2028 in order to minimize the increase in the Authority's surface water and pumpage fee rates that will be necessary subsequent to the issuance of the Series 2018 Bonds.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated July 11, 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.

Messrs. Khouw and Martin reported to the Board regarding the status of ground water usage, surface water usage, and total water usage within the Authority, as well as the Harris-Galveston Subsidence District (the "HGSD") permit requirements, as detailed in the Engineer's Report.

Mr. Khouw addressed the Board regarding the status of the proposed construction of an extension of an Authority surface water supply line and meter station to serve Harris County Municipal Utility District No. 304's ("No. 304") Water Plant, as detailed in the Engineer's Report. In that regard, Mr. Rubinsky stated that SPH will prepare a Surface Water Meter Station Easement once IDS provides a new metes and bounds description for same.

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 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 7A in the amount of \$1,210.70 related to additional legal services performed by the City's outside legal counsel. Mr. Khouw also reported that IDS submitted a request to the TWDB on July 3, 2018, for the release of escrowed proceeds from the Authority's Series 2015 Bonds and Series 2017 Bonds for various expenses related to the NEWPP Expansion Project. After discussion, the Board authorized Ms. Montalbano to wire the funds to the City prior to July 20, 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, including the contracts for the construction of (i) the 54-inch water line along Vickery Drive, and (ii) the 108-inch water line from Lee Road to Vickery Drive.

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. Rubinsky next advised the Board that the City has requested that SPH and representatives of the NHCRWA attend a meeting on July 9, 2015 to discuss the Fourth Supplement to Water Supply Contract between the Authority and the City regarding the design and construction of the Northeast Transmission Line ("NETL"), Phase II. After discussion, the Board authorized SPH to work with the City and the NHCRWA to formulate the most cost effective and time efficient method of acquiring right-of-way for the NETL, Phase II.

Mr. Khouw next reported to the Board regarding the proposed alignment of the Authority's 2025 Internal Distribution System lines, as further detailed in the Engineer's Report.

Mr. Khouw advised the Board that he had no new activity upon which to report concerning the Luce Bayou Interbasin Transfer Project.

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, Harris County Municipal Utility District No. 150 ("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 June 2018, a copy of which is attached hereto as **Exhibit D**. Mr. Martin reported to the Board regarding the percentage of surface water usage within the Authority for the current month, as well as surface water accountability for the permit year to date, as reflected in the Operator's Report.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated July 9, 2018, a copy of which is attached hereto as **Exhibit E**. 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 SPH is working on a letter to all Member Districts regarding the importance of maintaining their groundwater wells and having reliable emergency interconnects with other Member Districts.

Mr. Rubinsky next advised the Board of email correspondence received from Jonathan Roach, Attorney for No. 217, dated June 26, 2018, in which Mr. Roach requested that Director

Granadino or another representative of the Authority attend No. 217's special Board of Directors meeting scheduled for July 16, 2018, to discuss any programs adopted by the Authority to provide grants or any kind of financial assistance to its Member Districts for the repair, rehabilitation or replacement of their individual water wells or emergency water interconnects. The Board noted that the Authority has not adopted any such incentive program and does not have funding to offer any type of financial assistance to its Member Districts. After discussion, the Board authorized Director Granadino to attend No. 217's special meeting, if he chooses to do so, but the Board indicated that it did not feel it was necessary for a representative of the Authority to attend the meeting, primarily because (i) the Authority does not have any kind of program in place to provide grants or any kind of financial assistance to its Member Districts for the repair, rehabilitation or replacement of their individual water wells or emergency water interconnects and does not have any plans to implement any such programs at this time, and (ii) the Authority's Board meetings are open to the public and regularly attended by representatives of the Member Districts, including specifically No. 217, and any discussions of the nature suggested by Mr. Roach which would take place at No. 217's special meeting, insofar as they might relate to the Authority, can and do take place at the Authority's Board meetings.

DISCUSSION REGARDING STATUS OF AUTHORITY WEBSITE AND OTHER COMMUNICATIONS WITH MEMBER DISTRICTS

Mr. Rubinsky next advised the Board that he had no new activity to report regarding the Authority's 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.

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 Quarterly Investment Report for period ended March 31, 2018
- Exhibit C Engineer's Report
- Exhibit D Operator's Report
- Exhibit E Government Affairs Update