

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
July 6, 2016

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 July 6, 2016, 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; Linda Watkins and Arthur Freeman of Fallbrook Utility District ("Fallbrook"); Laura Davis of Harris County Municipal Utility District No. 33 ("No. 33"); Sean McMillan, of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Lathan Johnson and Mitchell B. Stewart, Sr. of Rankin Road West Municipal Utility District ("Rankin"); and Christina Cole 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 June 1, 2016. After discussion, Director Boddy moved that the minutes of the meeting held June 1, 2016, 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 accounts for the period June 1, 2016 through July 6, 2016, and the checks

presented for payment from the General Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of May 2016, and a Summary of Pumpage Fees Paid by Member Districts through May 2016.

Ms. Matuska reviewed the status and activity in each of the Authority's accounts, and discussed certain transactions with the Board. Ms. Matuska then further reviewed the Summary of Pumpage Fees paid and advised the Board that all Authority Member Districts have paid all pumpage fees and surface water charges through May 2016. Ms. Matuska noted that she has not yet received pumpage fees from Harris County Municipal Utility District No. 217 for the month of May.

Ms. Matuska reported that check no. 3088 to Director Meek in the amount of \$1,872.88 is also being presented for payment from the General Fund, which will be reflected on next month's Bookkeeper's Report. She advised that said check is for expenses associated with Director Meek's attendance at the Association of Water Board Directors Summer Conference.

After discussion, Director Gower moved that the Bookkeeper's Report be approved and that the disbursements listed therein, including additional check no. 3088 from the General Fund, be approved for payment. Director Meek seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority. Ms. Cole advised that the Authority's Financial Advisor, Mr. John Howell of the GMS Group, L.L.C. ("GMS"), was not able to attend tonight's meeting but is continuing to assist the Authority's consultants with numerous issues. Ms. Cole reported that the City of Houston (the "City") has indicated that not all of the City's Previously Appropriated Costs related to the design of Segments 1 and 2 of the Northeast Transmission Line ("NETL Phase I") were properly allocated pursuant to the Third and Fourth Supplements to the Water Supply Contracts between the City and the Authority, the North Harris County Regional Water Authority ("NHCRWA"), the West Harris County Regional Water Authority ("WHCRWA"), and the North Fort Bend Water Authority ("NFBWA"; together with the Authority, NHCRWA and WHCRWA, the "RWAs"), and requested the RWAs' payment of said costs. Ms. Cole reported that representatives of all RWAs have expressed their willingness to work with the City to determine the appropriate division of said Previously Appropriated Costs in a fair and equitable manner.

Ms. Cole next discussed recent communications with the Texas Water Development Board ("TWDB") regarding the status of the Authority's Applications for Financial Assistance from the State Water Implementation Fund for the State of Texas ("SWIFT") in connection with (i) the Authority's 2025 Internal Distribution System, and (ii) additional costs associated with the design and construction of the NETL Phase I project. She advised that the TWDB has indicated that it is scheduled to approve both of the Authority's SWIFT Applications on July 21, 2016. Ms. Cole then reported that the TWDB has requested that a supplemental preliminary planning/engineering report be submitted to the TWDB by IDS for the Authority's Transmission and Distribution System Expansion. After discussion, Director Boddy moved to authorize IDS

to prepare and submit said report to the TWDB on behalf of the Authority. Director Meek seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report attached hereto as Exhibit B, and updated the Board on the status of various matters of interest to the Authority.

Mr. Khouw reported that the Authority's surface water usage through May 2016 was 39.5% of total water use, which is above the mandated 30% conversion percentage. Mr. Khouw further advised that, as a result, the Authority accumulated over-conversion credits from the Harris-Galveston Subsidence District ("HGSD") for the recently concluded Permit period, and that IDS is working with the HGSD to ensure said credits are awarded to the Authority.

Mr. Khouw next reported that IDS also recently received the Authority's Aggregated Water Well Permit for the period June 1, 2016 to May 31, 2017 from the HGSD in the amount of 1,200 million gallons. He further advised that ground water and surface water allotment letters and permits for the current Permit period have been issued to the Authority's Member Districts in connection therewith.

In connection with the expansion of the City's Northeast Water Purification Plant ("NEWPP"), Mr. Khouw reported that the project team is assessing delivered water quality parameters of the City and RWAs, and has requested that each of the RWAs perform a Water Quality Analysis (Blending Study) of their respective systems. He reported that IDS will request proposals for said Water Quality Analysis and will present same at the August meeting for the Board's consideration.

In connection with the NETL, Phase I project, Mr. Khouw reported that the City is in the design phase of said project and continues to move forward with the easement acquisitions. He advised that the City's current schedule reflects a project completion date of September 2021. Mr. Khouw next advised that the Authority has received an invoice from the City in the amount of \$451,092.68, for the Authority's share of the \$19.8 million engineering services contract for the design of portions of the NETL, Phase I. He reported that payment is due August 4, 2016, and that IDS is currently in the process of reviewing said invoice.

Mr. Khouw next reported that IDS has recently reviewed pressure information from the NHCRWA and will use said information to generate a water model for the Authority's Internal Distribution system.

Mr. Khouw then updated the Board on the status of the Luce Bayou Interbasin Transfer Project and reported that the temporary access road to the proposed pump station site is currently under construction and that the canal and pipelines are currently under design.

OPERATOR'S REPORT

Mr. Martin presented and reviewed with the Board a written Operator's Report for June 2016, a copy of which is attached hereto as Exhibit C.

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during June 2016 was 45% and is therefore 45% for the current permit year to date.

Ms. Cole inquired as to a request MOC received from the operator of Harris County Municipal Utility District No. 150 ("No. 150") to test the surface water meters at No. 150's Water Plant for accuracy, and the status of same. Mr. Martin reported that he would follow-up on said matter and would report back to the Board at the August meeting.

Ms. Cole next inquired as to the status of payment of the Authority's water importation fees by No. 33 for water received via emergency interconnect from Harris County Utility District No. 14 ("No. 14"), which is not a Member District. Mr. Martin advised that No. 33 is still on its emergency interconnect with No. 14 and that MOC would follow up regarding the status of payment of the Authority's water importation fees by No. 33.

GOVERNMENT AFFAIRS UPDATE

The Board next considered a Government Affairs Update. In connection therewith, Ms. Cole presented to and reviewed with the Board Updates prepared by Ms. C.J. Tredway, dated June 2, 2016, and July 6, 2016, copies of which are attached hereto as Exhibit D and Exhibit E, respectively. No action was taken by the Board relative to said Updates.

ATTORNEY'S REPORT

The Board considered the Attorney's Report. Ms. Cole presented to and reviewed with the Board the Fifth Year Arbitrage Rebate Calculations Report for the Authority's \$22,050,000 Revenue Bonds, Series 2008, as prepared by Arbitrage Compliance Services, Inc., and advised that no action was necessary in connection therewith. A copy of said Report is attached hereto as Exhibit F.

STATUS OF PROPOSAL FOR DEVELOPMENT AND MAINTENANCE OF A WEBSITE FOR THE AUTHORITY

Ms. Cole next presented to and reviewed with the Board a proposal for the development and maintenance of a website for the Authority, as prepared by The Texas Network, LLC ("TTN") in the amount of \$2,500, plus a \$150 per month maintenance fee. A copy of said proposal is attached hereto as Exhibit G. She reminded the Board that, should the Board approve such proposal, the Authority may also choose to become a partner in the Save Water Texas Coalition (the "Coalition") for a \$5,000 annual fee. Ms. Cole advised that if the Board chooses to join the Coalition, the Coalition has agreed to prorate the annual fee for 2016 to \$2,500. After lengthy discussion, Director Gower moved that (i) the proposal for the development and maintenance of a website for the Authority, as prepared by TTN, be approved, subject to review

and comment by SPH and receipt of a Texas Ethics Commission Form 1295 from TTN, and that the President be authorized to execute same on behalf of the Authority, (ii) that the Authority become a partner in the Coalition for an annual fee of \$5,000, and that said fee be prorated to \$2,500 for the remainder of the 2016 calendar year, and (iii) that SPH request that Ms. Barbara Payne of the Coalition and a representative of TTN attend the August or September Board meeting to discuss the proposed website. Director Granadino seconded said motion, which unanimously carried. Ms. Cole advised that SPH would contact Ms. Payne and TTN to request their attendance at the Authority's August or September Board meeting.

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.

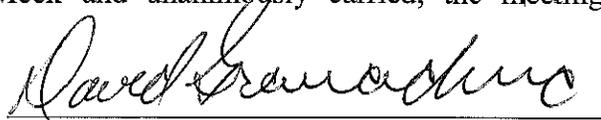
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

The Board considered items for placement on future agendas. Mr. Khouw discussed the possibility of hosting tours of the NHCRWA's Spears Road Pump Station and the City's NEWPP for the Board, but recommended said tours be limited to no more than two (2) Directors at a time.

Ms. Cole noted that the next meeting of the Board is scheduled for Wednesday, August 3, 2016, at 6:00 p.m.

ADJOURN MEETING

There being no further business to come before the meeting, upon motion made by Director Gower, seconded by Director Meek and unanimously carried, the meeting was adjourned.



David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

EXHIBIT A	Bookkeeper's Report
EXHIBIT B	Engineering Report
EXHIBIT C	Operations Report
EXHIBIT D	Government Affairs Update – 6.2.16
EXHIBIT E	Government Affairs Update – 7.6.16
EXHIBIT F	Fifth Year Arbitrage Rebate Calculations Report – Series 2008 Revenue Bonds
EXHIBIT G	The Texas Network Proposal