

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors March 1, 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 March 1, 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 and John Montgomery of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Linda Watkins, James McClure, Arthur Freeman and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); Laura Davis of Harris County Municipal Utility District No. 33 ("No. 33"); Jonathan Ward of Harris County Municipal Utility District No. 304 ("No. 304"); and Abraham 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 February 1, 2017. After discussion, Director Gower moved that the minutes of the meeting held February 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 February 1, 2017 through March 1, 2017, and the

checks presented for payment from the General Fund, HC304 Agreement Fund and Series 2008 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of January 2017, and a Summary of Pumpage Fees Paid by Member Districts through January 2017.

Ms. Matuska next noted that funds had been wire transferred to the City of Houston ("City") from the General Fund in the amount of \$363,309.15 in connection with the Northeast Transmission Line ("NETL") Phase I Project, and that the General Fund will be reimbursed with proceeds of the Authority's Series 2015 Bonds, as soon as the Authority receives the funds requested in its Escrow Release No. 2 application to the Texas Water Development Board ("TWDB"). After discussion, Director Gower moved that the Bookkeeper's Report be approved and the disbursements listed therein be approved for payment. Director Granadino seconded said motion, which unanimously carried.

Ms. Matuska next presented to and reviewed with the Board the Authority's Quarterly Investment Report for the period ended December 31, 2016, a copy of which is attached hereto as **Exhibit B**. After discussion, it was moved by Director Meek, seconded by Director Granadino 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.

Ms. Matuska next requested authorization from the Board to open Tex Pool Accounts for the investment of proceeds from the Series 2008, Series 2015 and Series 2016 Bond Issues. After discussion, it was moved by Director Meeks, seconded by Director Boddy and unanimously carried, that the investment of proceeds from the Series 2008, Series 2015 and Series 2016 Bond Issues with Tex Pool be authorized by the Board, and that Ms. Matuska be authorized to execute any documentation required in connection therewith.

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, and FY 2015 True Up Reports related to Operations and Maintenance of the Northeast Water Purification Plant ("NEWPP"). Mr. Rubinsky advised that he had nothing new to report concerning the subject True Up Reports.

The Board next considered ratifying its prior action relative to authorizing the preparation and filing of an Abridged Application to the TWDB for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") in connection with the additional funds required to pay the Authority's share of the City's NEWPP Expansion Project. After discussion, it was moved by Director Gower, seconded by Director Boddy and unanimously carried, that such prior action be ratified and authorized in all respects.

The Board next considered ratifying its prior action relative to authorizing the submission of a Multi-Year Commitment Annual Loan Closing Schedule for Internal Distribution Project to the TWDB. After discussion, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that such prior action be ratified and authorized in all respects. Mr.

Rubinsky advised the Board that the Multi-Year Commitment Annual Loan Closing Schedule for Internal Distribution Project had been submitted to the TWDB prior to the February 3, 2017 deadline.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated March 1, 2017, 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 ("HGSD") permit requirements, as detailed in the Engineer's Report. Mr. Khouw advised the Board that IDS is waiting for HGSD to issue the over conversion credits for the 2015-2016 permit year.

Mr. Khouw also reported that an application for renewal of the Authority's Water Well Permit has been submitted to the HGSD and that the HGSD hearing on the permit renewal is scheduled for March 7, 2017.

In connection with the extension of an Authority surface water supply line to No. 304's Water Plant, Mr. Khouw reported that Berg Oliver Associates, Inc. is working on the environmental study and data form required to be submitted to the TWDB, as previously authorized by the Board.

Mr. Khouw next advised the Board that IDS submitted the Survey of Ground and Surface Water Usage for the year ended December 31, 2016, to the TWDB prior to the March 1, 2017 due date. Mr. Khouw reported that IDS also submitted an application to the TWDB requesting the release of escrowed funds from the Authority's Series 2015 Bonds to cover projected costs relating to the NEWPP Expansion Project and the NETL Phase I Project, and that the application was approved by the TWDB today. As discussed earlier, Mr. Khouw reported that the Abridged Application for financial assistance from SWIFT in the amount of \$4,900,000 in connection with the additional funds required for the City's NEWPP Expansion Project was submitted to TWDB on February 2, 2017. Mr. Rubinsky noted that SPH had provided additional information requested by the TWDB earlier today in connection with such application.

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 anticipated issuance of Cash Call No. 5B to fund Component 2 design estimated to be approximately \$81,000,000, with the Authority's share of such cash call totaling approximately \$1,240,000. Mr. Khouw advised the Board that, by correspondence dated February 17, 2017, a copy of which is attached hereto as **Exhibit D**, the City has indicated that the Component II (Final Design) Contract can be funded in phases.

Mr. Khouw next addressed the Board concerning the U.S. Army Corp of Engineers' 404 permit, as further detailed in the Engineer's Report. Mr. Khouw advised the Board that the Authority's share of the estimated cost for purchase of the credits from a wetlands mitigation bank will range from \$150,000 to \$200,000.

Mr. Khouw also discussed upcoming Cash Call No. 6 for the NEWPP Expansion Project, as further detailed in the Engineer's Report.

Mr. Khouw reported that, as of February 24, 2017, Rod Brauer has resigned as Project Manager for the Houston Waterworks Team ("HWT"), and that HWT is proposing that Mr. Brauer be replaced by Paul Vranesic.

Mr. Khouw next advised the Board that, by correspondence dated February 23, 2017, a copy of which is attached hereto as **Exhibit E**, a revised invoice was received from the City in the amount of \$363,309.15 for the NETL Phase I Second Source Line. He reported that the City is now phasing the design work and that the invoice supersedes the previous invoice received from the City in the amount of \$1,084,239.79. Mr. Khouw stated that the revised amount is within the amount budgeted for the project.

In connection with the water quality management study and blending study being performed by AOS Treatment Solutions, LLC ("AOS") with respect to the Authority's 2025 Internal Distribution System, Mr. Khouw presented for the Board's review a list reflecting the information that AOS is requesting from the operators of the Member Districts, a copy of which is attached to the Engineer's Report, related to its water system, including current and historical water quality information and treatment processes, and groundwater well data and water distribution system information. The Board discussed possible objections by the Member Districts if the costs of providing the requested information is excessive. The Board requested that SPH work with IDS on the preparation of correspondence to be forwarded to the Member District's regarding AOS's request for information. Mr. Khouw also advised the Board that he will be meeting with Harris County to discuss the proposed alignment of the 2025 Internal Distribution System lines along major thoroughfares to ensure there are no major objections.

Mr. Khouw then updated the Board on the status of the Luce Bayou Interbasin Transfer Project, as detailed further in the Engineer's Report. Mr. Khouw reported that the contractor is mobilizing on the canal construction project.

A discussion next ensued regarding the submittal of the 2016 Water Conservation Plan Annual Report to the TWDB Board prior to May 1, 2017. After discussion on the matter, Director Meek moved that IDS be authorized to prepare and submit the 2016 Water Conservation Plan Annual Report to the TWDB prior to May 1, 2017. Director Gower seconded said motion, which unanimously carried

NO. 304'S PROPOSED ANNEXATION OF APPROXIMATELY 23.377 ACRES

Mr. Khouw advised the Board that, in connection with No. 304's proposed annexation of approximately 27.377 acres, IDS is still waiting on No. 304's engineers, Edminster, Hinshaw, Russ & Associates, Inc., to provide updated water demand requirements through 2040.

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OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for February 2017, a copy of which is attached hereto as **Exhibit F**.

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during February 2017 was 44% and is now 42% for the current permit year to date. Mr. Martin advised that the accountability of surface water for the permit year to date is 99%.

The Board next recognized Mr. Montgomery, who addressed the Board concerning correspondence received from the Texas Commission on Environmental Quality ("TCEQ") dated February 8, 2017, regarding a request for certain chemical analysis test results for the month of September 2016. He reported that MOC had advised the TCEQ that one of the Harris County Municipal Utility District No. 200 ("No. 200") Water Plants was out of operation due to inspection on September 30, 2016, and that, therefore, samples would not be collected at the No. 200 Water Plant that month. Mr. Montgomery further reported that a Notice of Violation dated February 22, 2017, was received from the TCEQ on February 28, 2017, in connection with the missing test results for the No. 200 Water Plant for September 2016, and that discussions are underway with the TCEQ in an effort to have the Notice of Violation retracted.

Mr. Montgomery also advised the Board that No. 200 has been experiencing nitrification in its water system and, as a result, must conduct a free burn of chlorine within No. 200, as well as within Harris County Municipal Utility District Nos. 205 and 399, beginning March 13, 2017, through April 13, 2017. Mr. Montgomery reported that No. 200 will be served entirely by ground water during that time period. Mr. Khouw noted that the percentage of surface water usage within the Authority, which is currently at 41%, will be slightly reduced as a result of No. 200's ground water usage, but that there should be no problem maintaining a surface water usage of 30% or higher.

REVIEW PROPOSALS RELATIVE TO RENEWAL OF THE AUTHORITY'S VARIOUS INSURANCE FOR POLICIES EXPIRING MARCH 31, 2017

The Board next discussed the solicitation of proposals for the Authority's insurance coverages for the term of April 1, 2017, through March 31, 2018. In connection therewith, Director Meek discussed with the Board the insurance proposal received from HARCO Insurance Company, agent for the Texas Municipal League's ("TML") Intergovernmental Risk Pool, relative to the Authority's general liability, auto liability, and director's and officer's liability insurance policies, and the public officials bond and consultants bond coverage. He noted that the Authority's directors bond was renewed in March of 2015 for a term of three (3) years and would not need to be renewed at this time. Director Meek further noted that the Authority's blanket crime policy was renewed in March of 2016 for a term of three (3) years and

would not need to be renewed at this time. Director Meek then recommended that the Authority renew its insurance coverage with TML and that the Board accept TML's proposal in connection therewith. After discussion on the matter, Director Boddy moved that the TML insurance proposal be accepted as recommended by Director Meek, and that the President be authorized to execute same on behalf of the Board and the Authority. Director Gower seconded said motion, which unanimously carried. A copy of said proposal is attached hereto as **Exhibit G**.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated February 28, 2017, 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.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky advised the Board that he had no new activity upon which to report at this time.

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

Mr. Rubinsky advised that SPH is in the process of gathering data to be submitted to Ms. Barbara Payne and Mr. Russell Lambert of TTN in connection with its development of 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.

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, April 5, 2017, 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 Quarterly Investment Report for the period ended December 31, 2016
- EXHIBIT C Engineer's Report
- EXHIBIT D Correspondence from City of Houston dated February 17, 2017, regarding funding of Component II (Final Design) Contract
- EXHIBIT E Correspondence from City of Houston dated February 23, 2017, regarding revised invoice for NETL Phase I Second Source Line
- EXHIBIT F Operator's Report
- EXHIBIT G HARCO Insurance Proposal for 2017-2018 term
- EXHIBIT H Government Affairs Update