

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors May 3, 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 May 3, 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, except Director Boddy, 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 Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Lathan Johnson and Pastor Mitchell B. Stewart of Rankin Road West Municipal Utility District ("Rankin Road"); 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 April 5, 2017. After discussion, Director Granadino moved that the minutes of the meeting held April 5, 2017, be approved as written. Director Gower 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, 2017. In that regard, Mr. Rubinsky advised the Board that McCall, Parkhurst & Horton L.L.P. ("McCall"), the Authority's continuing disclosure counsel, will prepare the annual continuing disclosure report, with the assistance of the Authority's engineer

and financial advisor if necessary, when the Audit for the Authority's fiscal year ended December 31, 2016, has been completed and released by BKD, LLP and will file said report with the appropriate repositories prior to the filing deadline of June 30, 2017.

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 April 1, 2017 through May 3, 2017, and the checks presented for payment from the General Fund and Series 2008 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of March 2017 and the first three months of the current fiscal year, and a Summary of Pumpage Fees Paid by Member Districts through March 2017. Ms. Matuska reviewed the status and activity in each of the Authority's accounts, and discussed certain transactions with the Board. Ms. Matuska noted the wire transfers from the Series 2015 Capital Projects Fund which were made on April 19, 2017, after the last meeting, with respect to the City of Houston's (the "City") Cash Call Nos. 3 and 5B, as well as check no. 3295 being issued for the Board's approval this evening from the General Fund to the Harris-Galveston Subsidence District for well permit fees for the period June 1, 2017 to May 31, 2018, in the amount of \$26,400, as reflected in the Summary of Cash Transactions. Ms. Matuska also noted that a debt service payment is due on May 15, 2017 from the Series 2008 Capital Projects Fund with respect to the Authority's share of the costs of the Luce Bayou Interbasin Transfer Project, which is not reflected on the Summary of Cash Transactions. After discussion, Director Gower moved that the Bookkeeper's Report be approved and the disbursements listed therein, as well as the payment from the Series 2008 Capital Projects Fund with respect to the Luce Bayou Interbasin Transfer Project, be approved for payment. Director Granadino seconded said motion, which unanimously carried.

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 March 2017.

APPROVAL OF UNCLAIMED PROPERTY REPORT

Ms. Matuska next advised the Board that there was no Unclaimed Property to be reported by the Authority for the period ending March 1, 2017.

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 Northeast Water Purification Plant ("NEWPP"). Mr. Rubinsky advised the Board that there has been no final resolution yet with respect to the True Up Reports for the City's FY 2011 through FY 2015, and advised that SPH had received a FY 2016 True Up Report which indicates that the City owes the Authority \$394,426.53 for FY 2016 based upon an actual water rate for said fiscal year of \$1.2014.

Mr. Rubinsky next reported that the Authority's formal application to the Texas Water Development Board (the "TWDB") for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") for the additional funds required to pay the Authority's share of the City's Northeast Water Purification Plant ("NEWPP") Expansion Project in the amount of \$4,900,000 was submitted to the TWDB on April 28, 2017.

Mr. Rubinsky next presented for the Board's review correspondence received from the City dated April 6, 2017, a copy of which is attached hereto as **Exhibit B**, regarding the City's FY 2018 preliminary water rate for the NEWPP. Mr. Rubinsky advised the Board that the NEWPP's FY 2018 preliminary water rate is \$1.3856 per 1,000 gallons versus the most recent True Up rate for FY 2016 of \$1.2014 per 1,000 gallons. Mr. Rubinsky reported that he has requested that John Howell analyze whether the Authority will need to adjust its rates as a result of the City's proposed FY 2018 rate.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated May 3, 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 (the "HGSD") permit requirements, as detailed in the Engineer's Report. Mr. Khouw advised the Board that he had contacted the HGSD regarding the status of the issuance of the over conversion credits for the 2015-2016 permit year, and that the HGSD had indicated that it was simply backlogged on the issuance of over conversion credits at this time, but that same would be forthcoming.

Mr. Khouw also reported that the HGSD has approved the application for renewal of the Authority's Aggregated Water Well Permit and, as reported earlier in the meeting, that the HGSD issued its invoice in the amount of \$26,400 for well permit fees.

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. has completed the environmental study and submitted the study to the governmental agencies for their review and approval. Mr. Khouw further reported that once the study has been approved by all agencies, the Authority can finalize its plans and proceed with construction of the surface water supply line.

Mr. Khouw next advised the Board that Harris County Municipal Utility District No. 217 ("No. 217") is considering the abandonment of its water well due to continuing arsenic and volatile organic compound issues with the well. He reported that the Authority is currently supplying No. 217 with 100% surface water as a result of said issues. Mr. Khouw advised the Board that No. 217 is currently developing a capital improvement plan, but that it would be very expensive to resolve the water quality issues in order to keep the well on line. Mr. Khouw stated that the Authority can likely continue to provide No. 217 with 100% surface water, but cannot provide any guarantees regarding the quantity or quality of the water provided since the Authority relies on the City to provide its surface water supply. After discussion on the matter, Director Meek moved that SPH and IDS be authorized to direct correspondence to No. 217 on

behalf of the Authority to (i) confirm the terms and conditions regarding the Authority's continued supply of surface water, and (ii) strongly recommend that No. 217 secure an emergency water interconnect with another district within the Authority. Director Granadino seconded said motion, which unanimously carried.

Mr. Khouw advised the Board that IDS completed the 2016 Water Conservation Plan Annual Report and submitted same to the TWDB on April 26, 2017, prior to the May 1, 2017 due date.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report, including the status of the U.S. Army Corp of Engineers' 404 permit, which will require additional wetlands mitigation, and the City's upcoming issuance of Cash Call No. 5C in the amount of \$69,585.75 for the purchase of additional credits from the Gin City Mitigation Bank. Mr. Khouw advised the Board that Cash Call No. 5C is within the budgeted amount agreed to by Consensus Item No. 10 and that the Authority has access to the funds from the TWDB. Mr. Khouw recommended funding Cash Call No. 5C in the amount of \$69,585.75. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that the funding of Cash Call No. 5C be approved.

Mr. Khouw next reported that the Houston Waterworks Team ("HWT") has issued an updated project cost model and schedule for the NEWPP Expansion Project, which is currently being reviewed by the Project Technical Advisor, Carollo Engineers, Inc. Mr. Khouw stated that a meeting will be held with the City on Monday, May 8, 2017 to discuss the project cost and schedule in more detail.

Mr. Khouw next advised the Board that the City is moving forward with the design of Phase I of the Northeast Transmission Line.

With respect to the proposed alignment of the 2025 Internal Distribution System lines, Mr. Khouw reported that Harris County is reviewing the proposed water line alignment to serve Harris County Municipal Utility District No. 33 and Fallbrook. Mr. Khouw additionally advised the Board that AOS Treatment Solutions, LLC ("AOS") is analyzing the data provided by Harris County Municipal Utility District Nos. 200, 205 and 399 in connection with the water quality management study and blending study it is performing on behalf of the Authority. Mr. Khouw reported that IDS and SPH are working on a letter to be forwarded to the remaining Member Districts requesting that the districts provide the data required for the water quality management study and blending study.

Mr. Khouw stated that he had no new activity upon which to report regarding the Luce Bayou Interbasin Transfer Project.

OPERATOR'S REPORT

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

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during April 2017 was 38% and is now 41% for the current permit year to date. Mr. Martin reported that the accountability of surface water for the permit year to date is 100%.

Mr. Martin also advised the Board that MOC tested all meters last month and that they are all measuring accurately. He noted that the Krohne magnetic flow meters are working exceptionally well.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated May 3, 2017, 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.

The Board next considered ratifying Director Boddy's execution of written testimony on behalf of the Authority in opposition of House Bill No. 770, House Bill No. 2780/Senate Bill No. 1289, House Bill No. 2204/Senate Bill No. 1416, and House Bill No. 174. In that regard, Mr. Rubinsky updated the Board on the various bills and the proposed amendments to the Texas Government Code. After discussion on the matter, it was moved by Director Granadino, seconded by Director Meek and unanimously carried, that such prior action be ratified and authorized in all respects.

ATTORNEY'S REPORT

The Board next considered the Attorney's Report. Mr. Rubinsky advised the Board that SPH, IDS, and the attorneys and engineers for other regional water authorities ("RWA") are hosting a brief meet and greet tomorrow for Dr. Karun Sreerama, the new Director of the City of Houston Department of Public Works and Engineering, to introduce themselves and to briefly discuss the RWAs' cooperative efforts with the City in connection with compliance with the HGSD's regulatory plan and surface water conversion requirements.

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

Mr. Rubinsky addressed the Board concerning the status of the development of the Authority's website. In that regard, he advised the Board that he had provided the outline for the proposed development of the website, which was presented for the Board's review at the last meeting, to Ms. Barbara Payne and Mr. Russell Lambert of TTN, as well as to Director Meek and Mr. Lathan Johnson. Mr. Rubinsky further reported that Director Meek and Mr. Johnson had approved the outline and had indicated that they will work further with TTN in order to accomplish the creation of the 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.

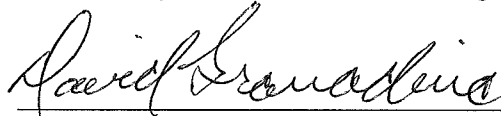
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, June 7, 2017, at 6:00 p.m.

ADJOURN MEETING

There being no further business to come before the meeting, it was moved by Director Meek, seconded by Director Granadino and 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 Correspondence from City dated April 6, 2017, regarding the City's
FY 2018 Preliminary Water Rate
- EXHIBIT C Engineer's Report
- EXHIBIT D Operator's Report
- EXHIBIT E Government Affairs Update