

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors November 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 November 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 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; Greg Sissel of BKD, LLP ("BKD"), auditor for the District; 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 of Rankin Road West Municipal Utility District ("Rankin Road"); 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 October 11, 2017. After discussion, Director Gower moved that the minutes of the meeting held October 11, 2017, be approved as written. Director Boddy 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 THE AUTHORITY'S PROPOSED SALE OF \$26,550,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS SERIES 2017 ("SERIES 2017 BONDS")

Mr. Rubinsky next advised the Board that SPH submitted the transcript of proceedings for the Series 2017 Bonds to the Attorney General of Texas on October 18, 2017, and received a preliminary approval from the Attorney General on November 1, 2017. Mr. Rubinsky further advised that the closing of the Bonds is scheduled for Wednesday, November 15, 2017.

DISBURSEMENT OF BOND PROCEEDS

The Board considered authorizing the disbursement of proceeds from the Series 2017 Bonds. In that regard, Mr. Rubinsky reviewed with the Board the closing memorandum prepared by GMS in connection with the disbursement of the bond proceeds to the Authority's Escrow Fund, Series 2017 Capital Projects Fund, Debt Service Fund and Debt Service Reserve Fund. After discussion, Director Gower moved that the proceeds of the Series 2017 Bonds be disbursed in accordance with such closing memorandum, subject to the closing scheduled for November 15, 2017. Director Meek seconded said motion, which unanimously carried.

DISCUSSION REGARDING EXPENDITURE AND INVESTMENT OF BOND PROCEEDS AND INTERNAL REVENUE SERVICE RESTRICTIONS ON SAME

Mr. Rubinsky next presented and reviewed correspondence from SPH, as Bond Counsel for the issuance of the Bonds, a copy of which is attached hereto as **Exhibit A**, addressed to the Board regarding certain provisions of the federal tax law and regulations of the Internal Revenue Service pertaining to the expenditure and investment of proceeds of the Bonds. Mr. Rubinsky advised the Board that certain periodic reviews and reports would be required to monitor compliance with the requirements set forth therein and that arbitrage rebate or yield reduction payments could be required to be made based on said review and reports. Mr. Rubinsky also advised the Board that the Authority's Bookkeeper will monitor investment rates and debt service and reserve fund balances. Mr. Rubinsky advised the Board, however, that compliance with the requirements is the responsibility ultimately of the Board. In connection with same, Mr. Rubinsky reminded the Board that the Authority previously engaged Municipal Risk Management Group, L.L.C., to evaluate such compliance and to assist the Authority and its Bookkeeper with any calculations and reporting requirements.

ACT UPON ANY OTHER MATTERS IN CONNECTION WITH THE ISSUANCE OF THE DISTRICT'S SERIES 2017 BONDS

The Board considered authorizing the execution of various closing documents relative to the Authority's Series 2017 Bonds, including the Authority's Receipt, a No-Litigation Certificate, and a Federal Tax Certificate. After discussion on the matter, it was moved by Director Gower, seconded by Director Meek and unanimously carried that the President be authorized to execute such closing documentation and the Secretary to attest same on behalf of the Board and the District, and that SPH be authorized to approve closing on the sale of the Series 2017 Bonds.

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 B**, including the Summary of Cash Transactions for the Authority's various funds for the period October 1, 2017 through November 1, 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 September 2017 and the first nine months of the current fiscal year, and a Summary of Pumpage Fees Paid by Member Districts through September 2017. Ms. Matuska reviewed the status and activity in each of the Authority's accounts, and discussed certain transactions with the Board. She noted that additional checks had been issued to SPH and Standard & Poor's to be paid out of the Series 2017 Bonds upon closing and that the checks would be reflected on next month's Summary of Cash Transactions. After discussion, Director Boddy moved that the Bookkeeper's Report be approved and that the disbursements listed therein, plus the additional checks noted by Ms. Matuska, be approved for payment. Director Meek 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, with the exception of Harris County Municipal Utility District No. 33 and Harris County Municipal Utility District No. 217 ("No. 217"), have paid all pumpage fees and surface water charges through September 2017. Ms. Matuska noted that Harris County Municipal Utility District No. 150's payment was just recently received and was therefore not yet reflected on the Summary of Pumpage Fees included in the Bookkeeper's Report.

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

Ms. Matuska presented for the Board's review a draft Operating Budget for the fiscal year ending December 31, 2018, a copy of which is attached hereto as **Exhibit C**. Ms. Matuska advised the Board that she is still working with the Authority's consultants to complete the budget. Accordingly, the Board deferred action relative to the adoption of an Operating Budget for the fiscal year ending December 31, 2018, until its next meeting.

ENGAGEMENT OF AUDITOR TO PERFORM ANNUAL AUDIT

The Board next considered the engagement of an independent firm of auditors to perform an audit of the Authority's financial statements for the fiscal year ending December 31, 2017. The Board recognized Mr. Sissel, who addressed the Board regarding BKD's professional qualifications, and estimated BKD's fees to perform such audit to be approximately \$18,500, plus expenses. After discussion, Director Gower moved that the firm of BKD be engaged to prepare the Authority's audit for the fiscal year ending December 31, 2017, that the President be authorized to execute an engagement letter with BKD on behalf of the Board and the Authority and that SPH be authorized to acknowledge the TEC Form 1295 provided by BKD in connection with same. Director Meek seconded said motion, which carried unanimously.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority. Mr. Howell advised the Board that he had no new activity upon which to report at this time regarding the City of Houston's (the "City") True Up Reports relative to the operations and maintenance costs of the City's Northeast Water Purification Plant ("NEWPP").

Mr. Howell then presented to and reviewed with the Board correspondence from GMS dated November 1, 2017, a copy of which is attached hereto as **Exhibit D**, regarding certain additional disclosure required by Rule G-42 of the Municipal Securities Rulemaking Board. Mr. Howell discussed various potential conflicts of interest requiring disclosure, as set forth in the attached correspondence of November 1, 2017.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated November 1, 2017, a copy of which is attached hereto as **Exhibit E**, 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 is in the process of finalizing comments on the plans and specifications for the project received from No. 304's engineer and obtaining approval of the plans and specifications from Harris County and the City.

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. Mr. Rubinsky advised the Board that he has had very brief discussions with the attorney and operator for No. 215 regarding the matter, and understands that No. 215's interest primarily relates to the fact that all of its emergency water interconnect partners have converted to surface water and the use of chloramines for disinfection rather than free chlorine, which creates operational issues when No. 215 is required to open one of said water interconnects.

Mr. Khouw next 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.

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 until next month 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.

OPERATOR'S REPORT

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

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.

Mr. Martin next addressed the Board concerning the status of the installation of custom-made enclosures to provide protection from inclement weather for the Authority's surface water meters and cla-vals.

Mr. Martin next advised the Board that the leaking valve located on one of the Authority's distribution lines within No. 150 has not yet been repaired. Mr. Martin further reported that, as discussed last month, Mr. Khouw has provided him with a copy of the subject Water Line Easement, and that he will now contact the Harris County Sheriff's Office to request their assistance in accessing the subject property so that MOC can make the necessary repairs to the Authority's facilities.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated November 1, 2017, together with copies of 2017 Interim Legislative Charges issued by both the Lieutenant Governor of Texas and the Speaker of the Texas House of Representatives relating to Hurricane Harvey, copies of which are attached hereto as **Exhibit G**. 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 nothing further to discuss with the Board of a legal nature which was not covered under specific agenda items.

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 SPH and IDS have prepared an updated Executive Summary regarding the Authority, and that SPH will be providing the Summary, together with the additional documentation requested by TTN, to TTN 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.

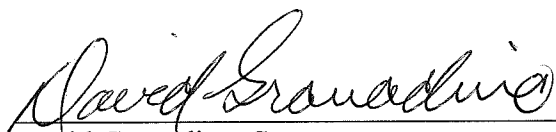
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, December 6, 2017, 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

- EXHIBIT A** SPH Arbitrage Compliance Correspondence (Series 2017 Bonds)
- EXHIBIT B** Bookkeeper's Report
- EXHIBIT C** Draft Operating Budget for Fiscal Year Ending December 31, 2018
- EXHIBIT D** Correspondence from GMS regarding Certain Additional Disclosure
Required by Rule G-42 of the Municipal Securities Rulemaking Board
- EXHIBIT E** Engineer's Report
- EXHIBIT F** Operator's Report
- EXHIBIT G** Government Affairs Update and Copies of 2017 Interim Legislative
Charges issued by the Lieutenant Governor of Texas and the Speaker
of the Texas House of Representatives relating to Hurricane Harvey