

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
October 5, 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 October 5, 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; John Howell of The GMS Group, L.L.C. ("GMS"), financial advisor for the Authority; Arthur Freeman and Linda Watkins of Fallbrook Utility District ("Fallbrook"); Justin Abshire of Jones & Carter, Inc., on behalf of Harris County Municipal Utility District No. 200 ("No. 200"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217") and Sharon Taylor, a resident of No. 217, who entered later in the meeting as noted herein; Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin"); Russell Lambert of The Texas Network, LLC ("TTN"); Barbara Payne of the Save Water Texas Coalition ("SWTC"); 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 September 7, 2016. After discussion, Director Boddy moved that the minutes of the meeting held September 7, 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.

STATUS OF THE AUTHORITY'S PROPOSED SALE OF \$9,270,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2016 (THE "BONDS")

Mr. Rubinsky and Mr. Howell next discussed various actions to be taken in connection with the issuance of the Authority's Bonds, including the documentation to be presented for the Board's approval at tonight's meeting in connection therewith. Mr. Rubinsky noted the collective efforts of Mr. Khouw, Mr. Howell, Ms. Christina Cole of SPH, and the Texas Water Development Board ("TWDB") in connection with the sale of the Bonds. Mr. Howell advised that TWDB purchased the Authority's Bonds at a net effective interest rate of 2.613546%.

BOND RESOLUTION

Mr. Rubinsky next presented to and reviewed in detail with the Board a Resolution Authorizing the Issuance of the Bonds, which is attached hereto as Exhibit A. After discussion, Director Boddy moved to approve the Resolution Authorizing the Issuance of the Bonds and authorized the President to execute the Bond Resolution and the Secretary to attest same on behalf of the Board and Authority. Director Meek seconded said motion, which unanimously carried.

PRIVATE PLACEMENT MEMORANDUM

Mr. Rubinsky presented to and reviewed with the Board a Private Placement Memorandum relating to the Bonds, a copy of which is attached hereto as Exhibit B. After discussion, Director Boddy moved to approve the Private Placement Memorandum. Director Meek seconded said motion, which unanimously carried.

PAYING AGENT/REGISTRAR AGREEMENT

The Board considered approval and execution of a Paying Agent/Registrar Agreement (the "Paying Agent Agreement") by and between the Authority and Amegy Bank, a division of ZB, National Association ("Amegy") in connection with the Bonds, a copy of which is attached hereto as Exhibit C. After discussion, Director Boddy moved to approve the Paying Agent/Registrar Agreement by and between the Authority and Amegy and authorize the President to execute the Paying Agent Agreement on behalf of the Board and the Authority. Director Meek seconded said motion, which unanimously carried.

ESCROW AGREEMENT

The Board next considered approval and execution of an Escrow Agreement (the "Escrow Agreement") by and between the Authority and Amegy, a copy of which is attached hereto as Exhibit D. After discussion, Director Boddy moved to approve the Escrow Agreement by and between the Authority and Amegy and authorize the President to execute the Escrow Agreement on behalf of the Board and Authority. Director Meek seconded said motion, which unanimously carried.

ATTORNEY GENERAL FEES

The Board next considered authorizing the District's Bookkeeper to prepare a check for payment of the Attorney General's fees in connection with the review of the transcript of proceedings relative to the proposed Bonds. Mr. Rubinsky advised that the fee will be \$9,270.00. After discussion on the matter, Director Boddy moved that the District's Bookkeeper be authorized to prepare a check in the amount of \$9,270.00 payable to the Attorney General of Texas and that said check be approved for payment. Director Meek seconded said motion, which unanimously carried.

REVIEW, APPROVE AND AUTHORIZE THE FILING OF THE INTERNAL REVENUE SERVICE FORM 8038-G RELATIVE TO THE BONDS

The Board next considered review, approval and execution of Form 8038-G relative to the Bonds. Mr. Rubinsky explained the purpose of Form 8038-G and the filing requirements applicable to same. After discussion and review, Director Boddy moved that the Form 8038-G be approved and that the President be authorized to execute same on behalf of the Board and the Authority. Director Meek seconded said motion, which unanimously carried.

OTHER MATTERS IN CONNECTION WITH THE ISSUANCE OF THE BONDS

As the next order of business, the Board considered acting upon any other matters relative to the Bonds. Mr. Rubinsky presented and reviewed with the Board the General Certificate, Signature and No-Litigation Certificate with Letter of Instruction to the Attorney General, and the Initial Bonds relative to the sale of such Bonds. After further discussion concerning said matters, upon motion made by Director Boddy, seconded by Director Meek and unanimously carried, the Board approved such documents and authorized SPH to handle all matters relative to the sale and closing of the Bonds.

There was next discussion regarding the approval of certain documents to be utilized at the closing relative to the issuance of the Authority's Bonds. Mr. Rubinsky reviewed the subject documents with the Board. After discussion on the matter, Director Boddy moved that the closing documents be approved and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the Authority. Mr. Rubinsky advised that closing is scheduled for November 14, 2016 at 10:00 a.m.

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 E, including the Summary of Cash Transactions for the Authority's various accounts for the period September 1, 2016 through October 5, 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 August 2016, and a Summary of Pumpage Fees Paid by Member Districts through August 2016.

After discussion, Director Boddy moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment. Director Meek seconded said motion, which unanimously carried.

Mr. Howell exited the meeting at this time.

ANNUAL REVIEW OF ORDER ESTABLISHING POLICY FOR INVESTMENT OF AUTHORITY FUNDS AND APPOINTING INVESTMENT OFFICER

The Board next considered the annual review of the Authority's Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer ("Investment Policy"), and the adoption of a Resolution in connection therewith. Mr. Rubinsky advised the Board that SPH is not recommending any changes to the Authority's Investment Policy at this time. After discussion on the matter, Director Gower moved that the Authority's Investment Policy be affirmed as currently written, that the Resolution attached hereto as Exhibit F be adopted, and that the President and Secretary be authorized to execute same on behalf of the Board and the Authority. Director Boddy seconded said motion, which unanimously carried.

DISCUSSION REGARDING STATUS OF WEBSITE DESIGN

Mr. Rubinsky next introduced Mr. Lambert of TTN and Ms. Payne of the SWTC to the Board. Ms. Payne discussed the relationship between TTN and SWTC and summarized her involvement in water related communications over the past twenty (20) years. She then reviewed the SWTC website with the Board and advised that the SWTC website is the preeminent water-related website in the State of Texas. Ms. Payne advised that, with the Board's approval, SWTC will include a link to the Authority's website on the SWTC website. Ms. Payne and Mr. Lambert then reviewed a preliminary form of website for the Authority with the Board and discussed certain proposed changes to the Authority's logo. Ms. Payne and Mr. Lambert also noted various areas of the proposed website that can be modified per the Board's direction.

Ms. Taylor entered the meeting at this time.

A lengthy discussion next ensued regarding the proposed content and format of the website. Director Boddy requested that there be a page detailing the history and formation of the Authority included on the website. After further discussion, the Board appointed Director Meek to work with TTN, the SWTC, SPH and IDS, as well as Mr. Johnson of Rankin, to develop the website for the Board's further review. Mr. Rubinsky advised that SPH will work with Director Meek, IDS and Mr. Johnson to assemble the information needed to begin populating the website. Ms. Payne also advised that she would be happy to further discuss the website with any Director or consultant of the Authority that would desire to do so.

FINANCIAL ADVISOR'S REPORT

The Board deferred discussion of financial matters of the Authority, after noting that financial matters were addressed earlier in the meeting.

ENGINEER'S REPORT

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

Mr. Khouw reported that updated numbers for ground water usage for the month of September are reflected on the Operator's Report.

In connection with the extension of an Authority surface water supply line to Harris County Municipal Utility District No. 304's ("No. 304") Water Plant ("WP"), Mr. Khouw reported that the project is on hold until No. 304 acquires additional land for the expansion of its WP site. He advised that IDS has requested a proposal from Berg Oliver Associates, Inc. to complete the Environmental Data Form required by TWDB to fund the project with proceeds from the Authority's Series 2008 Revenue Bonds, and that he would present the proposal to the Board for consideration at the November meeting.

Mr. Khouw also advised that IDS has submitted a request to the Harris-Galveston Subsidence District for over conversion credits for the previous permit year. He reported that IDS anticipates receipt of the over-conversion credits in the next month.

In connection with the expansion of the City of Houston's ("City") Northeast Water Purification Plant ("NEWPP"), Mr. Khouw reported that the City and the Houston Waterworks Team are in the process of finalizing the Draft Basis of Design Report, including the budget and the schedule. He noted that the budget and the schedule have both fluctuated quite a bit and that he will advise the Board on status of same once they have been finalized.

Mr. Khouw then reported that the City is re-assessing its plan to add an additional 80 MGD module to the NEWPP Expansion Project in order to replace the 80 MGD of capacity in the existing NEWPP in light of the recent estimated budget increases in the NEWPP Expansion Project.

Mr. Khouw also reported that IDS is continuing to work with the NEWPP Project Advisor/Technical Consultant and AOS Treatment Solutions on developing a scope of work for the proposed water quality analysis and blending study of the Authority's system, and would present a proposal for same to the Board at the November meeting.

In connection with Phase I of the Northeast Transmission Line, Mr. Khouw reported that the City is in the design phase of said project and continues to move forward with easement acquisitions. He advised that the City's current schedule reflects a project completion date of September 2021.

In connection with the Authority's 2025 Internal Distribution Line project, Mr. Khouw reported that IDS is continuing to work on the water model for this line at this time.

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 Capers Ridge Pump Station site is currently under construction. He advised that the Coastal Water Authority ("CWA") has awarded the contract for the Capers Ridge Pump Station to the low bidder, Oscar Renda Construction and Johnson Bros., for the approximate cost of \$49,500,000. Mr. Khouw advised that the pipelines are currently under design and reported that the CWA anticipates advertising the canal project in October or November of 2016.

Mr. Khouw next advised that he is working on coordinating a tour of the NEWPP with the City on October 21, 2016 or October 27, 2016 at 9:00 a.m., and requested that the Directors advise as to their availability to attend on other of such dates so that he can coordinate the necessary security clearance with the City.

OPERATOR'S REPORT

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

Mr. Martin advised the Board that the percentage of surface water usage within the Authority during September 2016 was 37% and is now 42% for the current permit year to date.

The Board next recognized Ms. Taylor, a resident of No. 217, who reported that the water at her residence has a bad odor. Mr. Martin reported that water can develop an odor when it sits in the water lines for long period of time, and recommended that Ms. Taylor contact the operator for No. 217 and request that they flush water lines in the vicinity of her residence.

The Board next discussed the request previously received from Harris County Municipal Utility District No. 33 ("No. 33") for exemption from the payment of the Authority's water importation fee for 27,225,000 gallons of water imported into the Authority during the time period during which No. 33 was on an emergency water interconnect with Harris County Utility District Nos. 14 and 15. Mr. Rubinsky advised that SPH forwarded correspondence to the attention of No. 33's legal counsel, Ms. Regina Adams of Radcliffe Bobbitt Adams Polley PLLC, notifying No. 33 of the Board's decision to deny said request, as previously instructed by the Board. Mr. Rubinsky reported that SPH has since received an appeal letter, just before tonight's meeting, from Ms. Adams on behalf of No. 33, and presented a copy of same to the Board for its consideration. After a lengthy discussion regarding the terms of the Authority's Rate Order, Director Meek moved to deny No. 33's appeal for reconsideration of the the Authority's denial of No. 33's request for exemption from the Authority's water importation fees. Director Boddy seconded said motion, which unanimously carried.

GOVERNMENT AFFAIRS UPDATE

The Board next deferred consideration of the Government Affairs update as a Government Affairs Report had not been received from C.J. Tredway.

ATTORNEY'S REPORT

Mr. Rubinsky next reminded the Board that the TWDB previously approved a request by the Authority to utilize the remaining proceeds of the Authority's Series 2008 Revenue Bonds to finance a portion of the preliminary planning and design of the Authority's 2025 internal surface water transmission system, including route studies and preliminary engineering studies. He then reported that SPH has received e-mail correspondence from Michael Biediger, Financial Examiner of the TWDB, requesting an update of the status of said funds. After discussion, the Board requested that SPH provide Mr. Biediger with an update on the status of said funds.

Mr. Rubinsky next advised that SPH and IDS received correspondence via e-mail on behalf of the Sierra Club, Lone Star Chapter, requesting that the Authority participate in a survey to collect information on the Authority's efforts to advance water conservation. Mr. Rubinsky further advised that the deadline to submit said survey was September 26, 2016. After discussion, the Board agreed to decline the opportunity to participate in said survey.

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. No specific agenda items, other than routing and ongoing matters were requested.

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, November 2, 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	Bond Resolution
EXHIBIT B	Private Placement Memorandum
EXHIBIT C	Paying Agent/Registrar Agreement
EXHIBIT D	Escrow Agreement
EXHIBIT E	Bookkeeper's Report
EXHIBIT F	Resolution Regarding Review of Investment Policy
EXHIBIT G	Engineer's Report
EXHIBIT H	Operator's Report