

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
September 7, 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 September 7, 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 of Fallbrook Utility District ("Fallbrook"); Debra Johnson and Cordelia Brown of Harris County Municipal Utility District No. 217 ("No. 217"); Lathan Johnson and Pastor Mitchell B. Stewart of Rankin Road West Municipal Utility District ("Rankin"); 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 August 3, 2016. After discussion, Director Boddy moved that the minutes of the meeting held August 3, 2016, be approved, as written. Director Granadino 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 August 1, 2016 through September 7, 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 July 2016, and a Summary of Pumpage Fees Paid by Member Districts through July 2016.

In connection with disbursements from the District's Capital Projects Fund, Ms. Matuska noted a wire transfer to the City of Houston ("City") in the amount of \$244,000, in connection with the Authority's payment of Cash Call Nos. 4 and 4a for funds associated with a bridge contract with Houston Waterworks Team ("HWT") for Component 2A services for the Northeast Water Purification Plant ("NEWPP") Expansion Project.

After discussion, Director Gower 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.

STATUS OF RELEASE REQUEST NO. 1 TO THE TEXAS WATER DEVELOPMENT BOARD ("TWDB") IN CONNECTION WITH AUTHORITY'S SERIES 2015 BONDS

Mr. Khouw reminded the Board that IDS previously submitted the Escrow Release Request No. 1 to TWDB on behalf of the Authority in the amount of \$1,206,271.03, requesting release of funds from the Series 2015 Bonds for expenses associated with the NEWPP Expansion Project and the Northeast Transmission Line ("NETL") Phase I project. He advised the Board that the TWDB approved the Escrow Release Request No. 1 on August 5, 2016. Ms. Matuska then presented to and reviewed with the Board activity sheets for the Authority's Series 2008 and Series 2015 Bonds, attached to the Bookkeeper's Report, based on the approval of said Escrow Release Request No. 1 and reimbursement to the Authority's General Fund of prior expenditures related to same.

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 NEWPP. Mr. Howell advised that he did not have any additional information to report concerning the subject True Up Reports.

Mr. Howell next discussed the status of the Authority's proposed sale of its Series 2016 Revenue Bonds to TWDB in the aggregate amount of \$9,270,000 in connection with the financing of all or a portion of the Authority's share of the costs of the (i) Authority's 2025 Internal Distribution System; (ii) the NETL Phase I project; and (iii) the NETL Phase 2 project. Mr. Rubinsky advised that draft documents for the proposed sale were sent to TWDB prior to the September 1, 2016 deadline for review and approval. Mr. Howell then advised that TWDB approved the Financing Agreement ("Agreement") between the Authority and TWDB earlier today and that an original copy of the Agreement is being forwarded to SPH for retention in the Authority's files.

Mr. Rubinsky next advised that TWDB has scheduled a meeting on September 13, 2016, with representatives of the Authority and representatives of the North Harris County Regional Water Authority ("NHCRWA"), to discuss the status of various joint projects, bond financings for the 2016 calendar year and future bond financings through the State Water Implementation Fund for Texas. He advised that he, Ms. Cole, Mr. Howell, and Mr. Khouw will be in attendance at said meeting.

ENGINEER'S REPORT

Mr. Khouw next presented 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 June 2016 was 43.67% of total water use, which is above the mandated 30% conversion percentage. Mr. Khouw reminded the Board, however, that Harris County Municipal Utility District No. 33's ("No. 33") water well has been out of service for several months, which has resulted in less ground water usage in the Authority than is typical year to date.

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 No. 304 is in the process of acquiring additional land for the expansion of its WP site and has requested that the Authority relocate its proposed meter station. After discussion, the Board requested that IDS provide an estimate to No. 304 for the re-location of the meter station. Mr. Khouw then advised that the TWDB has reviewed IDS's plans for the surface water supply line and has provided minor comments to said plans, which IDS is addressing.

Mr. Khouw next presented to and reviewed with the Board correspondence from the Harris-Galveston Subsidence District ("HGSD"), dated August 19, 2016, regarding a proposed revised rate and fee schedule for 2017. He advised that, among other fee increases, the HGSD is proposing an increase in the disincentive permit fee from \$7.00 to \$9.96 per thousand gallons. Mr. Khouw also advised that he is working with the HGSD on over-conversion credits due to the Authority for the previous permit year.

Mr. Khouw further reported that IDS received notification that the Region H Water Planning Group ("Region H") has recommended that the Authority be listed for inclusion as a named Water User Group in the 2021 State Regional Water Plan, which is currently being developed by the TWDB and Region H.

In connection with the expansion of the City's NEWPP, Mr. Khouw reported that IDS attended a meeting on August 11, 2016, with representatives of the City and the Houston Waterworks Team ("HWT") to discuss the recently issued Draft Basis of Design Report ("BODR"), and the issues related to the schedule and budget outlined in the BODR. He advised that the HWT is re-examining the project schedule and budget based on feedback received at said meeting.

Mr. Khouw reminded the Board that he and the Project Representatives for the NHCRWA and the West Harris County Regional Water Authority ("WHCRWA") had previously voted "no" to Consensus Item No. 6 related to the NEWPP Expansion project, which requested the approval of funding for the bridge contract with HWT in connection with the expansion of the NEWPP. Mr. Khouw advised that, following the meeting with HWT regarding the project budget and schedule, he and the other Project Representatives were presented with sufficient information to be able to approve the bridge contract with HWT. The City then submitted Consensus Item No. 7 to the Project Representatives for approval to fund the bridge contract with HWT. Consensus Item No. 7 was approved by all of the Representatives, which resulted in the City's issuance and the Authority's payment of Cash Call Nos. 4 and 4a as discussed earlier in the meeting.

Mr. Khouw advised the Board that the City requested payment of Cash Call Nos. 4 and 4a by September 1, 2016, in order to proceed with City Council approval of the bridge contract with HWT. Mr. Khouw noted that all of the regional water authorities complied with said request.

Mr. Khouw reported that the City also submitted a notice of upcoming Cash Call No. 5 to the Authority on August 10, 2016, in the total amount of \$98,600,000, to fund Component 2 – Preliminary Services, Construction and early work packages in connection with expansion of the NEWPP. Mr. Khouw reported that the anticipated due date of Cash Call No. 5 is February 6, 2017, and that the Authority's share is approximately \$1,503,650, which will be funded with proceeds from the Authority's Series 2015 Bonds.

Mr. Khouw next reported that the City notified the regional water authorities that the City intends to add 80 MGD to the NEWPP Expansion Project in order to replace the 80 MGD capacity in the existing NEWPP. He reported that the City has advised that HWT is working on cost estimates for said modification to the NEWPP Expansion Project. Mr. Khouw advised that the Authority will need to replace its 2.12 MGD of capacity in the existing NEWPP if the City makes the decision to no longer operate said plant. Mr. Khouw and Mr. Rubinsky advised that the City's proposal will need to be considered by all of the regional water authorities once HWT provides the requested cost estimates for said modifications to the NEWPP Expansion project, and that an amendment to the Second Supplement to Water Supply Contract between the Authority and the City would be required. After discussion, Director Gower moved that the Authority participate in the 80 MGD expansion of the NEWPP Expansion Project in order to replace the Authority's existing 2.12 MGD of capacity in the existing NEWPP. Director Meek seconded said motion, which unanimously carried.

Mr. Khouw reported that IDS is working with a Project Advisor Technical Consultant on developing a scope of work for the proposed water quality analysis of the Authority's system. He advised that IDS hopes to present a proposal to the Board at the October meeting in connection therewith.

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 easement acquisitions. He advised that the City's current schedule reflects a project completion date of September 2021.

Mr. Khouw next reported that IDS has recently received system pressure information from the NHCRWA and will use said information to generate a water model for the Authority's Internal Distribution System. He reported that IDS is in the process of determining if the Authority will need to construct a pump station, and advised that said project will depend on the NHCRWA's decision to construct an additional pump station and the location of same.

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. He advised that the Coastal Water Authority plans to recommend award of the contract for the construction of the Capers Ridge Pump Station to the low bidder, Renda/Johnson Bros, in the amount of \$49,500,000. Mr. Khouw reported that design of the canal is approaching completion and that said project will be advertised in September or October of 2016.

OPERATOR'S REPORT

Mr. Martin presented and reviewed with the Board a written Operator's Report for August 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 August 2016 was 43% and is now 43% for the current permit year to date.

Mr. Rubinsky next reported that SPH has received correspondence on behalf of the Authority from No. 33 requesting 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. Martin reminded the Board that pursuant to the terms of the Authority's Rate Order regarding importation fees, No. 33's invoice totaled \$62,889.75. Mr. Rubinsky discussed No. 33's request with the Board, and advised that that the information provided with the request does not meet the conditions required for an exemption from the Importation Fee, as set forth in Section 3.02(d) of the Authority's Rate Order. A discussion next ensued regarding same. After discussion, Director Gower moved that the Board deny No. 33's request for exemption from the Authority's importation fees and authorized SPH to provide notify No. 33 of the Board's decision. Director Meek seconded said motion, which was unanimously carried.

Mr. Martin further reported that a water main break recently occurred in the Authority's distribution system within Harris County Municipal Utility District No. 150, and advised that the break was repaired the same day.

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 reported that he had nothing further of a legal nature to discuss with the Board.

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

Mr. Rubinsky reported that the Website Development and Management Agreement between the Authority and The Texas Network, LLC ("TTN") has been finalized and provided to TTN for execution. He advised that Ms. Barbara Payne of the Save Water Texas Coalition and Mr. Russell Lambert of TTN will attend the October Board meeting to discuss the proposed website further with the Board.

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, October 5, 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 Engineer's Report
EXHIBIT C Operations Report