

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors October 3, 2018

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 3, 2018, 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, LLC ("GMS"), financial advisor for the Authority; Pastor Mitchell B. Stewart and Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Jonathan Ward of Harris County Municipal Utility District No. 304 ("No. 304"); and Abraham I. Rubinsky of Schwartz, Page & Harding, L.L.P. ("SPH"), attorney 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 5, 2018. After discussion, Director Boddy moved that the minutes of the meeting held September 5, 2018, 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 \$7,735,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2018 (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. Howell advised the Board that, subject to its approval of the subject documentation, the Texas Water Development Board ("TWDB") has purchased the Authority's Bonds at a net effective interest rate of 3.290706%.

BOND RESOLUTION

Mr. Rubinsky next presented to and reviewed in detail with the Board the Resolution Authorizing the Issuance of the Bonds attached hereto as **Exhibit A**. After discussion, Director Gower 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 the 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 Gower 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 by and between the Authority and ZB, National Association, dba Amegy Bank ("Amegy") in connection with the Bonds, a copy of which is attached hereto as **Exhibit C**. After discussion, Director Gower moved to approve the Paying Agent/Registrar Agreement by and between the Authority and Amegy and authorize the President to execute the 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 by and between the Authority and Amegy, a copy of which is attached hereto as **Exhibit D**. After discussion, Director Gower 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 the 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 issuance of the proposed Bonds. Mr. Rubinsky advised that the fee will be \$7,735.00. After discussion on the matter, Director Gower moved that the District's

Bookkeeper be authorized to prepare a check in the amount of \$7,735.00 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 Gower 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 Gower, 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 Gower 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. Director Meek seconded said motion, which unanimously carried. Mr. Rubinsky advised that the closing is scheduled for November 15, 2018 at 10:00 a.m.

BOOKKEEPER'S REPORT

Ms. Matuska next 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 funds for the period September 1, 2018 through October 3, 2018, and the disbursements presented for payment from the General Fund, the Series 2008 Capital Projects Fund the Series 2015 Capital Projects Fund, and the Series 2017 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of August 2018 and the first eight (8) months of the Authority's fiscal year ended December 31, 2018, and a Summary of Pumpage Fees Paid by Member Districts through August 2018. Ms. Matuska reviewed the status of and activity in each of the Authority's accounts and discussed certain transactions with the Board. After discussion, Director Boddy moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment. Director Gower seconded said motion, which unanimously carried.

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

The Board next considered the annual review of its Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer ("Investment Policy Order"), and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky summarized the proposed changes to the form of the Public Funds Depositor Collateral Security Agreement attached as an exhibit to the Investment Policy Order. After discussion on the matter, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that the Investment Policy Order be adopted to reflect the proposed changes as discussed by Mr. Rubinsky, that the Board adopt the Resolution Regarding Review of Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer attached hereto as **Exhibit F**, that the President and Secretary be authorized to execute same on behalf of the Board and the Authority, and that any prior order previously adopted by the Board establishing policies for investment of Authority funds and appointing an investment officer be revoked and rescinded effective today.

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, FY 2016 and FY 2017 True Up Reports related to Operations and Maintenance of the City's Northeast Water Purification Plant ("NEWPP"). Mr. Rubinsky advised the Board that he had no new activity upon which to report regarding same.

Mr. Rubinsky next addressed the Board regarding the City of Houston's ("City") FY 2019 adopted water rate for the NEWPP in the amount of \$1.4938 per 1,000 gallons, which became effective as of July 1, 2018. Mr. Howell advised the Board that he will discuss the impact of the City's FY 2019 adopted rate on the Authority's long term financial plan later this year.

DISCUSSION REGARDING COMMUNICATIONS WITH TWDB REGARDING FINAL ACCOUNTING IN CONNECTION WITH THE AUTHORITY'S \$22,050,000 REVENUE BONDS, SERIES 2008

Mr. Rubinsky next reported to the Board regarding communications with the TWDB regarding a final accounting of the costs related to the Authority's \$22,050,000 Revenue Bonds, Series 2008. After discussion, it was moved by Director Gower, seconded by Director Granadino and unanimously carried, that Director Cox be authorized to execute the Final Project Source and Use of Funds Report in connection with the final accounting and that SPH be authorized to submit same to the TWDB on behalf of the Authority.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated October 3, 2018, a copy of which is attached hereto as **Exhibit G**, 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 noted that the water usage information in his report has not yet been updated for the current month.

Mr. Khouw addressed the Board regarding the status of construction of an extension of an Authority surface water supply line and meter station to serve No. 304's Water Plant, as detailed in the Engineer's Report. In connection with No. 304's request for a letter for submittal to the Texas Commission on Environmental Quality confirming that the Authority will be able to provide surface water to No. 304, Messrs. Rubinsky and Khouw reviewed the terms of the Agreement for Connection to Treated Surface Water Transmission System and Conversion to Treated Surface Water Supply between the Authority and No. 304 and the amounts of surface water to be provided to No. 304 initially (252,000 gallons per day, sufficient to serve 600 equivalent single family connections ("ESFC")), and after December 31, 2024 (no less than 336,000 gallons per day, sufficient to serve 800 ESFCs), pursuant to the Agreement. After discussion, the Board authorized Mr. Khouw and Mr. Rubinsky to advise No. 304 of same accordingly. Mr. Khouw then presented the Board with Pay Estimate No. 1 received from B-5 Construction Company, Inc. in the amount of \$12,935.84 in connection with the contract for construction of the surface water supply line extension and meter station project and recommended approval of same. After discussion, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that Pay Estimate No. 1 be approved.

Mr. Khouw advised the Board that he had no new activity upon which to report regarding Harris County Municipal Utility District No. 217's ("No. 217") possible abandonment of its water well due to continuing arsenic and volatile organic compound issues with the well.

Mr. Khouw next advised the Board that IDS is currently working on the budget to be provided to the TWDB for the closing on the Series 2018 Bonds.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. He advised the Board that the four regional water authorities are currently in discussions with the City regarding long term operations and maintenance of the NEWPP. Mr. Khouw further advised the Board that the City has issued Cash Call 7B in the amount of \$2,949,199.29 for proposed Early Work Package No. 6 (Intake Pump Station), which was funded today. Mr. Khouw reported that the Houston Waterworks Team is expected to issue the preliminary Guaranteed Maximum Price ("GMP") for completion of the NEWPP Expansion Project any day now. He noted that the estimated GMP is currently up to approximately \$1.8 billion and that Phase I is now anticipated to be complete in August 2022.

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 advised the Board that he had no new activity upon which to report with respect to Phase II of the Northeast Transmission Line.

Mr. Khouw next reported to the Board regarding the proposed alignment of the Authority's 2025 Internal Distribution System lines, as further detailed in the Engineer's Report. He advised that surveying along said alignment is currently underway.

Mr. Khouw advised the Board that he had no new activity upon which to report concerning the Luce Bayou Interbasin Transfer Project.

Mr. Khouw additionally reported that it appears that the Member Districts' projected water usage demand requirements have decreased and that he will be evaluating the impact of same on the Authority over the next month.

ISSUANCE OF SURFACE WATER COMMITMENTS TO MEMBER DISTRICTS

The Board next deferred action 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, Harris County Municipal Utility District No. 150 ("No. 150") and No. 200, pending the receipt of updated water usage demand requirements from all of the Member Districts.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for September 2018, a copy of which is attached hereto as **Exhibit H**. Mr. Martin reported to the Board regarding ground water usage, surface water usage, and total water usage within the Authority for the current month, as well as surface water accountability for the permit year to date, as reflected in the Operator's Report.

Messrs. Khouw and Martin next addressed the Board regarding a proposal received from Accurate Meter & Supply ("AMS") for the implementation of an Automated Meter Reading System similar to the system being utilized by the West Harris County Regional Water Authority. After discussion, the Board requested that Mr. Martin invite a representative of AMS to provide a presentation regarding the proposed System to the Board at its meeting scheduled for November 7, 2018.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated October 3, 2018, a copy of which is attached hereto as **Exhibit I**. 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. With respect to the design and construction of proposed Northeast Transmission Line, Phase II, Mr. Rubinsky advised the Board that the North Harris County Regional Water Authority is continuing to work with the City on easement acquisitions for said project.

Mr. Rubinsky next reviewed with the Board an Arbitrage Rebate Calculation Report for the 10th year rebate installment computation period prepared by Arbitrage Compliance Specialists, Inc. in connection with the Authority's \$22,050,000 Revenue Bonds, Series 2008, a

copy of which is attached hereto as **Exhibit J**. Mr. Rubinsky advised the Board that the Report indicates that there is no rebate installment payment due to the Internal Revenue Service for such computation period for the Authority's Series 2008 Bonds.

DISCUSSION REGARDING STATUS OF AUTHORITY WEBSITE AND OTHER COMMUNICATIONS WITH MEMBER DISTRICTS

A discussion next ensued regarding the Authority's website. Lathan Johnson of Rankin Road noted that the minutes of the Board of Directors meeting held on May 3, 2018, had not yet been posted on the website. Mr. Rubinsky stated that he would investigate the matter and ensure that all approved Board meeting minutes are timely posted in the future. Mr. Johnson also noted that there was no message on the Authority's website regarding the water quality issue experienced in late July by the Authority and the North Harris County Regional Water Authority. Mr. Khouw stated that the City is still investigating the discolored water issue and has not provided any additional information on which the Authority can report. He advised that, once the City's investigation has been concluded and they provide additional information to the Authority, he will prepare a statement to post on the Authority's website.

CLOSED SESSION PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.071 AND SECTION 551.072

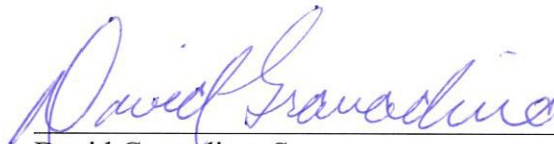
The Board determined that it would not be necessary at this time to convene in Closed Session.

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.

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

<u>Exhibit A</u>	Bond Resolution – Series 2018 Bonds
<u>Exhibit B</u>	Private Placement Memorandum
<u>Exhibit C</u>	Paying Agent/Registrar Agreement
<u>Exhibit D</u>	Escrow Agreement
<u>Exhibit E</u>	Bookkeeper's Report
<u>Exhibit F</u>	Resolution Regarding Review of Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer
<u>Exhibit G</u>	Engineer's Report
<u>Exhibit H</u>	Operator's Report
<u>Exhibit I</u>	Government Affairs Update
<u>Exhibit J</u>	Arbitrage Rebate Calculation Report