

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
December 5, 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 December 5, 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; Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); Linda Watkins and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); 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 November 7, 2018. After discussion, Director Boddy moved that the minutes of the meeting held November 7, 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.

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 A**, including the Summary of Cash Transactions for the Authority's various funds for the period November 1, 2018 through December 5, 2018, and the disbursements presented for payment from the General Fund, the

Debt Service Fund, and the Series 2008 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of October 2018 and the first ten (10) months of the Authority's fiscal year ended December 31, 2018, a Summary of Pumpage Fees Paid by Member Districts through September 2018, and the Authority's Quarterly Investment Report for the period ended September 30, 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 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.

ADOPTION OF OPERATING BUDGET FOR THE AUTHORITY'S FISCAL YEAR ENDING DECEMBER 31, 2019

Ms. Matuska presented for the Board's review a draft Operating Budget for the fiscal year ending December 31, 2019, a copy of which is attached to the Bookkeeper's Report. Messrs. Khouw and Rubinsky discussed various revisions made to the initial draft Operating Budget, as presented and reviewed with the Board at its last meeting, to reflect the Authority's share of the operation and maintenance costs of various joint facilities based upon the True Up Reports received from the North Harris County Regional Water Authority ("NHCRWA") for its fiscal year ("FY") 2014, FY 2015, FY 2016 and FY 2017. Mr. Rubinsky recommended that an additional \$87,000 expense be budgeted for the Authority's share of said costs for the NHCRWA's FY 2018, which should be invoiced to the Authority during the next fiscal year. He also noted that the draft Operating Budget reflects a \$2,700,000 transfer to the Debt Service Fund, but that the Authority's FY 2019 debt service requirements total \$3,895,000. Ms. Matuska stated that she will discuss the Debt Service Fund transfer with John Howell, the Authority's financial advisor. After discussion on the matter, upon motion made by Director Boddy, seconded by Director Meek and unanimously carried, the Board approved the proposed Operating Budget for the Authority's fiscal year ending December 31, 2019, as presented, subject to confirmation from Mr. Howell of the Authority's FY 2019 debt service requirements.

RATIFICATION OF ADOPTION OF RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE AUTHORITY

The Board next considered ratifying its prior action relative to the adoption of a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority to reflect the change in the name of the Paying Agent/Registrar and Escrow Agent for the Authority's Series 2018 Bonds from ZB, National Association, dba Amegy Bank to Zions Bancorporation, National Association. After discussion, it was moved by Director Gower, seconded by Director Boddy and unanimously carried, that such prior action be ratified and authorized in all respects.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority, including the status of communications with the City of Houston ("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 Costs 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 advised the Board that the sale of the Series 2018 Bonds to the Texas Water Development Board ("TWDB") closed as scheduled on November 15, 2018.

Mr. Rubinsky next advised the Board that Mr. Howell will present his update on the Authority's long term financial plan, as well as his recommendations with respect to any rate adjustments, at the January 2019 meeting.

PRESENTATION FROM ACCURATE METER & SUPPLY REGARDING THE POSSIBLE IMPLEMENTATION OF AN AUTOMATED METER READING SYSTEM

Mr. Martin advised the Board that a representative of Accurate Meter & Supply will attend the January Board meeting to give a presentation regarding the possible implementation of an Automated Meter Reading System.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated December 5, 2018, a copy of which is attached hereto as **Exhibit B**, 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 addressed the Board regarding the status of construction of an extension of an Authority surface water supply line and meter station to serve Harris County Municipal Utility District No. 304's ("No. 304") Water Plant, as detailed in the Engineer's Report. Mr. Khouw advised the Board of certain issues encountered in connection with closing out the contract for the project, mainly that No. 304's engineer recently advised him that No. 304 desires to construct a new ground storage tank on its Water Plant site which will delay its ability to connect to the Authority's system until the first quarter of 2020. In that regard, he discussed the possibility of deferring installation of the telephone lines and meter rather than proceeding with these items now as scheduled under the construction contract, closing out the contract and obtaining City approval of the project. Mr. Khouw stated that, if the telephone lines and meter are installed now and the contract closed out, the Authority will be responsible for the costs associated with the telephone service and maintenance of the water supply line and meter even though No. 304 will not be ready for service for approximately one year. After discussion on the matter, the Board requested that the contract be properly completed and closed out now, subject to No. 304 being responsible for payment of the costs of the telephone service and any costs to be incurred by the Authority in connection with the maintenance of the water supply line and meter until No. 304 begins to receive surface water from the Authority since the Authority accelerated the connection of the No. 304 Water Plant to the Authority's surface water system at No. 304's request instead of waiting until 2025 when scheduled per the Authority's Groundwater

Reduction Plan.

Mr. Khouw then presented the Board with Pay Estimate No. 3 received from B-5 Construction Company, Inc. in the amount of \$126,300.33 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. 3 be approved by the Board, as recommended by the Authority's engineer.

Mr. Khouw next requested approval of Change Order No. 2 to the contract for construction of the surface water supply line extension and meter station project relative to the installation of a 110v receptacle adjacent to the control panel at a cost of approximately \$495.00. Mr. Khouw noted that the change order will have no effect on the overall contract costs as it will be applied to the additional items costs included in the construction contract. After discussion, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that Change Order No. 2 be approved by the Board, as recommended by the Authority's engineer.

Mr. Khouw next advised the Board that IDS and SPH will review the final True Up Reports received from the NHCRWA related to the Authority's share of operation and maintenance costs of the Spears Road Pump Station and either provide comments to the NHCRWA or recommend that the Authority's Bookkeeper prepare checks for payment of the Authority's share of such operation and maintenance costs at the next meeting.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. He noted that the City and the Houston Waterworks Team ("HWT") are hoping to complete their negotiations on the Guaranteed Maximum Price for completion of the NEWPP Expansion Project no later than April 1, 2019. Mr. Khouw reported that the City and the Regional Water Authorities have sent correspondence to the HWT regarding the deficiencies in the submittal of the GMP and supporting documentation. He then reported that Early Work Package No. 6 related to the Project is on the agenda for City Council's consideration at its meeting scheduled for December 19, 2018.

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 the Board that the Authority will likely need to construct a pump station and that IDS is beginning to evaluate potential sites for same.

Mr. Khouw advised the Board that the Luce Bayou Interbasin Transfer Project is approximately six (6) months behind schedule due to flooding of the Capers Ridge Pump Station.

ISSUANCE OF SURFACE WATER COMMITMENTS TO MEMBER DISTRICTS

Mr. Rubinsky advised the Board that SPH will begin preparation of surface water commitments for the Board's consideration next month for issuance 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 Harris County Municipal Utility District No. 200, based upon the updated data recently received regarding the Member District's projected water usage demand requirements.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for November 2018, a copy of which is attached hereto as **Exhibit C**. 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.

Mr. Martin next advised the Board that the claval located at No. 150's Water Plant No. 1 has now been replaced, as previously authorized by the Board. Mr. Martin recommended that Scruggs Company be authorized to perform integrity tests on the Authority's other six (6) clavals and report regarding any recommended repairs at the next meeting. After discussion on the matter, the Board authorized Scruggs Company to perform integrity tests on the other six (6) clavals.

Mr. Martin next advised the Board that a Texas Commission on Environmental Quality ("TCEQ") compliance inspection of the Authority's water system was conducted on November 27, 2018, and that all facilities were found to be in good condition and no operational issues were noted during the inspection. Mr. Martin further advised the Board, however, that the TCEQ representative did note that there appeared to be some missing documentation, which has now been provided to the TCEQ.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated December 5, 2018, a copy of which is attached hereto as **Exhibit D**. The Board concurred that no action was required in connection with said Update at this time.

Mr. Rubinsky then presented to and reviewed with the Board a Governmental Affairs Representation Agreement between Ms. Tredway and the Authority in connection with the coming 86th Legislative Session. He advised the Board that said Agreement proposes a fee of \$63,000 for two (2) years of services, which is the same fee charged for said services in connection with the 85th Legislative Session. After discussion, the Board elected to defer further consideration of the matter until the January 2019 meeting.

ANNUAL EMINENT DOMAIN FILING

Mr. Rubinsky next advised the Board that, pursuant to §2206.154, Texas Government Code, all political subdivisions with the power of eminent domain, including the Authority, are required to file an annual eminent domain report by February 1 of each year with the Texas Comptroller of Public Accounts (the "Comptroller"). He requested the Board's authorization for SPH to prepare and file such annual report on behalf of the Authority. After discussion, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that the Board authorize SPH to file the annual eminent domain report with the Comptroller on behalf of the District prior to February 1, 2019.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky addressed the Board concerning his communications with Regina Adams, attorney for Harris County Municipal Utility No. 33 ("No. 33"), following the last Board meeting regarding No. 33's request for a waiver of water importation fees imposed by the Authority. In that regard, he reported that No. 33 has agreed to pay Harris County Utility District No. 14 ("No. 14") back for the water imported by No. 33 earlier this year within 120 days or sooner, as requested by the Board at the last meeting.

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

A discussion next ensued regarding the documentary video produced by the West Harris County Regional Water Authority ("WHCRWA") to assist in educating the public regarding the massive construction projects being undertaken collectively by the City, the WHCRWA, and the other regional water authorities, including the Authority, in order to provide a future supply of water to their respective communities. Mr. Rubinsky advised the Board that SPH will send a link to the video to each Director and that SPH will also request permission from the WHCRWA to either post the video, or include a link to the video, 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

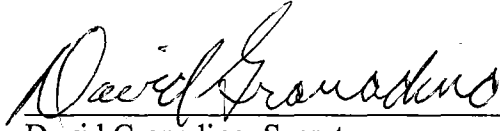
The Board considered items for placement on future agendas. Except as may be reflected above, there were no additional agenda items requested other than routine, ongoing matters.

A discussion next ensued regarding the Authority's regularly scheduled January Board meeting, which falls on January 2, 2019. The Board requested that, due to the New Year's

holiday, the meeting be moved to Wednesday, January 9, 2019.

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 Bookkeeper's Report

Exhibit B Engineer's Report

Exhibit C Operator's Report

Exhibit D Government Affairs Update