

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
May 2, 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 May 2, 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; Corey Howell of The GMS Group ("GMS"), financial advisor for the Authority; Linda S. Watkins and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Lathan E. Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); Marian Henderson and Jerry Ewing of Harris County Municipal Utility District No. 217 ("No. 217"); Laura Davis of Harris County Municipal Utility District No. 33 ("No. 33"); 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 April 4, 2018. After discussion, Director Granadino moved that the minutes of the meeting held April 4, 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 ANNUAL CONTINUING DISCLOSURE REPORT

The Board next considered the status of the Authority's annual continuing disclosure report due on June 30, 2018. In that regard, Mr. Rubinsky advised the Board that McCall, Parkhurst & Horton L.L.P. ("McCall"), the Authority's continuing disclosure counsel, will prepare the annual continuing disclosure report, with the assistance of the Authority's engineer and financial advisor if necessary, when the Audit for the Authority's fiscal year ended December 31, 2017, has been completed and released by BKD, LLP, and will file said report with the appropriate repositories prior to the filing deadline of June 30, 2018.

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 April 1, 2018 through May 2, 2018, and the checks and wire transfers presented for payment from the General Fund and the Series 2008 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of March 2018 and the first three (3) months of the Authority's fiscal year ended December 31, 2018, and a Summary of Pumpage Fees Paid by Member Districts through March 2018. Ms. Matuska reviewed the status 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 Granadino seconded said motion, which unanimously carried.

APPROVAL OF UNCLAIMED PROPERTY REPORT

Ms. Matuska next advised the Board that there was no Unclaimed Property to be reported by the Authority for the period ending March 1, 2018.

REVIEW OF ARBITRAGE ANALYSIS REPORT

Mr. Rubinsky next presented to and reviewed with the Board an Arbitrage Analysis Report prepared by Municipal Risk Management Group, L.L.C. ("MRMG") dated April 3, 2018, a copy of which is attached hereto as **Exhibit B**, in connection with the yield restriction and arbitrage rebate calculation analyses performed in connection with the Authority's previous bond issues. Mr. Rubinsky advised the Board that MRMG is recommending that the District engage Arbitrage Compliance Specialists, Inc. ("ACS") to prepare a 10th Year Arbitrage Rebate Report for the Series 2008 Bond Issue. Mr. Rubinsky further advised the Board that, as reflected in the attached Arbitrage Analysis Report, no further action is required in connection with any of the Authority's other bond issues at this time. After discussion on the matter, it was moved by Director Meek, seconded by Director Granadino and unanimously carried, that ACS be engaged by the District to prepare the 10th Year Arbitrage Rebate Report in connection with the Authority's Series 2008 Bond Issue, as recommended in the attached report from MRMG, and that the President be authorized to execute ACS' engagement letter related thereto on behalf of the Board and the District.

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 of the City's NEWPP. Mr. Rubinsky advised the Board that SPH had received a FY 2017 True Up Report from the City approximately two weeks ago, which indicates that the City owes the Authority \$124,829.02 for the FY 2017. Mr. Rubinsky also advised the Board as to the status of the City's revisions to other True Up Reports.

Messrs. Howell and Rubinsky addressed the Board concerning the status of the Abridged Applications for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") in connection with (i) the additional funds required for the City's NEWPP Expansion Project in the amount of \$7,585,000, and (ii) the Luce Bayou Interbasin Transfer Project in the amount of \$1,500,000, which were filed with the TWDB on February 1, 2018. In that regard, Mr. Rubinsky reported that, by correspondence dated April 15, 2018, the TWDB extended an invitation to the Authority to submit formal applications for SWIFT financial assistance for the projects in the amounts reflected above. A copy of said correspondence is attached hereto as **Exhibit C**. Mr. Rubinsky further advised the Board that IDS, SPH and GMS will prepare and submit the formal applications to the TWDB for SWIFT financing by the May 4, 2018 deadline, as authorized by the Board at the last meeting.

Mr. Howell next presented to and reviewed with the Board (i) a Debt Service Schedule for the Authority's proposed \$7,735,000 Series 2018 Bonds to be submitted to the TWDB with the Authority's 2018 SWIFT applications; (ii) a Total Debt Service Schedule for the proposed Series 2018 Bonds together with all of the Authority's outstanding bonds; and (iii) a 2018 Projected Annual Cash Flow Analysis which includes the proposed Series 2018 Bonds, copies of which are attached hereto as **Exhibit D**.

Mr. Rubinsky next presented for the Board's review correspondence received from the City dated April 10, 2018, a copy of which is attached hereto as **Exhibit E**, regarding the City's FY 2019 preliminary water rate for the NEWPP. Mr. Howell advised the Board that the NEWPP's FY 2019 preliminary water rate of \$1.4777 is less than the rate that was projected by GMS and that the NEWPP FY 2019 preliminary water rate, therefore, will not have an adverse effect on the Authority's rates or financial condition. Mr. Howell added that the Authority will not need to adjust its rates as a result of the City's proposed FY 2019 rate.

Mr. Howell exited the meeting at this time.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated May 2, 2018, a copy of which is attached hereto as **Exhibit F**, and updated the Board on the status of various matters of interest to the Authority.

Messrs. Khouw and Martin 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 advised the Board that the Authority received the aggregated Water Well Permit from the HGSD for the period June 1, 2018 through May 31, 2019, and that IDS will be preparing water allocation letters to the Member Districts for said period prior to the end of this week.

Mr. Khouw addressed the Board regarding the status of the proposed 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. After discussion, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that a contract for construction of the surface water meter station be awarded to the low bidder for the project, B-5 Construction Company, Inc., at a cost of \$207,636.00, as recommended by IDS. Mr. Khouw noted that, pursuant to a prior agreement between the Authority and No. 304 for early conversion to surface water, No. 304 had agreed to advance funds for the construction of the surface water meter station. Mr. Khouw advised, however, that the TWDB has authorized the Authority to use remaining funds from the Series 2008 Bonds for the design and construction of the surface water meter station project. After discussion on the matter, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that the use of remaining funds from the Authority's Series 2008 Bonds for the design and construction of the surface water meter station project be authorized by the Board.

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 next reported to the Board regarding the various issues discussed at the meeting of the City Water Advisory Committee held on April 30, 2018.

Mr. Khouw addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. He noted that the Guaranteed Maximum Price to be provided by Houston Waterworks Team pursuant to its Design-Build Contract with the City is expected by September 1, 2018, rather than by June 2018 as originally proposed.

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, including the award of contracts by the City for the construction of the three by-pass segments.

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.

Mr. Khouw advised the Board that the water quality management study and blending study being performed by AOS Treatment Solutions, LLC is currently on hold pending a

meeting with the NEWPP Program Advisor/Technical Consultant to discuss the water quality analyses.

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 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, pending the receipt of updated water usage demand requirements from the Member Districts.

OPERATOR'S REPORT

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

Mr. Martin reported to the Board regarding the percentage of surface 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.

The Board next considered authorizing MOC to transact business with Compass Bank for treasury management services in order to facilitate monthly billing and collection services, including, without limitation, the deposits to existing designated accounts of the Authority. After discussion on the matter, it was moved by Director Boddy, seconded by Director Meek, and unanimously carried that MOC be authorized to transact business with Compass Bank for such treasury management services, and that the Resolution Approving Treasury Management Services and Authorizing Operator attached hereto as **Exhibit H** be adopted by the Board.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated May 2, 2017, 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. Mr. Rubinsky advised the Board that SPH is working on a letter to all Member Districts regarding the importance of maintaining their groundwater wells and having reliable emergency interconnects with other Member Districts.

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

Mr. Rubinsky next advised the Board that he had no new activity to report regarding 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.

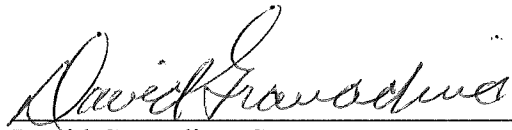
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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.

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, June 6, 2018, 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 Bookkeeper's Report
- Exhibit B Arbitrage Analysis Report prepared by Municipal Risk Management Group, L.L.C.
- Exhibit C Correspondence from TWDB dated April 15, 2018, Extending Formal Invitation to Submit Application for Financial Assistance through SWIFT
- Exhibit D Debt Service Schedule, Total Debt Service Schedule, and 2018 Projected Annual Cash Flow Analysis prepared by GMS
- Exhibit E Correspondence from City dated April 10, 2018, regarding the City's FY 2019 Preliminary Water Rate
- Exhibit F Engineer's Report
- Exhibit G Operator's Report
- Exhibit H Resolution Approving Treasury Management Services and Authorizing Operator
- Exhibit I Government Affairs Update