

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors February 6, 2019

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 February 6, 2019, 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.

AMS

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; Caleb Burson of Accurate Meter & Supply ("ACM"); Wesley Lay of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); 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"); 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 January 9, 2019. After discussion, Director Boddy moved that the minutes of the meeting held January 9, 2019, be approved as written. Director Gower 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 January 1, 2019 through February 6, 2019, and the disbursements presented for payment from the Authority's accounts, a Summary of Investments, a Statement of Revenues and Expenditures for the month of December 2018 and the entire twelve (12) months of the Authority's fiscal year ended December 31, 2018, and a Summary of Pumpage Fees Paid by Member Districts through November 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 Granadino 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 RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE AUTHORITY

The Board next considered adopting a list of qualified brokers authorized to engage in investment transactions with the Authority. Mr. Rubinsky advised that, pursuant to the Public Funds Investment Act and the Authority's Investment Policy, the Board is required to review, and revise if necessary, such list at least annually. He then presented to and reviewed with the Board a proposed list of financial institutions, brokers and dealers authorized to engage in investment transactions with the Authority, a copy of which is attached hereto as **Exhibit B**, as compared to the list previously adopted by the Board. Mr. Rubinsky noted that the broker list presented is a list of potential institutions with which the Authority may engage in investment transactions compiled with the input of the Authority's Investment Officer, but it is ultimately the Board's decision as to where the Authority's funds are actually placed. After discussion on the matter, Director Boddy moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority attached hereto as **Exhibit C** be approved, and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Meek seconded said motion, which unanimously carried.

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 it is his understanding that the North Harris County Regional Water Authority is getting close to concluding the correction of its True Up Reports process with the City, at which time the True Up Reports for the other regional water authorities, including the Authority, will be revised and completed.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated February 6, 2019, a copy of which is attached hereto as **Exhibit D**, 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 by B-5 Construction Company, Inc. ("B-5") 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 requested approval of Change Order No. 3 to the contract for the project relative to the installation of 110v receptacles adjacent to the existing meter stations located within Harris County Municipal Utility District No. 150, No. 217 and Rankin Road at a cost of approximately \$4,488. Mr. Khouw noted that the change order will have no effect on the overall contract costs already as it will be applied to the additional items costs included in the construction contract. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that Change Order No. 3 to the Authority's contract with B-5 be approved by the Board, as recommended by the Authority's engineer.

Mr. Khouw also discussed recent communications with the Texas Commission on Environmental Quality regarding No. 304's application for approval of plans for construction of the interconnect facilities with the Authority's system.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. Mr. Khouw advised the Board that the City and the Houston Waterworks Team ("HWT") are still in negotiations on the Guaranteed Maximum Price ("GMP") for completion of the NEWPP Expansion Project. A lengthy discussion ensued regarding the original cost estimate for the NEWPP Expansion Project reflected in the Basis of Design Report agreed to by the parties. It was noted that the current estimated costs for completion of the Project is much higher than originally budgeted. Mr. Khouw reported that the City and the regional water authorities are requesting significant additional supporting documentation from HWT. Mr. Khouw advised that negotiation of the GMP is ongoing and that he will have a much better idea as to where things stand by the end of next week.

Mr. Khouw next advised the Board that the City has invited the Authority for a site visit and tour of the NEWPP Expansion Project. After discussion, the Board concurred to tour the Project on Friday, March 1, 2018.

Mr. Khouw next reported to the Board concerning the status of Phase I of the Northeast Transmission Line ("NETL"). Mr. Khouw discussed two (2) invoices recently received from the City for NETL Segment 1 and NETL Segment 2, as further detailed in the Engineer's Report. With respect to the invoice received from the City for NETL Segment 1 in the amount of

\$35,690.14, Mr. Khouw noted that this amount is the net amount after the City applied a credit due to the Authority of \$58,886.84. Mr. Khouw advised the Board that the escrow release application to be submitted to the Texas Water Development Board ("TWDB") for payment of the two invoices received from the City will also include legal and engineering fees incurred on these projects so that the General Operating Fund can be reimbursed with Construction Funds.

Mr. Khouw advised the Board that he had no new activity upon which to report with respect to Phase II of the NETL.

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.

With respect to the Luce Bayou Interbasin Transfer Project, Mr. Khouw advised the Board that the water lines and channel are nearing completion. The Capers Ridge Pump Station has fallen behind schedule due to some flooding issues at the site.

Mr. Khouw next advised the Board that he has not yet met with the engineer for Harris County Municipal Utility District No. 215 ("No. 215") to discuss the possibility of early conversion of No. 215 to surface water.

ANNUAL REVIEW OF SURVEY OF WAGE RATE SCALES

The Board considered the review of an annual survey of prevailing wage rates for construction projects and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky advised the Board that the Authority previously adopted the United States Department of Labor ("DOL") prevailing wage rates for the Harris County area, which were recently updated as of January 2019. After discussion on the matter, Director Meek moved that the Board adopt the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects attached hereto as **Exhibit E** to reflect the applicable updated prevailing wage rate scales published by the DOL, and that the President and Secretary be authorized to execute same on behalf of the Board and Authority. Director Boddy seconded said motion, which unanimously carried.

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, No. 150 and 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 January 2019, a copy of which is attached hereto as **Exhibit F**. 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.

The Board next recognized Caleb Burson of AMS, who presented an updated proposal for the implementation of a remote meter reading and monitoring system for the Authority to be provided by Badger Meter, Inc. ("Badger"), a copy of which is attached hereto as **Exhibit G**. Mr. Burson advised the Board that No. 200 and No. 33 are currently using Badger water meters and that No. 304 is considering implementing them as well. Mr. Martin advised the Board that MOC has discussed the proposed system with the operators for all of the Member Districts and that all are in favor of the Authority proceeding with the implementation of an automated meter reading. Mr. Rubinsky advised the Board that, in addition to the proposed agreements with AMS and Badger Meter, Inc., the Authority would need to enter into Right-of-Entry Agreements with each of the Member Districts in the event the Board elected to proceed with the implementation of the system. After discussion on the matter, it was moved by Director Gower that the Board accept the proposal from AMS for implementation of the proposed automated meter reading and monitoring system, and that SPH be authorized to begin working on the Services Agreement between the Authority and Accurate Utility Supply, LLC and the Beacon AMA Managed Solution Master Agreement between the Authority and Badger. Director Meek seconded said motion, which unanimously carried.

Mr. Burson exited the meeting at this time.

Mr. Martin next advised the Board that the installation of protective enclosures over the surface water meter stations has now been completed.

Mr. Martin reported that MOC is working to complete the Survey of Ground and Surface Water Usage for the year ended December 31, 2018, as authorized by the Board at the last meeting, and that MOC will submit the survey to the TWDB prior to the March 1, 2019 deadline.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated February 5, 2019, together with a Bill Tracking Report, and a Legislative Committees of Interest List, copies of which are attached hereto as **Exhibit H**. Mr. Rubinsky then discussed proposed eminent domain reform legislation and the Coalition for Critical Infrastructure ("CCI"), which will be working to preserve political subdivisions' powers of eminent domain in the current Legislative Session. After discussion, it was moved by Director Granadino, seconded by Director Meek and unanimously carried, that the Authority participate in the CCI at a cost of \$2,500.

APPROVAL AND EXECUTION OF PROPOSALS FOR RENEWAL OF INSURANCE COVERAGES

Director Meek next reviewed the insurance proposal received from HARCO Insurance Company, agent for the Texas Municipal League's ("TML") Intergovernmental Risk Pool, relative to the renewal of the Authority's insurance coverages for the term of April 1, 2019 through March 31, 2020. Director Meek discussed the proposal in detail and advised the Board of the changes from prior years' coverages. Director Meek also discussed the options for

directors and officers liability insurance coverage. After discussion, the Board deferred action relative to the approval and execution of the proposal from TML, pending the receipt of additional directors and officers liability insurance coverage proposals from TML.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky advised the Board that he had nothing further to discuss with the Board of a legal nature which was not covered under specific agenda items.

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 still not 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. A discussion next ensued regarding the documentary video produced by the WHCRWA to assist in educating the public regarding the significant 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 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.

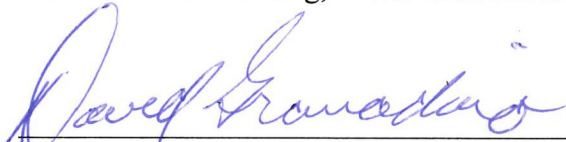
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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.

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, March 6, 2019, 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

<u>Exhibit A</u>	Bookkeeper's Report
<u>Exhibit B</u>	List of Financial Institutions, Brokers and Dealers as Compared to List Previously Adopted by the Board
<u>Exhibit C</u>	Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
<u>Exhibit D</u>	Engineer's Report
<u>Exhibit E</u>	Resolution Adopting Prevailing Wage Rate Scale for Construction Projects
<u>Exhibit F</u>	Operator's Report
<u>Exhibit G</u>	Updated Proposal from Accurate Meter & Supply for Implementation of a Remote Meter Reading and Monitoring System
<u>Exhibit H</u>	Government Affairs Update, Bill Tracking Report, and Legislative Committees of Interest List