

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Special Meeting of Board of Directors January 9, 2019

The Board of Directors (the "Board") of the Central Harris County Regional Water Authority (the "Authority") met in special session, open to the public on January 9, 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.

Also present were Marcel Khouw, P.E. of IDS Engineering Group, Inc. ("IDS"), engineer for the Authority; Rose Montalbano of F. Matuska, Inc. ("Matuska"), bookkeeper for the Authority; Lonnie Wright 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; CJ Tredway of Tredway Advocacy, governmental affairs representative for the Authority; Jennifer Smith and 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"); Tim Hardin and Cordelia Brown 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 December 5, 2018. After discussion, Director Boddy moved that the minutes of the meeting held December 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.

BOOKKEEPER'S REPORT

Ms. Montalbano 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 December 1, 2018 through January 9, 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 November 2018 and the first eleven (11) months of the Authority's fiscal year ended December 31, 2018, and a Summary of Pumpage Fees Paid by Member Districts through October 2018. Ms. Montalbano reviewed the status of and activity in each of the Authority's accounts and discussed certain transactions with the Board. After discussion, Director Meek 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.

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

Ms. Montalbano presented for the Board's review an amended Operating Budget for the Authority's fiscal year ending December 31, 2019, a copy of which is attached to the Bookkeeper's Report. She advised the Board that the budget had been amended to reflect (i) an additional \$87,000 in expenses for the Authority's share of operation and maintenance costs of various joint facilities for the North Harris County Regional Water Authority's ("NHCRWA") fiscal year 2018, and (ii) the transfer of an additional \$75,000 to the Debt Service Fund, as discussed at the last meeting. After discussion on the matter, upon motion made by Director Meek, seconded by Director Boddy and unanimously carried, the Board approved the amended Operating Budget for the Authority's fiscal year ending December 31, 2019, as presented.

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. Howell advised the Board that he had no new activity upon which to report concerning the subject True Up Reports.

The Board next discussed the Authority's updated Long Term Financial Plan and the possible need for an adjustment of the Authority's rates. In that regard, Mr. Howell distributed a comparison of the Authority's rates with the rates imposed by the other regional water authorities in the Houston metropolitan area, a copy of which is attached hereto as **Exhibit B**. Mr. Howell advised the Board that he is not recommending any increases in the Authority's rates at this time, but that he will want to analyze the rates again in a couple of months once the Authority's draft Audit Report for the fiscal year ended December 31, 2018 becomes available. Mr. Howell advised the Board that several key issues will impact the Authority's financial condition and, therefore, its future rates and fees, including primarily (i) the increased costs of the NEWPP Expansion Project, and (ii) water usage within the Authority's Member Districts not increasing to

the levels originally projected. Mr. Howell then presented to and reviewed with the Board various spreadsheets, copies of which are attached hereto as **Exhibit C**, regarding his 2019 Projected Annual Cash Flow Analysis, Available Reserves Analysis, Rate Covenant Test and "Adjusted" Additional Bonds Test with 2015-2020 Texas Water Development Board ("TWDB") State Water Implementation Revenue Fund for Texas ("SWIRFT") Bonds. After discussion, the Board concurred that no increases in the Authority's rates would be necessary at this time.

Mr. Howell next recommended that correspondence be forwarded to the Member Districts advising that the Authority has evaluated updated financial information and has determined that it will not be necessary at this time to adjust its GRP Fee or Surface Water Fee, but that the Authority will re-evaluate its rates later this year. After discussion, the Board authorized SPH to direct correspondence to all Member Districts in accordance with Mr. Howell's recommendation.

Mr. Rubinsky next advised the Board that correspondence had been received from the TWDB dated December 17, 2018, requesting that the Authority complete Multi-Year Commitment Annual Loan Closing Schedules for (i) the Second Source Line Phase II Project, (ii) the NEWPP Expansion Project, and (iii) the Internal Distribution Project, and submit the schedules to the TWDB prior to February 1, 2019. After discussion on the matter, the Board authorized SPH to complete the schedules and submit same to the TWDB on behalf of the Board and the Authority prior to the February 1, 2019 deadline.

Mr. Howell next advised the Board that by correspondence dated December 6, 2018, a copy of which is attached hereto as **Exhibit D**, he had provided the Authority with GMS's MSRB Rule G-10 Annual Disclosures.

GOVERNMENT AFFAIRS UPDATE

Ms. Tredway next addressed the Board concerning the 86th Texas Legislative Session and some of the major issues to be discussed during this Session.

APPROVAL OF GOVERNMENT AFFAIRS REPRESENTATION AGREEMENT

The Board next considered the approval of a Government Affairs Representation Agreement between Ms. Tredway and the Authority in connection with the 86th Texas Legislative cycle (2019-2020), as presented and discussed at the last Board meeting. After discussion, it was moved by Director Boddy and seconded by Director Granadino that (i) the Agreement be approved and that the President be authorized to execute same on behalf of the Board and the Authority, and (ii) the Texas Ethics Commission Form 1295 received from Ms. Tredway be accepted and that SPH be authorized to acknowledge same. The motion carried with Directors Cox, Boddy, Granadino and Meek voting in favor of such action and Director Gower voting against such action.

Ms. Tredway exited the meeting at this time.

PRESENTATION FROM ACCURATE METER & SUPPLY REGARDING THE

POSSIBLE IMPLEMENTATION OF A REMOTE METER READING AND MONITORING SYSTEM

The Board next recognized Caleb Burson and Jennifer Smith of AMS, who addressed the Board regarding the success of the West Harris County Regional Water Authority's (the "WHCRWA") pilot program for the implementation of a remote meter reading and monitoring system. Mr. Burson and Ms. Smith reported that AMS is now in the process of replacing all 350 meters located in the WHCRWA with remote read meters or, in some cases, retrofitting existing meters to convert them into remote read meters. Mr. Burson and Ms. Smith next discussed the possibility of replacing the Authority's surface water meters and the Member Districts' water well meters with remote read meters. In that regard, they discussed the cellular based meter system that would be provided by Badger Meter, Inc. and the Beacon software system that would be used by the Authority's Operator to read and monitor the meters. Mr. Burson and Ms. Smith then responded to various questions from the Board and members of the public in attendance at the meeting. Mr. Wright discussed the benefits that would be derived by the Authority as a result of the implementation of a remote meter reading and monitoring system. He noted that there would be no costs incurred by the Authority through MOC in connection with the implementation of the system. Mr. Rubinsky advised the Board that 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, the Board requested that (i) the Authority's Operator, Engineer and Attorney advise the Board at the next meeting of all estimated costs associated with the implementation of the proposed remote meter reading and monitoring system, and (ii) MOC discuss the proposed system with the operators for the Member Districts to ensure that they are in favor of the Authority proceeding with the implementation of such a system. The Board deferred action on the matter until the February Board meeting.

Mr. Burson and Ms. Smith exited the meeting at this time.

Mr. Howell next advised the Board that the Authority could pay for the costs associated with the implementation of the remote meter reading and monitoring system out of the General Operating Fund and then reimburse the General Operating Fund with proceeds from the bonds to be issued in the future to finance the Authority's 2025 Internal Distribution System.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated January 9, 2019, a copy of which is attached hereto as **Exhibit E**, 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, as

detailed in the Engineer's Report. The Board deferred action relative to the approval of Pay Estimate No. 4 received from B-5 Construction Company, Inc. in the amount of \$2,491.29 in connection with the contract for construction of the surface water supply line extension and meter station project until the February Board meeting.

Mr. Khouw next advised the Board that the engineer for Harris County Municipal Utility District No. 215 ("No. 215") has requested a meeting to discuss the possibility of early conversion of No. 215 to surface water. Mr. Khouw noted that No. 215 is not scheduled to convert to surface water until 2035. After discussion on the matter, the Board authorized Mr. Khouw to meet with No. 215's engineer to discuss early conversion to surface water, but to advise that No. 215 will be solely responsible for all costs and expenses associated therewith.

Mr. Khouw next advised the Board that he has completed his review of 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 that the reports appear to be in order. After discussion on the matter, the Board authorized the Authority's Bookkeeper to prepare checks for payment of the Authority's share of such operation and maintenance costs, as reflected in the Engineer's Report, 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. Mr. Khouw discussed the pay application submittal and approval timeline for the Houston Waterworks Team ("HWT") invoices for the NEWPP Expansion Project. He noted that the City and the HWT are still in negotiations on the Guaranteed Maximum Price for completion of the NEWPP Expansion Project. He reported that the City and the NEWPP Program Advisor/Technical Consultant are reviewing HWT's submittals and that the City has requested supporting documentation from all Tier 1 Subcontractors for review.

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.

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

Mr. Khouw further reported that the TWDB had requested the Authority's completion of a Survey of Ground and Surface Water Usage for the year ended December 31, 2018. After discussion, it was moved by Director Boddy, seconded by Director Gower, and unanimously carried that MOC be authorized to complete the Survey and to submit same to the TWDB on behalf of the Authority prior to the March 1, 2019 deadline.

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 No. 200, based upon the updated data recently received regarding the Member District's projected water usage demand requirements.

OPERATOR'S REPORT

Mr. Wright presented to and reviewed with the Board a written Operator's Report for December 2018, a copy of which is attached hereto as **Exhibit F**. Mr. Wright 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. Wright noted that Harris County Municipal Utility No. 33 ("No. 33") has now paid Harris County Utility District No. 14 back in full for the water imported by No. 33 between August and October 2018.

Mr. Wright next advised the Board that Scruggs Company has completed the integrity tests on the Authority's cl-vals, as authorized by the Board last month, and that all of the cl-vals were found to be in good condition.

Mr. Wright next advised the Board that a Texas Commission on Environmental Quality Modified Comprehensive Compliance Inspection of the Authority's water system was conducted on November 16, 2018, and that no violations were noted during the inspection.

AUTHORIZE MOC TO PROVIDE REQUIRED INFORMATION TO DISTRICTS RECEIVING SURFACE WATER FROM THE AUTHORITY RELATIVE TO CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing MOC to provide required information to districts receiving surface water from the Authority during 2018 relative to required annual Consumer Confidence Reports. Mr. Rubinsky explained that, pursuant to the Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the Authority is required to provide by April 1, 2019, a report containing various information regarding the Authority's surface water supply to any other water supplier which received surface water from the Authority during the prior calendar year. After discussion on the matter, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that MOC be authorized to provide the required information as set forth hereinabove.

AUTHORIZE SOLICITATION OF PROPOSALS FOR INSURANCE COVERAGES

The Board next discussed the solicitation of proposals for the Authority's insurance coverages for the term of April 1, 2019, through March 31, 2020. Mr. Rubinsky advised the Board that the Authority's current insurance coverages, through TML Insurance Services

("TML"), will expire on March 31, 2019. After discussion on the matter, the Board requested that SPH solicit a proposal on behalf of the Authority from TML only at this time, and that Director Meek be authorized to review such proposal on behalf of the Board and the Authority.

AUTHORIZE PREPARATION AND SUBMISSION OF AUTHORITY INFORMATION TO TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR INCLUSION IN THE SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Rubinsky next informed the Board that, pursuant to provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the Authority is required to submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Following discussion, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that the Authority's auditor, BKD, LLP, be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Public Information Database.

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

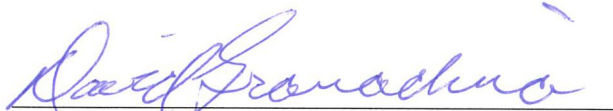
The Board considered items for placement on future agendas. Except as may be

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, February 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.

A handwritten signature in blue ink, appearing to read "David Granadino", is written over a horizontal line.

David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

<u>Exhibit A</u>	Bookkeeper's Report
<u>Exhibit B</u>	Rate Comparison prepared by The GMS Group, L.L.C.
<u>Exhibit C</u>	2019 Projected Cash Flow Analysis (Updated Financial Model) prepared by The GMS Group, L.L.C.
<u>Exhibit D</u>	Correspondence from The GMS Group, L.L.C. dated December 6, 2018 regarding MSRB Rule G-10 Annual Disclosures
<u>Exhibit E</u>	Engineer's Report
<u>Exhibit F</u>	Operator's Report