

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors March 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 March 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.

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; 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"); 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 February 6, 2019. Mr. Rubinsky noted an error in the first paragraph of page 5 of the minutes. After discussion, Director Boddy moved that the minutes of the meeting held February 6, 2019, be approved, as amended. 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 February 1, 2019 through March 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 January 2019 and the first month of the Authority's fiscal year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts through December 2018. Ms. Matuska reviewed the status of and activity in each of the Authority's accounts and discussed certain transactions with the Board. She noted the payments made to the City of Houston (the "City") of approximately \$2,730,000 for the Authority's share of the costs due to the City during its Fiscal Year 2019 on Phase I of the Northeast Transmission Line ("NETL"), Segments 1 and 2. Ms. Matuska advised the Board that IDS has submitted escrow release applications to the Texas Water Development Board ("TWDB") for these payments so that the General Operating Fund can be reimbursed with proceeds from the Series 2015 and Series 2016 Bonds. 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.

Ms. Matuska next presented to and reviewed with the Board the Authority's Quarterly Investment Report for the period ended December 31, 2018, a copy of which is attached hereto as **Exhibit B**. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that said Quarterly Investment Report be approved and that the Authority's Investment Officer be authorized to execute same on behalf of the Board and the Authority.

FINANCIAL ADVISOR'S REPORT

In the absence of the Authority's Financial Advisor, Mr. Rubinsky advised the Board that he had no new activity upon which to report regarding the completion of 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 Costs of the City's Northeast Water Purification Plant ("NEWPP").

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated March 6, 2019, a copy of which is attached hereto as **Exhibit C**, 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. He noted that the total water usage of 1,252.869 MG is 95.53% of the projected amount of 1168 MG through December 2018, rather than through November as reflected on the Engineer's Report.

Mr. Khouw addressed the Board regarding the status of construction by B-5 Construction Company, Inc. 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 noted that the project should be closed out next month.

Mr. Khouw next addressed the Board regarding recent escrow release applications submitted to the TWDB, as further detailed in the Engineer's Report. He advised the Board that, with escrow release no. 4, he believes the Authority will have expended all of the funds for the NETL that were included in the Series 2015 Bonds.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. Messrs. Khouw and Rubinsky then reported to the Board relative to the status of negotiations regarding the First Amendment to the Second Supplement to each regional water authority's Water Supply Contract with the City.

Mr. Khouw next provided the Board with an updated estimated project cost for the NEWPP Expansion Project through completion, as of February 27, 2019. He advised the Board that, if the proposed amendment to the Design-Build Agreement between the City and the Houston Waterworks Team ("HWT") is not approved by June 20, 2019, the Guaranteed Maximum Price ("GMP") for completion of the NEWPP Expansion Project will increase. A lengthy discussion followed regarding the Project. The Board concurred that it will not be willing to approve the proposed amendment to the HWT contract on the GMP until the First Amendment to the Second Supplement to Water Supply Contract is approved by all parties.

Mr. Khouw also advised the Board that he is reviewing various spreadsheets prepared in connection with the Authority's previous bond financings to determine whether the Authority will have sufficient bond proceeds to pay its share of the total costs of the NEWPP Expansion Project.

Mr. Khouw next reported to the Board concerning the status of Phase I of the NETL. Mr. Khouw discussed the invoices recently received from the City for NETL Segment 1 and NETL Segment 2, 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 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. Mr. Khouw advised the Board that he will present a proposal next month for an environmental study which will be required in connection with the project.

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 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.

The Board next considered authorizing IDS to complete and file a Water Conservation Plan Annual Implementation Report with the TWDB. After discussion, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that upon receipt of the report, IDS be authorized to complete and file same with the TWDB on behalf of the Board

and the Authority prior to the May 1, 2019 deadline.

ISSUANCE OF SURFACE WATER COMMITMENTS TO MEMBER DISTRICTS

The Board deferred action relative to 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 resolution of certain issues related to the Authority's implementation of a remote meter reading and monitoring system.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for February 2019, a copy of which is attached hereto as **Exhibit D**. 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.

With respect to the implementation of a remote meter reading and monitoring system for the Authority, Mr. Rubinsky advised the Board that SPH is in the process of reviewing (i) the proposed Services Agreement between the Authority and Accurate Utility Supply, LLC ("AUS"), and (ii) the proposed Beacon AMA Managed Solution Master Agreement between the Authority and Badger Meter, Inc. ("Badger"). Mr. Rubinsky noted that, in addition to the proposed agreements with AUS and Badger, the Authority will need to enter into Right-of-Entry Agreements with each of the Member Districts in connection with the implementation of the remote meter reading and monitoring system. He advised that SPH is working on all of such documentation.

Mr. Martin next advised the Board that he will confirm that the Survey of Ground and Surface Water Usage for the year ended December 31, 2018 was submitted 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 March 5, 2019, together with a Bill Tracking Report, copies of which are attached hereto as **Exhibit E**.

APPROVAL AND EXECUTION OF PROPOSALS FOR RENEWAL OF INSURANCE COVERAGES

The Board next considered the review and approval of a proposal received from HARCO Insurance Company ("HARCO"), agent for the Texas Municipal League's ("TML") Intergovernmental Risk Pool, relative to the renewal of the Authority's various insurance coverages for policies expiring March 31, 2019. In that regard, Director Meek discussed the options for directors and officers liability insurance coverage, including a proposal received from Chubb Insurance Group ("Chubb"). Director Meek also advised the Board of a new program for

directors and officers liability insurance coverage for public entities that is being developed by Philadelphia Insurance. He reported, however, that HARCO was not able to provide a proposal for the new program for the Board's consideration at this time. Director Meek then recommended that the Authority renew its insurance coverage with TML and that the Board accept TML's proposal in connection therewith, including the proposal from Chubb for directors and officers liability coverage with a \$3,000,000 limit for a premium of \$3,000. After discussion on the matter, Director Gower moved that the TML insurance proposal be accepted as recommended by Director Meek, including the proposal from Chubb for directors and officers liability coverage as reflected above, and that the President be authorized to execute same on behalf of the Board and the Authority. Director Granadino seconded said motion, which unanimously carried.

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. Mr. Rubinsky advised the Board that the documentary video produced by the West Harris County Regional Water Authority titled "Partners in Progress" was posted on the website last week.

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.

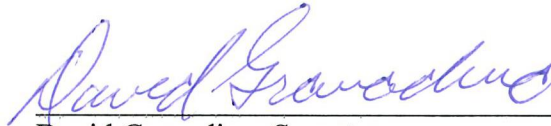
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, April 3, 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

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| <u>Exhibit A</u> | Bookkeeper's Report |
| <u>Exhibit B</u> | Quarterly Investment Report for the period ended December 31, 2018 |
| <u>Exhibit C</u> | Engineer's Report |
| <u>Exhibit D</u> | Operator's Report |
| <u>Exhibit E</u> | Government Affairs Update and Bill Tracking Report |