

# **CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

## **Minutes of Meeting of Board of Directors April 3, 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 April 3, 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; Jennifer Hanna of BKD, LLP ("BKD"); Wesley Lay of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Lathan Johnson and Pastor Mitchell B. Stewart of Rankin Road West Municipal Utility District ("Rankin Road"); 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 March 6, 2019. After discussion, Director Boddy moved that the minutes of the meeting held March 6, 2019, be approved as presented. 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.

### **APPROVAL OF AUDIT FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

The Board recognized Ms. Hanna, who presented to and reviewed with the Board a draft of the Authority's Annual Audit Report prepared for the fiscal year ended December 31, 2018, as

well as a summary of the draft Audit, copies of which are attached hereto as **Exhibit A**. Ms. Hanna noted that the Authority had previously engaged McCall Gibson Swedlund Barfoot PLLC ("McCall Gibson") to perform certain accounting procedures in order to eliminate the findings of material weaknesses in internal controls in the Management Letter associated with the Authority's fiscal year end audits. In that regard, Mr. Rubinsky reminded the Board of prior discussions with the Texas Water Development Board ("TWDB") regarding apparent non-compliance with the requirements of the Authority's Bond Resolutions due to BKD's findings of material weaknesses in internal controls over financial reporting in 2017 and prior year audits, which gave rise to the Authority's engagement of McCall Gibson last year to review the Authority's financial statements. After discussion concerning the Audit presented, Director Boddy moved that: (i) the Audit Report for the fiscal year ended December 31, 2018, be approved, subject to final review and comments by SPH and the Authority's other consultants; (ii) the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the Authority; and (iii) such Audit Report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality, the Texas Comptroller of Public Accounts and the TWDB. Director Meek seconded said motion, which unanimously carried.

#### **AUTHORIZE DISCLOSURE COUNSEL TO PREPARE AND FILE ANNUAL CONTINUING DISCLOSURE REPORT**

The Board next considered authorizing McCall, Parkhurst & Horton L.L.P. ("McCall Parkhurst"), the Authority's continuing disclosure counsel, to prepare the Authority's annual continuing disclosure report due no later than June 30, 2019. Mr. Rubinsky advised the Board that McCall Parkhurst 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, 2018, has been completed and released by BKD, and will file said report with the appropriate repositories prior to the filing deadline of June 30, 2019. After discussion on the matter, Director Boddy moved that McCall Parkhurst be authorized to prepare the Authority's annual continuing disclosure report and be authorized and directed to file said continuing disclosure report with the appropriate repositories on behalf of the Authority prior to the June 30, 2019 deadline. Director Granadino seconded said motion, which unanimously carried.

#### **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 B**, including the Summary of Cash Transactions for the Authority's various funds for the period March 1, 2019 through April 3, 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 February 2019 and the first two months of the Authority's fiscal year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts through January 2019. Ms. Matuska reviewed the status of and activity in each of the Authority's accounts and discussed certain transactions with the Board. She noted that the TWDB had approved the Authority's escrow release applications for payment of the Authority's share of the costs due to the City of Houston ("City") during its

Fiscal Year 2019 on Phase I of the Northeast Transmission Line ("NETL"), Segments 1 and 2, and that the General Operating Fund had been reimbursed with the released proceeds from the Series 2015 and Series 2016 Bonds in the total amount of \$2,733,621.57 to cover the payments that were made to the City last month for this project. After discussion, Director Meek moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment. Director Boddy seconded said motion, which unanimously carried.

Ms. Matuska next presented for the Board's approval a Depository Pledge Agreement ("DPA") between the Authority and Wells Fargo Bank, N.A. After discussion on the matter, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that the DPA be approved and that the President be authorized to execute same on behalf of the Board and the Authority.

### **REVIEW OF ARBITRAGE ANALYSIS REPORT**

Mr. Rubinsky next presented to and reviewed in detail with the Board an Arbitrage Analysis Report prepared by Municipal Risk Management Group, L.L.C. ("MRMG") dated March 22, 2019, a copy of which is attached hereto as **Exhibit C**, 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, as reflected in the attached Arbitrage Analysis Report, no action is required in connection with any of the Authority's bond issues at this time.

### **FINANCIAL ADVISOR'S REPORT**

In the absence of the Authority's Financial Advisor, Mr. Rubinsky advised the Board that the City's FY 2011, FY 2012, FY 2013, FY 2014, FY 2015 and FY 2016 True Up Reports related to Operations and Maintenance Costs of the City's Northeast Water Purification Plant ("NEWPP") are now complete, and that the Authority is due a total credit in the amount of \$476,267.75 for amounts paid to the City in such fiscal years. After discussion on the matter, the Board requested that the credit be wire transferred to the Authority's General Operating Fund as opposed to the City issuing credits to the Authority against future water bills. Mr. Rubinsky noted that corrections to the FY 2017 True Up Report are still outstanding. He further advised the Board that the FY 2018 True Up Report was received this week from the City which indicates that the Authority is due another credit of approximately \$22,000.00.

Mr. Rubinsky next presented for the Board's review correspondence received from the City dated April 1, 2019, a copy of which is attached hereto as **Exhibit D**, regarding the City's FY 2020 preliminary water rate for the NEWPP. Mr. Rubinsky advised the Board that the NEWPP's FY 2020 preliminary water rate is \$1.5070 per 1,000 gallons, and that he has requested that John Howell analyze whether the Authority will need to adjust its rates as a result of the City's proposed FY 2020 rate.

### **ENGINEER'S REPORT**

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report

dated April 3, 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 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 next addressed the Board regarding the escrow release application to be submitted to the TWDB for upcoming NEWPP Expansion Project invoices totaling approximately \$5,119,160, as further detailed in the Engineer's Report. Mr. Khouw advised the Board that the City has requested payment of the invoices by May 11, 2019.

Mr. Khouw next advised the Board that he had completed his review of the Authority's Drought Contingency Plan ("DCP") and that he had no recommended changes to the DCP. After discussion, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that no changes be made to the DCP at this time and that the Resolution Regarding Review of Drought Contingency Plan attached hereto as **Exhibit F** be adopted by the Board.

Mr. Khouw next advised the Board that he had also completed his review of the Authority's Water Conservation Plan ("WCP") and had updated the information contained in the WCP. After discussion, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that (i) the updated WCP be approved by the Board and that the Resolution Regarding Review of Water Conservation Plan attached hereto as **Exhibit G** be adopted by the Board, and (ii) IDS be authorized to submit the updated WCP to the TWDB and the Texas Commission on Environmental Quality on behalf of the Board and the Authority, subject to SPH's and MOC's final review and approval of same.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. A lengthy discussion followed regarding the status of negotiations with the City relative to the First Amendment to the Second Supplement to each regional water authority's Water Supply Contract with the City, and critical dates and decisions to be made in connection with the project. Mr. Khouw and Mr. Rubinsky advised that several meetings between representatives of the City and the regional water authorities are expected to be held this month in order to try and meet critical deadlines associated with the 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 at this time 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 had no new activity upon which to report with respect to the Luce Bayou Interbasin Transfer Project.

Mr. Khouw additionally reported that IDS is working to complete the Water Conservation Plan Annual Implementation Report authorized by the Board last month, and that the Report will be filed with the TWDB 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 proposed 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 March 2019, a copy of which is attached hereto as **Exhibit H**. 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 proposed implementation of the remote meter reading and monitoring system for the Authority, Mr. Rubinsky advised the Board that SPH has reviewed and prepared comments to the proposed Beacon AMA Managed Solution Master Agreement between the Authority and Badger Meter, Inc., and is currently reviewing the proposed Services Agreement between the Authority and Accurate Utility Supply, LLC. Mr. Rubinsky further advised the Board that SPH will soon begin working on Right-of-Entry Agreements with each of the Member Districts in connection with the implementation of the remote meter reading and monitoring system.

#### **AUTHORIZE MOC TO PROVIDE WATER QUALITY DATA TO MEMBER DISTRICTS**

The Board next considered authorizing MOC to provide water quality data to the Member Districts of the Authority that received surface water from the Authority during 2018 relative to Consumer Confidence Reports. After discussion on the matter, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that MOC be authorized to send the water quality data to the Member Districts, as applicable, on behalf of the Board and the Authority.



## **GOVERNMENT AFFAIRS UPDATE**

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated April 2, 2019, together with a Bill Tracking Report, copies of which are attached hereto as **Exhibit I**. He then discussed various bills of interest to the Authority.

## **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**

There was no new activity reported in connection with the Authority's website or other communications with Member Districts.

## **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.

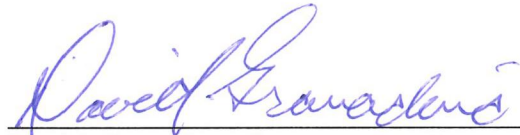
## **ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY**

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, May 1, 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.

  
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David Granadino, Secretary  
Board of Directors

### **LIST OF ATTACHMENTS TO MINUTES**

- Exhibit A      Draft Audit for the Fiscal Year Ended December 31, 2018, and Summary of the Audit
- Exhibit B      Bookkeeper's Report
- Exhibit C      Arbitrage Analysis Report prepared by Municipal Risk Management Group, L.L.C.
- Exhibit D      Correspondence from City dated April 1, 2019, regarding the City's FY 2020 Preliminary Water Rate
- Exhibit E      Engineer's Report
- Exhibit F      Resolution Regarding Review of Drought Contingency Plan
- Exhibit G      Resolution Regarding Review of Water Conservation Plan
- Exhibit H      Operator's Report
- Exhibit I      Government Affairs Update and Bill Tracking Report