

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
June 5, 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 June 5, 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, except Director Boddy, 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; John Howell of The GMS Group, L.L.C. ("GMS"), financial advisor 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"); 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 May 1, 2019. After discussion, Director Gower moved that the minutes of the meeting held May 1, 2019, be approved as presented. Director Granadino 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, 2019. In that regard, Mr. Rubinsky advised the Board that McCall, Parkhurst & Horton L.L.P. ("McCall"), the Authority's Continuing Disclosure Counsel, is still

working on the annual Continuing Disclosure Report and that McCall will complete and file said Report with the appropriate repositories prior to the filing deadline of June 30, 2019.

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 May 1, 2019 through June 5, 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 April 2019 and the first four months of the Authority's fiscal year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts through March 2019. Ms. Matuska noted that \$476,267.75 had been received from the City of Houston ("City") pursuant to the results of the FY 2011 through 2016 True Up Reports related to Operations and Maintenance Costs of the City's Northeast Water Purification Plant ("NEWPP") for amounts paid to the City by the Authority in such fiscal years. Ms. Matuska also reported that she had wired funds to the City for payment of Cash Call 8A in the amount of \$2,287.50 for additional legal fees in connection with the NEWPP Expansion Project, as authorized by the Board last month. 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.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority. Mr. Howell addressed the Board concerning the Authority's proposed Series 2019 Bonds. In that regard, he presented to and reviewed with the Board correspondence from GMS dated June 5, 2019, a copy of which is attached hereto as **Exhibit B**, relative to MSRB Rule G-23 with respect to new issues for which the Time of Formal Award occurs after November 27, 2011, which states that a broker, dealer or municipal securities dealer is prohibited from acting as a Financial Advisor or Municipal Advisor to an issuer for a particular issue sold on a negotiated or competitive bid basis and subsequently switching roles to underwrite the same issue. Mr. Howell disclosed that GMS will be acting solely as Financial Advisor in connection with the Authority's proposed Series 2019 Bonds. Following discussion, the Board concurred that the President be authorized to acknowledge the disclosure on behalf of the Board and the Authority.

Mr. Howell next advised the Board that he had provided the Texas Water Development Board ("TWDB") with Debt Service Schedules earlier this week in connection with the Authority's proposed Series 2019 Bonds based upon an estimated interest rate (as of June 4, 2019) of 2.758525%. Mr. Howell then presented to and reviewed with the Board (i) a Debt Service Schedule for the Authority's proposed Series 2019 Bonds, and (ii) a 2019 Projected Annual Cash Flow Analysis, Available Reserves Analysis, Rate Covenant Test and "Adjusted" Additional Bonds Test with 2015-2020 TWDB State Water Implementation Revenue Fund for Texas ("SWIRFT") Bonds, copies of which are attached hereto as **Exhibit C**. Mr. Howell reminded the Board of his discussions at the end of 2018 when he indicated that he did not believe an increase in the Authority's rates was necessary at that time. In that regard, Mr. Howell advised the Board that, after analyzing the Authority's current financial condition and rates again, and assuming that (i) the Authority's overall debt service schedule will be extended by an

additional five years again with the sale of the proposed Series 2019 Bonds, and (ii) there being no change in total water usage within the Authority's Member Districts, he still believes that the Authority does not need to increase its rates at this time. Mr. Howell stated that he will review the Authority's rates again at the end of 2019, after the sale of the Series 2019 Bonds, in order to determine whether there would be a need for any rate adjustments at this time. After discussion, the Board concurred that no increases in the Authority's rates would be necessary at this time.

Mr. Rubinsky next reported that SPH will provide the TWDB with a draft Bond Resolution and Private Placement Memorandum in connection with the proposed Series 2019 Bonds prior to the TWDB's June 11, 2019 deadline.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated June 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. 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. He noted that the contract for the project should be closed out before the next Board meeting.

Messrs. Khouw and Rubinsky next addressed the Board concerning the status of negotiations with the City regarding the First Amendment to Second Supplement to Water Supply Contract between the Authority and the City ("First Amendment"), as further detailed in the Engineer's Report. Mr. Rubinsky advised the Board that SPH submitted the First Amendment, as approved and executed by the Authority, to the City yesterday.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. Mr. Khouw also discussed recent negotiations between the City and the Houston Waterworks Team ("HWT") regarding the City's appropriation of funding for the Guaranteed Maximum Price for completion of the NEWPP Expansion Project. He advised the Board that, as of today, the City and HWT have not reached a final agreement.

Mr. Khouw next reported to the Board concerning the status of Phase I of the Northeast Transmission Line ("NETL"), including the Notices to Proceed issued by the City on four (4) additional line segments, as further detailed in the Engineer's Report. Mr. Khouw then responded to various inquiries from the Board regarding methods of construction and other issues in connection with the construction of the line segments.

Mr. Khouw next reported to the Board concerning the status of Phase II of the NETL, as further detailed in the Engineer's Report.

Mr. Khouw next reported to the Board regarding the proposed alignment of the Authority's 2025 Internal Distribution System lines, including the need for an environmental study in order to complete the Environmental Data Form to be submitted to the TWDB in connection with the project, as further detailed in the Engineer's Report. After discussion, the Board approved the proposal received from Quadrant Consultants, Inc. to perform such an environmental services at a cost not to exceed \$47,284.91, as recommended by Mr. Khouw. Mr. Khouw noted that such costs will be paid from remaining proceeds of the Authority's Series 2008 Bonds, as previously authorized by the TWDB.

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

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 West Municipal Utility District, Harris County Municipal Utility District No. 217, Harris County Municipal Utility District 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 May 2019, a copy of which is attached hereto as **Exhibit E**. 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. Mr. Martin also advised the Board that the cla-val located at No. 200's water plant failed due to a faulty solenoid control valve, which has now been replaced.

IMPLEMENTATION OF REMOTE METER READING AND MONITORING SYSTEM

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. No Board action was taken in connection with said matters.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated June 5, 2019, together with a Bill Tracking Report, copies of which are attached hereto as **Exhibit F**.

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.

REQUEST FROM AUTHORITY'S RECORDS MANAGEMENT OFFICER TO DESTROY SPH'S NOTES OF BOARD MEETINGS

The Board next considered a request from the Authority's Records Management Officer to destroy SPH's notes of Board meetings from February 7, 2018, through March 6, 2019, in accordance with the terms of the Authority's Records Management Program. A copy of the subject request is attached hereto as **Exhibit G**. After discussion on the matter, Director Gower moved that the destruction of said notes be authorized as requested in accordance with the provisions of the Authority's Records Management Program. Director Meek seconded said motion, which unanimously carried.

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.

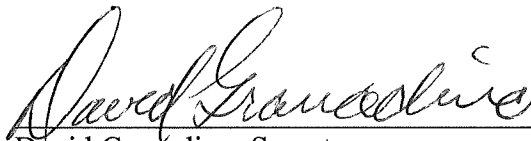
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, July 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

- Exhibit A Bookkeeper's Report
- Exhibit B Regulatory Disclosure Regarding Municipal Advisor Agreement provided by
GMS relative to Municipal Securities Rulemaking Board Rule G-23
- Exhibit C Debt Service Schedule, and 2019 Projected Annual Cash Flow Analysis,
Available Reserves Analysis, Rate Covenant Test and "Adjusted" Additional
Bonds Test with 2015-2020 TWDB SWIRFT Bonds prepared by GMS
- Exhibit D Engineer's Report
- Exhibit E Operator's Report
- Exhibit F Government Affairs Update and Bill Tracking Report
- Exhibit G Records Destruction Request