

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors August 7, 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 August 7, 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, who entered the meeting after it had been called to order as noted below; Lonnie Wright 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"); 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 July 3, 2019. After discussion, Director Boddy moved that the minutes of the meeting held July 3, 2019, be approved as presented. 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.

FINANCIAL ADVISOR'S REPORT

Mr. Rubinsky next addressed the Board on behalf of the District's Financial Advisor, Mr. John Howell, regarding the sale of the Authority's proposed Series 2019 Bonds. In that regard, he advised the Board that a schedule of estimated interest rates was recently received from the Texas Water Development Board ("TWDB") and that the average coupon rate was 2.65%. Mr. Rubinsky stated that the average coupon rate for the Authority's Series 2018 Bonds was 3.29%

and that Mr. Howell's pro forma analysis for the Series 2019 Bonds assumes a 4.0% average coupon rate. Mr. Rubinsky reported that Mr. Howell's pro forma analysis for the Authority's proposed Series 2020 Bonds assumes a 5.0% average coupon rate. Mr. Rubinsky reminded the Board that the Authority had not increased its rates this year, but that Mr. Howell still believes that it might be necessary to increase the rates by approximately \$0.20 per 1,000 gallons next year, as previously projected.

Mr. Rubinsky next advised the Board that the Financing Agreement between the Authority and the TWDB in connection with the Authority's proposed sale of its Series 2019 Bonds to the TWDB has now been received from the TWDB. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that said Financing Agreement be approved and that the President be authorized to execute same on behalf of the Board and the Authority.

BOOKKEEPER'S REPORT

Mr. Rubinsky next presented the Bookkeeper's Report on behalf of Ms. Matuska, 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 July 1, 2019 through August 7, 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 June 2019 and the first six months of the Authority's fiscal year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts through June 2019. 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.

Mr. Khouw next addressed the Board concerning the \$5,346,801.82 to be paid out of the Series 2017 Capital Projects Fund for payment of City of Houston ("City") Cash Call Nos. 8B in the amount of \$610,000.00 and 8C in the amount of \$4,736,801.82 in connection with the Northeast Water Purification Plant ("NEWPP") Expansion Project. Mr. Khouw advised the Board that IDS filed Escrow Fund Release Request No. 2 with the TWDB on July 25, 2019, for payment of Cash Call Nos. 8B and 8C, and has received the authorization to release said funds. Mr. Khouw reported that, although the due date for payment of the cash calls is not until September 24, 2019, the City has requested payment as soon as possible. Mr. Khouw further reported that Ms. Matuska is working on the release of the escrowed funds with Amegy Bank. A discussion ensued regarding whether the City should be paid early for Cash Call Nos. 8B and 8C. After discussion on the matter, it was moved by Director Gower and seconded by Director Granadino that Ms. Matuska be authorized to pay Cash Call Nos. 8B and 8C as soon as Amegy Bank releases the escrowed funds, per the City's request, even though the payment could be approximately six weeks earlier than the due date. The motion carried with Directors Cox, Boddy, Granadino and Gower voting in favor of such action and with Director Meek voting against such action. Mr. Rubinsky noted that the Authority has now also received Notice of Upcoming Cash Call No. 9 from the City in the amount of \$2,251,429.00 in connection with the NEWPP Expansion Project, which is due February 3, 2020.

A lengthy discussion followed regarding reported delays by the City in payment to the Houston Waterworks Team ("HWT") and HWT's subsequent delayed payments to subcontractors in connection with the NEWPP Expansion Project. Mr. Khouw advised the

Board that the City and the HWT are working to streamline the payment process so that subcontractors can be paid in a more timely manner.

Ms. Matuska entered the meeting at this time.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated August 7, 2019, a copy of which is attached hereto as **Exhibit B**, 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 advised the Board that Mr. Wright would discuss the water usage numbers further in his Operator's Report.

Mr. Khouw next addressed the Board concerning his efforts in assisting Harris County Municipal Utility District No. 304's ("No. 304") with the completion of a corrosive water parameters analysis and blending study as required by the Texas Commission on Environmental Quality ("TCEQ") in connection with the TCEQ's approval of No. 304's connection to the Authority's surface water system.

Mr. Khouw next advised the Board that, in addition to the funds for payment of Cash Call Nos. 8B and 8C, Escrow Fund Release Request No. 2, as discussed earlier in the meeting during the Bookkeeper's Report, included funds for the payment of Cash Call No. 8A in the amount of \$2,287.50 for additional legal and engineering fees in connection with the NEWPP Expansion Project, which will be reimbursed to the General Operating Fund. Ms. Matuska advised the Board that the escrowed funds will be released by Amegy Bank tomorrow.

Mr. Khouw reported that the first Facilities Management Committee meeting with the City in connection with the NEWPP has been scheduled for August 16, 2019, and that all of the participants are looking forward to the committee meetings to ensure the best possible practices are implemented in connection with the operation and maintenance and long-term preservation of the NEWPP. Mr. Rubinsky noted that SPH had received a countersigned, final First Amendment to Second Supplement to Water Supply Contract from the City on July 19, 2019, which is effective as of July 5, 2019.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report.

Mr. Khouw next reported to the Board concerning the status of Phase I of the Northeast Transmission Line ("NETL"), as further detailed in the Engineer's Report.

Mr. Khouw advised the Board that he had no new activity upon which to report concerning the status of 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 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, 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. Wright presented to and reviewed with the Board a written Operator's Report for July 2019, a copy of which is attached hereto as **Exhibit C**. 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.

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 August 3, 2019, a copy of which is attached hereto as **Exhibit D**. The Board concurred that no action was required in connection with said matter at this time.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky presented for the Board's review a Public Information ACT ("PIA") Request received from Rogers, Morris & Grover, LLP dated August 5, 2019, a copy of which is attached hereto as **Exhibit E**. Mr. Khouw advised the Board that the PIA Request was generated as a result of the manner in which the City and the HWT solicited proposals and awarded a contract for work on the instrumentation, controls, and SCADA System integration portion of the NEWPP Expansion Project. Mr. Khouw then described the proposal solicitation process in detail. Mr. Rubinsky advised the Board that SPH

will coordinate with IDS to respond to such request by Monday, August 19, 2019, as required by law.

Mr. Rubinsky also distributed to each of the Directors a Summary of the 86th Texas Legislative Session.

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.

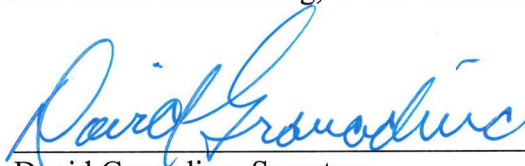
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, September 4, 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>	Engineer's Report
<u>Exhibit C</u>	Operator's Report
<u>Exhibit D</u>	Government Affairs Update
<u>Exhibit E</u>	Public Information Act Request received from Rogers, Morris & Grover, LLP