

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
May 1, 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 May 1, 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 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"); David E. Edwards of Harris County Municipal Utility District No. 215 ("No. 215"); Pam Madrigal of AEI Engineering, L.L.C., engineer for No. 215; 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 Boddy 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. The Board recognized David Edwards, a member of the Board of Directors of No. 215, who discussed the status of No. 215's water supply needs and concerns regarding subsidence in their area. Mr. Edwards advised the Board of recent flooding within No. 215 due to heavy rainfall in the area. Mr. Edwards then addressed the Board concerning the possibility of No. 215 converting to surface water prior to 2035, the year in which No. 215 is scheduled for surface water conversion by the Authority, in order to prevent further subsidence in the area. Mr. Rubinsky discussed the Authority's

Groundwater Reduction Plan and its plans for surface water conversion in 2025 and 2035. After discussion on the matter, the Board authorized IDS and SPH to evaluate No. 215's request for conversion to surface water prior to 2035.

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, 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, LLP, and will 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 April 1, 2019 through May 1, 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 March 2019 and the first three months of the Authority's fiscal year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts through February 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.

Ms. Matuska advised the Board that Cash Call 8A in the amount of \$2,287.50 for additional legal fees in connection with the NEWPP Expansion Project has been received from the City of Houston ("City"). After discussion, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that Ms. Matuska be authorized to wire the funds to the City for payment of Cash Call 8A.

Ms. Matuska next presented to and reviewed with the Board the Authority's Quarterly Investment Report for the period ended March 31, 2019, 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.

ARBITRAGE REBATE AND YIELD RESTRICTION ANALYSIS

Mr. Rubinsky next addressed the Board regarding certain arbitrage rebate and yield restriction issues related to the use and investment of the proceeds of the District's outstanding bonds, as discussed last month. Mr. Rubinsky advised the Board that, provided the Authority continues to adhere to its previously adopted post-issuance arbitrage compliance procedures, which includes having the necessary arbitrage analysis reports prepared every five years and remitting any arbitrage it earns on its invested bond proceeds to the federal government by the applicable deadlines, the Authority will not need to be concerned with the fact that it may not be

able to expend all of its bond proceeds within three years of the date of issuance of such bonds.

APPROVAL OF UNCLAIMED PROPERTY REPORT

Ms. Matuska next advised the Board that there was no Unclaimed Property to be reported by the Authority for the period ending March 1, 2019.

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. 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 last month from the City which indicates that the Authority is due another credit of approximately \$22,000.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated May 1, 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.

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 project should be completed before the next Board meeting.

Mr. Khouw advised the Board that the HGSD has approved the Authority's 2019-2020 Aggregated Water Well Permit and issued an invoice in the amount of \$26,400 for the new permit. After discussion, the Board approved payment of the invoice before the June 1, 2019 due date.

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. In that regard, Mr. Khouw updated the Board regarding the City's recent request for an additional 80 MGD of surface water capacity and the myriad of issues that have been discussed by the City and the regional water authorities regarding same. Mr. Khouw advised the Board that the regional water authorities have agreed to work with the City to provide the additional capacity, but they are going to move forward with (i) the First Amendment to Second Supplement to Water Supply Contract, based upon a 320 MGD Expansion at the previously agreed to shares, and (ii) the Amended and Restated Design-

Build Agreement between the City and the Houston Waterworks Team ("HWT") addressing the Guaranteed Maximum Price ("GMP") for completion of the NEWPP Expansion Project. Mr. Rubinsky stated that, as of now, the regional water authorities' signature pages for the First Amendment to Second Supplement to Water Supply Contract must be delivered to the City by May 22, 2019. After discussion on the matter, Director Gower moved that the First Amendment to Second Supplement to Water Supply Contract between the City and the Authority be approved and that the Board President and Secretary be authorized to execute same on behalf of the Board and the Authority, subject to IDS' and SPH's approval of the final draft of the First Amendment and all exhibits thereto. Director Meek seconded said motion, which unanimously carried.

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 HWT regarding the City's appropriation of funding for the GMP for completion of the NEWPP Expansion Project.

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

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, 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.

RATIFICATION OF ADOPTION OF RESOLUTION REGARDING REVIEW OF DROUGHT CONTINGENCY PLAN

The Board next considered ratifying its prior action relative to the adoption of a Resolution Regarding Review of Drought Contingency Plan. After discussion, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that such prior action be ratified and authorized in all respects.

RATIFICATION OF APPROVAL OF UPDATED WATER CONSERVATION PLAN AND ADOPTION OF RESOLUTION IN CONNECTION THEREWITH

The Board next considered ratifying its prior action relative to the approval of an updated Water Conservation Plan and the adoption of a Resolution in connection therewith. After discussion, it was moved by Director Meek, seconded by Director Granadino and unanimously carried, that such prior action be ratified and authorized in all respects.

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 April 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.

Mr. Martin next presented for the Board's review and approval the Authority's Consumer Confidence Report ("CCR") for 2018, a copy of which is attached hereto as **Exhibit E**. After discussion on the matter, it was moved by Director Meek, seconded by Director Granadino and unanimously carried, that the CCR be approved, subject to SPH's final review and approval of same, and that MOC be authorized to distribute the CCR to the Member Districts in electronic format.

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.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated April 30, 2019, together with a Bill Tracking Report, copies of which are attached hereto as **Exhibit F**. He then discussed various bills of interest to the Authority.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky addressed the Board regarding the Lone Star Groundwater Conservation District's ("LSGCD") proposed new Groundwater Management Plan and associated rules. After discussion on the matter, Director Granadino moved that SPH be authorized to prepare correspondence to the Texas Water Development Board objecting to the LSGCD's Regulatory Plan and that the President be authorized to execute same on behalf of the Board and the District.

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.

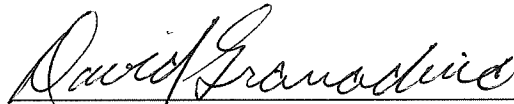
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, June 5, 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 Quarterly Investment Report for the period ended March 31, 2019
- Exhibit C Engineer's Report
- Exhibit D Operator's Report
- Exhibit E 2018 Consumer Confidence Report
- Exhibit F Government Affairs Update and Bill Tracking Report