

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors December 4, 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 December 4, 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; John Howell of The GMS Group, L.L.C. ("GMS"), financial advisor for the Authority; Wesley Lay of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Cordelia Brown of Harris County Municipal Utility District No. 217 ("No. 217"); Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Rosalind Caesar and Patrick Caesar, residents of Harris County Municipal Utility District No. 304 ("No. 304"); and Abraham I. Rubinsky of Schwartz, Page & Harding, L.L.P. ("SPH"), attorneys 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 November 6, 2019. After discussion, Director Boddy moved that the minutes of the meeting held November 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.

BOOKKEEPER'S REPORT

Ms. Matuska next presented 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 November 1, 2019 through December 4, 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 October 2019 and the first ten months of the Authority's fiscal year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts through October 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.

ADOPTION OF OPERATING BUDGET FOR THE AUTHORITY'S FISCAL YEAR ENDING DECEMBER 31, 2020

Ms. Matuska presented for the Board's review a draft Operating Budget for the fiscal year ending December 31, 2020, a copy of which is attached to the Bookkeeper's Report. After discussion on the matter, upon motion made by Director Gower, seconded by Director Granadino and unanimously carried, the Board approved the proposed Operating Budget for the Authority's fiscal year ending December 31, 2020, as presented.

APPROVAL OF NEW CONTRACT FOR BOOKKEEPING SERVICES

Ms. Matuska next presented to and reviewed with the Board a proposed new Contract for Bookkeeping Services by and between the Authority and Matuska, a copy of which is attached hereto as **Exhibit B**. Ms. Matuska advised the Board that the new Contract provides for increases in (i) the base monthly fee from \$725.00 to \$900.00 per month, and (ii) the hourly rate from \$60.00 to \$80.00 per hour. Ms. Matuska noted that there had been no adjustments in bookkeeping fees or rates since July 5, 2016, the date of the existing Contract for Bookkeeping Services between the Authority and Matuska. After discussion on the matter, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that the new Contract for Bookkeeping Services be approved, to be effective January 1, 2020, and that the President be authorized to execute the Contract on behalf of the Board and the Authority.

FINANCIAL ADVISOR'S REPORT

The Board next discussed the Authority's updated Long Term Financial Plan and the possible need for an adjustment of the Authority's rates. In that regard, Mr. Howell presented to and reviewed with the Board a table reflecting all Multi-Year Funding Requests that the Authority has made to the Texas Water Development Board ("TWDB") through 2020, together with a comparison of the Authority's rates with the rates imposed by the other regional water authorities in the Houston metropolitan area, copies of which are attached hereto as **Exhibit C**. Mr. Howell advised the Board that he is not recommending any increases in the Authority's rates at this time, but that he will want to analyze the rates again in May or June 2020, after the Authority's draft Audit Report for the fiscal year ended December 31, 2019 becomes available. Mr. Howell advised the Board that the Authority has not increased its rates in approximately two years due to conservative estimates leading into the Authority's 2018 and 2019 Bond Issues; however, he anticipates future rate increases of \$0.20 to \$0.40 in June 2020 or March 2021.

After discussion, the Board concurred that no increases in the Authority's rates would be necessary at this time.

Mr. Howell next recommended that correspondence be forwarded to the Member Districts advising that the Authority has evaluated updated financial information and has determined that it will not be necessary at this time to adjust its GRP Fee or Surface Water Fee; however, the Authority will re-evaluate its rates in a few months and will ultimately have to increase its rates and fees to pay the costs associated with the continued implementation of its GRP. After discussion, the Board authorized SPH to direct correspondence to all Member Districts in accordance with Mr. Howell's recommendation.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated December 4, 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. He advised the Board that Mr. Martin would provide further details regarding the water usage in his Operator's Report.

Mr. Khouw next discussed the corrosive water parameters analysis and blending study completed by AOS Treatment Solutions, LLC, 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, as further detailed in the Engineer's Report. The Board noted that No. 304 will have to be responsible for any treatment of surface water required by the TCEQ. Mr. Rubinsky stated that he and Mr. Khouw will continue to evaluate the situation.

Mr. Khouw advised the Board that IDS completed and filed the Historically Underutilized Business Project Participation Form in connection with projects financed through the State Water Implementation Fund for Texas (2025 Internal Distribution System) with the TWDB prior to the November 12, 2019 deadline.

Mr. Khouw next reported to the Board regarding the Facilities Management Committee meeting held on November 22, 2019, in connection with the Northeast Water Purification Plant ("NEWPP"), as further detailed in the Engineer's Report.

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 next reported to the Board concerning the status of Phase II of 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.

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, 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 November 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 repairs have been completed to two (2) of the five (5) cla-vals in need of repairs, as authorized as the last meeting.

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 advised the Board that a Government Affairs Update was not received from C.J. Tredway this month.

ANNUAL EMINENT DOMAIN FILING

Mr. Rubinsky next advised the Board that, pursuant to §2206.154, Texas Government Code, all political subdivisions with the power of eminent domain, including the Authority, are required to file an annual eminent domain report by February 1 of each year with the Texas

Comptroller of Public Accounts (the "Comptroller"). He requested the Board's authorization for SPH to prepare and file such annual report on behalf of the Authority. After discussion, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that the Board authorize SPH to file the annual eminent domain report with the Comptroller on behalf of the District prior to February 1, 2020.

2018 DIRECTOR APPOINTMENT PROCESS AND CALCULATION OF VOTING PERCENTAGES

Mr. Rubinsky next addressed the Board regarding the appointment of Directors to the Board of Directors of the Authority in 2020. In that regard, he presented to and reviewed with the Board a Memorandum outlining the appointment process, a copy of which is attached hereto as **Exhibit F**, and noted that Director Granadino's term of office representing Director Precinct No. 2, and Director Boddy's term of office as At-Large Director (Position No. 1) will expire May 15, 2020. After discussion, the Board approved the 2020 Director appointment procedures, as outlined in the attached Memorandum, and authorized SPH to forward the Memorandum to each of the Authority's Member Districts. Mr. Rubinsky noted that nominations for the two Director positions to be acted upon in 2020 must be delivered to the Board no later than 5:00 p.m., on February 15, 2020.

Mr. Rubinsky next reported on the need for the Authority to determine each Member District's total 2019 water usage in order to calculate the number of votes each Member District may cast in connection with the Authority's 2020 Director Appointment Process and the weight of each Member District's vote for the respective positions to be appointed. After discussion, the Board authorized IDS and MOC to calculate the Member Districts' respective voting percentages for the Authority's 2020 Director Appointment Process as soon as possible.

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

The Board determined that it would not be necessary at this time to convene in Closed Session.

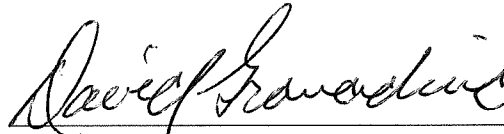
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

The Board considered items for placement on future agendas. Mr. Rubinsky stated that, as requested earlier in the meeting, he would add an item regarding the approval of an amendment to the Professional Services Agreement by and between the Authority and Municipal Operations & Consulting, Inc.

Mr. Rubinsky noted that, as discussed at the last Board meeting, the Board's regularly scheduled meeting of Wednesday, January 1, 2020, has been moved to Wednesday, January 8, 2020, due to the New Year's holiday.

ADJOURN MEETING

There being no further business to come before the meeting, it was unanimously carried that the meeting be adjourned.

A handwritten signature in cursive script, reading "David Granadino", written over a horizontal line.

David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Bookkeeper's Report
- Exhibit B New Contract for Bookkeeping Services
- Exhibit C Table prepared by The GMS Group, L.L.C. reflecting all Multi-Year Funding Requests made to the TWDB through 2020, together with a Comparison of the Authority's Rates with the Rates Imposed by Other Regional Water Authorities
- Exhibit D Engineer's Report
- Exhibit E Operator's Report
- Exhibit F Memorandum Outlining 2020 Director Appointment Process