

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
November 6, 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 November 6, 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 Granadino, 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; Jennifer Hanna of BKD, LLP ("BKD"); 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"); Linda Watkins and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Rosalind Caesar and Larry Allen, 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 October 2, 2019. After discussion, Director Boddy moved that the minutes of the meeting held October 2, 2019, be approved as presented. Director Meek seconded said motion, which unanimously carried.

PUBLIC COMMENTS

The Board opened the meeting for public comments. The Board recognized Rosalind Caesar and Larry Allen, residents of No. 304. Mr. Rubinsky advised the Board of recent inquiries received from Ms. Caesar regarding the Surface Water Fees and Groundwater Pumpage Fees charged by the Authority to the Member Districts, and related issues. In that regard, he explained that only those Member Districts currently receiving surface water from the Authority

are charged a Surface Water Fee and that all other Member Districts that are continuing to use groundwater are charged a Groundwater Pumpage Fee. Mr. Rubinsky advised that No. 304 is a Member District of the Authority that is still using groundwater and, as such, has been charged a Groundwater Pumpage Fee by the Authority since the Authority first began imposing Groundwater Pumpage Fees many years ago. Mr. Rubinsky further advised that, approximately two years ago, No. 304 requested that the Authority consider providing it with surface water, in advance of the surface water conversion date for No. 304 included in the Authority's Groundwater Reduction Plan, in order to supplement the water supplied to No. 304's customers by its existing groundwater wells. Mr. Rubinsky stated that, since the Authority was a participant in an existing surface water distribution line located in close proximity to No. 304's Water Plant, the Board of Directors of the Authority agreed to allow for the extension of a surface water connection to No. 304's Water Plant ahead of schedule. Mr. Rubinsky reported that the distribution line and metering station have been constructed by the Authority and are available to provide surface water to No. 304, but that No. 304 determined that certain improvements needed to be made to the existing Ground Storage Tank (GST) at No. 304's Water Plant before it could begin accepting surface water from the Authority. Mr. Rubinsky further reported that it is the Authority's understanding from No. 304's Engineers that the plans for the new GST and conversion of No. 304's water disinfection system to a compatible disinfection system (in order to receive surface water from the Authority) have now been approved by the Texas Commission on Environmental Quality ("TCEQ"), but that the actual delivery of surface water by the Authority to No. 304 has not yet been approved as the TCEQ has concerns (not specific to No. 304 alone) concerning corrosivity issues that can occur when two different water supplies are blended. Mr. Rubinsky advised that, consequently, the TCEQ has required No. 304 to undertake a corrosivity study to prove to the TCEQ that the blending of No. 304's existing groundwater supply with surface water supplied by the Authority will not create any unforeseen issues, such as corrosion in water distribution pipes. Mr. Rubinsky advised that, although it is No. 304's obligation to secure the TCEQ's approval to receive surface water from the Authority, the Authority is working together with No. 304's consultants on such study. Mr. Rubinsky stated that it is the Authority's further understanding that No. 304 will soon be awarding a contract for the GST improvement project at its Water Plant and expects the new tank to be installed in approximately four months. Mr. Rubinsky advised that No. 304 and the Authority expect that the TCEQ will also approve No. 304's request to receive surface water from the Authority by the time the new GST is completed.

STATUS OF THE AUTHORITY'S ISSUANCE OF \$13,185,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2019 (THE "SERIES 2019 BONDS")

Mr. Rubinsky next advised the Board that the transcript of proceedings for the Series 2019 Bonds was approved by the Attorney General of Texas earlier this week. Mr. Rubinsky further advised that the closing of the Bonds is scheduled for Friday, November 15, 2019, at 10:00 a.m.

DISBURSEMENT OF BOND PROCEEDS

The Board considered authorizing the disbursement of proceeds from the Series 2019 Bonds. In that regard, Mr. Howell reviewed with the Board the Final Closing Memorandum prepared by GMS, a copy of which is attached hereto as **Exhibit A**, in connection with the disbursement of the bond proceeds to the Authority's Series 2019 Escrow Fund, Series 2019 Capital Projects Fund, Debt Service Fund and Debt Service Reserve Fund. After discussion, Director Boddy moved that the proceeds of the Series 2019 Bonds be disbursed in accordance with such Closing Memorandum, subject to the closing scheduled for November 15, 2019. Director Meek seconded said motion, which unanimously carried.

DISCUSSION REGARDING EXPENDITURE AND INVESTMENT OF BOND PROCEEDS AND INTERNAL REVENUE SERVICE RESTRICTIONS ON SAME

Mr. Rubinsky next presented and reviewed correspondence from SPH, as Bond Counsel for the issuance of the Bonds, addressed to the Board regarding certain provisions of the federal tax law and regulations of the Internal Revenue Service pertaining to the expenditure and investment of proceeds of the Bonds. A copy of said correspondence is attached hereto as **Exhibit B**. Mr. Rubinsky advised the Board that certain periodic reviews and reports would be required to monitor compliance with the requirements set forth therein and that arbitrage rebate or yield reduction payments could be required to be made based on said review and reports. Mr. Rubinsky also advised the Board that the Authority's Bookkeeper will monitor investment rates and debt service and reserve fund balances. Mr. Rubinsky advised the Board, however, that compliance with the requirements is the responsibility ultimately of the Board. In connection with same, Mr. Rubinsky reminded the Board that the Authority previously engaged Municipal Risk Management Group, L.L.C., to evaluate such compliance and to assist the Authority and its Bookkeeper with any calculations and reporting requirements.

ACT UPON ANY OTHER MATTERS IN CONNECTION WITH THE ISSUANCE OF THE DISTRICT'S SERIES 2019 BONDS

The Board considered authorizing the execution of various closing documents relative to the Authority's Series 2019 Bonds, including the Authority's Receipt, a No-Litigation Certificate, and a Federal Tax Certificate. After discussion on the matter, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that the President be authorized to execute such closing documentation and the Secretary and/or Assistant Secretary to attest same on behalf of the Board and the District, and that SPH be authorized to approve closing on the sale of the Series 2019 Bonds.

BOOKKEEPER'S REPORT

Ms. Matuska next presented the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit C**, including the Summary of Cash Transactions for the Authority's various funds for the period October 1, 2019 through November 6, 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 September 2019 and the first nine months of the Authority's fiscal

year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts through September 2019. After discussion, Director Gower moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment, plus the additional check issued to SPH for bond counsel fees relating to the Series 2019 Bonds. Director Meek seconded said motion, which unanimously carried.

Ms. Matuska next presented to and reviewed with the Board the Authority's Quarterly Investment Report for the period ended September 30, 2019, a copy of which is attached to the Bookkeeper's Report. 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

REVIEW OF PROPOSED 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 hereto as **Exhibit D**. Ms. Matuska advised the Board that she is still working with the Authority's consultants to complete the budget. Accordingly, the Board deferred action relative to the adoption of an Operating Budget for the fiscal year ending December 31, 2020, until its next meeting.

ENGAGEMENT OF AUDITOR TO PERFORM ANNUAL AUDIT

The Board next considered the engagement of an independent firm of auditors to perform an audit of the Authority's financial statements for the fiscal year ending December 31, 2019. The Board recognized Ms. Hanna, who addressed the Board regarding BKD's professional qualifications, and BKD's estimated fees to perform such audit. Ms. Hanna noted that the Authority had also 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 Authority's fiscal year end audits. After discussion, Director Meek moved that (i) the firm of BKD be engaged to prepare the Authority's audit for the fiscal year ending December 31, 2019, (ii) the President be authorized to execute an engagement letter with BKD on behalf of the Board and the Authority and that SPH be authorized to acknowledge the Texas Ethics Commission Form 1295 provided by BKD in connection with same, and (iii) McCall Gibson be authorized to perform certain accounting procedures in order to eliminate the findings of material weaknesses in internal controls in the Authority's 2019 fiscal year end audit. Director Boddy seconded said motion, which carried unanimously.

FINANCIAL ADVISOR'S REPORT

The Board next considered the Financial Advisor's Report. Mr. Howell advised that he will present an updated of the Authority's long term financial plan for the Board's review next month.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated November 6, 2020, 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. He advised the Board that Mr. Martin would provide further details regarding the water usage in his Operator's Report.

Mr. Khouw next addressed the Board concerning IDS' efforts in assisting No. 304 with the completion of a corrosive water parameters analysis and blending study as required by the 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 IDS will complete and file the Historically Underutilized Business (HUB) Project Participation Form in connection with projects financed through the State Water Implementation Fund for Texas (2025 Internal Distribution System) with the Texas Water Development Board ("TWDB") prior to the November 12, 2019 deadline. After discussion on the matter, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that IDS be authorized to complete and file the HUB Project Participation Form on behalf of the Board and the Authority prior to the November 12, 2019 deadline.

In connection with the Authority's 2025 Internal Distribution System, Mr. Khouw reported that IDS has provided all information to the Region H Water Planning Group's engineering consultant on behalf of the Authority as required for the updated Region H Water Plan.

Mr. Khouw next reported that the Facilities Management Committee meeting in connection with the Northeast Water Purification Plant ("NEWPP") that was scheduled for last Friday was canceled.

Mr. Khouw reported to the Board concerning the renewal of the operations contract between Inframark, LLC and the North Harris County Regional Water Authority, 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. He noted that the Phase II project is expected to be complete in March 2022.

Mr. Khouw next reported to the Board regarding the proposed alignment of the Authority's 2025 Internal Distribution System lines.

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 October 2019, a copy of which is attached hereto as **Exhibit F**. 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 one (1) 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 next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated November 4, 2019, a copy of which is attached hereto as **Exhibit G**. 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 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

At 7:27 p.m., Director Cox announced that the Board of Directors would convene in Closed Session, as authorized pursuant to Texas Government Code Section 551.071, to consult with the District's attorney regarding matters protected by the attorney-client privilege.

RECONVENE OPEN SESSION

At 8:30 p.m., Director Cox announced that the Board of Directors would reconvene in Open Session. No action was taken by the Board following the 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 items regarding (i) the approval of an amendment to the Contract for Bookkeeping Services by and between the Authority and F. Matuska, Inc., and (ii) possible increases in the Authority's Groundwater Reduction Plan Fee, Water Importation Fee and Surface Water Fee and the adoption of an amended Rate Order in connection therewith.

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, December 4, 2019, at 6:00 p.m. It was determined that the Board's regularly scheduled meeting of Wednesday, January 1, 2020, will be 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.



Tom Gower, Assistant Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Final Closing Memorandum (Series 2019 Bonds)
- Exhibit B SPH Arbitrage Compliance Correspondence (Series 2019 Bonds)
- Exhibit C Bookkeeper's Report
- Exhibit D Draft Operating Budget for Fiscal Year Ending December 31, 2020
- Exhibit E Engineer's Report
- Exhibit F Operator's Report
- Exhibit G Government Affairs Update