

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
October 2, 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 October 2, 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 Gower, 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"); Lathan Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); Linda Watkins, Gilbert Miranda and Annie Freeman of Fallbrook Utility District ("Fallbrook"); David 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 September 4, 2019. After discussion, Director Boddy moved that the minutes of the meeting held September 4, 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 David Edwards, a member of the Board of Directors of No. 215, who discussed the status of No. 215's water supply needs and No. 215's desire to convert to surface water prior to 2035, the year in which No. 215 is scheduled for surface water conversion by the Authority. The Board deferred discussion concerning this matter until later in the meeting during the Engineer's Report.

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

Mr. Rubinsky and Mr. Howell next discussed various actions to be taken in connection with the issuance of the Authority's Bonds, including the documentation to be presented for the Board's approval at tonight's meeting in connection therewith. Mr. Howell advised the Board that, subject to its approval of the subject documentation, the Texas Water Development Board ("TWDB") will purchase the Authority's Bonds at a net effective interest rate of 2.568232%.

BOND RESOLUTION

Mr. Rubinsky next presented to and reviewed in detail with the Board the Resolution Authorizing the Issuance of the Bonds attached hereto as **Exhibit A**. After discussion, Director Granadino moved to approve the Resolution Authorizing the Issuance of the Bonds and authorized the President to execute the Bond Resolution and the Secretary to attest same on behalf of the Board and the Authority. Director Meek seconded said motion, which unanimously carried.

PRIVATE PLACEMENT MEMORANDUM

Mr. Rubinsky presented to and reviewed with the Board a Private Placement Memorandum relating to the Bonds, a copy of which is attached hereto as **Exhibit B**. After discussion, Director Granadino moved to approve the Private Placement Memorandum. Director Meek seconded said motion, which unanimously carried.

PAYING AGENT/REGISTRAR AGREEMENT

The Board considered approval and execution of a Paying Agent/Registrar Agreement by and between the Authority and Zions Bancorporation, National Association, Amegy Bank Division ("Zions") in connection with the Bonds, a copy of which is attached hereto as **Exhibit C**. After discussion, Director Granadino moved to approve the Paying Agent/Registrar Agreement by and between the Authority and Zions and authorize the President to execute the Agreement on behalf of the Board and the Authority. Director Meek seconded said motion, which unanimously carried.

ESCROW AGREEMENT

The Board next considered approval and execution of an Escrow Agreement by and between the Authority and Zions, a copy of which is attached hereto as **Exhibit D**. After discussion, Director Granadino moved to approve the Escrow Agreement by and between the Authority and Zions and authorize the President to execute the Escrow Agreement on behalf of the Board and the Authority. Director Meek seconded said motion, which unanimously carried.

ATTORNEY GENERAL FEES

The Board next considered authorizing the District's Bookkeeper to prepare a check for payment of the Attorney General's fees in connection with the review of the transcript of proceedings relative to the issuance of the proposed Bonds. Mr. Rubinsky advised that the fee will be \$9,500.00. After discussion on the matter, Director Granadino moved that the District's Bookkeeper be authorized to prepare a check in the amount of \$9,500.00 payable to the Attorney General of Texas and that said check be approved for payment. Director Meek seconded said motion, which unanimously carried.

REVIEW, APPROVE AND AUTHORIZE THE FILING OF THE INTERNAL REVENUE SERVICE FORM 8038-G RELATIVE TO THE BONDS

The Board next considered review, approval and execution of Form 8038-G relative to the Bonds. Mr. Rubinsky explained the purpose of Form 8038-G and the filing requirements applicable to same. After discussion and review, Director Granadino moved that the Form 8038-G be approved and that the President be authorized to execute same on behalf of the Board and the Authority. Director Meek seconded said motion, which unanimously carried.

OTHER MATTERS IN CONNECTION WITH THE ISSUANCE OF THE BONDS

As the next order of business, the Board considered acting upon any other matters relative to the Bonds. Mr. Rubinsky presented and reviewed with the Board the General Certificate, Signature and No-Litigation Certificate with Letter of Instruction to the Attorney General, and the Initial Bonds relative to the sale of such Bonds. After further discussion concerning said matters, upon motion made by Director Granadino, seconded by Director Meek and unanimously carried, the Board approved such documents and authorized SPH to handle all matters relative to the sale and closing of the Bonds.

There was next discussion regarding the approval of certain documents to be utilized at the closing relative to the issuance of the Authority's Bonds. Mr. Rubinsky reviewed the subject documents with the Board. After discussion on the matter, Director Granadino moved that the closing documents be approved and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the Authority. Director Meek seconded said motion, which unanimously carried. Mr. Rubinsky advised that the closing is scheduled for November 15, 2019 at 10:00 a.m.

BOOKKEEPER'S REPORT

Ms. Matuska next presented the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit E**, including the Summary of Cash Transactions for the Authority's various funds for the period September 1, 2019 through October 2, 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 August 2019 and the first eight months of the Authority's fiscal year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts

through August 2019. After discussion, Director Meek moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment. Director Boddy seconded said motion, which unanimously carried.

ANNUAL REVIEW OF ORDER ESTABLISHING POLICY FOR INVESTMENT OF AUTHORITY FUNDS AND APPOINTING INVESTMENT OFFICER

The Board next considered the annual review of its Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer ("Investment Policy Order"), and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky summarized the proposed changes to the Investment Policy Order. After discussion on the matter, it was moved by Director Meek, seconded by Director Boddy and unanimously carried that, the Investment Policy Order be adopted to reflect the proposed changes discussed by Mr. Rubinsky, that the Board adopt the Resolution Regarding Review of Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer attached hereto as **Exhibit F**, that the President and Secretary be authorized to execute same on behalf of the Board and the District, and that any prior order previously adopted by the Board establishing policies for investment of Authority funds and appointing an investment officer be revoked and rescinded effective today.

FINANCIAL ADVISOR'S REPORT

The Board next considered the Financial Advisor's Report. Mr. Howell advised the Board that he nothing further to report upon at this time.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated October 2, 2019, a copy of which is attached hereto as **Exhibit G**, 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 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 addressed the Board concerning No. 215's request for early conversion to surface water. Mr. Khouw noted that, pursuant to the Authority's Groundwater Reduction Plan, No. 215 is scheduled for conversion to surface water in 2035; however, based upon No. 215's actual water usage, it is possible that No. 215 would never need to be converted. Ms.

Madrigal advised the Board that No. 215's water well is currently operating in good condition, but that No. 215 would prefer to not have to drill another water well in the event the existing well fails. After discussion on the matter, the Board authorized Mr. Khouw to prepare cost estimates for the extension of an eight-inch surface water line to serve No. 215 and for the acquisition of the necessary easements that would be required for the construction of the subject line, as well as a cost estimate for the construction of a metering station, for evaluation by No. 215, as No. 215 would be solely responsible for all costs and expenses associated with early conversion to surface water.

Mr. Khouw next addressed the Board concerning the HGSD's Water Conservation Grant Program, as detailed in the Engineer's Report. Mr. Khouw noted that the Member Districts may be interested in pursuing a grant from the HGSD.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. A discussion ensued concerning the procedures implemented by the City in an effort to streamline the payment process so that the Houston Waterworks Team and its subcontractors can be paid in a more timely manner.

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. He noted that the Phase I project is expected to be complete in 2022.

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. In that regard, he requested authorization from the Board to perform additional surveying along the re-routed segment of the transmission line to serve Fallbrook at an estimate cost of \$36,600. After discussion, it was moved by Director Granadino, seconded by Director Meek and unanimously carried, that IDS be authorized to perform such additional surveying.

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.

Mr. Khouw additionally addressed the Board concerning correspondence received from Barbara Payne of the Save Water Texas Coalition requesting the Authority's sponsorship of the Learning From Our Past water conservation educational program for the 2019-2020 school year at a discounted rate of \$2,500. After discussion on the matter, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that the Authority sponsor the water conservation educational program for the 2019-2020 school year at the discounted rate of \$2,500.

ISSUANCE OF SURFACE WATER COMMITMENTS TO MEMBER DISTRICTS

The Board next considered 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 ("No. 217"), Harris County Municipal Utility District No. 150 and No. 200. In that regard, Mr. Rubinsky advised the Board that No. 217 has requested a surface water commitment from the Authority for inclusion in a Bond Application Report it has in process. After discussion, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that a surface water commitment be issued to No. 217 in accordance with the terms of the Authority's Rate Order, and that Director Cox be authorized to execute same on behalf of the Board and the Authority. The Board deferred action regarding the issuance of surface water commitments to Rankin Road West Municipal Utility District, Harris County Municipal Utility District No. 150 and to 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 September 2019, a copy of which is attached hereto as **Exhibit H**. 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 Scruggs Company has inspected all of the Authority's cla-vals and, in addition to the repair that was made to the cla-val located at one of No. 200's water plants, as discussed at the last meeting, five (5) other cla-vals will need to be repaired, including the replacement of the gaskets and most of the internal components, at an estimated cost of \$7,500. After discussion, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that repair of the five (5) additional cla-vals at an estimated cost of \$7,500 be approved by the Board.

Mr. Martin next advised the Board that MOC has completed the application for the Authority's participation in the Association of Water Board Directors' ("AWBD") Water Smart Partner Program and that MOC will submit the application to the AWBD on behalf of the Authority.

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 October 1, 2019, a copy of which is attached hereto as **Exhibit I**. 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 correspondence that was forwarded by the Authority to the TWDB on October 1, 2019, a copy of which is attached hereto as **Exhibit J**, requesting that the TWDB uphold its Executive Administrator's decision to reject the Groundwater Management Plan adopted by the Lone Star Groundwater Conservation District ("Lone Star") on March 12, 2019, and instruct Lone Star to adopt a revised Groundwater Management Plan that contains goals or objectives that protect the region from further water level declines, subsidence and flooding.

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. Lathan Johnson of Rankin Road noted that the minutes of the Board of Directors meeting held on May 1, 2019, had not yet been posted on the website. Mr. Rubinsky stated that he would investigate the matter and ensure that all approved Board meeting minutes are timely posted in the future.

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, November 6, 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 Bond Resolution – Series 2019 Bonds
- Exhibit B Private Placement Memorandum – Series 2019 Bonds
- Exhibit C Paying Agent/Registrar Agreement – Series 2019 Bonds
- Exhibit D Escrow Agreement – Series 2019 Bonds
- Exhibit E Bookkeeper's Report
- Exhibit F Resolution Regarding Review of Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer
- Exhibit G Engineer's Report
- Exhibit H Operator's Report
- Exhibit I Government Affairs Update
- Exhibit J Letter to TWDB dated October 1, 2019