

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Special Meeting of Board of Directors January 8, 2020

The Board of Directors (the "Board") of the Central Harris County Regional Water Authority (the "Authority") met in special session, open to the public on January 8, 2020, 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. and Jared Daly, of IDS Engineering Group, Inc. ("IDS"), engineer for the Authority; Fran Matuska of F. Matuska, Inc. ("Matuska"), bookkeeper for the Authority; 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"); Cordelia Brown of Harris County Municipal Utility District No. 217 ("No. 217"); Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Lathan E. Johnson of Rankin Road West Municipal Utility District ("Rankin Road West"); 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.

PUBLIC COMMENTS

The Board opened the meeting for public comments. There were no comments received from the public in attendance at the meeting.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held December 4, 2019. After discussion, Director Boddy moved that the minutes of the meeting held December 4, 2019, be approved as presented. Director Meek seconded said motion, which unanimously carried.

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 December 1, 2019 through January 8, 2020, 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 November 2019 and the first eleven months of the Authority's fiscal year ended December 31, 2019, and a Summary of Pumpage Fees Paid by Member Districts through November 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 RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE AUTHORITY

The Board next considered adopting a list of qualified brokers authorized to engage in investment transactions with the Authority. Mr. Rubinsky advised that, pursuant to the Public Funds Investment Act and the Authority's Investment Policy, the Board is required to review, and revise if necessary, such list at least annually. He then presented to and reviewed with the Board a proposed list of financial institutions, brokers and dealers authorized to engage in investment transactions with the Authority, a copy of which is attached hereto as **Exhibit B**, as compared to the list previously adopted by the Board. Mr. Rubinsky noted that the broker list presented is a list of potential institutions with which the Authority may engage in investment transactions compiled with the input of the Authority's Investment Officer, but it is ultimately the Board's decision as to where the Authority's funds are actually placed. After discussion on the matter, Director Boddy moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority attached hereto as **Exhibit C** be approved, and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Meek seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

Mr. Rubinsky next advised the Board that he had no new activity upon which to report regarding the Authority's updated Long Term Financial Plan.

Mr. Rubinsky advised the Board that a preliminary accounting had been received from the City of Houston ("City") for the Northeast Water Purification Plant ("NEWPP") for the City's FY2019. He further advised the Board that it appears that the actual costs for operation and maintenance of the NEWPP were below budget and, as a result, the Authority should receive a rebate of approximately \$0.13 per 1,000 gallons paid to the City during the City's fiscal year ended June 30, 2019, once the final audit has been prepared.

Mr. Rubinsky next presented for the Board's review correspondence received from The GMS Group, L.L.C. ("GMS") dated December 10, 2019, a copy of which is attached hereto as **Exhibit D**, providing the Authority with GMS's MSRB Rule G-10 Annual Disclosures.

ENGINEER'S REPORT

Mr. Khouw next introduced Jared Daly, the Design Manager on both the No. 304 surface

water supply line and meter station project, and the 2025 Internal Distribution System. Mr. Khouw then presented to and reviewed with the Board a written Engineer's Report dated January 8, 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. Wright would provide further details regarding the water usage in his Operator's Report.

Mr. Khouw next addressed the Board concerning a meeting held with representatives of the City on December 10, 2019 to discuss the requirements for placing the No. 304 meter station into operation, as further detailed in the Engineer's Report. In that regard, he advised the Board that the cost for a Siemens meter, as requested by the City in lieu of the Rosemount meter that was originally installed, is approximately \$6,000, plus installation costs. Mr. Khouw reported that IDS will prepare metes and bounds descriptions for the easement to be dedicated to the City for the meter station and access thereto so that SPH can prepare Water Meter Easements to be conveyed to the City and to the Authority. Mr. Khouw stated that he will contact No. 304's Engineer to discuss the City's requirements for the meter station. Mr. Khouw additionally advised the Board that, upon installation, the City will own and operate the meter station and be responsible for the maintenance of same. Mr. Khouw noted that, even when the City approves the meter station and connection to the Authority's surface water supply system, the Authority cannot provide surface water to No. 304 until the Texas Commission on Environmental Quality approves the surface water supply system connection, which is pending the resolution of No. 304's water corrosivity issue.

Mr. Khouw discussed the updated preliminary construction estimate prepared by IDS for the acquisition of easements and the design and construction of an eight inch water line required in connection with Harris County Municipal Utility District No. 215's ("No. 215") request for early conversion to surface water, as further detailed in the Engineer's Report. Mr. Khouw advised the Board that, in addition to the estimated costs of construction in the amount of \$380,000 and engineering fees in the amount of \$60,000, there will be additional costs associated with easement acquisitions and environmental approvals. The Board requested that Mr. Khouw advise No. 215's Engineer of the estimated costs associated with No. 215's early conversion to surface water so that No. 215 can determine whether it wants to proceed with same.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, including the City's issuance of Cash Call No. 9 in the amount of \$2,251,428.73 due March 9, 2020, as further detailed in the Engineer's Report. Mr. Khouw advised the Board that he will submit an escrow fund release request to the Texas Water Development Board ("TWDB") for payment of Cash Call No. 9, and other expenses previously incurred by the Authority that are to be paid from bond proceeds.

Mr. Khouw next reported to the Board concerning the status of construction of Phase I of the Northeast Transmission Line ("NETL"), including the receipt of correspondence from the City requesting that the Authority agree that liquidated damages for the construction contracts

related to said project be reduced to \$1,200 per day, as opposed to \$50,000 per day, as is currently set forth in the Fourth Supplement to Water Supply Contract between the City and the Authority, and that the required "Completion Date" be extended from August 31, 2021, to March 31, 2022. Mr. Khouw then discussed the reason for the proposed changes. After discussion on the matter, the Board authorized Mr. Khouw to execute the City's letter on behalf of the Authority concurring that liquidated damages for the construction contracts be limited to \$1,200 per day and that the Completion Date be changed to March 31, 2022. Mr. Khouw advised the Board that, once the concurrence letter has been signed, the City will then prepare an Amendment to the Fourth Supplement to Water Supply Contract between the Authority and the City to reflect said changes.

Mr. Khouw next reported to the Board concerning the status of Phase II of NETL. He advised the Board that, after meeting with the NHCRWA's Project Manager for the 84-inch NHCRWA line, the NHCRWA determined that the Authority needs to acquire its own easement from CenterPoint Energy ("CPE") for the Authority's take point off of the 84-inch line. Mr. Khouw stated that IDS will initiate discussions with CPE regarding same.

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 ("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. Mr. Wright reported that the rehabilitation of the Authority's cla-vals is continuing.

OPERATOR'S REPORT

Mr. Wright presented to and reviewed with the Board a written Operator's Report for December 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. Wright also advised the Board that No. 200 and Rankin Road West will be providing water to No. 304 once No. 304 proceeds with its ground storage tank rehabilitation project.

REVIEW AND APPROVAL OF SECOND AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT BY AND BETWEEN THE AUTHORITY AND MOC

Mr. Wright next presented to and reviewed with the Board a Second Amendment to Professional Services Agreement by and between the Authority and MOC. Mr. Wright advised

the Board that the Second Amendment provides for a replacement of Attachments A and B to the Agreement, with Attachment A being revised to update the description of the services included under Basic Services, with the monthly charge for Basic Services to remain at \$1,700 per month, and with Attachment B being revised to reflect an increase in the rates for labor, equipment, inspections and miscellaneous services and charges, resulting in an approximately seven percent total overall rate increase. Mr. Wright stated that MOC has not increased its rates to the Authority in ten years. After discussion on the matter, it was moved by Director Meek, seconded by Director Gower and unanimously carried, that the Second Amendment to Professional Services Agreement be approved and that the President be authorized to execute same on behalf of the Board and 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 January 8, 2020, a copy of which is attached hereto as **Exhibit G**.

AUTHORIZE MOC TO PROVIDE REQUIRED INFORMATION TO DISTRICTS RECEIVING SURFACE WATER FROM THE AUTHORITY RELATIVE TO CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing MOC to provide required information to districts receiving surface water from the Authority during 2019 relative to required annual Consumer Confidence Reports. Mr. Rubinsky explained that, pursuant to the Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the Authority is required to provide by April 1, 2020, a report containing various information regarding the Authority's surface water supply to any other water supplier which received surface water from the Authority during the prior calendar year. After discussion on the matter, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that MOC be authorized to provide the required information as set forth hereinabove.

AUTHORIZE SOLICITATION OF PROPOSALS FOR INSURANCE COVERAGES

The Board next discussed the solicitation of proposals for the Authority's insurance coverages for the term of April 1, 2020, through March 31, 2021. Mr. Rubinsky advised the Board that the Authority's current insurance coverages, through TML Insurance Services

("TML"), will expire on March 31, 2020. After discussion on the matter, the Board requested that SPH solicit a proposal on behalf of the Authority from TML only at this time, and that Director Meek be authorized to review such proposal on behalf of the Board and the Authority.

AUTHORIZE PREPARATION AND SUBMISSION OF AUTHORITY INFORMATION TO TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR INCLUSION IN THE SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Rubinsky next informed the Board that, pursuant to provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the Authority is required to submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Following discussion, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that the Authority's auditor, BKD, LLP, be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Public Information Database.

2020 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 reported that the Memorandum outlining the appointment process presented at the last meeting was forwarded to each of the Authority's Member Districts after the meeting. He then advised the Board of an email inquiry received from Kara Richardson, attorney for No. 150, regarding the Director appointment process. Mr. Rubinsky further advised the Board that IDS is currently working 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.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky presented for the Board's consideration an engagement letter from McCall Gibson Swedlund Barfoot PLLC ("McCall Gibson") dated January 8, 2020, for the performance of certain accounting procedures in order to eliminate the findings of material weaknesses in internal controls in the Management Letter associated with the audit prepared by BKD for the Authority's fiscal year ended December 31, 2019, at a cost not to exceed \$10,000. After discussion on the matter, it was moved by Director Boddy, seconded by Director Meek and unanimously carried, that McCall Gibson be engaged to perform such accounting procedures and that the President be authorized to execute McCall Gibson's engagement letter on behalf of the Board and the Authority, subject to the receipt of a TEC 1295.

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. 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, February 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 List of Financial Institutions, Brokers and Dealers as Compared to List Previously Adopted by the Board
- Exhibit C Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
- Exhibit D The GMS Group, L.L.C.'s MSRB Rule G-10 Annual Disclosures
- Exhibit E Engineer's Report
- Exhibit F Operator's Report
- Exhibit G Government Affairs Update