

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors November 4, 2020

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on November 4, 2020, in accordance with the duly posted notice of meeting. The meeting was held via telephone conference call pursuant to Texas Government Code, Section 551.125, as amended, and as modified by the temporary suspension of various provisions thereof effective March 16, 2020, by the Governor of Texas in accordance with the Texas Disaster Act of 1975, all as related to the Governor's proclamation on March 13, 2020, certifying that the COVID-19 Pandemic poses an imminent threat of disaster and declaring a state of disaster for all counties in Texas. The roll was called of the duly constituted members of said Board of Directors, as follows:

Margaret L. Cox, President
Julian F. Boddy, Vice President
David Granadino, Secretary
Tom Gower, Assistant Secretary
Richard C. Meek, Assistant Secretary

all of whom announced they were present, thus constituting a quorum.

Also attending the meeting via telephone conference call were: Marcel Khouw, P.E. of IDS Engineering Group, Inc. ("IDS"), engineer for the Authority; Katie White of F. Matuska, Inc. ("FMI"), 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"), auditor for the Authority; C.J. Tredway, the Authority's government affairs representative; Wesley Lay of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Linda Watkins, Gilbert Miranda and Joyce King of Fallbrook Utility District ("Fallbrook"); Lathan E. Johnson and Kelvin Smith of Rankin Road West Municipal Utility District ("Rankin Road West"); Jonathan Ward, Leonard Cummings and Elvis Anderson of Harris County Municipal Utility District No. No. 304 ("No. 304"); Oliver Agard, Roosevelt Johnson and Charlotte Mays of Harris County Municipal Utility District No. 150 ("No. 150"); Rosalind Caesar, a resident of No. 304; and Abraham I. Rubinsky of Schwartz, Page & Harding, L.L.P. ("SPH"), attorneys for the Authority.

EXPLANATION OF TELEPHONE CONFERENCE CALL MEETING PROCEDURES AND CALL TO ORDER

Mr. Rubinsky explained to the Board the procedures to be used during the telephone conference call meeting. In connection therewith, he informed the participants that the meeting would be recorded, and requested that each participant clearly state his or her name before speaking, including when making or seconding a motion. Mr. Rubinsky explained that he would conduct a roll call vote for all motions and that Board members should wait to vote on a motion until his or her name has been called. Similarly, Mr. Rubinsky stated that a full roll call of all participants would be conducted at the start of the meeting for attendance purposes. Mr. Rubinsky proceeded to perform a roll call to establish attendance of Board members, consultants,

and members of the public.

Following such roll call, the President called the meeting to order and declared it open for such business as might regularly come before the Board.

COMMENTS FROM THE PUBLIC

Mr. Rubinsky noted that the first item on the agenda was to open the meeting for public comments. Ms. Caesar requested a point of contact with the City of Houston with respect to the proposed tie-in of No. 304 to the Authority's surface water distribution system and No. 304's dedication of a Meter Station Easement to the City in connection therewith. Mr. Khouw advised Ms. Caesar that she could contact Roschan George, who is a Supervisor in the City's Meters and Taps Division. He then discussed the procedures for installation of the tap for the proposed tie-in of No. 304 to the Authority's surface water distribution system. Mr. Khouw stated that the installation of the tap should be completed soon.

Mr. Agard next addressed the Board regarding repairs to surface water valves located within No. 150 during the past several months, as reported by the Operator for No. 150 at the No. 150 Board of Directors meetings. Mr. Agard stated that it seems as though the Operator for No. 150 has to deal with surface water issues almost every month. Mr. Agard queried as to why these issues cannot be resolved. Mr. Martin reported that he has been out to the No. 150 Water Plant site only one time over the past several months to repair a "set screw" that fell out and caused the surface water meter to fall out of calibration, which resulted in a low level in No. 150's Ground Storage Tank. Mr. Martin noted that this issue was identified and corrected within a few hours. Mr. Martin further reported that, prior to that incident, a piece of debris became trapped in the diaphragm of the surface water meter, but that the debris was dislodged after the Authority Operator opened the meter to full volume. Mr. Martin stated that he is unaware of any other issues related to the Authority or its delivery of surface water to No. 150 that may have been reported to the No. 150 Board of Directors.

Mr. Agard next advised the Board that he does not like seeing an outstanding balance on the invoice No. 150 receives from the Authority each month. Mr. Rubinsky explained the Authority's billing and collection process. He advised that the Authority's bills are sent out to the Member Districts on or about the third day of each month and that the bills are due 45 days later. Mr. Rubinsky stated that, because No. 150 does not meet and authorize payment of its bills until the third Tuesday of each month, its payments to the Authority are not received until after the third day of each month. Mr. Rubinsky advised Mr. Agard that if No. 150 could send its payments to MOC earlier each month, there would be no outstanding balance reflected on the Authority's invoices to No. 150. Mr. Rubinsky emphasized that, although No. 150's invoice may reflect an outstanding balance, No. 150 is not incurring any penalties in connection with late payments.

Ms. Mays next requested copies of the Authority's Audit Reports for the fiscal years ending December 31, 2019 and, upon completion, December 31, 2020. Ms. Mays also requested information regarding the Coalition for Critical Infrastructure ("CCI"). Mr. Rubinsky stated that he would provide Ms. Mays with copies of the requested Audit Reports, as well as information regarding the CCI. Ms. Mays additionally requested a tour of the City of Houston's ("City") Northeast Water Purification Plant ("NEWPP"). Mr. Khouw stated that he would look into

whether such a tour could be arranged, but that same may not be possible due to procedures implemented by the City of Houston and the contractor due to COVID-19 concerns.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held October 7, 2020. After discussion, Director Gower moved that the minutes of the meeting held October 7, 2020, be approved as presented. Director Granadino seconded said motion, which unanimously carried.

STATUS OF THE AUTHORITY'S ISSUANCE OF \$3,560,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2020 (THE "SERIES 2020 BONDS")

Mr. Rubinsky next advised the Board that the transcript of proceedings for the Series 2020 Bonds was approved by the Attorney General of Texas on October 30, 2020, and that the closing of the Bonds is scheduled for Thursday, November 19, 2020, at 10:00 a.m.

DISBURSEMENT OF BOND PROCEEDS

The Board next considered authorizing the disbursement of proceeds from the Series 2020 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 2020 Escrow Fund, Series 2020 Capital Projects Fund, and Debt Service Fund. After discussion, Director Gower moved that the proceeds of the Series 2020 Bonds be disbursed in accordance with such Closing Memorandum, subject to the closing scheduled for November 19, 2020. Director Boddy 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 2020 BONDS**

The Board considered authorizing the execution of various closing documents relative to the Authority's Series 2020 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 Gower, seconded by Director Boddy 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 2020 Bonds.

Mr. Howell disconnected from the meeting at this time.

BOOKKEEPER'S REPORT

Ms. White 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, 2020 through November 4, 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 September 2020 and the first nine (9) months of the Authority's fiscal year ended December 31, 2020, and a Summary of Pumpage Fees Paid by Member Districts through August 30, 2020. After discussion, Director Boddy moved that the Bookkeeper's Report be approved and the disbursements listed therein be approved for payment. Director Gower seconded said motion, which unanimously carried.

**ADOPTION OF RESOLUTION EXPRESSING OFFICIAL INTENT TO REIMBURSE
OPERATING ACCOUNT**

Mr. Rubinsky next presented to and reviewed with the Board a Resolution Expressing Official Intent to Reimburse Operating Account in connection with the payment of a portion of the Authority's share of construction costs related to the Northeast Transmission Line ("NETL"), Phase I – Segment 2 in the total amount of \$146,642.97.00 on May 6, 2020 out of the General Operating Account, to be reimbursed out of the proceeds of the Series 2020 Bonds. After discussion, it was moved by Director Granadino, seconded by Director Gower and unanimously carried, that the subject Resolution Expressing Official Intent to Reimburse Operating Account attached hereto as **Exhibit D** be adopted by the Board.

**PROPOSED OPERATING BUDGET FOR FISCAL YEAR ENDING DECEMBER 31,
2021**

Ms. White next presented for the Board's review a proposed Operating Budget for the fiscal year ending December 31, 2021, a copy of which is attached to the Bookkeeper's Report. Ms. White 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, 2021, 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, 2020. 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 Gower moved that (i) the firm of BKD be engaged to prepare the Authority's audit for the fiscal year ending December 31, 2020, (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 2020 fiscal year end audit. Director Boddy seconded said motion, which carried unanimously.

ADOPTION OF AN AMENDED ORDER ESTABLISHING POLICY FOR INVESTMENT OF AUTHORITY FUNDS AND APPOINTING INVESTMENT OFFICER

The Board next considered the adoption of an Amended Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer ("Amended Investment Policy Order"). In that regard, Mr. Rubinsky advised the Board that, at its last meeting, the Authority had designated Rose Montalbano of FMI as the Authority's Investment Officer. Mr. Rubinsky further reported, however, that Ms. Montalbano has now resigned from FMI. After discussion on the matter, it was moved by Director Boddy, seconded by Director Gower and unanimously carried, that the Amended Investment Policy Order attached hereto as **Exhibit E** be adopted to reflect the designation of Clifton White, the new owner of FMI, as the Authority's Investment Officer, 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.

LOCAL GOVERNMENT OFFICERS LIST

Mr. Rubinsky advised the Board that the District is required to maintain a list of Local Government Officers, which includes the members of the Board and the District's Investment Officers, in connection with the conflict of interest disclosure requirements of Chapter 176 of the Local Government Code. After discussion on the matter, Director Gower moved that SPH be authorized to update the District's list of local government officers to reflect that Clifton White has been designated as the Authority's Investment Officer, as required by law. Director Boddy seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

The Board next considered the Financial Advisor's Report. In that regard, Mr. Rubinsky advised the Board that he had no new activity upon which to report regarding the City's FY 2019 True Up Report related to the operations and maintenance costs of the City's NEWPP.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated November 4, 2020, a copy of which is attached hereto as **Exhibit F**, 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 HGSD permit requirements, as 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, including the status of Early Work Package ("EWP") No. 1 (Site Grading), EWP No. 2 (Filter Module 1), EWP No. 4 (Raw Water Pipelines), EWP No. 6 (Intake Pump Station and North Plant), as well as the balance of the NEWPP. He advised that, overall, the project is now approximately 36% complete.

Mr. Khouw next reported to the Board concerning the status of construction of Phase I of the NETL, as further detailed in the Engineer's Report, and discussed the invoice recently received from the City for the Authority's share of the construction of the 66-inch water line interconnect along Hardy Road.

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 addressed the Board concerning the status of the Luce Bayou Interbasin Transfer Project, as further detailed in the Engineer's Report, including the status of the canal segments, the dual 96-inch pipelines, and the Capers Ridge Pump Station.

DISCUSSION REGARDING THE AMERICA'S WATER INFRASTRUCTURE ACT OF 2018

Mr. Rubinsky next presented to and reviewed with the Board a Memorandum prepared by SPH regarding the America's Water Infrastructure Act of 2018 (the "AWIA"), a copy of which is attached hereto as **Exhibit G**. Mr. Rubinsky discussed the contents of the Memorandum including important dates relative to the AWIA and the impact of those dates on the Authority. He advised that the Authority will be required to undertake a comprehensive assessment of its system and practices as they relate to risk and resilience to natural and manmade disasters no later than June 30, 2021, and prepare an emergency response plan and certify its completion to the U.S. Environmental Protection Agency within six months of completing the subject assessment. Following discussion, Director Granadino moved that IDS and MOC cooperate to

take any and all action necessary to ensure that the Authority is in full compliance with the requirements of the AWIA by the deadlines applicable to the Authority. Director Gower seconded such motion, which carried unanimously.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for October 2020, a copy of which is attached hereto as **Exhibit H**. Mr. Martin reported to the Board regarding total ground water and surface water usage as well as total water usage, within the Authority for the most current billing cycle, as well as surface water accountability for the permit year to date, as reflected in the Operator's Report.

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 reviewing the proposed Services Agreement between the Authority and Accurate Utility Supply, LLC. Mr. Rubinsky further advised the Board that SPH is 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

Ms. Tredway next presented to and reviewed with the Board a Government Affairs Update, a copy of which is attached hereto as **Exhibit I**, and, in particular, information contained in the update related to proposed eminent domain legislation and the work of the Coalition for Critical Infrastructure. Ms. Tredway recommended that the Board consider participating in the CCI. The Board requested that an item regarding same be placed on the agenda for next month's meeting.

APPROVAL OF GOVERNMENT AFFAIRS REPRESENTATION AGREEMENT

The Board next considered the approval of a Government Affairs Representation Agreement between Ms. Tredway and the Authority in connection with the 87th Texas Legislative cycle (2021-2022). After discussion, it was moved by Director Meek and seconded by Director Granadino that the Agreement be approved and that the President be authorized to execute same on behalf of the Board and the Authority, subject to the receipt of a Texas Ethics Commission Form 1295 from Ms. Tredway. The motion carried with Directors Cox, Boddy, Granadino and Meek voting in favor of such action and Director Gower voting against such action.

ATTORNEY'S REPORT

The Board next considered the attorney's report. In response to various inquiries from Director Boddy regarding the Spears Road Pump Station, Mr. Rubinsky and Mr. Khouw advised that they would be meeting next week with representatives of the North Harris County Regional

Water Authority ("NHCRWA") to discuss the proposed First Amendment to Amended and Restated Joint Facilities Agreement between the Authority and the NHCRWA in connection with the design and construction of the proposed NETL, Phase II and other shared surface water distribution lines, at which time they will receive additional information regarding the possible acquisition of additional capacity by the Authority in the Spears Road Pump Station.

Mr. Rubinsky next addressed the Board concerning the Authority's participation as an amicus party in the pending litigation in the Court of Appeals for the Ninth District in Beaumont, Texas relating to the enforceability of wholesale water supply contracts between the San Jacinto River Authority and certain participants in its groundwater reduction plan, and the potential impact such litigation could have on wholesale water supply contracts entered into by the Authority and other regional water authorities and water providers in the State of Texas. In that regard, Mr. Rubinsky advised the Board that it is anticipated that the Authority will bear 25% of the costs associated with the preparation and submittal of an amicus brief to the Court of Appeals related to the subject matter of the litigation. Mr. Rubinsky further reported that the total costs are estimated to range from \$14,000 to \$18,000 and that the Authority's costs will, therefore, range from \$3,500 to \$4,500. After discussion on the matter, the Board indicated that it was still in favor of participating in the amicus brief being coordinated by the NHCRWA on behalf of the various regional water authorities.

DISCUSSION REGARDING STATUS OF AUTHORITY WEBSITE AND OTHER COMMUNICATIONS WITH MEMBER DISTRICTS

Mr. Rubinsky next advised the Board that he had no new activity upon which to report regarding the Authority's website.

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, December 2, 2020, 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.

/s/ David Granadino, Secretary
David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Final Closing Memorandum (Series 2020 Bonds)
- Exhibit B SPH Arbitrage Compliance Correspondence (Series 2020 Bonds)
- Exhibit C Bookkeeper's Report
- Exhibit D Resolution Expressing Official Intent to Reimburse Operating Account
- Exhibit E Amended Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer
- Exhibit F Engineer's Report
- Exhibit G Memorandum prepared by SPH regarding the America's Water Infrastructure Act of 2018
- Exhibit H Operator's Report
- Exhibit I Government Affairs Update