

# CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

## Minutes of Meeting of Board of Directors January 6, 2021

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on January 6, 2021, 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; Clifton 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; Wesley Lay of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Joyce King of Fallbrook Utility District ("Fallbrook"); Lathan E. Johnson, Godfrey Eta and Kelvin Smith of Rankin Road West Municipal Utility District ("Rankin Road West"); Rosalind Caesar of Harris County Municipal Utility District No. 304 ("No. 304"); Oliver Agard, Roosevelt Johnson, Shirley Adams, Robert Cadena and Cordia Jackson of Harris County Municipal Utility District No. 150 ("No. 150"), who later joined the meeting as noted herein; Charlotte Mays, a resident of No. 150; 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. The Board recognized Mr. Agard, who advised that approximately one week ago, No. 150's operator, WWWS, Inc., excavated an area at 2519 N. Camden within the boundaries of No. 150 in an effort to locate a water line leak. Mr. Agard further advised the Board that no leaks were found on No. 150's water line; however, it was discovered that the twelve-inch valve on the Authority's surface water line located further below No. 150's water line appeared to be leaking. Mr. Agard stated that WWWS contacted MOC regarding the situation, who came out and inspected the leaking valve and then made the repairs the following day. Mr. Agard requested reimbursement from the Authority for the costs incurred by No. 150 for excavation of the surface water line. Mr. Martin confirmed the accuracy of Mr. Agard's report concerning the leaking valve on the Authority's surface water line. He advised the Board that MOC had received an invoice from WWWS today for the excavation costs. Mr. Martin noted that WWWS had taken advantage of the excavation work to also perform a repair to on No. 150's facilities as well. After discussion on the matter, the Board indicated that it was willing to pay the Authority's share of such excavation costs. Mr. Rubinsky requested that Mr. Martin work with WWWS to reach an agreement regarding the amount to be reimbursed to No. 150 by the Authority and that No. 150 then send a formal written request to the Authority requesting reimbursement for said excavation costs so that the Authority can properly document the proposed expenditure.

Mr. Agard next addressed the Board concerning the credit due to the Authority from the City of Houston ("City") for excess funds advanced for Early Work Package No. 1 in connection with the Northeast Water Purification Plant ("NEWPP") Expansion Project. Mr. Khouw reported that the Authority's credit will be applied to other costs related to the NEWPP Expansion Project.

Mr. Agard also expressed his concern regarding the delay in the posting of No. 150's October payment to the Authority. Mr. Rubinsky and Mr. Martin explained again that it is possible that No. 150's payment has now been received but that it had not been received as of the date the Pumpage Fees Paid report was prepared by the Authority's Bookkeeper.

Mr. Cadena next advised the Board that it appears that there has been some settlement at the intersection of N. Camden and Monument Valley within the boundaries of No. 150 which he believes is a result of excavation at this location when the Authority installed its new surface water line. Mr. Cadena further advised that the settlement has caused damages to the sidewalks in the area. Mr. Cadena requested confirmation that the Authority will pay to reconstruct the sidewalks. Mr. Martin stated that he would address this matter later in the meeting under his Operations Report.

Mr. Cadena next addressed the Authority's surface water rates and pumpage fees and expressed concern regarding any future increases. Mr. Rubinsky advised Mr. Cadena that the Authority has not increased its rates since March 2018, notwithstanding the issuance of three additional series of bonds in late 2018, 2019 and 2020, but that future rate increases are

inevitable. He advised that the Authority's Financial Advisor, John Howell, will be addressing such issue further with the Board later in the meeting. However, Mr. Rubinsky reiterated the Board's longstanding position that it will keep its rates as low as possible for as long as possible.

### **APPROVAL OF MINUTES**

The Board next considered approval of the minutes of its meeting held December 2, 2020. Mr. Rubinsky advised the Board of a correction that had been made on page 1 of the minutes. After discussion, Director Gower moved that the minutes of the meeting held December 2, 2020, be approved, as revised. Director Granadino seconded said motion, which unanimously carried.

### **BOOKKEEPER'S REPORT**

Mr. White 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, 2020 through January 6, 2021, 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 2020 and the first eleven (11) months of the Authority's fiscal year ended December 31, 2020, and a Summary of Pumpage Fees Paid by Member Districts through October 31, 2020. After discussion, Director Meek moved that the Bookkeeper's Report be approved and the disbursements listed therein be approved for payment from the Authority's various accounts. Director Gower seconded said motion, which unanimously carried.

### **ADOPTION OF AMENDED OPERATING BUDGET FOR THE AUTHORITY'S FISCAL YEAR ENDING DECEMBER 31, 2021**

Mr. White presented for the Board's review an amended Operating Budget for the fiscal year ending December 31, 2021, a copy of which is attached to the Bookkeeper's Report. Mr. White advised the Board that the amended Operating Budget provides for an increase in projected surface water and Groundwater Reduction Plan pumpage fee revenues and a decrease in the Transfer to Debt Service expense, resulting in an approximate decrease of \$665,000 in the projected operating deficit for said fiscal year from \$965,265 to \$300,265. After discussion on the matter, upon motion made by Director Gower, seconded by Director Meek and unanimously carried, the Board approved the amended Operating Budget for the Authority's fiscal year ending December 31, 2021, as presented.

### **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, revise, if necessary, and adopt 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 Gower seconded said motion, which unanimously carried.

### **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 number of schedules regarding the Authority's rates, 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 D**. 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 2021, after the Authority's draft Audit Report for the fiscal year ended December 31, 2020 becomes available. Mr. Howell further advised the Board that he anticipates future rate increases of \$0.20 to \$0.40 in June or July 2021 or the first quarter of 2022. Mr. Howell noted that one of the most significant issues impacting the Authority is that overall water usage has not increased within the Member Districts at the rates projected by the Member Districts when the Authority's Groundwater Reduction Plan was created in 2009-2010. Mr. Howell further advised that, since 100% of the Authority's revenues are tied to water usage within the Member Districts, reduced water usage has an adverse impact on the Authority's rates and charges. After discussion, the Board concurred that no increases in the Authority's rates would be necessary at this time.

Ms. Mays, who joined the meeting during Mr. Howell's report, made various comments and asked several questions regarding the Authority's current and future rates. Mr. Cadena also asked several questions. Mr. Howell and Mr. Rubinsky responded to Ms. Mays' and Mr. Cadena's comments. Mr. Rubinsky reminded those in attendance that the alternative to being within the Authority's Groundwater Reduction Plan and paying the Authority's charges would be to pay the disincentive fees charged by the Harris-Galveston Subsidence District to water well permittees who are not within a certified groundwater reduction plan, which disincentive fee for 2021 is \$9.58 per 1,000 gallons.

Mr. Howell disconnected from the meeting at this time.

### **ENGINEER'S REPORT**

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated January 6, 2021, 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 HGSD permit requirements, as detailed in the Engineer's Report. Mr. Khouw noted that the ground water usage, surface water usage, and total water usage

numbers reflected in the Engineer's Report have not been updated, and that Mr. Martin will report to the Board regarding same during the Operator's Report.

Mr. Khouw advised the Board that IDS is working with the City on final close out and approval of the tie-in of No. 304's Water Plant 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 stated that he expects that this project will be completed by the end of January or early February 2021.

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. Mr. Khouw also discussed the City's issuance of Cash Call No. 10 in the amount of \$5,758,873.62 due February 26, 2021, 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. 10.

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, including the status of 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. He advised that the project is expected to be substantially complete by March 2021.

## **OPERATOR'S REPORT**

Mr. Martin presented to and reviewed with the Board a written Operator's Report for December 2020, a copy of which is attached hereto as **Exhibit F**. 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.

Mr. Martin next reported to the Board regarding the leak on the twelve-inch valve on the Authority's water line located on N. Camden within the boundaries of No. 150, as discussed earlier in the meeting. Mr. Martin advised the Board that the repair has been completed, but that concrete repairs and the re-sodding of the grass in the area still need to be addressed, which will be done soon.

Mr. Martin also addressed the Board concerning the settlement near the intersection of N. Camden and Monument Valley within the boundaries of No. 150, as discussed earlier in the meeting. Mr. Martin advised the Board that approximately thirty feet of sidewalk on Monument Valley needs to be removed and the area raised to grade, and the sidewalk then reconstructed. Mr. Martin reported that he did not yet have a cost estimate for this work. After discussion on the matter, the Board requested that Mr. Khouw inspect the condition of the sidewalk and that he work with Mr. Martin to obtain a cost estimate for the Board's consideration at next month's meeting for the sidewalk replacement project, including lab work and geotechnical services.

#### **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**

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated January 5, 2021, 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.

#### **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, 2021, through March 31, 2022. Mr. Rubinsky advised the Board that the Authority's current insurance coverages, through TML Insurance Services ("TML"), will expire on March 31, 2021. After discussion on the matter, the Board requested that SPH solicit a proposal on behalf of the Authority from TML, as well as from Arthur J. Gallagher & Co. and McDonald & Wessendorff Insurance Services, L.L.C., for consideration by the Board at its next meeting.

#### **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 Meek, 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.

### **ATTORNEY'S REPORT**

The Board next considered the attorney's report. Mr. Rubinsky advised the Board of an invitation received from the City of Houston regarding the Authority's participation in Houston Water's Wholesale Water Conservation Program. Mr. Rubinsky stated that he would add an item regarding same to the agenda for next month's Board of Directors meeting.

Mr. Rubinsky next advised the Board that he has received a draft of 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, and that SPH is in the process of reviewing same.

### **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.

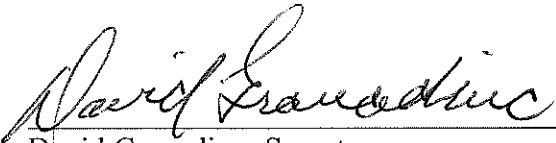
### **ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY**

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, February 3, 2021, 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.

  
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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      2021 Rate Discussion prepared by The GMS Group, L.L.C.
- Exhibit E      Engineer's Report
- Exhibit F      Operator's Report
- Exhibit G      Government Affairs Update