

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors February 3, 2021

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on February 3, 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, except Director Boddy, 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"); Linda Watkins, Gilbert Miranda and 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"); Leonard Cummings and Rosalind Caesar of Harris County Municipal Utility District No. 304 ("No. 304"); Oliver Agard and Roosevelt Johnson Harris County Municipal Utility District No. 150 ("No. 150"); Charlotte Mays, a resident of No. 150, who later joined the meeting as noted herein; 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 thanked Mr. Rubinsky for his efforts with respect to the excavation issue in No. 150 discussed at the last meeting and the generation of an invoice from No. 150 for the Board's consideration at today's meeting in connection therewith.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held January 6, 2021. After discussion, Director Gower moved that the minutes of the meeting held January 6, 2021, be approved as presented. 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 January 1, 2021 through February 3, 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 December 2020 and the entire twelve (12) months of the Authority's fiscal year ended December 31, 2020, and a Summary of Pumpage Fees Paid by Member Districts through November 30, 2020. Mr. Rubinsky noted that check nos. 4190 and 4196 on the General Operating Fund payable to HARCO Insurance Services should be held until the Board acts on the approval of proposals for renewal of the Authority's insurance policies. Mr. White noted that check no. 4199 on the General Operating Fund in the amount of \$1,101.25 was being issued to No. 150 for payment of the Authority's share of the excavation costs discussed at the last meeting. Mr. White also advised the Board that a wire transfer would be made to the City of Houston ("City") later this month for payment of the Authority's share of Cash Call No. 10 with respect to the Northeast Water Purification Plant ("NEWWP") Expansion Project. 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, with the exception of check nos. 4190 and 4196, as reflected above. Director Cox seconded said motion, which unanimously carried.

ENGAGEMENT OF MCCALL GIBSON SWEDLUND BARFOOT PLLC

Mr. Rubinsky presented for the Board's consideration an engagement letter from McCall Gibson Swedlund Barfoot PLLC ("McCall Gibson") dated February 3, 2021, a copy of which is attached hereto as **Exhibit B**, 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, 2020, at a cost not to exceed \$10,000. After discussion on the matter, it was moved by Director Gower, 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.

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 various spreadsheets, copies of which are attached hereto as **Exhibit C**, regarding his 2020 Projected Annual Cash Flow Analysis, Available Reserves Analysis, Rate Covenant Test and "Adjusted" Additional Bonds Test with 2015-2020 Texas Water Development Board ("TWDB") State Water Implementation Revenue Fund for Texas ("SWIRFT") (Bonds with 2020 Actual TWDB SWIRFT Bond Results). Mr. Howell advised the Board that he is projecting the need to increase the Authority's Surface Water Fee from \$3.35 to \$3.55 and the Authority's Groundwater Reduction Plan Pumpage Fee from \$3.01 to \$3.21, but that he does not recommend that the projected rate increases be implemented until the fourth quarter of this year or early 2022. After discussion, the Board concurred that no increase in the Authority's rates would be necessary at this time, but that it would reconsider rate adjustments again in October 2021.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated February 2, 2021, a copy of which is attached hereto as **Exhibit D**, 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 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 the meter has now been delivered to the City's subcontractor and calibrated, and that he expects the meter will be installed within the next two weeks.

Mr. Khouw next reminded the Board that the North Harris County Regional Water Authority ("NHCRWA") is considering certain operational changes to the Spears Road Pump Station, and that IDS is evaluating the Authority's future capacity requirements in the facility. In that regard, Mr. Khouw advised the Board that IDS is working with SPH on the First Amendment to the Amended and Restated Joint Facilities Agreement between the Authority and the NHCRWA.

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 the TWDB approved the Authority's escrow fund release request for

payment of Cash Call No. 10 today, and that he will work with FMI to ensure that the payment to the City is made prior to the due date.

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. In that regard, he presented for the Board's consideration a proposal from IDS in the amount of \$28,200.00 for additional topography and surveying services, a copy of which is attached to the Engineer's Report. Mr. Khouw noted that various surveying services related to Water Line Easements and Temporary Construction Easements, as described in IDS' proposal, will also be performed at a cost of \$1,250.00 per parcel but that said amounts are not included in the above figure. After discussion, it was moved by Director Meek, seconded by Director Granadino and unanimously carried, that the proposal from IDS be approved by the Board.

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.

Director Gower disconnected from the meeting during the Engineer's Report.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for January 2021, a copy of which is attached hereto as **Exhibit E**. 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 addressed the Board concerning the sidewalk replacement project as a result of settlement over an Authority surface water line near the intersection of N. Camden and Monument Valley within the boundaries of No. 150, as discussed at the last meeting. Mr. Martin advised the Board that the sidewalk replacement project will cost approximately \$11,231.00, which includes the addition of three feet of stabilized sand, if necessary. After discussion on the matter, it was moved by Director Cox, seconded by Director Meek and unanimously carried, that MOC be authorized to proceed with the sidewalk replacement project.

With respect to Mr. Agard's comments at past meetings regarding the outstanding balance reflected on the invoice No. 150 receives from the Authority each month, Mr. Mr. Martin advised the Board that the Bookkeeper for No. 150 paid the invoice earlier than usual last month and that No. 150 now has a current balance, as reflected on the Summary of Pumpage Fees Paid

by Member Districts attached to the Bookkeeper's Report. Mr. Agard briefly addressed the Board concerning this matter and stated that, hopefully, the situation is resolved going forward.

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.

ANNUAL REVIEW OF SURVEY OF WAGE RATE SCALES

The Board considered the review of an annual survey of prevailing wage rates for construction projects and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky advised the Board that the Authority previously adopted the United States Department of Labor ("DOL") prevailing wage rates for the Harris County area, which were recently updated as of January 2021. After discussion on the matter, Director Meek moved that the Board adopt the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects attached hereto as **Exhibit F** to reflect the applicable updated prevailing wage rate scales published by the DOL, and that the President and Secretary be authorized to execute same on behalf of the Board and Authority. Director Cox seconded said motion, which unanimously carried.

REVIEW OF PROPOSALS FOR INSURANCE COVERAGES

The Board next deferred action relative to the review of proposals for renewal of the Authority's insurance coverages, which will expire on March 31, 2021, pending the receipt of proposals from Arthur J. Gallagher & Co. and McDonald & Wessendorff Insurance Services, L.L.C., as requested by the Board at the last meeting.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated February 1, 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. Mr. Rubinsky also advised the Board that it is his understanding that a bill will be introduced during the 87th Legislative Session creating the Lake Houston Dredging and Maintenance District, which is a concern for the regional water authorities due to the fees that would likely be imposed by such a district. The Board expressed its opposition to the creation of the district unless the Authority can confirm prior to its creation that any fees imposed by the proposed district would not disproportionately impact the Authority and the regional water authorities.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky 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.

A discussion next ensued regarding an invitation received from the City regarding the Authority's participation in Houston Water's Wholesale Water Conservation Program. The Board deferred action on this matter until next month.

Mr. Rubinsky next reminded the Board of the need for the Authority 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, in order to comply with the America's Water Infrastructure Act of 2018.

Director Gower rejoined the meeting during the attorney's report.

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, March 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.

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

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Bookkeeper's Report
- Exhibit B McCall Gibson Swedlund Barfoot PLLC Engagement Letter
- Exhibit C 2020 Projected Cash Flow Analysis (Updated Financial Model) prepared by The
GMS Group, L.L.C.
- Exhibit D Engineer's Report
- Exhibit E Operator's Report
- Exhibit F Resolution Adopting Prevailing Wage Rate Scale for Construction Projects
- Exhibit G Government Affairs Update