

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors May 5, 2021

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on May 5, 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; Wesley Lay of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Linda Watkins and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Lathan E. Johnson, Kelvin Smith and Godfrey Eta 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 and Cordia Jackson of Harris County Municipal Utility District No. 150 ("No. 150"); Charlotte Mays, a resident of No. 150, who joined the meeting after it had been called to order; 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 Ms. Caesar, who advised the Board that she may have a comment or question once the Authority's Engineer addresses the status of the initiation of surface water supply to No. 304, but would like to defer any comment until then.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held April 7, 2021. After discussion, Director Boddy moved that the minutes of the meeting held April 7, 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 April 1, 2021 through May 5, 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 March 2021 and the first three months of the Authority's fiscal year ending December 31, 2021, and a Summary of Pumpage Fees Paid by Member Districts through February 28, 2021. Mr. Rubinsky inquired as to the status of an invoice from the City of Houston ("City") for surface water supplied to the Authority in March 2021. Mr. White advised that the Authority did not receive an invoice from the City during the past month. After discussion, Director Cox moved that the Bookkeeper's Report be approved and the disbursements listed therein be approved for payment from the Authority's various accounts. Director Boddy seconded said motion, which unanimously carried.

APPROVAL OF UNCLAIMED PROPERTY REPORT

Mr. White next advised the Board that there was no Unclaimed Property to be reported by the Authority for the period ending March 1, 2021.

FINANCIAL ADVISOR'S REPORT

In the absence of the Authority's Financial Advisor, Mr. Rubinsky advised the Board that there was nothing new to report regarding the City's FY 2019 and FY 2020 True Up Reports related to Operations and Maintenance Costs of the City's Northeast Water Purification Plant ("NEWPP").

REVIEW OF ARBITRAGE ANALYSIS REPORT

Mr. Rubinsky next presented to and reviewed with the Board an Arbitrage Analysis Report provided by Municipal Risk Management Group, L.L.C. ("MRMG") dated April 15,

2021, a copy of which is attached hereto as **Exhibit B**, in connection with the yield restriction and arbitrage rebate calculation analyses performed in connection with the Authority's previous bond issues. Mr. Rubinsky advised the Board that MRMG is recommending that the Authority engage Arbitrage Compliance Specialists, Inc. ("ACS") to prepare a Fifth Year Arbitrage Rebate Report for the Series 2016 Bonds. Mr. Rubinsky further advised the Board that, as reflected in the attached Arbitrage Analysis Report, no further action is required in connection with any of the Authority's other bond issues at this time. Ms. Mays inquired as to the net effective interest rate on some of the Authority's outstanding bond issues, to which Mr. Rubinsky responded. After discussion on the matter, it was moved by Director Gower, seconded by Director Cox and unanimously carried, that ACS be engaged by the Authority to prepare a Fifth Year Arbitrage Rebate Report in connection with the Authority's Series 2016 Bonds, as recommended in the attached report from MRMG, and that the President be authorized to execute ACS' engagement letter related thereto on behalf of the Board and the Authority.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated May 5, 2021, a copy of which is attached hereto as **Exhibit C**, 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 Authority's new Aggregate Water Well Permit for the period June 1, 2021 through May 31, 2022, had been received from the Harris-Galveston Subsidence District.

With respect to the tie-in of the water meter at No. 304's Water Plant to the Authority's surface water distribution system, Mr. Khouw reported that the electrical panel was repaired and the meter installation approved by the City. Mr. Khouw advised the Board that, once No. 304's Operator has connected its chloramine disinfection system and the Authority's Operator has flushed the Authority's surface water distribution line and received a negative bacteriological test, the Authority can then begin delivering surface water to No. 304. Ms. Caesar next asked Mr. Khouw several questions concerning the matter, to which Mr. Khouw responded.

Mr. Khouw next advised the Board that, at its meeting schedule for May 6, 2021, the City's Transportation, Technology and Infrastructure Committee will receive an update report regarding the effects of Winter Storm Uri on the City's water supply system.

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 reported that EWP No. 1 is now complete and that the City and the regional water authorities are working to determine the final accounting of costs with the City and closeout EWP No. 1. Mr. Khouw noted that the regional water authorities are requesting that the City conduct a true-up of each EWP as they are completed rather than conducting one final true-up once the balance of the NEWPP has been completed, which the City prefers.

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.

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 discussed communications between the Authority's consultants and the Texas Water Development Board ("TWDB") and the North Harris County Regional Water Authority ("NHCRWA") regarding the release of the regional water authorities' funds for Project 25C and other segments of Phase II of the NETL.

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, and IDS' communications with Harris County and the Harris County Flood Control District regarding the Authority's plans for construction of same. Mr. Khouw noted that he had met with Mr. Rubinsky and Christina Cole of SPH yesterday to discuss the work required to be done on the 2025 Internal Distribution System. Mr. Khouw advised the Board that IDS will soon be sending SPH legal descriptions for the easements to be acquired in connection with the project.

Mr. Khouw next advised the Board that the Luce Bayou Interbasin Transfer Project is substantially complete and that the Coastal Water Authority anticipates that a ribbon cutting ceremony will be held in June 2021.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for April 2021, a copy of which is attached hereto as **Exhibit D**. 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 malfunction of Harris County Utility District No. 16's ("No. 16") water well meter. In that regard, he advised the Board that the meter froze on February 15, 2021, as a result of the sub-freezing temperatures during Winter Storm Uri, and that No. 16 was not able to have the meter repaired until April 28, 2021. Mr. Martin then explained the procedures used for calculating No. 16's water usage for the period February 16 to February 28, 2021, plus all of March and April 2021. Mr. Martin reported that No. 16's Operator has reviewed and approved MOC's water usage calculations, and that MOC invoiced No. 16 today for the February, March and April water usage based upon such calculations.

Mr. Martin additionally discussed the actions taken by MOC and No. 304's Operator in connection with the initiation of the delivery of surface water to No. 304, as discussed earlier in the meeting during the Engineer's Report. Mr. Martin stated that all actions required for the delivery of surface water to No. 304 should be complete by Friday of this week.

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

Mr. Martin next presented to and reviewed with the Board a proposed Third Amendment to Professional Services Agreement by and between MOC and the Authority, a copy of which is attached hereto as **Exhibit E**. Mr. Martin explained that, in January 2020, the Board approved a

Second Amendment to Professional Services Agreement providing for an increase in MOC's hourly rates; however, the monthly charge for Base Services reflected in the Second Amendment was inadvertently decreased from \$1,750.00, which was the rate approved by the Board in 2018, to \$1,700.00. Mr. Martin advised the Board that MOC has been invoicing the Authority a monthly charge for Base Services of \$1,750.00 for the last sixteen months, and that MOC will credit the Authority \$800.00 next month for the overcharges. Mr. Martin then requested that the Board approve the proposed Third Amendment to Professional Services Agreement to provide for an increase in the monthly charge for Base Services back to \$1,750.00. After discussion on the matter, it was moved by Director Gower, seconded by Director Cox and unanimously carried, that the Third Amendment to Professional Services Agreement be approved and that the President be authorized to execute same on behalf of the Board and the Authority.

STATUS OF REQUESTS OF MEMBER DISTRICTS FOR CREDITS RELATED TO WATER LOSSES INCURRED AS A RESULT OF WINTER STORM URI

A discussion next ensued regarding the status of potential requests of the Member Districts for credits from the Authority related to water losses incurred as a result of Winter Storm Uri ("Freeze Event"). After discussion, the Board adopted the following Policy and Procedures for Fee Adjustment Credits relating to the February 2021 Freeze Event:

The Authority shall grant credits ("Authority GRP Credits") to its Member Districts pursuant to the below procedure, provided that such Member District adopts a written leak adjustment policy (which may be adopted via an action of its governing board reflected in a minutes entry) that (i) is uniformly applied across the classes of its retail customers, and (ii) provides that such Member District waives Authority fees charged by such Member District to its retail customers on a gallon-to-gallon basis with waivers of its own retail water fees charged to its retail customers. In order to be eligible to receive Authority GRP Credits, a Member District must submit to the Authority a final accounting of all of its Freeze Event leak adjustments, which must include an executed certificate, in the form attached hereto as **Exhibit F** (a "Certificate"), by the Board of Directors (or equivalent governing board or authorized person) of such Member District, which certifies that:

- (i) the aggregate amount in gallons (on a 1,000 gallon basis, the "Waived Retail Gallons") of leak adjustments related to the Freeze Event granted to its retail customers as shown in the Certificate is accurate;
- (ii) the Waived Retail Gallons were derived solely from waivers to its retail customer related to leaks (i) resulting from the Freeze Event (as opposed to excess usage for which a retail customer received beneficial use of the water); and (ii) for which the Member District waived its own fees and Authority fees, including penalties and interest related thereto;
- (iii) sufficient documentation was submitted by each retail customer to the Member District in order to determine that such retail customer's internal facilities and piping have been repaired so as to reasonably prevent future excess usage; and
- (iv) all Waived Retail Gallons were granted in accordance with a written leak adjustment policy (which may be adopted via an action of its governing board

reflected in a minute entry) that meets the requirements et forth above.

Following review and approval of a Certificate, the Authority shall grant Authority GRP Credits to the applicable Member District on a gallon-to-gallon basis with its Waived Retail Gallons within 60 days of receipt of its Certificate or as is otherwise reasonably practicable to the Authority. The Authority GRP Credits shall be calculated by multiplying the Authority's GRP Fee by the Member District's Waived Retail Gallons and shall not include any markup included within the fees charged by the Member District to its retail customers. Authority GRP Credits may be granted by the Authority to a Member District either as rebate credit against future Authority fees charged by the Authority or by check issued by the Authority to a Member District, in each case in the sole discretion of the Authority. The Authority will not be obligated to review any requests for the Authority GRP Credits by a Member District if its Certificate is received by the Authority following July 1, 2021, whether or not such Member District provided relief for Freeze Event leak adjustments to its retail customers prior to such date. For ease of administration, the Authority requests that only one Certificate be submitted to the Authority per Member District for its review and consideration.

Mr. Rubinsky advised the Board that he will notify all attorneys for the Member Districts of the requirements for the receipt of credits from the Authority, and that any such requests must be submitted with the required supporting documentation to the Authority prior to July 1, 2021.

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, together with a Bill Tracking Chart regarding certain bills introduced during the 87th Legislative Session, copies of which are attached hereto as **Exhibit G**. Mr. Rubinsky reported to the Board regarding the status of HB 2525 creating the Lake Houston Dredging and Maintenance District. 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 an Independent Accountant's Report on Applying Agreed-Upon Procedures received from McCall Gibson Swedlund Barfoot PLLC ("McCall") dated May 5, 2021, a copy of which is attached hereto as **Exhibit H**, undertaken in connection with the review of the Authority's financial statements for the fiscal year ended December 31, 2020. He advised the Board that

McCall concurred that the Authority's financial statements for the subject fiscal year were fairly presented, in all material respects, in conformity with generally accepted accounting principles.

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, June 2, 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

<u>Exhibit A</u>	Bookkeeper's Report
<u>Exhibit B</u>	Arbitrage Analysis Report
<u>Exhibit C</u>	Engineer's Report
<u>Exhibit D</u>	Operator's Report
<u>Exhibit E</u>	Third Amendment to Professional Services Agreement by and between MOC and the Authority
<u>Exhibit F</u>	Waived Retail Gallons Certificate
<u>Exhibit G</u>	Government Affairs Update and Bill Tracking Chart
<u>Exhibit H</u>	Independent Accountant's Report on Applying Agreed-Upon Procedures