

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
December 1, 2021

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on December 1, 2021, in accordance with the duly posted notice of meeting. 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 were present, except Director Granadino, thus constituting a quorum.

Also attending the meeting were: Marcel Khouw and John Hale of IDS Engineering Group, Inc. ("IDS"), engineer for the Authority; Brendan Doran of F. Matuska, Inc. ("FMI"), bookkeeper for the Authority; John Howell of The GMS Group, L.L.C. ("GMS"), financial advisor for the Authority; Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Joyce King and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Godfrey Eta and Kelvin Smith of Rankin Road West Municipal Utility District ("Rankin Road"); Bradley D. Jenkins of Jones & Carter, Inc. ("J&C"), engineer for Rankin Road; Cliff Rudolph, a landowner in Rankin Road; and Abraham I. Rubinsky and Eric Lai 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 regularly come before it.

COMMENTS FROM THE PUBLIC

Mr. Rubinsky noted that the first item on the agenda was to open the meeting for public comments. There were no comments received from the public in attendance at the meeting at this time.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held November 3, 2021. After discussion regarding the minutes, Director Boddy moved that the minutes of the meeting held November 3, 2021, be approved, as presented. Director Meek seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Mr. Doran 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 November 1, 2021 through December 1, 2021, and the disbursements presented for payment from the Authority's accounts, a Summary of Investments, a Schedule of Debt Service Payments, a Statement of Revenues and Expenditures for the month of October 2021 and the first ten months of the Authority's fiscal year ending December 31, 2021. Mr. Rubinsky inquired as to the status of the Summary of Pumpage Fees Paid by Member Districts that is typically attached to the Bookkeeper's Report. Mr. Doran advised that the Summary was inadvertently left off today's report, but that he would make sure it is included on the report for next month's meeting. Mr. Rubinsky then inquired as the status of payment to the City of Houston ("COH") for the Authority's October 2021 surface water usage since there is not a check to the COH for same listed in today's Bookkeeper's Report. After discussion regarding same, Mr. Doran presented additional check no. 5081 payable from the General Operating Account to the COH in the amount of \$100,027.90, and advised said check will be reflected in the report presented next month. 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, including additional check no. 5081 discussed above. Director Boddy seconded said motion, which unanimously carried.

APPROVAL OF OPERATING BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2022

Mr. Doran presented for the Board's review a proposed Operating Budget for the fiscal year ending December 31, 2022, a copy of which is attached hereto as **Exhibit B**. A lengthy discussion ensued regarding the need for additional adjustments to the proposed Operating Budget. Mr. Rubinsky noted that it appears the Transfer to Debt Service expense line item needs to be evaluated further, and that he and Mr. Khouw are still working on calculating the estimated expenses to be incurred in 2022 in connection with easement acquisitions related to the construction of the 2025 Internal Distribution System and whether the Authority has sufficient bond proceeds available to pay all of said estimated costs. Mr. Rubinsky advised the Board that he would continue to work with Mr. Doran, Mr. Howell and Mr. Khouw on same, and that an amended budget will be presented for the Board's consideration once the Authority's consultants have had the opportunity to address the above outstanding items. Thereafter, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that the proposed Operating Budget for the Authority's fiscal year ending December 31, 2022 be approved as presented, with the understanding that an amended Operating Budget will be presented for the Board's further consideration in the next month or two.

FINANCIAL ADVISOR'S REPORT

Mr. Howell advised the Board that there was nothing new to report regarding the COH FY 2019 and FY 2020 True Up Reports related to Operations and Maintenance Costs of the COH's Northeast Water Purification Plant ("NEWPP").

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 C**. 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 ("GRP") was originally created in 2009-2010. Mr. Howell advised that, as a result, he has revised the Authority's long term financial model to reflect no growth in water usage, with current levels of water usage to be maintained indefinitely. Mr. Howell further advised the Board that he projects that gradually, over the next few years, the Authority will need to increase its GRP fee from the current rate of \$3.01 to \$3.96 and its surface water rate from the current rate of \$3.35 to \$4.30. Mr. Howell stated, however, 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 2022, after the Authority's draft Audit Report for the fiscal year ended December 31, 2021 becomes available. After discussion, the Board concurred that no increases in the Authority's rates would be necessary at this time.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated November 3, 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 noted that the ground water usage, surface water usage, and total water usage numbers reflected in the Engineer's Report have not been updated beyond September 2021 usage, and that Mr. Martin will report further to the Board regarding same during the Operator's Report.

Mr. Khouw next addressed the Board concerning a request from Rankin Road for an increase in its water supply commitment from the Authority from 600,000 gallons per day ("gpd") to 864,000 gpd. In that regard, Mr. Rubinsky presented for the Board's review correspondence received from Mr. Jenkins, engineer for Rankin Road, dated November 18, 2021, a copy of which is attached hereto as **Exhibit E**. Mr. Khouw advised the Board that, based upon IDS's review of the Authority's current commitments, the Authority does not have sufficient surface water supply available to grant Rankin Road's request for an increase in its water supply commitment. Mr. Khouw further noted that it would not be in the Authority's best interests to commit additional surface water supply to Rankin Road as it has historically used less than 30% of the amount of surface water previously committed to it. Mr. Jenkins noted that, because Rankin Road does not have its own water well, it requires the additional quantity of surface water requested of the Authority in order to meet minimum water capacity requirements of the Texas Commission on Environmental Quality which are necessary in order for Rankin Road to be able to serve a proposed single-family residential development within its boundaries. A lengthy discussion then followed as to whether Rankin Road might be able to obtain a portion of the additional surface water required from the Authority, with the balance to be supplied by Harris County Municipal Utility District No. 200 ("No. 200"). Mr. Khouw reiterated that the Authority does not have sufficient surface water available to commit to Rankin Road, but could commit its remaining 104,800 gpd to No. 200, which could in turn provide such water to Rankin Road. After discussion, and upon motion by Director Boddy, seconded by Director Meek and unanimously carried, the Board voted to issue a formal surface water commitment to No. 200 for 104,800 gpd.

Mr. Jenkins, Mr. Rudolph, Mr. Eta and Mr. Smith then exited the meeting.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, including the City's third and final appropriation for the project, as further detailed in the Engineer's Report. Mr. Khouw reported regarding 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, as further detailed in the Engineer's Report. Mr. Khouw noted that EWP No. 1 is now complete and that the COH and the regional water authorities are working to determine the final accounting of costs with the COH and closeout EWP No. 1. Mr. Khouw further reported that, overall, the project is approximately 56% complete.

Mr. Khouw next reported to the Board concerning the status of construction of Phase I of the Northeast Transmission Line ("NETL"), as further detailed in the Engineer's Report. He advised that seven (7) out of thirteen (13) projects are complete and that construction is in progress on the other six (6) projects. Mr. Khouw reported that Project S-000900-0154, the 108-inch Water Line along COH easements from Vickery Drive to Milner Road, is nearing substantial completion.

Mr. Khouw next reported to the Board concerning the status of Phase II of the NETL, including Project 25C and Project 25D, the two segments of the NHCRWA 84-inch transmission line in which the Authority is participating, as further detailed in the Engineer's Report.

Mr. Khouw next reported to the Board regarding the status of the Authority's 2025 Internal Distribution System, as further detailed in the Engineer's Report, and IDS' communications with Harris County, the Harris County Flood Control District, the Texas Department of Transportation, and CenterPoint Energy regarding the Authority's plans for construction of same. Mr. Khouw reported on the status of preparation of documentation related to right of way acquisitions for the 2025 Internal Distribution System. Mr. Khouw also discussed the status of Bowman Engineering/Consulting, Inc.'s environmental study in connection with the design and construction of the Authority's 2025 Internal Distribution System. He advised that information has been submitted to numerous federal, state and local agencies for review, and that several of said agencies have already made no impact determinations, while others have not yet responded.

Mr. Khouw next advised the Board that the Luce Bayou Interbasin Transfer Project is now substantially complete.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for November 2021, 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 advised the Board that MOC and IDS are still investigating whether the reported sinkhole at 2609/2611 N. Camden Parkway within Harris County Municipal Utility

District No. 150 could have resulted from construction of the Authority's surface water distribution line in 2009/2010. He reported that, because the surface water distribution line is not located very deep below the ground surface, it is unlikely that the sinkhole could have resulted from construction of the line. Mr. Martin noted that Mr. Khouw is reviewing the plans to determine whether there had been a bore pit constructed at that location previously, and that he would report further to the Board next month regarding this matter.

Mr. Martin next addressed the Board concerning the COH's invoicing for water supplied through a COH meter that has been locked and inoperable for a long period of time, as well as for "estimated" usage through the COH meter recently installed at the Harris County Municipal Utility District No. 304 ("No. 304") Water Plant, which is now fully functional, as previously discussed by the Board. Mr. Martin reported that the COH has confirmed that there is an issue with the meter invoicing, but that they are still trying to determine how to resolve the issue.

IMPLEMENTATION OF REMOTE METER READING AND MONITORING SYSTEM

Mr. Rubinsky next updated the Board regarding the status of the implementation of the remote meter reading and monitoring system for the Authority. No Board action was taken in connection with said matter.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway, a copy of which is attached hereto as **Exhibit G**. The Board concurred that no action was required in connection with such matter at this time.

ADOPTION OF RESOLUTION DESIGNATING CHIEF ADMINISTRATIVE OFFICIAL FOR LAND AND PROPERTY ACQUISITION

Mr. Rubinsky next addressed the Board concerning the need for the adoption of a Resolution Designating Chief Administrative Official for land and property acquisition in connection with the Authority's 2025 Internal Distribution System. After discussion, it was moved by Director Gower, seconded by Director Boddy and unanimously carried, that Director Cox be designated the Chief Administrative Official for said purposes and that the Resolution Designating Chief Administrative Official attached hereto as **Exhibit H** be adopted by the Board.

2022 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 2022. In that regard, he presented to and reviewed with the Board a Memorandum outlining the appointment process, a copy of which is attached hereto as **Exhibit I**, and noted that Director Cox's term of office representing Director Precinct No. 1, Director Gower's term of office representing Director Precinct No. 3, and Director Meek's term of office as At-Large Director (Position No. 2) will expire May 15, 2022. After discussion, the Board approved the 2022 Director Appointment Procedures, as outlined in the attached Memorandum, and authorized SPH to forward the Memorandum to each of the Authority's

Member Districts. Mr. Rubinsky noted that nominations for the three Director positions to be acted upon in 2022 must be delivered to the Board no later than 5:00 p.m., on February 15, 2022.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky advised the Board that he had no new activity upon which to report regarding the status of communications with the COH and other Regional Water Authorities concerning various surface water supply issues, including the Authority's participation as Amicus Party in Hidalgo County Water Improvement District No. 3 v. Hidalgo County Water Irrigation District No. 1, currently pending in the Texas Supreme Court.

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, January 5, 2022, at 6:00 p.m., at the offices of IDS.

ADJOURN MEETING

There being no further business to come before the meeting, it was unanimously carried that the meeting be adjourned.

/s/ Tom Gower
Tom Gower, Assistant Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Bookkeeper's Report
- Exhibit B Operating Budget for Fiscal Year Ending December 31, 2022
- Exhibit C 2022 Rate Discussion prepared by The GMS Group, L.L.C.
- Exhibit D Engineer's Report
- Exhibit E Letter from Rankin Road West Municipal Utility District dated November 18, 2021
- Exhibit F Operator's Report
- Exhibit G Government Affairs Update
- Exhibit H Resolution Designating Chief Administrative Official
- Exhibit I Memorandum Outlining 2022 Director Appointment Process