

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
January 5, 2022

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on January 5, 2022, 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, 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; 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 of Rankin Road West Municipal Utility District ("Rankin Road"); Jordan Carrasco of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Deborah Gower, Director Gower's wife; and Abraham I. Rubinsky 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 December 1, 2021. After discussion regarding the minutes, Director Boddy moved that the minutes of the meeting held December 1, 2021, be approved, as presented. Director Gower 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 December 1, 2021 through January 5, 2022, 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 November 2021 and the first eleven months of the Authority's fiscal year ending December 31, 2021, and a Summary of Pumpage Fees Paid by Member Districts through October 31, 2021. 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, which unanimously carried.

Mr. Doran next presented to and reviewed with the Board the Authority's Quarterly Investment Report for the period ended September 30, 2021, a copy of which is attached to the Bookkeeper's Report. After discussion, it was moved by Director Meek, seconded by Director Granadino and unanimously carried, that said Quarterly Investment Report be approved and that the Authority's Investment Officer be authorized to execute same on behalf of the Board and the Authority

ADOPTION OF AMENDED OPERATING BUDGET FOR THE AUTHORITY'S FISCAL YEAR ENDING DECEMBER 31, 2022

Mr. Doran presented for the Board's review an amended Operating Budget for the fiscal year ending December 31, 2022, a copy of which is attached hereto as **Exhibit B**. Mr. Doran advised the Board that the amended Operating Budget provides for a Transfer to Debt Service expense of \$4,000,000, resulting in a reduced projected operating deficit for said fiscal year of \$787,890. Mr. Rubinsky noted that the projected expenses related to easement and right-of-way acquisitions to be paid out of the General Operating Fund during the current fiscal year is not yet known, and that, as result thereof, it may be necessary to amend the Operating Budget again later this year once such information is available. After discussion on the matter, upon motion made by Director Boddy, seconded by Director Granadino and unanimously carried, the Board approved the amended Operating Budget for the Authority's fiscal year ending December 31, 2022, as presented.

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 January 5, 2022, a copy of which is attached hereto as **Exhibit C**, 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, 2021, at a cost not to exceed \$10,000. After discussion on the matter, it was moved by Director Meek, seconded by Director Granadino 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.

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 D**, 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 Gower moved that: (i) PNC Bank/The PNC Financial Services Group, Inc. be removed from the list of potential institutions with which the Authority may engage in investment transactions; (ii) the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority attached hereto as **Exhibit E** be adopted by the Board; and (iii) the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Meek seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

In the absence of the Authority's Financial Advisor, Mr. Rubinsky advised the Board that the City's Preliminary FY 2021 True Up Report related to the operation and maintenance of the Northeast Water Purification Plant has been received, and that it appears that the Authority will be due a credit for amounts paid to the City in FY 2021.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated January 5, 2022, 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 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 October 2021 usage, and that Mr. Martin will report further to the Board regarding same during the Operator's Report.

Mr. Khouw next briefly updated the Board concerning discussions with Rankin Road following the last Board meeting regarding Rankin Road's request for an increase in its water supply commitment from the Authority from 600,000 gallons per day ("gpd") to 864,000 gpd. Mr. Khouw advised the Board that he had nothing new to report in connection therewith.

Mr. Khouw and Mr. Rubinsky next addressed the Board concerning email correspondence received earlier today from Jonathan Roach, the new attorney for Harris County Municipal Utility District No. 304 ("No. 304"), requesting reimbursement of costs and payment of related expenses in connection with No. 304's prior conversion to surface water. Mr. Khouw and Mr. Rubinsky advised the Board that they would research this matter and report back to the Board next month regarding same.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, including a change order request received by the COH from the Houston Waterworks

Team, 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 60% 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 eight (8) out of thirteen (13) projects are complete and that construction is in progress on the other five (5) projects. Mr. Khouw noted that, thus far, the COH has been under budget on all completed projects. Mr. Khouw reported that Project S-000900-0154, the 108-inch Water Line along COH easements from Vickery Drive to Milner Road, is now complete.

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, as further detailed in the Engineer's Report.

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 December 2021, a copy of which is attached hereto as **Exhibit G**. 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 Texas Operations and Professional Services ("TOPS"), a subcontractor for No. 304's operator, JePa Services, Inc., would not provide the access code for entry into No. 304's Water Plant site so that MOC could read the meter. After discussion on the matter, the Board authorized Mr. Rubinsky to contact TOPS, as well as No. 304's attorney, to discuss this matter.

Mr. Martin next reported that discussions are underway with the COH regarding the possibility of eliminating the land line for the City's surface water meters as the COH now uses cellular based telephone service. Mr. Martin advised the Board that AT&T charges the Authority approximately \$800.00 per month for the land line. He advised that he would update the Board regarding such matter at next month's meeting.

Mr. Martin advised the Board that he is still waiting to hear back from the COH regarding the resolution of the COH's meter issues at the No. 304 Water Plant and the invoicing to the Authority for surface water delivered at such location, as discussed at the last meeting.

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

Mr. Martin next addressed the Board concerning a proposed Fourth Amendment to Professional Services Agreement by and between MOC and the Authority to provide for an increase in personnel and equipment costs. In that regard, Mr. Martin presented to and reviewed with the Board Attachments "A" and "B" to the proposed Fourth Amendment reflecting the cost increases, copies of which are attached hereto as **Exhibit H**. After discussion on the matter, it was moved by Director Meek, seconded by Director Gower and unanimously carried, that the Fourth Amendment to Professional Services Agreement be approved and that the President be authorized to execute same on behalf of the Board and the Authority, subject to review and approval by SPH.

AUTHORIZE MOC TO PROVIDE REQUIRED INFORMATION TO MEMBER DISTRICTS RECEIVING SURFACE WATER FROM THE AUTHORITY RELATIVE TO CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing MOC to provide required information to Member Districts receiving surface water from the Authority during 2021 relative to required annual Consumer Confidence Reports. Mr. Rubinsky explained that, pursuant to the Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the Authority is required to provide by April 1, 2022, a report containing various information regarding the Authority's surface water supply to any other water supplier which received surface water from the Authority during the prior calendar year. After discussion on the matter, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that MOC be authorized to provide the required information as set forth hereinabove.

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.

STATUS OF ACQUISITION OF EASEMENTS AND OTHER PROPERTY INTERESTS IN CONNECTION WITH THE AUTHORITY'S 2025 INTERNAL DISTRIBUTION SYSTEM

Mr. Rubinsky next updated the Board concerning the status of the acquisition of

easements and other property interests in connection with the Authority's 2025 Internal Distribution System. Mr. Rubinsky advised that work has commenced on the acquisition of approximately 75 parcels required in connection with such project.

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 I**. The Board concurred that no action was required in connection with such matter at this time.

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 reported that the Memorandum outlining the appointment process presented at the last meeting was forwarded to each of the Authority's Member Districts after the meeting. Mr. Rubinsky further advised the Board that IDS is currently working to determine each Member District's total 2021 water usage in order to calculate the number of votes each Member District may cast in connection with the Authority's 2022 Director appointment process and the weight of each Member District's vote for the respective positions to be appointed. 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.

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, 2022, through March 31, 2023. Mr. Rubinsky advised the Board that the Authority's current insurance coverages, through the Texas Municipal League's ("TML") Intergovernmental Risk Pool, will expire on March 31, 2022. In that regard, Director Meek advised the Board that he joined HARCO Insurance Company ("HARCO"), agent for TML, on June 15, 2021. Director Meek then recused himself from participating in the discussion regarding the solicitation of proposals for the renewal of the Authority's insurance coverages. After discussion on the matter, it was moved by Director Boddy and seconded by Director Granadino that SPH be authorized to solicit a proposal on behalf of the Authority from TML only at this time. The motion carried, with Directors Cox, Boddy, Granadino and Gower voting in favor of such action and Director Meek abstaining.

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 Gower 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 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.

Mr. Rubinsky next presented for the Board's review correspondence received from The GMS Group, L.L.C. ("GMS") dated December 29, 2021, a copy of which is attached hereto as **Exhibit J**, providing the Authority with GMS's MSRB Rule G-10 Annual Disclosures.

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, February 2, 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.



David Granadino, Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Bookkeeper's Report
- Exhibit B Amended Operating Budget for Fiscal Year Ending December 31, 2022
- Exhibit C McCall Gibson Swedlund Barfoot PLLC Engagement Letter
- Exhibit D List of Financial Institutions, Brokers and Dealers as Compared to List Previously Adopted by the Board
- Exhibit E Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
- Exhibit F Engineer's Report
- Exhibit G Operator's Report
- Exhibit H Attachments "A" and "B" to Fourth Amendment to Professional Services Agreement
- Exhibit I Government Affairs Update
- Exhibit H Resolution Designating Chief Administrative Official
- Exhibit I Memorandum Outlining 2022 Director Appointment Process
- Exhibit J Correspondence from The GMS Group, L.L.C.