

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors April 6, 2022

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on April 6, 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, except Directors Boddy and 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; Tom Crayton and Cindy Harrell of F. Matuska, Inc. ("FMI"), bookkeeper for the Authority; Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Jennifer Hanna of BKD, LLP ("BKD"); Jordan Carrasco of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Rosalind Caesar of Harris County Municipal Utility District No. 304 ("No. 304"); Oliver Agard and Roosevelt Johnson of Harris County Municipal Utility District No. 150 ("No. 150"); Linda Watkins, Joyce King and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Deborah Gower, wife of Director Gower; 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. The Board recognized Ms. Caesar, who addressed the Board concerning the status of No. 304's request for reimbursement of costs and payment of related expenses in connection with No. 304's prior conversion to surface water. Mr. Rubinsky advised that SPH had requested certain documentation evidencing the expenses paid by No. 304 from No. 304's attorney in January 2022, and that it is his understanding that No. 304's engineer and auditor are still reviewing their records to produce said documentation. Mr. Rubinsky further advised that the Authority will address No. 304's request further once it receives the information required and requested from No. 304's consultants.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held March 2, 2022. After discussion regarding the minutes, Director Gower moved that the minutes of the meeting

held March 2, 2022, be approved, as presented. Director Meek seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Mr. Crayton 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 March 1, 2022 through April 6, 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 February 2022 and the second month of the Authority's fiscal year ending December 31, 2022, and a Summary of Pumpage Fees Paid by Member Districts through January 31, 2022. A lengthy discussion ensued regarding the status of FMI's correction of various bookkeeping errors and of the transfer of funds to and from various Authority accounts in connection therewith. Mr. Crayton noted that the transfers to the Authority's Debt Service Fund had been made, as requested at the last several meetings. Mr. Rubinsky requested that FMI continue to investigate the status of invoicing from the COH relative to the Authority's purchase of surface water and the correction of previous errors related thereto. Thereafter, it was moved by Director Meek, seconded by Director Gower and unanimously carried, that the Bookkeeper's Report be approved and the disbursements listed therein be approved for payment from the Authority's various accounts.

APPROVAL OF AUDIT FOR FISCAL YEAR ENDED DECEMBER 31, 2021

The Board recognized Ms. Hanna, who presented to and reviewed with the Board a draft of the Authority's Annual Audit Report by BKD prepared for the fiscal year ended December 31, 2021, as well as a summary of the draft Audit. Ms. Hanna noted that the Authority had also previously engaged McCall Gibson Swedlund Barfoot PLLC ("MGSB") to perform certain accounting procedures in order to eliminate the findings of material weaknesses in internal controls in the Management Letter associated with the Authority's fiscal year end audits. In that regard, Mr. Rubinsky reminded the Board of prior discussions with the Texas Water Development Board ("TWDB") regarding apparent non-compliance with the requirements of the Authority's Bond Resolutions due to BKD's findings of material weaknesses in internal controls over financial reporting, which gave rise to the Authority's engagement of MGSB to review the Authority's financial statements. Ms. Hanna stated that, as a result of MGSB's independent review of the Authority's financial statements, there was no need for BKD to issue a Management Letter again this year. After discussion concerning the Audit presented, Director Meek moved that: (i) the Audit Report for the fiscal year ended December 31, 2021, be approved, subject to final review and comments by SPH and the Authority's other consultants; (ii) the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the Authority; and (iii) such Audit Report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality and the TWDB. Director Gower seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

The Board deferred consideration of the Financial Advisor's Report after noting that a representative of The GMS Group, L.L.C. was not able to attend today's meeting. Mr. Rubinsky presented to and reviewed with the Board the City of Houston's ("COH") FY 2021 True Up

Report and supporting documentation related to the operation and maintenance of the Northeast Water Purification Plant ("NEWPP"), a copy of which is attached hereto as **Exhibit B**. Mr. Rubinsky advised the Board that it appears that the Authority will be due a total credit in the amount of \$52,815.32 for amounts paid to the COH in FY 2021.

Mr. Rubinsky next presented for the Board's review correspondence received from the COH dated April 1, 2022, a copy of which is attached hereto as **Exhibit C**, regarding the COH's FY 2023 preliminary water rate for the NEWPP. Mr. Rubinsky advised the Board that the NEWPP's FY 2023 preliminary water rate of \$1.4451, which he noted is less than the rate that was used by GMS in its most current long-term financial model, and that such rate, therefore, will likely not have an adverse effect on the Authority's current rates or financial condition.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated April 6, 2022, 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 Mr. Martin would provide updated numbers regarding same in his Operator's Report.

Mr. Khouw next reported to the Board concerning IDS's and SPH's attendance of a meeting with COH representatives to discuss the COH's request for additional capacity of 80 MGD in the Northeast Water Purification Plant ("NEWPP") Expansion Project. He advised that discussions among the parties regarding the COH's request are ongoing. Mr. Khouw advised the Board that IDS and SPH will meet with the Member Districts' engineers over the next month to work on updating the Authority's long-term water demand projections and requirements. The Board authorized IDS and SPH to so proceed.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, including the COH's issuance of Cash Call No. 11 in the amount of \$3,740,941.60 due May 2, 2022 for the Authority's share of \$234,540,213.94 required for the project. Mr. Khouw advised the Board that IDS has submitted a request to the TWDB for an escrow fund release for payment of Cash Call No. 11. Mr. Khouw further reported to the Board 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 ("RWAs") 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 63% complete. Mr. Khouw additionally advised the Board that the COH has agreed to non-binding mediation relative to the claim submitted by Houston Waterworks Team ("HWT") related to Sub-Allowance 9 – Site Civil, as discussed at the last meeting.

Mr. Khouw next reported to the Board concerning the status of construction of Phase I of the Northeast Transmission Line ("NETL"). Mr. Khouw advised the Board that eight (8) out of

the thirteen (13) projects that make up Phase I of the NETL are complete and that construction is in progress on the other five (5) projects.

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 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. In that regard, Mr. Khouw reported that the TWDB has issued the Project Description and Conditions of Environmental Determination, which he reviewed with the Board. Mr. Khouw stated that the Description and Conditions will be incorporated into the final Environmental Determination, and that the TWDB is requiring that the Board confirm same. He noted that once the Description and Conditions have been confirmed by the Board, the Authority will then be able to utilize proceeds of its previously issued bonds for easement acquisitions. After discussion on the matter, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that the Project Description and Conditions of Environmental Determination issued by the TWDB be confirmed by the Board, and that the Board President be authorized to provide the TWDB with written confirmation of the Authority's approval same.

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 March 2022, 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 reported to the Board regarding the status of the resolution of the COH's meter issues at the Harris County Municipal Utility District No. 304 ("No. 304") Water Plant and the invoicing to the Authority for surface water delivered at such location, as discussed at the last meeting. Mr. Martin stated that he believes the issue has been resolved but is still working to confirm same.

Mr. Martin advised the Board that MOC completed the TWDB Annual Water Use Survey and filed same with the TWDB on behalf of the Authority prior to the due date. Mr. Martin stated that he would provide SPH with a copy of the Survey for the Authority's records.

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. Mr. Rubinsky further advised the Board that SPH has completed the Right-of-Entry Agreements with each of the Member Districts in connection with the implementation of the remote meter reading and monitoring system, and will be sending the Agreements out soon for approval and execution. 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. He advised that the Authority's consultants are actively engaged in discussions with various landowners regarding same. Mr. Hale also provided a brief update regarding same.

REQUEST OF NO. 304 FOR REIMBURSEMENT OF SURFACE WATER CONVERSION COSTS AND RELATED EXPENSES

Mr. Rubinsky next addressed the Board concerning No. 304's request for reimbursement of costs and payment of related expenses in connection with No. 304's prior conversion to surface water. Mr. Rubinsky advised the Board that, as noted earlier in the meeting, SPH has not yet received the requested documentation from No. 304's attorney evidencing expenses paid by No. 304.

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

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky addressed the Board concerning 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. In that regard, he reported that the Brief of Amici Curiae was filed with the Texas Supreme Court on March 14, 2022, and provided a copy of same to the Directors for review.

In response to Mr. Agard's inquiry last month as to why the Board of Directors does not meet within the boundaries of the Authority pursuant to certain provisions of Chapter 49 of the Texas Water Code, Mr. Rubinsky next presented to and reviewed with the Board a Memorandum dated April 6, 2022, a copy of which is attached hereto as **Exhibit G**, setting forth the applicable law governing the designation of locations to conduct the Authority's meetings and recounting

the Authority's historical approach to requests to hold meetings within the boundaries of the Authority. After discussion, the Board deferred further consideration of the matter until the next meeting when all Directors are present to discuss same.

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, May 4, 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.



Richard C. Meek, Assistant Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Bookkeeper's Report
- Exhibit B COH FY 2021 True Up Report related to Operation and Maintenance of NEWPP
- Exhibit C Correspondence from COH dated April 1, 2022, regarding the COH's FY 2023 Preliminary Water Rate
- Exhibit D Engineer's Report
- Exhibit E Operator's Report
- Exhibit F Government Affairs Update
- Exhibit G Memorandum dated April 6, 2022 regarding Meeting Locations Within the Boundaries of the Authority