

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors March 2, 2022

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on March 2, 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; Tom Crayton of F. Matuska, Inc. ("FMI"), bookkeeper for the Authority; Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Jordan Carrasco of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Oliver Agard of Harris County Municipal Utility District No. 150 ("No. 150"); Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Deborah Gower, wife of Director Gower; 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. The Board recognized Mr. Agard, who reported that on February 22, 2022, No. 150's Operator, WWWS, was notified that there was no surface water being delivered to the North Harris County Regional Water Authority's ("NHCRWA") Spears Road Pump Station. Mr. Khouw explained that the disruption in service was caused by a power failure at the City of Houston's raw water pump station that serves the Northeast Water Purification Plant while service was being performed on the emergency generator at such facility. Mr. Agard inquired as to why no written report regarding this incident was provided to No. 150. Mr. Khouw stated that he would report further concerning the matter later in the meeting during his Engineering Report, but noted that no Member District suffered any interruption in service during such incident.

Mr. Agard next inquired 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 reported regarding prior discussions with the Member Districts several years ago regarding the possibility of the Board of Directors meetings being held within the boundaries of the Authority. Mr. Rubinsky stated that it was determined at that time that the

Authority would continue meeting at the offices of IDS. After discussion on the matter, Mr. Rubinsky advised that SPH would provide a Memorandum at the next meeting regarding the legal requirements related to meeting locations together with a summary of the previous discussions conducted with the Member Districts regarding same.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held February 2, 2022. After discussion regarding the minutes, Director Granadino moved that the minutes of the meeting held February 2, 2022, be approved, as presented. Director Boddy 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 February 1, 2022 through March 2, 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 January 2022 and the first month of the Authority's fiscal year ending December 31, 2022, and a Summary of Pumpage Fees Paid by Member Districts through December 31, 2021. Mr. Rubinsky queried Mr. Crayton regarding various bookkeeping issues, including (i) City of Houston ("COH") invoices for surface water, (ii) the status of transfers to the Authority's Debt Service Fund from November 2021 through the current month, and (iii) the Authority's Operating Budget for the fiscal year ending December 31, 2022. Mr. Crayton stated that he would investigate Mr. Rubinsky's inquiries and report back regarding same. The Board expressed its disappointment in FMI's performance in recent months and emphasized the need for FMI to address the various issues raised by Mr. Rubinsky. Thereafter, it was moved by Director Boddy, seconded by Director Granadino 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, including additional check no. 5136 from the General Fund to the COH in the amount of \$95,117.87 for water supplied during the previous billing period.

Mr. Crayton next presented to and reviewed with the Board the Authority's Quarterly Investment Report for the period ended December 31, 2021, a copy of which is attached to the Bookkeeper's Report. After discussion, it was moved by Director Boddy, 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

FINANCIAL ADVISOR'S REPORT

The Board deferred consideration of the Financial Advisor's Report after noting that a representative of GMS was not present at the meeting. Mr. Rubinsky noted that he had no new activity upon which to report regarding the status of communications with the City of Houston ("COH") regarding the COH's Preliminary FY 2019, 2020, and 2021 True Up Reports related to the operation and maintenance of the Northeast Water Purification Plant.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated March 2, 2022, a copy of which is attached hereto as **Exhibit B**, 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 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 regarding the COH's request are ongoing.

Mr. Khouw next reported further regarding the power failure at the COH's raw water pump station last month, as brought to the Board's attention by Mr. Agard earlier in meeting. Mr. Khouw advised the Board that on February 22, 2022, the COH experienced an electrical failure at the pump station and requested that the Authority temporarily halt surface water usage. Mr. Khouw reported that, as previously noted, the emergency generator located at the pump station was not available to provide auxiliary power as it had been taken out of operation at that time for servicing. Mr. Khouw further reported that, fortunately, MOC was able to open the emergency interconnect between No. 200 and Rankin Road West Municipal Utility District and use Water Plant No. 2 to serve both districts, thereby enabling No. 200 to temporarily stop receiving surface water from the Authority. Mr. Khouw advised the Board that as a result, No. 150 and Harris County Municipal Utility District No. 217 were never without surface water during this time period. Mr. Khouw reported that surface water was restored by the COH late that night.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project. 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 ("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 RWAs were notified by the COH of a potential claim by Houston Waterworks Team ("HWT") related to Sub-Allowance 9 – Site Civil. Mr. Khouw explained that the agreed upon amount for this item was approximately \$20,000,000, but that the plans for same were not yet final at that time. He reported that the HWT is now requesting an additional \$20,000,000 to \$30,000,000 for such work and that the COH has denied such additional funds request as it believes that Site Civil is part of the agreed upon Guaranteed Maximum Price under the Design-Build Contract between the COH and HWT. Mr. Khouw stated that HWT has requested mediation and that the RWAs will have representatives present during any such meetings.

Mr. Khouw next reported to the Board concerning the status of construction of Phase I of the Northeast Transmission Line ("NETL"), including an invoice received from the COH (and paid at today's meeting) in the amount of \$1,031.02 for the Authority's share of \$43,503.00 in

additional construction costs for Project S-000900-0168-4, as further detailed in the Engineer's Report. Mr. Khouw stated that he will contact FMI in order to obtain the documentation required to evidence the payment of all engineering and legal fees (approximately \$45,000) that were paid over the last year from the General Operating Fund for Phase I of the NETL so that these funds can be included with the escrow release request to be submitted to the Texas Water Development Board ("TWDB") for payment of the COH invoice. Mr. Khouw further advised the Board that once the escrow release request has been approved by the TWDB, FMI can then reimburse the General Operating Fund with the released bond proceeds. Mr. Khouw additionally reported 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 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, and noted that such study is still pending final approval from the TWDB.

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 February 2022, a copy of which is attached hereto as **Exhibit C**. 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 have completed their investigation as to whether the reported sinkhole at 2609/2611 N. Camden Parkway within No. 150 could have resulted from construction of the Authority's surface water distribution line in 2009/2010. Mr. Martin reported that they have concluded that the sinkhole was not a result of the construction of the line nor was it related to any other of the Authority's facilities.

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 is still working to confirm that these issues have been properly resolved.

Mr. Martin next advised the Board that he has attempted to contact No. 304's operator, JePa Services, Inc. ("JePa"), on several occasions to discuss Rosalind Caesar's inquiries at the last meeting regarding water quality issues in No. 304, but that he has not yet received a response from JePa.

Mr. Martin next reported that the land lines for the COH's surface water meters have now been eliminated as the COH now uses cellular based telephone service.

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. Mr. Khouw also provided a brief update regarding same. He noted that Bowman Engineering/Consulting, Inc.'s environmental study in connection with the design and construction of the Authority's 2025 Internal Distribution System is still pending approval with the TWDB, and that the Authority will not be able to utilize proceeds of its previously issued bonds for easement acquisition purposes until the study has been approved.

APPROVAL AND EXECUTION OF PROPOSALS FOR RENEWAL OF INSURANCE COVERAGES

The Board next considered the review and approval of a proposal received from HARCO Insurance Company ("HARCO"), agent for the Texas Municipal League's ("TML") Intergovernmental Risk Pool, relative to the renewal of the Authority's various insurance coverages for policies expiring March 31, 2022. In that regard, Director Meek reminded the Board that he had previously recused himself from participating in discussions or taking any action regarding the renewal of the Authority's insurance coverages due to a conflict of interest as a result of his employment by HARCO. Director Meek advised the Board, however, that he no longer has a conflict of interest as he has now resigned from HARCO, which was recently acquired by Brown & Brown. After a lengthy discussion concerning the proposal received from HARCO and the options included therein with respect to Directors and Officers Liability ("D&O") insurance coverage, the Board authorized Directors Meek and Gower to review the D&O options and to make a decision on behalf of the Board and the District prior to March 31, 2022, as to which option would best suit the needs of the Authority, and to communicate their decision to SPH prior to such date.

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. In that regard, Mr. Rubinsky advised the Board that SPH had requested certain documentation evidencing expenses paid by No. 304 from No. 304's attorney, and that it is his understanding that No. 304's engineer and auditor are reviewing their records to produce said documentation.

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 D**. 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 discussed with the Board the status of the Authority's 2022 Director Appointment Process, including the status of receipt of nominating resolutions. Mr. Rubinsky advised the Board that SPH had received formal Resolutions from: (i) Fallbrook Utility District nominating Director Cox to continue to serve in the Director Precinct No. 1 position; (ii) No. 200 nominating Director Gower to continue to serve in the Director Precinct No. 3 position; and (iii) No. 200, No. 150 and Harris County Municipal Utility District No. 215 nominating Director Meek to continue to serve in the Director At-Large (Position No. 2) position. Mr. Rubinsky advised that the nomination period ended on February 15, 2022.

The Board next considered adoption of an Order Declaring Unopposed Nominees Elected to Board of Directors. Mr. Rubinsky advised that, in accordance with the authorization granted in the Authority's creation legislation, the Board is authorized to declare unopposed candidates to be elected. As noted above, Mr. Rubinsky reiterated that Resolutions were received nominating Director Cox for the Director Precinct No. 1 position, Director Gower for the Director Precinct No. 3 position, and Director Meek for the Director At-Large (Position No. 2) position, and that no other nominations were received by the applicable deadline. Therefore, Directors Cox, Gower and Meek were unopposed with respect to the positions for which they were nominated. Mr. Rubinsky then presented a written Order Declaring Unopposed Nominees Elected to Board of Directors, which is attached hereto as **Exhibit E**. After discussion, Director Boddy moved that the Order be adopted by the Board declaring Margaret L. Cox, Tom Gower and Richard C. Meek appointed to the positions for which they were nominated for terms expiring on May 15, 2026, and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the Authority. Director Granadino seconded said motion, which carried unanimously. Mr. Rubinsky noted that Directors Cox, Gower and Meek would be formally re-seated at the Board's meeting to be held in June 2022.

ATTORNEY'S REPORT

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

had nothing further to discuss with the Board of a legal nature which was not covered under specific agenda items.

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, April 6, 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 Engineer's Report
- Exhibit C Operator's Report
- Exhibit D Government Affairs Update
- Exhibit E Order Declaring Unopposed Nominees Elected