

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors May 4, 2022

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on May 4, 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 of IDS Engineering Group, Inc. ("IDS"), engineer for the Authority; Cindy Harrell of F. Matuska, Inc. ("FMI"), bookkeeper for the Authority; Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Sherri Greenwood and Michelle Uong of BKD, LLP ("BKD"); 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. In that regard, he discussed the Resolution Adopting Public Comment Policies and Procedures previously adopted by the Board on March 3, 2021. Mr. Rubinsky stated that the Resolution provides for the establishment of a consistent method for receiving public comments at Board meetings in an effort to prevent uncontrolled or ill-timed public comment, which has the potential to interfere with the effective and efficient conduct of the business of the Board. There were no comments received from the public in attendance at the meeting.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held April 6, 2022. After discussion regarding the minutes and the request for a revision to made thereto to reflect that Director Boddy was not present at the meeting, Director Gower moved that the minutes of the meeting held April 6, 2022, be approved, as amended. Director Meek seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Ms. Harrell 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, 2022 through May 4, 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 March 2022 and the third month of the Authority's fiscal year ending December 31, 2022, and a Summary of Pumpage Fees Paid by Member Districts through February 28, 2022. Mr. Rubinsky made several inquiries of Ms. Harrell regarding certain discrepancies between information reflected in the Summary of Cash Transactions and the Cash Transactions for the period ended May 4, 2022 within the Report to which Ms. Harrell responded. Mr. Rubinsky further noted the absence of a check for payment to the City of Houston ("COH") for the Authority's purchase of surface water last month. Ms. Harrell noted that FMI had not received an invoice from the COH for payment at today's meeting. After discussion, it was moved by Director Boddy, 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.

STATUS OF FILING OF ANNUAL CONTINUING DISCLOSURE REPORT

The Board next considered the status of the filing of the Authority's annual Continuing Disclosure Report due on June 30, 2022. In that regard, Mr. Rubinsky advised the Board that McCall, Parkhurst & Horton L.L.P. ("McCall Parkhurst"), the Authority's Continuing Disclosure Counsel, will prepare the annual Continuing Disclosure Report, with the assistance of the Authority's Engineer and Financial Advisor if necessary, when the Audit for the Authority's fiscal year ended December 31, 2021, has been completed and released by BKD, LLP, and will file said Report with the appropriate repositories prior to the filing deadline of June 30, 2022.

APPROVAL OF UNCLAIMED PROPERTY REPORT

The Board deferred action until next month regarding the approval of an Unclaimed Property Report for the period ending March 1, 2022.

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 March 30, 2022, 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 outstanding 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 in connection with the Series 2017 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. After discussion on the matter, it was moved by Director Granadino, seconded by Director Boddy 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 2017 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.

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, FY 2020, and FY 2021 True Up Reports related to Operations and Maintenance Costs of the City's Northeast Water Purification Plant ("NEWPP").

Mr. Rubinsky noted that the correspondence received from the COH regarding the COH's FY 2023 preliminary water rate for the NEWPP was presented last month and that no further action was required of the Board at this time regarding same.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated May 4, 2022, 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 Harris-Galveston Subsidence District ("HGSD") permit requirements, as detailed in the Engineer's Report. Mr. Khouw noted that, to date, the Authority had used approximately 61% of the ground water permitted by the HGSD for the permit period ending May 31, 2022, and that surface water usage within the Authority through April 2022 constitutes 47.85% of total water usage within the Authority. Mr. Khouw advised the Board that the Authority's new Aggregate Water Well Permit for the period June 1, 2022 through May 31, 2023, had been approved by the HGSD. He further advised the Board that the Authority's annual Water Conservation Report had been submitted to the Texas Water Development Board ("TWDB") prior to the May 1, 2022 due date.

Mr. Khouw next reported to the Board concerning IDS's attendance at a facilities management committee meeting with COH representatives on April 19, 2022, as further detailed in the Engineer's Report. Mr. Khouw advised the Board that the COH has indicated that it will be re-assessing its water capacity needs and, in the meantime, will rescind its request for additional capacity in the NEWPP Expansion Project.

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 for the Authority's share of \$234,540,213.94 required for the project. Mr. Khouw advised the Board that IDS's request to the TWDB for an escrow fund release for payment of Cash Call No. 11 has now been approved by the TWDB. 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 of EWP No. 1. Mr. Khouw further reported that, overall, the project is now approximately 66% complete.

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, as further detailed in the Engineer's Report.

Mr. Khouw next reported to the Board concerning the status of Phase II of the NETL, including Projects 25C, 25D and 25E, the segments of the NHCRWA transmission line in which the Authority is participating, which are all under construction.

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's 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 provided a brief summary on the status of the 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 final Environmental Determination and that the U.S. Army Corp of Engineers has issued a Determination of No Permit Required. Mr. Khouw further reported that IDS is working with the TWDB on the release of proceeds of the Authority's previously issued bonds to be utilized for the easement acquisitions and design and construction costs needed to the 2025 Internal Distribution System.

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

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for April 2022, 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 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 since the Authority has not received an invoice from the COH for its surface water supply for the past two months.

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, as well as other governmental entities such as Harris County Municipal Utility District No. 11 and the U.S. Department of Veterans Affairs.

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 SPH has still not received the requested documentation from No. 304's attorney evidencing all of the 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 E**. The Board concurred that no action was required in connection with such matter at this time.

Mr. Rubinsky noted that he had received an email from Rosalind Caesar, of Harris County Municipal Utility District No. 304 requesting that Ms. Tredway be required to attend all Authority Board meetings. The Board noted that it does not require Ms. Tredway's attendance at all Authority Board meetings and that it is confident Ms. Tredway will attend its meetings either when it is necessary or she is requested to do so..

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky advised the Board that there was nothing new to report 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 before the Texas Supreme Court.

A discussion next ensued regarding the location of monthly Board meetings. In that regard, Mr. Rubinsky reviewed with the Board the Memorandum presented at the last meeting 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 on the matter, Director Cox moved that Directors Boddy and Granadino be authorized to research and identify a suitable meeting location within or near the Authority that can host a Town Hall meeting. Director Meek seconded said motion, which unanimously carried.

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.

TERMINATION OF CONTRACT FOR BOOKKEEPING SERVICES BY AND BETWEEN THE AUTHORITY AND FMI

The Board next considered the termination of the Contract for Bookkeeping Services by and between the Authority and FMI. The Board noted that FMI's performance since new ownership took over in the 4th Quarter of 2021 has been unacceptable, and that it has become very clear that a change must be made. Following discussion on the matter, it was moved by Director Gower, seconded by Director Boddy and unanimously carried, that the Contract for Bookkeeping Services by and between the Authority and FMI be terminated, and that SPH provide FMI with the thirty (30) day written notice of termination, effective as of June 2, 2022, as required by the Contract, with the understanding that FMI will prepare and present the Bookkeeper's Report for the period May 4, 2022 through June 1, 2022, at the Board meeting scheduled for June 1, 2022.

ENGAGEMENT OF BKD TO SERVE AS THE AUTHORITY'S BOOKKEEPER

The Board next considered engagement of BKD to serve as the Authority's Bookkeeper. Ms. Greenwood and Ms. Uong presented to and reviewed with the Board BKD's proposal for bookkeeping services, a copy of which is attached hereto as **Exhibit F**. Ms. Greenwood and Ms. Uong then responded to various inquiries from the Board regarding same. Ms. Greenwood noted that BKD had recently merged with DHG, a national accounting firm based on the East Coast, and that BKD would be changing its name to Forvis, effective June 1, 2022. Ms. Greenwood further noted that BKD cannot technically enter into a contract for bookkeeping services with the Authority until it has issued the final audit for the fiscal year ended December 31, 2021, which was previously presented to the Board. She advised that she expects the final audit to be issued on or about May 16, 2022. Following discussion, Director Boddy moved that BKD be engaged as Bookkeeper for the Authority effective as of May 18, 2022, and that the Board President be authorized to execute a mutually acceptable Agreement for Bookkeeping Services by and between the Authority and BKD on or after such date. Director Granadino seconded said motion, which unanimously carried.

CLOSED SESSION

At 8:22 p.m., the Board recessed in Closed Session to consult with the District's attorney pursuant to matters authorized by Texas Government Code, Sections 551.071 and 551.072. At this time, all those present, with the exception of the Board, Mr. Lai and Mr. Rubinsky, exited the meeting.

At 8:31 p.m., the Board reconvened in Open Session whereupon it was moved by Director Meek that the Authority's consultants be authorized to negotiate within the parameters established in Closed Session for the acquisition of the easements and other property interests

required in connection with the Authority's 2025 Internal Distribution System. Director Gower seconded said motion, which unanimously carried.


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 1, 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 Arbitrage Analysis Report
- Exhibit C Engineer's Report
- Exhibit D Operator's Report
- Exhibit E Government Affairs Update
- Exhibit F Proposal for Bookkeeping Services from BKD