

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors
November 2, 2022

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on November 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; Tina Tran of Forvis, LLP ("Forvis"), bookkeeper for the Authority; Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Anna Katherine Parker of Quiddity Engineering, LLC, representing Harris County Municipal Utility District No. 200 ("No. 200"); Linda Watkins, Joyce King and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Rosalind Caesar of Harris County Municipal Utility District No. 304 ("No. 304"); 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. 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 October 5, 2022. After discussion regarding the minutes, Director Granadino moved that the minutes of the meeting held October 5, 2022, be approved as presented. Director Boddy seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Ms. Tran next presented the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit A**, including Cash Flows for the Authority's various funds for the period commencing

October 5, 2022 through November 2, 2022, and the disbursements presented for payment from the Authority's accounts, a Summary of Investments, a Debt Service Schedule, a Budget Comparison for the month of September 2022 and the first nine months of the Authority's fiscal year ending December 31, 2022, and a Summary of Pumpage Fees and Surface Water Fees paid by Member Districts through September 30, 2022. Ms. Tran noted a couple of unusual disbursements from the General Fund this month, including check nos. 5646 and 5647 to F. Matuska, Inc., the Authority's former bookkeeper, for bookkeeping services provided in November 2021 and April 2022, which were not previously invoiced, and a wire transfer to the City of Houston ("COH") for payment of the Authority's share of a debt service payment related to the Luce Bayou Interbasin Transfer Project due November 15, 2022. After discussion, it was moved by Director Boddy, seconded by Director Meek 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.

PROPOSED OPERATING BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2023

Ms. Tran next presented for the Board's review a preliminary draft Operating Budget for the fiscal year ending December 31, 2023, a copy of which is attached hereto as **Exhibit B**. Ms. Tran and Mr. Rubinsky addressed the Board concerning the need for adjustments to the draft Operating Budget with respect to the expenses for the right-of-way acquisitions in connection with the Authority's 2025 Internal Distribution System. Mr. Rubinsky also discussed the need for input from the Authority's Financial Advisor, John Howell, regarding the draft Operating Budget. Ms. Tran advised the Board that she would forward the draft Operating Budget to Mr. Howell for his review. Mr. Khouw also noted that the pumpage fee and surface water revenues reflected in the draft Operating Budget are based on the Authority's current pumpage fee and surface water rate, and that said revenues will need to be adjusted in the event Mr. Howell recommends an increase in the Authority's pumpage fee and surface water rate for 2023. The Board deferred action relative to the adoption of an Operating Budget for the fiscal year ending December 31, 2023, until its next meeting pending Mr. Howell's review and comments relative to same.

ANNUAL REVIEW OF ORDER ESTABLISHING POLICY FOR INVESTMENT OF AUTHORITY FUNDS AND APPOINTING INVESTMENT OFFICER

The Board next considered the annual review of its Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer ("Investment Policy Order"), and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky reviewed the proposed changes to the Investment Policy Order. Thereafter, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that (i) the Investment Policy Order be amended to reflect the proposed changes discussed by Mr. Rubinsky, (ii) the Board adopt the Resolution Regarding Review of Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer attached hereto as **Exhibit C** (with the amended Investment Policy Order attached thereto), and (iii) any prior order previously adopted by the Board establishing policies for investment of Authority funds and appointing an investment officer be revoked and rescinded effective today.

ENGAGEMENT OF AUDITOR TO PERFORM ANNUAL AUDIT

The Board next deferred action until next month relative to the engagement of an independent firm of auditors to perform an audit of the Authority's financial statements for the fiscal year ending December 31, 2022.

FINANCIAL ADVISOR'S REPORT

In the absence of Mr. Howell, Mr. Rubinsky advised the Board that there was nothing new to report regarding the COH's FY 2019, FY 2020, and FY 2021 True Up Reports related to Operations and Maintenance Costs of the COH's Northeast Water Purification Plant ("NEWPP"). Mr. Rubinsky advised the Board that he expects Mr. Howell will be in attendance at next month's meeting to discuss the Authority's Operating Budget for the fiscal year ending December 31, 2023.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated November 2, 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 Harris-Galveston Subsidence District ("HGSD") permit requirements, as detailed in the Engineer's Report. Mr. Khouw further reported that the Authority recently received over-conversion credit certificates of deposit from HGSD, and that the Authority now has approximately 1.2 billion gallons of over conversion credits.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, including the status of Early Work Package ("EWP") No. 1 (Site Grading), EWP No. 2 (Filter Module 1), EWP No. 4 (Raw Water Pipelines), and 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 reported that, overall, the project is now approximately 73% 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 ten (10) 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 three (3) projects, as further detailed in the Engineer's Report. Mr. Khouw reported to the Board regarding the status of the 108-inch water line along COH easements from Aldine Westfield to Willis Street, including several obstacles encountered during tunneling operations resulting in two change orders to the construction contract, 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 North Harris County Regional Water Authority ("NHCRWA") transmission line in which the Authority is participating, which are all under construction. Mr. Khouw then advised the Board that the NHCRWA is also moving forward with its Hardy Road Line (Project 23), which was initially planned for the 2035 conversion, but has been accelerated at the request of the COH. He further advised that it is

anticipated that the Authority will participate in this line to serve Harris County Utility District No. 16 in the future, as it will result in significant cost savings to participate in the construction of this shared line now rather than for the Authority to construct a separate line on its own at a later date.

Mr. Hale 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. Hale provided a brief summary on the status of the right of way acquisitions for the 2025 Internal Distribution System. Mr. Hale advised the Board that the field work for the geotechnical services in connection with the construction of the proposed 24-inch, 20-inch, 16-inch and 12-inch surface water transmission lines near Gears Road and T.C. Jester Boulevard is now complete and that testing is ongoing. Mr. Khouw reported that a draft Geotechnical Report should be available by mid-November 2022. After discussion, Director Boddy moved that: (i) the invoice received from Ninyo & Moore in the amount of \$66,900 (representing payment for 50% of the geotechnical services completed) be approved for payment; and (ii) Ninyo & Moore be authorized to perform an Environmental Site Assessment ("ESA"), Phase II to address the Recognized Environmental Conditions identified in the Phase I ESA at a cost not to exceed \$21,655.

Mr. Khouw next reported to the Board regarding the Luce Bayou Interbasin Transfer Project, as further detailed in the Engineer's Report.

STATUS OF COMMUNICATIONS WITH THE NHCRWA REGARDING PARTICIPATION IN THE NHCRWA'S HARDY ROAD LINE (PROJECT 23) TO SERVE HARRIS COUNTY UTILITY DISTRICT NO. 16 AND PREPARATION OF NEW AGREEMENT IN CONNECTION THEREWITH

Mr. Khouw next addressed the Board concerning communications with the NHCRWA regarding the Authority's participation in the NHCRWA Hardy Road Line (Project 23) to serve Harris County Utility District No. 16. A discussion next ensued regarding whether the Authority should be included in a three-party agreement along with the NHCRWA and the COH in connection with the Authority's participation in the Hardy Road Line or whether it should simply contract with the NHCRWA to share in the costs of such line once the NHCRWA and the COH have constructed same. After discussion on the matter, the Board concurred that in order to not slow down the project, it would probably be best to simply contract with the NHCRWA to participate in its share of the costs of said line.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for October 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 advised the Board that a chemical feed line at the NEWPP broke last weekend and that the COH requested the Authority stop taking surface water from the NEWPP until appropriate repairs could be made. He reported that the converted Member Districts whose water wells were not operational imported water through their respective interconnects. Mr. Martin further advised that, if the Member Districts are able to make payment in-kind for the Imported Water, the Authority will waive the Importation Fees in accordance with the terms of the Authority's Rate Order.

DISCUSSION REGARDING THE AUTHORITY'S DROUGHT CONTINGENCY PLAN

Mr. Rubinsky next advised the Board that Stage One of the Authority's Drought Contingency Plan is still in effect as neither the COH nor the NHCRWA have rescinded Stage One of their respective drought contingency plans.

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, as previously discussed, 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 for approval and execution. Mr. Rubinsky then responded to several inquiries from the public regarding the remote meter reading and monitoring system. No Board action was taken in connection with said matter.

DISCUSSION REGARDING PROPOSED EMERGENCY WATER SUPPLY AGREEMENT BETWEEN THE AUTHORITY AND NO. 200 AND PROPOSED AMENDMENT OF AUTHORITY'S RATE ORDER IN CONNECTION THEREWITH

The Board next deferred discussion relative to a proposed Emergency Water Supply Agreement between the Authority and No. 200 in connection with the Authority's purchase of ground water from No. 200 in the event of a loss of surface water.

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

ANNUAL EMINENT DOMAIN FILING

Mr. Rubinsky next advised the Board that, pursuant to §2206.154, Texas Government Code, all political subdivisions with the power of eminent domain, including the District, are required to file an annual eminent domain report by February 1 of each year with the Texas Comptroller of Public Accounts (the "Comptroller"). He requested the Board's authorization for SPH to prepare and file such annual report. After discussion, it was moved by Director Meek, seconded by Director Boddy and unanimously carried, that the Board authorize SPH to file the annual eminent domain report with the Comptroller on behalf of the District prior to February 1, 2023.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky reported to the Board concerning communications with the COH regarding the draft Agreed Upon Procedures Report ("AUP Report") in connection with Phase I of the NETL. He advised the Board that the COH is making changes to the AUP Report based upon comments received from the regional water authorities.

Mr. Rubinsky next reported to the Board regarding communications with the Texas Water Development Board ("TWDB") regarding a Fiscal Year 2021 Noncompliance Letter in connection with compliance with the Public Funds Collateral Act ("PFC"). Mr. Rubinsky advised the Board that Ms. Tran and Mr. Khouw have notified the TWDB that there has been no change in the Authority's rates since 2018. The Authority is, therefore, in compliance with the PFC and this issue has been resolved.

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.

Mr. Rubinsky additionally discussed with the Board two recent newspaper articles regarding subsidence in the area and their potential inclusion on the Authority's website.

Mr. Rubinsky next addressed the Board concerning email correspondence received from Ms. Caesar on October 7, 2022, regarding the location of the Authority's Board of Directors meetings. Mr. Rubinsky advised the Board that, as previously discussed, the Authority is in compliance with all applicable law governing the location of the Authority's Board meetings. He further reported that a special Town Hall meeting was held at Clementine's Restaurant on Cypress Creek Parkway (F.M. 1960) on September 14, 2022, in order to further gauge the Member Districts' interest in holding meetings closer to the Authority's boundaries. Mr. Rubinsky noted that very few residents of the Member Districts within the Authority attended the special Town Hall meeting. Mr. Rubinsky additionally advised the Board of 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 reminded the Board that, at that time, the majority of Member Districts voted to have the Board continue to hold its meetings at the offices of IDS. The Board next recognized Ms. Caesar, who discussed her desire that the Authority's Board of Directors meetings be held within the boundaries of the Authority.

She stated that the Board works for the taxpayers, not the other way around, and demanded that the meetings be moved. The Board again reiterated the reasons why the Board has elected to continue to hold its meetings at the current location, and noted that several members of the public regularly attend its meeting at the current location and emphasized that meeting at the current location does not deprive members of the public from being able to attend the meetings. After further discussion, it was determined that no action was required of the Board concerning this matter.

DISCUSSION REGARDING STATUS OF AUTHORITY WEBSITE AND OTHER COMMUNICATIONS WITH MEMBER DISTRICTS

Mr. Rubinsky advised the Board of email correspondence received from Robert Cadena of the Board of Directors of Harris County Municipal Utility District No. 150 requesting that the Precinct and At-Large positions for each of the Directors be added to the Authority's website. Mr. Rubinsky stated that he would request that The Texas Network add this information to the Authority's website, as well as links to the two newspaper articles regarding subsidence discussed earlier in the meeting.

CLOSED SESSION

At 7:41 p.m., the Board President announced that the Board would meet in Closed Session to consult with the District's attorney pursuant to matters authorized by Texas Government Code, Section 551.072 (acquisition of real property interests). At this time, all those present, with the exception of the Board, Mr. Khouw, Mr. Hale, Mr. Lai and Mr. Rubinsky, exited the meeting.

At 8:02 p.m., the Board President announced that the Board would reconvene in Open Session, whereupon, it was moved by Director Boddy 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, including to participate in mediation related to certain parcels as discussed Closed Session. Director Meek seconded said motion, which unanimously carried.

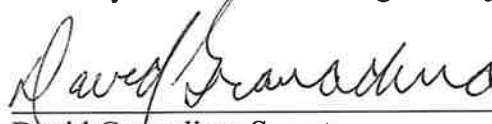
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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 regular meeting of the Board is scheduled for Wednesday, December 7, 2022, at 6:00 p.m., at the offices of IDS.

ADJOURN MEETING

There being no further business to come before the Board, on motion made by Director Meek, seconded by Director Boddy, and unanimously carried, the meeting was adjourned.

A handwritten signature in cursive script, reading "David Granadino", written in black ink. The signature is positioned above a horizontal line.

David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Bookkeeper's Report
- Exhibit B Preliminary Draft Operating Budget for Fiscal Year Ending December 31, 2023
- Exhibit C Resolution Regarding Review of Order Establishing Policy for Investment of Authority Funds and Appointing Investment Officer
- Exhibit D Engineer's Report
- Exhibit E Operator's Report
- Exhibit F Government Affairs Update