

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors December 7, 2022

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on December 7, 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 Director Meek, 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; John Howell of The GMS Group, L.L.C. ("GMS"), financial advisor for the Authority; Brian Toldan of McCall Gibson Swedlund Barfoot PLLC ("McCall Gibson"), auditor 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"); Marcus Jones, Bridget Smith and Ashley Thompson of Harris County Municipal Utility District No. No. 399 ("No. 399"); Roosevelt Johnson and Oliver Agard of Harris County Municipal Utility District No. 150 ("No. 150"); Jeff Masek of AECOM; 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 response to an inquiry from Mr. Agard, Mr. Rubinsky discussed the status of the Right-of-Entry Agreements with each of the Member Districts which are required in connection with the implementation of the Authority's proposed remote meter reading and monitoring system. There was also a brief discussion regarding the City of Houston's ("COH") recent Boil Water Notice as a result of low pressure due to a power outage at the City of Houston's East Water Purification Plant. It was noted that the Authority was not impacted by the incident.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held November 2,

2022. After discussion regarding the minutes, Director Boddy moved that the minutes of the meeting held November 2, 2022, be approved as presented. Director Granadino 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 November 2, 2022, through December 7, 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 October 2022 and the first ten 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 October 31, 2022. After discussion, it was moved by Director Granadino, seconded by Director Boddy 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 OPERATING BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2023

Ms. Tran presented to and reviewed in detail with the Board a proposed Operating Budget for the fiscal year ending December 31, 2023, a copy of which is attached to the Bookkeeper's Report. Mr. Rubinsky also addressed a few changes made to the proposed Operating Budget from the initial draft presented last month. Thereafter, it was moved by Director Gower, seconded by Director Boddy and unanimously carried, that the proposed Operating Budget for the Authority's fiscal year ending December 31, 2023 be approved as presented.

ENGAGEMENT OF AUDITOR TO PERFORM ANNUAL AUDIT

The Board considered 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. The Board recognized Mr. Toldan, who presented to and reviewed with the Board a proposal for auditing services. Mr. Rubinsky noted that because the District's previous auditor, BKD, LLP (now known as Forvis), has been engaged to serve as the Authority's bookkeeper, it is no longer necessary for the Authority to engage a second independent accounting firm to perform certain accounting procedures in order to eliminate the findings of material weaknesses in internal controls in the Authority's fiscal year end audits. After a discussion concerning the proposal received from McCall Gibson, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that McCall Gibson be engaged to conduct an audit of the Authority's financial statements for the fiscal year ending December 31, 2022, at a cost not to exceed \$23,000.

Mr. Toldan exited the meeting at this time.

FINANCIAL ADVISOR'S REPORT

The Board next discussed the Authority's updated Long Term Financial Plan and the need for an adjustment of the Authority's rates. In that regard, Mr. Howell presented to and reviewed with the Board a number of schedules regarding the Authority's rates, together with a comparison of the Authority's rates with the rates imposed by the other regional water authorities in the Houston metropolitan area, copies of which are attached hereto as **Exhibit B**. Mr. Howell advised the Board of several key factors that have and will continue to impact the Authority's financial condition and, therefore, its future rates and fees, including: (i) no increase in water usage within the Authority; (ii) increased costs of the expansion of the COH's Northeast Water Purification Plant ("NEWPP"), and (iii) increased costs associated with the design and construction of the Authority's internal distribution system and the acquisition of easements related thereto. Mr. Howell then recommended that the Authority's GRP Fee, Importation Fee and Surface Water Fee each be increased by \$0.25 per thousand gallons to be effective March 1, 2023. He advised that said increases are necessary to generate the additional revenue that will be required to pay for the Authority's share of the projects referenced in the attached spreadsheets. Mr. Howell noted that the Authority has not increased its fees since March 1, 2018, and that even after the new rates go into effect, the Authority's fees will remain substantially lower than those imposed by the other regional water authorities in the Houston metropolitan area.

After lengthy discussion, Director Boddy moved that (i) the Board indicate its intent to increase the Authority's Surface Water Fee from \$3.35 to \$3.60 per 1,000 gallons and the GRP Fee and Water Importation Fee from \$3.01 to \$3.26 per 1,000 gallons, effective March 1, 2023, and that (ii) SPH be authorized to direct correspondence to all Member Districts advising of the proposed rate increase to be considered at the January 4, 2023 Board meeting, to be effective March 1, 2023. Director Granadino seconded said motion, which unanimously carried.

A brief discussion followed regarding the possibility of the Authority filing an application with the Texas Water Development Board for additional funding through the SWIFT program in 2023 to pay excess costs associated with the acquisition of rights-of-way required in connection with the 2025 Internal Distribution System and construction costs related thereto. The Board authorized SPH and IDS to work with Mr. Howell in connection with same if it is determined necessary to do so.

Mr. Howell next 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 NEWPP.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated December 7, 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 next addressed the Board concerning the status of the NEWPP Expansion Project, including the status of Early Work Package ("EWP") No. 1 (Site Grading), which is now complete, 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 74% 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 additionally reported to the Board regarding Change Order No. 5 to the construction contract, as further detailed in the Engineer's Report. Mr. Khouw noted that the Authority's share of such change order will be approximately \$60,000 to \$70,000.

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 IDS is coordinating with the NHCRWA for the Authority's participation in the line in order 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, as well as the status of the draft Geotechnical Report and the Phase II Environmental Site Assessment, as further detailed in the Engineer's Report.

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

Mr. Howell exited the meeting at this time.

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. Rubinsky next advised the Board that he had no additional activity upon which to report 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 and the preparation of a new agreement in connection therewith.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for November 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 advised that all of the Authority's surface water meters have been tested and found to be operating within proper specifications.

DISCUSSION REGARDING THE AUTHORITY'S DROUGHT CONTINGENCY PLAN

Mr. Rubinsky next advised the Board that, although the COH has not yet rescinded Stage One of its drought contingency plan, both the NHCRWA and the West Harris County Regional Water Authority ("WHCRWA") have rescinded Stage One of their respective drought contingency plans. After discussion on the matter, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that Stage One of the Authority's Drought Contingency Plan be rescinded and that SPH be authorized to direct correspondence to all Member Districts regarding same.

IMPLEMENTATION OF REMOTE METER READING AND MONITORING SYSTEM

Mr. Rubinsky next advised the Board that he had no new activity upon which to report regarding the status of the implementation of the remote meter reading and monitoring system for the Authority and the related Right-of-Entry Agreements with each of the Member Districts.

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 HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304 ("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. Masek exited the meeting at this time.

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.

Mr. Rubinsky next addressed the Board concerning a request received from Allen Boone Humphries Robinson LLP, the attorneys for the WHCRWA, that the Authority be a signatory to proposed correspondence to be forwarded to the COH regarding the regional water authorities' desire for improved communications with the COH related to future Boil Water Notices. After discussion on the matter, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that the Authority be included as a signatory to such correspondence.

Mr. Rubinsky next addressed the Board concerning email correspondence received from Rosalind Caesar of the Board of Directors of No. 304 on November 4, 2022, regarding her request that certain information be included in the minutes of the Board of Directors meeting held on November 2, 2022, regarding her communications with the Directors at said meeting. After 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 that The Texas Network ("TTN") has now added the Precinct and At-Large positions for each of the Directors to the Authority's website, as requested at the last Board meeting, and that SPH will request that TTN also add links to the website to the two newspaper articles regarding subsidence matters which were discussed last month.

CLOSED SESSION

At 7:28 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 7:44 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. Director Granadino seconded said motion, which unanimously carried.

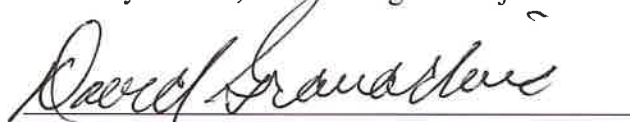
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, January 4, 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.



David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Bookkeeper's Report
- Exhibit B Schedules prepared by The GMS Group, L.L.C. regarding the Authority's Long Term Financial Plan and proposed 2023 Rate Increase
- Exhibit C Engineer's Report
- Exhibit D Operator's Report
- Exhibit E Government Affairs Update