

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors January 4, 2023

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on January 4, 2023, 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 Boddy, 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; 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"); Rosalind Caesar of Harris County Municipal Utility District No. 304 ("No. 304"); Cordelia Brown of Harris County Municipal Utility District No. 217 ("No. 217"); Adrian Brown and Charlotte Mays, residents of No. 150; 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 as to why No. 150's monthly payments are not received by the Authority in a timely manner, Mr. Martin explained the Authority's billing and collection process. He advised that the Authority's bills are sent out to the Member Districts on or about the third day of each month and that the bills are due 45 days later. Mr. Martin stated that, because No. 150 does not meet and authorize payment of its bills until the third Tuesday of each month, it appears that its payments to the Authority are not received until after the third day of each month. Mr. Martin reiterated that, although the Authority's monthly Bookkeeping Reports may reflect an outstanding balance, No. 150 is not incurring any penalties in connection with late payments. Mr. Martin noted that Mr. Agard can check with No. 150's

bookkeeper to confirm that payments are being sent to the Authority immediately after No. 150's meetings in an effort to increase the probability of No. 150 being reflected as current on the Authority's monthly Bookkeeping Reports.

Mr. Brown next inquired as to which member of the Board of Directors of the Authority represents No. 304. Mr. Rubinsky stated that No. 304 is within the Authority's Precinct No. 2, which Director Granadino represents. Director Granadino stated that he would attend No. 304's next board of directors meeting on behalf of the Authority.

Ms. Caesar then stated that the Authority's website should reflect which of the Directors represent each of the precincts. Mr. Rubinsky stated that this information is included on the Authority's website.

Ms. Caesar next advised that she would like to meet with the Authority's lobbyist, C.J. Tredway, regarding the submittal of certain proposed legislation for consideration during the next legislative session on behalf of the Member Districts. Mr. Rubinsky explained that Ms. Tredway represents the Authority and not the individual Member Districts. Ms. Caesar stated that she would reach out to Ms. Tredway directly.

Mr. Johnson next inquired regarding the status of scheduling of a tour of the Northeast Water Purification Plant ("NEWPP"). Mr. Khouw stated that he would contact the City of Houston ("COH") to inquire as to whether it is allowing any visits to the site at this time.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held December 7, 2022. After discussion regarding the minutes, Director Granadino moved that the minutes of the meeting held December 7, 2022, be approved as presented. Director Meek 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 December 7, 2022, through January 4, 2023, 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 November 2022 and the first eleven 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 November 30, 2022. A brief discussion ensued regarding current interest rates on invested bond proceeds versus the net effective interest rate on each of the Authority's bond issues. In that regard, the Board requested that Municipal Risk Management Group, L.L.C. perform an evaluation and advise of any recommended actions. Thereafter, it was moved by Director Meek, 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.

ADOPTION OF RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE AUTHORITY

The Board next considered adopting a list of qualified brokers authorized to engage in investment transactions with the Authority. Mr. Rubinsky advised that, pursuant to the Public Funds Investment Act and the Authority's Investment Policy, the Board is required to review, revise, if necessary, and adopt such list at least annually. He then presented to and reviewed with the Board a proposed list of financial institutions, brokers and dealers authorized to engage in investment transactions with the Authority, a copy of which is attached hereto as **Exhibit B**, as compared to the list previously adopted by the Board. Mr. Rubinsky noted that the broker list presented is a list of potential institutions with which the Authority may engage in investment transactions compiled with the input of the Authority's Investment Officer, but it is ultimately the Board's decision as to where the Authority's funds are actually placed. After discussion on the matter, Director Gower moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the Authority attached hereto as **Exhibit C** be adopted by the Board and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Granadino seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

Mr. Howell addressed the Board concerning the proposed filing of an Abridged Application to the Texas Water Development Board (the "TWDB") for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") in connection with the additional funds required for the Authority's 2025 Internal Distribution System. Mr. Rubinsky and Mr. Khouw discussed the fact that right-of-way acquisition costs are projected to be much higher than anticipated when the Authority sold bonds for such purpose and that construction costs are also anticipated to be higher than was projected. After discussion, it was moved by Director Granadino, seconded by Director Meek and unanimously carried, that SPH and IDS be authorized to prepare and file an Abridged Application with the TWDB for financial assistance from SWIFT in an amount up to \$3,000,000, or as is determined by IDS upon review of the Authority's needs, in connection with the additional funds required for the Authority's 2025 Internal Distribution System prior to the February 1, 2023 deadline.

Mr. Howell and Mr. Rubinsky next briefly reported to the Board regarding the status of communications with the COH 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.

Mr. Howell additionally presented for the Board's review correspondence from GMS dated December 21, 2022, a copy of which is attached hereto as **Exhibit D**, providing the Authority with GMS's MSRB Rule G-10 Annual Disclosures.

ADOPTION OF AMENDED RATE ORDER

The Board next considered the amendment of the Authority's Rate Order. In that regard, Mr. Howell recapped the discussion conducted last month regarding the Authority's updated Long Term Financial Plan and the need for an adjustment of the Authority's rates. Mr. Howell

advised the Board that he will re-evaluate the Authority's financial condition in six (6) months and determine whether any additional adjustment of the Authority's rates will be required next year. Mr. Rubinsky advised the Board that SPH had directed correspondence to all Member Districts on December 22, 2022, advising them of the proposed amendment of the Authority's Rate Order, including the adoption of the proposed increases of the GRP Fee, Importation Fee, and Surface Water Fee recommended by Mr. Howell at the Board's last meeting. He reminded the Board that the GRP Fee and Importation Fee is being increased from \$3.01 per 1,000 gallons to \$3.26 per 1,000 gallons, and the Surface Water Fee is being increased from \$3.35 per 1,000 gallons to \$3.60 per 1,000 gallons, effective March 1, 2023. Mr. Rubinsky then presented to and reviewed with the Board an amended Rate Order reflecting the GRP Fee, Water Importation Fee and Surface Water Fee increases. Mr. Howell and Mr. Rubinsky next responded to several questions from the public in attendance at the meeting. Thereafter, it was moved by Director Gower, seconded by Director Granadino and unanimously carried, that (i) the Rate Order attached hereto as **Exhibit E** be passed and adopted by the Board, effective as of March 1, 2023, (ii) the President be authorized to execute and the Secretary to attest said Rate Order on behalf of the Board and the Authority, (iii) all Rate Orders heretofore adopted by the Board be revoked as of such date, and (iv) SPH be authorized to distribute a copy of the new Rate Order to all Member Districts.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated January 4, 2023, a copy of which is attached hereto as **Exhibit F**, 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 further reported that Cash Call No. 12 has now been received from the COH in the amount of \$3,006,291 due February 20, 2023, to fund the Authority's share of approximately \$191,997,160 in construction and related technical advisory consultant costs. Mr. Khouw advised the Board that IDS will submit a request to the TWDB for an escrow fund release for payment of Cash Call No. 12 and to reimburse the General Operating Fund for engineering and legal review costs previously incurred by the Authority in connection with the NEWPP.

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 \$88,000.

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. Khouw also presented to and reviewed with the Board a map depicting an overview of the Luce Bayou Interbasin Transfer Project, a copy of which is attached to 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 December 2022, a copy of which is attached hereto as **Exhibit G**. 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 addressed the Board concerning the December 2022 freeze event and the COH's request on December 23, 2022 that the Authority reduce surface water usage from the

NEWPP as result of the impact of the freezing temperatures on the COH's water supply facilities. Mr. Martin advised the Board that MOC temporarily suspended the delivery of surface water to No. 200, No. 304 and Rankin Road West Municipal Utility District ("Rankin Road "), but continued to deliver surface water to No. 150 and No. 217, as these two (2) districts do not have water wells or any other source of a backup water supply. Mr. Martin further reported that delivery of surface water to No. 200, No. 304 and Rankin Road was resumed just after Christmas.

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.

AUTHORIZE MOC TO PROVIDE REQUIRED INFORMATION TO MEMBER DISTRICTS RECEIVING SURFACE WATER FROM THE AUTHORITY RELATIVE TO CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing MOC to provide required information to Member Districts receiving surface water from the Authority during 2022 relative to required annual Consumer Confidence Reports. Mr. Rubinsky explained that, pursuant to the Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the Authority is required to provide by April 1, 2023, a report containing various information regarding the Authority's surface water supply to any other water supplier which received surface water from the Authority during the prior calendar year. After discussion on the matter, it was moved by Director Meek, seconded by Director Granadino and unanimously carried, that MOC be authorized to provide the required information as set forth hereinabove.

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

AUTHORIZE SOLICITATION OF PROPOSALS FOR INSURANCE COVERAGES

The Board next discussed the solicitation of proposals for the Authority's insurance coverages for the term of April 1, 2023, through March 31, 2024. Mr. Rubinsky advised the Board that the Authority's current insurance coverages, through the Texas Municipal League's ("TML") Intergovernmental Risk Pool, will expire on March 31, 2023. After discussion on the matter, it was moved by Director Meek, seconded by Director Granadino and unanimously carried, that SPH be authorized to solicit proposals on behalf of the Authority from TML, Arthur J. Gallagher & Co., and McDonald & Wessendorff Insurance Services, L.L.C.

AUTHORIZE PREPARATION AND SUBMISSION OF AUTHORITY INFORMATION TO TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR INCLUSION IN THE SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Rubinsky next informed the Board that, pursuant to provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the Authority is required to submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Following discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that the Authority's auditor, McCall Gibson Swedlund Barfoot PLLC, be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Public Information Database.

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, and advised that further discussion regarding said matter will need to be addressed in Closed Session.

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 regarding pending litigation at the Texas Supreme Court relating to the enforceability of wholesale water supply contracts between the San Jacinto River Authority and certain participants in its groundwater reduction plan, and the potential impact such litigation could have on various contracts that the Authority and other regional water authorities in the Houston area have entered into with the COH. Mr. Rubinsky reported that the various regional authorities have proposed to prepare and submit an amicus

brief to the Texas Supreme Court related to the subject matter of the litigation and have requested that the Authority participate in such effort. After discussion, upon motion by Director Meek, seconded by Director Gower and unanimously carried, the Board voted to participate in the proposed amicus brief provided that the Authority's share of the costs associated therewith do not exceed \$5,000.

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

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 7:49 p.m., the Board President announced that the Board would reconvene 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 Granadino seconded said motion, which unanimously carried.

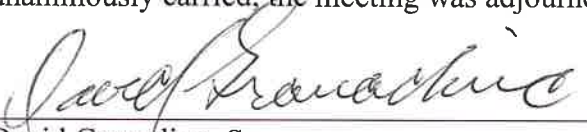
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, February 1, 2023, 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 Granadino, seconded by Director Meek, 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 List of Financial Institutions, Brokers and Dealers as Compared to List Previously Adopted by the Board
- Exhibit C Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
- Exhibit D GMS's MSRB Rule G-10 Annual Disclosures
- Exhibit E Amended Rate Order
- Exhibit F Engineer's Report
- Exhibit G Operator's Report
- Exhibit H Government Affairs Update