

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors March 1, 2023

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on March 1, 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 and Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); 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"); 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 reviewed 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. He advised that it is the intention of the Board to adhere to and enforce the policies and procedures set forth in said Resolution during the public comment period.

The Board next recognized Mr. Agard, who noted that the approved minutes of the Authority's Board of Directors meeting held on January 4, 2023, as corrected per his request at the Authority's February 1, 2023 meeting, were not posted on the Authority's website. Mr. Agard requested that, in the future, the approved minutes from the Authority's Board of Directors

meetings be posted on its website the morning after the meeting at which the minutes are approved by the Board. Mr. Rubinsky stated that he would ensure that the corrected minutes from the Authority's January 4, 2023 Board of Directors meeting are posted on the Authority's website and that the approved minutes from all future Board of Directors meetings are promptly posted on the website per Mr. Agard's request.

The Board next recognized Mr. Miranda, who inquired as to the source of the surface water supplied by the Authority to the Converted Member Districts and whether the hazardous waste being shipped to the Houston area for treatment following a recent train derailment in Ohio could contaminate said source. Mr. Khouw explained that the surface water supplied by the Authority is drawn from Lake Houston and treated at the City's Northeast Water Purification Plant before being distributed to the Converted Member Districts. He further advised that he did not believe there was any risk of the hazardous waste being treated at the Port of Houston contaminating the water in Lake Houston.

No further public comments were presented.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held February 1, 2023. After discussion regarding the minutes, Director Meek moved that the minutes of the meeting held February 1, 2023, be approved as presented. Director Gower 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 February 1, 2023, through March 1, 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 January 2023 and the first month of the Authority's fiscal year ending December 31, 2023, and a Summary of Pumpage Fees and Surface Water Fees paid by Member Districts through January 31, 2023. After discussion, it was moved by Director Granadino, 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.

Ms. Tran additionally advised the Board that she will be taking over as Bookkeeper for the Authority permanently as Michele Uong is no longer with FORVIS.

UNCLAIMED PROPERTY REPORT

The Board next considered authorizing the Authority's consultants to research unclaimed property and FORVIS to prepare an Unclaimed Property Report as of March 1, 2023. After discussion, Director Gower moved that the Authority's Operator and Bookkeeper be authorized to research their records to determine whether the Authority is holding any unclaimed property for the stated period, and that FORVIS be authorized to prepare an Unclaimed Property Report, if necessary, for the Board's consideration, approval and filing with the State Comptroller prior to July 1, 2023. Director Granadino seconded said motion, which unanimously carried.

FINANCIAL ADVISOR'S REPORT

Mr. Rubinsky next addressed the Board concerning the status of the 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, which was filed with the TWDB on February 1, 2023. Mr. Khouw advised the Board that the TWDB is in the process of reviewing the Application and has contacted IDS and SPH with a few questions, to which IDS and SPH have responded. The Board next recognized Mr. Howell, who presented various schedules, copies of which are attached hereto as **Exhibit B**, regarding the Authority's projected debt service balance assuming the sale of the Authority's Series 2023 Bonds later this year in the total aggregate amount of \$5,000,000, at a 4% interest rate. Mr. Howell advised the Board that the schedules indicate that the Authority's Debt Service Reserve Balance will steadily decline to an unacceptable level within the next 5 to 7 years unless the Authority adjusts its rates to compensate for the additional debt. Mr. Howell advised that he will likely recommend a mid-year increase of \$0.20, resulting in an increase in the GRP Fee and Importation Fee from \$3.26 to \$3.46 per 1,000 gallons, and an increase in the Surface Water Fee from \$3.60 to \$3.80, but that he will not be prepared to make a firm recommendation regarding the timing or amount of the rate adjustment until after the Authority's Audit Report for the fiscal year ended December 31, 2022 has been completed.

Mr. Howell and Mr. Rubinsky advised the Board that they had no new activity upon which to report regarding the status of communications with the City of Houston ("COH") regarding the COH's FY 2019, FY 2020, FY 2021, and FY 2022 True Up Reports related to Operations and Maintenance Costs of the COH's Northeast Water Purification Plant ("NEWPP").

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated March 1, 2023, 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 the 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 noted that the numbers reflected in his report are not the most current and that Mr. Martin will provide the most current numbers under his report. He then advised that IDS is working on the application for renewal of the Authority's aggregate water well permit for the period commencing June 1, 2023, and that IDS will submit same to the HGSD next week.

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 77% complete. Mr. Khouw advised the Board that the Houston Waterworks Team ("HWT") has notified the COH that they do not anticipate achieving Phase I Substantial Completion until July 2023, and that the COH has notified the HWT that the COH will be imposing liquidated damages as of February 20, 2023, which is the contractual Phase I Substantial Completion date.

Mr. Khouw then briefly discussed the projected operation and maintenance costs of Phase I of the NEWPP Expansion project and several issues related thereto. Mr. Khouw stated that the COH is currently performing a rate analysis in connection with same.

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 noted that the last project should be complete in May 2023.

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 and nearing completion. Mr. Khouw then advised the Board that the NHCRWA has indicated that it will likely postpone its Hardy Road Line (Project 23). He further advised that IDS will continue to coordinate with the NHCRWA for the Authority's participation in the line in order to serve Harris County Utility District No. 16 in the future.

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 various agencies regarding final approval of the Authority's plans for construction of same. Mr. Hale then 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 final Geotechnical Report and the final 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 advised the Board that the project is now complete. He further reported that IDS submitted an escrow release request to the TWDB to fund the first payment for Existing Untreated Water Facilities (3.26 MGD) in the amount of \$961,912.58, which is due to the COH by March 27, 2023, and that escrow release approval was received from the TWDB today. The Board then approved and signed the wire transfer authorization form for payment to the COH for Existing Untreated Water Facilities (3.26 MGD) in the amount of \$961,912.58.

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, as discussed earlier during the Engineer's Report, the Attorney and General Manager for the NHCRWA have advised that they are not certain at this time whether the new Board of Directors of the NHCRWA will allow its Hardy Road Line (Project 23) to proceed.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for February 2023, 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.

The Board next considered ratifying its prior action relative to the approval of the Authority's 2023 Water Smart Application and the adoption of a Resolution Approving Submittal of the Water Smart Application for Inclusion in the Association of Water Board Directors Water Smart Partners Program. After discussion, it was moved by Director Meek, seconded by Director Granadino and unanimously carried that such prior action be ratified and authorized in all respects.

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. After discussion on the matter, the Board concurred that, if the requested information has not been received within the next sixty (60) days, the Authority will reimburse No. 304 for the amounts substantiated by the Authority's records.

REQUEST OF SAVE WATER TEXAS COALITION FOR SPONSORSHIP OF WATER CONSERVATION EDUCATION PROGRAM

Mr. Rubinsky next advised the Board that a request had been received from the Save Water Texas Coalition ("Coalition") for the Authority's sponsorship of the Coalition's Water Conservation Education Program. After discussion on the matter, it was moved by Director Granadino, seconded by Director Meek and unanimously carried, that the Authority contribute \$2,500 towards Coalition's Water Conservation Education Program.

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.

APPROVAL AND EXECUTION OF PROPOSALS FOR RENEWAL OF INSURANCE COVERAGES

Mr. Rubinsky next presented for the Board's review proposals for renewal of the Authority's various insurance coverages for policies expiring March 31, 2023 received from (i) Brown & Brown Insurance, the agent for the Texas Municipal League's Intergovernmental Risk Pool ("TML"), (ii) McDonald & Wessendorff Insurance Services, L.L.C., and (iii) Arthur J. Gallagher & Co., copies of which are attached hereto as **Exhibit F**. Director Meek advised that he had reviewed all of the proposals and recommended that the Authority accept the TML insurance renewal proposal. After discussion on the matter, Director Meek moved that the TML insurance proposal be accepted and that the President be authorized to execute same on behalf of the Board and the Authority. Director Granadino seconded said motion, which unanimously carried.

STATUS OF ACQUISITION OF EASEMENTS AND OTHER PROPERTY INTERESTS IN CONNECTION WITH THE AUTHORITY'S 2025 INTERNAL DISTRIBUTION SYSTEM

Mr. Khouw 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. Rubinsky 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 (i) Hidalgo County Water Improvement District No. 3 v. Hidalgo County Water Irrigation District No. 1, currently pending before the Texas Supreme Court, or (ii) San Jacinto River Authority v. City of Conroe, Texas, and City of Magnolia, Texas.

There was next a brief discussion regarding the COH's Wholesale Water Conservation Program. Mr. Rubinsky advised the Board that he will provide additional information regarding the program next month.

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 7:27 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 7:50 p.m., the Board President announced that the Board would reconvene in Open Session, whereupon, it was moved by Director Granadino 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 Meek seconded said motion, which unanimously carried.

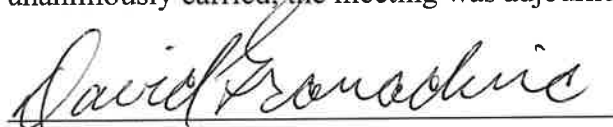
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

The Board considered items for placement on future agendas. Director Granadino requested that an item be placed on the agenda for a future meeting regarding the Progress Report BiCarbus, LLC Field Studies conducted by the University of Houston.

Mr. Rubinsky noted that the next regular meeting of the Board is scheduled for Wednesday, April 5, 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 Meek, seconded by Director Granadino, and unanimously carried, the meeting was adjourned.



David Granadino, Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Schedules prepared by GMS regarding the Authority's Projected Debt Service assuming the Sale of the Authority's Series 2023 Bonds
- Exhibit B Bookkeeper's Report
- Exhibit C Engineer's Report
- Exhibit D Operator's Report
- Exhibit E Government Affairs Update
- Exhibit F Insurance Renewal Proposals