

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors August 2, 2023

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on August 2, 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, 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; Keith Arrant 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 of Fallbrook Utility District ("Fallbrook"); Bridget Smith and Ashley Thompson of Harris County Municipal Utility District No. No. 399 ("No. 399"); Oliver Agard and Roosevelt Johnson of Harris County Municipal Utility District No. 150 ("No. 150"); Jack Shoup of Investment & Development Ventures, LLC ("IDV"); Deborah Gower, wife of Director Gower; 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. Lai noted that the first item on the agenda was to open the meeting for public comments. There being no comments from the public received, the Board continued to the next item of business.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held July 5, 2023. After discussion regarding the minutes, Director Boddy moved that the minutes of the meeting held July 5, 2023, 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 July 5, 2023, through August 2, 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 June 2023 and the first six months 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 June 30, 2023. After discussion, it was moved by Director Gower, 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, plus additional check no. 5894 payable to McFarland PLLC in the amount of \$40,000 from the General Operating Fund in connection with the acquisition of Parcel No. 5-16 required in connection with related to the 2025 Internal Distribution System. Ms. Tran noted that check no. 5894 would be reflected on next month's Bookkeeper's Report.

FINANCIAL ADVISOR'S REPORT

The Board deferred consideration of the Financial Advisor's Report after noting that a representative of The GMS Group, L.L.C. ("GMS") was not present at today's meeting. Mr. Lai reported, however, that the Authority's formal application to the Texas Water Development Board (the "TWDB") for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") for additional funds required for the Authority's 2025 Internal Distribution System in the amount of \$5,000,000 was approved by the TWDB on July 25, 2023.

Mr. Lai next reviewed with the Board the Financing Agreement between the Authority and the TWDB in connection with the Authority's proposed sale of its Series 2023 Bonds to the TWDB. After discussion, it was moved by Director Boddy, seconded by Director Granadino and unanimously carried, that said Financing Agreement be approved and that the President be authorized to execute same on behalf of the Board and the Authority. Mr. Lai noted that the sale of the bonds is anticipated to occur in the fourth quarter of this year.

Mr. Lai next advised the Board that the Authority's review and final approval of the City of Houston's ("COH") FY 2019 through FY 2022 True Up Reports related to the operation and maintenance expenses of the NEWPP are still outstanding. In that regard, he noted that Mr. Khouw is communicating with representatives of the North Harris County Regional Water Authority ("NHCRWA") regarding its request for additional information from the COH, and that he and Mr. Khouw recommend the Authority hold off on giving its final approval of said True Up Reports until all outstanding issues have been addressed.

Mr. Lai next presented for the Board's review correspondence received from the COH dated July 24, 2023, a copy of which is attached hereto as **Exhibit B**, regarding the COH's adoption of its final FY 2024 water rate for the NEWPP of \$1.8197 per 1,000 gallons. Mr. Lai advised the Board that, with this water rate increase and the Authority's additional debt service obligations as a result of the issuance of its proposed Series 2023 Bonds later this year, GMS will likely recommend that the Authority increase its groundwater pumpage fee and surface rate within the next several months.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated August 2, 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 status of compliance with the Harris-Galveston Subsidence District ("HGSD") permit requirements, as detailed in the Engineer's Report.

Mr. Khouw next advised the Board that, as authorized at the last meeting, IDS will complete its review of IDV's preliminary development plan for a parcel of land which is proposed to be annexed into the boundaries of Fallbrook and upon which the Authority previously acquired Parcel Nos. 5-22 and 5-23, and issue a letter of no-objection to IDV in connection therewith.

Mr. Shoup exited the meeting at this time.

Mr. Khouw next addressed the Board concerning a request received from No. 399 for confirmation from the Authority that 2.7 acres of land to be annexed into the boundaries of No. 399 can be incorporated into the Authority's Groundwater Reduction Plan ("GRP"). After discussion on the matter, it was moved by Director Boddy, seconded by Director Gower and unanimously carried, that IDS be authorized to issue a letter to No. 399 on behalf of the Board and the Authority approving the annexation of 2.7 acres into No. 399 and the Authority's GRP.

Mr. Khouw next advised the Board that the COH has requested a possible tie-in to the Authority's 2025 Internal Distribution System to serve four (4) municipal utility districts located both north and south of Beltway 8 and in the vicinity of Veteran's Memorial Drive, which are participants in the COH's GRP. After discussion on the matter, it was moved by Director Granadino, seconded by Director Meek and unanimously carried that IDS be authorized to analyze whether it would be feasible to allow the COH to tie-in to the Authority's 2025 Internal Distribution System to serve the four (4) subject municipal utility districts.

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 84% complete. Mr. Khouw advised the Board that the Houston Waterworks Team ("HWT") has submitted an updated schedule to the COH, which indicates that they do not anticipate achieving Phase I Substantial Completion until September 18, 2023 (211 days behind schedule), and Phase II Substantial completion until August 1, 2025 (10 days behind schedule).

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 twelve (12) out of the thirteen (13) projects that make up Phase I of the NETL are complete and that the final project is expected to be completed in August 2023, 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's 84-inch transmission line in which the Authority is participating, which are all under construction and nearing completion. Mr. Khouw advised the Board, however, that Project 25C, which is the section the Authority's take point is located within, has been delayed as the contractor for this project has filed for bankruptcy. Mr. Khouw reported that the contractor's surety has negotiated a contract with another contractor to complete the remaining 5% of the project, and that the new contractor is now mobilizing to complete the project.

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 noted that the COH is requiring a Letter of Intent from the Authority confirming that the Authority will not proceed with construction of its 2025 Internal Distribution System until all of the necessary easements for said project have been acquired. Mr. Hale also advised the Board that the Harris County Flood Control District is requiring additional slide slope stability geotechnical analysis and that he recommends that the proposal from Ninyo & Moore for geotechnical services previously approved by the Board be updated to include this additional work at a cost of \$3,400. After discussion, Director Meek moved that (i) IDS be authorized to submit a Letter of Intent to the COH on behalf of the Board and the District as set forth above, and (ii) the additional slide slope stability geotechnical analysis required by the HCFCD be added to the proposal from Ninyo & Moore at a cost of \$3,400. Director Boddy seconded said motion, which unanimously carried. Mr. Hale then provided a brief summary on the status of the right of way acquisitions for the 2025 Internal Distribution System.

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 Coastal Water Authority is moving forward to complete the build-out of the Capers Ridge Pump Station to its full capacity, including the addition of four (4) pumps and associated equipment.

OPERATOR'S REPORT

Mr. Arrant presented to and reviewed with the Board a written Operator's Report for July 2023, a copy of which is attached hereto as **Exhibit D**. Mr. Arrant 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.

IMPLEMENTATION OF REMOTE METER READING AND MONITORING SYSTEM

Mr. Lai 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

The Board next deferred discussion relative to No. 304's request for reimbursement of costs and payment of related expenses in connection with No. 304's prior conversion to surface water.

GOVERNMENT AFFAIRS UPDATE

Mr. Lai next presented to and reviewed with the Board a Government Affairs Update dated August 1, 2023, together with a Water/Drought Conditions Report from the TWDB, copies of which are attached hereto as **Exhibit E**. The Board concurred that no action was required in connection with such matter at this time.

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

Mr. Lai 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. Lai advised that further discussion regarding said matter would be addressed in Closed Session.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Lai addressed the Board concerning the status of the Authority's participation as Amicus Party in San Jacinto River Authority v. City of Conroe, Texas, and City of Magnolia, Texas.

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 6:38 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, and Mr. Lai, exited the meeting.

At 7:01 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 Gower seconded said motion, which unanimously carried.

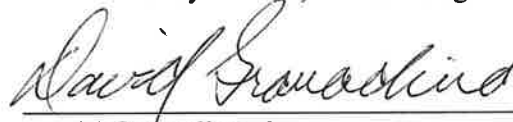
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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. Lai noted that the next regular meeting of the Board is scheduled for Wednesday, September 6, 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 Gower, 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 Letter from City of Houston dated July 24, 2023 regarding FY 24 Water Rate for the NEWPP

Exhibit C Engineer's Report

Exhibit D Operator's Report

Exhibit E Government Affairs Update and Water/Drought Conditions Report