

# CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors  
November 6, 2024

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on November 6, 2024, 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

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 Mazars, 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; Jayson Taylor of Quiddity Engineering, LLC, representing Harris County Municipal Utility District No. 200 ("No. 200"); Kelvin Smith, Lathan Johnson and Robert Blackshear of Rankin Road West Municipal Utility District ("Rankin Road"); Linda Watkins of Fallbrook Utility District ("Fallbrook"); Marcus Jones and Ashley Thompson of Harris County Municipal Utility District No. 399 ("No. 399"); Roosevelt Johnson of Harris County Municipal Utility District No. 150 ("No. 150"); Judge Caston, a resident of Harris County Municipal Utility District No. 217 ("No. 217"); 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. Director Cox began by informing the Board of the passing of Director Boddy's wife yesterday and expressed her condolences. Several members of the public in attendance also express their condolences to Director Boddy and his family.

## **APPROVAL OF MINUTES**

The Board next considered approval of the minutes of its meeting held October 2, 2024. After discussion regarding the minutes, Director Granadino moved that the minutes of the meeting held October 2, 2024, 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 October 2, 2024, through November 6, 2024, 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 2024 and the ninth month of the Authority's fiscal year ending December 31, 2024, and a Summary of Pumpage Fees and Surface Water Fees paid by Member Districts through September 30, 2024. Ms. Tran noted that additional check no. 6243 was being issued on the General Operating Fund in the amount of \$469.85 payable to Director Boddy for director per diems. Ms. Tran also advised the Board that, as directed by Mr. Howell, \$431,760.08 had been transferred from the Debt Service Reserve Fund to the General Operating Fund, as reflected in the Bookkeeper's Report. After discussion, it was moved by Director Granadino that the Bookkeeper's Report be approved and the disbursements listed therein, plus additional check no. 6243 as heretofore discussed, be approved for payment from the Authority's various accounts. Director Gower seconded said motion, which unanimously carried.

## **PROPOSED OPERATING BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2025**

Ms. Tran next presented for the Board's review a preliminary draft Operating Budget for the fiscal year ending December 31, 2025, a copy of which is attached to the Bookkeeper's Report. Mr. Rubinsky addressed the Board concerning certain items reflected in the draft Operating Budget. He then requested that the Board and consultants review the draft budget carefully and provide Ms. Tran with their comments prior to next month's meeting, at which time the Board will need to adopt same. Mr. Howell advised the Board that he had reviewed the draft Operating Budget and concluded that a rate adjustment would be needed, which he would discuss further during the Financial Advisor's Report.

## **ENGAGEMENT OF AUDITOR**

The Board considered the engagement of an auditing firm to conduct an audit of the District's records and accounts for the fiscal year ending December 31, 2024. In that regard, Mr. Rubinsky reminded the Board that it had previously approved an evergreen audit engagement letter with McCall Gibson Swedlund Barfoot PLLC ("MGSB") dated December 7, 2022. Mr. Rubinsky then presented for the Board's review correspondence from MGSB dated November 6, 2024, a copy of which is attached hereto as **Exhibit B**, regarding the audit scope and objectives, the audit procedures and the anticipated auditing fees, estimated to range between \$23,000 and \$25,000. After discussion on the matter, the Board authorized MGSB to proceed with the preparation of the District's audit for the fiscal year ending December 31, 2024, in accordance with the terms outlined in MGSB's correspondence of November 6, 2024.

**STATUS OF REVISED ANNUAL OPERATION AND MAINTENANCE ACCOUNTING FOR JOINT FACILITIES FOR FISCAL YEAR 2023 PURSUANT TO AMENDED AND RESTATED JOINT FACILITIES AGREEMENT WITH THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

Mr. Rubinsky next reminded the Board of the discrepancy between the Authority's and the City of Houston's ("COH") meter readings which resulted in the inaccurate measure of the total surface water usage attributable to the Authority as reflected in the Annual Operation and Maintenance Accounting for Joint Facilities for the fiscal year 2023 (the "Report") received from the North Harris County Regional Water Authority ("NHCRWA"), as discussed at previous meetings. Mr. Rubinsky reported that correspondence was forwarded to the NHCRWA on September 4, 2024, regarding the inconsistency in the Authority's total surface water usage and the reasons for same, and that the NHCRWA's Finance Director has confirmed that the NHCRWA is in agreement with the Authority's calculations pending the NHCRWA's Program Manager's update to the Report to reflect same. Mr. Rubinsky advised the Board that Forvis will continue to hold check no. 6194 previously issued to the NHCRWA in the amount of \$111,893.32 for the Authority's total share of the operation and maintenance expenses for the Joint Facilities for the fiscal year 2023 pending the receipt of an updated Report from the NHCRWA.

**FINANCIAL ADVISOR'S REPORT**

The Board considered the Financial Advisor's Report. Mr. Howell first addressed the Board concerning the correspondence received from the COH dated August 19, 2024, regarding the COH's adoption of its FY 2025 water rate for the Northeast Water Purification Plant ("NEWPP") of \$1.8222 per 1,000 gallons. Mr. Howell advised the Board that, because he has been using an assumed rate of \$1.99 per 1,000 gallons in his financial analyses, the COH's new water rate, in and of itself, will not have an adverse effect on the Authority's rates or financial condition.

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 addressed the Board concerning his review of the preliminary draft Operating Budget for the fiscal year ending December 31, 2025, as presented earlier in the meeting. He advised the Board that, due to various increases in costs, including but not limited to the costs of design and construction of the Authority's 2025 Internal Distribution System, the Authority will likely need to issue revenue bonds in 2025 in a principal amount ranging from \$3,870,000 to \$7,000,000. Mr. Howell then 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, as well as 2025 Projected Annual Operating Expenditures, copies of which are attached hereto as **Exhibit C**. As a result of his updated analysis, Mr. Howell recommended that the Authority's GRP Fee, Importation Fee and Surface Water Fee each be increased by \$0.35 per thousand gallons to be effective January 1, 2025.

After lengthy discussion, Director Cox moved that (i) the Board indicate its intent to increase the Authority's Surface Water Fee from \$3.85 to \$4.20 per 1,000 gallons and the GRP Fee and Water Importation Fee from \$3.51 to \$3.86 per 1,000 gallons, effective January 1, 2025, and

(ii) SPH be authorized to direct correspondence to all Member Districts advising of the proposed rate increase and the Board's intent to adopt an amended Rate Order at its meeting scheduled for December 4, 2024. Director Granadino seconded said motion, which unanimously carried.

Mr. Rubinsky next advised the Board that there was nothing new to report regarding the resolution of the outstanding issues related to the COH FY 2019, FY 2020, FY 2021, FY 2022, and FY 2023 True Up Reports related to operation and maintenance costs of the NEWPP for each of said fiscal years.

## **ENGINEER'S REPORT**

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated November 6, 2024, 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 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 noted that surface water usage through September 2024 was 316.884 MG, which equaled 58.86% of total water usage in the Authority through such date.

Mr. Khouw next addressed the Board concerning North Forest Municipal Utility District's ("North Forest") request to join the Authority's Groundwater Reduction Plan ("GRP"). In that regard, he advised the Board that IDS is still waiting on the requested additional information from North Forest regarding its projected 2035 through 2045 water demand requirements in order to prepare a thorough analysis for the Board's review. Mr. Khouw noted that he will also request this information from all of the Member Districts.

Mr. Khouw next advised the Board that IDS will complete the Historically Underutilized Business (HUB) Project Participation Forms required by the Texas Water Development Board ("TWDB") in connection with projects financed through the State Water Implementation Fund for Texas for State Fiscal Years 2023 and 2024 and file same with the TWDB prior to the November 8, 2024 deadline.

Mr. Khouw next addressed the Board concerning the status of IDS's additional analyses and discussions with the COH regarding the COH's request for 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. Mr. Khouw advised the Board that IDS and SPH are still coordinating with the COH regarding same; however, without a signed agreement or funds deposited with the Authority to pay for the COH's pro rata share of costs, the Authority is unable to move forward with the construction of the 2025 Internal Distribution System.

Mr. Khouw next reported to the Board that the NHCRWA is beginning the design of its Hardy Road Line (Project 23). He further reported that IDS is continuing to coordinate with the NHCRWA regarding the Authority's participation in the line in order to serve Harris County Utility

District No. 16 ("No. 16") in the future.

Mr. Khouw next addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report. Mr. Khouw reported that, overall, the project is now approximately 94% complete. Mr. Khouw further advised the Board that Phase I of the NEWPP Expansion is operating well and that the second 80 MGD train is being exercised and will likely be placed online by December 2024. Mr. Khouw then addressed the Board concerning Consensus Items Nos. 40, 41 and 42 issued by the COH, as further detailed in the Engineer's Report. With respect to Consensus Item No. 41 in the amount of \$329,496.00 for payment of third-party generator gas reimbursement charges, Mr. Khouw explained that pursuant to the Electricity Reliability Service Agreement between the COH and Enchanted Rock Solutions, LLC ("Enchanted Rock"), Enchanted Rock agreed to provide 30 megawatts of emergency generator capacity at no cost to serve Phase I of the NEWPP if the COH engaged a Quality Scheduling Entity ("QSE") that would allow Enchanted Rock to sell electricity back to the grid during certain demand response events. However, because the COH failed to engage a QSE per the terms of the Agreement, Enchanted Rock is now charging the COH for the cost of the gas used to operate the generators. As a result, the COH has requested that the various regional water authorities pay their pro rata share of the gas service costs and deem such costs to be operations and maintenance expenses in the future pursuant to Consensus Item No. 41.

Mr. Howell exited the meeting at this time.

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 all of the thirteen (13) projects that make up Phase I of the NETL are complete and ready to receive water. He further reported that the COH will be scheduling the project true-up.

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. Mr. Khouw advised the Board that the NHCRWA is working on the final accounting of costs for Phase II of the NETL and the Authority's share of the project. He noted that the Authority has bond proceeds available for payment of its share of the costs.

Mr. Khouw next reported to the Board regarding the status of the Authority's 2025 Internal Distribution System, as further detailed in the Engineer's Report. In that regard, he advised the Board that the Authority will need to convey two (2) meter station easements to the COH. After discussion, it was moved by Director Granadino, seconded by Director Gower and unanimously carried, that conveyance of the two (2) meter station easements to the COH be approved by the Board.

Mr. Khouw next advised the Board that a bid opening for the 2025 Internal Distribution System was held on September 27, 2024. Mr. Khouw reported that two (2) bids were received for the project, as reflected in the Engineer's Report, and that both bids were significantly higher than the estimated cost of the project. He then discussed several issues that may have caused an escalation in the project costs. Mr. Khouw further advised the Board that IDS is recommending

that the Authority reject the bids received and rebid the project in smaller packages, with the first package to be advertised in January 2025. Mr. Khouw noted that, due to the escalation in construction costs, it may be necessary for the Authority to issue revenue bonds to cover the increased cost of the project, as discussed earlier in the meeting during the Financial Advisor's Report. After discussion on the matter, Director Granadino moved to reject the bids received in connection with the 2025 Internal Distribution System, and rebid the project in smaller packages, with the first package to be advertised in January 2025, as recommended by IDS, subject to confirmation from the COH that it will participate in the project. Director Gower seconded said motion, which unanimously carried.

Mr. Rubinsky next addressed the Board regarding potential costs to be incurred by the Authority as a result of the delay in the construction of the 2025 Internal Distribution System due to the COH's delay in confirming its participation in the project and depositing or escrowing funds with the Authority to pay its share of the project costs. After discussion on the matter, Director Granadino moved that correspondence be forwarded to the COH requesting a schedule for the completion of same and advising that the Authority will expect the COH to pay all costs incurred by the Authority as a result of the COH's delays. Director Gower seconded said motion, which unanimously carried.

Mr. Khouw advised the Board that he had no new activity upon which to report regarding the Luce Bayou Interbasin Transfer Project.

#### **STATUS OF COMMUNICATIONS WITH HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 33 AND FALLBROOK REGARDING STATUS OF PAYMENT IN-KIND FOR WATER IMPORTED**

Mr. Rubinsky next addressed the Board concerning the status of communications with Harris County Municipal Utility District No. 33 ("No. 33") and Fallbrook regarding the status of payment in-kind for water imported into the Authority earlier this year in connection with the exemption from payment of Water Importation Fees imposed by the Authority. In that regard, Mr. Martin advised the Board that both Districts' water wells are back on line and that they are beginning to repay in-kind for imported water.

#### **OPERATOR'S REPORT**

Mr. Martin presented to and reviewed with the Board a written Operator's Report for the month of October 2024, a copy of which is attached hereto as **Exhibit E**. Mr. Martin advised the Board that surface water constituted 57% of the total water usage within the Authority last month and has amounted to 58% of total water usage within the Authority during the current permit period. He then noted that he had no action items for the Board's approval at today's meeting.

#### **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, other

than the information previously presented by Mr. Hale.

**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.

**GOVERNMENT AFFAIRS UPDATE**

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated November 6, 2024, a copy of which is attached hereto as **Exhibit F**. The Board concurred that no action was required on its part at this time relative to such matter.

**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 Authority, 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 Granadino, seconded by Director Gower and unanimously carried, that the Board authorize SPH to file the annual eminent domain report with the Comptroller on behalf of the Authority prior to February 1, 2025.

**ATTORNEY'S REPORT**

The Board next considered the attorney's report. Mr. Rubinsky briefly addressed the Board concerning the NHCRWA's recent decrease in its Groundwater Reduction Plan Fee and Surface Water Rate against the recommendation of Mr. Howell, who also serves as the NHCRWA's financial advisor. Mr. Rubinsky then updated the Board on the various matters discussed at the Water Users Coalition Town Hall meeting held on November 4, 2024.

Mr. Blackshear exited the meeting at this time.

**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.

**DISCUSSION REGARDING DIRECTOR APPOINTMENT PROCESS IN CONNECTION WITH VACANCY ON THE BOARD**

Mr. Rubinsky next discussed with the Board the status of the appointment process in connection with the vacancy on the Board for the office of At-Large (Position No. 2) Director as a result of the passing of Director Meek, including the status of receipt of nominating resolutions. Mr. Rubinsky advised the Board that the nomination period ended at 5:00 p.m., on November 5, 2024, and that SPH had received Resolutions from Fallbrook, No. 33, Harris County Municipal Utility District No. 150, and No. 217 nominating Judge Caston to serve in the Director At-Large (Position No. 2) position, and from No. 399 nominating Ashley Thompson to serve in the Director At-Large (Position No. 2) position. Mr. Rubinsky noted that a ballot would be prepared and provided to the Board of Directors of the Member Districts prior to November 30, 2024, and that the Member Districts' ballots will be due back to the Authority prior to December 31, 2024.

**CLOSED SESSION**

Mr. Rubinsky advised the Board that it would not be necessary to meet in Closed Session.

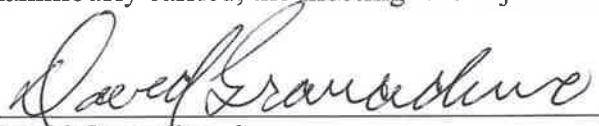
**ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY**

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 4, 2024, 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 Cox, 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 Correspondence from McCall Gibson Swedlund Barfoot PLLC dated November 6, 2024
- Exhibit C Schedules prepared by GMS regarding the Authority's Long Term Financial Plan and proposed Rate Increase
- Exhibit D Engineer's Report
- Exhibit E Operator's Report
- Exhibit F Government Affairs Update