

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors July 5, 2023

The Board of Directors of Central Harris County Regional Water Authority met in regular session, open to the public on July 5, 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 Cox, 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; Anna Katherine Parker of Quiddity Engineering, LLC, representing Harris County Municipal Utility District No. 200 ("No. 200"); Gilbert Miranda of Fallbrook Utility District ("Fallbrook"); Rosalind Caesar of Harris County Municipal Utility District No. 304 ("No. 304"); 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"); Robert Blackshear of Rankin Road West Municipal Utility District ("Rankin Road"); Dan Whitton of Investment & Development Ventures, LLC ("IDV"); 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.

In the absence of the President, the Vice 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. The Board recognized Ms. Caesar, who complained that the particular details of Mr. Rubinsky's response to her inquiry at last month's meeting were not reflected in the draft minutes of the meeting held on June 7, 2023. Mr. Rubinsky stated that due to the length of the discussion related to Ms. Caesar's questions, the full details of such discussion would not typically be included in the minutes. Additionally, Mr. Rubinsky noted that the purpose of the minutes is to reflect the various actions taken by the Board of Directors in the course of conducting Authority business, not to provide a complete transcript of the discussions made in connection therewith.

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 would allow a visit to the site later this fall. He

noted that there are hundreds of people working on the NEWPP Expansion Project site everyday and that access is strictly controlled for safety purposes.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its meeting held June 7, 2023. After discussion regarding the minutes, Director Granadino moved that the minutes of the meeting held June 7, 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 June 7, 2023, through July 5, 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 May 2023 and the first five 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 May 31, 2023. After discussion, it was moved by Director Granadino, seconded by Director Meek 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 AMENDED OPERATING BUDGET FOR THE AUTHORITY'S FISCAL YEAR ENDING DECEMBER 31, 2023

Ms. Tran presented for the Board's review an amended Operating Budget for the fiscal year ending December 31, 2023, a copy of which is attached to the Bookkeeper's Report. Ms. Tran advised the Board that the amended Operating Budget provides for the addition of a separate expense item of \$100,000 in legal fees for condemnation counsel with respect to the acquisition of easements and other property interests in connection with the Authority's 2025 Internal Distribution System. After discussion on the matter, upon motion made by Director Meek, seconded by Director Granadino and unanimously carried, the Board approved the amended Operating Budget for the Authority's fiscal year ending December 31, 2023, as presented.

ADOPTION OF RESOLUTION AUTHORIZING INCREASE IN FEES OF OFFICE

The Board next considered adoption of a Resolution Authorizing an Increase in the Fees of Office. Mr. Rubinsky advised the Board that House Bill 2815, passed by the 88th Texas Legislature, amends Section 49.060 of the Texas Water Code to allow for an increase in director fees of office from the previous amount of \$150 per day of service to an amount up to the maximum per diem set by the Texas Ethics Commission for members of the Legislature, which is currently \$221 per day of service. He further advised that directors may now receive fees of office for up to 60 days of service, as well as reimbursement of actual expenses. Following discussion, in an effort to minimize the Authority's expenses, the Board elected not to authorize an increase in director fees of office at this time. Accordingly, the Board deferred action relative to the adoption of a Resolution Authorizing Increase in Fees of Office.

ADOPTION OF ORDER ADOPTING A CODE OF ETHICS, FEES AND EXPENSE POLICY, POLICY RELATING TO CONSULTING SERVICES, UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS, POLICY RELATING TO ADOPTION OF ANNUAL OPERATING BUDGET, AND CREATING AN AUDIT COMMITTEE

The Board next considered the adoption of an Order Adopting a Code of Ethics, Fees and Expense Policy, Policy Relating to Consulting Services, Uniform Financial Accounting and Reporting Standards, Policy Relating to Adoption of Annual Operating Budget, and Creating an Audit Committee ("Code of Ethics Order"). In that regard, Mr. Rubinsky advised the Board that the language of the Code of Ethics and Fees and Expense Policy has been updated to provide that, among other things, with Board approval, Directors may claim fees of office for virtual attendance or watching recorded sessions of conferences, but limited in number to the actual number of days of the conference during which live presentations were made. After discussion on the matter, Director Granadino moved that: (i) the Code of Ethics Order attached hereto as **Exhibit B** be adopted; (ii) the Vice President be authorized to execute the Code of Ethics Order and the Secretary to attest same on behalf of the Board and the Authority; and (iii) the Authority's previous Code of Ethics Order heretofore adopted be revoked. Director Meek seconded said motion which carried unanimously.

STATUS OF FILING OF ANNUAL CONTINUING DISCLOSURE REPORT

Mr. Rubinsky next advised the Board that McCall, Parkhurst & Horton L.L.P., the Authority's Continuing Disclosure Counsel, filed the Authority's annual Continuing Disclosure Report with the appropriate repositories on June 28, 2023.

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. Rubinsky 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 is still pending with the TWDB. Mr. Rubinsky advised the Board that final approval of the application is expected from the TWDB later this month, with the sale of the bonds anticipated to occur in the fourth quarter of this year.

Mr. Rubinsky 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. Rubinsky next reminded the Board that correspondence dated April 7, 2023 was received from the COH regarding the COH's FY 2024 preliminary water rate for the NEWPP. Mr. Rubinsky advised the Board that the NEWPP's FY 2024 preliminary water rate of \$1.8898

per 1,000 gallons is significantly higher than last year's rate of \$1.3374. Mr. Rubinsky further advised that GMS will not be able to determine whether the Authority will be required to consider an increase in its rates, separate and apart from any increase related to the Authority's proposed issuance of additional bonds later this year, until such time as the COH adopts the final FY 2024 water rate for the NEWPP.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated July 5, 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 a request had been received from IDV that IDS coordinate with IDV on the review of its preliminary development plan for a parcel of land which will potentially be annexed into the boundaries of Fallbrook and on which the Authority has acquired an easement in order to determine whether there may be any potential conflicts. After discussion on the matter, it was moved by Director Granadino, seconded by Director Meek and unanimously carried, that IDS be authorized to coordinate with IDV relative to the review of IDV's preliminary development plan for the subject parcel of land.

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 83% 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 8, 2023 (201 days behind schedule), and Phase II Substantial completion until July 29, 2025 (7 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 Project 25C is approximately 95% complete and that the contractor's surety is negotiating a contract with another contractor to complete the remaining 5% of 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 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 application to the TWDB for SWIFT financing for the additional funds required for the 2025 Internal Distribution System, 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 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.

Mr. Khouw additionally reported that IDS will complete the 2026 Region H Water Plan on-line survey on behalf of the Board and the Authority.

Mr. Whitton exited the meeting at this time.

REVIEW OF ANNUAL OPERATION AND MAINTENANCE ACCOUNTING FOR JOINT FACILITIES FOR FISCAL YEAR 2022 PURSUANT TO AMENDED AND RESTATED JOINT FACILITIES AGREEMENT

Mr. Rubinsky next reviewed with the Board an Annual Operation and Maintenance Accounting for Joint Facilities for the fiscal year 2022 received from the NHCRWA, a copy of which is attached hereto as **Exhibit D**, pursuant to the Amended and Restated Joint Facilities Agreement with the NHCRWA. In that regard, Mr. Rubinsky advised the Board that the report reflects that the Authority owes the NHCRWA a total of \$94,877.64 for the fiscal year 2022 operation and maintenance costs. Mr. Khouw then advised the Board that he has completed his review of the report and verified the NHCRWA's calculations reflected in the report. After discussion on the matter, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that payment to the NHCRWA in the total amount of \$94,877.64 be authorized at next month's meeting.

OPERATOR'S REPORT

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

REVIEW AND APPROVAL OF FIFTH AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT BY AND BETWEEN MOC AND THE AUTHORITY

Mr. Martin next addressed the Board concerning a proposed Fifth Amendment to Professional Services Agreement by and between MOC and the Authority to provide for an increase in personnel and equipment costs. In that regard, Mr. Martin presented to and reviewed with the Board Attachments "A" and "B" to the proposed Fifth Amendment reflecting the cost

increases, copies of which are attached hereto as **Exhibit F**. After discussion on the matter, it was moved by Director Granadino, seconded by Director Gower and unanimously carried, that the Fifth Amendment to Professional Services Agreement be approved, that the President be authorized to execute same on behalf of the Board and the Authority, and that the Texas Ethics Commission Form 1295 provided by MOC in connection therewith be accepted by the Authority.

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. In that regard, he advised the Board that, as authorized last month, SPH will direct correspondence to No. 304 advising No. 304 to provide any additional information in support of its request for reimbursement of the surface water conversion costs and expenses within the next month, after which time the Authority will proceed with making a one-time and final payment to No. 304 for only the amounts substantiated by the Authority's and No. 304's records.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update dated July 5, 2023, a copy of which is attached hereto as **Exhibit G**. 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. 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. Mr. Rubinsky 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. Rubinsky 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.

Mr. Rubinsky next presented for the Board's review a Legislative Summary prepared by SPH of the significant legislation that passed in the 88th Regular Session of the Texas Legislature that may be of interest to or impact the water district industry, a copy of which is attached hereto as **Exhibit H.**

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 7:50 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 8:31 p.m., the Board President announced that the Board would reconvene in Open Session. No action was taken by the Board following the Closed Session.

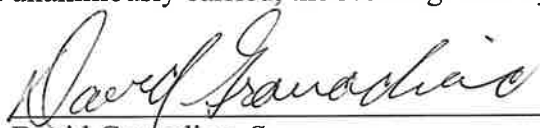
ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

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, August 2, 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 Code of Ethics Order
- Exhibit C Engineer's Report
- Exhibit D Annual Operation and Maintenance Accounting for Joint Facilities for the fiscal year 2022
- Exhibit E Operator's Report
- Exhibit F Attachments "A" and "B" to Fifth Amendment to Professional Services Agreement
- Exhibit G Government Affairs Update and Final Bill Tracking Report
- Exhibit H Legislative Summary