

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 3, 2018

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in regular session, open to the public, at 6:15 p.m. on Monday, the 3<sup>rd</sup> day of December, 2018, at the Authority's office located at 3648 Cypress Creek Parkway, Suite 110, Houston, Texas, a public meeting place within the boundaries of the Authority; whereupon, the roll was called of the duly constituted officers and members of the Board, to-wit:

Alan J. Rendl	President
Kelly P. Fessler	Vice President
Lenox A. Sigler	Secretary
Ron Graham	Assistant Secretary
Jim Pulliam	Treasurer/Investment Officer

All members of the Board were present, except Director Pulliam, thus constituting a quorum. Also attending the meeting were: Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Mr. Jun Chang, P. E., D.WRE, Deputy General Manager for the Authority; Mr. Mark Evans, Director of Planning and Governmental Affairs for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Messrs. Stephen Berckenhoff, P.E., Michael Baugher, P.E.; and Doug Haude, P.E., of AECOM Technical Services, Inc., Program Manager for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to AECOM and project representative on several Authority projects; Mr. Wendell L. "Buddy" Barnes, P.E., of ARCADIS US, Inc., on-call engineers for the Authority; Mr. Rafael Ortega, P.E., of Aurora Technical Services, LLC, on-call engineers for the Authority; Mr. Dennis Sander, P.E., of Sander Engineering Corporation, on-call engineers for the Authority; Mr. David Warner, P.E., of Jones|Carter, Inc., on-call engineers for the Authority; Mr. Bill Kotlan, P.E., of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Dustin O'Neal, P.E., of Costello, Inc., on-call engineers for the Authority; Mr. Charles Shumate, P.E., of Lockwood Andrews and Newnam, Inc.; Mr. Carlton McDevitt of Inframark, LLC (formerly, Severn Trent Environmental Services) ("Inframark"), operator for the Authority; Mr. John Howell of The GMS Group, co-financial advisor to the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Alison Miller, paralegal, of Radcliffe Bobbitt Adams Polley PLLC, general counsel and co-bond counsel for the Authority. Numerous members of the public and other consultants to the Authority were also present at the meeting. Copies of the sign-in sheets for those in attendance at the meeting are attached hereto.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

PRESIDENT'S MESSAGE

Director Rendl first thanked everyone that attended the Budget Workshop meeting on Monday, November 20<sup>th</sup>. Director Rendl then wished the meeting attendees a Merry Christmas and a Happy New Year.

BOARD MEMBER COMMENTS

Director Sigler then stated that the end of 2018 will mark 19 years that the Authority has been in business.

PUBLIC COMMENTS

Director Rendl next stated that no public comment cards had been received.

BUDGET MATTERS

ADOPT PROPOSED BUDGET FOR THE FISCAL YEAR ENDING (THE "FYE")  
DECEMBER 31, 2019 (THE "2019 BUDGET")

Mr. Schindewolf then explained that the Authority had held a Budget Workshop meeting on Monday, November 19<sup>th</sup>, to review and discuss the Authority's proposed 2019 Budget and the proposed 2019-2020 Capital Improvement Plan (the "2019-2020 CIP"). Mr. Schindewolf added that the Budget Workshop had been well attended and that a public hearing on the proposed pumpage fee and surface water rate increases was held earlier this evening at 6:00 p.m. Mr. Schindewolf then recommended that the Board adopt the proposed 2019 Budget.

Upon motion by Director Fessler, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the 2019 Budget, a copy of which is included behind Tab 2 of the meeting packet and is attached hereto.

ADOPT PROPOSED 2019-2020 CIP AND ADOPT RESOLUTION APPROVING AND  
IMPLEMENTING THE CAPITAL IMPROVEMENT PLAN FOR 2019 AND 2020  
(THE "RESOLUTION")

Director Rendl then stated that the Board had spent a great deal of time reviewing and discussing the 2019-2020 CIP at the November 19<sup>th</sup> Budget Workshop meeting and requested a motion be made for approval of the 2019-2020 CIP.

Upon motion by Director Fessler, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the proposed 2019-2020 CIP and the Resolution, copies of which are included behind Tab 3 of the meeting packet and is attached hereto. A complete copy of the 2019-2020 CIP can be found in the Authority's files.

ADOPT UPDATED PRICING POLICY REGARDING INCREASES IN AUTHORITY RATES AND FEES TO BE EFFECTIVE APRIL 1, 2019

Mr. Schindewolf next explained that during the preparation of the 2019 Budget and the 2019-2020 CIP, he, Ms. Plunkett, Mr. Howell and Mr. Berckenhoff conducted a review of the Authority's finances as it relates to the current cost of water and the consensus of the group was that the current pumpage fee should be increased from \$3.40 per 1,000 gallons to \$3.85 per 1,000 gallons and that the current surface water rate should be increased from \$3.85 per 1,000 gallons to \$4.30 per 1,000 gallons. Mr. Schindewolf noted that the proposed increases would take effect on April 1, 2019.

Upon motion by Director Fessler, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the increase in the pumpage fee to \$3.85 per 1,000 gallons and the increase in the surface water rate to \$4.30 per 1,000 gallons, effective April 1, 2019, and to adopt the Updated Pricing Policy, a copy of which is included behind Tab 4 of the meeting packet and is attached hereto.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS / PUBLIC INFORMATION COORDINATOR

A copy of Ms. Payne's PowerPoint presentation is attached as an exhibit to these minutes.

Ms. Payne first reported that 15 elementary school assemblies have been held this fall.

Ms. Payne next reported that the Wunderlich Farms Old Fashion Christmas Market ("Wunderlich Market") that was held on Saturday, December 1, 2018 was very well attended. Ms. Payne further reported that the "Are You Smarter than a Fourth Grader" activity at the Wunderlich Market was a very popular activity.

Ms. Payne went on to report that the Authority's Waterlines publication has gone to the printer and will be mailed out in January. Director Rendl further explained that the Waterlines publication contains helpful information for water users regarding the Authority's upcoming rate increases. Ms. Payne noted that the new pumpage fee and surface water rate will be included in the Rising Cost of Water brochure, which is available to utility districts at no cost.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then called on Mr. Evans to give an update regarding the Authority's participation in the 2018 State Water Implementation Fund for Texas ("SWIFT"). Mr. Evans reported that the closing on the Authority's \$469,345,000 Series 2018 Senior Lien Revenue Bonds occurred on Thursday, November 15, 2018. Mr. Evans further explained that the SWIFT funding has resulted in a savings of approximately \$196,000,000 for the Authority's 2015, 2016, 2017 and 2018 funding periods.

## PROGRAM MANAGER'S REPORT

Mr. Schindewolf next asked Mr. Berckenhoff to present the Program Manager's Report to the Board, a copy of which is included behind Tab 6 of the meeting packet and is attached hereto.

## UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Berckenhoff first reported that the Spears Road Regional Pump Station delivered a daily average rate of approximately 20.1 million gallons per day ("MGD") of surface water during November. Mr. Berckenhoff added that the alternative water used in October was approximately 32.5%, as compared to approximately 33.3% in September. Mr. Berckenhoff further explained that during October, approximately 77.2% of the water used by the Public Water Systems (the "PWSs") in the Authority's 2010 service area was alternative water.

## MAJOR ACTIVITIES

Mr. Berckenhoff further reported that during the prior month, AECOM had performed other activities for the Authority as follows: 1) implemented and performed tasks regarding the Authority's aggregate water well permit (the "Permit"); 2) assisted the Authority in a variety of activities involving the City of Houston (the "City"); 3) continued oversight of engineering and acquisition related efforts; 4) provided oversight of Inframark's activities and its contract to operate the Authority's system; and 5) monitored, tabulated and analyzed amounts of water used by the PWSs covered by the Authority's Permit and, where necessary and practical, in consort with Inframark and the respective PWS operators, took appropriate actions to optimize the use of surface water.

Mr. Berckenhoff further reported on the Authority's current construction-related activities as follows: 1) Project 28A is under construction, with 100% of the total project length of 6,147 linear feet of 54-inch (54") water line installed; 2) Project 28B is at 100% final design with approximately 14 parcels currently in the acquisition process; 3) Project 28C is in final design with approximately 29 parcels currently in the acquisition process; 4) Project 28D is in final design at 95% completion with approximately 24 parcels to be acquired; 5) Project 28E is in final design at 75% completion with approximately 30 parcels to be acquired; and 6) Project 28F is working towards final design at 95% completion with approximately 24 parcels to be acquired.

## LUCE BAYOU INTERBASIN TRANSFER PROJECT (THE "LUCE BAYOU PROJECT") UPDATE

Concerning the Luce Bayou Project, Mr. Berckenhoff reported the following items: 1) construction of the Luce Bayou Project Maintenance Facility is nearing substantial completion and final inspections should be completed by the end of December; 2) construction of Capers Ridge Pump Station has been significantly affected by major flooding upstream and downstream of Lake Livingston, and the site remained flooded through November, while the contractor continued construction of duct bank installation and foundation work at the electrical building; 3) completed construction of the north 96-inch diameter pipeline and continued construction of the south 96-inch diameter pipeline from pump station working west towards the sedimentation basin, with approximately 22,450 linear feet of pipeline installed to date; 4) completed

construction of Canal Segment No. 1 and continued construction of the siphons at pipeline crossing and Scott Road and the headwall at Wolf Road siphon; 5) completed all canal construction, continued headwall construction at Entergy Crossing siphon and continued construction of Bridge No. 2 for Canal Segment No. 2; 6) completed all canal construction and continued access road construction for Canal Segment No. 3; 7) completed canal excavation and began construction of water level gate 5 structure for Canal Segment No. 4; and 8) completed canal excavation, continued construction of siphon at FM 1008 and continued installation of canal access road for Canal Segment No. 5.

#### NORTHEAST WATER PURIFICATION PLANT (THE "NEWPP") EXPANSION PROJECT UPDATE

Mr. Berckenhoff next reported that the Houston Waterworks Team (the "HWT") has submitted the Balance of Plant ("BOP") Guaranteed Maximum Price proposal to the Project Advisor/Technical Consultant (the "PATC") for review. Mr. Berckenhoff went on to report that the PATC provided comments on the 60% BOP Design Documents – Phase 2. Mr. Berckenhoff further reported that construction of the Early Work Package ("EWP") 1 Site Development is proceeding, including roadway construction, grading, yard piping and other site work. Mr. Berckenhoff also reported that construction of EWP 2 Filter Building and Transfer Pump Station structures has continued with concrete foundation pours for pump cans and filter building foundation. Mr. Berckenhoff next reported that construction of EWP 4 Raw Water Pipeline work continues, including tunnel excavation under West Lake Houston Parkway and raw water pipeline installation. Mr. Berckenhoff then reported that the HWT and the PATC continue to negotiate the HWT's proposed EWP 6 scope and fee. Mr. Berckenhoff went on to report that the HWT issued several Requests for Proposals addenda for various Balance of Plant packages, including instrumentation and controls/SCADA, administration/maintenance building and large valves. Mr. Berckenhoff next reported that the PATC staff had recently provided a project update to the Houston City Council's Technology, Transportation and Infrastructure Committee. Mr. Berckenhoff also reported that the PATC continues to provide construction oversight services on behalf of the City and the Authorities.

#### NORTHEAST TRANSMISSION LINE (THE "NETL") PROJECT UPDATE

Mr. Berckenhoff further reported that in connection with the NETL project, the contractors have continued construction on two (2) sections of the 108-inch (108") line and the 54-inch (54") interconnect line. Mr. Berckenhoff also noted that a pre-proposal meeting for the 120-inch (120") line was held on September 4<sup>th</sup> and seven (7) proposals were received on October 4<sup>th</sup> for such project, which are currently being evaluated. Mr. Berckenhoff went on to report that a pre-proposal meeting was held for another 108-inch (108") section of the line on September 10<sup>th</sup> and that six (6) proposals were received for such project on October 25<sup>th</sup>, which are currently being evaluated. Mr. Berckenhoff next reported that a pre-proposal meeting for another 108-inch (108") section of the line was held on September 26<sup>th</sup> and proposals were received on November 8<sup>th</sup>, which are currently being evaluated. Mr. Berckenhoff then reported that a pre-proposal meeting was held for another 108-inch (108") section of the line on November 5<sup>th</sup> and proposals are due on December 6<sup>th</sup>. Mr. Berckenhoff added that real estate acquisitions are proceeding on several sections of the NETL, and that design is progressing on the remaining six (6) sections of the NETL, including five (5) 108-inch (108") sections and the 66-inch (66") interconnect line.

**ATTORNEY'S REPORT, INCLUDING AUTHORIZATION TO FILE ANNUAL EMINENT DOMAIN REPORT**

Ms. Bobbitt then reported that RBAP will file the required annual eminent domain report on behalf of the Authority pursuant to Texas Government Code, Section 2206.151-157, as amended. Ms. Bobbitt explained that the report includes information related to the Authority's authority to exercise its power of eminent domain and must be filed by no later than February 1st of each year. Upon motion by Director Fessler, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to authorize RBAP to file the required annual eminent domain report pursuant to Texas Government Code, Section 2206.151-157.

**REGULAR AGENDA**

**APPROVAL OF MINUTES**

The Board next considered approval of the minutes of the November 5, 2018 regular meeting and the November 19, 2018 special meeting. Upon motion by Director Fessler, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the November 5, 2018 regular meeting and the November 19, 2018 special meeting, as written.

**FINANCIAL ASSISTANT'S REPORT, INCLUDING APPROVE PAYMENT OF BILLS, ISSUANCE OF CHECKS, REVIEW BUDGET COMPARISON, AND REPORT ON STATUS OF PAYMENTS OF QUARTERLY PUMPAGE FEES**

Director Rendl then recognized Ms. Plunkett, who reviewed the Authority's Financial Report with the Board, including the monthly investment report, the checks being presented for payment, and the budget comparison for the month ended October 31, 2018, a copy of which is included behind Tab 8 of the meeting packet and is attached hereto. Upon motion by Director Sigler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Financial Report, the monthly investment report, and the checks being presented for payment.

**GENERAL MANAGER'S ACTION ITEMS**

**ENGAGEMENT OF MCGRATH & CO., PLLC, CERTIFIED PUBLIC ACCOUNTANTS ("MCGRATH & CO.") FOR THE PREPARATION OF THE AUDIT REPORT FOR THE FYE DECEMBER 31, 2018**

Mr. Schindewolf then noted that Tab 9 of the meeting packet includes the proposed engagement letter from McGrath & Co. for the preparation of the Authority's audit report for the FYE December 31, 2018, and recommended that the Board engage McGrath & Co. to prepare such audit report. Upon motion by Director Sigler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to engage McGrath & Co. to prepare the Authority's audit report for the FYE December 31, 2018, and to authorize the execution of the McGrath & Co. engagement letter, a copy of which is attached hereto.

ENGAGEMENT OF MCCALL GIBSON SWEDLUND BARFOOT, PLLC ("MGSB") FOR PREPARATION OF POST-AUDIT AGREED-UPON PROCEDURES REPORT ("AUP") FOR THE FYE DECEMBER 31, 2018

Mr. Schindewolf next stated that Tab 10 of the meeting packet includes the proposed engagement letter from MGSB for the preparation of the Authority's AUP for the FYE December 31, 2018, and recommended that the Board engage MGSB to prepare such AUP. Ms. Plunkett explained that the Authority's past audits have included a material weakness letter because the Authority does not have a Certified Public Accountant on staff. Ms. Plunkett further stated that the AUP will allow McGrath & Co. to do away with the material weakness letter, since MGSB will be reviewing the Authority's audited financial statements from a technical perspective. Upon motion by Director Sigler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to engage MGSB to prepare the Authority's AUP for the FYE December 31, 2018, and to authorize the execution of the MGSB engagement letter, a copy of which is attached hereto.

APPROVE 2019 HOLIDAY SCHEDULE

Mr. Schindewolf then stated that the proposed 2019 Holiday Schedule for the Authority's employees is included behind Tab 11 of the meeting packet and is attached hereto. Mr. Schindewolf noted that the schedule basically tracks the schedule that was adopted by the Harris County Commissioners Court for 2019. Upon motion by Director Fessler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Authority's 2019 Holiday Schedule.

PUBLIC COMMENT

Mr. Jerry Homan, General Manager of Harris County Fresh Water Supply District No. 61 asked about the cost of preparation of the AUP. Ms. Plunkett stated that the estimated cost for preparation of the AUP is \$10,000.

CONFIRM UPCOMING MEETING DATE

Director Rendl then informed the meeting attendees that the Authority's next regular meeting will be held on Monday, January 7, 2019, at 6:00 p.m. at the Authority's office.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 7<sup>th</sup> day of January, 2019.



  
Secretary, Board of Directors