

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

May 2, 2016

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 6:00 p.m. on Monday, the 2<sup>nd</sup> day of May, 2016, 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 Fessler, thus constituting a quorum. Also attending the meeting were: Mr. Jimmie Schindewolf, P.E., 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. Krystal Boggs, Administrative Assistant for the Authority; Ms. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Messrs. Tom Rolon, P.E., Stephen Berckenhoff, P.E., and Doug Haude, P.E., of AECOM Technical Services, Inc. ("AECOM"), Program Manager for the Authority; Mr. Mike Reedy, P.E., of Freese and Nichols, on-call engineers for the Authority; Ms. Melinda Silva, P.E., of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Dennis Sander, P.E., of Sander Engineering Corporation, on-call engineers for the Authority; Mr. W. John Seifert, P.E., of LGB-Guyton Associates, on-call engineers for the Authority; Mr. Lance McLeod, P.E., of Brown & Gay Engineers, Inc.; on-call engineers for the Authority; Mr. Harrison Steed, P.E., of ARCADIS US Inc., on-call engineers for the Authority; Mr. Tobin Synatschk, P.E., of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E., of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Dustin O'Neal, P.E., of Costello, Inc., on-call engineers for the Authority; Mr. Michael Bagstad, P.E., of Zarinkelk Engineering Services, Inc., on-call engineers for the Authority; Ms. Rebecca Cummins and Mr. Patrick Montgomery of Terracon Consultants, Inc., materials engineering laboratory services for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisor to the Authority; Mr. Mark McGrath of McGrath & Co., PLLC, auditors for the Authority; Mr. Mark Breeding of Andrews Kurth, LLP, member of the Authority's right-of-way/easement acquisition team; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, 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.

#### MESSAGE FROM THE PRESIDENT

Director Rendl first offered his sympathy to anyone that had flooding problems due to the heavy rainstorms and flooding on April 18<sup>th</sup>. Director Rendl next announced that due to the weather conditions, the Directors' Workshop scheduled for April 21<sup>st</sup> was rescheduled to Wednesday, May 25, 2016, at 6:00 to 8:00 p.m.

#### BOARD MEMBER COMMENTS

Director Pulliam stated that he had recently watched an internet television show regarding the Mayan civilization that was destroyed by decades of drought.

#### PUBLIC COMMENTS

No public comments were made.

#### 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 reported that Director Rendl and Mr. Eric Hansen of the West Harris County Regional Water Authority (the "WHCRWA") will participate in a joint presentation to the Cy-Fair Houston Chamber of Commerce on May 5, 2016.

Ms. Payne then reiterated that the Authority's second Directors' Workshop had been rescheduled for May 25, 2016, from 6:00 p.m. to 8:00 p.m., at the Authority's offices. Ms. Payne reported that the title of the Workshop is *Sustainable, Innovative and Resilient Financial Management and Conservation Rate Practices*. Ms. Payne noted that online registration for the workshop is now open.

#### GENERAL MANAGER'S REPORT

Mr. Schindewolf then gave an update on the progress of the Luce Bayou Interbasin Transfer Project. Mr. Schindewolf reviewed the projected map reflecting the route of the project from the Trinity River to Lake Houston. Mr. Schindewolf reported that the design of the Capers Ridge Pump Station was complete and reviewed a rendition of such facility with the Board. Mr. Schindewolf further reported that the design work on the 23 miles of open channel is 70% complete. Mr. Schindewolf further noted that the Coastal Water Authority is in the process of entering into a contract with the Sam Houston Electrical Coop for design and construction of a 138 KV electrical substation and transmission line to provide electrical power to the Capers Ridge Pump Station.

Mr. Schindewolf next reported on the Northeast Water Purification Plant (the "NEWPP") Expansion project that will expand the existing plant by 320 million gallons per day ("MGD"). Mr. Schindewolf stated that progress on the project has moved at a tremendous pace. Mr. Schindewolf informed the Board that one of the most significant accomplishments has been the formation of the NEWPP Expansion Team consisting of the City of Houston (the "COH") staff, representatives of the Authority, the WHCRWA, the Central Harris County Regional Water Authority (the "CHCRWA") and the North Fort Bend Water Authority (the "NFBWA"), Project Advisors/Technical consultants and Design-Builder staff, all of which are now officing at the Project Collaboration Office located at 15390 Vickery Drive. Mr. Schindewolf noted that the Phase I addition of 80 MGD to the NEWPP is scheduled to be completed by August 31, 2021 and the Phase II addition of 240 MGD is scheduled to be completed by June 30, 2024.

Concerning the Northeast Water Transmission Line (the "NEWTL") project, Mr. Schindewolf explained that the NEWTL will convey treated water from the NEWPP to the Authority, WHCRWA, CHCRWA, and NFBWA and be constructed in two (2) different project phases. Mr. Schindewolf further reported that the City has entered into a contract with Lockwood, Andrews and Newnam, Inc. ("LAN") for design engineering management services and that the NEWTL will be built in 13 segments with various consulting engineers assigned to each segment as subcontractors to LAN.

Director Rendl then asked Mr. Schindewolf for a report on the lake levels. Mr. Schindewolf responded that Lake Conroe, Lake Livingston and Lake Houston are all currently at full capacity.

Mr. Schindewolf informed the Board that shortly after the heavy rains and flooding on April 18<sup>th</sup>, the COH had to cut back on the transmission of treated water to the Authority due to turbidity and water quality issues. Mr. Rolan stated that the Authority had to use the three (3) Authority wells when the NEWPP was not able to provide adequate water to the Authority. Director Pulliam then asked if the Harris-Galveston Subsidence District (the "HGSD") was made aware of the situation with the NEWPP. Mr. Schindewolf responded that he has sent a letter to Mr. Mike Turco, General Manager of the HGSD, to advise him of the situation.

#### PROGRAM MANAGER'S REPORT

Mr. Rolan then reviewed the Program Manager's Report with the Board, a copy of which is attached hereto.

#### UPDATE ON THE 2010-2025 WATER DISTRIBUTION AND TRANSMISSION SYSTEM

Mr. Rolan reported that the contractor for Project 24B is working on finalizing work items.

#### UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Rolan next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 24.4 MGD of surface water during April. Mr. Rolan added that the alternative water used in March was approximately 36.4%, as compared to 38.5% in February.

Mr. Rolan further explained that during March, approximately 81.2% of the water used by the Public Water Systems (the "PWSs") in the Authority's 2010 service area was alternative water.

Concerning other activities, Mr. Rolan reported that during the prior month, AECOM had assisted the Authority in implementing and performing tasks regarding its aggregate water well permit; assisted the Authority in various activities involving the COH; continued oversight of engineering and acquisition-related efforts; provided oversight of STES's activities and its contract to operate the Authority's system; and monitored, tabulated and analyzed amounts of water used by the PWSs covered by the Authority's aggregate water well permit and, where necessary and practical, in consort with STES and the respective PWS operator, took appropriate actions to optimize the use of surface water.

Mr. Rolan commended Mr. McDevitt and the STES group for their hard work after the recent storms and flooding.

Mr. Rolan next asked the PWS Operators to routinely submit their meter readings two (2) times per week to the Authority.

Director Rendl then stated that the recent storm was a good example of how the Authority successfully planned and used water wells to supply water to its customers.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she had nothing to report.

REGULAR AGENDA

APPROVAL OF MINUTES

The Board next considered approval of the minutes of the April 4, 2016 regular meeting. Upon motion by Director Pulliam, 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 April 4, 2016 regular meeting, as written.

REVIEW AND APPROVE AUDIT REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 AND AUTHORIZE FILING OF SAME

Mr. Schindewolf then called on Mr. McGrath, the Authority's auditor, to review with the Board the draft of the Authority's audit report for the fiscal year ended December 31, 2015, a copy of which is attached hereto. Mr. McGrath first reported that his review of the Authority's books and records had resulted in an excellent report for the Authority and the issuance of an unqualified opinion from McGrath & Co. Mr. McGrath then briefly reviewed the McGrath & Co. Management Letter, a copy of which is attached hereto. Mr. McGrath then commended Ms. Plunkett and the Authority staff on another excellent job preparing the Authority's financial statements.

Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit report for

the fiscal year ended December 31, 2015, and to authorize the filing of same with the appropriate governmental authorities.

FINANCIAL ASSISTANT'S REPORT

APPROVE PAYMENT OF BILLS, ISSUANCE OF CHECKS, REVIEW BUDGET COMPARISON, AND REPORT ON STATUS OF 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 March 31, 2016, a copy of which is attached hereto. Upon motion by Director Sigler, seconded by Director Pulliam, 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.

AUTHORIZE FINANCIAL ASSISTANT TO UPDATE CONTINUING DISCLOSURE INFORMATION

Ms. Plunkett then requested authorization to prepare and file the Authority's continuing disclosure materials with the Nationally Recognized Municipal Securities Information Repositories and any applicable State Information Depository, pursuant to Securities and Exchange Commission Rule 15c2-12. Upon motion by Director Pulliam, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the Financial Assistant to prepare and file the Authority's continuing disclosure materials with the appropriate entities.

Mr. McGrath then exited the meeting.

GENERAL MANAGER'S ACTION ITEMS

Mr. Schindewolf then called on Mr. Evans for an update regarding the Authority's participation in the 2016 State Water Implementation Fund for Texas ("SWIFT"). Mr. Evans reported that two (2) Abridged Applications for the Authority had been submitted to the Texas Water Development Board (the "TWDB") on February 5, 2016. Mr. Evans reminded the Board that one (1) SWIFT Abridged Application, in the amount of \$107,820,000, is to fund the design and construction of the Authority's proposed State Highway 249 ("SH 249") Regional Pump Station that will be located west of SH 249 and north of Beltway 8, and that the second SWIFT Abridged Application, in the amount of \$56,450,000, is to provide additional funding for the Second Source Transmission Line, Phase 1 project. Mr. Evans further reported that on Monday, April 11, 2016, the TWDB approved the SWIFT project prioritization list, the funds available for applications by category, the financing structure and terms of subsidy, and authorized the Executive Administrator to proceed with invitation of applicants for financial assistance. Mr. Evans went on to report that the Authority received an invitation from the TWDB on April 11, 2016 and that the Authority staff and consultants held a conference call to discuss the submittal of the Authority's Financial Assistance Applications. Mr. Evans also reported that the Authority's two (2) SWIFT Abridged Applications tied for first place on the TWDB priority list.

Mr. Evans also reported that the Authority's two (2) SWIFT Abridged Applications placed at the top of the TWDB Prioritization list with one of the Authority's applications tying for first place.

Mr. Schindewolf then noted that agenda items G.1 and G.2 pertain to the SWIFT Financial Assistance Application process.

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TWDB FOR FINANCIAL ASSISTANCE RELATED TO THE AUTHORITY DISTRIBUTION EXPANSION (SH 249 REGIONAL PUMP STATION) AND DESIGNATING AUTHORIZED REPRESENTATIVES IN CONNECTION THEREWITH AND AUTHORIZE EXECUTION OF APPLICATION AFFIDAVITS

Mr. Schindewolf stated that a copy of the Resolution is located behind Tab 7 of the meeting packet and is attached hereto.

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TWDB FOR FINANCIAL ASSISTANCE RELATED TO THE AUTHORITY TRANSMISSION LINE (SECOND SOURCE LINE, PHASE 1) AND DESIGNATING AUTHORIZED REPRESENTATIVES IN CONNECTION THEREWITH AND AUTHORIZE EXECUTION OF APPLICATION AFFIDAVITS;

Mr. Schindewolf next stated that a copy of the Resolution is located behind Tab 8 of the meeting packet and is attached hereto.

Upon motion by Director Pulliam, seconded by Director Graham, after all discussion and the question being put to the Board, the Board voted unanimously to adopt the two (2) resolutions.

ADOPT RESOLUTION DECLARING THE EXISTENCE OF A PUBLIC NECESSITY FOR THE CONSTRUCTION OF FACILITIES FOR THE TRANSPORTATION, DISTRIBUTION, AND DELIVERY OF WATER, INCLUDING REASONABLE AND NECESSARY APPURTENANCES THERETO, AND AUTHORIZING THE ACQUISITION, BY DONATION, PURCHASE, OR EXERCISE OF THE POWER OF EMINENT DOMAIN, OF PROPERTY AND PROPERTY INTERESTS NECESSARY FOR SUCH FACILITIES, IN CONNECTION WITH THE 2025 WATER DISTRIBUTION AND TRANSMISSION SYSTEM (INITIAL PHASE);

Mr. Schindewolf then called on Mr. Rolan to review the route of the proposed 2025 Water Distribution and Transmission System extending west from SH 249 along the north side of Beltway 8. Mr. Rolan stated that the Water Distribution and Transmission System is comprised of six (6) construction projects.

Mr. Schindewolf then called on Mr. Breeding, who explained that negotiation and acquisition of easements is an important component of the Authority's Water Distribution and Transmission System. Mr. Breeding reported that the real estate acquisition team will be bound

by Senate Bill 18, which became effective September 1, 2011, but will try to minimize the impact of such legislation on the landowners as best it can.

Upon motion by Director Pulliam, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the resolution, a copy of which is attached hereto.

PUBLIC COMMENTS

Director Rendl noted that there were no public comments.

CONFIRM UPCOMING MEETING DATE

Director Rendl then stated that the Board's next regular meeting will be held on June 6, 2016, 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 6<sup>th</sup> day of June, 2016.

  
Secretary, Board of Directors

