

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

July 11, 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 11th day of July, 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 Rendl, thus constituting a quorum. Also attending the meeting were 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 Rolen, P.E., Stephen Berkenhoff, P.E., of AECOM Technical Services, Inc. ("AECOM"), Program Manager for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to AECOM and project representative on several Authority projects; Mr. Mike Reedy, P.E., of Freese and Nichols, on-call engineers for the Authority; Mr. Tobin Synatschk, P.E., of Jones & Carter, Inc., on-call engineers for the Authority; Mr. Wendell L. "Buddy" Barnes, P.E., of Jacobs Engineering Group Inc., on-call engineers for the Authority; Ms. Melinda Silva, P.E., of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Ms. Giti Zarinkelk, P.E., and Mr. Michael Bagstad, P.E., of Zarinkelk Engineering Services, Inc., on-call engineers for the Authority; Mr. Tom Matkin, P.E., of AEI Engineering, Inc, on-call engineers for the Authority; Mr. W. John Seifert, P.E., of LGB-Guyton Associates, on-call engineers for the Authority; Mr. Dennis E. Sander, P.E., of Sander Engineering Corporation, on-call engineers for the Authority; Mr. Shou Ting Hu, P.E., of Aviles Engineering Corporation, materials engineering laboratory services provider for the Authority; Mr. Ravi Yanamandala, P.E., of Geotest Engineering, Inc., materials engineering laboratory services provider for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; Messrs. Eugene Shepherd of RBC Capital Markets, financial advisor to the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisor to the Authority; Ms. Kathleen Ellison and Mr. Reginald Wilson, Jr., of Norton Rose Fulbright US LLP, Underwriter's Counsel in connection with the proposed Series 2016 Refunding Bonds (the "Series 2016 Bonds"); Mr. Timothy Peterson, Lead Manager of the Authority's Underwriting Group in connection with the Series 2016 Bonds, along with and the following members of the Authority's Underwriting Group: Ms. Kristin Blomquist of Hilltop Securities Inc.; Messrs. Keith Dash and Kit Caldwell of Piper Jaffray & Co., and Ms. Tarianna Troutman and Mr. Michael Bartolotta of Citigroup Global Markets Inc.; Messrs. Robert Collie and Jerry Kyle of Andrews Kurth, LLP, co-bond counsel for the Authority; 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 VICE PRESIDENT

Director Fessler informed the audience that Director Rendl was out of town and would not be in attendance at tonight's meeting.

PUBLIC COMMENTS

Director Fessler then stated that no public comment cards had been received.

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 the Cy-Fair June 14, 2016 edition of the *Community IMPACT Newspaper* contained an article about the Authority's water conservation education programs.

Ms. Payne next reported that the Spring Independent School District ("ISD") Teachers Workshop is scheduled for August 11, 2016. Ms. Payne noted that over 200 teachers will be introduced to the Authority's water conservation curriculum that will be initiated in Spring ISD during the upcoming school year.

Ms. Payne next encouraged people to view Director Rendl's video presentation that takes viewers on an 11 minute journey through the past, present and future of the Authority. Ms. Payne noted that the video can be accessed at www.NHCRWA.com.

GENERAL MANAGER'S REPORT

Mr. Evans then gave an update on the Authority's two (2) State Water Implementation Fund for Texas ("SWIFT") Financial Assistance Applications. Mr. Evans reported that on July 8, 2016, the Authority completed and submitted the Final SWIFT Applications (the "Applications") to the Texas Water Development Board (the "TWDB"). Mr. Evans further reported that the TWDB is scheduled to meet on July 21, 2016, to consider approval of such Applications. Mr. Evans reminded the Board that one application is intended to fund the construction of the State Highway 249 Regional Pump Station in the amount of \$107,820,000 and that the second application is intended to provide supplemental funding for the Second Source Line Project in the amount of \$117,000,000. Mr. Evans noted that the closing of the SWIFT funding is expected to take place in November 2016.

Concerning the Luce Bayou Interbasin Transfer Project, Mr. Rolen reported that the heavy rains in April and May had delayed construction of the permanent access road at the Capers Ridge Pump Station, but noted that the contractor has now caught up and construction of the road should be completed on time. Mr. Rolen next reported that the Coastal Water Authority (the "CWA") has received four (4) bids for the construction of the Capers Ridge Pump Station and is scheduled to award the construction contract for such project at the August CWA Board meeting. Finally, Mr. Rolen reported that the contract for clearing the transmission pipeline corridor is scheduled to be awarded at the CWA Board meeting on July 13, 2016.

Mr. Rolen next reported that the City of Houston (the "COH") is ready to go to the COH Council to award contracts for five (5) portions of the Northeast Transmission Line that will carry water from the expanded Northeast Water Purification Plant westerly to the Authority, the Central Harris County Regional Water Authority, the West Harris County Regional Water Authority, and the North Fort Bend Water Authority.

PROGRAM MANAGER'S REPORT

Mr. Rolen 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. Rolen reported that the contractor for Project 24B had been delayed by the heavy rains and is continuing to work on finalizing work items on such project.

UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Rolen next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 26 million gallons per day of surface water during June. Mr. Rolen added that the alternative water used in May was approximately 37.2%, as compared to 34.3% in April. Mr. Rolen further explained that during May, approximately 83.2% of the water used by the Public Water Systems (the "PWSs") in the Authority's 2010 service area was alternative water. Mr. Rolen added that the Authority's conversion rate through May was approximately 34.4%.

Concerning other activities, Mr. Rolen reported that during the prior month, AECOM had assisted the Authority in implementing and performing tasks regarding its aggregate water well permit (the "Permit") with primary emphasis on preparing information to renew the Permit; assisted the Authority in a variety of 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.

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 June 6, 2016 regular meeting. Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the June 6, 2016 regular meeting, as written.

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

Director Fessler 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 May 31, 2016, a copy of which 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.

Concerning the next two (2) Resolution items on the agenda, Ms. Plunkett reviewed a Memorandum regarding the proposed issuance of the Authority's Senior Lien Revenue Bonds, Series 2016, a copy of which is included behind Tab 6 of the Meeting Packet and attached hereto. Ms. Plunkett reminded the Board that the Authority's 2016 – 2017 Capital Improvement Plan (the "CIP") adopted by the Board on December 7, 2015, reflected that approximately \$516 million would be needed to implement the CIP. Ms. Plunkett further explained that the sources for the \$516 million were \$44 million from previously issued Senior Lien Revenue Bonds, \$369 million of TWDB SWIFT funds, and \$103 million from other sources to be determined. Ms. Plunkett went on to explain that during the review and preparation for the issuance of the proposed Series 2016 Senior Lien Revenue Refunding Bonds, Messrs. Shepherd, Howell and Rolan have worked to determine whether the Authority should issue additional new money bonds at the same time as the proposed refunding bonds in order to provide additional funds for the implementation of 2016-2017 CIP. Ms. Plunkett went on to explain that Mr. Rolan had revisited the numbers and determined that the Authority would need to issue \$66.4 million in new money bonds to fully implement the 2016 – 2017 CIP. In conclusion, Ms. Plunkett stated that the recommendation of the Authority's Financial Advisors is to take advantage of the historically low market conditions and issue new money bonds, along with the refunding bonds.

Ms. Plunkett added that the Resolutions being presented for consideration tonight include both the issuance of the Senior Lien Revenue Refunding Bonds, Series 2016 and the Senior Lien Revenue Bonds, Series 2016. Ms. Plunkett further reported that credit rating packets and bond insurer packets have been distributed for the proposed bond issues.

Mr. Shepherd then addressed the Board and noted that the Authority's co-bond counsels and underwriter's counsel have put together a Preliminary Official Statement for the proposed bond issuance. Mr. Shepherd next reviewed the bond issuance timeline noting that pricing will occur on July 21st and the closing will be scheduled for August 25th.

Mr. Shepherd then compared the pricing scales from May 27th and July 5th, which reflect a marked improvement in the interest rates (from 3.199% to 2.87%). Mr. Shepherd noted that the July 5th estimate of present value savings is \$38,559,750 or 18.636%.

Director Pulliam then asked if Mr. Shepherd expected any problems with the bond market. Mr. Shepherd responded that the bond market is very strong and that no problems are expected.

Director Sigler then asked if BREXIT has had any effect on the bond market. Mr. Shepherd responded that BREXIT has had virtually no impact on the bond market.

Mr. Kyle then addressed the Board regarding agenda items F.3 and F.4. Mr. Kyle presented the Resolution Authorizing Various Actions to Prepare for the Issuance of the North Harris County Regional Water Authority Senior Lien Revenue Refunding Bonds, Series 2016 and Senior Lien Revenue Bonds, Series 2016, including the Appointment of an Underwriting Syndicate and Engagement of Professionals in Connection Therewith and Containing Other Matters Relating Thereto (the "Resolution") to the Board. Mr. Kyle noted that the Resolution sets out the appointment of the Underwriting Group, as follows: J. P. Morgan Securities LLC as Lead Manager, and the following Co-Managers: Wells Fargo Securities, Siebert Brandford Shank & Co., Citigroup Global Markets Inc., Hilltop Securities Inc., Hutchinson, Shockey, Erley & Co., and Piper Jaffray & Co. Upon motion by Director Graham, seconded by Director Sigler, 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.

Mr. Kyle next presented the Seventh Supplemental Resolution authorizing the issuance of the North Harris County Regional Water Authority Senior Lien Revenue and Refunding Bonds, Series 2016, In One or More Series; Prescribing the Terms and Conditions Thereof; Providing for Payment Thereof and the Security Therefor; Authorizing an Authorized Representative to Approve Certain Terms and Provisions Therefor; Authorizing the Preparation and Use of an Official Statement; Authorizing the Redemption Prior to Maturity of Certain Outstanding Bonds; and Containing Other Matters Related Thereto (the "Seventh Supplemental Resolution") for the Board's approval. Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Seventh Supplemental Resolution, a copy of which is attached hereto.

GENERAL MANAGER'S ACTION ITEMS

AUTHORIZE GENERAL MANAGER AND CONSULTANTS TO NEGOTIATE, FINALIZE AND EXECUTE INTERLOCAL AGREEMENT BY AND BETWEEN THE AUTHORITY AND HARRIS COUNTY (PRECINCT 4 PROJECT) REGARDING CONSTRUCTION OF THE PORTION OF THE AUTHORITY'S GRANT ROAD WATERLINE PROJECT BETWEEN OLD KLUGE ROAD AND MALCOMSON ROAD ("INTERLOCAL AGREEMENT");

Mr. Rolan then reviewed a map of the proposed Harris County Improvements to Grant Road in Harris County Precincts 3 and 4 and Authority Project 28A. Mr. Rolan explained that Harris County (the "County") has agreed to allow the Authority 's waterline to be installed in the

Grant Road right-of-way if the construction is added to and constructed as a part of the County's planned Grant Road Improvements project. Mr. Rolen stated that the General Manager agrees that this is a most desirable way to proceed and one that should be considerably less costly to the Authority. Mr. Rolen went on to explain that the County is scheduled to proceed with advertising the portion of the waterline in Harris County Precinct 4 between Old Kluge Road and Malcomson Road within two (2) months. Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager and Consultants to negotiate, finalize and execute the Interlocal Agreement.

ELECTION AGENDA

UPDATE ON NOVEMBER 8, 2016 DIRECTORS ELECTION MATTERS

Ms. Bobbitt then explained that the terms of Director Rendl, Single-Member Voting District No. 4, Director Fessler, Single-Member Voting District No. 5, and Director Pulliam, Single-Member Voting District No. 3, are expiring on November 8, 2016. Ms. Bobbitt stated that the first day to file for a place on the November 8, 2016 ballot is Saturday, July 23, 2016, and the last day to file for a place on the ballot is Monday, August 22, 2016, at 5:00 p.m.

ADOPT ORDER CALLING DIRECTORS ELECTION SCHEDULED ON TUESDAY, NOVEMBER 8, 2016 (THE "ORDER")

Ms. Bobbitt next presented a draft of the Order and explained that the election will be conducted by Harris County pursuant to the County's Joint Election Agreement. Ms. Bobbitt noted that the Authority's cost cannot be determined until the County knows all of the participants in the Joint Election. Ms. Bobbitt further noted that absentee polling places and election day polling places will be designated by the County.

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 adopt the Order, a copy of which is attached hereto.

PUBLIC COMMENTS

Director Fessler noted that there were no public comments.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated that the Authority's next regular meeting date will be held on August 1, 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 1st day of August, 2016.

Lenny A. Seab

Secretary, Board of Directors

(AUTHORITY SEAL)

