

**MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

December 4, 2017

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 4th day of December, 2017, 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, 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. Krystal Boggs, Administrative 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. W. John Seifert, P.E., of LGB-Guyton Associates, on-call engineers for the Authority; Messrs. Wendell L. "Buddy" Barnes, P.E., and Chuck Wolf, P.E., of ARCADIS US, Inc., on-call engineers for the Authority; Ms. Melinda Silva, P.E., of Dannenbaum Engineering Corporation, on-call engineers for the Authority; and Mr. David Warner, P.E., of Jones Carter, Inc., on-call engineers for the Authority; Mr. Fred Bauhof, P.E., of Brown & Gay Engineers, Inc., 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. Tony Sarman, P.E., of AEI Engineering, Inc, on-call engineers for the Authority; Mr. Charles Shumate, P.E., of Lockwood Andrews and Newnam, Inc.; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), 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 the meeting attendees for their support of the Authority over the years and wished everyone a Merry Christmas and happy holiday season.

PUBLIC COMMENTS

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

BUDGET MATTERS

ADOPT PROPOSED BUDGET FOR THE FISCAL YEAR ENDING (THE "FYE") DECEMBER 31, 2018 (THE "2018 BUDGET")

Mr. Schindewolf then explained that the Authority had held a Budget Workshop meeting on Monday, November 20, 2017, to review and discuss the Authority's proposed 2018 Budget and the proposed 2018-2019 Capital Improvement Plan (the "2018-2019 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 2018 Budget.

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 adopt the 2018 Budget, a copy of which is included behind tab 2 of the meeting packet and is attached hereto.

ADOPT PROPOSED 2018-2019 CIP AND ADOPT RESOLUTION APPROVING AND IMPLEMENTING THE CAPITAL IMPROVEMENT PLAN FOR 2018 AND 2019 (THE "RESOLUTION")

Director Rendl then stated that the Board had spent a great deal of time reviewing and discussing the 2018-2019 CIP at the November 20th Budget Workshop meeting and requested a motion be made for approval of the 2018-2019 CIP.

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 adopt the proposed 2018-2019 CIP and the Resolution, copies of which are included behind tab 3 of the meeting packet and is attached hereto. A copy of the 2018-2019 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, 2018

Mr. Schindewolf next explained that during the preparation of the 2018 Budget and the 2018-2019 CIP, that 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 \$2.90 per 1,000 gallons to \$3.40 per 1,000 gallons and the current surface water rate should be increased from \$3.35 per 1,000 gallons to \$3.85 per 1,000 gallons. Mr. Schindewolf stated that the proposed increases would take effect on April 1, 2018.

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 increase in the pumpage fee to \$3.40 per 1,000 gallons and the increase in the surface water rate to \$3.85 per 1,000 gallons, effective April 1, 2018, 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 twelve (12) second grade assemblies have been completed during the current fall semester and that a new fourth grade program will begin next semester. Ms. Payne further reported that over 60,000 students have been reached since the assembly program began in 2010.

Ms. Payne next reported that the Authority participated in the Wunderlich Farms Christmas Festival. Director Rendl stated that the Authority gave out hundreds of handouts to the Christmas Festival attendees.

Ms. Payne then reported that a new video on the Rising Cost of Water will be available on the Authority's website before the rate increase goes into effect on April 1, 2018. Ms. Payne also noted that there is a new online ordering system available for ordering the Authority's various informational billing inserts.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then called on Mr. Evans to give an update regarding the Authority's participation in the 2017 State Water Implementation Fund for Texas ("SWIFT"). Mr. Evans reported that the closing on the \$391,715,000 Series 2017 Senior Lien Revenue Bonds occurred on Wednesday, November 15, 2017. Mr. Evans also explained that the SWIFT funding has resulted in a savings of approximately \$109,000,000 for the Authority for the 2015, 2016 and 2017 funding periods. Mr. Evans then noted that the funding cycle for 2018 is about to begin, with applications being due on February 2, 2018.

PROGRAM MANAGER'S REPORT

Mr. Schindewolf then reported that Mr. Tom Rolen had passed away on November 21st. Mr. Schindewolf stated that he had worked with Mr. Tom Rolen for over fifteen (15) years on the Authority and that he has known Mr. Rolen since the mid-1970s. Mr. Schindewolf then stated that Mr. Rolen has touched just about every part of the Association and that he will be sorely missed.

Mr. Schindewolf next asked Mr. Berkenhoff 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. Berkenhoff then reported that the Spears Road Regional Pump Station delivered a daily average rate of approximately 27.2 million gallons per day ("MGD") of surface water during November. Mr. Berkenhoff added that the alternative water used in October was approximately 34.4%, as compared to 28.5% in September.

Mr. Berkenhoff further explained that during October, approximately 76.4% of the water used by the Public Water Systems (the "PWSs") in the Authority's 2010 service area was Alternative Water.

MAJOR ACTIVITIES

Concerning other activities, Mr. Berkenhoff reported that during the prior month, AECOM had assisted the Authority with the following items: 1) implementing and performing tasks regarding its 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 STES'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 STES and the respective PWS operators and took appropriate actions to optimize the use of surface water.

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

Concerning the Luce Bayou Project, Mr. Berkenhoff reported the following items: 1) construction of the Luce Bayou Project Maintenance Facility is progressing, including installation of sanitary sewer lines and water well, as well as construction of the access drive from State Highway 321 to the maintenance facility; 2) placement of reinforcing steel for mat foundation at the Capers Ridge Pump Station is complete and the concrete casting is scheduled for early December; 3) construction of all five (5) canal segments is ongoing, including installation of the 96-inch inverted siphons, box culvert bridges, siphon headwall at County Road 2326 and baffled outfall and rip rap at the Lake Houston/Luce Bayou outfall; and 4) Sam Houston Electric Coop ("SHEC") continues construction of the electrical substation at the pump station site and transmission pole foundations, with completion of both the substation and the transmission lines scheduled to be completed by no later than January 2018.

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

Mr. Berkenhoff next reported that the Houston Waterworks Team (the "HWT") is continuing to progress on the various Engineering Studies as defined in its Component 2 Scope of Services, including High Service Pump Station Hydraulic Modeling, Computational Fluid Dynamics Modeling and Hydraulic Surge Analysis. Mr. Berkenhoff went on to report that the Project Advisor/Technical Consultant ("PATC") and the HWT completed negotiations on the Guaranteed Maximum Price for Early Work Package ("EWP") 1 Site Development. Mr. Berkenhoff also reported that the HWT continues procurement activities for EWP 2 and continues to advance the balance of project 30% design documents. Mr. Berkenhoff then

reported that the PATC reviewed and provided comments to the EWP 4 draft issue for construction documents and continued working on the permit documentation and agency coordination for obtaining the 404 permit from the United States Army Corps of Engineers for the NEWPP Expansion Project. Mr. Berkenhoff also reported that multiple workshops and technical meetings were conducted during the month relating to the ozone disinfection system, site security and the chlorine dioxide system.

NORTHEAST TRANSMISSION LINE (THE "NETL") PROJECT UPDATE

Mr. Berkenhoff next reported that competitive sealed proposals have been received for two (2) additional segments of the 108-inch (108") line and the 54-inch (54") interconnect line, and that the City is evaluating such proposals. Mr. Berkenhoff further informed the Board that acquisition of the necessary right-of-way easements is proceeding forward on several segments of the NETL and that design work is progressing on ten (10) additional segments of the NETL, including one (1) 120-inch (120") section, eight (8) 108-inch (108") sections and one (1) 66-inch (66") interconnect of such line.

Director Rendl then reminded the meeting attendees that the utility districts that are currently receiving surface water need to take as much surface water as possible whenever they can in order to continue to build a cushion in the Authority's surface water conversion credits.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she had nothing to report at this time.

REGULAR AGENDA

DISCUSS TEXAS PENAL CODE SECTIONS 30.06 AND 30.07 REGARDING CONCEALED AND OPEN CARRYING OF A WEAPON DURING AUTHORITY MEETINGS AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Bobbitt stated that questions have recently been received regarding the carrying of a handgun in an open meeting of a governmental entity. Ms. Bobbitt then noted that a memorandum regarding firearms regulations was previously distributed to the Board in 2016, a copy of which is included behind Tab 7 of the meeting packet and attached hereto. Ms. Bobbitt went on to explain that House Bill 910, which became effective on January 1, 2016, eliminated the distinction between concealed and open carry licenses and created a "license to carry a handgun" provision. Ms. Bobbitt further explained that Texas Penal Code Section 46.035 allows a governmental entity to prohibit the carrying of a weapon into a room where the governmental entity is holding an open meeting, as long as the correct notices are posted in accordance with Texas Penal Code Sections 30.06 and/or 30.07. Ms. Bobbitt added that the required signage is currently posted at the back of the Authority's meeting room that prohibit open and concealed carrying of a weapon into Authority meetings. Director Fessler then stated that the Board never set a specific policy relating to concealed or open carrying of weapons into Authority meetings and that in light of receiving several questions on such issue recently, it is appropriate for the Board to revisit such matter. Director Fessler went on to state that he believes that anyone with a proper handgun license should be able to carry a concealed handgun into Authority meetings, but that he is not in favor of the open carrying of weapons into Authority meetings. Director Pulliam stated that he agrees with Director Fessler. Director Fessler then stated that another issue to

consider is whether or not to have peace officers present at Authority meetings going forward. Mr. Jerry Homan, General Manager of Harris County Fresh Water Supply District No. 61, stated that he believes the signs should be removed to allow concealed carrying of a weapon into Authority meetings and/or peace officers should be present during Authority's meetings. Further discussion ensued regarding the concealed carrying of weapons and the presence of peace officers at Authority meetings.

Upon motion by Director Fessler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor, and one (1) vote opposed, with Director Sigler noting in opposition, for the removal of the sign regarding Texas Penal Code Section 30.06 from the Authority's meeting room, thereby allowing for the concealed carrying of handguns into Authority meetings.

Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted three (3) votes in favor, and one (1) vote opposed with Director Graham voting in opposition, and Director Fessler abstaining, to authorize the hiring of peace officers to be present for all Authority meetings going forward.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of the November 6, 2017 regular meeting and the November 20, 2017 Budget Workshop 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 6, 2017 regular meeting and the November 20, 2017 Budget Workshop 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, 2017, a copy of which is included behind Tab 9 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, 2017

Mr. Schindewolf then noted that Tab 10 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, 2017, and recommended that the Board engage McGrath & Co. to prepare such audit report. 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 engage

McGrath & Co. to prepare the Authority's audit report for the FYE December 31, 2017, and to authorize the execution of the McGrath & Co. engagement letter, a copy of which is attached hereto.

APPROVE 2018 HOLIDAY SCHEDULE

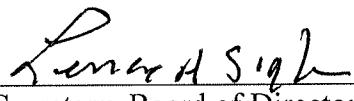
Mr. Schindewolf then stated that the proposed 2018 Holiday Schedule for the Authority's employees is included behind Tab 11 of the meeting packet and is attached hereto. Mr. Schindewolf noted that the schedule basically tracks the schedule that was adopted by the Harris County Commissioners Court for 2018. 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 2018 Holiday Schedule.

CONFIRM UPCOMING MEETING DATE

Director Rendl then informed the meeting attendees that the Authority's next regular meeting will be held on Monday, January 8, 2018, at 6:00 p.m. at the Authority's office due to the New Year holiday.

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

PASSED, APPROVED AND ADOPTED this 8th day of January, 2018.



Secretary, Board of Directors

