

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

August 1, 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 1<sup>st</sup> day of August, 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, thus constituting a quorum. Also attending the meeting were Mr. Jimmie Schindewolf, 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 Rolen, P.E., Stephen Berckenhoff, P.E., and Dan Edwards, P.E., of AECOM Technical Services, Inc. ("AECOM"), Program Manager for the Authority; Mr. Wayne Ahrens, P.E., and Ms. Melinda Silva, P.E., of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Dustin O'Neal, P.E., of Costello, Inc., on-call engineers for the Authority; Mr. David Warner, 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. 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. W. John Seifert, P.E., of LGB-Guyton Associates, on-call engineers for the Authority; Mr. Jonathan Howard, P.E., of Brown & Gay Engineers, Inc., 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. Dustin Roc, 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; Mr. 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; Mr. Timothy Peterson, Lead Manager of the Authority's Underwriting Group in connection with the Senior Lien Revenue and Refunding Bonds, Series 2016 ("Series 2016 Bonds"); Ms. Valoree Swanson, Republican nominee for State Representative District 150; 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.

#### BOARD MEMBER COMMENTS

Director Fessler stated that he had recently viewed Director Rendl's video presentation regarding the past, present and future of the Authority and stated that the video was extraordinary. Director Rendl thanked Director Fessler for the compliment.

#### PUBLIC COMMENTS

Director Rendl 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 first reported that the Spring Independent School District ("ISD") and Tomball ISD are holding Teachers Workshops in August.

Ms. Payne next reported that she has been scheduling fall semester second (2<sup>nd</sup>) grade assembly programs in Klein ISD, Spring ISD and Tomball ISD.

Ms. Payne went on to report that a new fourth (4<sup>th</sup>) grade science program emphasizing Sustainability, Earth Resources and Conservation will be introduced to Spring ISD during the upcoming school year.

Ms. Payne next encouraged organizations that are planning fall festivals to take advantage of the free educational materials available from the Authority.

Ms. Payne added that there have been 6,100 views of Director Rendl's video presentation about the Authority.

#### GENERAL MANAGER'S REPORT

Mr. Schindewolf first explained that going forward, Mr. Rolan will give the monthly report on the status of the Luce Bayou Interbasin Transfer Project ("Luce Bayou Project"), the Northeast Water Purification Plant (the "NEWPP") Expansion Project and the Northeast Transmission Line ("NETL") Project. In addition, Mr. Schindewolf stated that Mr. Evans' update on the status of the Authority's State Water Implementation Revenue Fund for Texas ("SWIRFT") Financial Assistance Applications will be moved to G.1 of tonight's agenda.

## PROGRAM MANAGER'S REPORT

Mr. Rolén then reviewed the Program Manager's Report with the Board, a copy of which is included behind Tab 3 and is attached hereto.

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

Mr. Rolén reported that the contractor for Project 24B is continuing to work on finalizing work items on such project.

## UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Rolén next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 31 million gallons per day of surface water during July. Mr. Rolén added that the alternative water used in June was approximately 35.3%, as compared to 37.5% in May. Mr. Rolén further explained that during June, approximately 80.6% of the water used by the Public Water Systems (the "PWSs") in the Authority's 2010 service area was alternative water. Mr. Rolén added that the Authority's conversion rate through June was approximately 34.6%.

Mr. Rolén next noted that Harris -Galveston Subsidence District will review the renewal of the Authority's Permit at its August Board meeting.

Concerning other activities, Mr. Rolén 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 City of Houston (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.

## LUCE BAYOU PROJECT UPDATE

Concerning the Luce Bayou Project, Mr. Rolén reported that the Coastal Water Authority (the "CWA") plans to award the construction contract for the Capers Ridge Pump Station to Oscar Renda/Johnson Brothers based on their bid of \$49,562,723 at its August Board meeting. Mr. Rolén noted that the bid is approximately \$10,000,000 less than the original construction estimate. Mr. Rolén further reported that the permanent access road is 70% complete and should be completed by mid-September. Mr. Rolén then reported that the canal right-of-way clearing from the pump station through State Highway 321 is ongoing. Mr. Rolén next reported that the advertising for bids for the construction of the maintenance facility will begin after the CWA's August meeting. Mr. Rolén added that the design work on the force main has just started and is less than 10% complete. Mr. Rolén next noted that canal construction is scheduled for bidding in the fourth quarter of 2016.

## NEWPP EXPANSION PROJECT UPDATE

Mr. Rolan reported that the Design Builder had published the Draft Basis of Design Report ("BODR"), which outlines what type of facility will be built, estimated timeframe to complete the effort and the estimated cost. Mr. Rolan went on to explain that the five (5) participants in the project will now present their comments to the Design Builder and a final BODR will be prepared. Mr. Rolan noted that value engineering will be performed and the agreed upon recommendations will be integrated into the final design for the NEWPP Expansion Project.

## NETL PROJECT UPDATE

Mr. Rolan next reported that design is proceeding forward on the three (3) 108-inch (108") sections of the NETL and a 54-inch (54") interconnect. Mr. Rolan further informed the Board that the COH plans to go to City Council in August to award funds for the design of five (5) additional sections of the NETL, one (1) 120-inch (120") section, and four (4) 108-inch (108") sections of the NETL project.

Director Rendl then acknowledged the presence at tonight's meeting of Ms. Valoree Swanson, who is the Republican nominee for State District No. 150.

## 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 July 11, 2016 regular meeting. 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 minutes of the July 11, 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 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 June 30, 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.

## UPDATE ON ISSUANCE OF THE SERIES 2016 BONDS

Ms. Plunkett next reported that a successful pricing on the Series 2016 Bonds occurred on July 21, 2016. Ms. Plunkett further commented that the Authority had an excellent team including the co-bond counsels: RBAP and Andrews Kurth; the co-financial advisors: RBC Capital Markets and The GMS Group; underwriter's counsel: Norton Rose Fulbright; and, JP Morgan Securities, the underwriting syndicate lead, with co-managers: Wells Fargo Securities, Siebert Brandford Shank & Co., Citigroup Global Markets, Hilltop Securities, Hutchinson, Shockey, Erley & Co., and Piper Jaffray & Co. and thanked the team for the successful bond sale. Ms. Plunkett noted that Mr. Timothy Peterson with JP Morgan is present tonight. Ms. Plunkett then called on Mr. Shepherd to review the results of the bond sale.

Mr. Shepherd then addressed the Board and reviewed the Summary of the Sale of both the revenue and refunding components of the Series 2016 Bonds, a copy of which is included behind Tab 6 of the meeting packet and attached hereto. Mr. Shepherd informed the Board that the Authority will receive a total of \$306,348,265 in bond proceeds, (\$194,675,000 for the sale of refunding bonds, \$63,450,000 for the sale of new money bonds, plus a premium of \$48,223,265) on August 25, 2016. Mr. Shepherd noted that the true interest rate on the Series 2016 Bonds is 3.0583% and that the net present value savings on the bonds being refunded was 17.3917% with an annual savings of \$2,142,740.

Mr. Shepherd then complimented Ms. Plunkett for her work on the bond issue which included her spending considerable time with representatives of Franklin Templeton, resulting in their purchase of over \$60,000,000 of Authority bonds. Mr. Schindewolf also offered kudos to Ms. Plunkett. Director Rendl commented that the Authority underwriting group, attorneys, financial advisors and Ms. Plunkett had done an excellent job on the bond issue and achieved a great savings on behalf of the Authority.

## GENERAL MANAGER'S ACTION ITEMS

### APPROVE AND AUTHORIZE EXECUTION OF FINANCING AGREEMENT WITH THE TWDB IN CONNECTION WITH 2016 SWIRFT FUNDING, SUBJECT TO FINAL REVIEW BY AUTHORITY'S GENERAL MANAGER AND GENERAL COUNSEL

Mr. Evans then gave an update on the Authority's two (2) State Water Implementation Fund for Texas ("SWIFT") Financial Assistance Applications. Mr. Evans explained that on July 8, 2016, the Authority had completed and submitted the Final SWIFT Applications to the TWDB. Mr. Evans went on to report that the TWDB had approved the Applications on July 21, 2016, as follows: 1) \$107,820,000 for the construction of the Authority's Internal Distribution Expansion Project; and 2) \$117,855,000 for the supplemental funding of the Second Source Transmission Line Phase 1 Project. Mr. Evans then stated that the next step is to approve the Financing Agreement for the sale of the Authority's Series 2016A Revenue Bonds to the TWDB for the TWDB's financial assistance from the SWIRFT, a copy of which is included behind Tab 7 of the meeting packet and attached hereto.

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 and authorize execution of the Financing Agreement.

AUTHORIZE GENERAL MANAGER AND CONSULTANTS TO NEGOTIATE, FINALIZE AND EXECUTE INTERLOCAL AGREEMENT BY AND BETWEEN THE AUTHORITY AND HARRIS COUNTY (PRECINCT 3 PROJECT) REGARDING CONSTRUCTION OF THE PORTION OF THE AUTHORITY'S GRANT ROAD WATERLINE PROJECT BETWEEN OLD KLUGE ROAD AND NORTH OF LAKEWOOD FOREST DRIVE;

Mr. Rolan next explained that the Board had authorized an Interlocal Agreement by and between the Authority and Harris County (the "County") (Precinct 4 Project) at the July meeting. Mr. Rolan further explained that the County has submitted a similar Interlocal Agreement by and between the Authority and the County (Precinct 3 Project) regarding the construction of the Authority's Grant Road Waterline Project between Old Kluge Road and North of Lakewood Forest Drive for the Board's review, a copy of which is included behind Tab 8 of the meeting packet and attached hereto. Upon motion by Fessler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize the General Manager and consultants to negotiate, finalize and execute the Interlocal Agreement.

COMMENTS

Director Fessler then thanked Ms. Swanson for attending this evening's meeting. Ms. Swanson thanked the Authority for spending time with her prior to the meeting and stated that she would schedule a meeting with Authority representatives in the near future.

CONFIRM UPCOMING MEETING DATE

Director Rendl then stated that the Authority's next regular meeting date will be held on Monday, September 12, 2016, at 6:00 p.m., at the Authority's office due to the Labor Day holiday on September 5<sup>th</sup>.

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

PASSED, APPROVED AND ADOPTED this 12<sup>th</sup> day of September, 2016.

(AUTHORITY SEAL)



  
Secretary, Board of Directors