

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

March 5, 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 6:00 p.m. on Monday, the 5th day of March, 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 Graham, 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., and Doug Haude, 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. David Warner, P.E., of Jones Carter, Inc., on-call engineers for the Authority; Messrs. Fred Bauhof, P.E., and Bill Kotlan, P.E., of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Messrs. Dennis Sander, P.E., and Erik Miller, P.E., of Sander Engineering Corporation, on-call engineers for the Authority; Mr. Mike Reedy, P.E., of Freese and Nichols, 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. Charles Shumate, P.E., of Lockwood Andrews and Newnam, Inc.; Messrs. Carlton McDevitt and Bryan Thomas 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; Mr. Chris M. DeBow of Public Trust Advisors, investment advisor to the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Alison Miller, paralegal, of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), 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.

PUBLIC COMMENTS

Director Rendl first stated that a public comment card was received from Mr. John Finger, of Tattor Road Municipal Utility District, a copy of which is attached hereto. Mr. Finger first asked how many over conversion credits are needed to meet the Harris-Galveston Subsidence District's ("HGSD") alternative water mandates. Mr. Berckenhoff explained that the number of over conversion credits required varies from year to year based on how much water, (surface and ground water), is used within the Authority and also the HGSD requirements which increase from 30% through permit year 2024 to 60% in permit year 2025. Director Rendl noted that a key factor in over conversion credit requirements is how quickly the Authority is able to get additional surface water from the City of Houston (the "City"). Mr. Berckenhoff further stated that to date, the Authority has earned approximately 10 billion gallons worth of over conversion credits. Mr. Finger next asked when the next meeting between Inframark and utility district operators will be held. Mr. Rendl stated that there is currently not a meeting scheduled between Inframark and the utility district operators, but that meetings are held on an as-needed basis. Mr. McDevitt then stated that Inframark has recently been in contact with all utility district operators who operate water systems within the Authority regarding a City water line repair issue. Mr. Finger then asked what the protocol is for a utility district that needs more or less surface water, and if a log of surface water consumption is kept. Mr. Rendl explained that the Authority always encourages districts to take as much surface water as possible whenever it is available, and that each district's surface water usage is tracked each month. Mr. Rendl further explained that utility district operators are notified if they need to cut back on surface water usage and then notified again when they can increase such usage.

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 Authority is co-sponsoring Texas Heritage Earth Day on Saturday, April 21st from 10:00 a.m. to 3:00 p.m. at the Cypress Creek EMS Education Center. Ms. Payne also reported that the Authority has been invited back to participate in the Wunderlich Farms Spring Festival.

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") program. Mr. Evans reported that the Authority's two (2) SWIFT Abridged Applications are still under review by the Texas Water Development Board (the "TWDB").

Mr. Evans then briefly reviewed the Authority's recently updated Alternative Water Use Incentive Program ("Reuse Incentive Program") with the Board. Mr. Evans explained that the Reuse Incentive Program was originally adopted on April 6, 2009, amended on November 4, 2013, and most recently amended on January 8, 2018. Mr. Evans explained that the Reuse Incentive Program incentivizes utility districts within the Authority to construct

Alternative/Water Use systems. Mr. Evans further explained that the Reuse Incentive Program provides to districts a maximum reuse credit of 50% of the then-current pumpage fee. Mr. Evans next stated that all HGSD conversion credits that are associated with a Reuse Incentive Program project are transferred to the Authority for the benefit of the Authority's Groundwater Reduction Plan. Mr. Evans then reported that to date, the total approved costs for Reuse Incentive Program projects is \$1,910,001.19 and that 775,000,000 in HGSD credits have been generated. Director Rendl noted that a utility district can apply for SWIFT funding for water conservation and reuse projects and that the TWDB is anxious to provide funding for these types of projects.

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 3 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 18.7 million gallons per day ("MGD") of surface water during February. Mr. Berckenhoff added that the alternative water used in January was approximately 35.1%, as compared to 35.5% in December.

Mr. Berckenhoff further explained that during January, approximately 76.5% 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. Berckenhoff 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; 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, and took appropriate actions to optimize the use of surface water. Mr. Berckenhoff further reported on the status of the following projects: 1) Project 28A is under construction; 2) Project 28B is in final design with approximately 30 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 75% completion with approximately 19 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 in final design at 50% complete with approximately 25 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 progressing, including installation of sanitary sewer lines and water well, and construction and setting of tilt wall panels continues along the perimeter of the foundation; 2) forming and pouring of walls at the Capers Ridge Pump Station is continuing; 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 continues construction of the electrical substation at the pump station site and transmission pole foundations. Mr. Berckenhoff also reported that the Capers Ridge Pump Station was recently flooded again by the Trinity River, and that the water will be pumped out once the water level in the river declines.

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

Mr. Berckenhoff next reported that the Houston Waterworks Team (the "HWT") is continuing to progress on the various engineering studies as defined in the Component 2 Scope of Services, including High Service Pump Station Hydraulic Modeling, Computational Fluid Dynamics Modeling and Hydraulic Surge Analysis. Mr. Berckenhoff went on to report that the Early Work Package ("EWP") 1 Site Development has been approved by City Council and the Notice to Proceed with final design and construction was issued on January 5th. Mr. Berckenhoff further reported that the HWT and the Project Advisor/Technical Consultant (the "PATC") concluded Guaranteed Maximum Price negotiations for EWP 4, and that City Council approval was received on February 28th. Mr. Berckenhoff next reported that the HWT submitted record design documents for the raw water pipeline. Mr. Berckenhoff then added that the HWT also submitted the 30% Balance of Plant Phase 1 Cost Model and Schedule for PATC review on January 22nd, with PATC comments due in early February. Mr. Berckenhoff also noted that multiple workshops and technical meetings were conducted during the month relating to the Risk and Contingency, Submittal Review and Procurement Capacity Study.

NORTHEAST TRANSMISSION LINE (THE "NETL") PROJECT UPDATE

Mr. Berckenhoff next reported that on January 12th, the City issued a Notice of Intent to Award for one (1) section of the 108-inch (108") and the 54-inch (54") interconnect line, and that City Council approval of these projects is pending. Mr. Berckenhoff went on to report that the City plans to re-advertise for one (1) section of the 108-inch (108") line. Mr. Berckenhoff further reported that real estate acquisition is proceeding forward on several sections of the transmission line, and that design is progressing on ten (10) sections of the line, including one (1) 120-inch (120") section, eight (8) 108-inch (108") sections and a 66-inch (66") interconnect line.

Mr. Berckenhoff next reported that in late January, the City had notified the Authority of a leak in the existing 66-inch (66") Greens Road Water Line. Mr. Berckenhoff explained that the leak required a total shutdown of the Greens Road Water Line in order to make the necessary repairs to the line that started on March 2nd. Mr. Berckenhoff went on to report that the repairs

were completed on March 4th and that re-pressurization of the line began on March 5th. Mr. Berckenhoff added that currently, the Authority remains isolated from the Greens Road Water Line and continues to provide water from Authority owned regional wells and ground storage tanks until all of the required bacteriological testing of the line can be completed. Mr. Berckenhoff further reported that Mr. McDevitt and Inframark did a wonderful job of coordinating and contacting utility district operators regarding the line shutdown. Director Pulliam then asked where in the line the leak had occurred. Mr. Berckenhoff responded that the leak occurred in a joint in the pipe, probably due to a leaking gasket. Director Sigler asked if there was any recourse with the pipeline manufacturer. Mr. Berckenhoff stated that the line is owned by the City, so any recourse with the pipeline manufacturer would have to be pursued by the City. However, Mr. Berckenhoff added that any manufactural warranty on the pipe would have expired a long time ago. Mr. Berckenhoff then noted that the situation with the leak is a good example of why it benefits the Authority and the utility districts within the Authority to keep their wells in good operational order. Mr. Berckenhoff then thanked Mr. McDevitt and all of the utility district operators for handling the line shutdown and transition from surface water very smoothly. Director Pulliam then asked if the new water lines to be constructed by the Authority will be a workaround for a problem like this in the future. Mr. Berckenhoff responded that it will still be 18 months to two (2) years before such lines are in place. Director Rendl then stated that the line shutdown is also why the Authority always stresses the importance of taking as much surface water as possible whenever it is available. Director Pulliam next stated that the communication regarding the line shutdown and repair was very good. Mr. Schindewolf then stated that Mr. McDevitt and Inframark did an outstanding job making sure that all utility districts within the Authority had water available. Mr. Schindewolf also stated that Mr. Berckenhoff and Mr. Haude of AECOM, Mr. Chang of the Authority and Ms. Bobbitt and Mr. Jon Polley of RBAP all worked very hard on this issue and helped to make certain the utility districts were notified of the line shutdown.

ATTORNEY'S REPORT

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

REGULAR AGENDA

APPROVAL OF MINUTES

The Board next considered approval of the minutes of the February 1, 2018 special directors workshop and the February 5, 2018 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 February 1, 2018 special directors Workshop and the February 5, 2018 regular 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 January 31, 2018, a copy of which is included behind Tab 5 of the meeting packet and 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.

ANNUAL REVIEW OF INVESTMENTS AND ADOPT ORDER REGARDING ANNUAL
REVIEWS OF RULES, POLICIES, CODE OF ETHICS AND LIST OF AUTHORIZED
BROKERS FOR THE INVESTMENT OF AUTHORITY FUNDS

Ms. Plunkett then explained that the Authority is required by the Public Funds Investment Act to review the Authority's Investment Policy and investment strategies on an annual basis. Ms. Plunkett further reported that she had worked with Mr. DeBow to conduct the annual review and that no changes to the Authority's Investment Policy are recommended at this time. Ms. Plunkett then introduced Mr. DeBow to the Board.

Mr. DeBow next presented an investment update and review of the Authority's investment portfolio, a copy of which is included in Ms. Payne's PowerPoint presentation for tonight's meeting and attached hereto.

Ms. Plunkett then stated that Tab 6 of the meeting packet includes the Order Regarding Annual Review of Rules, Policies, Code of Ethics, and List of Authorized Brokers for the Investment of Authority Funds (the "Order") for the Board's adoption. 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 Order, a copy of which is attached hereto.

Director Rendl then thanked Mr. DeBow and Ms. Plunkett for their work on behalf of the Authority.

GENERAL MANAGER'S ACTION ITEMS

AUTHORIZE GENERAL MANAGER TO NEGOTIATE AND EXECUTE A
PROFESSIONAL RIGHT-OF-WAY ACQUISITION SERVICES AGREEMENT
(THE "ACQUISITION SERVICES AGREEMENT") BY AND BETWEEN THE AUTHORITY
AND PROPERTY ACQUISITION SERVICES, LLC ("PAS")

Mr. Schindewolf then asked Mr. Chang to give a report on the proposed Acquisition Services Agreement with PAS. Mr. Chang explained that approximately 70 parcels would need to be acquired for Projects 28D, 28E, and 28F. The proposed Acquisition Services Agreement with PAS will allow the Authority to expedite acquisition of the necessary parcels so that the projects will not be slowed down. 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 the General Manager to negotiate and execute an Acquisition Services Agreement between the Authority and PAS.

APPROVE ENGAGEMENT OF ORRICK, HERRINGTON & SUTCLIFFE LLP ("ORRICK") AND RBAP TO SERVE AS CO-BOND COUNSEL TO THE AUTHORITY AND AUTHORIZE GENERAL MANAGER TO TAKE ANY OTHER NECESSARY ACTIONS RELATED TO SUCH ENGAGEMENT

Mr. Schindewolf next explained that Messrs. Bob Collie and Jerry Kyle, formerly with Andrews Kurth Kenyon LLP, co-bond counsel to the Authority, are now employed by Orrick. Mr. Schindewolf went on to explain that he believes it is in the Authority's best interest to continue to work with Messrs. Collie and Kyle and, therefore, a new engagement letter is required to engage Orrick and RBAP as the Authority's co-bond counsel. 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 engagement of Orrick and RBAP to serve as co-bond counsel to the Authority and authorize the General Manager to take any other necessary actions related to such engagement. A copy of the engagement letter with Orrick and RBAP can be found in the Authority's files.

AUTHORIZE FILING OF FINANCIAL AND TAX-RELATED INFORMATION WITH TEXAS COMPTROLLER PURSUANT TO SENATE BILL 625, 85TH TEXAS LEGISLATURE, AND TEXAS LOCAL GOVERNMENT CODE SECTION 203.601, ET SEQ., FOR THE IMPLEMENTATION OF THE SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Ms. Bobbitt next reported that Senate Bill 625, 85th Texas Legislature, requires the implementation of a Special Purpose District Public Information Database. Ms. Bobbitt explained that the Texas State Comptroller's Office (the "Comptroller") is creating the required database and is, therefore, requiring the annual filing of certain financial and tax-related information by all Special Purpose Districts. Ms. Bobbitt noted that such information must be filed with the Comptroller annually by May 1, 2018. Upon motion by Director Fessler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to authorize RBAP to file the required financial and tax-related information with the Comptroller by May 1, 2018.

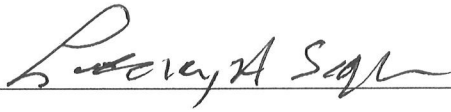
Director Pulliam then asked if the database will be a useful tool. Ms. Bobbitt stated that the database could be a useful tool, but that no funding has been provided to the Comptroller to implement the database. Director Pulliam then asked what the cost to the Authority will be to comply with the requirements. Ms. Bobbitt stated that compiling and submitting the information to the Comptroller should be no more than a few hours of work.

CONFIRM UPCOMING MEETING DATE

Director Rendl then informed the meeting attendees that the Authority's next regular meeting will be held on Monday, April 2, 2018, 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 2nd day of April, 2018.



Secretary, Board of Directors

