

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

June 6, 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 6th day of June, 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, 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 Rolen, 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; Mr. Charles Shumate, P.E., and Ms. Shelley Serres, P.E., of Lockwood Andrews and Newnam, design engineers for the Northeast Transmission Line ("NETL") project; 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. 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; 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; 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. Patrick Montgomery and Ms. Rebecca Cummins of Terracon Consultants, Inc., materials engineering laboratory services for the Authority; Messrs. Shou Ting Hu, P.E., and Ron Ortwerth, P.E., of Aviles Engineering Corporation, materials engineering laboratory services for the Authority; Mr. Scott Sulski of Fugro Consultants, Inc., materials engineering laboratory services 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 and Matt Dustin 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. Robert Collie of Andrews Kurth, LLP, co-bond counsel for the Authority; and Ms. Robin S. Bobbitt, and Mr. Joshua Ellery, 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.

MESSAGE FROM THE PRESIDENT

Director Rendl first noted that over 21 inches of rain had fallen recently and he hoped that everyone had fared well during the bad weather.

BOARD MEMBER COMMENTS

Director Fessler then explained that he had been absent from the May meeting due to his out-of-town work schedule.

PUBLIC COMMENTS

Mr. Schindewolf then stated that one (1) public comment card had been received from Mr. Jerry Homan, General Manager of Harris County Fresh Water Supply District No. 61 and spokesperson for the Water Users Coalition, a copy of which is attached hereto. Mr. Homan then went to the podium and presented a status report on the Water Users Coalition. A copy of his statement is attached as an exhibit to these minutes.

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 Klein Independent School District Teacher's Workshop is scheduled for Wednesday, June 8, 2016 at the Harris County Water Control and Improvement District No. 132 Water Garden. Ms. Payne extended special thanks to Ms. Mary Bonetati for hosting the Teacher Workshop and all her work on the SaveWaterTexas Coalition.

Ms. Payne next informed the Board that the second semester Second Grade Frontier Assemblies had reached 3,100 students and teachers.

Concerning the Authority's May 25th Directors' Workshop entitled *Sustainable, Innovative and Resilient Financial Management and Conservation Rate Practices*, Ms. Payne reported that over 70 people had attended such workshop. Ms. Payne noted that some of the participants had offered great suggestions for future workshops. Ms. Payne stated that the next Directors' Workshop will be scheduled in the fall.

Ms. Payne then shared an interesting graphic on her PowerPoint regarding the 35 Trillion gallons of rain that fell in Texas during May 2016.

In conclusion, Ms. Payne informed the Board and audience that a new video presentation by Director Rendl is now available and explained that the video takes viewers on an 11 minute journey through the past, present and future of the Authority. Ms. Payne further explained that the video will be used in Authority outreach and education programs and is available to utility districts to embed on their websites. Ms. Payne noted that the video can be accessed at www.NHCRWA.com.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then called on Mr. Evans to give an update on the Authority's two (2) State Water Implementation Fund for Texas ("SWIFT") Financial Assistance Applications. Mr. Evans reported that on May 19, 2016, the Texas Water Development Board (the "TWDB") declared the Authority's two (2) SWIFT Financial Assistance Applications to be administratively complete. Mr. Evans further reported that the TWDB is scheduled to meet on July 21, 2016, to consider approval of the Authority's SWIFT Financial Assistance Applications.

Mr. Schindewolf then reported that the current water levels of Texas lakes are very high as a result of the recent heavy rains.

Mr. Schindewolf next informed the Board that due to the heavy rains and flooding in April and May, the City of Houston (the "COH") had to cut back on the treatment and transmission of treated water to the Authority from the Northeast Water Purification Plant (the "NEWPP").

Mr. Schindewolf reported that the Authority's right-of-way ("ROW") acquisition team is continuing to work on the ROW acquisitions for the Authority's transmission line for the 2025 surface water conversion. Mr. Schindewolf also reminded everyone that the Authority will be required to participate in the cost of the COH's expansion of the NEWPP and share in the cost for the construction of the NETL from the NEWPP westerly to the Authority.

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 on such project.

UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Rolan next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 26.4 million gallons per day of surface water during May. Mr. Rolan added that the alternative water used in April was approximately 34.4%, as compared to 36.4% in March. Mr. Rolan further explained that during April, approximately 78.3% 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. Rolen reported that during the prior month, AECOM had assisted the Authority in developing required information and submitted same for renewal of the Authority's Harris County Storm Water Quality Permit; assisted the Authority in efforts with Harris County (the "County") to facilitate finalization of alignment of various components of Project 28; assisted the Authority in implementing and performing tasks regarding its aggregate water well permit, with primary emphasis on preparing information to renew the 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.

Director Pulliam then asked Mr. Rolen to refresh his memory regarding Project 28. Mr. Rolen responded that Project 28 consists of six (6) construction projects which represent the first phase of the Authority's 2025 distribution system.

Mr. Schindewolf then discussed an article published in *The Houston Chronicle* on May 29, 2016, regarding subsidence, flooding, and conversion to surface water in the Houston area. A copy of the article is attached as an exhibit to these minutes.

ATTORNEY'S REPORT

Ms. Bobbitt then introduced Mr. Ellery to the Board.

REGULAR AGENDA

APPROVAL OF MINUTES

The Board next considered approval of the minutes of the May 2, 2016 regular meeting. 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 approve the minutes of the May 2, 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 April 30, 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.

GENERAL MANAGER'S ACTION ITEMS

AUTHORIZE GENERAL MANAGER TO NEGOTIATE RENEWAL OF THE AUTHORITY'S OFFICE LEASE AND AUTHORIZE EXECUTION OF SAME

Mr. Schindewolf next reported that the Authority's 65-month Lease Agreement with TRISON Properties, Ltd. ("TRISON") expires on June 30, 2016. Mr. Schindewolf reminded the Board that Mr. Brian Cogburn of Hyde Park Real Estate, LLC had previously assisted the Authority with negotiations with TRISON's leasing agent. Mr. Schindewolf then recommended that the Board authorize the General Manager and Mr. Cogburn to negotiate the renewal of the Authority's office lease and authorize the General Manager to execute a new Lease Agreement for the Authority's current office space. Director Graham inquired if TRISON has proposed a renewal rate. Ms. Plunkett responded that they have received a proposed lease rate from TRISON and that Mr. Cogburn is currently reviewing the proposed rate. Mr. Schindewolf added that several improvements to the Authority's office space are being considered, including carpet replacement and air conditioning upgrades. 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 authorize the General Manager to enter into negotiations to renew the Authority's lease and to authorize the execution of a new Lease Agreement.

ADOPT RESOLUTION ADOPTING AMENDED AND RESTATED PROCEDURAL RULES OF THE AUTHORITY (THE "RESOLUTION")

Director Fessler then proposed that the Board remove the term limits for the office of President reflected in Section 3.05 of the Resolution. Director Graham asked why the provision should be removed. Director Fessler responded that he believes it is good to maintain consistency with the Authority's leadership and pointed out that the Board always has the option to elect another Board member to serve as President of the Board. 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 Graham voting in opposition, to adopt the Resolution, a copy of which is attached hereto.

REPORT ON POTENTIAL REFUNDING OF SERIES 2008 SENIOR LIEN REVENUE BONDS ("SERIES 2008 BONDS") AND CONSIDER PROPOSED SCHEDULE FOR ISSUANCE OF SERIES 2016 SENIOR LIEN REVENUE REFUNDING BONDS ("SERIES 2016 REFUNDING BONDS")

Mr. Schindewolf next explained that included behind Tab 8 of the meeting packet and attached hereto, were separate memorandums from Ms. Plunkett and him that address this agenda item. Mr. Schindewolf noted that Ms. Plunkett, Mr. Howell, Mr. Shepherd and he have been discussing the proposed refunding of the Authority's Series 2008 Bonds for several months.

Mr. Schindewolf then called on Mr. Shepherd, who addressed the Board regarding the proposed refunding bond issue. Mr. Shepherd explained that the Authority had previously refunded the Series 2003 and Series 2005 bonds in 2013 and 2014, respectively. Mr. Shepherd then briefly reviewed the PowerPoint analysis of the proposed refunding of the Series 2008 Bonds, a copy of which is attached hereto. Mr. Shepherd informed the Board that the Authority

can refund approximately \$206,910,000 of the outstanding Series 2008 Bonds that have an average coupon rate of 5.3351% and realize an estimated present value savings of 15.2176%, inclusive of all issuance costs. Mr. Shepherd also briefly reviewed the actual savings achieved with the Authority's Series 2013 and Series 2014 Senior Lien Revenue Refunding Bonds.

Mr. Shepherd noted that the Series 2008 Bonds are not callable until December 15, 2018 and, therefore, the proceeds of the Series 2016 Refunding Bonds will be placed in an escrow account at Amegy Bank until the bonds become callable.

Director Rendl asked if the refunding would be beneficial to the Authority. Mr. Shepherd responded that the market conditions favor proceeding with the Series 2016 Refunding Bonds.

Mr. Shepherd then reviewed the draft of the proposed timeline for the issuance of the Series 2016 Refunding Bonds, a copy of which is attached hereto.

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 Authority's consultants to proceed with preparation of the Preliminary Official Statement for the Series 2016 Refunding Bonds for the Board's review and approval at the July 11, 2016 meeting,

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 due to a new Election Code provision, 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.

Ms. Bobbitt further explained that her office typically serves as the designated agent for the Authority's election and requested Board action on such appointment.

Ms. Bobbitt then stated that the Authority is required to post the Notice of Deadline to File Applications for Place on Ballot by Thursday, June 23, 2016.

Ms. Bobbitt went on to explain that the November 8, 2016 Directors Election would be held as a joint election with Harris County. Ms. Bobbitt noted that the Harris County Voters Registration office will conduct a meeting on July 7, 2016 to discuss the joint election process and procedures for the November election and that Ms. Dold and several attorneys from her office will be attending such meeting. Ms. Bobbitt recommended that the Board authorize Mr. Schindewolf to execute the Joint Election Agreement with the County upon receipt of same from the County.

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: 1) designate RBAP as the Authority's designated agent for the November 8, 2016 Directors Election; 2) authorize the

designated agent to post the Notice of Deadline to File Applications for Place on Ballot; and 3) authorize the General Manager to execute the Joint Election Agreement with the County upon receipt of same and subject to review and approval of same by Ms. Bobbitt.

PUBLIC COMMENTS

Director Rendl noted that there were no public comments.

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that due to the July 4th holiday falling on the Authority's regular meeting date, the Board's next regular meeting will be held on July 11, 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 11th day of July, 2016.


Secretary, Board of Directors

