

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 5, 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 6:30 p.m. on Monday, the 5th day of December, 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 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. Tom Rolen, P.E., Stephen Berckenhoff, P.E., and Dan Edwards, P.E., of AECOM Technical Services, Inc., Program Manager for the Authority; Mr. W. John Seifert, P.E., of LGB-Guyton Associates, on-call engineers for the Authority; Messrs. Wendell L. "Buddy" Barnes, P.E., and Harrison Steed, P.E., of ARCADIS US, Inc., on-call engineers 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. David Warner, P.E., of Jones Carter, Inc., on-call engineers for the Authority; Mr. Dustin O'Neal, P.E., of Costello, Inc., on-call engineers for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; and Mr. John Howell of The GMS Group, co-financial advisor to the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold and Ms. Alison Miller, paralegals, 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 wished everyone a Merry Christmas and a Happy New Year.

BOARD MEMBER COMMENTS

Director Fessler noted that he would not be in attendance at the January Board meeting due to a work conflict.

PUBLIC COMMENTS

Mr. Schindewolf stated that there were no public comment cards.

BUDGET MATTERS

ADOPT PROPOSED BUDGET FOR THE FISCAL YEAR ENDING (the "FYE") DECEMBER 31, 2017 (THE "2017 BUDGET")

Mr. Schindewolf first explained that the Authority had held a Budget Workshop meeting on Monday, November 28, 2016, to review and discuss the proposed 2017 Budget and the proposed 2017-2018 Capital Improvement Plan (the "2017-2018 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 fee increases was held earlier this evening at 6:00 p.m. Mr. Schindewolf then recommended that the Board adopt the proposed 2017 Budget. In response to an inquiry from the audience, Ms. Plunkett stated that the adopted 2017 budget would be posted on the Authority's website.

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 2017 Budget, a copy of which is attached hereto.

ADOPT PROPOSED 2017-2018 CIP AND ADOPT RESOLUTION APPROVING AND IMPLEMENTING THE CAPITAL IMPROVEMENT PLAN FOR 2017 AND 2018 (THE "RESOLUTION")

Director Rendl then stated that the Board spent a great deal of time reviewing and discussing the 2017-2018 CIP at the November 28th Budget Workshop meeting and requested a motion be made for approval of the 2017-2018 CIP.

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 adopt the proposed 2017-2018 CIP and the Resolution, copies of which are attached hereto. A copy of the 2017-2018 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, 2017

Mr. Schindewolf next explained that during the preparation of the 2017 Budget and the 2017-2018 CIP, that he, Ms. Plunkett, Mr. Howell and Mr. Rolen 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 \$2.40 per 1,000 gallons to \$2.90 per 1,000 gallons and the current surface water fee should be increased from \$2.85 per 1,000 gallons to

\$3.35 per 1,000 gallons. Mr. Schindewolf stated that such increases would take effect on April 1, 2017.

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 increase in the pumpage fee to \$2.90 per 1,000 gallons and the increase in the surface water fee to \$3.35 per 1,000 gallons, effective April 1, 2017, and to adopt the Updated Pricing Policy, a copy of which 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 reported that positive feedback has been received regarding the Second Grade Frontier Assemblies, and that such programs will resume in January, 2017.

Ms. Payne further reported that the Authority will be scheduling a Winter Directors Workshop on January 19, 2017, featuring Mr. John Sutton, Team Leader of the Texas Water Development Board's (the "TWDB") Municipal and ICI Water Conservation Programs and Mr. Scott Galaway, Outreach Specialist of the TWDB's Houston Field Office. Ms. Payne stated that registration for the Winter Workshop will be available on the Authority's website or by calling the Authority's office.

Ms. Payne next stated that the Authority is aware of increased public awareness regarding rate increases, and that additional videos featuring Director Rendl have been planned to reach a wider audience.

GENERAL MANAGER'S REPORT

Mr. Schindewolf next called on Mr. Evans, who reported on the status of the Authority's participation in the State Water Implementation Revenue Fund for Texas ("SWIRFT"). Mr. Evans reported that the Authority's Series 2016A Bonds for the 2016 SWIRFT funding had closed on Tuesday, November 15th. Mr. Evans reported that the 2017 SWIRFT funding cycle is now open.

Mr. Evans noted that the TWDB received an award from The Bond Buyer for the Southwest Region Deal of the Year.

PROGRAM MANAGER'S REPORT

Mr. Rolen then reviewed the Program Manager's Report with 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. Rolan next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 28.3 million gallons per day of surface water during November. Mr. Rolan added that the alternative water used in October was approximately 31.8%, as compared to 33.1% in September. Mr. Rolan further explained that during October, approximately 73.8% of the water used by the Public Water Systems (the "PWSs") in the Authority's 2010 service area was alternative water.

Mr. Rolan then reminded everyone that we are entering a lower water usage period, and it is very important that each district maximize their use of surface water as much as possible.

MAJOR ACTIVITIES

Concerning other activities, Mr. Rolan reported that during the prior month, AECOM had assisted the Authority in preparing and submitting the Permit Year 2015-2016 Reconciliation Report to the Harris-Galveston Subsidence District; assisted the Authority in developing a final draft of the 2017 Budget and the final draft of the 2017-2018 CIP; assisted the Authority in implementing and performing tasks regarding its aggregate water well permit; assisted the Authority in a variety of activities involving the City of Houston (the "City"); 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 INTERBASIN DIVERSION PROJECT UPDATE

Concerning the Luce Bayou Project, Mr. Rolan reported that: 1) construction of the cofferdam at the Capers Ridge Pump Station (the "Pump Station") is proceeding on schedule; 2) the canal right-of-way clearing from the Pump Station site through Highway 321 is approximately 90% complete; 3) design of the maintenance facility is complete and the bid advertising date for such facility is being determined; 4) bids for canal construction projects will be received this month; and 5) the force main (dual 96-inch lines) 60% design drawings are due by the end of the year.

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

Mr. Rolan next reported that the City is in the process of negotiating the fee with the Design Builder for Component 2, which is primarily the engineering fee to design the NEWPP expansion.

NORTHEAST TRANSMISSION LINE (THE "NETL") PROJECT UPDATE

Mr. Rolan next reported that design is proceeding forward on the two (2) 108-inch (108") sections of the NETL and a 54-inch (54") interconnect line. Mr. Rolan further informed the Board that acquisition of the necessary right-of-way easements is proceeding forward on several

segments of the line and that City Council awarded funds for the design of five (5) additional sections of the NETL, including one (1) 120-inch (120") section, and four (4) 108-inch (108") sections.

REGULAR AGENDA

APPROVAL OF MINUTES

The Board next considered approval of the minutes of the November 7, 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 November 7, 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 October 31, 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.

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, 2016

Mr. Schindewolf then noted that Tab 9 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, 2016, and recommended that the Board engage McGrath & Co. to prepare the audit report. 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 engage McGrath & Co. to prepare the Authority's audit report for the FYE December 31, 2016, and to authorize the execution of the McGrath & Co. engagement letter, a copy of which is attached hereto.

APPROVE AND AUTHORIZE EXECUTION OF ALTERNATIVE WATER USE INCENTIVE AGREEMENT (THE "INCENTIVE AGREEMENT") WITH HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 92 ("HCWCID NO. 92")

Mr. Evans noted that Tab 10 of the meeting packet includes the proposed Incentive Agreement with HCWCID No. 92. Mr. Evans explained that the Board had previously adopted a Resolution Adopting an Amended Effluent Reuse and Other Alternative Water Use Incentive Program, which is an incentive program for alternative reuse water projects. Mr. Evans further

explained that HCWCID No. 92's reuse project includes installation of a water reuse system for use at the district's Wastewater Treatment Plant.

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 Alternative Water Use Incentive Agreement with HCWCID No. 92, a copy of which is attached hereto.

APPROVE AUTHORITY'S 2016 HOLIDAY SCHEDULE

Mr. Schindewolf explained reported that the proposed 2017 Holiday Schedule for the Authority's employees is included behind Tab 11 of the meeting packet, a copy of which is attached hereto. Mr. Schindewolf noted that the schedule basically tracks the schedule that was adopted by the Harris County Commissioners Court for 2017. 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 2017 Holiday Schedule.

CONFIRM UPCOMING MEETING DATES


Director Rendl then informed the meeting attendees that the Authority's next regular meeting will be held on Monday, January 9, 2017, at 6:00 p.m. at the Authority's office.

PUBLIC COMMENTS

Mr. Schindewolf stated that there were no public comment cards.

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

PASSED, APPROVED AND ADOPTED this 9th day of January, 2017.


Secretary, Board of Directors

