

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

November 21, 2022

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 6:15 p.m. on Monday, the 21st day of November, 2022, 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: Directors-elect Mark Ramsey, David Barker and Melissa Rowell; Mr. Jun Chang, P.E., D.WRE, General Manager for the Authority; Mr. Mark Evans, Director of Planning and Governmental Affairs for the Authority; Mr. Doug Haude, P.E., Construction Manager for the Authority; Ms. Cynthia Plunkett, Finance Director for the Authority; Ms. Lisa Sagstetter, Communications and Community Relations Manager for the Authority; Ms. Kibriana Bonner, Administrative Assistant to the Authority; Mr. John Howell, of The GMS Group, L.L.C., co-financial advisor to the Authority; Messrs. Philip Topek and Mike Baugher of AECOM Technical Services, Inc., Program Manager for the Authority; Mr. Carlton McDevitt of Inframark, LLC ("Inframark"), operator for the Authority; Mr. Jon D. Polley, attorney, and Ms. Alison Miller, paralegal, of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), general counsel and co-bond counsel for the Authority. Other members of the public and consultants to the Authority were also present at the meeting. Copies of the public sign-in sheets 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.

BUDGET WORKSHOP, INCLUDING REVIEW AND DISCUSSION OF THE PROPOSED BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2023 (THE "2023 BUDGET"), AND REVIEW AND DISCUSSION OF THE PROPOSED 2023-2027 CAPITAL IMPROVEMENT PLAN (THE "2023-2027 CIP")

Director Rendl stated a public hearing will not be required this year, as the surface water and pumpage fees will be unchanged in 2023. Director Rendl then stated that tonight's workshop meeting will consist of a review of the proposed 2023 Budget and a review of the proposed 2023-2027 CIP.

2023 BUDGET WORKSHOP

Mr. Chang then explained that the proposed 2023 Budget was developed by the Authority's staff members, working with various representatives of the Authority's consultant team. Mr. Chang went on to explain that the goal was to develop a fiscally sound budget that was, at the same time, comprehensive enough to efficiently and properly operate and maintain the Authority's 2010 Surface Water Transmission and Distribution System (the "2010 System") in conformance with all local, state and federal regulations, to remain in compliance with the Authority's updated Groundwater Reduction Plan, and to continue the planning and development process for the Authority's 2025 Surface Water Conversion Program.

Ms. Plunkett then presented an overview of the proposed 2023 Budget, including the Operating Budget Planning Report and the various revenue and expense items included in the proposed 2023 Budget. A complete copy of the 2023 Budget Workshop packet is attached hereto. Ms. Plunkett noted that the Authority's earned interest amount is budgeted conservatively due to the unpredictable future interest rates and the decreasing capital fund balances. Ms. Plunkett then stated that she has worked with Mr. Howell to review the Authority's debt service requirements and rates. Ms. Plunkett also stated that due to additional interest earnings and increased revenue from water usage, Mr. Howell does not recommend an increase in the surface water and pumpage fees for 2023. Ms. Plunkett then stated that the Authority's expenses have been budgeted to include contingency amounts to allow for unforeseen circumstances. Ms. Plunkett next stated that the debt service expenses represent projected bond payments and that the total principal amount of bonds outstanding is \$1.9 billion. Mr. Chang stated that he wants to emphasize the \$1.9 billion in outstanding bonds and note that amount exceeds the current budget.

Mr. Chang then provided an overview of the Authority's infrastructure and reviewed the 2023 Operation and Maintenance ("O&M") budget and expense items reflected in the proposed 2023 Budget, as outlined in the attached PowerPoint presentation. Mr. Chang informed the Board that the Authority's total O&M costs are projected to be \$22,402,130 for 2023 which is a 4.1% decrease from the O&M expenses that were budgeted for 2022. Mr. Chang further stated that 77.9% of the proposed 2023 O&M Budget will be used for funding the Authority's water purchase costs from the City of Houston (the "City"). Mr. Chang went on to explain that several of the key considerations in developing the proposed 2023 Budget included providing for an anticipated increase in the volume of water purchased from the the City, an anticipated increase in the City's O&M rate, increased physical monitoring of the Authority's distribution system, projected increases in costs of utilities, chemicals, operations, regulatory fees, water sampling/monitoring and maintenance/repairs and the potential impact of supply chain issues.

Ms. Plunkett then went on to review the Administrative Expenses reflected in the proposed 2023 Budget. Ms. Plunkett explained that the Authority's total Administrative Expenses are projected to be \$4,293,868 for 2023. Director Fessler asked if the special consultant for water quality issues is included in the Administrative Expenses. Mr. Chang stated that item is not included in the Administrative Expenses and further explained the engineering services line item included in the Administrative Expenses would be for non-capitalizable engineering services..

Ms. Plunkett noted that the Legal Services budget has been increased from \$212,500 to \$272,500 due to the pending legal issues with the NEWPP Expansion project. Ms. Plunkett also noted the Legislative Consultant budget is based on the current 2-year contract period.

Ms. Plunkett next noted that the Communications Services budget line item has been decreased from \$370,493 for 2022 to \$130,268 for 2023. Mr. Chang stated that the amount has been decreased because the Authority's communications services are moving in-house.

Ms. Plunkett next reviewed the Management Services budget line item and stated that it is projected to be \$3,250,600 for 2023, increased from \$3,106,792 for 2022.

Ms. Plunkett then stated that the Miscellaneous Services line item includes mapping, election expenses and unforeseen needs not included in the Management Services line item. Ms. Plunkett noted that the decrease from 2022 is due to election expenses that will not occur in 2023.

Ms. Plunkett concluded her remarks by reporting that the proposed 2023 Budget reflects total projected revenues of \$119,300,000 and total projected expenses of \$124,419,006.

Director Rendl reminded the meeting attendees that the Authority did not increase its surface water and pumpage fees for 2022 and has been able to maintain the same rates for 2023. Director Rendl stated that he would like to congratulate the Authority staff on controlling costs and meeting the Authority's obligation to customers by keeping the price of water as low as possible for as long as possible.

Ms. Rowell asked about the addition of facility insurance to the Management Services budget line item. Ms. Plunkett stated that the Al Rendl Regional Pump Station will be coming online next year and will need to be insured.

REVIEW OF PROPOSED 2023-2027 CIP

Mr. Chang then stated that this is the 21st CIP to be developed by the Authority and then called on Mr. Baugher to review the proposed 2023-2027 CIP, as outlined in the attached PowerPoint presentation.

Mr. Baugher explained that the proposed 2023-2027 CIP focuses on the development and expansion of the infrastructure needed to enable the Authority to meet the Harris Galveston Subsidence District ("HGSD") 2025 surface water conversion mandate. Mr. Baugher further explained that the 2023-2027 CIP includes, but is not limited to the following items: 1) complete the infrastructure required to enable the Authority to meet the HGSD's 2025 conversion requirement; 2) provide funding for the Authority's share of the cost for the major expansion of the NEWPP; 3) pay the Authority's portion of the project costs for the Luce Bayou Interbasin Diversion Project; 4) facilitate projects to meet the HGSD 2035 conversion requirement; and 5) identify and purchase sites for future Authority facilities.

Mr. Baugher next explained that it will cost approximately \$1.248 billion to implement the Authority's 2023-2027 CIP, \$19 million of which will be funded from proceeds of the Authority's prior bond issues, capital contributions and interest earnings and \$616 million of which will likely be funded through the TWDB's SWIFT program. Mr. Baugher added that

approximately \$14 million of "Other" funding will be provided by other entities via cost sharing agreements and the remaining \$598 million will be funded through sources to be determined in the future.

Mr. Baugher then reviewed the major projects that are part of the 2023-2027 CIP.

Director Rendl asked if the Authority plans to use over-conversion credits in the future to meet the HGSD's 2025 conversion requirement. Mr. Baugher stated that the Authority has been banking over-conversion credits over the years and has always planned to use the over-conversion credits in years the Authority is unable to meet the HGSD's 2025 conversion requirement through surface water usage. Mr. Baugher then stated that the over-conversion credits are a necessary part of the Authority's conversion plan. Mr. Baugher further stated that all of the projects included in the 2023-2027 CIP will be in design, under construction or in the acquisition phase over the next 5-year period. Director Rendl stated that there will be approximately 25 utility districts coming online to receive surface water from the Authority in the next five (5) years. Director Pulliam asked if it would be possible for Jersey Village to request to be included in the Authority's system, since they previously declined to participate. Mr. Baugher stated that the lines are not oversized and that Jersey Village would likely not be able to be serviced from the lines as they are designed today.

A member of the audience addressed the Board and thanked the outgoing Directors for their service to the Authority, as well as Director Rendl for his endless hours of providing education regarding the Authority's goals.

Mr. Jerry Homan, General Manager of Harris County Freshwater Supply District No. 61, addressed the Board and stated that he recalls the City asking to accelerate the timeline for the Hardy Road waterline. Mr. Chang stated that the City did request that the timeline for the Hardy Road waterline project to be moved up and that the Authority complied with moving the timeline up because the project costs are being shared with the City, which will save the Authority up to \$8 million. Mr. Chang further stated that the cost sharing agreement was drafted and sent to the City, but the Authority has not heard back from the City.

Mr. Chang stated that the 2023 Budget and 2023-2027 CIP will be considered for adoption and approval at the December 5th regular Board meeting. Mr. Chang noted that a public rate hearing will not be held this year because the surface water and pumpage rates are not changing.

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted Board's next regular meeting will be held on Monday, December 5, 2022, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 9th day of January, 2023.

Ron Gules

Secretary, Board of Directors

(AUTHORITY SEAL)

