

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 5, 2022

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 5<sup>th</sup> day of December, 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:

Kelly P. Fessler	Vice President
Ron Graham	Assistant Secretary
David Barker	Director
Mark Ramsey	Director
Melissa Rowell	Director

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: 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. Mike Baugher of AECOM Technical Services, Inc., Program Manager for the Authority; Mr. Carlton McDevitt of Inframark, LLC, operator for the Authority; Mr. John Howell, of The GMS Group, L.L.C., co-financial advisor to the Authority; Mr. Jon D. Polley, attorney, and Ms. Alison Miller, paralegal, of Radcliffe Bobbitt Adams Polley PLLC, 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.

CALL TO ORDER

Director Fessler called the meeting to order. Pastor James Buntrock delivered an invocation. Director Barker led the meeting attendees in the Pledges of Allegiance.

SUPPLEMENTAL NOTICE OF PUBLIC MEETING, INCLUDING SWEARING IN OF NEW DIRECTORS BY THE HONORABLE DR. TOM OLIVERSON

Dr. Oliverson administered the oaths of office for Directors Fessler, Graham, Barker, Ramsey and Rowell, each of whom then executed their oaths of office and statements of elected officers.

Mr. Polley then declared Directors Fessler, Graham, Barker, Ramsey and Rowell qualified to serve on the Board. Mr. Polley next explained that that pursuant to Section 2.02(d)(2)(A) and (B) of the Act creating the Authority, the candidates are required to draw lots to determine their terms of office so that two (2) Directors serve two (2) year terms until the biennial Directors Election in 2024, and three (3) Directors serve four (4) year terms until the biennial Directors Election in 2026. The drawing of lots was then conducted and the results of such drawing are as follows: Directors Graham, Rowell and Barker will serve four (4) year terms of office expiring in 2026 and Directors Fessler and Ramsey will serve two (2) year terms of office expiring in 2024.

### ELECTION OF OFFICERS

Director Rowell nominated Director Ramsey as Board President. Upon motion by Director Rowell, seconded by Director Ramsey, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Ramsey as Board President.

Director Barker nominated Director Rowell as Board Vice President. Upon motion by Director Barker, seconded by Director Rowell, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Rowell as Board Vice President.

Director Ramsey nominated Director Barker as Board Treasurer. Upon motion by Director Ramsey, seconded by Director Barker, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Barker as Board Treasurer.

Director Fessler nominated Director Graham as Board Secretary. 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 elect Director Graham as Board Secretary.

Director Graham nominated Director Fessler as Board Assistant Secretary. Upon motion by Director Graham, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Fessler as Board Assistant Secretary.

### PUBLIC COMMENT

Director Ramsey stated that a public comment card was received from Mr. Jim Pulliam. Mr. Pulliam read a statement regarding his time as a Director of the Authority. Mr. Pulliam thanked Mr. Al Rendl, Mr. Len Sigler and Directors Fessler and Graham for serving with him on the Board for 20 years. Mr. Pulliam then thanked the Authority staff and consultants for all of their hard work on the Authority over the years.

Director Ramsey then stated that a public comment card was received from Mr. Jerry Homan, General Manager of Harris County Freshwater Supply District No. 61. Mr. Homan addressed the Board and stated that the Water Users Coalition wants to see success with the Authority and is available to help and offer support in any way. Mr. Homan then thanked the outgoing Directors for their hard work and years of service to the Authority. Mr. Homan stated that the Authority would not be where it is now without the previous Directors.



Ms. Cynthia Case then addressed the Board thanked the incoming and outgoing Directors for their work on the Authority. Ms. Case stated that she appreciates the work of the Authority and the work the Authority is doing does not go unnoticed.

Mr. Nick Fava of Bammel Utility District addressed the Board and stated that he has attended every Authority meeting since its inception. Mr. Fava congratulated the incoming Directors and thanked the outgoing Directors. Mr. Fava stated that Bammel Utility District will support the Authority in any way.

#### INTRODUCTIONS AND MESSAGES FROM PRESIDENT AND BOARD MEMBERS

Director Graham stated that he has served on the Board for 20 years and enjoyed serving the Authority. Director Graham then stated that he is looking forward to continuing to serve and work with the new Directors.

Director Fessler stated that it has been an honor to serve the Authority. Director Fessler then stated that the Board may not always vote the same way on issues, but that he will do his best to serve his constituents.

Director Rowell thanked her constituents for their support and votes. Director Rowell stated that she has lived in Voting District No. 3 of the Authority since 1993. Director Rowell reviewed her background and biography. Director Rowell stated that she cares about the future of the water supply as well as the need to have affordable water. Director Rowell further stated that she plans to represent her constituents well and fight for their best interests. Director Rowell also stated that she is looking forward to working with the Board, Authority staff and consultants.

Director Barker stated that he has lived in Voting District No. 2 since 2000 and he did not know about the Authority until he decided to run for the Board. Director Barker then stated that he would like the community to know more about the Authority and make it more transparent. Director Barker further stated that he is looking forward to serving on the Board and being of service to his constituents.

Director Ramsey stated that he has lived in Voting District No. 4 since before the Authority existed. Director Ramsey thanked everyone for attending tonight's meeting stated that he appreciates everyone that was active during the Authority's recent election. Director Ramsey also thanked the current and outgoing Directors for all of the work they have done over the last 20 years and stated that a lot of hard work has been accomplished. Director Ramsey reviewed his biography. Director Ramsey stated that he would like to set the record straight that none of the challenger candidates ran for the Authority Board to "blow up the system," but rather to bring a fresh perspective to the Authority. Director Ramsey also stated that he hopes to be more communicative with Authority customers and improve communication, as well as listen to utility districts. Director Ramsey then stated that one of his goals is to improve the Authority's accountability.

## DISCUSSION ITEMS

### FINANCIAL IMPACT OF 2022 DROUGHT

Director Ramsey asked Ms. Plunkett to provide an overview on any impact to revenues and expenses in relation to the drought this year. Ms. Plunkett stated that the drought did cause a financial impact and Mr. Chang would be presenting more information. Mr. Chang reviewed a presentation regarding the impact of the 2022 drought and compared the Authority's water usage from 2021 to 2022. Mr. Chang stated that there was a 14% increase in water usage from 2021 to 2022 even with restrictions from the City on how much surface water the Authority could take from the Northeast Water Purification Plant. Director Barker asked about the impact when the Authority cannot meet the Harris Galveston Subsidence District's ("HGSD") surface water conversion requirements. Mr. Chang stated that the Authority is able to use accumulated over-conversion credits to meet the HGSD's surface water conversion requirements when the Authority has not taken enough surface water during a permit year. Mr. Chang then reported that the groundwater usage increased by 30% in 2022 from 2021, which has increased the Authority's projected revenue. Mr. Chang noted that this increase in revenue is the primary reason that a surface water and pumpage fee increase was not recommended for 2023.

### PRIOR AUDITS AND ACTIONS

Director Ramsey stated that he would like to know the results of prior audits over the last five (5) years. Ms. Plunkett stated that McGrath & Co., PLLC ("McGrath") has prepared the annual audit report over the last five (5) years, and all of the audits have had clean unqualified opinions. Ms. Plunkett explained that McGrath is the Authority's lead auditor and that McCall Gibson Swedlund Barfoot PLLC ("MGSB") reviews the audit and prepares an agreed-upon procedures report so that the Authority has a certified public accountant reviewing the Authority's financial statements. Director Rowell asked if the Authority has ever received proposals from other auditing firms. Ms. Plunkett stated that the Authority has not solicited proposals from auditors in a long time. Mr. Polley then reviewed requirements of the Professional Services Procurement Act.

### PAYMENT TO HARRIS COUNTY FOR 2020 ELECTION

Director Ramsey stated that he recalls it was discussed at a previous Board meeting that the Authority overpaid Harris County (the "County") for joint election services related to the Authority's 2020 election. Director Ramsey then stated that he would like to know how that happened and what the Authority can do to get the overpayment back. Mr. Polley stated that the Authority had three (3) voting districts up for reelection in 2020 and two (2) voting districts were able to cancel their election because they were uncontested, but Harris County still required the Authority to pay the full joint election costs as if all three (3) voting districts were contested. Director Ramsey asked if the Authority tried to negotiate or sue the County to receive a refund. Mr. Polley stated that the Authority did not sue the County and that if the Board wishes to discuss the matter further, he suggests the discussion occurs in executive session.



## REPORTING ON ALL AUTHORITY CASH BALANCES

Ms. Plunkett reviewed all of the Authority's funds and provided details on the types of funds and uses of and restrictions on each fund. Discussion ensued regarding the Authority's various accounts.

## REPORT ON LAKE HOUSTON AS SINGLE POINT OF WATER SUPPLY, INCLUDING AVAILABLE WATER VOLUME, RELIABILITY AND COMPARISON WITH OTHER MAJOR METRO AREAS RELYING ON SURFACE WATER

Mr. Chang reported that Lake Houston is owned by the City and operated/maintained by the Coastal Water Authority, and is a surface water supply reservoir from the San Jacinto river basin. Mr. Chang stated that Lake Houston is used by the City as a surface water source for the Northeast Water Purification Plant ("NEWPP") and also provides untreated water for industrial and agricultural customers along the Ship Channel and west canal. Mr. Chang then stated that between the current NEWPP and future expansion project, the plant is sized for the ultimate capacity of 450 million gallons per day. Mr. Chang further stated that due to the Luce Bayou Interbasin Transfer project, as long as the Trinity River has enough water, then Lake Houston will have enough water and he does not anticipate any future issues with water level.

## REPORTS

### REPORT ON STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

Mr. Chang stated that he had nothing to report regarding communications.

### GENERAL MANAGER'S REPORT

Mr. Chang then stated that he had nothing further to report regarding the General Manager's Report.

### PROGRAM MANAGER'S REPORT

Mr. Chang reported that the Authority used 25.1 MGD of alternative water in November and 28.1 MGD of alternative water in October. Director Ramsey asked how many over-conversion credits the Authority has and if they ever expire. Mr. Chang stated that the over-conversion credits do not expire and that only a small amount of the type B educational credits have expiration dates. Mr. Baugher stated that the Authority has approximately 10 billion gallons of over-conversion credits, which are issued for any amount the Authority exceeds the 30% surface water conversion rate.

### CONSTRUCTION MANAGER'S REPORT

Mr. Haude presented the Construction Manager's Report to the Board. Mr. Haude reported that the Al Rendl Regional Pump Station has a completion date of summer 2023 and the Jimmie Schindewolf Regional Pump Station has an estimated completion date of summer 2023. Mr. Haude provided an update on both pump station projects. Mr. Haude next provided an

update on the Authority's surface water transmission and distribution system, including the 25 and 28 series projects. Director Ramsey asked if the Authority has any control over operations handled by the City. Mr. Chang stated that the Authority does not have any control over the City operator, but Inframark handles the Authority's operations and can answer questions from the Board. Mr. Chang further stated that Inframark sends out a daily operating report, which can be forwarded to any Directors that would like to be included. Director Ramsey stated that he would like to receive the daily operations report going forward.

Director Ramsey then recessed the meeting for a 10-minute break.

Director Ramsey next reconvened the meeting.

Director Rowell asked if the Authority has a hydrologist on staff. Mr. Chang stated that the Authority does not employ a hydrologist. Director Rowell then asked why the recent boil water notice from the City did not go on the Authority's website in a timely manner. Mr. Chang then explained the timeline of receiving information from the City regarding the boil water notice.

#### ACTION ITEMS

#### APPROVAL OF MINUTES

The Board considered approval of the minutes of the November 7, 2022 regular meeting. 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 the minutes of the November 7, 2022 regular meeting, as written.

#### ESTABLISH COMMITTEE FOR WATER DISTRICT INPUT

Director Ramsey stated that it is the prerogative of any chairman to setup a special committee and he received feedback from the utility districts that they would like an additional input mechanism to the Authority. Upon motion by Director Barker, seconded by Director Rowell, after full discussion and the question being put to the Board, the Board voted unanimously to establish a committee for water district input.

Director Fessler stated that the Water Users Coalition is a mechanism for utility districts to provide input for the Authority and asked why another committee is needed. Director Ramsey stated that he received feedback from the utility districts that they would like an additional input mechanism to the Authority.

#### FINANCE DIRECTOR'S REPORT, INCLUDING APPROVE PAYMENT OF BILLS, ISSUANCE OF CHECKS, REVIEW BUDGET COMPARISON, AND REPORT ON STATUS OF PAYMENTS OF QUARTERLY PUMPAGE FEES

Ms. Plunkett 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, 2022, a copy of which is attached hereto.



Director Rowell asked about the terms of the Bresnen Associates contract and if there is a 30-day termination clause. Ms. Plunkett stated that the contract is for a 2-year term, which just started. Mr. Polley stated that he does not recall the specifics of the contract but he would look into the terms.

Director Barker asked how many real estate acquisitions are in process at any given time. Mr. Paul Vining of AECOM stated that the number of acquisitions varies at any given time and is dependent on the property owners and the project routes. Mr. Vining then stated that the Authority does a very good job of working with property owners on property acquisition to try to avoid the high cost of condemnation.

Director Rowell asked about the payment to CenterPoint Energy ("CenterPoint") for gas line relocation that is included in tonight's checks. Mr. Chang explained that CenterPoint does not allow the Authority's contractors to relocate CenterPoint utility lines, and the check for approval tonight is related to Project 31F, which will require the relocation of a CenterPoint gas line. Mr. Chang stated that if the relocation cost was below \$50,000 he would be able to approve the cost pursuant to the Authority's Procedural Rules, but since the cost in this case is above \$50,000, the Board has to approve the cost. Director Rowell stated that she thinks \$50,000 is a high cost to move gas lines and asked if the Authority could move the water line route so that the gas line did not have to be relocated. Mr. Chang stated that moving the water line would cost a great deal more than \$50,000 and that relocation of other utilities was taken into consideration in the routing study.

Upon motion by Director Graham, seconded by Director Fessler, 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.

AUTHORIZE PAYMENT TO CENTERPOINT ENERGY FOR GAS LINE RELOCATION  
RELATED TO PROJECT 31F

Upon motion by Director Fessler, seconded by Director Barker, after full discussion and the question being put to the Board, the Board voted unanimously to authorize payment to CenterPoint Energy in the amount of \$52,550.00 for gas line relocation related to Project 31F.

APPROVE 2023 HOLIDAY SCHEDULE

Director Rowell asked how many vacation days and sick days the Authority staff receive. Mr. Chang stated that vacation and sick days are dependent upon the number of years an employee has been employed with the Authority. Mr. Chang further stated that the Authority currently has 10 full time staff members and one (1) part time staff member. Director Barker stated that he finds the holiday schedule to be very generous and the Authority staff is lucky to receive that many vacation days. 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 the 2023 holiday schedule.

Director Ramsey then suggested tabling the remaining action items on the agenda until the December 19<sup>th</sup> special Board meeting. Upon motion by Director Barker, seconded by Director Rowell, after full discussion and the question being put to the Board, the Board voted

unanimously to table the remaining action items on the agenda to the December 19<sup>th</sup> special Board meeting.

Mr. Chang then suggested appointing the Investment Officer since they are required to sign the investment report.

#### APPOINTMENT OF INVESTMENT OFFICER

Director Fessler stated that the Investment Officer is required to attend an investment training every two (2) years and has typically been the Treasurer of the Board. Mr. Polley stated that the water code requires that the Board appoint an Investment Officer and that the individual would work with Ms. Plunkett and the Authority's investment advisor to consult on the Authority's investments. Upon motion by Director Ramsey, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Director Barker as Investment Officer.

Director Rowell then stated that she would like to hear from McGrath and MGSB since they are in attendance at tonight's meeting. Director Fessler agreed.

#### ENGAGEMENT OF MCGRATH & CO., PLLC ("MCGRATH") FOR PREPARATION OF AUDIT REPORT FOR THE FISCAL YEAR ENDING ("FYE") DECEMBER 31, 2022

Mr. Tim Applewhite of McGrath addressed the Board and provided an overview of preparation of the Authority's annual audit reports. Mr. Applewhite stated that he is happy to meet with any new Directors to discuss previous audits. Mr. Applewhite explained that after McGrath completes the Authority's audit, the audit is provided to McCall Gibson Swedlund Barfoot PLLC ("MGSB") to review because the Authority does not have a certified public accountant on staff. Mr. Applewhite stated that during preparation of the audit, McGrath is looking for material misstatements, misclassifications and reviewing and testing bond covenants to ensure compliance. Director Ramsey asked if McGrath is comparing the Authority's operations against other water authorities or bringing up any efficiency issues. Mr. Applewhite stated that reviewing operations is not something that an auditor would typically do, but that if he saw something of note he would bring it up to Ms. Plunkett.

#### ENGAGEMENT OF MGSB FOR PREPARATION OF POST-AUDIT AGREED-UPON PROCEDURES ("AUP") REPORT FOR THE FYE DECEMBER 31, 2022

Mr. Brian Toldan of MGSB addressed the Board and stated that McGrath has to issue a management letter with the Authority's audit because the Authority does not have a certified public accountant on staff, which is considered a material weakness. Mr. Toldan further stated that having MGSB review the audit and financial statements, the Authority is able to eliminate the material weakness letter.

Director Rowell stated that she would like to consider engagement of McGrath and MGSB at tonight's meeting since their representatives are in attendance. Director Ramsey stated that he would like to postpone consideration until the December 19<sup>th</sup> special Board meeting.



Upon motion by Director Rowell, seconded by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to amend the postponement of all of the action items on the agenda and consider engagement of McGrath and MGSB.

Upon motion by Director Fessler, seconded by Director Rowell, 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 Ramsey voting in opposition, to engage McGrath for preparation of the audit report for FYE December 31, 2022.

Upon motion by Director Fessler, seconded by Director Rowell, 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 Ramsey voting in opposition, to engage MGSB for preparation of the post-audit AUP Report for FYE December 31, 2022.

#### SCHEDULE SPECIAL BOARD MEETING

Upon motion by Director Barker, seconded by Director Rowell, after full discussion and the question being put to the Board, the Board voted unanimously to schedule a special Board meeting on Monday, December 19, 2022 at 6:00 p.m.

#### CONFIRM UPCOMING MEETING DATE

Director Ramsey then confirmed the following meeting dates:

- Special meeting on Monday, December 19, 2022, at 6:00 p.m.
- Regular meeting on Monday, January 9, 2023, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 9<sup>th</sup> day of January, 2023.

  
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Secretary, Board of Directors

(AUTHORITY SEAL)

