

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 19, 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 6:00 p.m. on Monday, the 19<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:

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

All members of the Board were present except Director Graham, 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. Carlton McDevitt of Inframark, LLC, operator for the Authority; Ms. Monica Garza, 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 Rowell called the meeting to order and noted that tonight's meeting was being recorded. Ms. Tara Beulah delivered an invocation. Director Barker led the meeting attendees in the Pledges of Allegiance.

PUBLIC COMMENT

Director Rowell 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 wished everyone a Merry Christmas and Happy New year. Mr. Homan stated that he would like to encourage the Board to attend the Association of Water Board Directors Mid-Winter Conference in January, which is a great opportunity for education and networking. Mr. Homan then stated that he would like to highlight the Water Users Coalition,

which is a group independent of the Authority, and was started in order to unite utility districts to have a stronger voice. Mr. Homan asked that the Authority include the Water Users Coalition in any discussions that are held by the committee that was approved at last month's meeting.

Director Ramsey entered the meeting at 6:03 p.m.

#### MESSAGES FROM PRESIDENT AND BOARD MEMBERS

Director Ramsey stated that he would like to make clear to the meeting attendees that the new Directors are not trying to tear up the existing Authority and its mission. Director Ramsey then stated that there was a very clear bipartisan opinion in this area to lower the Authority's water rates and that the new Directors are committed to achieving that goal. Director Ramsey next stated that in his opinion, a governmental agency should not be scare mongering the public and it is not the role of a governmental agency to make the public fearful in any way. Director Ramsey also stated that he encourages everyone to change their focus and no longer use scare mongering tactics to accept exorbitant water rate increases.

Director Rowell stated that the voters spoke when they elected the new Directors to the Board and that they are working for Authority residents. Director Rowell then stated that she is going to review the subsidence studies and make it a goal to find a more affordable way to fund projects.

#### DISCUSSION ITEMS

##### PROCEDURE FOR APPROVAL OF EXPENDITURES UP TO \$50,000

Director Ramsey asked Mr. Chang to explain the approval process for Authority expenditures under \$50,000 that do not require Board approval. Mr. Chang stated that the Authority's procedural rules delegate authority to the General Manager to approve expenditures up to \$50,000 without seeking prior approval from the Board. Mr. Chang explained that this process is for efficiency and eliminates the need to come to the Board for approval for every single expenditure, and allows certain items to be handled quickly and/or immediately in some cases. Mr. Chang noted that this policy is an exact mirror of the policy used by the City of Houston (the "City"). Extensive discussion ensued regarding potential changes to the Authority's Procedural Rules and the General Manager's authority for approval of expenditures up to \$50,000. Mr. Chang volunteered that for the time being, he will notify the Board of expenditures in excess of \$25,000.

Ms. Garza stated that no action can be taken on this item at tonight's meeting because it was listed under discussion items on the agenda. Ms. Garza stated that an action item can be placed on the January 9<sup>th</sup> agenda.

## RATES FOR AUTHORITY FEES, INCLUDING IMPACT ON UNRESTRICTED FUND BALANCES OF \$0.50 AND \$1.00 REDUCTION IN RATES FOR SURFACE WATER AND GROUNDWATER PUMPAGE

Ms. Garza reviewed the process for enacting a change in the Authority's rates. Ms. Plunkett then reviewed the impact on the Authority's unrestricted fund balances and revenues if the Authority's rates are reduced.

Mr. Howell reviewed an analysis of the Authority's financial position in the event of a rate decrease. Mr. Howell noted that all of these scenarios are based on the information that we have right now and assuming no changes in the future. Mr. Howell stated that in his opinion, a \$0.50 rate decrease right now would likely not cause a larger rate increase in the future. Mr. Howell also stated that the Authority could likely decrease its rates by \$0.50 right now and have a constant rate through 2026, with a \$1.00 rate increase in 2027. Mr. Howell noted that he is more comfortable with a \$0.50 decrease as opposed to a \$1.00 decrease. Discussion ensued regarding the various potential impacts of a decrease to the Authority's rates.

## REPORTS

### OPERATOR'S SYSTEM REPORT, INCLUDING OPERATIONS ISSUES ENCOUNTERED IN 2022 AND ANTICIPATED IN 2023

Mr. Chang presented the Operator's System Report to the Board. Mr. Chang reported that the Authority's system is relatively young compared to the industry standard, but that the facilities are aging and there will be major repairs in the future. Mr. Chang stated that the Authority's biggest challenge over the last year was surface water availability for the City since the City has limited the amount of surface water available to the contracted amount. Mr. Chang then stated that the limit in surface water is why the Authority will fall below the surface water conversion mandate for the current permit year, but that the Authority has over-conversion credits that can be used to meet the regulatory requirements. Mr. Chang next stated that another issue the Authority has faced is development in technology and the conversions required to switch the Authority's facilities from 3G to 5G cellular service. Mr. Chang went on to report that in 2023, the Authority will continue migration from old to new SCADA systems and repairs to aging infrastructure are expected to increase. Mr. McDevitt stated that the Board can refer to operational expenditures from the previous year for an idea of proposed upcoming costs. Discussion ensued regarding various operational issues.

## LONG-RANGE PLANNING FOR REGULATORY COMPLIANCE

Mr. Chang then reviewed the Authority's plan for long-term regulatory compliance regarding service water conversion. Mr. Chang explained the process for obtaining and using over-conversion credits. Mr. Chang stated that the Authority has planned for potential deficits in surface water conversion in certain years and will use over-conversion credits to be in compliance.

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

Director Ramsey reconvened the meeting.



## PENDING LITIGATION/CONDEMNATION REPORT

Mr. Chang reported that there is no pending litigation on behalf of the Authority, but there is currently litigation between the City and its contractor for the Northeast Water Purification Plant expansion project.

Mr. Chang then reviewed the status of the Authority's condemnation cases and costs related to same. Mr. Chang stated that the real estate acquisition team can attend the next Board meeting to provide more details if the Board desires. Mr. Chang reported that the Authority has 15 projects involving 326 parcels, of which 65 parcels went to condemnation. Mr. Chang stated that of the 65 parcels that went to condemnation, 37 were settled before being assigned to commissioners and the remaining 28 parcels are pending. Director Barker asked why a statement was made at a previous Board meeting that the Authority was taking more property than it needed for a project. Mr. Chang stated that he cannot recall that statement being made and the Authority does not take more property than it needs for a project. Ms. Garza then reviewed the condemnation process. Discussion ensued regarding the condemnation process.

## LEGISLATIVE REPORT INCLUDING UPDATE ON 88<sup>TH</sup> TEXAS LEGISLATURE

Mr. Evans reviewed a summary of the 87<sup>th</sup> Legislative Session and provided an update on what can be expected during the upcoming 88<sup>th</sup> Legislative Session. Mr. Evans stated that the Authority monitors proposed legislation along with Mr. Steve Bresnen, the Authority's lobbyist, Mr. Jon Polley, the Association of Water Board Directors and the Texas Water Conservation Association. Mr. Evans then stated that the Authority is interested in any bills that might affect water supply policy, regional water planning, regulation of special districts and local governments, the State Water Implementation Fund for Texas, anything involving the City or the Texas Commission on Environmental Quality, as well as many other topics. Director Rowell asked if proposed bills are brought to the Board if the Authority is considering an opposing stance. Mr. Evans stated that the Authority monitors proposed legislation and will have conversations about the proposed bills and then discuss the matter with Mr. Chang to determine what the position of the Authority. Mr. Chang stated that it is his responsibility to bring a proposed bill to the Board if a policy decision needs to be made. Mr. Evans stated that Mr. Bresnen is invaluable to the Authority by being in Austin during legislative sessions. Director Ramsey asked if the Authority ever supports proposed legislation. Mr. Evans stated that if the Authority should be in support of a bill that has been filed, they will support that bill.

## ACTION ITEMS

### ADOPT RESOLUTION APPROVING AND IMPLEMENTING THE 2023-2027 CAPITAL IMPROVEMENT PLAN ("CIP")

Director Fessler made a motion, seconded by Director Ramsey, to adopt the Resolution Approving and Implementing the 2023-2027 CIP.

Discussion then ensued regarding the CIP, the length of time that should be reflected in the CIP and adoption of same.

Director Ramsey then called for a vote on Director Fessler's motion. Director Fessler voted in favor with Directors Ramsey, Barker and Rowell voting in opposition. The motion failed for lack of a majority vote.

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 adopt the Resolution Approving and Implementing CIP for 2023-2024.

#### ADOPT BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2023

Director Barker made a motion to table this item until more information can be provided.

Ms. Garza recommended adopting the budget at this time and then amending it at a later date if the Board desires. Ms. Garza stated that the Authority needs an adopted budget to for its operations after January 1, 2023.

Director Ramsey made a motion and Director Barker seconded, to adopt the same budget from the fiscal year ending December 31, 2022 for the fiscal year ending December 31, 2023.

Discussion ensued regarding various budget items and questions.

Director Ramsey called for a vote on his previous motion. Directors Ramsey, Fessler and Barker voted in favor with Director Rowell voting in opposition. The motion passed.

#### AUTHORIZE REMAINDER OF PAYMENT TO HARRIS COUNTY FOR JOINT ELECTION COSTS

Upon motion by Director Rowell, seconded by Director Barker, after full discussion and the question being put to the Board, the Board voted unanimously to table this item until the January 9<sup>th</sup> Board meeting.

#### AUTHORIZE EXECUTION OF PROFESSIONAL SERVICES AGREEMENT BY AND BETWEEN THE AUTHORITY AND THE TEXAS NETWORK, LLC

Upon motion by Director Rowell, seconded by Director Barker, after full discussion and the question being put to the Board, the Board voted unanimously to table this item until the January 9<sup>th</sup> Board meeting.

#### CONFIRM UPCOMING MEETING DATE

Director Ramsey then confirmed the next regular meeting will be held on Monday, January 9, 2023, at 6:00 p.m.

#### EXECUTIVE SESSION

Director Ramsey convened the Board in executive session at 9:45 p.m., pursuant to Section 551.074, Texas Government Code, regarding personnel matters. Directors Ramsey,

Rowell, Barker and Fessler, Mr. Chang, Ms. Garza and Ms. Miller remained in the executive session.

Director Fessler exited the meeting at 10:34 p.m.

RECONVENE IN OPEN SESSION

Director Ramsey then reconvened the meeting in open session at 11:23 p.m., at which time no action was taken.

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

PASSED, APPROVED AND ADOPTED this 23<sup>rd</sup> day of January, 2023.



Secretary, Board of Directors

(AUTHORITY SEAL)

