

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

September 11, 2023

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. 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, 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; Mr. Mike Baugher and Mr. Paul Vining 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; Tim Applewhite, of McGrath and Co., PLLC, auditor for the Authority; and Mr. Andrew P. Johnson, III, attorney, and Ms. Mirna Croon, paralegal, (via teleconference) of Johnson Petrov, LLP, general 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.

PUBLIC COMMENT

Mr. Bill Papp, of Harris County Water Control and Improvement District No. 132, addressed the Board regarding the Authority's meeting minutes and agendas.

Mr. Al Rendl, former Board member of the Authority, shared his thoughts regarding the Authority's business.

Mr. Tim Applewhite of McGrath and Co., PLLC addressed the comments made by Mr. Eubank at the August 24, 2023 meeting regarding the auditor selection process. Mr. Applewhite stated that the Board was provided with a letter rebutting every claim made by Mr. Eubank.

Mr. Jerry Homan, of Harris County Fresh Water Supply District No. 61, praised the Board's approval of the financing agreement with the Texas Water Development Board ("TWDB"). He also shared his thoughts regarding the auditor selection process, hydrologist engagement and other matters.

MESSAGE FROM PRESIDENT AND BOARD MEMBERS

Director Rowell shared her thoughts on the ways to address high water bills and reported on meetings she attended the previous month. Director Rowell challenged the MUD Directors to do like Westador MUD was doing and reach out to the homeowners with the top five (5) highest water bills.

Director Fessler noted that he has been very pleased with the duties performed by the Authority's two (2) auditing firms.

FINANCE DIRECTOR'S REPORT, INCLUDING MONTHLY FINANCIAL REPORT AND PAYMENT OF BILLS

The President 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, a copy of which is attached hereto.

Upon motion by Director Rowell, after full discussion and with all Directors present voting aye, the Board approved the Financial Report, and the checks being presented for payment.

ORDER AMENDING THE RATE ORDER

Mr. Howell reviewed the financial analysis related to the long-term effects of reducing water rates/pumpage fees on the Authority's budget. It was noted that based on the projections, the Authority can lower the rate by \$0.50 without immediate negative impact to the Authority's finances. Discussion ensued after which upon motion by Director Ramsey, after full discussion and with Directors Ramsey, Rowell and Barker voting aye, and Directors Fessler and Graham voting nay, the Board reduced surface water rates from \$4.55 to \$4.05 per 1,000 gallons and groundwater pumpage fees from \$4.10 to \$3.60 per 1,000 gallons. The Board then agreed that the new rates will go into effect October 1, 2023.

OPERATOR'S REPORT, INCLUDING MAJOR ISSUES AFFECTING OPERATIONS DURING PRIOR MONTH AND ANTICIPATED ISSUES IN COMING MONTHS

Mr. McDevitt reported that the main issue last month was high water demand due to hot temperatures. The City of Houston has been providing approximately 1.5 million gallons of water per day more than the contracted amount. In future months after full operations are commenced at the Northeast Water Purification Plant (the "NEWPP"), the challenge will be to find enough demand to keep the water moving sufficiently to maintain water quality.

CONSTRUCTION/ENGINEERING UPDATES

The Board received updates on the NEWPP expansion project from Doug Haude, the Authority's projects, and a map of all municipal utility districts currently on surface water.

The Board took a recess from 7:32 p.m. to 7:47 p.m.

GENERAL MANAGER'S REPORT

Mr. Chang discussed Harris County MUD Nos. 514 and 578's proposal to join the Groundwater Reduction Plan ("GRP"). Mr. Michael Koska, of Friendswood Development Company, answered questions from the Board about the proposed development. Mr. Chang then asked the Board for direction on the collection of the Capital Recovery cost and to authorize him to negotiate a GRP agreement with Harris County MUD Nos. 514 and 578. Director Rowell asked if the board would have a chance to see the agreement, Mr. Chang responded that the negotiated agreement would be presented to the Board for approval at the next meeting.

Upon motion by Director Barker, seconded by Director Fessler, after full discussion and with all Directors present voting aye, the Board authorized Mr. Chang to negotiate the agreement, with an upfront Capital Recovery fee rather than a per 1,000 gallons add-on rate, and to present the agreement for approval at a future Board meeting.

The Board discussed the reasons for engaging a hydrogeologist, and the desire of hearing the Hydrogeologist's plan to investigate groundwater availability in the Authority's service region. Mr. Johnson explained that the Lone Star Groundwater Conservation District had requested assistance from the Authority in engaging a hydrogeologist. He also noted that determining if there is an alternate source of water available at a lower cost could reduce the Authority's future expenditure. One way to do this is to evaluate how much groundwater could be extracted without adversely impacting the aquifers or subsidence, and to prepare a study regarding the same. Mr. Chang stated that the estimated cost of the study could be more than \$2 million.

The Board discussed this extensively. Next, upon motion by Director Barker, after full discussion and with Directors Ramsey, Barker, and Fessler voting aye, and Directors Graham and Rowell voting nay, the Board authorized the General Manager to proceed with a RFQ with the understanding that if a full study is needed to determine groundwater availability in the region, the cost of the study shall not exceed \$2million.

Next, Mr. Chang then recommended the Board award the bid for Project 31E to the low bidder, EP Brady.

Upon motion by Director Fessler, seconded by Director Rowell, after full discussion and with all Directors Rowell, Graham and Fessler voting aye, and Directors Ramsey and Barker voting nay, the Board awarded the Project 31E project to EP Brady, as recommended by the General Manager.

Next, upon motion by Director Ramsey, after full discussion and with all Directors present voting aye, the Board tabled all remaining agenda items until the next meeting except for agenda related to the Drought Contingency Plan, Public Comment and Next Meeting Date.

The Board discussed the Drought Contingency Plan ("DCP") and the many inquiries they had received about Stage 2 of DCP. Mr. Chang explained that the Authority must enter Stage 2 of DCP if water demand exceeds supply for five consecutive days, or if the City of Houston triggers Stage 2.

Director Ramsey raised the issue of some municipal utility districts having their own wells and no water supply issues, even in this extended drought. However, because of the Authority's rules, they must impose water restrictions on their residents. He pointed out that some flexibility is needed, at least for utility districts who can supply the water.

There was extensive discussion about the effects of water restrictions on residential homes, trees, and landscaping. It was noted that Stage 2 of DCP terminates when either the Authority's demand does not exceed more than 100 percent of water supply for five consecutive days, or the City of Houston ends Stage 2 DCP.

The Board then discussed amending the DCP to decouple it from the City of Houston's DCP. Mr. Johnson proposed drafting language for this purpose.

Upon motion by Director Barker, after full discussion and with all Directors present voting aye, the Board authorized Johnson Petrov and the Authority's staff to revise the DCP, which would be presented for public input at the October 2, 2023 meeting, and the final DCP would be presented for approval at the November 6, 2023 meeting.

NEXT MEETING DATE

The Board agreed to schedule its next regular meeting for October 2, 2023.

PUBLIC COMMENT

The President then recognized several members of the public who had previously spoken, to share their thoughts on the Authority's business.

ADJOURNMENT

With no additional matters to discuss, the meeting was adjourned at 9:50 p.m.

[EXECUTION PAGE FOLLOWS]

PASSED, APPROVED AND ADOPTED on 2nd day of October, 2023.


Secretary, Board of Directors

