

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 4, 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:

Melissa Rowell	President
Kelly P. Fessler	Vice President
Ron Graham	Secretary
David Barker	Treasurer
Mark Ramsey	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. Kassandra Medina, Administrative Assistant 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; 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.

CALL TO ORDER

Director Rowell, Board President, called the meeting to order.

Director Rowell led the meeting attendees in the Pledges of Allegiance to the United States and Texas flags.

PUBLIC COMMENT

Mr. Jerry Homan, of Harris County Fresh Water Supply District No. 61, commented on the Authority's meeting structure, rate reductions and budget.

Mr. Nick Fava, of Bammel Utility District, shared his views about the Board and the allotted time for public comment.

Mr. Bill Papp, of Harris County Water Control and Improvement District No. 132, opined about the allotted time for public comment and an auditor engagement process.

Director Rowell stated that the Authority's established public comment policy has not changed, remaining at two minutes per speaker. She expressed receptiveness to extending it to three minutes.

MESSAGE FROM PRESIDENT AND BOARD MEMBERS

Director Fessler stated that he asked the General Manager to draft a revised public comment policy extending the speaking time to three minutes, which the Board will examine at their next meeting.

Director Rowell informed the public about the Montgomery County Water Symposium scheduled for December 6, 2023, to discuss issues concerning groundwater and surface water in Montgomery County.

MINUTES OF NOVEMBER 6, 2023, BOARD MEETING AND NOVEMBER 13, 2023, BUDGET WORKSHOP

Upon motion by Director Rowell, after full discussion and with Directors Rowell, Fessler, Graham and Barker voting in favor, and Director Ramsey voting against, the Board approved the minutes of the November 6, 2023, Board meeting, and November 23, 2023, Budget Workshop, as amended.

THE PROPOSED BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2024

This item was discussed after Agenda Item No. 11 – Construction/Engineering Updates.

RESOLUTION APPROVING AND IMPLEMENTING THE 2024-2028 CAPITAL IMPROVEMENT PLAN

This item was discussed after Agenda Item No. 11 – Construction/Engineering Updates.

GENERAL MANAGER'S REPORT

- A. Status of Request for Proposals ("RFQ") for Audits and Authorize General Manager to Engage Financial Auditor. Mr. Chang reported that four (4) proposals for a financial auditor were received by the November 16, 2023, deadline. A committee of three staff members evaluated the proposals and recommends that the Board authorize the General Manager to negotiate a financial audit agreement for the fiscal year ending December 31, 2023, with Mitchell T. Fontenote CPA, Inc. ("Fontenote"). The recommendation is based on overall qualifications and value, not solely on the lowest bid. However, Fontenote proposed fee of \$36,000 is lower than the current auditor's quote of \$75,000.

Upon motion by Director Ramsey, seconded by Director Barker, after full discussion and with Directors Fessler, Graham, Barker, and Ramsey voting in favor, and Director Rowell abstaining, the Board authorized the General Manager to negotiate and finalize an engagement letter with Mitchell T. Fontenote CPA, Inc., based on the Committee's recommendation.

Next, Mr. Chang reported that two (2) internal audit proposals were received by the November 22, 2023, deadline. The interviews have been scheduled and the matter will be considered at the next meeting.

Mr. Chang also reported that the deadline to submit professional engineering project management services proposals is December 6, 2023.

- B. Status of Water Supply and Conservation Level. Mr. Chang reviewed the progress of surface water conversion for the current permit. He reported that 32% of the planned conversion was achieved in October 2023. In November 2023, the Authority delivered 24.1 million gallons of water per day.
- C. Services Agreement with Atlas Design Services for the Automated Metering Infrastructure Project ("Atlas Agreement"). Mr. Chang reviewed a spreadsheet detailing the benefits of the automated metering structure, with a focus on the payback calculation. It was noted that the cost of the Atlas Agreement is \$3.7 million. Mr. Chang stated that assuming an additional \$265 million in revenue for the Authority based on 2023 groundwater permit year pumpage and an assumed 1 percent meter accuracy, the automated metering infrastructure would deliver an annual revenue increase of \$954,000, resulting in a four-year payback period for the project.

Mr. Chang discussed further savings through surface water delivery and over-conversion credits, amounting to \$59,000 annually. This, combined with the groundwater savings, brings the project's payback period down to less than three years. He also highlighted potential leak prevention savings and eligibility for a matching grant from the Harris-Galveston Subsidence District.

Mr. Chang then responded to questions from the Board regarding the benefits and potential drawbacks of the automated meter system. Mr. Tommy McClang of Atlas Design Services also addressed questions regarding the automated metering system and associated fees.

Director Ramsey then proposed tabling the Atlas Agreement pending receipt of additional information. Next, upon motion by Director Barker, seconded by Director Ramsey, after full discussion and with Directors Barker and Ramey voting in favor, and Directors Rowell, Fessler, and Graham voting against, the motion to table the Atlas Agreement failed.

Extensive discussion ensued, after which upon motion by Director Graham, seconded by Director Fessler, and with Directors Rowell, Fessler, and Graham voting in favor and Directors Ramsey and Baker voting against, the Board approved the Atlas Agreement and authorize the President and Secretary to execute and attest the Agreement as the act and deed of the Authority.

- D. Report on Rate Differentiation Analysis. Mr. Chang discussed differentiation between the groundwater and surface water rates in response to a public comment made at the October 2, 2023, Board meeting. The concern was that the existing \$0.45 difference was inadequate to cover the costs incurred by the groundwater producing district. Mr. Chang reviewed a spreadsheet of estimated average groundwater production costs, highlighting that the current \$0.45 differential appears appropriate at present. This differential is designed to both cover

the groundwater district's costs and encourage the surface water district to use more surface water. No action was taken.

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

Ms. Plunkett reviewed the Authority's Financial Report with the Board, including the monthly investment report, and the checks being presented for payment, a copy of which is attached hereto as Exhibit "A".

Director Fessler then moved to approve the Financial Report, and the checks being presented for payment. Ms. Plunkett then responded to questions related to the budget and accounts.

Director Rowell then proposed an amendment to Director Fessler's motion to vote separately on Johnson Petrov invoices, and with Directors Fessler, Graham, Barker, and Ramsey voting against, and Director Rowell voting in favor, the proposed amendment failed.

The Board then unanimously voted to approve the Financial Report, and the checks presented for payment.

OPERATIONS STATUS REPORT

Mr. McDevitt reviewed the Operations Report, a copy of which is attached hereto as Exhibit "B". Mr. McDevitt noted that Booster Pump No. 4 should be delivered and installed by the end of the month.

GOVERNMENT AFFAIRS

There was no report.

CONSTRUCTION/ENGINEERING UPDATES

- A. Update on NEWPP, including schedule, remaining issues, and acceptance testing. Mr. Chang reported that by December 15, 2023, the Texas Commission on Environmental Quality ("TCEQ") is expected to grant its water quality approval, triggering the flow of water into the distribution systems of the City of Houston and the North and Central Water Authorities. Upon completion of the acceptance test, the City of Houston will assume operational control of the NEWPP.
- B. Authorize the Award of Contract for Projects 28C and 31C. Mr. Haude recommended the Board award the Contract for Construction of Proposed 60" Waterline along Mills Road from Copeland Drive to F.M. 1960 ("Project 28C") to Reytec Construction Resources, Inc., based on its low bid of \$18,351,404.

Next, Mr. Haude recommended the Board award the Contract for Construction of Proposed 24", 16", and 12" Waterline Windfern Rd., Beck Masten Rd. and CenterPoint Corridor from Project 31A to Project 31D and Water Receiving Facilities ("Project 31C") to Main Lane Industries, Ltd, based on its low bid of \$19,497,814.50.

Director Graham moved to (i) award the Project 28C to Reytec Construction Resources, Inc.; and to (ii) award the Project 31 C to Main Lane Industries, Ltd.

Director Ramsey proposed an amendment to Director Graham's motion to divide projects into two (2) separate motions. There were no objections to Director Ramsey's proposed amendment.

Next, the Board unanimously voted to award Project 28C to Reytec Construction Resources, Inc., as recommended by the General Manager.

Next, the Board discussed tabling its decision on Project 31C, and upon motion by Directors Rowell, Barker, and Ramsey voting in favor, and Directors Fessler and Graham voting against, the Board tabled its decision on Project 31C.

PROPOSED BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2024

Upon motion by Director Fessler, the Board unanimously voted to approve the Budget for FYE December 31, 2024.

RESOLUTION APPROVING AND IMPLEMENTING THE 2024-2028 CAPITAL IMPROVEMENT PLAN ("CIP")

Upon motion by Director Ramsey, after full discussion and with Directors Rowell, Graham, Barker, and Ramsey voting in favor, and with Director Fessler abstaining, the Board approved the Resolution Approving and Implementing the 2024-2028 CIP, with the 2024 budget only, to be used as a planning tool by the Board, General Manager and consultants of the Authority to identify the capital improvements, estimated costs and relative timetables that the Authority proposes to undertake from January 1, 2024 through December 31, 2028.

APPROVE 2024 HOLIDAY SCHEDULE

Upon motion by Director Graham and with Directors Rowell, Graham, Barker, and Ramsey voting in favor, and with Director Fessler voting against, the Board approved the proposed 2024 holiday schedule and agreed to make it permanent.

NEXT REGULAR MEETING WILL BE MONDAY, JANUARY 8, 2024.

There was no action.

ADJOURNMENT

With no additional matters to discuss, the meeting was adjourned at 8:49 p.m.

[EXECUTION PAGE FOLLOWS]

PASSED, APPROVED AND ADOPTED on the 8th day of January, 2024.


Secretary, Board of Directors

