

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

February 1, 2016

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 1st day of February, 2016, 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: Mr. Doug Goodwin, founder of W.I.S.E. Guys; Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Mr. Mark Evans, Director of Planning and Governmental Affairs for the Authority; Mr. Hamlet Hovsepian, P.E., the Authority's Chief Engineer at the Northeast Water Purification Plant (the "NEWPP") expansion collaboration center; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Mr. Chris M. DeBow of Public Trust Advisors, investment advisor to the Authority; Ms. Krystal Boggs, Administrative Assistant for the Authority; Ms. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Messrs. Tom Rolan, P.E., Stephen Berckenhoff, P.E., and Doug Haude, P.E., of AECOM Technical Services, Inc. ("AECOM"), Program Manager for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to AECOM and project representative on several Authority projects; Mr. Larry Barfield, P.E., of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. W. John Seifert, P.E., of LGB-Guyton Associates, on-call engineers for the Authority; Mr. Charles Shumate, P.E., of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Wendell L. "Buddy" Barnes, P.E., and Ms. Emily Anderson, P.E., of Jacobs Engineering Group Inc., on-call engineers for the Authority; Mr. Dennis Sander, P.E., of Sander Engineering Corporation, on-call engineers for the Authority; Messrs. David Warner, P.E. and Tobin Synatschk, P.E., of Jones & Carter, Inc., on-call engineers for the Authority; Ms. Giti Zarinkelk, P.E., and Mr. Michael Bagstad, P.E., of Zarinkelk Engineering Services, Inc., on-call engineers for the Authority; Mr. Dustin O'Neal, P.E., of Costello, Inc., on-call engineers for the Authority; Mr. Tony Sarman, P.E., of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Marcel Khouw, P.E., of IDS Engineering Group, on-call engineers for the Authority; Mr. Ravi Yanamandala, P.E., of Geotest Engineering, Inc., materials engineering laboratory services provider for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; Mr. John Howell of The GMS Group, co-financial advisor to the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Alison A. Miller, paralegal, of Radcliffe Bobbitt Adams Polley PLLC, general counsel and co-bond counsel for the Authority. Numerous members of the public and other consultants to the Authority were also present at the meeting. Copies of the sign-in sheets for those in attendance at the meeting 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.

MESSAGE FROM THE PRESIDENT

Director Rendl reported that the "make-up" Special Briefing meeting held on January 19, 2016, at 6:00 p.m., at the offices of the Authority was well attended.

PUBLIC COMMENTS

Mr. Schindewolf next stated that there were no public comment cards. Mr. Marvin Fesler, Vice President of Reid Road Municipal Utility District ("MUD") No. 1, then congratulated Director Rendl on his second term as President of the Board. Mr. Fesler asked why the Authority's financial reports presented at each meeting do not reflect all of the Authority's depository accounts. Mr. Fesler stated that the utility district bookkeeper reports he is familiar with and the other water authority financial reports reflect information on all depository accounts. Director Rendl responded that he was not aware of what other entities include on their financial reports. but he would take the comment under consideration.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS / PUBLIC INFORMATION COORDINATOR

A copy of Ms. Payne's PowerPoint presentation is attached as an exhibit to these minutes.

Ms. Payne extended her thanks to all the people who attended the Special Briefing meetings in November and December 2015 and on January 19th.

Ms. Payne next reported that she and Ms. Lisa Sagstetter are busy working on the orders for the new *Rising Cost of Water* brochures.

Ms. Payne next reported that Director Rendl will be giving the following presentations over the next several weeks: Bammel Utility District on February 9th; Windrose Homeowners Association on February 10th; Harris-Montgomery Counties MUD No. 386 on February 11th; and American Water Works Association on February 18th. Mr. Payne also reported that Director Pulliam will address the Houston Property Rights Association on February 29th.

Ms. Payne then extended special thanks to the following sponsors: Bammel Utility District; Harris County MUD No. 24; Prestonwood Forest Utility District; Spring West; and Harris County MUD No. 168.

Ms. Payne further reported that Mr. Goodwin of the W.I.S.E. Guys is attending tonight's meeting to make a brief presentation regarding irrigation practices and water conservation. Director Rendl noted that his message at the Special Briefing meetings was that the cost of water will continue to rise and that he thought that Mr. Goodwin could provide some suggestions about making better use of water.

Mr. Goodwin then proceeded with an overview of how W.I.S.E. Guys can assist utility districts and individuals to conserve water by utilizing better irrigation practices.

Director Rendl thanked Mr. Goodwin and announced that the Authority has scheduled an Irrigation Workshop, on February 23, 2016, at 6:00 p.m. Ms. Payne noted that there will be an online registration for the workshop.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then called on Mr. Evans to give an update regarding the Authority's participation in the 2016 State Water Implementation Fund for Texas ("SWIFT"). Mr. Evans reminded the Board that they had authorized preparation and submission of two (2) Abridged Applications to the Texas Water Development Board (the "TWDB") at the January 4th meeting. Mr. Evans informed the Board that one Abridged Application, in the amount of \$107,820,000, is to fund the proposed State Highway 249 ("SH 249") Regional Pump Station that will be located west of SH 249 and north of Beltway 8. Mr. Evans noted that the SH 249 Regional Pump Station will provide treated surface water for the various public water systems to facilitate compliance with the Harris-Galveston Subsidence District 2025 conversion requirements. Mr. Evans next reported that the second SWIFT Abridged Application, in the amount of \$117,855,000, is to provide additional funding for the Second Source Transmission Line, Phase 1 project. Mr. Evans stated that the Abridged Applications are to be submitted to the TWDB by February 5th.

Mr. Evans further reported that the financial applications should be requested by the TWDB later in the spring, funding should be awarded in late summer, and then loan closing would be late 2016. A copy of Mr. Evans' memorandum regarding the 2016 SWIFT Abridged Applications is attached as an exhibit.

Mr. Schindewolf then delivered an update on the status of the Luce Bayou Interbasin Transfer Project. Mr. Schindewolf reported that the Coastal Water Authority is currently conducting a pre-qualification process for prospective construction contractors, after which bids will be taken during the first quarter of 2016. Mr. Schindewolf noted that the project is still on target to be completed July 2019.

Mr. Schindewolf next gave an update on the NEWPP expansion project (the "Expansion Project"). Mr. Schindewolf went on to report that Mr. Jeffrey L. Benjamin, P.E., of the City of Houston (the "COH"), Public Works and Engineering Department and Project Director for the NEWPP Expansion has issued the Notice to Proceed on the Design Build team. Mr. Schindewolf further noted that the first collaboration meeting was held earlier today.

Concerning the Second Source Transmission Line from the NEWPP, Mr. Schindewolf stated that he will present a detailed report on such project at the March 7, 2016 Board meeting.

PROGRAM MANAGER'S REPORT

Mr. Schindewolf next called on Mr. Rolen to present his Program Manager's Report.

Mr. Rolen then reviewed the Program Manager's Report with the Board, a copy of which is attached hereto.

UPDATE ON THE 2010-2025 WATER DISTRIBUTION AND TRANSMISSION SYSTEM

Mr. Rolen reported that Project 2-5 (Spears Road Regional Pump Station) is complete and acceptance of such project is on this evening's agenda.

Mr. Rolen went on to report that the contractor for Project 24B is working on final work items.

UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Rolen next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 21.3 MGD of surface water during the reporting period. Mr. Rolen added that the alternative water used in December was approximately 37.5%, as compared to 36.9% in November. Mr. Rolen explained that during December, approximately 82.6% of the water used by the Public Water Systems (the "PWSs") in the Authority's 2010 service area was alternative water.

Concerning other activities, Mr. Rolen reported that during the prior month, AECOM had assisted the Authority in implementing and performing tasks regarding its aggregate water well permit; assisted the Authority in the development of information for inclusion in its 2016 Abridged Applications for the TWDB SWIFT funding; assisted the Authority with a variety of activities involving the COH; continued oversight of engineering and acquisition-related efforts; provided construction administration services and project representative services on construction projects, as required; provided oversight of STES's activities and its contract to operate the Authority's system; and monitored, tabulated and analyzed amounts of water used by the PWSs covered by the Authority's aggregate water well permit and, where necessary, in consort with STES and the respective PWS operator, took appropriate actions to optimize the use of surface water.

Mr. Rolen next reminded those present at the meeting that we are in the traditionally low water usage period and emphasized the importance of the utility districts in the 2010 service area using as much surface water as possible during this time period to assist the Authority in meeting the 30% conversion requirement for the 2015-2016 permit year. Mr. Rolen suggested that the concerned utility district directors ask their operators if their district is using the maximum of surface water it can.

Mr. Schindewolf then introduced Mr. Hamlet Hovsepian, P.E., who will serve as the Authority's Chief Engineer at the NEWPP Expansion Project collaboration center for the Authority. Mr. Schindewolf stated that Mr. Hovsepian had worked at the COH for 31 years and had retired a year ago.

ATTORNEY'S REPORT

Ms. Bobbitt then reviewed the new disclosure law, House Bill ("HB") 1295, passed by the 84th Legislature and effective January 1, 2016. Ms. Bobbitt explained that the new law applies to all contracts a business entity submits to a governmental entity that either (1) requires an action or vote by the governing body of the governmental entity, or (2) has a value in excess of \$1 million. Ms. Bobbitt then reviewed a memorandum regarding the implementation of HB 1295, a copy of which is attached.

REGULAR AGENDA

APPROVAL OF THE MINUTES

The Board next considered approval of the minutes of the January 4, 2016 regular meeting. Upon motion by Director Sigler, 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 January 4, 2016 regular meeting.

FINANCIAL ASSISTANT'S REPORT

APPROVE PAYMENT OF BILLS, ISSUANCE OF CHECKS, REVIEW BUDGET COMPARISON, AND REPORT ON STATUS OF PUMPAGE FEES

Director Rendl 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, and the budget comparison for the month ended December 31, 2015, a copy of which is attached hereto.

Upon motion by Director Sigler, seconded by Director Pulliam, 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.

ANNUAL REVIEW OF INVESTMENTS AND ADOPT ORDER REGARDING ANNUAL REVIEWS OF RULES, POLICIES, CODE OF ETHICS AND LIST OF AUTHORIZED BROKERS FOR THE INVESTMENT OF AUTHORITY FUNDS

Ms. Plunkett then explained that the Authority is required by the Public Funds Investment Act to review the Authority's investment policy and investment strategies on an annual basis. Ms. Plunkett further reported that she had worked with Mr. DeBow to conduct the annual review. Ms. Plunkett stated that no changes to the Authority's Investment Policy are recommended at this time. Ms. Plunkett then introduced Mr. DeBow to the Board.

Mr. DeBow next presented an overview of Public Trust Advisors. A copy of his Investment Update is included in Ms. Payne's PowerPoint presentation for tonight's meeting and attached hereto. Mr. DeBow explained that the Authority's custody accounts did not change when the Authority engaged Public Trust Advisors in December.

Ms. Plunket then stated that Tab 7 of the meeting packet includes an Order Regarding Annual Review of Rules, Policies, Code of Ethics, and List of Authorized Brokers for the Investment of Authority Funds (the "Order") for the Board's adoption. Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order, a copy of which is attached hereto.

GENERAL MANAGER'S ACTION ITEMS

ACCEPTANCE OF CONSTRUCTION PROJECT 2-5

Mr. Schindewolf then noted that Tab 8 of the meeting packet includes letters from AECOM and his recommendation letter for acceptance of Project 2-5 for the work performed by T & C Construction, Ltd., in connection with the construction of Booster Pump Capacity Expansion and Other Improvements at the Spears Road Regional Pump Station. Upon motion by Director Sigler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board approved Pay Estimate No. 33 and Final and authorized final acceptance of Project 2-5 in the final amount of \$4,707,247.74 (the original contract amount was \$4,502,200).

APPROVE AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT BY AND BETWEEN THE AUTHORITY AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 25 ("HCMUD 25")

Mr. Rolen then explained that HCMUD 25 is located southeast of Jersey Village and must acquire an alternate water supply under a Texas Commission on Environmental Quality Agreed Order. Mr. Rolen stated that the COH has capacity for the Authority to provide water/capacity to HCMUD 25. Mr. Rolen further explained that HCMUD 25 will pay the COH's rate for water and pay all costs of construction to extend a water line from the COH's water line to HCMUD 25. Director Graham stated that this agreement is similar to another agreement the authority has in place. Mr. Rolen responded that it is similar to the Cy-Champ Public Utility District agreement. Mr. Rolen noted that the Authority will purchase the water from the COH and sell it to HCMUD 25 at the COH's price. 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 and authorize execution of the Interlocal Agreement with HCMUD 25.

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that the Board's next regular meeting will be held on March 7, 2016, at 6:00 p.m., at the Authority's office.

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

PASSED, APPROVED AND ADOPTED this 7th day of March, 2016.

Laura A Sigler

Secretary, Board of Directors

