

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

May 4, 2015

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 4th day of May, 2015, 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
Jim Pulliam	Vice President/Investment Officer
Lenox A. Sigler	Secretary
Kelly P. Fessler	Assistant Secretary
Ron Graham	Treasurer

All members of the Board were present, except Director Fessler, thus constituting a quorum. Also attending the meeting were: Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Mr. Mark Evans, Director of Planning and Governmental Affairs for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Messrs. Tom Rolan, P.E., Steve Berckenhoff, P.E., and Grant Detro, P.E., of AECOM Technical Services, Inc. ("AECOM"), Program Manager 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., of Jacobs Engineering Group Inc., on-call engineers for the Authority; Ms. Aimee Edwards, P.E., of AEI Engineering, Inc., on-call engineers for the Authority; Mr. Ralph Cox, P.E., of Klotz Associates, Inc., on-call engineers for the Authority; Mr. W. John Seifert, P.E., of LGB-Guyton Associates, on-call engineers for the Authority; Mr. 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. Jonathan Howard, P.E., of ARCADIS U.S., Inc., on-call engineers for the Authority; Mr. Mike Reedy, P.E., of Freese and Nichols, on-call engineers for the Authority; Messrs. Arthur West, Jerry Newel, Thurman Black, and Ms. Stephanie Funk Cobb Fendley & Associates, Inc., right-of-way acquisition team for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; Mr. Mark McGrath, CPA of McGrath & Co., PLLC ("McGrath & Co."), auditors for the Authority; Mr. Jonathan D. Polley, attorney, and Ms. Brooke T. Dold, paralegal, of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), 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.

BOARD COMMENTS

Director Pulliam reported that on April 25, 2015, he made a presentation at the Harris County Municipal Utility District No. 24 *Make a Difference. Be Water Wise!* event. Director Pulliam stated that it was an outstanding event that also featured the Authority's new Mobile Teaching Lab.

PUBLIC COMMENTS

Director Rendl then stated that two (2) public comment cards had been submitted, including a card from Mr. Marv Fesler, Director of Reid Road Municipal Utility District No. 1, and a card from Mr. Jerry Homan, General Manager of Harris County Fresh Water Supply District No. 61, copies of which are attached hereto.

Mr. Fesler's comment card noted that he did not have any comments for this meeting.

Mr. Homan then addressed the Board and stated that the program at the April 17th Association of Water Board Directors – Texas (the "AWBD") Spring Breakfast was very informative and encouraged the Authority to continue to utilize the AWBD as often as possible to help communicate and educate its members. Mr. Homan then stated that several water districts within the Authority have asked questions about the funding for the upcoming capital project expenditures and asked the Authority to consider the following points regarding the future capital project expenditures: 1) hold public forums to present the options for funding; 2) hold open meeting discussions between the Authority's Board members and consultants regarding the funding options; and 3) lay out a comprehensive financial strategy that informs the utility districts of the costs that they should expect for both the short and long term. Mr. Homan concluded his remarks by stating that he hopes to see a collective strategy that involves input from the Authority's stake holders. A copy of Mr. Homan's talking points is attached hereto.

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 first complimented Director Pulliam on his April 25th presentation.

Ms. Payne then reported that 220,000 copies of the Authority's Waterlines publication had been mailed recently. Ms. Payne also noted that copies of such publication are available at tonight's meeting.

Ms. Payne next reported that the second (2nd) grade assemblies had been presented at Marshall and Thompson Elementary Schools in the Spring Independent School District ("ISD") and at Haude Elementary School in Klein ISD.

GENERAL MANAGER'S REPORT

Mr. Schindewolf first reported that the 84th Legislative Session closes on June 1, 2015. Mr. Schindewolf explained that he and Mr. Evans frequently communicate with Mr. Steve Bresnen, the Authority's Legislative Consultant, and stated that Mr. Bresnen and his staff are very closely monitoring the affairs of both the Senate and House of Representatives, and working closely with Ms. Bobbitt and Mr. Jonathan D. Polley of RBAP on legislative matters.

Mr. Schindewolf next informed the Board that the engineering design of the open channel portion of the Luce Bayou Project continues to make progress.

Concerning the expansion of the Northeast Water Purification Plant (the "NEWPP"), Mr. Schindewolf reported that the City of Houston (the "City") has selected three (3) teams to submit construction proposals for the project, including: 1) the Greater Houston Water Partners, comprised of Kiewit Infrastructure South Co. and M. R. Pittman Group LLC; 2) the AB Houston Constructors Joint Venture, comprised of AECOM and Black & Veatch; and 3) the Houston Waterworks Team, comprised of CH2M Hill and CDM Smith, Inc. Mr. Schindewolf noted that Phase 1 of the project will expand the NEWPP by 80 million gallons per day ("GPD").

PROGRAM MANAGER'S REPORT

Mr. Schindewolf then called on Mr. Rolan, at which time Mr. Rolan 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. Rolan first reported that during the prior month, the contractor for Project 2-5 (Spears Road Regional Pump Station) worked on additional work items.

Mr. Rolan went on to report that the contractor for Project 24B was still unable to complete the root raking due to wet site conditions.

Mr. Rolan next stated that the contractor for Project 100B has completed the project and the final inspection of such project is pending.

Mr. Rolan further reported that the contractor for Project 100C has completed all work except painting, electrical and site restoration at Candlelight Hills.

Mr. Rolan went on to report that the contractor for Project 100D has completed the project and the acceptance of such project is on tonight's agenda.

Mr. Rolan next informed the Board that the contractor for Project 100E has substantially completed such project and is working on the final punch list and as-built drawings.

UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Rolan next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 24 million gallons per day of surface water during the reporting period.

Mr. Rolan added that the alternative water used in March was approximately 37.8%, as compared to 36.7% in February. Mr. Rolan explained that during March, approximately 84.2% of the water used by the Public Water Systems (the "PWSs") in the Authority's 2010 service area was alternative water. Mr. Rolan further reported that during the period from September 1, 2014 through February 28, 2015 of the current permit year, the conversion percentage was approximately 34.6%, as compared to approximately 35.4% during the first half of the prior permit year.

Concerning other activities, Mr. Rolan 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 a variety of activities involving the City; 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 increase the use of surface water.

Director Pulliam then asked if the six (6) construction projects Mr. Rolan reported on were related to the Authority's 2025 water distribution and transmission system, to which Mr. Rolan responded affirmatively.

REGULAR AGENDA

APPROVAL OF THE MINUTES

The Board next considered approval of the minutes of the executive session of March 2, 2015, and the regular meeting of April 6, 2015. Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the executive session of March 2, 2015 and the regular meeting of April 6, 2015, as written.

FINANCIAL ASSISTANT'S REPORT

REVIEW AND APPROVE AUDIT REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014 AND AUTHORIZE FILING OF SAME

Mr. Schindewolf then called on Mr. McGrath, the Authority's auditor, to review with the Board the draft of the Authority's audit report for the fiscal year ended December 31, 2014, a copy of which is attached hereto. Mr. McGrath first reported that his review of the Authority's books and records had resulted in an excellent report for the Authority and the issuance of an unqualified opinion from McGrath & Co. Mr. McGrath then briefly reviewed the McGrath & Co. Management Letter, a copy of which is attached hereto. Director Graham questioned why the management letter mentioned a "material weakness." Mr. McGrath explained that as discussed in past years, the "material weakness" item addresses the issue of the Authority not having a Certified Public Accountant with experience in governmental accounting and financial reporting on staff. Mr. Schindewolf further reminded the Board that in 2008 he had spoken with

the Authority's financial advisors and rating agencies regarding this matter, who each had stated that the matter is not an issue or problem for the Authority in connection with its ability to issue bonds.

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 audit report for the fiscal year ended December 31, 2014, and to authorize filing of same with the appropriate governmental authorities.

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 March 31, 2015, a copy of which is attached hereto.

Upon motion by Director Pulliam, seconded by Director Graham, 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 FINANCIAL ASSISTANT TO UPDATE CONTINUING DISCLOSURE INFORMATION

Ms. Plunkett then requested authorization to prepare and file the Authority's continuing disclosure materials with the Nationally Recognized Municipal Securities Information Repositories and any applicable State Information Depository, pursuant to Securities and Exchange Commission Rule 15c2-12. 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 authorize the Financial Assistant to prepare and file the Authority's continuing disclosure materials with the appropriate entities.

Mr. McGrath then exited the meeting at 6:30 p.m.

GENERAL MANAGER'S ACTION ITEMS, INCLUDING:

AUTHORIZE PREPARATION AND SUBMISSION OF APPLICATION FOR FINANCIAL ASSISTANCE TO TEXAS WATER DEVELOPMENT BOARD (THE "TWDB") FOR STATE WATER IMPLEMENTATION FUNDS FOR TEXAS ("SWIFT") FOR AUTHORITY'S PARTICIPATION IN VARIOUS INFRASTRUCTURE PROJECTS

Mr. Schindewolf then reminded the Board that at the December 8th meeting, they had authorized the Authority's representatives, consisting of staff members and consultants, to prepare and submit four (4) abridged applications to the TWDB by the deadline of February 3, 2015. Mr. Schindewolf stated that Tab 7 of the meeting packet contains a memorandum from the TWDB, dated April 22, 2015, concerning the applications they had received, a copy of which is attached hereto. Mr. Schindewolf asked Mr. Evans for any comments that he wished to add to

the discussion of this matter. Mr. Evans explained that the TWDB had received 48 abridged applications, 39 of which were eligible to receive SWIFT funding. Mr. Evans further informed the Board that the Authority's four (4) applications had received high priority ratings from the TWDB and have been recommended to receive the full funding amounts requested in the abridged applications. Mr. Evans continued to explain that the Authority's representatives had met with a TWDB team of representatives on April 23, 2015 at the Authority's office to review and discuss the full applications that must be submitted to the TWDB by June 5, 2015. Mr. Schindewolf then asked the Board to authorize the Authority's representatives to prepare and submit the necessary applications to the TWDB for SWIFT funding for the Authority's infrastructure projects. Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the preparation and submission of the full applications to the TWDB. Director Rendl complimented Mr. Schindewolf and the Authority's consultants on a job well done.

APPROVE AND AUTHORIZE EXECUTION OF ESCROW AND PAY AGREEMENT BETWEEN THE AUTHORITY AND AMEGY BANK OF TEXAS

Mr. Polley then noted that Tab 8 of the meeting packet includes the Escrow and Pay Agreement between the Authority and Amegy Bank, National Association, (the "Agreement"), a copy of which is attached hereto. Mr. Polley explained that such Agreement is required under the provisions of the Second Supplement to the Water Supply Agreement by and between the Authority and the City, effective February 25, 2015. Mr. Polley stated that the Escrow Account will be the depository for the Authority's pro-rata portion of the funds for the NEWPP Expansion Project and that the City will make periodic Cash Calls as funds are needed for the NEWPP Expansion Project. Mr. Polley added that the Agreement will be in effect through 2026. Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreement.

ACCEPTANCE OF PROJECT 100D

Mr. Schindewolf then noted that Tab 9 of the meeting packet includes letters from AECOM and Mr. Schindewolf recommending acceptance of Project 100D for the work performed by T & C Construction, LTD. in connection with the construction of the surface water connection at Bilma Public Utility District – Water Plant No. 1. 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 authorize final acceptance of Project 100D in the final amount of \$122,270 (the original contract amount was \$137,470).

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that the Board's next regular meeting will be held on Monday, June 1, 2015, 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 1st day of June, 2015.

Penny A. Sgh
Secretary, Board of Directors

