

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

June 1, 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 1st day of June, 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, 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; Mr. Steve Berckenhoff, 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. Charles Shumate, P.E., of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Marcel Khouw, P.E., of IDS Engineering Group, on-call engineers for the Authority; Mr. Wayne Ahrens, P.E., of Dannenbaum Engineering, on-call engineers for the Authority; Mr. Dennis Sander, P.E., of Sander Engineering Corporation, on-call engineers for the Authority; Mr. Jonathan Howard, P.E., of ARCADIS U.S., Inc., on-call engineers for the Authority; Mr. John Lacy, P.E., of Costello, 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. W. John Seifert, P.E., of LGB-Guyton Associates, on-call engineers for the Authority; Mr. David Warner, P.E., of Jones Carter, 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. Mike Reedy, P.E., of Freese and Nichols, on-call engineers for the Authority; Mr. Ravi Yanamandala, P.E., of Geotest Engineering, Inc., materials engineering laboratory services for the Authority; Mr. Dale Conger of 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; Messrs. Eugene Shepherd and Matt Dustin, of RBC Capital Markets, co-financial advisor to the Authority; Mr. John Howell of The GMS Group, L.L.C., co-financial advisor to the Authority; Mr. Michael J. Turco, General Manager of the Harris-Galveston Subsidence District; and Ms. Robin S. Bobbitt and Mr. Jonathan D. Polley 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.

PRESIDENT'S COMMENTS

Director Rendl then made some brief general comments.

PUBLIC COMMENTS

Director Rendl then stated that one (1) public comment card had been submitted by Mr. Marv Fesler, Director of Reid Road Municipal Utility District No. 1, a copy of which is attached hereto.

Mr. Fesler's comment was concerning the Authority's audit report for the fiscal year ended December 31, 2014 (see page 48 of the audit report). Mr. Fesler stated that he was concerned that "Director fees" line item were not reflected as per diems in the Schedule of Expenses included in the Supplementary Information of the audit and that the "Travel and per diem" line item appears to also include director fees. Ms. Plunkett responded that "per diem" is a heading used by the auditors in connection with travel expenses incurred by the Directors. Ms. Plunkett also offered to obtain additional information about the line items from the Authority's auditor.

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 reported that Teacher Workshops will be held for Spring Independent School District ("ISD") teachers on June 9th for Grades 2, 4 and 7; and for Klein ISD on June 17th and 18th for Grades 4 and 7. Ms. Payne noted that 2,019 second graders participated in the Frontier Life Assemblies during the 2014-2015 school year.

Ms. Payne then announced that "Patty Potty," internationally famous for her "No Wipes in the Pipes" campaign, is at tonight's meeting to talk about her program designed to educate people about the costly damage flushable wipes can cause to wastewater treatment plants, lift stations and sanitary sewer system infrastructure. Ms. Payne added that "Patty Potty's" education trailer is also out in the parking lot and has educational materials available to anyone who is interested in the "Patty Potty" campaign.

GENERAL MANAGER'S REPORT

Mr. Schindewolf first reported that beginning with the July 6th Board meeting, he will reformat the information provided in his General Manager's Report.

Mr. Schindewolf next reported that engineering, design plans and specifications of the pump station for the Luce Bayou Interbasin Transfer Project (the "Luce Bayou Project") is now 90% complete. Mr. Schindewolf further stated that the construction of the project is expected to be complete by July 20, 2019. Director Rendl then inquired as to the Authority's share of the cost for the Luce Bayou Project. Mr. Schindewolf responded that he could not recall the Authority's cost share, but can provide such information.

Concerning the construction of the Second Source Transmission Line from the Northeast Water Purification Plant (the "NEWPP") in which the Authority, the West Harris County Regional Water Authority (the "WHCRWA") and the Central Harris County Regional Water Authority (the "CHCRWA") will participate, Mr. Schindewolf reported that the participants are waiting to receive a draft agreement from the City of Houston (the "COH").

Mr. Schindewolf next reported that the COH has selected three (3) design/build teams to submit proposals for the construction of the NEWPP Expansion Project under the design/build procurement method and is in the process of requesting proposals for the project. Mr. Schindewolf noted that the COH hopes to have a construction contract in place by the end of 2015.

Mr. Schindewolf next briefly reviewed a Summary of the 84th Texas Legislature's Regular Session memorandum received from Mr. Steve Bresnen of Bresnen & Associates, legislative consultants to the Authority, a copy of which is attached as an exhibit.

PROGRAM MANAGER'S REPORT

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

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

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

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

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

UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Berckenhoff next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 24.8 million gallons per day of surface water during the reporting period. Mr. Berckenhoff added that the alternative water used in April was 37.7% as compared to 36.6% in March. Mr. Berckenhoff explained that during April, approximately 87.7% 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. Berckenhoff reported that during the prior month, AECOM had assisted the Authority in completing and submitting the application and supporting documents for renewal of the Authority/s Harris County Master Storm Water Permit; assisted in implementing and performing tasks regarding its aggregate water well permit; assisted the Authority in 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 increase the use of surface water; and assisted in preparation of applications for Texas Water Development Board (the "TWDB") State Water Implementation Fund for Texas ("SWIFT") funding.

Director Rendl then asked if there had been any water quality issues at the NEWPP resulting from the recent heavy rainfalls. Mr. Berckenhoff responded that there had not been any water quality issues or problems thus far.

Director Graham then stated that he had heard that the level of Lake Travis was up 20 feet as a result of the recent heavy rains. Director Rendl commented that such lake level is now up 30 feet due to the upper highland lakes releasing water. Director Rendl added that Lake Conroe and Lake Livingston are now at full capacity. Mr. Schindewolf added that Lake Travis is within 17 feet of being full.

REGULAR AGENDA

APPROVAL OF THE MINUTES

The Board next considered approval of the minutes of the regular meeting of May 4, 2015. Upon motion by Director Fessler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of May 4, 2015, as written.

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 April 30, 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.

Director Rendl then asked Mr. Schindewolf and Mr. Howell to discuss some preliminary information regarding the anticipated rate increases for surface water and pumpage fees later this year. Mr. Howell explained that when the Authority receives the SWIFT funds late this year or the first of next year, the Authority will not need to issue as many bonds, which would mean lower rates and lower soft costs. Mr. Howell noted that during the next seven (7) years, over \$1 billion in bonds will need to be issued, which will increase the Authority's debt service rate by three (3) to four (4) times over the current debt service obligation. Mr. Howell noted that he is not yet sure how the Authority's rates will be structured over the next seven (7) or so years, but that he anticipates that the Authority's rates will increase by \$0.30/1,000 gallons to \$0.40/1,000 gallons this year, as well as next year, which is similar to what will occur in the WHCRWA and the North Fort Bend Water Authority. Mr. Schindewolf added that the Authority will do its best to give the utility districts adequate warning regarding the rate increases.

GENERAL MANAGER'S ACTION ITEMS, INCLUDING:

Mr. Schindewolf then called on Mr. Polley to discuss action items G. 1-4; as follows:

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TWDB FOR FINANCIAL ASSISTANCE RELATED TO AUTHORITY TRANSMISSION 2020 (SECOND SOURCE LINE) AND DESIGNATING AUTHORIZED REPRESENTATIVES IN CONNECTION THEREWITH

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TWDB FOR FINANCIAL ASSISTANCE RELATED TO CITY OF HOUSTON TREATMENT EXPANSION AND DESIGNATING AUTHORIZED REPRESENTATIVES IN CONNECTION THEREWITH

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TWDB FOR FINANCIAL ASSISTANCE RELATED TO AUTHORITY INTERNAL 2020 DISTRIBUTION AND DESIGNATING AUTHORIZED REPRESENTATIVES IN CONNECTION THEREWITH

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TWDB FOR FINANCIAL ASSISTANCE RELATED TO AUTHORITY TRANSMISSION 2020 AND DESIGNATING AUTHORIZED REPRESENTATIVES IN CONNECTION THEREWITH

Mr. Polley then reviewed each of the resolutions regarding the four (4) SWIFT abridged applications that were approved by the TWDB the first part of May. Mr. Polley explained that having received the preliminary approval for four (4) projects, it was now necessary to submit full applications and the requisite resolutions to the TWDB for final approval. Mr. Polley then summarized the requested SWIFT funding for the applications as follows: 1) Second Source Transmission Line Project – \$255 million; 2) NEWPP Expansion Project – \$552 million; 2) Internal 2020 Distribution Line – \$44 million; and 3) Transmission 2020 – \$135 million. Director Rendl then asked about the timing for receipt of funding from the TWDB once the applications receive final approval. Mr. Polley responded that the funding would be meted out as needed over a period of time.

Upon motion by Director Fessler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the four (4) SWIFT resolutions as outlined above, copies of which are attached hereto.

ADOPT ORDER CHANGING AND UPDATING AUTHORITY OFFICES AND MEETING PLACES LOCATED OUTSIDE THE BOUNDARIES OF THE AUTHORITY AND DESIGNATING OFFICES AND MEETING PLACES INSIDE THE BOUNDARIES OF THE AUTHORITY (THE "ORDER")

Ms. Bobbitt stated that the Order was included behind Tab 10 of the meeting packet and attached hereto. Ms. Bobbitt explained that the RBAP offices would soon be moving to the America Tower, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019-7120, effective Monday, June 8, 2015. Ms. Bobbitt went on to explain that the provisions of the Texas Water Code require that the Authority formally designate its official meeting place(s) and office locations and give proper notice of any changes to those meeting place(s) and office location. Ms. Bobbitt stated that execution of the Order by the Board would ensure compliance with these requirements.

Upon motion by Director Fessler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order as outlined above.

ACCEPTANCE OF PROJECT 100E

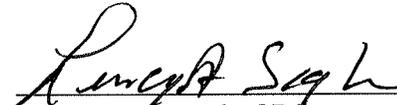
Mr. Schindewolf then noted that Tab 11 of the meeting packet includes letters from AECOM and his recommendation for acceptance of Project 100E for the work performed by R+B Group, Inc. in connection with the construction of the surface water connections at Cy-Champ Public Utility District ("PUD") Water Plant No. 2, Cypress Forest PUD Water Plant No. 2, and Northwest Harris County Municipal Utility District No. 20 Water Plant. 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 100E in the final amount of \$456,046.00 (the original contract amount was \$484,806.00).

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that the Board's next regular meeting will be held on Monday, July 6, 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 6th day of July, 2015.


Secretary, Board of Directors

