

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

December 7, 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 6:30 p.m. on Monday, the 7<sup>th</sup> day of December, 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. Krystal Boggs, Administrative Assistant for the Authority; Ms. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Messrs. Tom Rolen, P.E., and Dan Edwards, 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. Wayne Ahrens, P.E., and Ms. Melinda Silva, P.E., of Dannenbaum Engineering Corporation, on-call engineers for the Authority; Mr. Dennis Sander, P.E., of Sander Engineering Corporation, on-call engineers for the Authority; Messrs. Tobin Synatchk, P.E., and David Warner, 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. Ravi Yanamandala, P.E., of Geotest Engineering, Inc., materials engineering laboratory services for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"); Mr. John Howell of The GMS Group, co-financial advisor to the Authority; Mr. Eugene Shepherd of RBC Capital Markets, co-financial advisor to the Authority; Mr. Chris M. DeBow of Public Trust Advisors; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, 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 first thanked the members of the audience who attended the Special Briefing meetings recently held by the Authority and stated that the meetings were well attended and many good comments and suggestions were generated. Director Rendl then wished everyone a Merry Christmas and a Happy New Year.

PUBLIC COMMENTS

Mr. Schindewolf stated that there were no public comment cards.

BUDGET MATTERS

ADOPT PROPOSED BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016 (THE "2016 BUDGET")

Mr. Schindewolf first explained that the Authority had held a Budget Workshop meeting on November 23, 2014, to review and discuss the 2016 Budget and the proposed 2016-2017 Capital Improvement Plan (the "2016-2017 CIP"). Mr. Schindewolf noted that the Budget Workshop had been well attended. Mr. Schindewolf added that a public hearing on the proposed pumpage fee and surface water fee increases was held earlier this evening. Mr. Schindewolf then recommended that the Board adopt the proposed 2016 Budget.

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 adopt the 2016 Budget, a copy of which is attached hereto.

ADOPT PROPOSED 2016-2017 CIP AND ADOPT RESOLUTION APPROVING AND IMPLEMENTING THE CAPITAL IMPROVEMENT PLAN FOR 2016 AND 2017 (THE "RESOLUTION")

Director Rendl then stated that the Board spent a great deal of time reviewing and discussing the 2016-2017 CIP at the November 23<sup>rd</sup> Budget Workshop meeting and requested a motion be made for approval of the 2016-2017 CIP. 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 adopt the proposed 2016-2017 CIP and the Resolution, a copy of which is attached hereto. A copy of the 2016-2017 CIP can be found in the Authority's files.

ADOPT UPDATED PRICING POLICY REGARDING INCREASES IN AUTHORITY RATES AND FEES TO BE EFFECTIVE APRIL 1, 2016

Mr. Schindewolf next explained that during the preparation of the 2016 Budget and the 2016-2017 CIP, that he, Ms. Plunkett, Mr. Howell and Mr. Rolan conducted a review of the Authority's finances as it relates to the current cost of water and the consensus of the group was

that the current pumpage fee should be increased from \$2.00 per 1,000 gallons to \$2.40 per 1,000 gallons and the current surface water fee should be increased from \$2.45 per 1,000 gallons to \$2.85 per 1,000 gallons. Mr. Schindewolf stated that such increases would take effect on April 1, 2016.

Mr. Schindewolf then reviewed the need for the increase in the pumpage and surface water fees. Mr. Schindewolf further explained that the original rate that the Authority paid the City of Houston (the "COH") for operations and maintenance was \$0.9905 per 1,000 gallons in 2010 and has increased by 82% to \$1.8013 per 1,000 gallons. Mr. Schindewolf further explained that in accordance with the Harris-Galveston Subsidence District's 2013 Regulatory Plan, the Authority must achieve a 60% use of surface water by 2025 as compared to the current 30% conversion requirement and that in order to meet the 60% conversion requirement, the Authority will have to deliver surface water to a significant number of additional utility districts, which will require construction of a greatly expanded water transmission and distribution system. In addition, Mr. Schindewolf went on to explain that the Authority is also participating in the cost of the COH's expansion of the Northeast Water Purification Plant (the "NEWPP"), as well as construction of a second transmission line from the NEWPP, and that the Authority is also paying a pro rata share of the cost of constructing the Luce Bayou Interbasin Transfer Project.

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 approve the increase in the pumpage fee to \$2.40 per 1,000 gallons and the increase in the surface water fee to \$2.85 per 1,000 gallons, effective April 1, 2016, and to adopt the Updated Pricing Policy, a copy of which 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 reported that a total of 158 people (representing 73 utility districts) attended the Special Briefing meetings recently held by the Authority. Ms. Payne added that the Special Briefing meetings were productive.

Ms. Payne then announced that a "make-up" Special Briefing meeting will be scheduled in January for anyone who was unable to attend the Special Briefing meetings that were held in November and December.

Ms. Payne next reported that a new *Rising Cost of Water* brochure will be available in January for use by utility districts.

Ms. Payne next reported that the Frontier Life Second Grade Assemblies are scheduled at the following elementary schools in the Spring Independent School District ("ISD"): December 10<sup>th</sup> at Link Elementary; December 15<sup>th</sup> at Jenkins Elementary; and December 16<sup>th</sup> at Bencke Elementary.

Ms. Payne next reported that approximately 1,800 people recently attended the Klein ISD Wunderlich Farms Old Fashioned Christmas Market.

Ms. Payne went on to inform the Board that the Authority's contact list has expanded as a result of information received at the recent Special Briefing meetings and encouraged people to update their contact information with the Authority's office.

Director Rendl expressed his appreciation to Ms. Payne and Ms. Lisa Sagstetter for their hard work on the presentation materials for the Special Briefing meetings.

#### GENERAL MANAGER'S REPORT

Mr. Schindewolf then thanked the Board for making themselves available to attend the special meetings that were required over the past month. Mr. Schindewolf also extended his thanks to Director Rendl, Ms. Payne, Ms. Lisa Sagstetter, Ms. Boggs, Mr. Rolan and Mr. Evans regarding their work on the Special Briefing meetings.

Mr. Schindewolf then called on Mr. Evans to give an update regarding the Authority's participation in the State Water Implementation Fund for Texas. Mr. Evans reported that the Authority representatives have been involved in the ongoing process of providing all of the documents required for closing on the Authority's \$80,435,000 Series 2015 Senior Lien Bonds scheduled for Friday, December 11, 2015.

Mr. Schindewolf then noted he will provide a detailed status report on the Luce Bayou Interbasin Transfer Project at the January Board meeting.

Concerning the NEWPP Expansion Project, Mr. Schindewolf reminded the Board that they had authorized him to cast the Authority's Consensus Vote No. 3 related to approval of the Design-Build Agreement for such project at the special meeting held on November 30<sup>th</sup>. Mr. Schindewolf further explained that two (2) COH Council members had tagged the agenda item at the December 2, 2015 meeting and, therefore, no action was taken and the item will now be placed on the December 9<sup>th</sup> COH Council agenda. Mr. Schindewolf reported that a protest regarding the selection of the Design-Build contractor has been rejected by the COH.

Director Sigler then inquired if information regarding the selected Design-Build team is available. Mr. Schindewolf responded that the information will not be made public until the COH Council takes action on December 9<sup>th</sup>. Further discussion then ensued. Mr. Schindewolf then stated that the Design-Build contractor that had been recommended was the Houston Waterworks Team, a joint venture between CH2M Hill Engineers, Inc. and CDM Constructors, Inc.

#### PROGRAM MANAGER'S REPORT

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

Mr. Rolan 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. Rolan reported that Project 2-5 (Spears Road Regional Pump Station) contractor has worked on final work items.

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

## UPDATE ON STATUS OF SURFACE WATER CONVERSION

Mr. Rolan next reported that the Spears Road Regional Pump Station delivered a daily average of approximately 23.3 million gallons per day of surface water during the reporting period. Mr. Rolan added that the alternative water used in October was approximately 28.7% compared to 30.8% in September. Mr. Rolan explained that during October, approximately 69.6% 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. Rolan reported that during the prior month, AECOM had assisted the Authority in implementing and performing tasks regarding its aggregate water well permit with special emphasis on compiling and submitting the Authority's Annual Reconciliation Report for Permit Year 2014-2015; assisted the Authority in the development of the draft 2016 Authority Budget and prepared a draft of the 2016-2017 CIP; 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 six (6) 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.

Next Mr. Rolan reminded those present that we are entering the traditionally low water use period and how important it is that as much of the water used in the 2010 service area be surface water.

Director Rendl also encouraged the PWSs to use as much surface water as possible in 2016 in order for the Authority to meet the 30% conversion requirement for the 2015-2016 permit year.

## ATTORNEY'S REPORT

Ms. Bobbitt stated that she had nothing to report.

## REGULAR AGENDA

### APPROVAL OF THE MINUTES

The Board next considered approval of the minutes of the regular meeting of November 2, 2015. 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 regular meeting of November 2, 2015, as written.

Approval of the minutes of the special meeting of October 26<sup>th</sup> was deferred.

#### 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 October 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.

#### GENERAL MANAGER'S ACTION ITEMS

#### ENGAGEMENT OF MCGRATH & CO., PLLC, CERTIFIED PUBLIC ACCOUNTANTS ("MCGRATH & CO.") FOR THE PREPARATION OF THE AUDIT REPORT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.

Mr. Schindewolf then noted that Tab 9 of the meeting packet includes the proposed engagement letter from McGrath & Co. for the preparation of the Authority's audit report for the fiscal year ending December 31, 2015, and recommended that the Board engage McGrath & Co. to prepare the audit report. 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 engage McGrath & Co. to prepare the Authority's audit report for the fiscal year ending December 31, 2015, and to authorize the execution of the McGrath & Co. engagement letter, a copy of which is attached hereto.

#### TERMINATION OF INVESTMENT ADVISORY AGREEMENT WITH RBC PUBLIC FUND SERVICES

Ms. Plunkett then stated that her Memorandum concerning her recommendation for changing the Authority's Investment Advisor was included behind Tab 10, a copy of which is attached hereto. Ms. Plunkett explained that RBC Public Fund Services (now RBC Global Asset Management ("RBC GAM")) is not RBC Capital Markets, the Authority's co-financial advisor. Ms. Plunkett cited a number of changes in service professionals over the last several years at RBC GAM and the decline of status updates and planning sessions since Mr. Chris DeBow left RBC GAM. Ms. Plunkett further explained that Mr. DeBow is now with Public Trust Advisors, LLC ("Public Trust Advisors"), which is an investment advisory firm that only works with governmental entities. Ms. Plunkett then recommended the termination of the Investment

Advisory Agreement with RBC GAM and proceed with the engagement of Public Trust Advisors.

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 terminate the Authority's Investment Advisory Agreement with RBC GAM.

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF INVESTMENT ADVISORY AGREEMENT WITH PUBLIC TRUST ADVISORS AND AUTHORIZE FINANCIAL ASSISTANT TO ESTABLISH ANY RELATED ACCOUNTS REGARDING SAME

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 and authorize execution of the Investment Advisory Agreement with Public Trust Advisors, a copy of which is attached hereto, and authorize Ms. Plunkett to establish any related accounts regarding same.

UPDATE ON PROPOSED PILOT PROJECT WITH WESTADOR MUNICIPAL UTILITY DISTRICT ("MUD") AND AUTHORIZE THE AUTHORITY'S GENERAL MANAGER, PROGRAM MANAGER AND GENERAL COUNSEL TO PROCEED WITH SAME, INCLUDING NEGOTIATIONS ON AND PREPARATION OF ANY NECESSARY AGREEMENTS CONCERNING SUCH PROJECT

Mr. Schindewolf then explained that the proposed pilot project for direct connections has been an ongoing discussion for several years. Mr. Schindewolf stated that Westador MUD was one of the largest sellers of groundwater to the Authority during the Groundwater Transfer Program prior to the 2010 conversion to surface water. Mr. Schindewolf noted that the Authority and Westador MUD now desire to proceed with a pilot project to test the feasibility of both a one-way and a two-way direct connect to a utility district system that could also possibly serve as a back-up source of water for the Authority through the use of the Westador MUD water well and elevated storage tank.

Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the matter being put to the Board, the Board voted unanimously to authorize the General Manager, Program Manager, and General Counsel to proceed with the proposed pilot project and to accelerate negotiations on and preparation of any necessary agreements concerning such pilot project.

APPROVE AUTHORITY'S 2016 HOLIDAY SCHEDULE

Mr. Schindewolf next reported that the proposed 2016 Holiday Schedule for the Authority's employees is included behind Tab 11 of the meeting packet, a copy of which is attached hereto. Mr. Schindewolf noted that the schedule basically tracks the schedule that was adopted by Harris County Commissioners Court for 2016. 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 approve the 2016 Holiday Schedule.

PUBLIC COMMENT

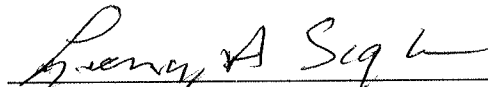
There were no public comments.

CONFIRM UPCOMING MEETING DATE

Director Rendl then noted that the Board's next regular meeting will be held on January 4, 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 4<sup>th</sup> day of January, 2016.

  
Secretary, Board of Directors

