

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

October 26, 2015

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 6:00 p.m. on Monday, the 26<sup>th</sup> day of October, 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; Mr. Tom Rolen, P.E., of AECOM Technical Services, Inc. ("AECOM"), Program Manager for the Authority; Mr. Wendell L. "Buddy" Barnes, P.E., of Jacobs Engineering Group Inc., on-call engineers for the Authority; Mr. Dustin O'Neal, P.E., of Costello, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E., of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Harold Cobb, P.E., of Terracon Consultants, Inc., materials engineering laboratory services for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operator for the Authority; Mr. John Howell of The GMS Group, L.L.C., co-financial advisor to the Authority; Mr. Robert Collie of Andrews Kurth LLP, co-bond counsel for the Authority; and Ms. Robin S. Bobbitt and Mr. Jonathan D. Polley, 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 gave some opening remarks regarding the reason for the special meeting.

## GENERAL MANAGER'S ACTION ITEMS

### APPROVE AND AUTHORIZE EXECUTION OF FINANCING AGREEMENT AMENDMENT NO. 1 WITH THE TEXAS WATER DEVELOPMENT BOARD (THE "TWDB") IN CONNECTION WITH 2015 STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS ("SWIRFT") FUNDING

Mr. Schindewolf then called on Mr. Evans to present an overview regarding the proposed TWDB Financing Agreement Amendment No. 1 (the "Amendment No. 1"). Mr. Evans explained that the Board had approved the initial Financing Agreement with the TWDB on September 14, 2015 that included four (4) separate maturity schedules reflecting four (4) separate bond issues for the various Authority projects approved by the TWDB to receive SWIRFT funding. Mr. Evans further explained that subsequent to the September 14<sup>th</sup> meeting, Mr. Howell, the Authority's co-financial advisor, has recommended consolidating those four (4) bond issues into one (1) bond issue and that such consolidation has been approved by the TWDB. Mr. Evans added that Amendment No. 1 amends the initial Financing Agreement adopted on September 14<sup>th</sup> to provide for the consolidation of the four (4) bond issues into one (1) bond issue and that the consolidation will save the Authority processing time, as well as some issuance costs. Mr. Evans then recommended that the Board approve and authorize execution of Amendment No. 1. Mr. Evans noted that the TWDB is scheduled to close on its bond issue next week and that the closing on the Authority's \$80,435,000 Series 2015 Senior Lien Revenue Bonds ("Series 2015 Bonds") is scheduled for Friday, December 11, 2015. A copy of the General Manager's recommendation regarding this item is included in the Board meeting packet and attached hereto.

Mr. Howell then reviewed the terms of the low interest rate loan program of the TWDB and explained that doing one (1) bond issue rather than four (4) bond issues will save some money and will be easier for Ms. Plunkett to manage.

Mr. Schindewolf next reported that he had received a telephone call recently from Mr. Bech Bruun, Chairman of the TWDB, who was very complimentary of the Authority's staff and consultants in working with the TWDB staff on the Series 2015 Bonds.

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 TWDB Financing Agreement Amendment No. 1, a copy of which is attached hereto.

### REVIEW AND DISCUSS EXECUTIVE SUMMARY OF THIRD AND FOURTH SUPPLEMENTS TO WATER SUPPLY CONTRACT BETWEEN THE CITY OF HOUSTON (THE "COH") AND THE AUTHORITY FOR THE NORTHEAST TRANSMISSION LINE – SEGMENTS 1 AND 2 (THE "THIRD AND FOURTH SUPPLEMENTS")

Mr. Schindewolf then briefly reported that after long and hard negotiations with the COH, the Authority, the West Harris County Regional Water Authority ("WHCRWA"), the Central Harris County Regional Water Authority ("CHCRWA") and the North Fort Bend Water Authority ("NFBWA") have finalized the terms of the Third and Fourth Supplements.

Mr. Polley then presented an Executive Summary outlining the terms and provisions of the Third and Fourth Supplements, a copy of which can be found in the Authority's files. Mr. Polley reminded the Board that the First Supplement to the Water Supply Agreement with the COH (executed in 2009) provided for the funding and construction of the Luce Bayou Interbasin Transfer Project (the "Luce Bayou Project") which will move additional untreated water from the Trinity River into Lake Houston. Mr. Polley noted that upon completion of the construction of the Luce Bayou Project, the Authority will acquire an additional 128 million gallons per day ("MGD") of Untreated Water Facilities Demand Allocation, bringing the Authority's total Untreated Water Facilities Demand Allocation to 159 MGD and leaving the Treated Water Facilities Demand Allocation at 31 MGD until such time as the Northeast Water Purification Plant (the "NEWPP") is expanded.

Mr. Polley went on to remind the Board that the Second Supplement to the Water Supply Agreement with the COH (executed in February 2015) provided for the design/construction of a 320 MGD expansion of the NEWPP, which will allow an increase in the Authority's Treated Water Facilities Demand Allocation by 113 MGD.

Mr. Polley further explained that the NEWPP Expansion Project will add four (4) treatment modules each capable of producing 80 MGD each of treated water. Mr. Polley added that with the Authority increasing both its Untreated Water Facilities Demand Allocation and the Treated Water Facilities Demand Allocation, the Authority must now also increase its treated water transmission capability in order to move additional water from the NEWPP to the Authority's distribution system.

Mr. Polley went on to explain that the Third Supplement provides for the design and construction of a 120-inch transmission line from the NEWPP to a point approximately 1,100 feet from the NEWPP ("Segment 1"). Mr. Polley stated that Segment 1 should be completed by August 2020. Mr. Polley went on to explain that the Fourth Supplement provides for the design and construction of a 108-inch transmission line that will run from Segment 1 westward to a point west of Interstate 45 ("Segment 2"), which should be substantially complete by August 31, 2021.

Mr. Polley then explained that Segment 1 will have two (2) "Sub-Segments," to be known as Sub-Segment A and Sub-Segment B since the Authority, the COH, the WHCRWA, the NFBWA and the CHCRWA will each acquire different Demand Allocations in each Sub-Segment and as a result, will pay different shares of costs in the Sub-Segments. Mr. Polley added that the Authority will only share in the cost of Sub-Segment A of the Segment 1 project and has no cost participation in Sub-Segment B. Mr. Polley added that the Authority will pay 35.313% of the Segment 1/Sub-Segment A costs. Mr. Polley further explained that Segment 2 of the transmission line construction will be divided into 12 Sub-Segments and that the Authority, the COH and the CHCRWA will acquire different Demand Allocations in the Segment 2 project, with the Authority paying 54.96%, the COH paying 42.67% and the CHCRWA paying 2.37% of such costs.

Mr. Polley next reviewed how the Authority will provide funds for the payment of the Authority's share of costs for Segment 1 and Segment 2, including the cash flow structure for each portion of the project. Mr. Polley also briefly reviewed and summarized the provisions of

the Third and Fourth Supplements that provide the Authority, as well as the other participating entities, with the opportunity for input on each step of the Segment 1 and Segment 2 design and construction.

Mr. Polley then noted that the final exhibits to the Third and Fourth Supplements had not yet been received from the COH. Mr. Polley stated that he and Ms. Bobbitt are recommending that the Board approve and authorize execution of the Third and Fourth Supplements, subject to the final review of same by the General Manager and General Counsel and the receipt of the final exhibits from the COH.

Director Rendl then asked if Messrs. Schindewolf and Rolen will be reviewing all of the accounting information on the construction projects. Mr. Schindewolf responded that they would be reviewing all of the information required to be provided by the COH and that he hopes to add an additional staff person to assist with such review process.

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 and authorize execution of the Third and Fourth Supplements to the Water Supply Agreement with the COH for the Northeast Transmission Line, Segments 1 and 2, respectively, subject to the final review and approval by the Authority's General Manager and General Counsel of such contracts and all exhibits related thereto.

#### PUBLIC COMMENTS

Mr. Gordon Landwermeyer of Westador Municipal Utility District asked what the length of the 108-inch Segment 2 transmission line will be. Mr. Rolen responded that Segment 2 of the transmission line is 69,600 feet or approximately 13 miles.

Another member of the audience asked when the acquisition of right-of-way ("ROW") for the transmission line will begin. Mr. Schindewolf responded that the COH has already initiated some of the ROW acquisition. Director Rendl asked if the route for the Authority's 84-inch transmission line from the COH's transmission line to the Authority's pump station has been determined. Mr. Schindewolf stated that the Authority has a proposed alignment for the route of the 84-inch line.

A member of the audience then asked if Mr. Polley's Executive Summary will be posted on the Authority's website. Mr. Polley responded that once the Executive Summary is finalized and the COH Council approves the Third and Fourth Supplements it will be posted on the Authority's website.

There being no further business to come before the Board, the meeting was adjourned at 6:35 p.m.

PASSED, APPROVED AND ADOPTED this 4<sup>th</sup> day of January, 2016.

  
Secretary, Board of Directors

