

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

April 1, 2024

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. 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:

Melissa Rowell	President
Kelly P. Fessler	Vice President
Ron Graham	Secretary
David Barker	Treasurer
Mark Ramsey	Director

All members of the Board were present except Director Barker, thus constituting a quorum. Director Barker later joined the meeting as noted herein. Also attending the meeting were: Mr. Jun Chang, P.E., D.WRE, General Manager for the Authority; Mr. Mark Evans, Director of Planning and Governmental Affairs for the Authority; Mr. Raj Singh, P.E., Engineering Manager for the Authority; Ms. Cynthia Plunkett, Finance Director for the Authority; Ms. Kassandra Medina, Administrative Assistant for the Authority; Paul Walker of Carollo Engineers, Inc., Program Manager for the Authority; Mr. Carlton McDevitt of Inframark, LLC, Operator for the Authority; Mr. Rafael Ortega of Aurora Technical Services; Mr. John Howell of The GMS Group, L.L.C., co-financial advisor to the Authority; and Mr. Andrew P. Johnson, III, attorney, and Ms. Mirna Croon, paralegal, (via teleconference) of Johnson Petrov LLP, general counsel for the Authority. Other members of the public and consultants to the Authority were also present at the meeting. Copies of the public sign-in sheets 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.

CALL TO ORDER

Director Rowell, Board President, called the meeting to order.

The meeting was opened with an inspirational message and an invocation and the recitation of Pledges of Allegiance to the United States and Texas flags.

PUBLIC COMMENT

There was no public comment.

MESSAGE FROM PRESIDENT AND BOARD MEMBERS

Director Rowell announced that the Board will hold a vote later in the meeting to schedule a special meeting for discussing financial matters.

Director Rowell stated that the Authority held the Community Engagement Meeting for Project 37C on March 25, 2024. She commended Mr. Ortega for his excellent presentation at the Community Engagement Meeting.

Director Rowell mentioned that the Harris-Galveston Subsidence District will present the 2023 annual groundwater report at the public hearing on Thursday, April 25, 2024, accessible via a link on their website. Comments can be submitted until May 3, 2024.

Director Rowell expressed dissatisfaction about the prevailing law that overrules the general law, allowing the Authority to avoid disclosing information about its fees during property transactions within its boundaries. While utility districts must disclose their tax rates, the Authority is not required by law to disclose its water rates.

Director Rowell reported that she received an updated list of vendors and expects to report on the percentage of conflict-of-interest forms returned within the next couple of months.

In response to Director Ramsey's question about why the agenda item related to the rate reduction was not included in the current meeting, Director Rowell explained that it could not be legally added to the agenda per discussion with JP. The Board had previously voted against another rate reduction. However, Mr. Howell prepared and emailed a financial analysis for the Board to review and discuss at a special meeting.

Director Fessler addressed Director Ramsey's statement that the Authority has about \$300 million in overages, clarifying that the funds are not overcharges but rather additional revenue from the amount of water sold last year.

MINUTES OF FEBRUARY 5, 2024 BOARD MEETING

Director Fessler moved to approve the minutes of the February 5, 2024 Board meeting, and after full discussion and with all Directors present voting in favor, the Board approved the minutes of the February 5, 2024 Board meeting.

MINUTES OF MARCH 4, 2024 BOARD MEETING

Director Graham moved to approve the minutes of the March 4, 2024 Board meeting, and after full discussion and with all Directors present voting in favor, the Board approved the minutes of the March 4, 2024 Board meeting.

FINANCE DIRECTOR'S REPORT, INCLUDING MONTHLY FINANCIAL REPORT AND PAYMENT OF BILLS

Ms. Plunkett reviewed the Authority's Financial Report with the Board, including the monthly investment report, and the checks being presented for payment, a copy of which is attached hereto as Exhibit "A".

[Director Barker entered the meeting at 6:20 p.m.]

Addressing Director Ramsey's inquiries about the report, Ms. Plunkett and Mr. Chang provide additional information, particularly concerning the compensated absences liability and pledged securities mentioned within the Report.

Ms. Plunkett then responded to questions from Director Rowell regarding telephone and internet service fees.

Director Graham then moved to approve the Financial Report, and the checks being presented for payment, and with all Directors present voting in favor, the Board approved the Financial Report, and the checks presented for payment.

#### GENERAL MANAGER'S REPORT

- A. Status of Water Supply and Conversion. Mr. Chang provided an update on the progress of converting surface water within the current permit year. He reported that the conversion rate in February 2024, was 33 percent. The daily pumpage rate in March 2024 was 25.1 MGD per day. Mr. Chang also presented a chart detailing the monthly historical conversion and the five-year average. He noted that the Authority's current conversion goal is on target. Despite the use of groundwater credits in the previous year, it is not currently expected that any credits will be used in 2024.
- B. Update on Northeast Water Purification Plant ("NEWPP") Expansion Project. Mr. Chang reported that the most recent projections indicate water will be flowing into the distribution system next week. He also mentioned that substantial completion for Phase 1 of the Project is expected in the latter part of April 2024.
- C. Update on Litigation and Personnel Matter, as necessary. Mr. Chang informed the Board that Mr. Singh, the Authority's Engineering Manager, had been deposed in the litigation involving the HWT Houston Water Team's lawsuit against the City of Houston concerning the construction of the NEWPP. Mr. Chang also mentioned that he was informed that he would be deposed soon.

#### OPERATIONS STATUS REPORT

Mr. McDevitt presented the Operations Report, a copy of which is attached as Exhibit "B", and provided an update on the Authority's facilities, including the installation of booster pump no. 4. He reported that pump no. 5 is still experiencing high vibration levels, but once the new pump station becomes operational, pump no. 5 will be removed and evaluated. Mr. McDevitt also mentioned that when the new surface water from the NEWPP becomes available, the Authority should have a sufficient supply of water to meet the needs of its customers.

#### REPORT FROM DIRECTOR OF PLANNING AND GOVERNMENTAL AFFAIRS

Mr. Evans mentioned that the Harris-Galveston Subsidence District will conduct its annual hearing on April 25, 2024, as previously reported.

Additionally, Mr. Evans provided an update regarding the primary election results held on March 5, 2024.

RESOLUTION APPROVING PROFESSIONAL SERVICE PROCUREMENT REQUIREMENT IN POLICY AND PROCEDURAL RULES ("RESOLUTION")

Mr. Chang stated that several months ago, the Board requested a change in the Professional Service Procurement Requirement. Mr. Chang then reviewed the revised change and asked the Board to approve the Resolution.

Next, Director Ramsey moved to approve the Resolution, and with all Directors present voting in favor, the Board approved the Resolution, a copy of which is attached hereto as Exhibit "C".

INFRASTRUCTURE IMPACT FEE FOR NEW DEVELOPMENTS

Mr. Chang explained that before the Board can authorize a service fee for new developments, it would need to determine (i) the definition of a new development and (ii) how to handle new developments both inside and outside of the Authority's boundaries. He then discussed the fees paid by developments located outside of the Authority, including the capital recovery surcharge, which was previously approved by the Board. Mr. Chang also highlighted the differences between a capital recovery fee and an impact fee, explaining that a capital recovery fee will recoup capital investment in the past, while an impact fee is forward-looking and considers the infrastructure needed to support new developments. To implement an impact fee, certain procedures must be followed as required by State Law. Mr. Johnson then distributed a memorandum outlining the impact fee requirements.

Mr. Chang elaborated on the complexity of the process surrounding impact fees, noting that the Authority would need to hire consultants to perform a land use analysis and estimate future costs. He pointed out that the Authority, as a wholesaler, is in a different position than a utility district, which is a retail provider. When a developer wants to build a subdivision within a utility district located in the Authority's boundaries, they would request water and sewer service from the district, not the Authority. Currently, the Authority cannot impose a charge on such a developer. If the Authority decides to impose a charge on developers, it may create issues with the utility districts, as they are likely to oppose any fees that discourage development within their boundaries, which would affect their tax revenues. Furthermore, utility districts could argue that they are already paying surface water or pumpage fees, making additional fees unnecessary.

Responding to Mr. Johnson's questions, Mr. Evans stated that the utility district as a part of the city consent to annexation application, is required to provide to the City of Houston a letter from the Authority stating the Authority will include the water demand in its GRP.

Discussion ensued and Mr. Johnson proposed either establishing a committee of two (2) Board members to discuss the impact fee guardrails and provide a recommendation to the Board or schedule a workshop for the entire Board. Mr. Chang stated that if the Board would like to proceed with pursuing implementation of an impact fee, it would need to authorize him to start forming a committee. The committee cannot be comprised just of the Board Members and the staff. The State Law requires that the committee include outside representatives such as members of the development community and industry experts. The Board members and staff cannot exceed 40 percent of the committee. Mr. Chang asked for clarification from the Board if they would like to proceed with an impact fee or a capital

recovery fee, as they are significantly different.

Discussion ensued and Director Fessler proposed the Board appoint a committee to work with Mr. Chang and Mr. Johnson on structuring a capital recovery fee. Following lengthy discussion, Director Ramsey moved to (i) appoint Directors Fessler and Barker to the Committee tasked to work with Mr. Johnson and Mr. Chang on proceeding and/or structuring the capital recovery fee; and (ii) if necessary, to schedule a public hearing for May 6, 2024, to hear the Committee recommendation regarding the capital recovery fee. Director Ramsey then amended his motion to state that the targeted date to discuss the surcharge fee be May 6, 2024, however, if not possible, then the latest date for such discussion be June 3, 2024. Director Barker seconded the motion, and after full discussion and with all Directors present voting aye, the Board (i) appointed Directors Fessler and Barker to the Committee tasked to work with Mr. Johnson and Mr. Chang on proceeding and/or structuring the capital recovery fee; and (ii) agreed that the targeted date to discuss the capital recovery fee be May 6, 2024, however, if not possible, then the latest date for such discussion be June 3, 2024.

#### BOARD DISCUSSION OF POTENTIAL FUTURE AGENDA ITEMS

Director Ramsey proposed items for a future agenda.

Director Rowell then proposed an item for a future agenda.

#### SPECIAL BOARD MEETING FOR RATE DISCUSSION

The Board discussed the rate analysis prepared by Mr. Howell, and reached a consensus to meet on April 22, 2024, at 6 p.m. The Board also authorized the Financial Advisor to prepare a rate analysis using the annual 2 percent revenue projections.

#### NEXT REGULAR MEETING WILL BE MONDAY, MAY 6, 2024.

There was no action.

#### PUBLIC COMMENT.

There was no public comment.

#### ADJOURNMENT

With no additional matters to discuss, the meeting was adjourned at 7:50 p.m.

[EXECUTION PAGE FOLLOWS]

PASSED, APPROVED AND ADOPTED on the 6<sup>th</sup> day of May, 2024.

*Ron Embam*  
Secretary, Board of Directors

