

MINUTES OF SPECIAL MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

April 22, 2024

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. 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 Ramsey and Director Fessler, thus constituting a quorum. 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. Cassandra 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. 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 and subsequently led the meeting attendees in an invocation and the recitation of Pledges of Allegiance to the United States and Texas flags.

PUBLIC COMMENT

Mr. Jerry Homan, a representative of Harris County Fresh Water Supply District No. 61, repeated information provided at previous Board meetings about the Surface Water Conversion Program and voiced his concerns about the third-rate reduction for pumpage fees and/or surface water delivery.

Mr. Ronald Chapman, a representative of Harris County Municipal Utility District No. 222, expressed his concerns regarding another rate reduction.

MESSAGE FROM PRESIDENT AND BOARD MEMBERS

Director Barker stated that the City of Houston (the "City") has introduced a new water billing plan for residents who have been receiving the City water for over a year. Under this plan, these residents will be charged a monthly rate based on an average of their billing data for up to 36 months, until their water meter is functioning properly. However, Director Barker expressed concerns about the feasibility of calculating water bills accurately, given that approximately one-third of the City's water meters are currently not operational.

WATER RATE WORKSHOP

The President recognized Mr. Howell who referred to an analysis that was presented to the Board about 10 days ago. The analysis includes slides and supporting schedules that illustrate the potential impact on the Authority's current and future rates if the existing rates were to be reduced by \$0.50, \$1.00, or \$2.00. Additionally, Mr. Howell mentioned that the second part of the packet provides information on the consequences of significantly reducing the Authority's Improvement Fund, which currently contains \$300 million. The analysis is attached hereto as Exhibit "A". Mr. Howell pointed out that the analysis utilized two key assumptions. First, the Authority's average water usage over the past 10 years was used as the starting point for the analysis. Second, it was assumed that water usage would grow by 2 percent annually from that point onward, as requested by Director Ramsey.

Mr. Howell then addressed questions from the Board regarding the water usage projections and analysis.

Mr. Howell's summary of findings, is outlined in Exhibit "A":

1. If no rate changes are made in 2024, the current rates can remain unchanged until January 2028.
2. If a \$0.50 rate decrease is implemented in 2024, rates may need to be increased in January 2025 and kept at that level until January 2027.
3. If a \$1.00 rate decrease is implemented in 2024, rates will need to revert to the current level in January 2025 and likely remain unchanged through 2027; however, a \$1.15 rate increase would be necessary in January 2028.
4. If a \$2.00 rate decrease is implemented in 2024, rates would need to be increased to the current level in January 2025, followed by additional increases of approximately \$0.85 per year in 2027 and 2028.

Mr. Howell advised against reducing the current rates by \$1.00 or \$2.00, even if some Board members subscribe to the higher water usage figures presented in the analysis. Regarding the potential \$0.50 rate reduction. Mr. Howell indicated that if the Board was absolutely committed to reducing rates again "now" then he was neutral on the \$0.50 reduction as long as Board members realize that we might have to increase the rates again in January 2025. He expressed his preference for leaving the rates the same for now and reviewing the rates again beginning in October 2024.

Mr. Howell then reviewed the analysis related to reducing the balance in the Improvement Fund by \$100 million, \$200 million, or \$300 million, by paying for certain Capital Improvements with Improvement Funds and cash on hand, as opposed to financing improvements with the TWDB Bonds, as described in Exhibit "A".

He outlined his analysis and recommendations as follows:

1. The Board should not consider reducing the Improvement Funds by \$300,000,000
2. If the Board wanted to reduce the Improvement Fund balance by \$100,000,000 then we should issue \$0.00 TWDB bonds in 2024.
3. If the Board wanted to reduce the Improvement Fund balance by \$200,000,000 then we would issue \$0.00 TWDB bonds in 2024 and issue \$226,000,000 TWDB bonds in 2025 (not \$336,000,000 TWDB bonds in 2025 as currently planned).
4. If the Board wants to reduce the Improvement Fund Balance by either \$100,000,000 or \$200,000,000 as described above then Mr. Howell should conduct the necessary briefings regarding the Authority's revised plan of financing with the Texas Water Development Board ("TWDB"): (i) Receive the TWDB's approval to "move back" the Authority's 2024 TWDB approved Bonds to 2028; and (ii) Receive the TWDB's approval to "move back" \$100,000,000 or the Authority's 2025 TWDB approved Bonds to 2028.
5. Conduct the necessary briefings regarding the revised plan of financing with the Rating Agencies and the Bond Insurance companies.
6. Leave the existing water rates as is but begin annual review of water rates in October 2024.
7. The Board should understand that if we decide to implement a \$200,000,000 reduction in the Improvement Fund balance then the Authority may need to increase its rates effective January 1, 2025.

After concluding his presentation, Mr. Howell addressed inquiries and questions raised by the Board members.

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

There was no action taken.

ADJOURNMENT

With no additional matters to discuss, the meeting was adjourned at 7:45 p.m.

[EXECUTION PAGE FOLLOWS]

PASSED, APPROVED AND ADOPTED on the 6th day of May, 2024.

Ron Graham
Secretary, Board of Directors

