

**APPLICATION FOR FINANCIAL ASSISTANCE  
FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS**

**NOTICE TO ALL APPLICANTS**

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application is intended for political subdivisions, including Water Supply Corporations.

Each applicant must submit **ONE** double-sided **ORIGINAL** and **ONE** indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat. The application must be submitted to:

Texas Water Development Board  
Water Supply and Infrastructure-Regional Water Planning and Development  
P O Box 13231  
1700 N. Congress Avenue, 5<sup>th</sup> Floor  
Austin, Texas 78711-3231  
(78701 for courier deliveries)

Only **COMPLETE APPLICATIONS** for projects will be considered for funding. A **COMPLETE APPLICATION** consists of all of the applicable information and forms requested in this document.

**IMPORTANT NOTICE**

Applicants **MUST** use this form for application to ensure all requested information is included for review.

When preparing this application please review the Application and all Guidance and Forms, listed at the end.

**TWDB Use Only**

Name of Applicant: \_\_\_\_\_

Date application received: \_\_\_\_\_

Date administratively complete: \_\_\_\_\_

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

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Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part A: General Information**

1. The legal authority under which the applicant was created and operates.
  - a)  TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
  - b)  TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
  - c)  TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
  - d)  HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
  - e)  SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
  - f)  NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
  - g)  NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
  - h)  ALL DISTRICTS (Texas Water Code Chapter 49)
  - i)  OTHER (Please see Attachment Part A1)

2. Applicant Name and Contact Information:

<b>Name:</b>	Central Harris County Regional Water Authority (CHCRWA)
<b>County:</b>	Harris
<b>Physical Address:</b>	1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056
<b>Mailing Address:</b>	1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Website:</b>	N/A

3. Brief description of the project:

The project consists of a 320 Million Gallons per Day (MGD) expansion of the City of Houston (COH) Northeast Water Purification Plant (NEWPP), which will be jointly shared by the COH and four regional water authorities (the Central Harris County Regional Water Authority (CHCRWA), the North Harris County Regional Water Authority (NHCRWA), the West Harris County Regional Water Authority (WHCRWA) and the North Fort Bend Water Authority (NFBWA). The application is to request funding for the CHCRWA portion of the 320 MGD expansion of the NEWPP, which is 4.88 MGD.

4. Applicant's Officers and Members:

<u>Name</u>	<u>Office Held</u>
Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

5. Applicant's **primary contact person** for day-to-day project implementation.

<b>Name:</b>	Abraham I. Rubinsky
<b>Title:</b>	Attorney
<b>Address:</b>	1300 Post Oak Blvd. Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Email:</b>	arubinsky@sphllp.com

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

<b>Firm Name:</b>	IDS Engineering Group, Inc., formally known as Pate Engineers, Inc.
<b>Contact:</b>	Marcel Khouw
<b>Address:</b>	13333 Northwest Freeway, Suite 300, Houston, Texas 77040
<b>Phone:</b>	713.462.3178
<b>Fax:</b>	713.462.1631
<b>Email:</b>	mkhouw@idsengineeringgroup.com

b) Bond Counsel N/A

<b>Firm Name:</b>	Schwartz, Page & Harding, L.L.P.
<b>Contact:</b>	Abraham I. Rubinsky
<b>Address:</b>	1300 Post Oak Blvd. Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Email:</b>	arubinsky@sphllp.com

c) Financial Advisor N/A

<b>Firm Name:</b>	The GMS Group, L.L.C.
<b>Contact:</b>	John F. Howell
<b>Address:</b>	5075 Westheimer Rd., Suite 1175, Houston, Texas 77056
<b>Phone:</b>	713.626.3552
<b>Fax:</b>	713.626.3347
<b>Email:</b>	jhowell@gmsgroup.com

d) Certified Public Accountant (or other appropriate rep) N/A

<b>Firm Name:</b>	F. Matuska, Inc.
<b>Contact:</b>	Fran Matuska
<b>Address:</b>	4600 Highway 6 North, Suite 315, Houston, TX 77084
<b>Phone:</b>	281.859.8779
<b>Fax:</b>	281.859.8556
<b>Email:</b>	fmatуска@att.net

e) Legal Counsel (if other than Bond Counsel) N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

f) Any other consultant representing the Applicant before the Board N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

7. List the counties within the Applicant's service area. Harris

8. Identify the Applicant's total service area population: 28,350

9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAf)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ <u>22,655,000</u>
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain:	\$ _____

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
<b>Total Funding from All Sources</b>		\$		

Comments: **Not Applicable**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.
- Attached document**
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part B: Legal Information**

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.  
Section 8815.151, Texas Special District Local Laws Code. See Attachment Part A1.
14. What type of pledge will be used to repay the proposed debt?  
 Systems Revenue  
 Taxes  
 Combination of systems revenues and taxes  
 Other (Contract Revenue, etc.)
15. Provide the full legal name of the security for the proposed debt issue(s).  
\$22,655,000 Central Harris County Regional Water Authority Revenue Bonds (the Bonds"). The Bonds may be issued in one or more series, upon the advice and consent of the TWDB, in order to facilitate financial assistance from SWIFT as requested herein.
16. Describe the pledge being offered and any existing rate covenants.  
Principal of and interest on the Bonds will be payable and secured by the net revenues of the CHCRWA. The CHCRWA will generate gross revenues sufficient to pay and provide for the timely payment of the Bonds through pumpage fees and service fees assessed pursuant to the CHCRWA's rule and regulations.
17. Attach the resolution from the governing body requesting financial assistance.  
TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Resolution**
18. Attach the Application Affidavit  
TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Applicant Affidavits**
19. Attach the Certificate of Secretary  
TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Certificate of Secretary**
20. Is the applicant a Water Supply Corporation (WSC)?  
 Yes If yes, attach each of the following:  
 **Articles of Incorporation**  
 **Certificate of Incorporation from the Texas Secretary of State evidencing that the current Articles of Incorporation are on file with the Secretary**  
 **By-laws and any amendments**  
 **Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)**  
 **Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).**  
 No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

21. Is the applicant proposing to issue revenue bonds?  
 Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.  
 **Attached resolution/ordinance(s)**  
 No
22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?  
 Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.  
 **Attached CCN and service area map**  
 No If no, indicate the status of the CCN.  
 N/A
23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?  
 Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.  
 **Attached**  
 No
24. Are any facilities to be constructed or the area to be served within the service area of a municipality or other public utility?  
 Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?  
 If yes, attach a copy of the affidavit.  
 **Attached affidavit**  
 If no, provide an explanation as to why not.  

The CHCRWA was created for the purpose, among others, of implementing and enforcing a groundwater reduction plan so that its Member Districts achieve and maintain compliance with the Harris-Galveston Subsidence District's ("HGSD") regulatory requirements. The facilities constructed in this project are essential to the CHCRWA's ability to meet the HGSD's mandates. Please see Attachment Part A1 for a copy of the CHCRWA's enabling legislation.

 No
25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)  
 Yes Enter date of Applicant's WCP adoption: 5/1/2014  
 No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Attached Draft WCP and Drought Contingency Plan**
- Attached Utility Profile TWDB-1965**
- N/A <http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>  
(Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

**Note:** If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?
- Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?
    - Yes
    - No If no, please download survey forms and attach a copy of the completed water use surveys to the application.  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
 **Attached Water Use Survey**
  - No
27. Is the applicant a retail public utility that provides potable water?
- Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?
    - Yes
    - No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.  
 **Attached TWDB Water Audit worksheet**
  - No
28. Does the Applicant provide wastewater services?
- Yes
  - No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part C: Financial Information**

**Regional or wholesale providers, complete questions 29-31.**

**Retail providers, complete questions 32-34.**

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
HC MUD 200	338,224,000	20.06%	N
HC MUD 150	280,659,000	16.65%	N
FALLBROOK UD	258,894,000	15.36%	N
HC MUD 33	235,274,000	13.96%	N
HC MUD 304	186,044,000	11.04%	N
HC UD 16	102,342,000	6.07%	N
HC MUD 217	67,325,000	3.99%	N
RANKIN RD. WEST MUD	66,898,000	3.97%	N
HC MUD 215	57,504,000	3.41%	N
HC MUD 205	47,209,000	2.80%	N

Comments:

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)
HC MUD 200	\$805,525	28.15%	N
HC MUD 150	\$523,689	18.30%	N
FALLBROOK UD	\$382,990	13.39%	N
HC MUD 33	\$337,405	11.79%	N
HC MUD 304	\$271,359	9.48%	N
HC UD 16	\$196,015	6.85%	N
HC MUD 217	\$129,733	4.53%	N
RANKIN RD. WEST MUD	\$128,667	4.50%	N
HC MUD 215	\$ 85,887	3.00%	N
HC MUD 205	Pays through HC MUD 200		

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers

**Not Applicable**

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
NOT APPLICABLE						

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER**

**Not Applicable**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
NOT APPLICABLE			

b. **WASTEWATER**

**Not Applicable**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)
NOT APPLICABLE			

33. Current Average Residential Usage and Rate Information

**Not Applicable**

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water	NOT APPLICABLE				
Wastewater	NOT APPLICABLE				

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

34. Provide the number of customers for each of the past five years.

**Not Applicable**

Year	Number of Customers
20	NOT APPLICABLE
20	
20	
20	
20	

**All applicants complete questions 35-51 of the financial section, as applicable.**

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).

The CHCRWA is not aware of any judgement, order, fine, penalty, enforcement or compliance issue that will keep it from being able to issue or repay debt. The CHCRWA is not aware of any lawsuit, judgement, bankruptcy of any of its Member Districts that will adversely impact its ability to make timely payment of interest and principal on the Bonds. The CHCRWA sells water on a wholesale basis to eleven (11) Member Districts and is not financially dependent upon any single water user or other within those districts. The CHCRWA believes that the homeowners within its boundaries will be paying approximately the same amount for surface water as the homeowners in the other regional water authorities in the Houston area.

36. Has the applicant ever defaulted on any debt?

- Yes If yes, disclose all circumstances surrounding prior default(s).  
 No

37. Does the applicant have taxing authority?

- Yes  
 No

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate.

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
20 N/A							
20 N/A							
20 N/A							
20 N/A							
20 N/A							

Comments: Not applicable. No taxing authority.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

- a)  2014 attached
- b)  2013 attached
- c)  2012 attached
- d)  2011 attached
- e)  2010 attached

40. Attach the direct and overlapping tax rate table:

Attached tax rate table

Not applicable. No taxing authority.

41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten.

**Not Applicable**

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
NOT APPLICABLE			

Comments: Not applicable. No taxing authority.

42. Provide the maximum tax rate permitted by law per \$100 of property value. N/A

43. Does the applicant collect sales tax?

Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
20	
20	
20	
20	
20	

No

44. Indicate the tax status of the proposed loan?

- Tax-Exempt
- Taxable

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

45. Proforma (**Select one of the four listed below**) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.
- a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:
- projected gross revenues
  - operating and maintenance expenditures
  - outstanding and proposed debt service requirements
  - net revenues available for debt service and coverage of current and proposed debt paid from revenues
- b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- outstanding and proposed debt service requirements
  - the tax rate necessary to repay current and proposed debt paid from taxes
  - list the assumed collection rate and tax base used to prepare the schedule
- c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
  - outstanding and proposed debt service requirements
  - the tax rate necessary to pay the current and proposed debt
  - list the assumed collection rate and tax base used to prepare the schedule
- d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.
- Attached
46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
- Attached Operating Statement.**
47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
- Attached Annual Audit**
  - Attached Management Letter**
  - If applicable, attached interim financial information**
48. Does the applicant have any outstanding debt? (Check all that apply)
- Yes, General obligation debt
  - Yes, Revenue debt
  - Yes, Authorized but unissued debt
  - No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.

a. General Obligation Debt:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

b. Revenue:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

c. Authorized by Unissued Debt:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
Houston Independent School District	22,984
City of Houston	21,095
U.T.M.D Anderson Cancer Center	19,290
United Airlines	17,000
Harris County	14,583
Exxon Mobil	13,191
Houston Methodist Hospital	13,000
Shell Oil Company	13,000
Kroger Company	12,000
National Oilwell Varco	10,000

Comments (example, any anticipated changes to the tax base, employers etc.)

The list above represents 10 largest employers in Harris County. The CHCRWA does not have information regarding the number of employees within its boundaries.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

51. Provide any current bond ratings with date received.

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
G.O.	N/A		N/A		N/A	
Revenue	N/A		N/A		N/A	

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.

**Attached**

No.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part D: Project Information

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):

The primary purpose for the CHCRWA is to reduce groundwater withdrawals and meet the groundwater reduction requirements of the Harris-Galveston Subsidence District (HGSD) 1999 District Regulatory Plan, including the following:

- Achieve a 30 percent reduction of groundwater pumpage by June 2010
- Achieve a 60 percent reduction of groundwater pumpage by June 2025
- Achieve a 80 percent reduction of groundwater pumpage by June 2035

The 320 MGD expansion of the NEWPP, of which 4.88 MGD is for the CHCRWA, is necessary to achieve the reduction in groundwater for 2025, 2035 and beyond, as mandated by the HGSD. See City of Houston application for additional information.

54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):

The project consists of a 320 MGD expansion of the NEWPP, which will be jointly shared by the COH and four regional water authorities (CHCRWA, NHCRWA, WHCRWA and the NFBWA). The application is to request funding for the CHCRWA portion of the 320 MGD expansion of the NEWPP, which is 4.88 MGD.

See City of Houston application for additional information.

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
  - Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal **Attached**
- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:
  - a) **Water** (TWDB-0555 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)  
 **Attached**
  - b) **Wastewater** (TWDB-0556 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>)  
 **Attached**
- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

55. Water Made Available (For projects requesting a construction component): **See City of Houston**

- a. *New supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
  - Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.
- b. *New Conservation savings* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,
  - Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.
- c. *New Reuse supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
  - Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.
- d. *Maintenance of Current Supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Volume of recipients' current supplies that will be maintained by implementing the proposed project
  - Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).

56. Project Location:

**See City of Houston**

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

**Attached**

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:

<http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>.

**Please follow these steps:**

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within\_\_\_\_" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.
- Close the Geographies Search window.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

**Attached Census tracts**

58. Project Schedule: **See City of Houston**

- Requested loan closing date.
- Estimated date to submit environmental planning documents.
- Estimated date to submit engineering planning documents.
- Estimated date for completion of design.
- Estimated Construction start date for first contract.
- Estimated Construction end date for last contract.

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.

**Attached**

60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template

**Attached** **See City of Houston**

61. Attach the appropriate Project Information Form:

**Wastewater:** Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

**Water:** Attached a completed Water Project Information Form WRD-253d <http://www.twdb.texas.gov/financial/instructions/index.asp>

62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities. **Not Applicable**

**Attached**

No. Provide explanation:

63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction. **See City of Houston**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**See City of Houston**

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?

- Yes If yes, please attach the completed, appropriate form.
1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)  
 **Attached**
  2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)  
 **Attached**
- No  
 N/A

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
<b><u>See City of Houston</u></b>				

c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)
<b><u>See City of Houston</u></b>		

64. Has the applicant obtained all necessary land and easements for the project?

**See City of Houston**

- Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)  
 **Attached**
- No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)
<b><u>See City of Houston</u></b>				

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project? **See City of Houston**

- Yes
- Attach a copy of the finding.
- No

66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment? **See City of Houston**

- Yes
- No

67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)? **See City of Houston**

- Yes
  - If yes, attach additional information
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:**

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):

- |                                     |                     |    |
|-------------------------------------|---------------------|----|
| <input type="checkbox"/>            | Deferred            | \$ |
| <input checked="" type="checkbox"/> | Low Interest Loan   | \$ |
| <input type="checkbox"/>            | Board Participation | \$ |

69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.

**Attached**

70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the State Water Implementation Fund for Texas (SWIFT) to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.

71. Provide drafts of the following documents:

a. Proposed Bond Ordinance

**Attached**

b. Private Placement Memorandum

**Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part F: Economically Distressed Programs (EDAP) Applicants Only:**

**Not Applicable**

In accordance with TWDB Rules (31 TAC Chapter 363), an application for EDAP will **not** be considered until the County has adopted and is enforcing the Model Subdivision Rules (MSRs) Texas Water Code § 16.343. If the proposed project is within a municipality or its extraterritorial jurisdiction (ETJ), or if the applicant is a municipality, the municipality must also have adopted and be enforcing MSRs.

72. Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts)
73. Is financing being requested for a **wastewater** project?
- Yes If yes, does the applicant have the required resolution/ordinance establishing a mandatory hookup policy?
    - Yes. If yes, attach a copy of the resolution/ordinance.
      - Attached**
      - No. If no, explain
    - No
74. Required documentation for the project area for Preliminary EDAP Eligibility (31 TAC Chapter 363)
- Attached** documentation of inadequacy of water and/or wastewater services.
  - Attached** documentation regarding the financial resources of the residential users in the EDAP area. Census data or documentation regarding median household income should be provided.
  - Attached** documentation demonstrating existence of a residence in the project area prior to **June 1, 2005**. This could include tax records of residence, dated aerial maps, or, other documentation demonstrating existence of a residence.
75. Has the Department of State Health Services issued a determination stating a public health nuisance exists in the project area?
- Yes If yes, attach a copy of the determination.
    - Attached**
  - No If no determination exists, attach documentation demonstrating a public health nuisance exists in the project area. (*Photographs may be submitted, but they **must** be labeled with location and date when taken. If the soil types are mentioned in the project area as an issue, include soil profile maps*) This documentation will be used by TWDB staff to request a determination from the Department of State Health Services
    - Attached**
76. Is this project providing new service?
- Yes If yes, attach plats of the affected subdivisions.
    - Attached**
  - No
77. Attach an EDAP Facility Engineering Plan/Scope of Services report that complies with the requirements of WRD-023A. <http://www.twdb.texas.gov/financial/instructions/index.asp>
- Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part G: CWSRF/DWSRF Applicants Only**

**Not Applicable**

**Only applicants applying for funding from the CWSRF and DWSRF Programs must complete this section.**

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to obtain a DUNS number that will represent a universal identifier for all federal funding assistance. DUNS numbers can be obtained from Dun and Bradstreet at <http://fedgov.dnb.com/webform/>

78. Applicant's Data Universal Number System (DUNS) Number:  
DUNS

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to register with System for Award Management (SAM) and maintain current registration at all times during which the Board loan agreement is active or under consideration by the Board. Register at: <https://sam.gov>.

79. The applicant has registered and will maintain current SAM registration at all times during which a federal subaward is active or under consideration by the Board.

- Yes
- No

80. Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?

- Yes
- No

2. Did applicant receive over \$25 million in Federal Awards last year?

- Yes
- No

3. Public does not have access to executive compensation information via SEC or IRS reports?

- Yes
- No

81. If applicant checked **YES** to **ALL** three boxes in 3 above, applicant is required to disclose the name and compensation of the five most highly compensated officers.

Officer's Name	Officer's Compensation (\$)

82. Complete form WRD 213 (<http://www.twdb.texas.gov/financial/instructions/index.asp>) – Certification Regarding Lobbying

- Attached**
- Yes
  - No
  - N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

83. If applying for CWSRF Equivalency or DWSRF, **attach** the Certification Regarding Debarment, Suspension and Other Responsibility. SRF-404  
(<http://www.twdb.texas.gov/financial/instructions/doc/SRF-404.pdf>)

**Attached**  Yes  
 No  
 N/A

84. If applying for CWSRF Equivalency or DWSRF, **attach** the Assurances – Construction Programs. EPA-424D (<http://www.twdb.texas.gov/financial/doc/EPA-424D.pdf>)

**Attached**  Yes  
 No  
 N/A

85. The applicant must comply with the Davis-Bacon Act regarding prevailing wage rates. The applicant acknowledges that they are aware of, and will abide by, the Davis-Bacon Act requirements.

Yes  
 No

Further information on the Davis-Bacon requirement is available through the TWDB Guidance document, DB-0156 (<http://www.twdb.texas.gov/financial/instructions/index.asp>)

All project costs funded by the TWDB through CWSRF Equivalency or DWSRF must comply with the federal Disadvantaged Business Enterprise (DBE) program rules and requirements. The federal DBE program requires a good faith effort to contract with DBE's for all procurements including: professional and non-professional consulting services, equipment, supplies and construction to be funded by federal equivalency dollars. Guidance and forms are found at:

TWDB-0210 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0210.pdf>)

86. **At a minimum, you must complete and attach** the Applicant Affirmative Steps Certification and Goals. This form is required to obtain a financial assistance commitment.

TWDB-0215 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0215.pdf>)

**Attached**  Yes  
 No

87. If you have already solicited contractors, complete and attach the Affirmative Steps Solicitation Report. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-216 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0216.pdf>)

**Attached**  Yes  
 No  
 N/A

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

88. If you have awarded contracts to contractors, complete and attach the Loan/Grant Participation Summary. This form must be submitted for review prior to loan closing and release of funds. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-0373 (<http://www.twdb.texas.gov/financial/doc/TWDB-0373.pdf>)

**Attached**  Yes  
 No  
 N/A

89. All Contractors that have been awarded will need to complete and attach the Prime Contractor Affirmative Steps Certification and Goals This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-217 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0217.pdf>)

**Attached**  Yes  
 No  
 N/A

90. **All CWSRF applicants** must be a Designated Management Agency (DMA) for wastewater collection and treatment. Please complete and attach DMA resolutions. WRD-210 (<http://www.twdb.texas.gov/financial/doc/WRD-210.pdf>) is an example of this type of resolution.

**Attached**  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part H: Documentation of "Green" Projects and Project Components

CWSRF and DWSRF Applicants Only

**Not Applicable**

All SRF applicants must complete this section if green benefits are all or part of the project (**more than an incidental benefit**). Project is defined as the entire project or a stand-alone component of the project. This section is required so that the TWDB may determine whether the project qualifies as "green" pursuant to Environmental Protection Agency (EPA) Guidance.

A project (or project component) is "green" if the primary purpose qualifies under EPA Guidance as one of the following:

- a. Green Infrastructure,
- b. Water Efficiency-related,
- c. Energy Efficiency-related, or
- d. Environmentally Innovative.

You must use the Green Project Reserve guidance to complete this section. Current guidance may be found at: **Green Project Reserve: Guidance for determining project eligibility**

TWDB-0161 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0161.pdf>)

91. Does your project or a component of your project qualify as Green, per EPA guidance?
- Yes
- No

If Yes, Please complete the remainder of Section G.

92. Type of Green Project
- Water Efficiency       Energy Efficiency       Green Infrastructure       Environmentally Innovative

93. The correct worksheets must be completed.
- Green Project Reserve: CWSRF Green Project Worksheets**  
TWDB-0162 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.pdf>)
- Attached**       Yes  
                          No  
                          N/A

- Green Project Reserve: DWSRF Green Project Worksheets**  
TWDB-0163 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0163.pdf>)
- Attached**       Yes  
                          No  
                          N/A

TWDB will make the final determination whether your project (or project component) meets federal criteria as "green". You may be required to submit a **business case, utilizing the Green guidance**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

### Part A

- No. 6
- No. 12

### General Information

Draft or executed consulting contracts (engineering, financial advisor, bond counsel)  
Existing security document for refinancing

### Part B

- No. 17
- No. 18
- No. 19
- No. 20

### Legal

Resolution (TWDB-0201A)  
Application Affidavit (TWDB-0201)  
Certificate of Secretary (TWDB-201B)  
Water Supply Corporations

- Articles of Incorporation
- Certificate of incorporation from the Texas Secretary of State
- By-laws and any amendments
- Certificate of status from the Texas Secretary of State
- Certificate of account status from Texas Comptroller

- No. 21
- No. 22
- No. 23
- No. 24
- No. 25
- No. 26

Resolution/ordinance authorizing the issuance of parity debt  
Certificate of Convenience & Necessity  
Enforcement Actions  
Affidavit of No Objection  
Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)  
Water use surveys

- No. 27

Water Loss Audit  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
<http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

### Part C

- No. 39
- No. 40
- No. 45
- No. 46
- No. 47
- No. 49
- No. 52

### Financial

Assessed Values by Classifications  
Direct and Overlapping Tax Table  
Proforma for each year of debt outstanding  
Five year comparative system operating statement.  
Annual audit and management letter  
Outstanding debt schedule  
Service provider contracts

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part D**

**Project Information**

- No. 54a Preliminary Engineering Feasibility Data (PEFD)
- No. 54b Engineering Feasibility Report
  - Water (TWDB-0555)
  - Wastewater (TWDB-0556)
- No. 54c Project Draw Schedule (TWDB-1202)
- No. 56 Project Map
- No. 57 Census Tract(s)
- No. 59 Current and future populations and projected water use or wastewater flows
- No. 60 Project Cost Estimate Budget (TWDB-1201)
- No. 61 Wastewater Project Information Form (WRD-253a)  
Water Project Information Form (WRD-253d)
- No. 62 Texas Pollution Discharge Elimination System Permit
- No. 63 If applicant has property rights and permits
  - a. WRD-208A (Surface Water)
  - b. WRD-208B (Groundwater)
- No. 63c Additional Permits
- No. 64 Site certificate, evidencing land ownership for the project. (ED-101)
- No. 65 Categorical Exclusion (CE), Finding of No Significant Impact (FONSI), Record of Decision or any other supporting document
- No. 67 Social or environmental issues

**Part E**

**State Water Implementation Fund for Texas**

- No. 69 Multi-year/phased commitment schedule
- No. 71a Draft Bond Ordinance
- No. 71b Private Placement Memorandum

**Part F**

**Economically Distressed Areas Program**

- No. 73 Resolution/ordinance establishing a mandatory hookup policy
- No. 74 EDAP applicants
  - Inadequacy documentation
  - Financial resources documentation
  - Existence of residences prior to 06/01/2005
- No. 75 Public health nuisance
- No. 76 Plats
- No. 77 EDAP Planning Phase – Facility Engineering Plan/Scope of Services (WRD-023A)

**Part G**

**CWSRF/DWSRF Applicants Only**

- No. 82 Lobbying Activities (WRD-213)
- No. 83 Certification Regarding Debarment, Suspension and Other Responsibility Requirements. (SRF-404)
- No. 84 Assurances – Construction Programs (EPA-424D)  
Disadvantaged Business Requirements Guidance (TWDB-0210)
- No. 86 Affirmative Steps Certification and Goals (TWDB-0215)
- No. 87 Affirmative Steps Solicitation Report (TWDB-216)
- No. 88 Loan/ Grant Participation Summary (TWDB-0373)
- No. 89 Prime Contractor Affirmative Steps Certification and Goals (TWDB-217)
- No. 90 Designated Management Agency (WRD-210)

**Part H**

**Green Projects**

- No. 93 Guidance (TWDB-0161)  
CWSRF Green Project Worksheets (TWDB-0162)  
DWSRF Green Project Worksheets (TWDB-0163)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part J: Guidance and Forms

### Part A

#### General Information

CWSRF – 31 TAC 375

DWSRF – 31 TAC 371

EDAP and SWIFT - 31 TAC 363

For more information visit, <http://www.twdb.texas.gov/about/rules/index.asp>.

### Part D

#### Project Information

[State Programs - 31 TAC 363](#)

[Drinking Water State Revolving Fund - 31 TAC 371](#)

[Clean Water State Revolving Fund / Equivalency - 31 TAC 375](#)

[Clean Water State Revolving Fund / Non-Equivalency - 31 TAC 375](#)

Guidelines for Environmental Assessment, Clean Water Non-Equivalency (ED-001A)

Clean Water EID Instructions (SRF-099)

Guidelines for Environmental Assessment, State Participation, DFund, RWF and WIF,  
(ED-001B)

Guidelines for Environmental Assessment, EDAP (ED-001C)

Drinking Water EID Instructions (DW-001)

### Part H

#### Green Projects and Project Components

Green Project Reserve: Guidance for determining project eligibility  
(TWDB-0161)



The State of Texas  
Secretary of State

I, ROGER WILLIAMS, Secretary of State of the State of Texas, DO  
HEREBY CERTIFY that the attached is a true and correct copy of House  
Bill Number 3181 passed by the 79th Legislature, Regular Session, 2005,  
as signed by the Governor on June 17, 2005, and filed in this office on  
June 17, 2005.

Date issued: August 12, 2005

A handwritten signature in black ink that reads "Roger Williams".

---

Roger Williams  
Secretary of State



ST/lis

AN ACT

1  
2 relating to the creation of the Central Harris County Regional  
3 Water Authority; providing authority to issue bonds or notes;  
4 granting the power of eminent domain; providing an administrative  
5 penalty.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Subtitle H, Title 6, Special District Local Laws  
8 Code, is amended by adding Chapter 8815 to read as follows:

9 CHAPTER 8815. CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

10 SUBCHAPTER A. GENERAL PROVISIONS

11 Sec. 8815.001. DEFINITIONS. In this chapter:

12 (1) "Authority" means the Central Harris County  
13 Regional Water Authority.

14 (2) "Board" means the board of directors of the  
15 authority.

16 (3) "Commission" means the Texas Commission on  
17 Environmental Quality or its successor.

18 (4) "Director" means a member of the board.

19 (5) "District" means any district created under  
20 Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI,  
21 Texas Constitution, regardless of the manner of creation, other  
22 than:

23 (A) a navigation district or port authority; or

24 (B) a district governed by Chapter 36, Water

1 Code.

2 (6) "Groundwater reduction plan" means a plan adopted  
3 or implemented to supply water, reduce reliance on groundwater,  
4 regulate groundwater pumping and usage, or require and allocate  
5 water usage among persons in order to comply with or exceed  
6 requirements imposed by the subsidence district, including any  
7 applicable groundwater reduction requirements.

8 (7) "Local government" means a municipality, county,  
9 district, or other political subdivision of this state or a  
10 combination of two or more of those entities.

11 (8) "Member district" means each of the following  
12 conservation and reclamation districts created under Section 59,  
13 Article XVI, Texas Constitution:

14 (A) Harris County Municipal Utility District No.  
15 33;

16 (B) Harris County Municipal Utility District No.  
17 150;

18 (C) Harris County Municipal Utility District No.  
19 200;

20 (D) Harris County Municipal Utility District No.  
21 205;

22 (E) Harris County Municipal Utility District No.  
23 215;

24 (F) Harris County Municipal Utility District No.  
25 217;

26 (G) Harris County Municipal Utility District No.  
27 304;

1                   (H) Harris County Municipal Utility District No.

2     399;

3                   (I) Harris County Utility District No. 16;

4                   (J) Fallbrook Utility District; and

5                   (K) Rankin Road West Municipal Utility District.

6                   (9) "Subsidence" means the lowering in elevation of  
7 the surface of land by the withdrawal of groundwater.

8                   (10) "Subsidence district" means the Harris-Galveston  
9 Coastal Subsidence District.

10                   (11) "System" means a network of pipelines, conduits,  
11 valves, canals, pumping stations, force mains, treatment plants,  
12 and any other construction, device, or related appurtenance used to  
13 treat or transport water.

14                   (12) "Water" includes:

15                   (A) groundwater, percolating or otherwise;

16                   (B) any surface water, natural or artificial,  
17 navigable or nonnavigable; and

18                   (C) industrial and municipal wastewater.

19                   (13) "Well" includes a facility or device owned or  
20 partially owned by a member district and used to withdraw  
21 groundwater from a groundwater source inside or outside the  
22 boundaries of the authority for the purpose of supplying water to  
23 territory in the authority.

24                   Sec. 8815.002. NATURE OF AUTHORITY. The authority is a  
25 regional water authority in Harris County created under and  
26 essential to accomplish the purposes of Section 59, Article XVI,  
27 Texas Constitution.

1       Sec. 8815.003. CONFIRMATION ELECTION NOT REQUIRED. An  
2 election to confirm the creation of the authority is not required.

3       Sec. 8815.004. AUTHORITY TERRITORY. (a) The initial  
4 territory of the authority consists of the combined territories of  
5 each of the member districts as of the effective date of the law  
6 creating this chapter, regardless of whether the territory contains  
7 noncontiguous parcels of land or whether the territory is located  
8 within the boundaries of any other governmental entity or political  
9 subdivision of this state.

10       (b) The authority may annex additional territory under  
11 Section 8815.006.

12       (c) Territory may be excluded from the authority under  
13 Section 8815.005.

14       Sec. 8815.005. EXCLUSION OF CERTAIN TERRITORY. (a) On the  
15 mutual agreement of the board and the governing body of a member  
16 district, all of the land within that member district may be  
17 excluded from the authority.

18       (b) If a member district is excluded from the authority's  
19 boundaries under this section, the authority:

20           (1) is not required to provide water or any other  
21 service to the district; and

22           (2) is not required to include the district in any  
23 groundwater reduction plan adopted or implemented by the authority  
24 and may remove the district from any groundwater reduction plan  
25 adopted by the authority that includes the district.

26       (c) If a member district excluded from the authority's  
27 boundaries under this section petitions the authority to be annexed

1 under Section 8815.006, the authority may annex the district. The  
2 authority may require, as a condition of annexation, terms and  
3 conditions the board considers appropriate. The authority may  
4 require the district to pay the authority the fees, user fees,  
5 charges, and special assessments, with interest, that, as  
6 determined by the authority, the district would have been charged  
7 by the authority if the district had not been excluded from the  
8 authority under this section.

9 Sec. 8815.006. ANNEXATION. (a) Except to the extent the  
10 authority agrees in writing, a municipality's annexation of  
11 territory within the authority does not affect:

12 (1) the authority's powers inside or outside the  
13 annexed territory;

14 (2) the authority's boundaries or contracts; or

15 (3) the authority's ability to assess fees, user fees,  
16 rates, charges, or special assessments inside or outside the  
17 territory annexed by the municipality.

18 (b) Territory within the authority annexed by a  
19 municipality may be excluded from the authority under a written  
20 agreement between the authority and the municipality.

21 (c) Territory may be annexed to the authority, regardless of  
22 whether the territory is contiguous to the authority, as provided  
23 by Chapter 49, Water Code.

24 (d) In addition to the authority granted by Subsection (c),  
25 regardless of whether the territory is contiguous to the authority,  
26 the authority may annex all of the territory located within a  
27 district if the district files with the authority a petition

1 requesting the annexation signed by a majority of the members of the  
2 governing body of the district. The petition must include an  
3 accurate legal description of the boundaries of the district. If  
4 the authority has bonds, notes, or other obligations outstanding,  
5 the authority shall require the petitioning district to be  
6 obligated to pay its share of the principal of and interest on the  
7 outstanding bonds, notes, or other obligations, and related costs.  
8 The authority may also require the petitioning district to pay a  
9 portion of the expenses incurred by the member districts in  
10 connection with the organization, creation, and administration of  
11 the authority. The board may grant the petition and order the  
12 district annexed to the authority if:

13 (1) it is feasible, practicable, and to the advantage  
14 of the authority; and

15 (2) the authority's system and other improvements are  
16 sufficient or will be sufficient to supply surface water and  
17 groundwater to the added territory, if required under any  
18 groundwater reduction plan adopted and implemented by the  
19 authority, without harming the territory already included in the  
20 authority.

21 (e) Any territory that a member district annexes after the  
22 effective date of the Act creating this chapter becomes territory  
23 of the authority only on the adoption of an order or resolution by  
24 the board consenting to the inclusion of the additional territory  
25 within the authority. The authority by rule may require all member  
26 districts to send to the authority written notice of the effective  
27 date of an annexation and require the member districts to send to

1 the authority copies of any necessary documents describing the  
2 annexed land and describing the member districts' boundaries and  
3 actual and projected water usage requirements as they exist after  
4 inclusion of the annexed land.

5 (f) The annexation to the authority of territory under this  
6 section does not affect the validity of the authority's bonds  
7 issued before or after the annexation.

8 (g) A municipality that annexes territory of the authority  
9 for limited purposes under Subchapter F, Chapter 43, Local  
10 Government Code, does not have the right to:

11 (1) receive notices from the authority under Section  
12 8815.103(c);

13 (2) participate in the appointment of directors under  
14 Subchapter B; or

15 (3) receive information about or have the opportunity  
16 to fund its share of capital costs in the manner provided by the  
17 authority under Section 8815.104.

18 Sec. 8815.007. APPLICABILITY OF OTHER LAW. (a) Except as  
19 otherwise provided by this chapter, Chapter 49, Water Code, applies  
20 to the authority.

21 (b) This chapter does not prevail over or preempt a  
22 provision of Chapter 36, Water Code, or Chapter 8801 of this code  
23 that is being implemented by the subsidence district.

24 [Sections 8815.008-8815.020 reserved for expansion]

25 SUBCHAPTER A-1. TEMPORARY PROVISIONS

26 Sec. 8815.021. INITIAL DIRECTORS. (a) The initial board  
27 consists of:



1        (c) Each director must qualify to serve as director in the  
2 manner provided by Section 49.055, Water Code.

3        Sec. 8815.052. ELIGIBILITY TO SERVE AS DIRECTOR. (a) To be  
4 eligible to serve as a director or to be listed on a ballot as a  
5 candidate for director, an individual must:

6            (1) be at least 18 years of age;

7            (2) be a resident of this state;

8            (3) own land in or be a qualified voter in the  
9 authority; and

10           (4) have served as a director of one or more districts  
11 for a total of at least two years.

12        (b) To be eligible to serve as a director representing a  
13 director precinct or to be listed on a ballot as a candidate for  
14 director representing a director precinct under Section 8815.055,  
15 in addition to satisfying the requirements under Subsection (a), an  
16 individual must own land or be a qualified voter within the director  
17 precinct.

18        (c) A director serves until the director's successor has  
19 qualified.

20        Sec. 8815.053. DISQUALIFICATION OF DIRECTORS. The common  
21 law doctrine of incompatibility does not disqualify an official or  
22 employee of a public entity from serving as a director.  
23 Notwithstanding any other law, a director may participate in all  
24 votes and decisions pertaining to the business of the authority  
25 except that a director who is also an officer or employee of a  
26 public entity may not participate in the discussion of or vote on a  
27 matter regarding a contract with that public entity.

1           Sec. 8815.054. SINGLE-MEMBER DIRECTOR PRECINCTS. (a) The  
2 authority is divided into three single-member director precincts as  
3 follows:

4           (1) Director Precinct No. 1 includes the territory  
5 that is contained in the following member districts: Harris County  
6 Municipal Utility District No. 33, Fallbrook Utility District,  
7 Rankin Road West Municipal Utility District, and Harris County  
8 Municipal Utility District No. 215.

9           (2) Director Precinct No. 2 includes the territory  
10 that is contained in the following member districts: Harris County  
11 Municipal Utility District No. 150, Harris County Municipal Utility  
12 District No. 217, and Harris County Municipal Utility District No.  
13 304.

14           (3) Director Precinct No. 3 includes the territory  
15 that is contained in the following member districts: Harris County  
16 Municipal Utility District No. 200, Harris County Municipal Utility  
17 District No. 205, Harris County Municipal Utility District No. 399,  
18 and Harris County Utility District No. 16.

19           (b) The board may redraw the single-member director  
20 precincts in a manner that is reasonable and equitable:

21           (1) after any change in the boundaries of the  
22 authority; or

23           (2) by a resolution redrawing the director precincts  
24 adopted by a majority of the board based on changed circumstances.

25           Sec. 8815.055. METHOD OF APPOINTMENT OF DIRECTORS. (a) One  
26 director is appointed from each of the three director precincts and  
27 two directors are appointed at large. Two directors from director

1 precincts and one director at large shall be appointed in the first  
2 even-numbered year after the authority is created, and one director  
3 from a director precinct and one director at large shall be  
4 appointed in the next even-numbered year after the authority is  
5 created. Each subsequent even-numbered year, the appropriate  
6 number of directors shall be appointed.

7 (b) In the appropriate even-numbered year, the governing  
8 bodies of the member districts located within a director precinct  
9 jointly shall appoint one director to represent the precinct by a  
10 vote conducted as provided by this section. Each even-numbered  
11 year, the governing bodies of each member district shall appoint  
12 one director for an at-large position by a vote conducted as  
13 provided by this section.

14 (c) If a member district is located within two or more  
15 director precincts, the member district is considered, for purposes  
16 of this subchapter, to be located only within the director precinct  
17 in which the greatest amount of territory of the member district is  
18 located.

19 (d) For the appointment of a director for a director  
20 precinct, the board shall determine the number of votes each member  
21 district may cast. The number of votes for a governing body of a  
22 member district within the precinct is equal to the number computed  
23 by dividing the total number of units of water, as determined by the  
24 board, used within the member district during the calendar year  
25 preceding the year in which the director is selected by the total  
26 number of units of water used by all member districts in the  
27 precinct, multiplying that quotient by 100, and rounding that

1 result to the nearest one-tenth. The board shall provide the  
2 presiding officer of each governing body of a member district  
3 within each director precinct written notice of the number of votes  
4 computed for that governing body to cast.

5 (e) For the appointment of a director for an at-large  
6 position, the board shall determine the number of votes each member  
7 district may cast. The number of votes for a governing body of a  
8 member district is equal to the number computed by dividing the  
9 total number of units of water, as determined by the board, used  
10 within the member district during the calendar year preceding the  
11 year in which the director is selected by the total number of units  
12 of water used by all member districts in the authority, multiplying  
13 that quotient by 100, and rounding that result to the nearest  
14 one-tenth. The board shall provide the presiding officer of each  
15 governing body of a member district written notice of the number of  
16 votes computed for that governing body to cast.

17 (f) For purposes of Subsections (d) and (e), the board shall  
18 determine the amount of water usage of all member districts within  
19 each director precinct.

20 (g) In the appropriate even-numbered year, the governing  
21 body of each member district in a director precinct by resolution  
22 may nominate one candidate for the position of director for that  
23 director precinct. Each member district shall submit the name of  
24 its candidate, if any, to the presiding officer of the authority by  
25 February 15 of that year. If by February 15 of that year only one  
26 candidate's name is submitted for the position of director for a  
27 director precinct, the board may declare the unopposed candidate

1 elected and may cancel the director appointment procedures  
2 generally required by this section for that position. If more than  
3 one candidate's name is submitted for the position of director for a  
4 director precinct, before March 15 of that year, the board shall  
5 prepare, for the director precinct or precincts from which a  
6 director is being appointed, a ballot listing all of the candidates  
7 for that director precinct and shall provide a copy of the  
8 appropriate ballot to the presiding officer of the governing body  
9 of each member district located within the director precinct or  
10 precincts from which a director is being appointed.

11 (h) The governing body of each member district in the  
12 authority by resolution may nominate one candidate for the at-large  
13 director position. Each member district shall submit the name of  
14 its candidate, if any, to the presiding officer of the authority by  
15 February 15 of each even-numbered year. If by February 15 of that  
16 year only one candidate's name is submitted for the at-large  
17 director position, the board may declare the unopposed candidate  
18 elected and may cancel the director appointment procedures  
19 generally required by this section for that position. If more than  
20 one candidate's name is submitted for the at-large director  
21 position, before March 15 of that year, the board shall prepare a  
22 ballot listing all of the candidates for the at-large director  
23 position and shall provide a copy of the ballot to the presiding  
24 officer of the governing body of each member district.

25 (i) An individual may not be listed as a candidate on the  
26 ballot for more than one director position. If a candidate is  
27 nominated for more than one director position, the candidate must

1 choose to be on the ballot for only one director position.

2 (j) The governing body of each member district shall  
3 determine its votes for director by resolution and submit them to  
4 the presiding officer of the authority before May 1 of each  
5 even-numbered year. In casting its votes for director, the  
6 governing body of each member district may vote for only one  
7 candidate on the ballot for the director precinct in which the  
8 member district is located and for one candidate on the at-large  
9 position ballot. For each director precinct from which a director  
10 is being appointed, the board shall count the votes, declare  
11 elected the candidate who received the greatest number of votes  
12 from member districts located within that director precinct, and  
13 submit the results before May 15 of that year to the governing body  
14 of each member district within that director precinct. For the  
15 at-large position, the board shall count the votes, declare elected  
16 the candidate who received the greatest number of votes, and submit  
17 the results before May 15 of that year to the governing body of each  
18 member district.

19 (k) The board may adopt rules regarding:

20 (1) the manner and timing of determinations and  
21 computations required by this section;

22 (2) the reporting of water usage to the authority by  
23 member districts; and

24 (3) the conduct and process of the appointment of  
25 directors.

26 Sec. 8815.056. VACANCY IN OFFICE OF DIRECTOR. A vacancy in  
27 the office of director for a director precinct shall be filled by

1 appointment by the governing bodies of the member districts that  
2 are located within the director precinct for which the vacancy  
3 occurred. A vacancy in the office of director for an at-large  
4 position shall be filled by appointment by the governing bodies of  
5 all of the member districts. The appointment process shall follow  
6 the procedures of Section 8815.055. The board may establish dates  
7 different from those specified by Sections 8815.055(g) and (h), but  
8 the date for the board's submission of the voting results to each  
9 member district may not be later than the 120th day after the date  
10 the vacancy occurs.

11 Sec. 8815.057. MEETINGS AND ACTIONS OF BOARD. (a) The  
12 board may meet as many times each year as the board considers  
13 appropriate.

14 (b) Directors are public officials and are entitled to  
15 governmental immunity for their actions in their capacity as  
16 directors and officers of the authority.

17 (c) Directors may receive fees of office and reimbursement  
18 of expenses as provided by Section 49.060, Water Code.

19 Sec. 8815.058. GENERAL MANAGER. (a) The board may employ a  
20 general manager of the authority or contract with a person to  
21 perform the duties of a general manager. The board may delegate to  
22 the general manager full authority to manage and operate the  
23 affairs of the authority subject only to orders of the board.

24 (b) The board may delegate to the general manager the  
25 authority to employ all persons necessary for the proper handling  
26 of the business and operation of the authority and to determine the  
27 compensation to be paid to all employees, other than the general

1 manager.

2 [Sections 8815.059-8815.100 reserved for expansion]

3 SUBCHAPTER C. POWERS AND DUTIES

4 Sec. 8815.101. GENERAL POWERS AND DUTIES. (a) The

5 authority may:

6 (1) provide for the conservation, preservation,  
7 protection, recharge, and prevention of waste of groundwater, and  
8 for the reduction of groundwater withdrawals as necessary to  
9 develop, implement, or enforce a groundwater reduction plan, in a  
10 manner consistent with the purposes of Section 59, Article XVI,  
11 Texas Constitution, and facilitate compliance with subsidence  
12 district rules, orders, regulations, or requirements;

13 (2) acquire or develop surface water and groundwater  
14 supplies from sources inside or outside the boundaries of the  
15 authority, conserve, store, transport, treat, purify, distribute,  
16 sell, and deliver water to or among persons inside and outside the  
17 boundaries of the authority, and allocate water among persons  
18 participating in the authority's groundwater reduction plan  
19 whether they are located inside or outside the authority's  
20 boundaries;

21 (3) enter into contracts with persons inside or  
22 outside the authority on terms and conditions the board considers  
23 desirable, fair, and advantageous for the performance of its  
24 rights, powers, and authority under this chapter;

25 (4) coordinate water services provided inside,  
26 outside, or into the authority; and

27 (5) administer and enforce this chapter.

1        (b) Sections 49.451-49.455, Water Code, do not apply to the  
2 authority.

3        (c) The authority has all the rights, powers, privileges,  
4 authority, functions, and duties necessary and convenient to  
5 accomplish the purposes of this chapter.

6        (d) The authority's rights, powers, privileges, authority,  
7 functions, and duties are subject to the continuing right of  
8 supervision of the state, to be exercised by and through the  
9 commission.

10        Sec. 8815.102. AUTHORITY RULES. The authority may adopt  
11 and enforce rules reasonably required to implement this chapter,  
12 including rules governing procedures before the board and rules  
13 regarding implementation, enforcement, and any other matters  
14 related to the authority's water supply or groundwater reduction  
15 plan.

16        Sec. 8815.103. FEES, USER FEES, RATES, AND CHARGES. (a)  
17 The authority may establish fees, user fees, rates, and charges and  
18 classifications of payers of fees and rates as necessary to enable  
19 the authority to fulfill the authority's purposes and regulatory  
20 functions provided by this chapter. The authority may impose fees,  
21 user fees, rates, and charges on any person within the authority.

22        (b) The authority may charge the owner of a well located  
23 within the authority's boundaries a fee or user fee according to the  
24 amount of water pumped from the well.

25        (c) The board shall make reasonable efforts to send member  
26 districts written notice of the date, time, and location of the  
27 meeting at which the board intends to adopt a proposed charge under

1 Subsection (b) and the amount of the proposed charge. The board's  
2 failure to comply with this subsection does not invalidate a charge  
3 adopted by the board under Subsection (b).

4 (d) The board shall exempt from the charge under Subsection  
5 (b) classes of wells that are not subject to any groundwater  
6 reduction requirement imposed by the subsidence district. If any  
7 of those classes of wells become subject to a groundwater reduction  
8 requirement imposed by the subsidence district, the authority may  
9 impose the charge under Subsection (b) on those classes. The board  
10 by rule may exempt any other classes of wells from the charge under  
11 Subsection (b). The board may not apply the charge under Subsection  
12 (b) to a well:

13 (1) with a casing diameter of less than five inches  
14 that serves only a single-family dwelling; or

15 (2) regulated under Chapter 27, Water Code.

16 (e) The authority may establish fees, user fees, rates, and  
17 charges that are sufficient to:

18 (1) achieve water conservation;

19 (2) prevent waste of water;

20 (3) serve as a disincentive to pumping groundwater;

21 (4) develop, implement, or enforce a groundwater  
22 reduction plan;

23 (5) accomplish the purposes of this chapter, including  
24 making available alternative water supplies;

25 (6) enable the authority to meet operation and  
26 maintenance expenses;

27 (7) pay the principal of and interest on notes, bonds,

1 and other obligations issued in connection with the exercise of the  
2 authority's general powers and duties; and

3 (8) satisfy all rate covenants relating to the  
4 issuance of notes, bonds, and other obligations.

5 (f) The authority may charge rates established by the  
6 authority for water purchased from the authority.

7 (g) The authority may impose fees, user fees, or charges for  
8 the importation of water into the authority's boundaries from a  
9 source located outside the authority's boundaries.

10 Sec. 8815.104. PURCHASE OF WATER FROM ANOTHER ENTITY. (a)  
11 If the authority purchases water from another entity for resale to  
12 local governments, the authority shall use its best efforts in  
13 negotiating with the entity to determine the amount of capital  
14 costs included in any rates or charges paid by the authority. The  
15 authority shall determine the amount of expected capital costs of  
16 its own system.

17 (b) The authority shall provide each member district  
18 information regarding the share of the capital costs to be paid by  
19 the member district, as determined by the authority, and shall  
20 provide each member district the opportunity, in a manner and by a  
21 procedure determined by the authority, to fund its share of the  
22 capital costs with proceeds from the sale of bonds or fees and  
23 charges collected by the member districts. A member district may  
24 use any lawful source of revenue, including bond funds, to pay any  
25 sums due to the authority.

26 Sec. 8815.105. ASSESSMENTS. (a) The board may undertake  
27 improvement projects and services that confer a special benefit on

1 all or a definable part of the authority. The board may impose  
2 special assessments on property in that area, including property of  
3 a local government, based on the benefit conferred by the  
4 improvement project or services, to pay all or part of the cost of  
5 the project and services. The board may provide improvements and  
6 services to an area outside the boundaries of the authority if the  
7 board determines that there is a benefit to the authority. The  
8 authority may finance with special assessments any improvement  
9 project or service authorized by this chapter or any other  
10 applicable law.

11 (b) Services or improvement projects may be financed with  
12 special assessments under this chapter only after the board holds a  
13 public hearing on the advisability of the improvements and services  
14 and the proposed assessments.

15 (c) The board shall publish notice of the hearing in a  
16 newspaper or newspapers with general circulation in Harris County.  
17 The publication must be made not later than the 30th day before the  
18 date of the hearing.

19 (d) Notice provided under this section must include:

20 (1) the time and place of the hearing;

21 (2) the general nature of the proposed improvement  
22 project or services;

23 (3) the estimated cost of the improvement, including  
24 interest during construction and associated financing costs; and

25 (4) the proposed method of assessment.

26 (e) Written notice containing the information required by  
27 Subsection (d) shall be mailed by certified mail, return receipt

1 requested, not later than the 30th day before the date of the  
2 hearing. The notice shall be mailed to each member district. The  
3 subsidence district shall provide to the authority a list of the  
4 member districts that hold a well permit issued by the subsidence  
5 district.

6 (f) The board may establish rules regarding procedures for a  
7 hearing. A hearing on the services or improvement project, whether  
8 conducted by the board or a hearings examiner, may be adjourned from  
9 time to time. At the conclusion of a hearing conducted by the  
10 board, the board shall make written findings and conclusions  
11 relating to the advisability of the improvement project or  
12 services, the nature of the improvement project or services, the  
13 estimated cost, and the area benefited. If the board appoints a  
14 hearings examiner to conduct the hearing, after conclusion of the  
15 hearing, the hearings examiner shall file with the board a written  
16 report of the examiner's findings and conclusions.

17 (g) At a hearing on proposed assessments, on adjournment of  
18 the hearing, or after consideration of the hearings examiner's  
19 report, the board shall hear and rule on all objections to each  
20 proposed assessment. The board may amend proposed assessments for  
21 any property. After the board hears and takes action on those  
22 objections, the board, by order:

23 (1) shall impose the assessments as special  
24 assessments on the property;

25 (2) shall specify the method of payment of the  
26 assessments; and

27 (3) may provide that those assessments, including

1 interest, be paid in periodic installments.

2 (h) Periodic installments must be in amounts sufficient to  
3 meet annual costs for services and improvements as provided by  
4 Subsection (j) and continue for the number of years required to  
5 retire the indebtedness or pay for the services to be rendered. The  
6 board may provide interest charges or penalties for failure to make  
7 timely payment and may impose an amount to cover delinquencies and  
8 expenses of collection.

9 (i) If assessments are imposed for more than one service or  
10 improvement project, the board may provide that assessments  
11 collected for one service or improvement project may be borrowed to  
12 be used for another service or improvement project. The board shall  
13 establish a procedure for the distribution or use of any  
14 assessments in excess of those necessary to finance the services or  
15 improvement project for which those assessments were collected.

16 (j) The board shall apportion the cost of an improvement  
17 project or services to be assessed against the property in the  
18 authority according to the special benefits that accrue to the  
19 property because of the improvement project or services. The board  
20 may assess the cost only according to the number of gallons of  
21 groundwater pumped from wells within the authority that are subject  
22 to a groundwater reduction requirement imposed by the subsidence  
23 district. The board may not assess the cost according to  
24 groundwater pumped from:

25 (1) a well with a casing diameter of less than five  
26 inches that serves only a single-family dwelling; or

27 (2) a well that is regulated by Chapter 27, Water Code.

1        (k) The area of the authority to be assessed according to  
2 the findings of the board may be the entire authority or any part of  
3 the authority and may be less than the area proposed in the notice  
4 of the hearing.

5        (l) The area to be assessed may not include property that is  
6 not within the authority boundaries at the time of the hearing  
7 unless there is an additional hearing, following the required  
8 notice.

9        (m) Notwithstanding Subsection (l), the owner of land  
10 annexed to the authority after the authority has imposed  
11 assessments may waive the right to notice and an assessment hearing  
12 and may agree to the imposition and payment of assessments at an  
13 agreed rate for land annexed to the authority. A member district  
14 may waive the right to notice and an assessment hearing for land  
15 within its boundaries annexed to the authority and may agree to the  
16 imposition and payment of assessments at an agreed rate for the  
17 annexed land.

18        (n) The board shall have prepared an assessment roll showing  
19 the assessments against each property and the board's basis for the  
20 assessment. The assessment roll shall be:

21            (1) filed with the secretary of the board or other  
22 officer who performs the function of secretary; and

23            (2) open for public inspection.

24        (o) After notice and hearing in the manner required for an  
25 original assessment, the board may make supplemental assessments to  
26 correct omissions or mistakes in the assessment:

27            (1) relating to the total cost of the improvement

1 project or services; or

2 (2) covering delinquencies or costs of collection.

3 Sec. 8815.106. INTEREST AND PENALTIES. The board may  
4 require the payment of interest on any late or unpaid fees, user  
5 fees, rates, charges, and special assessments due the authority,  
6 but the interest rate may not exceed the interest rate permitted by  
7 Section 2251.025; Government Code. The board may also impose  
8 penalties for the failure to make a complete or timely payment to  
9 the authority. In addition, the board may exclude a member district  
10 or other person, or any territory or well owned or controlled by a  
11 member district or other person, from the authority's groundwater  
12 reduction plan for failure to make a complete or timely payment to  
13 the authority.

14 Sec. 8815.107. ADMINISTRATIVE PENALTY; INJUNCTION. (a) A  
15 person who violates a rule or order of the authority is subject to  
16 an administrative penalty of not more than \$5,000, as determined by  
17 the board, for each violation or each day of a continuing violation.  
18 The person shall pay the penalty to the authority.

19 (b) The authority may bring an action to recover the penalty  
20 in a district court in the county where the violation occurred.

21 (c) The authority may bring an action for injunctive relief  
22 in a district court in the county where a violation of an authority  
23 rule or order occurs or is threatened to occur. The court may grant  
24 to the authority, without bond or other undertaking, a prohibitory  
25 or mandatory injunction that the facts warrant, including a  
26 temporary restraining order, temporary injunction, or permanent  
27 injunction.

1        (d) The authority may bring an action for an administrative  
2 penalty and injunctive relief in the same proceeding.

3        Sec. 8815.108. WATER SUPPLY OR DROUGHT CONTINGENCY PLANS.  
4 The authority by rule may develop, prepare, revise, adopt,  
5 implement, enforce, and manage comprehensive water supply or  
6 drought contingency plans for the authority, or any portion of the  
7 authority.

8        Sec. 8815.109. GROUNDWATER REDUCTION PLAN. (a)  
9 Notwithstanding any other law, regardless of whether the authority  
10 enters into contracts with local governments located within its  
11 boundaries, and regardless of whether the authority holds any well  
12 permit issued by the subsidence district under Chapter 8801, the  
13 authority by rule may wholly or partly develop, prepare, revise,  
14 adopt, implement, enforce, manage, or participate in a groundwater  
15 reduction plan that is applicable only to the authority or a  
16 groundwater reduction plan that is applicable to the authority and  
17 one or more persons outside the authority. The authority may  
18 require that any groundwater reduction plan that the authority  
19 wholly or partly develops, prepares, revises, adopts, implements,  
20 enforces, or manages or in which the authority participates be the  
21 exclusive groundwater reduction plan that is binding and mandatory  
22 on some or all of the territory, member districts or other persons,  
23 or wells located within the authority. A groundwater reduction  
24 plan may:

25        (1) specify the measures to be taken to reduce  
26 groundwater withdrawals;

27        (2) identify alternative sources of water to be

1 provided to those affected;

2 (3) identify the rates, terms, and conditions under  
3 which alternative sources of water will be provided, which may be  
4 changed from time to time as considered necessary by the authority;

5 (4) specify the dates and extent to which member  
6 districts or other persons within the authority's boundaries shall  
7 reduce or cease reliance on groundwater and accept water from  
8 alternative sources;

9 (5) include other terms and measures that are  
10 consistent with the powers and duties of the authority;

11 (6) exceed the minimum requirements imposed by the  
12 subsidence district, including any applicable groundwater  
13 reduction requirements; and

14 (7) be amended from time to time at the discretion of  
15 the authority.

16 (b) Fees, user fees, rates, charges, and special  
17 assessments of the authority may be imposed under this chapter for a  
18 person's participation in and benefit derived from the authority's  
19 groundwater reduction plan or a groundwater reduction plan in which  
20 the authority participates.

21 Sec. 8815.110. ACQUISITION, CONSTRUCTION, AND OPERATION OF  
22 SYSTEMS. (a) The authority may:

23 (1) acquire by purchase, gift, lease, contract, or any  
24 other legal means a water treatment or supply system, or any other  
25 works, plants, improvements, or facilities necessary or convenient  
26 to accomplish the purposes of the authority, or any interest of the  
27 authority, inside or outside the authority's boundaries;

1           (2) design, finance, operate, maintain, or construct a  
2 water treatment or supply system or any other works, plants,  
3 improvements, or facilities necessary or convenient to accomplish  
4 the purposes of the authority and provide water services inside or  
5 outside the authority's boundaries;

6           (3) lease or sell a water treatment or supply system or  
7 any other works, plants, improvements, or facilities necessary or  
8 convenient to accomplish the purposes of the authority that the  
9 authority constructs or acquires inside or outside the authority's  
10 boundaries;

11           (4) contract with any person to operate or maintain a  
12 water treatment or supply system the person owns; or

13           (5) acquire water rights under any law or permit.

14           (b) Except as otherwise provided by this chapter, the  
15 provisions of Chapter 49, Water Code, pertaining to competitive  
16 bidding apply to the authority.

17           (c) The authority may contract, according to terms and  
18 conditions the board considers desirable, fair, and advantageous,  
19 with a person outside the authority's boundaries:

20           (1) to allow the person to be included in a groundwater  
21 reduction plan adopted or implemented wholly or partly by the  
22 authority or in a groundwater reduction plan in which the authority  
23 participates;

24           (2) to sell water to the person; or

25           (3) to sell the person available excess capacity or  
26 additional capacity of the authority's water treatment or supply  
27 system.

1        (d) The authority by rule may require that the plans and  
2 specifications of water lines to be constructed within the  
3 authority that are designed or intended to serve more than one  
4 member district or more than one person owning or holding a well  
5 permit issued by the subsidence district be approved by the  
6 authority before the commencement of construction of the water  
7 lines.

8        Sec. 8815.111. SALE OR REUSE OF WATER OR BY-PRODUCT. The  
9 authority may store, sell, or reuse:

10            (1) water; or

11            (2) any by-product from the authority's operations.

12        Sec. 8815.112. CONTRACTS. (a) The authority may enter into  
13 a contract with a person for the performance of a purpose or  
14 function of the authority, including a contract to design,  
15 construct, finance, lease, own, manage, operate, or maintain works,  
16 improvements, facilities, plants, equipment, or appliances  
17 necessary to accomplish a purpose or function of the authority. A  
18 contract may be of unlimited duration.

19            (b) The authority may purchase, acquire, finance, or lease  
20 an interest in a project used for a purpose or function of the  
21 authority.

22            (c) The authority may contract for:

23            (1) the purchase, sale, or lease of water or water  
24 rights;

25            (2) the performance of activities within the powers of  
26 the authority through the purchase, construction, or installation  
27 of works, improvements, facilities, plants, equipment, or

1 appliances; or

2 (3) the design, construction, ownership, management,  
3 maintenance, or operation of any works, improvements, facilities,  
4 plants, equipment, or appliances of the authority or another  
5 person.

6 (d) The authority may purchase surplus property from this  
7 state, the United States, or another public entity through a  
8 negotiated contract without bids.

9 Sec. 8815.113. COOPERATION WITH AND ASSISTANCE OF OTHER  
10 GOVERNMENTAL ENTITIES. (a) In implementing this chapter, the  
11 board may cooperate with and request the assistance of the Texas  
12 Water Development Board, the commission, the United States  
13 Geological Survey, the subsidence district, other local  
14 governments, and other agencies of the United States and this  
15 state.

16 (b) The subsidence district may enter into an interlocal  
17 contract with the authority to carry out the authority's purposes  
18 and may carry out the governmental functions and services specified  
19 in the interlocal contract.

20 (c) The board shall endeavor to coordinate with the City of  
21 Houston to develop a plan for a system to distribute surface water  
22 in an economical and efficient manner to the authority.

23 (d) In an attempt to minimize costs associated with  
24 preparing a groundwater reduction plan, the board shall consider  
25 the usefulness of water supply studies and plans prepared by or on  
26 behalf of the North Harris County Regional Water Authority, the  
27 West Harris County Regional Water Authority, the City of Houston,

1 or other governmental entities to the extent those studies or plans  
2 are available and applicable to the authority.

3 Sec. 8815.114. GIFTS AND GRANTS. The authority may accept a  
4 gift or grant from money collected by the subsidence district under  
5 Chapter 8801 to fund the construction, maintenance, or operation of  
6 a water treatment or supply system.

7 Sec. 8815.115. EXPENDITURES. (a) The authority's money  
8 may be disbursed only by check, draft, order, federal reserve wire  
9 system, or other instrument or authorization.

10 (b) Disbursements of the authority must be signed by at  
11 least a majority of the directors. Notwithstanding any other law,  
12 the board by resolution may allow the general manager, treasurer,  
13 bookkeeper, or other employee of the authority to sign  
14 disbursements, except as limited by Subsection (c).

15 (c) The board by resolution may allow disbursements to be  
16 transferred by federal reserve wire system to accounts in the name  
17 of the authority without the necessity of any directors signing the  
18 disbursement. Disbursements of the authority's money by federal  
19 reserve wire system to any accounts not in the name of the authority  
20 must be signed by at least a majority of the directors.

21 Sec. 8815.116. AD VALOREM TAXATION. The authority may not  
22 impose an ad valorem tax.

23 Sec. 8815.117. EMINENT DOMAIN. (a) The authority may  
24 acquire by condemnation any land, easements, or other property  
25 inside the authority's boundaries to further authorized purposes,  
26 powers, or duties of the authority. The authority may acquire by  
27 condemnation any land, easements, or other property outside the

1 authority's boundaries for the purpose of pumping, storing,  
2 treating, or transporting water. When exercising the power of  
3 eminent domain granted by this section, the authority may elect to  
4 condemn either the fee simple title or a lesser property interest.

5 (b) The authority shall exercise the right of eminent domain  
6 in the manner provided by Chapter 21, Property Code. The authority  
7 is not required to give bond for appeal or bond for costs in a  
8 condemnation suit or other suit to which it is a party. The  
9 authority is not required to deposit more than the amount of an  
10 award in a suit.

11 (c) The authority may not use the power of eminent domain  
12 for the condemnation of land for the purpose of acquiring rights to  
13 groundwater or for the purpose of acquiring water or water rights.

14 (d) The authority may not use the power of eminent domain  
15 for the condemnation of property that is:

16 (1) owned by the City of Houston or any  
17 instrumentality of the City of Houston, including a local  
18 government corporation created under Chapter 431, Transportation  
19 Code, to aid or act on behalf of the City of Houston; or

20 (2) located within the municipal limits of the City of  
21 Houston.

22 (e) Notwithstanding Subsection (d)(2), and as limited by  
23 Subsection (a), the authority may use the power of eminent domain to  
24 acquire property that is not owned by the City of Houston that is  
25 within the municipal limits of the City of Houston if:

26 (1) the property is located in an area of the  
27 municipality that is less than 1,000 feet wide at its narrowest

1 point; or

2 (2) the municipality grants permission for the  
3 condemnation.

4 Sec. 8815.118. CONSENT REQUIRED FOR SERVICE OUTSIDE OF  
5 AUTHORITY. (a) Notwithstanding any contrary provision of this  
6 subchapter, the authority must obtain the consent of the City of  
7 Houston before providing water service to any person or territory  
8 outside the boundaries of the authority.

9 (b) Subsection (a) does not apply to a person or territory  
10 that receives water service or has contracted to receive water  
11 service from a member district on the effective date of the Act  
12 creating this chapter.

13 [Sections 8815.119-8815.150 reserved for expansion]

14 SUBCHAPTER D. BONDS AND NOTES

15 Sec. 8815.151. REVENUE BONDS AND NOTES. (a) The authority  
16 may issue bonds or notes payable solely from revenue from any  
17 source, including:

18 (1) tolls, charges, rates, fees, user fees, and  
19 special assessments the authority imposes or collects;

20 (2) the sale of water, water services, water rights or  
21 capacity, water transmission rights or services, water pumping, or  
22 any other service or product of the authority provided inside or  
23 outside the boundaries of the authority;

24 (3) grants or gifts;

25 (4) the ownership or operation of all or a designated  
26 part of the authority's works, improvements, facilities, plants, or  
27 equipment; and

1           (5) contracts between the authority and any person.

2           (b) Notes issued by the authority may be first or  
3 subordinate lien notes at the board's discretion.

4           (c) In connection with any bonds or notes of the authority,  
5 the authority may exercise any power of an issuer under Chapter  
6 1371, Government Code.

7           (d) The authority may conduct a public, private, or  
8 negotiated sale of the bonds or notes.

9           (e) The authority may enter into one or more indentures of  
10 trust to further secure its bonds or notes.

11           (f) The authority may issue bonds or notes in more than one  
12 series as necessary to carry out the purposes of this chapter. In  
13 issuing bonds or notes secured by revenue of the authority, the  
14 authority may reserve the right to issue additional bonds or notes  
15 secured by the authority's revenue that are on a parity with or are  
16 senior or subordinate to the bonds or notes issued earlier.

17           (g) A resolution of the board authorizing the bonds or notes  
18 or a trust indenture securing the bonds or notes may specify  
19 additional provisions that constitute a contract between the  
20 authority and its bondholders or noteholders.

21           (h) Bonds and notes may be additionally secured by deed of  
22 trust or mortgage on any or all of the authority's facilities.

23           (i) Sections 49.153, 49.154, and 49.181, Water Code, do not  
24 apply to bonds or notes issued by the authority. Commission rules  
25 regarding bonds or notes do not apply to bonds or notes issued by  
26 the authority.

27           SECTION 2. (a) The proper and legal notice of the intention

1 to introduce this Act, setting out the general substance of this  
2 Act, has been published as provided by law, and the notice and a  
3 copy of this Act have been furnished to all persons, agencies,  
4 officials, or entities to which they are required to be furnished by  
5 the constitution and other laws of this state, including the  
6 governor, who has submitted the notice and this Act to the  
7 commission.

8 (b) The commission has filed its recommendations relating  
9 to this Act with the governor, lieutenant governor, and speaker of  
10 the house of representatives within the required time.

11 (c) All requirements of the constitution and laws of this  
12 state and the rules and procedures of the legislature with respect  
13 to notice, introduction, and passage of this Act are fulfilled and  
14 accomplished.

15 SECTION 3. This Act takes effect immediately if it receives  
16 a vote of two-thirds of all the members elected to each house, as  
17 provided by Section 39, Article III, Texas Constitution. If this  
18 Act does not receive the vote necessary for immediate effect, this  
19 Act takes effect September 1, 2005.

David Dewhurst

President of the Senate

Jim Caddick

Speaker of the House

I certify that H.B. No. 3181 was passed by the House on May 10, 2005, by the following vote: Yeas 147, Nays 0, 2 present, not voting.

Robert Haney

Chief Clerk of the House

I certify that H.B. No. 3181 was passed by the Senate on May 25, 2005, by the following vote: Yeas 31, Nays 0.

Datney Spaw

Secretary of the Senate

APPROVED: 17 JUNE '05

Date

Rick Perry

Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
11:20 AM '05

Roger Williams

Secretary of State

**AGREEMENT**  
**FOR**  
**ENGINEERING SERVICES**

MADE AND ENTERED INTO by and between CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY hereinafter called the "Authority", and PATE ENGINEERS, INC., hereinafter called the "Engineer".

**RECITALS**

The Authority owns, operates and maintains a water supply system to serve the area within the Authority. The Authority may from time to time require the services of the Engineer which may be generally categorized as follows:

- A. General engineering consultation regarding the administration, operation, and maintenance of Authority facilities generally provided through attendance and reporting at the regularly scheduled Authority meetings.
- B. Special Assignments which may include a broad variety of services, reports, and studies, including permit renewals, bond issue application reports, water and sewer rate studies, minor facility repairs, surveys, etc.
- C. Construction of new Authority facilities, or extensions or expansions to existing Authority facilities, which are hereinafter referred to individually and collectively as "Construction Project".

**SECTION I**

**EMPLOYMENT OF THE ENGINEER**

The Authority agrees to employ the Engineer and the Engineer agrees to perform professional engineering and surveying services as from time to time specifically authorized by the Authority, and for having rendered such services, the Authority agrees to pay the Engineer compensation as specifically agreed for the proposed services.

## SECTION II

## AUTHORIZATION OF SERVICES

No professional services of any nature shall be undertaken by the Engineer under this Agreement until he has received written authorization from the Authority, or receives verbal authorization in a meeting of the Authority's Board of Directors ("Board"), in which the following elements are specified:

- A. The nature of the particular assignment.
- B. The scope of services to be performed.
- C. The method and amount of compensation for the proposed services.

## SECTION III

CHARACTER AND EXTENT OF SERVICES  
FOR GENERAL ENGINEERING CONSULTATION AND SPECIAL ASSIGNMENTS

This section describes those services which may be categorized as general engineering consultation or special assignments.

## A. GENERAL ENGINEERING CONSULTATION SERVICES

These services, which are generally required more or less regularly, may include one or more of the following as directed by the Board:

1. Attend Authority Board meetings.
2. Present oral or written reports to the board summarizing status of engineering assignments and related engineering issues.
3. Prepare letters of inquiry or response as directed by the Board to landowners, governmental agencies, Authority customers, and others.
4. Perform site visits to investigate specific problems with the Authority's water system, as requested by the Board.
5. Assist the Authority's operator, as required, to troubleshoot operational problems, specify materials or equipment for minor repairs, and to respond to regulatory inspections.
6. Maintain accounting of system capacity commitments.

7. Maintain the Authority's engineering records, including maps, surveys, construction plans and specifications, construction contract documents, engineering reports and exhibits, to be filed at the office of the Engineer.

**B. SPECIAL ASSIGNMENTS SERVICES**

These services, which typically are required from time to time, may include one or more of the following:

1. Preparation of permit applications and associated reports, as required, for water wells and other environmental activities.
2. Preparation of engineering reports to accompany the Authority's application for bond issues, use of surplus funds, escrow releases, or standby fees.
3. Design, bidding, and construction phase services for minor repair and improvement projects not handled by the Authority's operator, such as but not limited to water line repair. The Contractor's responsibility for work quality, contract document conformance, and safety shall be in accordance with Section IV(C) of this agreement. The services performed during construction will generally follow those outlined in Section IV (C) of this agreement.
4. Investigation and recommendations for rehabilitation or replacement of the Authority's existing water distribution system.
5. Analysis and development of water rate schedule.
6. Feasibility studies for the proposed annexation of land, or addition of new participants.
7. Appraisals, valuations, and material audits.
8. Surveying services to prepare easement descriptions, topographic surveys, etc.

The individual authorization required under Section II will define the specific scope of work and method of compensation.

## SECTION IV

### CHARACTER AND EXTENT OF SERVICES FOR CONSTRUCTION PROJECTS

This section shall establish the general character and extent of engineering and surveying services to be provided to the Authority by the Engineer for Construction Projects. The individual authorization required under Section II will define the specific scope of work and method of compensation.

#### A. PRELIMINARY PHASE

1. Attend preliminary conference with the Authority regarding the Construction Project.
2. Prepare a preliminary engineering study and report on the Construction Project in sufficient detail to indicate clearly the problems involved and the alternate solutions available to the Authority to include preliminary layouts, sketches and cost estimates for the Construction Project, and to set forth clearly the Engineer's recommendations. (This preliminary report will cover a specific construction project and is not the Engineer's Report required either for Authority creation and bond election or for subsequent bond issues.)
3. Furnish the Authority five (5) copies of the preliminary layouts, sketches and an engineering opinion of the probable cost of the recommended Construction Project.

#### B. DESIGN PHASE

1. Establish the scope, and advise the Authority, of any soil and foundation investigations or any special surveys or special testing which, in the opinion of the Engineer, may be required for the proper execution of the Construction Project, and arrange with the Authority for the conduct of such investigations and tests by qualified subconsultants.
2. Perform field surveys to collect information which, in the opinion of the Engineer, is required in the design of the Construction Project.
3. Prepare detailed construction plans and technical specifications for the Construction Project authorized by the Authority. These designs shall combine the application of sound engineering principles with a high degree of economy.
4. Submit construction plans for governmental agency reviews and approvals as required for each Construction Project.
5. Prepare an engineering opinion of the probable construction cost shall include summaries of bid items and quantities and will be based, where appropriate, on the

unit price system of bidding. Engineer's opinions (or estimates) of probable construction cost provided under this agreement are to be made on the basis of Engineer's experience and qualifications and represent Engineer's best judgment as an experienced and qualified professional engineer generally familiar with the construction industry. However, since Engineer has no control over the cost of labor, materials, equipment or services furnished by others, or over the contractor's methods of determining prices, or over competitive bidding or market conditions, Engineer cannot and does not guarantee that proposals, bids or actual construction cost will not vary from opinions of probable construction cost prepared by Engineer.

6. Furnish the Authority five (5) copies of approved construction plans, specifications, notices to bidders and proposals.

#### C. CONSTRUCTION PHASE:

1. Prepare bid documents and coordinate the advertisement of the Construction Project for public competitive bids.
2. Assist the Authority in the opening and tabulation of bids for Construction Project, and recommend action to the Authority on the proposals received.
3. Prepare formal contract documents between the Authority and the contractor.
4. Make periodic visits to the site (as distinguished from the services of a Resident Project Representative, or Construction Observer, described in Subparagraph 6 below) to observe the progress and quality of the executed work and to determine in general if the work is proceeding in accordance with the contract documents. In performing this service, the Engineer will not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the work or materials; he will not be responsible for the techniques and sequences of construction or the safety precautions incident thereto; and he will not be responsible or liable in any degree for the contractors' failure to perform the construction work in accordance with the contract documents. During visits to the construction site, and on the basis of the Engineer's on-site observations as an experienced and qualified design professional, he will keep the Authority informed of the extent of the progress of the work, and advise the Authority of material and substantial defects and deficiencies in the work of contractors which are discovered by the Engineer or otherwise brought to the Engineer's attention in the course of construction, and may, on behalf of the Authority, exercise whatever rights the Authority may have to disapprove work and materials as failing to conform to the contract documents.
5. Communicate status of construction progress to Authority, advise Authority of issues known to the Engineer affecting construction quality or schedule, issue instructions to the contractor on behalf of the Authority, and prepare change orders as may be required.

6. Furnish the services of Resident Project Representatives (or Construction Observers), and other field personnel, as required, for on-the-site observation of construction. The authority and duties of such Resident Project Representatives are limited to examining the material furnished and observing the work done, and to reporting their findings to the Engineer. The Engineer will use the usual degree of care and prudent judgment in the selection of competent Resident Project Representatives, and the Engineer will use diligence to see that the Resident Project Representatives are on the job to perform their required duties. It is agreed, however, that the Engineer does not underwrite, guarantee or insure the work done by the contractors, and since it is the contractors' responsibility to perform the work in accordance with the contract documents, the Engineer is not responsible or liable for the contractor's failure to do so, and so long as the Engineer has exercised the usual degree of care, the prudent judgment in selecting Resident Project Representatives and has used diligence to see that they are on the job to perform the work, failure by any Resident Project Representatives or other personnel engaged in on-the-site observation to discover defects or deficiencies in the work of the contractors shall never relieve the contractors liability, or subject the Engineer to any liability, for any such defect or deficiency in materials or workmanship. The contractor is solely responsible for means and methods to be used and the safety of its employees and all other persons on the job site.
7. During the course of performing the services described above in subparagraphs 4 and 6, the Engineer agrees that if he observes and recognizes a condition at the site which constitutes an immediate peril, he will report such condition to the Authority. The contractor is solely responsible for the implementation and monitoring of the job site safety program, and any reporting by the Engineer of observed conditions of immediate peril shall not create a continuing duty to monitor and report on the contractor's means and methods to provide a safe site.
8. Review samples, catalog data, schedules, shop drawings, laboratory, shop and mill tests of material and equipment, and other data which the contractor is required to submit, only for conformance with the design concept of the Construction Project and compliance with the information given by the Contract Documents; and assemble written guarantees which are required by the Contract Documents. Review by the Engineer of shop drawings shall in no way be construed as an approval of the means and methods of construction to be used by the Contractor. The Contractor is solely responsible for means and methods to be used and the safety of its employees and all other persons on the job site.
9. Prepare or review monthly and final estimates for payments to contractors, and obtain for the Authority certifications as to payments to sub-contractors and suppliers.
10. Conduct, on behalf of the Authority, a final inspection of the construction project for conformance with the design concept of the construction project and compliance with

the contract documents, and approve in writing final payment to the contractor.

11. Revise contract drawings, with the assistance of the Resident Project Representatives, if any, to show the work as actually constructed. Furnish a set of prints of these revised drawings to the Authority.

## SECTION V

### PERIOD OF SERVICE

This agreement shall be effective upon execution by the Authority and the Engineer, and shall remain in force until terminated under the provisions hereinafter provided in Section X. Further, this agreement shall be deemed to supersede and replace the prior Agreement for Engineering Services between the parties executed as of September 14, 2005. The Agreement is hereby reached and ??? effective as of the effective date hereof.

## SECTION VI

### COORDINATION WITH THE Authority

The Engineer shall hold periodic conferences with the Authority, or its representatives, to the end that the construction project, as perfected, shall have full benefit of the Authority's experience and knowledge of existing needs and facilities, and be consistent with its current policies and construction standards. To implement this coordination, the Authority shall make available to the Engineer, for use in planning the project, all existing plans, maps, field notes, statistics, computations and other data in its possession relative to existing facilities to the construction project.

## SECTION VII

### THE ENGINEER'S COMPENSATION

For and in consideration of the services to be rendered by the Engineer, the Authority shall pay and the Engineer shall receive the compensation as hereinafter set forth for General Engineering Consultation; Special Assignments; and the Preliminary, Design, and Construction Phases of Construction Projects. All remittances by Authority of such compensation shall either be mailed or delivered to Engineer's office in City of Houston, Texas within thirty (30) days of invoice date.

Should the Authority fail to make payment to the Engineer of the sum named in the partial or final statement when payment is past due by more than thirty days, then the Authority shall pay the Engineer, in addition to the sum shown as due by such statement, interest thereon at the rate of prime rate plus one (1) percentage point per annum from the date due, as provided herein, until fully paid, which shall fully liquidate any injury to the Engineer arising from such delay in payment, but the

right is expressly reserved to the Engineer in event payments are not promptly made as provided herein, at any time thereafter to treat the Agreement as terminated by the Authority and recover compensation as provided by Section X of this Agreement. Notwithstanding anything to the contrary herein, the Engineer understands that all or a portion of the funds for the payment of engineering fees will be taken from the proceeds of bonds approved, issued and sold by the Authority. The Engineer agrees that no statement for services shall become past due until the Authority has either sold bonds specifically designated for the billed services and has received the bond funds therefor, or has made other arrangements for funding to pay the Engineer.

#### A. GENERAL ENGINEERING CONSULTATION SERVICES

The Engineer's compensation for General Engineering Consultation Services will be established on a time and materials basis. Such services will be billed monthly at the then current actual labor cost of individual firm members times a multiplier of 2.3. "Labor cost" is defined as the cost of salaries paid to the Engineer's personnel for time directly chargeable to the project, plus associated salary costs including social security (FICA) contributions, federal unemployment insurance, state unemployment insurance, workman's compensation insurance, and medical insurance benefits. Exhibit "A" provides the typical range of hourly engineering fees for various staff categories, which may be adjusted annually based on current salary structure. Surveying services will be billed monthly based on the firm's surveying billing rate schedule provided as Exhibit "B", which may be adjusted annually based on current salary structure. A notice of increase will be provided to the Authority. In addition, reimbursement for certain direct non-labor expenses (including but not limited to reproduction, deliveries, and governmental agency fees) and subcontract services and expenses will be billed monthly at the Engineer's cost.

#### B. SPECIAL ASSIGNMENT SERVICES

The Engineer's compensation for Special Assignment Services may be established on either a time and materials basis (as defined in Section VII.A.), or on a fixed fee basis (conditioned on a well defined, mutually agreed scope of work); at the time the Authority authorizes the Engineer to perform the assignment. For a fixed fee basis, services will be billed monthly based on the percent completion of the scope of work as evidenced by monthly statements submitted by the Engineer. In addition to the fixed fee for professional services, certain out-of-pocket expenses, including but not limited to reproduction, deliveries, and government agencies fees, will be billed at the Engineer's cost.

#### C. CONSTRUCTION PROJECT SERVICES

The Engineer's compensation for the Preliminary Phase of a Construction Project shall be established on a time and materials basis (as defined in Section VII.A.) or a fixed fee basis (as defined in Section VII.B.), to be determined by mutual agreement at the time the Authority authorizes the Engineer to perform the assignment. The

Engineer's compensation for the Design and Construction Phases of a Construction Project shall be established on a time and materials basis (as defined in Section VII.A), fixed fee basis (defined in Section VII.B), or a percent of construction cost basis ("Basic Charge" as defined below), to be determined by mutual agreement at the time the Authority authorizes the Engineer to perform the assignment.

The remainder of this section describes in detail the percent of construction cost basis of compensation. The term Basic Charge applies solely to this method of compensation, and is equal to the compensation amount derived by multiplying the "construction cost", which is defined below, by a certain "percentage of construction" which is specified by Exhibit "C".

"Construction Cost" is defined as the total cost to the Authority for the execution of the work authorized in Section II, excluding fees or other costs for engineering and legal services, the cost of land, rights-of-way, legal and administrative expenses; but including the direct cost to the Authority of the construction contract, items of construction, including labor, materials and equipment required for the completed work (including change orders and extra work items) and the total value at site of the Construction Project of all labor, materials and equipment purchased or furnished directly by the Authority for the Construction Project. No reduction shall be made from the Basic Charge on account of penalties or liquidated damages or other sums withheld from Contractor's payments. The "Construction Cost" is defined separately for each individual construction contract for which bids are to be received.

In the event that proposals for construction of any of the work authorized in the Design Phase are received within 90 days after submission of completed contract drawings and specifications to the Authority by the Engineer, the charge for corresponding services in the Design and Preliminary Phases shall be subject to the following fees:

Phase I – Final Design                      The fee obtained by multiplying the Fee percentage x .85 by the Construction Cost, but never less than the Basic Charge x .85 x .95 nor greater than the Basic Charge x .85 x 1.05.

Phase III – Construction Services      The fee obtained by multiplying the Basic Charge percentage x .15 by the Construction Cost, but never less than the Basic Charge x .15 x .95 nor greater than the Basic Charge x .15 x 1.05.

Where no proposal or bona fide bids are received, the Engineer's estimate of Construction Cost shall be the basis for final payment for these two phases.

## 1. DESIGN PHASE

Payment for services in the Design Phase shall be made to the Engineer in a sum equal to 85 percent of the Basic Charge, which Basic Charge is defined by Exhibit "C". The classification of the construction work (Curve A or B) for the purpose of applying the Basic Charge is that defined in Exhibit "C".

Partial payment for services in the Design Phase shall be made monthly in proportion to that part of the services in the Design Phase which has been accomplished, as evidenced by monthly statements submitted by the Engineer to the Authority. Final payment for services authorized in the Design Phase shall be due upon the completion of these services.

## 2. CONSTRUCTION PHASE

Payment for services in the Construction Phase shall be made to the Engineer in a sum equal to 15 percent of the Basic Charge, which Basic Charge is defined by Exhibit "C". The classification of the construction work (Curve A or B) for the purpose of applying the Basic Charge is that defined in Exhibit "C".

This sum will be paid in monthly installments in proportion to the construction work completed, on the basis of the Engineer's estimates prepared for monthly payments to contractors, plus the actual value of all materials and equipment purchased or furnished directly by the Authority for the Construction Project. Upon completion of all work authorized in the Construction Phase, the Engineer will be paid the remainder of the charge for this Phase.

## 3. ADDITIONAL SERVICES NOT INCLUDED IN BASIC CHARGE

This subsection covers compensation for those engineering and surveying services often required for a Construction Project which are not included in the Basic Charge for Design and Construction Phases as defined above. The Engineer's compensation for additional services will be established on a time and materials basis as defined in Section VII.A. These services, upon agreement between the Authority and the Engineer, may also be performed on a fixed fee basis.

These Additional Services may include:

- a. Services of a Resident Project Representative and other field personnel as required for on-the-site observation of construction.
- b. Field surveys to collect information required for design and to establish construction controls.

- c. Land surveys and establishment of boundaries and monuments.
- d. Preparation of property or easement descriptions.
- e. Soil and foundation investigations, including test borings, soil tests, materials testing during construction, and analyses of test results.
- f. Preparation of applications and supporting documents for government grants or planning advances for public works projects.
- g. Preparation of local, state and federal permit applications and supporting documents for permits in connection with environmental laws.
- h. Appearances before regulatory agencies. Services required for routing of plans and specifications for local, state and federal agencies.
- i. Material audits or inventories required for certification of force account construction performed by the Authority.
- j. Detailed mill, shop and/or laboratory inspection of materials or equipment.
- k. Preparation of as-built drawings as required by the County Engineer's Office or desired by the Authority.
- l. Assistance to the Authority as an expert witness in any litigation with third parties, arising from development or construction of the project.
- m. Extra travel required of the Engineer and authorized by the Authority from Houston to points other than Harris County in connection with the project.
- n. Additional copies of reports, contracts, and specifications (over 5) and additional blue print copies of drawings (over 5).

Payments to the Engineer for Additional Services will be billed monthly and are payable monthly.

## SECTION VIII

### REVISION OF DRAWINGS AND SPECIFICATIONS

The Engineer will make, without expense to the Authority, such revisions of the preliminary drawings as may be required to meet the needs of the Authority, but after a definite plan has been approved by the Authority, if a decision is subsequently made by the Authority which, for its proper

execution, involves extra services and expenses for changes in, or additions to, the drawings, specifications or other documents, or if the Engineer is put to labor or expense by delays imposed on him from causes not within his control, such as by (but not limited to) the readvertisement of bids or by the delinquency or insolvency of contractors, the Engineer shall be compensated for such extra services and expense, which services and expense shall not be considered as covered by either the Basic Charge as defined above or by a fixed fee. Compensation for such extra services shall be made on a time and materials basis as defined in Section VII.A, or fixed fee basis, and reimbursement for certain non-labor expenses and subcontract expenses at Engineer's cost. The basis for fee determination shall be identified in writing, prior to commencement of such services by the Engineer.

## SECTION IX

### OWNERSHIP OF INSTRUMENTS OF SERVICE

The reports, plans, specifications, field data, field notes, laboratory test data, calculations, estimates and other similar documents prepared by the Engineer pursuant to this Agreement shall be the property of the Authority. The Authority recognizes that no such documents should be subject to unauthorized re-use, that is, re-use without written authorization of the Engineer to do so. Such authorization is essential because it requires the Engineer to evaluate the documents' applicability to new circumstances, not the least of which is passage of time. To the extent permitted by applicable law, the Authority agrees to waive any claim against the Engineer and defend, indemnify and hold the Engineer harmless from any claim or liability for injury or loss allegedly arising from unauthorized re-use of the said documents.

The Engineer agrees to maintain all Authority records in accordance with the requirements of the Texas Local Government Records Act and all rules, regulations, policies, and retention schedules adopted thereunder.

## SECTION X

### TERMINATION

Either party to this Agreement may terminate the Agreement by giving to the other thirty days notice in writing. Upon delivery of such notice by the Authority to the Engineer, and upon expiration of the thirty-day period, the Engineer shall discontinue all services in connection with the performance of this Agreement and shall proceed to cancel promptly all existing orders and contracts insofar as such orders or contracts are chargeable to this Agreement. As soon as practicable after receipt of notice of termination, the Engineer shall submit a statement showing in detail the services performed under this Agreement to the date of termination. The Authority shall then pay the Engineer promptly that proportion of the prescribed charges which the services actually performed under this Agreement bear to the total services called for under this Agreement, less such payments on account of the charges as have been previously made. All completed or partially completed designs, plans and

specifications prepared and paid for by the Authority under this Agreement and all other records of the Authority retained in Engineer's office pursuant to Section IX shall be delivered to the Authority when and if this Agreement is terminated, but subject to the restrictions, as to their use, as set forth in Section IX.

## SECTION XI

### INSURANCE

Engineer assumes all risks, hazards and liabilities encountered in the performance of this Agreement. Engineer agrees to maintain Workers' Compensation Insurance to cover all of its own personnel engaged in performing services for Authority under this Agreement. Furthermore, Engineer agrees to maintain Professional Liability, Comprehensive General Liability and Comprehensive Automobile Liability Insurance each in an amount not less than \$500,000. Authority shall be named as additional insured on General and Automobile liability policies, and the insurance carrier shall provide Authority with thirty (30) days advance written notice of any change, cancellation or termination of coverage. Engineer shall provide Authority current certificates evidencing such insurance.

## SECTION XII

### LIABILITY LIMITATION

- A. The Engineer agrees to carry out and perform the services herein agreed to in a professional and competent manner. The Authority agrees that the Engineer shall not be liable for error, omission, or breach of warranty (either expressed or implied) in his preparation of designs and drawings, preparation of surveys, designation and selection of materials and equipment for the project, or the performance of any other services in connection with any assignment for which specific authorization is given by the Authority pursuant to this Agreement, except to the extent that he fails to exercise the usual degree of care and judgment of an ordinarily prudent Engineer in the same or similar circumstances and conditions.
- B. ENGINEER SHALL INDEMNIFY AND HOLD HARMLESS AUTHORITY FROM LOSS, COST, EXPENSE, OR LIABILITY THAT THE AUTHORITY MAY INCUR OR SUFFER AS A RESULT OF ANY INFRINGEMENT INCURRED BY A DECISION MADE SOLELY BY THE ENGINEER OF THE PATENT OR COPYRIGHT LAWS OF THE UNITED STATES OR OTHER COUNTRY FOR WHICH THE AUTHORITY IS HELD LIABLE.
- C. ENGINEER SHALL PROTECT, INDEMNIFY AND SAVE AUTHORITY HARMLESS FROM AND AGAINST ALL CLAIMS, LOSSES, DAMAGES, CAUSES OF ACTION, SUITS AND LIABILITY OF ANY KIND AND CHARACTER INCLUDING ALL EXPENSES OF LITIGATION, COURT COSTS AND REASONABLE ATTORNEYS'

FEES ON ACCOUNT OF INJURIES OR DAMAGES TO ANY PERSON OR PROPERTY IN ANY WAY ARISING OUT OR RELATING TO THE WORK UNDER THIS AGREEMENT TO THE EXTENT OR DEGREE ON A COMPARATIVE BASIS OF FAULT CAUSED BY OR RESULTING FROM THE INTENTIONAL, WILLFUL OR NEGLIGENT ACTS OR OMISSIONS BY ENGINEER, ANYONE DIRECTLY OR INDIRECTLY EMPLOYED BY ENGINEER OR ANYONE FOR WHOSE ACTS ENGINEER MAY BE LIABLE.

SECTION XIII

SEVERABILITY

Any provision or part of the Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon Authority and Engineer, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

SECTION XIV

AMENDMENTS, CONSTRUCTION, ASSIGNMENT

The Agreement may be amended only in writing executed by both parties. This Agreement shall be construed in accordance with the laws of the State of Texas and shall not be assigned by either party without the prior written consent of the other.

EXECUTED in three (3) counterparts (each of which is an original) on behalf of Engineer by its President or Vice-President shown below and on behalf of the Authority by its President (thereunto duly authorized) on this 2nd day of July, 2008.

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Attest:

Judge Caston  
Secretary, Board of Directors

Raymond L. Cox  
President, Board of Directors

**PATE ENGINEERS, INC.**

Attest:

Both S. Sibilin  
Assistant Secretary

JAE Ross  
Senior Vice President

(CORPORATE SEAL)

J:\1000\102900000 CHCRWA\102900400 CHCRWA\200 PROJ MGMT\23 CONTRACT\ENGINEERING SERVICES CHCRWA 6.23.08.DOC



**ATTACHMENT A  
PATE ENGINEERS, INC.**

**CONDITIONS FOR ENGINEERING SERVICES  
ON TIME AND MATERIALS BASIS**

For and in consideration of the services to be rendered by the Engineer, the Owner shall pay, and the Engineer shall receive the compensation on a time and materials basis hereinafter set forth. Engineer will invoice Client for services performed on a monthly basis.

Services performed on a time and materials basis would be based on the actual hourly salary cost rates for members of our staff times a multiplier of 2.3. The following is a list of typical hourly salary cost rates for various staff categories:

<u>Staff Category</u>	<u>Typical Salary Cost</u>	<u>Multiplier</u>	<u>Typical Rate</u>
Principal .....	\$91.00	per hour x 2.3	\$209.30
Senior Project Manager .....	\$83.00	per hour x 2.3	\$190.90
Project Manager .....	\$61.00	per hour x 2.3	\$140.30
Design Manager .....	\$76.00	per hour x 2.3	\$174.80
Project Engineer .....	\$53.00	per hour x 2.3	\$121.90
Design Engineer .....	\$44.00	per hour x 2.3	\$101.20
Senior Designer .....	\$63.00	per hour x 2.3	\$144.90
GIS Technician .....	\$41.00	per hour x 2.3	\$94.30
CADD Technician .....	\$36.00	per hour x 2.3	\$82.80
Construction Manager .....	\$48.00	per hour x 2.3	\$110.40
Construction Observer .....	\$34.00	per hour x 2.3	\$78.20
Administrative .....	\$30.00	per hour x 2.3	\$69.00

# **PATE SURVEYORS**

a division of Pate Engineers, Inc.

## **SURVEY BILLING RATE SCHEDULE**

(EFFECTIVE APRIL 1, 2008)

Survey Manager .....	\$ 120.00
Registered Professional Land Surveyor .....	\$ 100.00
Survey Coordinator .....	\$ 85.00
Survey Technician .....	\$ 65.00
Clerical .....	\$ 45.00
Conventional Survey Crew .....	\$120.00
GPS (Global Positioning System) Crew .....	\$150.00
Robotic Station Crew .....	\$150.00

**Survey Crew rates are inclusive of all normal material, equipment, and vehicle costs, and are billed "portal to portal". Overtime rates, when required and approved by Client, would be invoiced at 1.50 times the listed rates. Expenses for hourly per diems, hotel expenses, substantial or special materials and/or services or expenses required for specific projects, (e.g. delivery charges, reproduction costs, special property identification markers, specialized vehicle and equipment rentals, subcontracted labor and equipment for clearing, charges by public and private utilities for pipeline probing, subcontracted services by abstracting and/or title companies) will be billed at cost. Certain Surveying Services are subject to State and Local Sales Taxes which will be included on the invoice, in addition to normal billing rates and service charges.**

\*\*\*\*\*

SERVICES PROVIDED BY PATE SURVEYORS WILL COMPLY WITH THE RULES AND  
REGULATIONS OF  
THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING  
ANY COMPLAINTS, NOT SATISFIED BY THIS FIRM, SHOULD BE DIRECTED TO:  
THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING  
12100 PARK 35 CIRCLE, BLDG. A, SUITE 156, MC-230,  
AUSTIN, TEXAS 78753

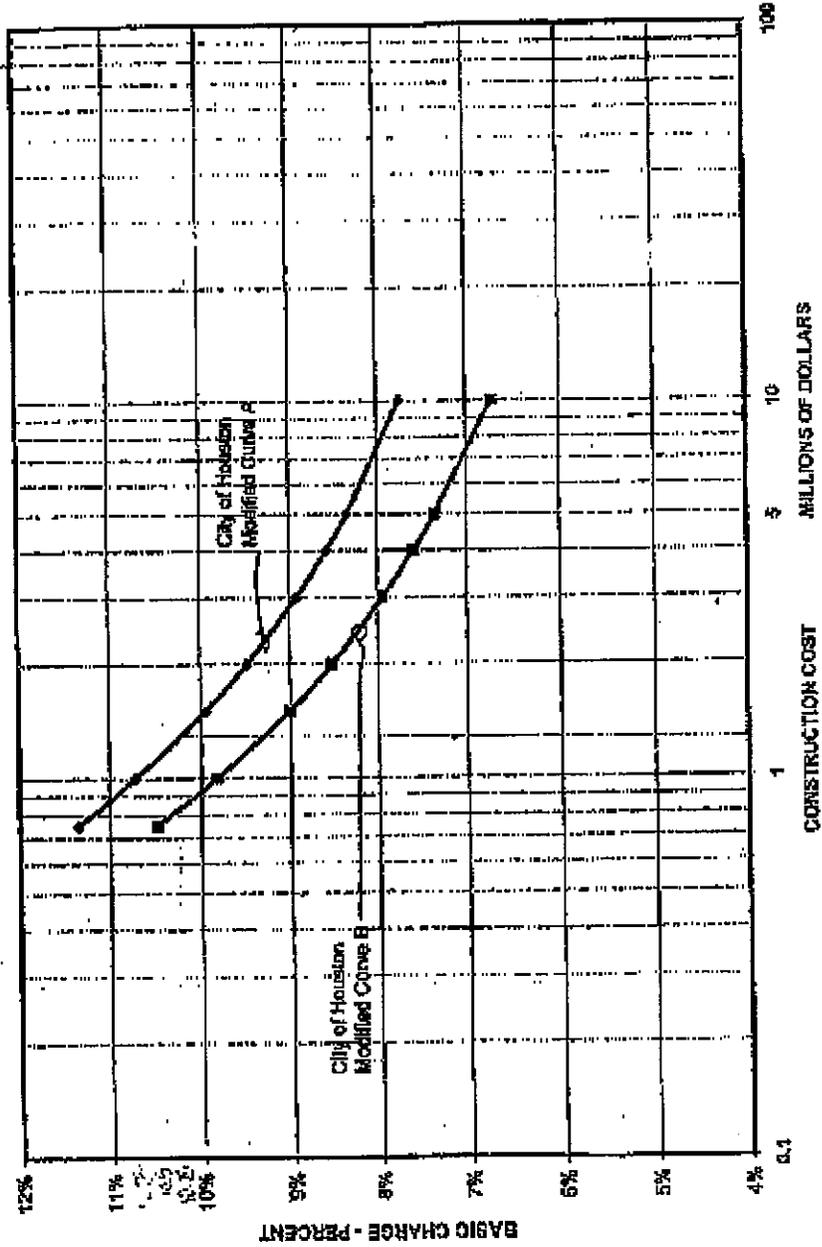
EXHIBIT "C"

DEPARTMENT OF PUBLIC WORKS AND ENGINEERING

Curves of Median Compensation  
Curves A and B

*John C. Vandert Bosch, P.E.*  
John C. Vandert Bosch, P.E.  
Director

*Shawn Nandjiri, P.E.*  
Shawn Nandjiri, P.E.  
Deputy Director



AGREEMENT FOR LEGAL SERVICES

This AGREEMENT FOR LEGAL SERVICES (hereinafter called the "Agreement") made and entered into this 14<sup>th</sup> day of September, 2005, by and between the Central Harris County Regional Water Authority (hereinafter called "the Authority") and Schwartz, Page & Harding, L.L.P., of Houston, Texas (hereinafter called "Firm").

WITNESSETH:

Whereas, the Authority is desirous of obtaining legal services in connection with matters requiring general legal representation and in connection with the issuance of bonds in order to finance utility improvements for the Authority.

Whereas, the Firm is willing to provide such services in a proper, efficient and professional manner.

AGREEMENT:

Now, therefore, in consideration of the promises and other good and valuable consideration and of the mutual benefits and covenants hereinafter expressed, the Authority and the Firm agree as follows:

The Authority and Firm agree that the Firm has previously handled the creation of the Authority.

The Authority hereby also employs the Firm to prepare all legal documentation necessary to obtain the approvals of the Attorney General of the State of Texas of all future bonds of the Authority (hereinafter called "Bonds") and the registration thereof by the Comptroller of Public Accounts of the State of Texas.

The Firm will perform services as bond counsel in connection with the approval, issuance and sale of Bonds to be issued by the Authority in order to provide utility improvements in accordance with the purposes for which the Authority was created ("New Money Bonds") and Bonds to be issued to refinance, redeem and/or defease previously issued Bonds ("Refunding Bonds"). The Firm's services as bond counsel will include the preparation and review of legal notices, resolutions and orders for adoption by the Board of Directors of the Authority (hereinafter called the "Board"), instruments required to obtain approvals of the TCEQ, if necessary, and the Attorney General of the State of Texas, and issuance of the Bonds and registration thereof with the Comptroller of Public Accounts of the State of Texas. In addition, in the Firm's capacity as bond counsel, the Firm will review a transcript of certified proceedings pertaining to the Bonds, which the Firm will help to prepare, and the Firm will render its opinion that the Bonds are valid and binding obligations of the Authority. With

respect to New Money Bonds, the Firm will also render its opinion that the interest on the New Money Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions. It is understood and agreed that the Authority will engage Special Tax Counsel in connection with the issuance of Refunding Bonds to render the opinion that the interest on the Refunding Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions, the fee for which will be paid out of or as a part of the Firm's fee for Refunding Bonds set forth below.

The Firm understands that the Authority has employed a recognized investment banking firm to serve as financial advisor to the Authority and that said firm will be responsible for advising the Authority concerning the sale of the Bonds and will assist the Authority in the preparation of an Official Notice of Sale and an Official Statement (the "Offering Documents") in connection with each issue of the Bonds offered for sale to the public.

In the Firm's capacity as bond counsel, the Firm will review those portions of the Offering Documents which describe the Authority's legal authority for issuance of the Bonds, tax procedures and other legal matters to determine whether such information fairly summarizes relevant provisions of Texas law and the documents referred to therein. The Firm will not, however, undertake to independently verify any of the factual information contained in the Offering Documents, nor will the Firm conduct any investigation of the affairs of the Authority for the purpose of passing on the accuracy or completeness of the Offering Documents. Since the Firm's role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing the Firm's services as outlined above and stating that the Firm's limited participation may not be relied upon as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained therein.

The Firm will not be responsible for advising the Authority concerning the provisions of the various securities laws, including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, the rules of the Securities and Exchange Commission relative to disclosure (including continuing disclosure), and the securities laws of the various states in which the Bonds may be sold. The Firm understands that the Authority has employed or will employ a firm recognized in the area of securities law to provide said advice.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of New Money Bonds, the Authority shall pay the Firm, from each issue or installment of the New Money Bonds, the following amounts:

1. Two and one half percent (2- $\frac{1}{2}$ %) of the par value of the first \$5,000,000 in principal amount of the New Money Bonds;
2. Two percent (2%) of the par value of the principal amount of the New Money Bonds in excess of \$5,000,000 of New Money Bonds up to \$10,000 of New Money Bonds;
3. One and one half percent (1- $\frac{1}{2}$ %) of the par value of the principal amount of the New Money Bonds in excess of \$10,000,000 of New Money Bonds up to \$20,000,000 in New Money Bonds; and
4. One percent (1%) of the par value of the principal amount of the New Money Bonds in excess of \$20,000,000 of New Money Bonds.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of Refunding Bonds and the services of Special Tax Counsel engaged as set forth above and unless otherwise specifically agreed in writing, the Authority shall pay the Firm and Special Tax Counsel, from each issue or installment of the Refunding Bonds one percent (1%) of the par value of the Refunding Bonds, but not less than \$35,000.

The fees for each series of Bonds, as expressed above, shall be due and payable upon the registration thereof by the Comptroller of Public Accounts of the State of Texas. The fees provided for above with respect to bond counsel services shall not include any litigation in which the Authority may be involved nor any services except those specifically set forth above.

If the area of the Authority is reduced or enlarged, this Agreement shall be applicable to the new area the same as to the original area. In case of the addition or annexation of lands to the Authority, the Firm shall perform in connection with such lands all bond counsel services as herein above provided for the original area and shall be paid therefor in accordance with the fees provided above; but such fees shall not include the services for adding or annexing the land to the Authority nor the services for any election held in connection with an addition or annexation. Neither shall the fees above include the services for the exclusion of land from the Authority or any election held in connection therewith.

The Firm, in addition to the bond counsel services described above, and upon request by the Board, shall perform general legal representation for the Authority including services such as contract negotiation and preparation, application for permits, the calling and holding of elections, the negotiation and preparation of documentation for additions or annexations and exclusions of

property, and the preparation of orders and resolutions for adoption by the Board. A representative of the Firm shall also, upon request by the Board, call and attend meetings of the Board, prepare the minutes thereof, and maintain the files and records of the Authority. The Firm shall, upon request by the Board, assist a firm of recognized litigation attorneys engaged by the Authority in connection with any litigation affecting the Authority.

The Firm's fees for general legal representation shall be based on the Firm's established hourly rates and shall be payable upon the presentation of invoices by the Firm. The Authority shall pay the Firm for expenses, including travel, telephone, telefax, secretarial overtime and copying expenses, and all other items and expenses incurred or paid by the Firm on behalf of the Authority.

In light of technological advancements and the corresponding demands of clients, it is the practice of the Firm to use electronic (e-mail) correspondence from time to time to communicate and to transmit documents. The possibility exists that electronic transmissions could be intercepted or otherwise received by third parties and lose their privileged nature if the method of communication is ruled to lack sufficient confidentiality. As with any correspondence regarding legal representation, regardless of the manner of transmission, we urge you to use caution in its dissemination in order to protect its confidentiality. By signing below, you agree that the Firm may use e-mail in the scope of our representation of you.

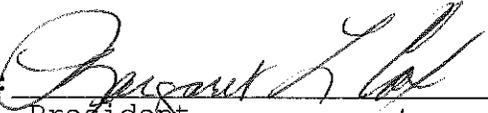
Nothing herein shall be construed to impose any personal liability on any officer or director of the Authority.

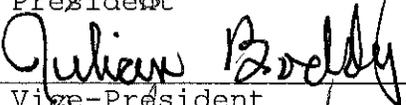
This Agreement may be terminated by either party hereto at any time; however, the Firm shall be compensated for services and expenses through the date of such termination on the same basis for which the Firm is entitled to compensation pursuant to an annexation by a city or other political subdivision as hereinabove set forth.

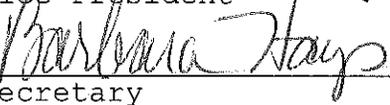
This Agreement may be executed in multiple counterparts, any one of which shall be deemed to be an original, but all of which taken together shall constitute but one Agreement, and the signature pages of which may be removed and aggregated to form one single Agreement reflecting execution by both parties.

In witness whereof, the members of at least a quorum of the Board of Directors of the Authority, being authorized to do so, have executed this Agreement on behalf of the Authority, and the Firm has executed said Agreement on the date first above written.

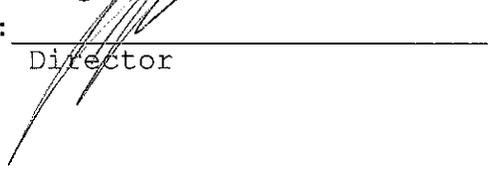
CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By:   
President

By:   
Vice-President

By:   
Secretary

By:   
Director

By:   
Director

SCHWARTZ, PAGE & HARDING, L.L.P.

By: Abraham Rubinsky  
Abraham I. Rubinsky



Galleria Financial Center ■ 5075 Westheimer, Suite 1175 ■ Houston, Texas 77056-5606

September 14, 2005

Central Harris County Regional Water Authority  
Board of Directors  
Harris County, TX

Dear Board Members:

The purpose of this letter is to serve as a Financial Advisory Agreement (the "Agreement") between the Central Harris County Regional Water Authority (the "Authority") and the GMS Group, L.L.C. ("GMS").

GMS proposes to serve as the Financial Advisor to the Authority and to work with the Authority on a project by project basis. We will work on projects/assignments that the Authority's Board wishes us to work on from time to time. GMS will work on projects only after receiving direction from the Authority's Board. GMS will not just "go-off" and work on a project/assignment unless asked to do so by the Authority.

GMS will be paid a fee of \$135.00 per hour for the work performed. GMS will not charge additional fees for work that is performed as a part of any bond/note transaction, private placement transaction, or bank loan transaction.

Any amounts invoiced by GMS to the Authority will be paid only if the Board is happy with the work performed by GMS. Invoices will specifically identify the time that was spent on each project/assignment so the Board members can easily review the charges for work performed. If the Board is not happy with the work performed, then no amount will be owed to GMS for such work.

GMS will work exclusively in an advisory capacity to the Authority and not put ourselves in a position where there might be a potential conflict of interest. This means that we: (i) will not ask to serve as an Underwriter on negotiated transactions with the Authority; and (ii) will only submit a bid for bonds sold at a public sale with the explicit permission of the Board of Directors at the time of the bond sale.

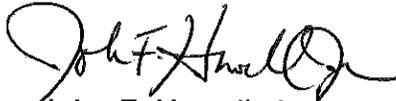
Either party may terminate this Agreement at any time without cause by giving the other party 7 days written notice. Upon notice of termination, GMS will complete any work that it is currently in the process of providing for the Authority's Board at the Authority's request. Upon termination, the Authority will pay the amounts owed to GMS for the work performed.

Page 2

If this Agreement is acceptable to the Board, then just let me know; I am prepared to begin working for you.

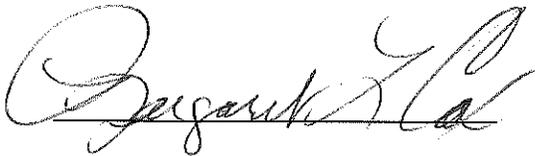
If I can answer any questions that you may have, please do not hesitate to call me at (713) 626-3552.

Sincerely yours,



John F. Howell, Jr.  
Senior Vice President

Agreed and Accepted:



Director, Central Harris County Regional Water Authority

Date Signed: 9-14-05



Director, Central Harris County Regional Water Authority

Date Signed: 9-14-05

**A CONTRACT FOR BOOKKEEPING SERVICES****STATE OF TEXAS****COUNTY OF HARRIS**

This Service Contract is made as of the 5 day of July, 2006 by and between the **CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the Authority)** and **F. MATUSKA, INC. (the Bookkeeper)** in consideration of the mutual covenants and agreements herein contained.

**I. Basic Services**

Beginning on August 1, 2006 Bookkeeper shall render the following services to the Authority:

1. Prepare and present, for Board approval, a monthly report showing cash receipts and disbursements activity within the general, debt service, and capital projects funds. Also included, will be a statement of revenues and expenditures for the general fund. This report will be presented at the Authority's regular meeting together with all checks and related invoices.
2. Maintain all journals and ledgers pertaining to the District's General, Debt Service, Capital Projects, and General Long Term Debt Funds in accordance with generally accepted accounting procedures and the Texas Commission on Environmental Quality's Water District Accounting Manual, 2004.
3. Maintain all journals and ledgers of the Authority in such a manner that excessive auditing procedures or adjustments by the District's auditor are not required.
4. Deposit Authority funds in the appropriate account on a timely basis.
5. Maintain necessary bank accounts, savings accounts and other accounts as may be necessary and authorized, and reconcile such accounts on a monthly basis for the general, debt service, and capital projects funds.
6. The Bookkeeper will provide continuing verification that securities are provided for Authority funds in accordance with State Law.

7. Complete posting and close all journals and ledgers within 45 days following the end of the District's fiscal year.
8. Use the best efforts to comply with recommendations contained in the Auditor's Annual Management Letter to the Board of Directors.
9. Attend one regular meeting of the Board of Directors per month. For meetings beginning at, or continuing beyond 5:00PM or later the District shall pay Bookkeeper Fifty Dollars (\$50) in addition to any other compensation.
10. Process Directors' monthly payroll and file Form 941 quarterly reports on a timely basis.
11. Prepare annual budget for the General Fund.

## **II. Compensation**

The Authority shall pay to the Bookkeeper as compensation for the above enumerated services the sum of \$725.00 per month. In addition to the services specifically named above, the Bookkeeper will provide the Authority with such additional bookkeeping services as its Board of Directors may require as being conducive to sound management. Such additional services will be billed at the rate of \$60.00 per hour and may include, but are not limited to, attendance at more than one meeting per month, meetings for more than one hour, special reports, funds handling resulting from the sale of Bonds or Bond Anticipation Notes, comparisons of Capital Projects Fund expenditures with the costs summary approved by the Commission, preparation of audit schedules and workpapers, quarterly investment reports, annual filing with state and federal agencies, and annual payroll filings.

If Bookkeeper is appointed as Investment Officer, in accordance with the Authority's Investment Policy, the Bookkeeper will receive as compensation \$50.00 per month.

Authority shall pay bookkeeper for all out-of-pocket expenses reasonably and necessarily incurred by Bookkeeper in the performance of services described herein, including, but not limited to, document reproduction, postage, long-distance telephone calls, ledger binders and file folders, records storage, parking, tolls, and automobile travel to and from Authority meetings at the rate per mile allowed by the Internal Revenue Service.

**III. Public Employees Blanket Bond**

The Bookkeeper shall provide a public employees blanket bond, in an amount the Authority determines appropriate, within ten (10) days of execution of this Agreement. The cost of such bond shall be borne by the Authority.

**IV. Timely Invoicing**

The Authority shall instruct all contractors, vendors and service representatives of the Authority to submit all bills and invoices to the Bookkeeper at least seven (7) business days prior to any scheduled regular meeting of the Board of Directors. It is understood that any bill or invoice submitted subsequent to the said seven (7) day period shall be paid, if possible, at said meeting, but will not necessarily be reflected on the reports.

**V. Terms and Cancellation**

The terms of this Contract shall be for a period of one (1) year from its effective date and will be automatically renewed thereafter from year to year, pursuant to the terms and conditions of this Contract, unless the Contract is terminated as hereinafter provided or modified or replaced by written Contract between the parties hereto.

This Contract may be terminated by either party without cause at any time upon submission of thirty (30) days written notice.

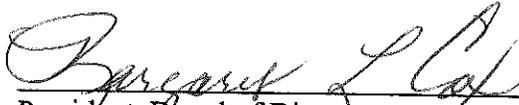
All journals and ledgers maintained by the Bookkeeper pursuant to this Contract shall be the property of the Authority, and in the event of cancellation of this Contract shall be returned to the Authority.

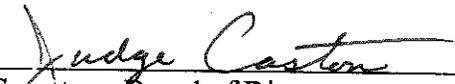
**VI. Miscellaneous**

No alterations or modifications of this Contract shall be made except by a writing duly signed by both parties hereto.

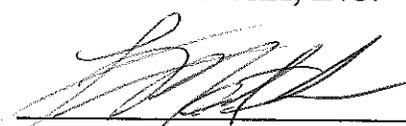
This contract has been executed in multiple copies and is effective as of the date shown above by the duly authorized officers of the parties hereto.

**FOR THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:   
\_\_\_\_\_  
Secretary, Board of Directors

**FOR F. MATUSKA, INC.**

  
\_\_\_\_\_  
Fran Matuska, President

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority") is a body politic and corporate and a governmental agency of the State of Texas, created and operating pursuant to special act of the 79th Texas Legislature as codified at Chapter 8815 of the Texas Special District Local Laws Code (the "Code"), and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Section 8815.101 of the Code authorizes the Authority to: (1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District; (2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; (3) enter into contracts with persons inside or outside the Authority on terms and conditions the Board considers desirable, fair, and advantageous for the performance of its rights, powers, and authority; (4) coordinate water services provided inside, outside, or into the Authority; and (5) generally administer and enforce the foregoing; and

WHEREAS, in connection with the foregoing, the Authority (as successor to the Central Harris County Water Users Consortium) has entered into certain contractual arrangements with the City of Houston, Texas (the "City"), relative to the purchase of surface water by the Authority from the City and the financing, design, construction, operation and maintenance of the expansion of the City's Northeast Water Purification Plant ("NEWPP"); and

WHEREAS, pursuant to Section 8815.110 of the Code, the Authority has determined that it is necessary and appropriate to proceed with the design and construction of the expansion of the NEWPP to accomplish the purposes of the Authority, including the funding of certain obligations under the contract with the City (the "Project"); and

WHEREAS, Section 8815.151 of the Code authorizes the Authority to finance the Project through the issuance of bonds or notes payable solely from revenue received by the Authority from any source, including but not limited to revenues received pursuant to that certain Rate Order heretofore duly adopted by the Authority; and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (the "Board") for financial assistance through the State Water Implementation Fund for Texas (the "SWIFT") in order to assist the Authority with the financing and construction of the Project; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially approves the filing of one or more applications for financial assistance from the SWIFT, through a contractual loan agreement, the purchase of the Authority's revenue bonds to be issued in one or several series, and/or such other means or requirements as may be applicable in connection with the SWIFT to facilitate the financing, design and construction of the Project (also referred to as PIF No. 11030) in an amount not to exceed \$22,655,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority and all other agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance. The Authority's engineers in connection with such application, IDS Engineering Group, Inc., Houston, Texas, and the Authority's professional financial advisors in connection with such application, The GMS Group, L.L.C., Houston, Texas, and the Authority's general and bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 3: The Authority's engineers, financial advisors, and counsel, as set forth above, are hereby officially designated as the Authority's authorized representatives for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 4: All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

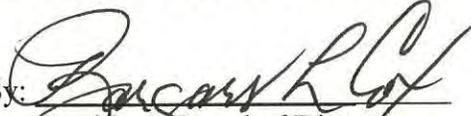
Section 5: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board.

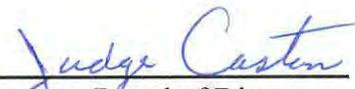
Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

PASSED AND APPROVED this 6th day of May, 2015.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By:   
President, Board of Directors

ATTEST:

By:   
Secretary, Board of Directors

375391

AFFIDAVIT

STATE OF TEXAS                   §  
  §  
COUNTY OF HARRIS               §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Margaret L. Cox, who upon her oath did depose and say as follows:

"1. My name is Margaret L. Cox, and I am the President of the Board of Directors of the Central Harris County Regional Water Authority.

"2. In such capacity, I am familiar with the actions and proceedings of the Board of Directors of the Central Harris County Regional Water Authority and with the applications by the Central Harris County Regional Water Authority to the Texas Water Development Board for financial assistance in an aggregate amount not to exceed \$41,630,000 for financing the costs of design and construction and such other aspects of the 'Project' as may be presented in the Authority's applications for financial assistance to the Texas Water Development Board.

"3. I hereby certify that to the best of my knowledge and belief:

(a) the Central Harris County Regional Water Authority has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government; and

(b) the Central Harris County Regional Water Authority will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the Texas Water Development Board.

"4. That all meetings of the Board of Directors of the Central Harris County Regional Water Authority pertaining to the Project, or approval of the related applications to the Texas Water Development Board, have been held in accordance with Chapter 551, Texas Government Code."

[SIGNATURE ON FOLLOWING PAGE]

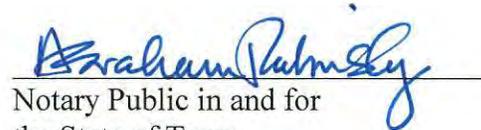
Executed this 3rd day of June, 2015.

  
Margaret L. Cox, Affiant

THE STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS           §

This instrument was sworn to and subscribed before me on this 3rd day of June, 2015, by Margaret L. Cox, Affiant.



  
Notary Public in and for  
the State of Texas

(SEAL)

AFFIDAVIT

STATE OF TEXAS                   §  
  §  
COUNTY OF HARRIS           §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Marcel Khouw, who upon his oath did depose and say as follows:

"1. My name is Marcel Khouw, and I am a professional engineer employed by IDS Engineering Group, Inc., the engineers for the Central Harris County Regional Water Authority.

"2. In such capacity, I am familiar with the actions and proceedings of the Board of Directors of the Central Harris County Regional Water Authority and with the applications by the Central Harris County Regional Water Authority to the Texas Water Development Board for financial assistance in an aggregate amount not to exceed \$41,630,000 for financing the costs of design and construction and such other aspects of the 'Project' as may be presented in the Authority's applications for financial assistance to the Texas Water Development Board.

"3. By resolution of the Board of Directors of the Central Harris County Regional Water Authority, duly adopted in an open meeting on May 6, 2015, I have been designated as an official representative of the Central Harris County Regional Water Authority in connection with such Project and applications to the Texas Water Development Board.

"4. I hereby certify that to the best of my knowledge and belief:

(a) the facts, data, materials and information included in such applications are true and correct; and

(b) the Central Harris County Regional Water Authority warrants compliance with the representations made in such applications in the event that the Texas Water Development Board provides the financial assistance requested therein."

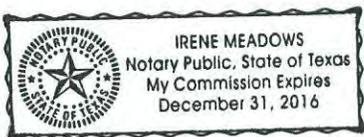
[SIGNATURE ON FOLLOWING PAGE]

Executed this 4<sup>th</sup> day of June, 2015.

\_\_\_\_\_  
Marcel Khouw, Affiant

THE STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS           §

This instrument was sworn to and subscribed before me on this 4<sup>th</sup> day of June, 2015, by Marcel Khouw, Affiant.



\_\_\_\_\_  
Notary Public in and for  
the State of Texas

(SEAL)

CERTIFICATE FOR RESOLUTION

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President  
 Julian F. Boddy, Vice President  
 Judge Caston, Secretary  
 Tom Gower, Assistant Secretary  
 Richard C. Meek, Director

met in regular session, open to the public, on May 6, 2015, at the offices of IDS Engineering Group, Inc., 13333 Northwest Freeway, Suite 300, Houston, Harris County, Texas 77040, and all of the members of the Board were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER  
 DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING  
 AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND  
 CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted, and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: 5

NOES: 0

2. A true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to said minutes and to this certificate; such Resolution has been duly recorded in the Board's minutes of such meeting; the above and foregoing paragraph is a true, full and correct copy excerpt from the Board's minutes of such meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 6<sup>th</sup> day of May, 2015.



*Judge Costin*  
Secretary, Board of Directors

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority") is a body politic and corporate and a governmental agency of the State of Texas, created and operating pursuant to special act of the 79th Texas Legislature as codified at Chapter 8815 of the Texas Special District Local Laws Code (the "Code"), and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Section 8815.101 of the Code authorizes the Authority to: (1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District; (2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; (3) enter into contracts with persons inside or outside the Authority on terms and conditions the Board considers desirable, fair, and advantageous for the performance of its rights, powers, and authority; (4) coordinate water services provided inside, outside, or into the Authority; and (5) generally administer and enforce the foregoing; and

WHEREAS, in connection with the foregoing, the Authority (as successor to the Central Harris County Water Users Consortium) has entered into certain contractual arrangements with the City of Houston, Texas (the "City"), relative to the purchase of surface water by the Authority from the City and the financing, design, construction, operation and maintenance of the expansion of the City's Northeast Water Purification Plant ("NEWPP"); and

WHEREAS, pursuant to Section 8815.110 of the Code, the Authority has determined that it is necessary and appropriate to proceed with the design and construction of the expansion of the NEWPP to accomplish the purposes of the Authority, including the funding of certain obligations under the contract with the City (the "Project"); and

WHEREAS, Section 8815.151 of the Code authorizes the Authority to finance the Project through the issuance of bonds or notes payable solely from revenue received by the Authority from any source, including but not limited to revenues received pursuant to that certain Rate Order heretofore duly adopted by the Authority; and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (the "Board") for financial assistance through the State Water Implementation Fund for Texas (the "SWIFT") in order to assist the Authority with the financing and construction of the Project; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially approves the filing of one or more applications for financial assistance from the SWIFT, through a contractual loan agreement, the purchase of the Authority's revenue bonds to be issued in one or several series, and/or such other means or requirements as may be applicable in connection with the SWIFT to facilitate the financing, design and construction of the Project (also referred to as PIF No. 11030) in an amount not to exceed \$22,655,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority and all other agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance. The Authority's engineers in connection with such application, IDS Engineering Group, Inc., Houston, Texas, and the Authority's professional financial advisors in connection with such application, The GMS Group, L.L.C., Houston, Texas, and the Authority's general and bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 3: The Authority's engineers, financial advisors, and counsel, as set forth above, are hereby officially designated as the Authority's authorized representatives for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 4: All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

Section 5: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board.

Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

PASSED AND APPROVED this 6th day of May, 2015.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By: /s/ Margaret L. Cox  
President, Board of Directors

ATTEST:

By: /s/ Judge Caston  
Secretary, Board of Directors

375391

CERTIFICATE FOR  
 RESOLUTION AUTHORIZING ISSUANCE OF \$22,050,000  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2008

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President  
 Julian F. Boddy, Vice President  
 Judge Caston, Secretary  
 Tom Gower, Assistant Secretary  
 Richard C. Meek, Assistant Secretary

met in special session, open to the public, on June 11, 2008, at 13563 Bammel North Houston, Houston, Harris County, Texas, and all of the members of the Board were present, except Director Boddy, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

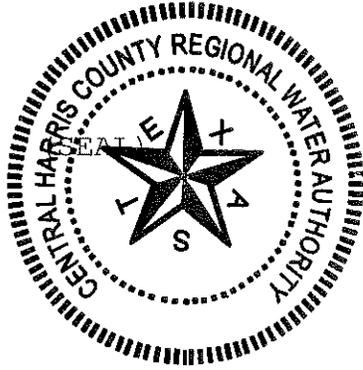
RESOLUTION AUTHORIZING ISSUANCE OF \$22,050,000  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2008

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted, and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: 4                      NOES: 0

2. A true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; such Resolution has been duly recorded in the Board's minutes of such meeting; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 11<sup>th</sup> day of June, 2008.



*Judge Caston*  
Secretary, Board of Directors

RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

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RESOLUTION AUTHORIZING ISSUANCE OF  
 \$22,050,000  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS  
 SERIES 2008

\* \* \*

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS  
 COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Act".

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State to issue

its negotiable revenue bonds, as herein provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and security for repayment set forth and provided in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth and contained in this Resolution; and
- (d) the issuance by the Authority of its revenue bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part.

(End of Article One)

ARTICLE TWODEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein or in any exhibit hereto, shall apply with equal force herein and in any amendment or supplement hereto, and the scope and meaning of terms used in Exhibits "A" and "B" hereto, whether or not defined therein, shall be determined by reference to this Article:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, public body or public agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended,

provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$22,050,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2008, initially dated as of July 1, 2008, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as may be amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund created and established pursuant to Section 7.01(b) hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund created and established pursuant to Section 7.01(c) hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB upon payment of the purchase price therefor, as printed, stamped or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the Water Infrastructure Fund administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and Wells Fargo Bank, N.A., Austin, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund referred to in Section 7.01(a) hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees, and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contribution from any federal, state or local governmental agency or authority or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement as a capital expenditures of or for the System, (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority, or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.03 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority, the Registrar and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District.

The term "Member District" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Agreement For Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, conveyance, treatment or supply of water which are entered into by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to the City of Houston Contract and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other administrative expenses of the Authority.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.06 of this Resolution.

Person.

The term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance and/or condemnation proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Principal Payment Date.

The term "Principal Payment Date" shall mean the date upon which the principal of any then outstanding Bond shall become due and payable, in whole or in part, whether at the Maturity Date or any earlier Redemption Date.

Project.

The term "Project" shall mean the works, facilities, improvements and additions to the System, initially consisting of (a) the purchase of certain rights to capacity in treated surface water production and transmission facilities constructed by (i) the City of Houston, Texas under the City of Houston Contract, and (ii) the North Harris County Regional Water Authority under the North Authority Contract; and (b) the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; and all other costs and expenses directly relating to the foregoing, together with an amount for contingencies of not more than fifteen percent (15%) of the foregoing. In addition, the term "Project Costs" shall include any payments made or to be made for capital improvements of or for the System under the City of Houston Contract, the North Authority Contract, or any similar water supply contract.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District), or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.05 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds and any Additional Bonds remaining outstanding at the time of such computation.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on a source of funds other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund created and established pursuant to Section 7.01(e) hereof.

System.

The term "System" shall mean all works, plants, properties, facilities, improvements, equipment, interests, appliances, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights to certain capital improvements under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the Water Infrastructure Fund Financial Assistance Program and, where appropriate, means the Executive Administrator, Fund Manager, or

other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Order is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREEAUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2008", shall be issued in the aggregate principal amount of \$22,050,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act..

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, shall be initially dated as of July 1, 2008, and shall include thereon the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond. Each Bond registered and delivered by the Registrar upon transfer or in replacement of, or in exchange for, any one or more Initial Bonds shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. Bonds in the aggregate principal amount of \$22,050,000 shall be issued as serial bonds, shall bear interest from the later of the Delivery Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior optional redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
935,000	2010	0.623%
940,000	2011	0.933%
950,000	2012	1.153%
960,000	2013	1.303%
975,000	2014	1.433%
985,000	2015	1.583%
1,000,000	2016	1.733%
1,020,000	2017	1.883%
1,040,000	2018	2.013%
1,060,000	2019	2.133%
1,085,000	2020	2.367%
1,110,000	2021	2.489%
1,135,000	2022	2.573%
1,165,000	2023	2.649%
1,195,000	2024	2.710%
1,230,000	2025	2.759%
1,260,000	2026	2.797%
1,295,000	2027	2.832%
1,335,000	2028	2.877%
1,375,000	2029	2.922%

SECTION 3.04: INTEREST PAYMENT DATES. Interest on the Bonds shall be payable on February 1, 2009, and semi-annually thereafter on February 1 and August 1 of each year until payment of the principal thereof has been made or duly provided for. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date, the Paying Agent shall compute the amount of interest to be due and payable on such Interest Payment Date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such Interest Payment Date.

The interest so payable on any Interest Payment Date will be paid to the person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.05: MEDIUM AND PLACE OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or

collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates or Principal Payment Dates, is legal tender for the payment of debts due the United States of America. The principal of the Bonds shall be payable only upon their presentation and surrender, as they become due at their respective Maturity Dates or Redemption Dates, at the principal trust office of the Paying Agent. Principal and interest payments on, and mandatory redemption payments, if any, in respect of, each Bond (a) may be payable, at the option and expense of the Authority, by check or draft mailed by the Paying Agent to the Holder at the address shown on the Register or by wire transfer to such Holder, or (b) may be payable by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of such Holder. If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, or disposed of by the Authority, such Bonds, nevertheless, may be authenticated and delivered or disposed of as though the Person who signed such Bonds had not ceased to be such officer of the Authority; and, any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not effect the validity or enforceability of such Bond, if same has been duly authenticated by the Registrar or registered by the Comptroller of Public Accounts of the State of Texas, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each year of maturity specified in Section 3.03 hereof, representing the entire principal amount scheduled to mature in each of such years of maturity, and shall be made payable to Cede & Co., as nominee of DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's

Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar for safekeeping and thereafter be (a) dated by the Registrar as of the Delivery Date, and (b) registered on the Register in the name of Cede & Co., as nominee of DTC, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB at the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bonds to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bonds are to be transferred and the principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of registration substantially in the form required by Section 5.03 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond either the aforementioned certificate of registration or a Certificate of Registrar substantially in the form provided in Section 5.02 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Either such certificate of registration upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been so certified or registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes,

whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effectual and shall discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer, exchange and replacement of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name(s) of the transferee(s) one or more exchange Bonds in a like aggregate principal amount(s), and having the same maturity date and bearing interest at the same rate(s), and shall deliver or mail same to the transferee(s) by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, being in any authorized denomination, and being in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each Bond transferred or exchanged and duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such transferred or exchanged Bond is delivered. No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption of Bonds prior to maturity, nor shall the Registrar be required to transfer or exchange any Bond selected for redemption in whole or in part when such Redemption Date is scheduled to occur within thirty (30) calendar days.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall authenticate and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate and deliver, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost

or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Authority and the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. Notwithstanding any provisions contained in this Resolution relating to the payment, transfer, exchange or replacement of the Bonds, the Authority hereby approves and authorizes the use of the "Book-Entry Only" securities clearance, settlement and transfer system provided by DTC. The Initial Bonds and all subsequent Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, except as provided in Section 3.12 hereof.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in

this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Order. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Order with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and the premium, if any, and interest on such Bond, and all notices with respect to such Bond, shall be made and given, respectively, in the manner provided in the Letter of Representation. The execution and delivery of said Letter of Representation is hereby approved along with any other instrument deemed necessary and convenient to carry out the purposes set forth in this Section 3.11, and the President and Secretary of the Board of Directors of the Authority are hereby authorized and directed to execute and deliver same on behalf of the Authority.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, upon receipt of proper proof of the beneficial ownerships of the DTC Participants, and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or

exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Section 3.09 or Section 3.10 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOURREDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: MANDATORY REDEMPTION OF BONDS. To the extent of any excess funds remaining on deposit in the Construction Fund and the Escrow Fund following completion of the Project, as provided in Section 7.08 of this Resolution and in the Escrow Agreement, and unless the use of such excess funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB, the Bonds shall be subject to mandatory redemption by the Authority, at a price equal to the principal amount thereof, plus accrued interest on the Bonds called for redemption to the Redemption Date, in inverse order of their scheduled maturities, on any date within sixty (60) days following the filing with and the approval by the TWDB of such final accounting, to the maximum extent possible out of such excess funds, rounded to the next lowest integral multiple of \$5,000. The Authority shall, at least forty-five (45) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of the Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not

previously been called for redemption, by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.03: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.04: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions, the respective principal amounts of the Bonds to be redeemed, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.05: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for

redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds or portions thereof so called for redemption shall be terminated.

(End of Article Four)

ARTICLE FIVEFORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Order, including the registration certificate of the Comptroller of Public Accounts of the State of Texas or Registrar, as applicable, and form of assignment shall be in substantially the forms specified in Exhibits "A" and "B" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Order.

SECTION 5.02: CERTIFICATE OF REGISTRAR. The form of Certificate of Registrar specified in Exhibit "B" attached hereto shall be printed on each of the Bonds authenticated, registered and delivered subsequent to the Initial Bonds.

SECTION 5.03: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. In lieu of the Certificate of Registrar specified in Section 5.02 hereof, the registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in Exhibit "A" attached hereto.

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in Exhibits "A" and "B" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be printed on the Bonds over the certification of the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Order, an original of said opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIXSECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of any Additional Bonds hereafter issued in conformity with the provisions of this Resolution. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds and any Additional Bonds have been paid in full, as to both principal and interest at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (i) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project, (ii) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, (iii) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, and (iv) fulfill the terms, agreements and covenants made with the Holders of the Bonds and any Additional Bonds issued in conformity with this Resolution and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly

amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties in similar locations under similar circumstances with a responsible insurance company or companies against risks, accidents or casualties against and in an amount which is customarily carried by such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least in an amount sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the improvements to be made to the Project, the Authority covenants that it will apply any proceeds of such insurance policies covering such loss or damage to

the reconstruction or repair of the such improvements, and any excess insurance proceeds remaining after the completion of such improvements shall promptly be deposited into the Debt Service Fund.

To the extent that the Project or any portion thereof shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for the portion of the improvements so taken shall, upon receipt by the Authority, be promptly deposited to the credit of the Debt Service Fund, less any amount determined by the Authority to represent the pro rata share of damages attributable to any portion of such improvements that were acquired or otherwise assumed by the Authority from a conservation and reclamation district or other public or private water system.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVENREVENUES AND APPLICATION THEREOF

SECTION 7.01: CREATION OF FUNDS. The creation, establishment and continuation of the following funds are hereby approved and adopted:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided in the Resolution. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all

times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, after making the deposit required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount. If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds or any Additional Bonds to mature or be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove, and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund and any earnings thereon constitute Pledged Revenues or be, or remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.02 and Section 8.03 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that copies of as-built plans for same, along with a final accounting of the Eligible Project Costs shall be provided to the TWDB. If the Project shall

be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, unless an authorized representative of the TWDB shall have approved in writing the use of any remaining funds for other Project purposes or similar purposes, the Authority shall, immediately upon filing with and approval by the TWDB of such final accounting, call for the redemption, prior to their scheduled maturities, of such portions of the Bonds, in inverse order of their scheduled maturities, to the next lowest multiple of \$5,000, as may be redeemed with such excess and unused proceeds on deposit in the Construction Fund and in the Escrow Fund. In determining the amount of available funds in the Construction Fund for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and in the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHTAPPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: BOND PROCEEDS. The proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO DEBT SERVICE FUND. Proceeds from the sale and delivery of the Bonds representing capitalized interest in the amount of \$475,286 shall be deposited into the Debt Service Fund.

SECTION 8.03: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$637,250, representing the estimated costs of issuance of the Bonds, shall be deposited into the Construction Fund. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds and call for the redemption of Bonds as provided in Section 4.02 hereof, unless the use of such funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB.

SECTION 8.04: DEPOSITS TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.05: TAX COVENANTS. The Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of the proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to insure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

(a) The Authority has not used and will not use, nor permit to be used, more than ten percent (10%) of the net proceeds of the Bonds in the trade or business of any person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds"). For purposes of this Section 8.05, the term "net proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "person" includes any

individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, means any activity other than an activity carried on by a governmental unit;

(b) The Authority has not used and will not use, nor permit to be used, more than five percent (5%) of the net proceeds of the Bonds in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds, and the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the net proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

(c) Principal and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;

(d) The Authority has not used and will not use or permit to be used an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the net proceeds of the Bonds to finance, directly or indirectly, loans to persons other than governmental units;

(e) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the Authority reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond" within the meaning of Section 148 of the Code;

(f) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the repayment of the Bonds and will restrict the yield on such investments to the extent required by the Code or the Regulations; without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on all proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion) to a yield which is not materially higher than the yield on the Bonds (in both cases calculated in accordance with the Code and Regulations);

(g) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code); and

(h) To the extent, if applicable, required by the Code and Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate, at least annually, but not less often than required by the applicable Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other date as permitted by the applicable Regulations, all amounts required to be rebated to the federal government; and the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a "prohibited payment" within the meaning of Temp. Treas. Reg. §1.103-15AT.

(i) The Authority will timely comply with the information reporting requirements of Section 149(e) of the Code.

All officers, employees and agents of the Authority are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Authority as of the date the Bonds are delivered. In complying with the foregoing covenants, the Authority may rely from time to time upon an opinion of bond counsel to the effect that any action by the Authority or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 8.06: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.

The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2008, as a result of the Bonds, will exceed \$10,000,000.

SECTION 8.07: ALLOCATION OF, AND LIMITATION ON, EXPENDITURES. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. For purposes of determining compliance with this covenant the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 8.08: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINEAMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (i) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or
- (ii) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, no such change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority expressly reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority

has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. The Authority further reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority further reserves the right to issue its bonds or other obligations for refunding purposes in any manner permitted by law.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority further reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TENBONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect capacity charges, and to the due, proper and timely application of the Pledged Revenues to the intended purposes, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVENCONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "NRMSIR" means each person whom the SEC or its staff has determined from time to time to be a nationally recognized municipal securities information repository, within the meaning of the Rule.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12, as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "SID" means any person designated by the State of Texas, or an authorized department, officer or agency thereof as, and determined by the SEC or its staff from time to time to be, a state information depository, within the meaning of the Rule.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to each NRMSIR and any SID, within six (6) months after the end of each Fiscal Year ending in or after 2008, financial information and operating data with respect to the Authority of the general type included in the Authority's final application to the TWDB for financial assistance in connection with the Bonds. Any financial statements to be so provided shall be (i) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality (or any successor agency), or such other accounting principles as the Authority may be required to employ from time to time thereafter pursuant to applicable law or regulation, and (ii) audited, if the Authority commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide

such audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02 may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that has theretofore been provided to each NRMSIR and any SID or filed with the SEC. The Authority shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify any SID and either each NRMSIR or MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the applicable provisions of the federal securities laws:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds;
- (h) Calls for redemption of the Bonds;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds; or

(k) Rating changes.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS.

(a) The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon any other person. The Authority undertakes to provide only the financial information, operating data financial statements and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, conditions or prospects of the Authority, nor does the Authority undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or to sell Bonds at any future date.

(c) Under no circumstances shall the Authority be liable to the Holder of any Bond or any other person, in contract or in tort, for damages resulting, in whole or in part, from any breach by the Authority, whether negligent or without fault on its part, of any covenant specified in this Article, but every right and remedy of any such person, in contract or in tort, for or on account of any such breach, shall be limited to an action for mandamus or specific performance.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its

discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment, or (B) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or if any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but, in either case, only if and to the extent that any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(End of Article Eleven)

ARTICLE TWELVEMISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS. The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH REGULATORY REQUIREMENTS. The Authority covenants and agrees, so long as all or any part of the Bonds are outstanding, that it will (i) develop, implement and maintain a water conservation program relative to the System which is consistent with and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB and (iii) comply with and abide by all other applicable rules, regulations, laws and requirements of the TWDB relative to the Project.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.05: REGISTRAR. The initial Registrar in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The President and the Secretary of the Board of Directors of the Authority are hereby authorized and directed, on behalf of the Authority, to approve, execute and deliver an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain at least one (1) Registrar in the State of Texas, where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly

designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.06: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The Authority will maintain in the City of Houston, Texas, at least one (1) Paying Agent who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is

not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligation to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, V.T.C.A. Government Code §1207.001 et seq., as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, firm or corporation, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged

Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Order and other documentation required in connection herewith and with the issuance of the Bonds.

(End of Article Twelve)

ARTICLE THIRTEENSALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEENOPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time on June 11, 2008, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was timely furnished to the County Clerk of Harris County, Texas, for posting on a bulletin board located at a place convenient to the public in the Harris County Courthouse for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended, and that this meeting has been open to the public, as required by law, at all times during which this Resolution and the subject matter hereof has been discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage.

PASSED AND ADOPTED this 11<sup>th</sup> day of June, 2008.

/s/ Margaret L. Cox  
 President, Board of Directors  
 Central Harris County Regional  
 Water Authority

ATTEST:

/s/ Judge Caston  
 Secretary, Board of Directors  
 Central Harris County Regional  
 Water Authority

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF INITIAL BOND)

REGISTERED NUMBER IR-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal of this Bond is due at maturity or upon

prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the

interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

OFFICE OF THE COMPTROLLER

REGISTER NO. \_\_\_\_\_

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of the Central Harris County Regional Water Authority and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,  
\_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_  
the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

By: \_\_\_\_\_  
(Authorized Representative)

EXHIBIT "B"

(FORM OF EXCHANGE BOND)

REGISTERED NUMBER R-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_      July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the

"Record Date"). Principal of this Bond is due at maturity or upon prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but

the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither

the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same

lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRAR has been manually executed by an authorized representative of Registrar, as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

CERTIFICATE OF REGISTRAR

This is to certify that this bond is one of the Bonds issued under the provisions of the within-mentioned Bond Resolution, and it is hereby further certified that this bond has been authorized and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

\_\_\_\_\_, Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_ the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

By: \_\_\_\_\_  
(Authorized Representative)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

[The legal opinion of Bond Counsel shall also be attached to the Exchange Bonds.]

WATER CONSERVATION  
AND  
DROUGHT CONTINGENCY PLAN  
  
FOR THE  
  
CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY  
HOUSTON, TEXAS

PREPARED BY:



13333 Northwest Freeway, Suite 300  
Houston, Texas 77040  
713-462-3178 – Telephone  
713-462-1631 – Fax

May 1, 2014

**WATER CONSERVATION  
AND  
DROUGHT CONTINGENCY PLAN**

**TABLE OF CONTENTS**

<u>SECTION</u>	<u>TITLE</u>
I.	Introduction
II.	Utility Evaluation
III.	Public Involvement
IV.	Water Conservation Plan
V.	Drought Contingency Plan

APPENDICES

Appendix A – Drought Contingency Plan

Appendix B – Resolution Adopting Water Conservation & Drought Contingency Plan & Regulations Pertaining to the Adoption of Water Conservation Plans by Member Districts of the Authority

Appendix C – Authority Map

ABBREVIATIONS

MG – Million Gallons

MGD – Million Gallons per Day

MGY – Million Gallons per Year

## I. INTRODUCTION

The Central Harris County Regional Water Authority (“Authority”) of Harris County was created by House Bill Number 3181 of the 79<sup>th</sup> Legislature of the State of Texas, Regular Session, 2005. The purpose of the Authority is to prepare and implement a plan to construct and operate the necessary public water transmission facilities to convert an area in central Harris County, Texas from groundwater to surface water. The Authority is expressly authorized to purchase, own, hold, lease and maintain pipelines for the transportation of water, to build and operate plants for the treatment and distribution of water, to purchase from and sell water to towns, cities, conservation and reclamation districts and other political subdivisions of the State of Texas, or to private corporations and individuals. The Board of Directors has the managing control and operation of the Authority’s system. Three members of the Board of Directors are elected by precincts comprised of one or more districts. Two members are elected at-large.

The Authority boundary includes all the acreage encompassed by the Member Districts (as defined in the above legislation creating the Authority) and is estimated at 4,800 acres. The Member Districts are in Regulatory Area III of the Harris-Galveston Coastal Subsidence District that permits their water wells.

The Authority will provide wholesale treated surface water to connected Member Districts. The Authority will operate a surface water transmission and distribution system (“the system”) in order to meet the Harris Galveston Subsidence District (“HGSD”) mandates for surface water conversion by the Member Districts through ultimately providing an overall 80 percent surface water usage rate among the Member Districts. Surface water is purchased from the City of Houston and is conveyed to certain Member Districts water plant facilities by way of the System.

## II. UTILITY EVALUATION

### A. WATER SUPPLY AND TRANSMISSION SYSTEM INFORMATION

1. Population of Service Areas (Estimated): 26,000
2. Area of Service Areas: 4,800 acre
3. Water Production and Sales Information
  - a) Water supplied during the last year (2006) – 1,672 MG
  - b) Avg. water supplied for last two years (2005 - 2006) – 1,667 MG
  - c) Monthly water sales by user for last year (2006) – See Table 1

TABLE NO. 1

## 2013 Total Water Usage (MG)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
HCMUD 33	17203	15487	17932	17199	20042	20621	22273	25751	22212	20453	18510	17591
HCMUD 150	19539	13560	23114	22027	29231	23947	26293	28795	24474	22206	20565	21671
HCMUD 217	4653	3304	5585	5538	6770	6966	7301	7904	6490	5445	5525	1844
HCMUD 304	11816	11815	14337	15222	18318	18698	20225	21525	17186	13650	12009	11243
FALLBROOKUD	19533	18284	20648	19560	21219	23033	23074	27132	26017	20162	19523	20709
HCMUD 200	30433	27145	32240	31566	37545	35504	37325	43879	37911	32602	30040	33711
HCMUD 205	0	0	0	0	0	0	0	0	0	0	0	0
Rankin Rd MUD	3673	3546	4853	5122	6738	6946	7523	7631	6455	5284	4650	1249
HCMUD 399	0	0	0	0	0	0	0	0	0	0	0	0
HCMUD 215	4173	3888	4150	4094	4340	4679	5336	5111	4732	5016	6033	5952
HCUD 16	7570	6716	8976	9119	10962	11902	12643	13178	10913	8659	1704	0

d) Highest average daily water use on record for system – 1.488 MGD

e) Peak daily use for the last year 2.232 MGD

4. Number and type of meter connections in service area: 11 – Public Entity

5. Net gain of new connections per year

N/A – Residential N/A – Commercial

6. Source of Water: City of Houston

7. Safe annual yield of water supply: Not Applicable

8. Design capacity of water system: 7.5 MGD

9. Major high volume customers

<u>Name</u>	<u>Quantity (MGY)</u>
1. HCMUD 33	235,274
2. HCMUD 150	280,659
3. Fallbrook UD	258,894
4. HCMUD 200	409,901

## B. UTILITY FINANCIAL OPERATIONS INFORMATION

### 1. Water rate structures

Effective as of July 1, 2013 the Authority assesses a pumpage fee of \$1.56 per 1000 gallons for groundwater and \$1.90 per 1000 gallons for surface water to all Member Districts based on total water pumped. The fee is also assessed on imported groundwater.

## 2. Sources revenue:

Percent of Annual Revenues from water rates – 100% (assuming is importation fee revenue)

## 3. Annual Operating Costs

- a) Average Annual Operating Costs - \$500,000
- b) Percent of Average Annual Operating Cost that are Fixed Cost – 94%
- c) Percent of Average Annual Operating Costs that are Variable – 6%

## C. OTHER APPLICABLE INFORMATION

## 1. Applicable local regulations relating to Water Conservation and Drought Contingency Planning.

- City of Houston Drought Contingency Plan
- Water Supply Contract by and among the Authority and the City of Houston.
- HGSD Water Wise Program - Eight of the Member Districts participate in the AWBD Water Smart Program.

## 2. Information on Member Districts: See TABLE No. 2

TABLE NO. 2

## Member Districts

Fallbrook UD c/o Abraham Rubinsky Schwartz Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	Rankin Road West MUD c/o Taylor Goodall Smith, Murdaugh, Little & Bonham, LLP 2727 Allen Parkway, Suite 1100 Houston, TX 77019
Harris County MUD 150 c/o Kara Richardson Marks Richardson, PC 3700 Buffalo Speedway., Suite 830 Houston, TX 77098	Harris County MUD 215 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
Harris County MUD 217 c/o Maria Salinas Parker Sanford & Kuhl 1980 Post oak Blvd., Suite 1380 Houston, TX 77056	Harris County MUD 200 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
Harris County MUD 304 c/o Mitchell Page Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	Harris County MUD 205 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056

Harris County MUD 33 c/o Regina Adams Johnson, Radcliffe, Petrov & Bobbitt, PLLC 1001 McKinney St., Suite 1000 Houston, TX 77002	Harris County UD 16 c/o David M. Marks Marks Richardson, P.C. 3700 Buffalo Speedway., Suite 830 Houston, TX 77098
Harris County MUD 399 c/o Peter T. Harding Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	

### III. PUBLIC INVOLVEMENT

#### A. Public at Large

The Authority holds regular board meetings once each month. Directors meet the first Wednesday of each month. These meetings are open to the public and anyone is free to speak to the Board of Directors.

### IV. WATER CONSERVATION PLAN

#### A. EDUCATION AND INFORMATION

The Authority will promote water conservation by informing the public of ways to conserve water. The following methods will be used to inform water users.

1. The Authority will make its Member Districts aware that water conservation material is available from the TWDB and the HGSD.
2. The Authority will provide an annual water conservation message to its Member Districts.

Information obtained from various regulatory agencies will be used as the basis for public education as well as pre-printed brochures from:

Texas Water Development Board  
P. O. Box 13231, Capital Station  
Austin, Texas 78711-3231

#### B. PLUMBING CODE – NOT APPLICABLE

#### C. RETROFIT PROGRAM – NOT APPLICABLE

#### D. WATER RATE STRUCTURE

The rate structure will be based on a formula included in the rate order to be adopted by the Authority on or before completion of the System.

#### E. METERING

The AUTHORITY will meter 100% of the water sold. Incorporated into the Water Conservation Plan, the Authority will set up the following meter testing schedule:

- Authority Delivery Meters – Calibrated annually.
- City of Houston Delivery Point Meters - Calibrated annually.
- Water well meters - Calibrated annually.

The Authority will engage the services of an operating company (the “Operator”) which will use a computer billing system handle all of the billing. The billing system will compare meter readings monthly and note dramatic changes.

F. WATER CONSERVATION LANDSCAPING – NOT APPLICABLE

G. LEAK DETECTION AND REPAIR

The Authority leak detection program includes:

- Electronic Surveillance – Monitor the quantity of water purchased from the City of Houston compared with the quantity sold to the Member Districts.
- Leak Detection and Location Program – visual inspection by Operator employees to watch for abnormal conditions indicating leaks (i.e. sink holes, flowing water, etc.).
- Maintain an adequate and qualified maintenance staff, which is available to repair leaks as they are located or perform corrective measures.
- Monthly water use accounting by the billing computer system, which identifies high water use for service meters indicating possible leaks or malfunction.
- Water Accountability – Achieve less than 5% water loss through application of the above steps.

H. RECYCLING AND REUSE

The Authority will have no means to recycle or reuse water. There are no customers at this time that would be able to recycle water.

I. IMPLEMENTATION AND ENFORCEMENT – NOT APPLICABLE

J. DISTRIBUTION SYSTEM AND/OR RESIDENTIAL PRESSURE CONTROLS  
- NOT APPLICABLE

## V. DROUGHT CONTINGENCY PLAN

### A. INTERRUPTED SUPPLY STRATEGY

The rate order adopted by the Authority requires Member Districts to maintain water wells in operation to augment or provide water supply in the case of an interrupted supply from the System.

### B. LIMITS ON WATER SUPPLY

1. If the City of Houston restricts the Authority to less than 100% of its contracted water supply the Authority has:
  - a) The right to limit water supply to each Member District directly proportional to the City restriction.
  - b) The right to limit water supply to each Member District considering Member District alternative sources of water supply, such as wells and interconnects.
2. If the water supply from the City is suspended each Member District is responsible to meet its own demands by alternative sources such as wells and/or interconnects.
3. See also Texas Water Code, Section 11.039.

### C. EMERGENCY MANAGEMENT

Each Member District is required by TCEQ rules to adopt a Drought Contingency Plan. By implementing their plans the reduction of demand would be directly reflected in Authority demand in the event of drought conditions.

### D. CONTRACTUAL SURCHARGES

If the City imposes a surcharge on water delivered to the Authority as a part of its Drought Contingency Plan, the Authority will limit its supply to Member Districts so as to avoid or minimize the impact of the surcharge.

### E. DROUGHT CONTINGENCY PLAN - APPENDIX A

### F. DROUGHT CONTINGENCY PLAN ADOPTION - APPENDIX B

**APPENDIX A**

# **APPENDIX A**

## **DROUGHT CONTINGENCY PLAN**

## DROUGHT CONTINGENCY PLAN

Section 1: Purpose of the Plan. The board of Directors (the “Board”) of Central Harris County Regional Water Authority (the “Authority”), has carefully considered the current water conditions in the Authority and has determined that the adoption of this Drought Contingency Plan (the “Plan”) by the Authority is necessary to ensure that an adequate supply of water is maintained. The Board also desires to provide in the Plan for the possibility of a natural disaster or equipment failure.

Section 2: Water from the City; City Reductions. The Authority receives water from the City of Houston (“City”). The Authority shall consult with the City in order to respond appropriately to the City’s Drought Contingency Plan for reductions in water supply. Also in such case, if the City implements drought response stages pursuant to its drought contingency plan, the Authority will evaluate implementing its drought response stages and evaluate the need to discourage excessive use of water in an effort to reduce the use of water.

Section 3: Education and Information. The Authority will engage in an educational program to promote the Plan which may include any of the following:

- A. Distribution of information regarding the plan to Member Districts of the Authority; and
- B. Direct distributions of educational and informational material regarding the Plan to customers of the Member Districts; and
- C. Additional educational activities consisting of (i) publishing articles in a newsletter of general circulation in the Authority’s service area, providing tips or information on water saving techniques, or (ii) conducting an informational school program in a school attended by students within the Authority’s service area, or (iii) conducting an educational program at a public place within accessible to residents of the Authority, or (iv) conducting or engaging in such other informational or educational activity designed to further the Plan as, in discretion of the Board, may be consistent with the purposes and policies of this Plan, or (v) any combination of the foregoing.

Section 4: Retrofit Educational Program. The Authority shall make information regarding the Plan available to Member Districts to provide to its customers

purchasing and installing various plumbing fixtures, lawn watering equipment, and other water-using appliances.

Section 5: The Drought Contingency Plan.

- A. Public Involvement. The Authority shall actively inform its Member Districts, and affirmatively provide the opportunity for input from them regarding the Plan.
- B. Trigger Conditions. For the purpose of this Plan, the Authority hereby adopts the trigger conditions (the “Trigger Conditions”) set forth below, which are based on study and/or statistical analysis of the vulnerability of water sources under “drought of record” conditions. These Trigger Conditions are for the purpose of responding to, but not limited to, the following situations: (a) reduction in available water supply up to a repeat of the drought of record; (b) water production or distribution system limitations; (c) supply source contamination; or (d) water system outage due to the failure or damage of major water system components (e.g, pumps).
1. Mild Drought. This condition (herein, “Mild Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds eighty percent of the production capacity of such facilities for 3 consecutive days, as determined by the Authority’s operator.
  2. Moderate Drought. This condition (herein, “Moderate Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds ninety percent of the production capacity of such facilities for 3 consecutive days, as determined by the Authority’s operator.
  3. Severe Drought. This condition (herein, “Severe Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds one hundred percent of the production capacity of such facilities for 24 hours, as determined by the Authority’s operator.
- C. Notice. Once one of the above Trigger Conditions has occurred, Member Districts will be notified that such Trigger Condition has occurred and of the Drought Response Measures (as defined below) to be taken. The process of notifying Users may include any of the following:
1. Mailing, at least 48 hours prior to the commencement of the required Drought Response Measures, a written notice to each Member District; and
  2. Posting notices at public places in the Authority.

Any notice issued shall contain (i) the date the Drought Response Measures will begin, (ii) the date the Drought Response Measures will terminate, if known, (iii) a list of Drought Response Measures to be implemented, and (iv) an explanation of penalties for violations of such Drought Response Measures.

D. Emergency Management Program. The Authority hereby establishes and adopts the following measures (“Drought Response Measures”) for the respective Trigger Conditions. The Drought Response Measures related to each Trigger Condition shall automatically become effective and shall be implemented by the Authority when Trigger conditions occurs.

1. Mild Drought. In the event of Mild Drought Conditions, the following Drought Response Measures shall be taken:

- a. Member Districts will be asked to take actions to voluntarily reduce water use and will be informed of specific steps that can be taken to reduce water use.

2. Moderate Drought. In the event of Moderate Drought Conditions, the following Drought Response Measures shall be taken.

- a. The Drought Response Measures established for Mild Drought Conditions shall continue to be implemented.
- b. The Authority shall recommend that the following water use by any customers of its Member Districts not essential for public health and safety be curtailed:

- (1) Street washing;
- (2) Fire hydrant flushing; and
- (3) Filling of swimming pools.

3. Severe Drought. In the event of Severe Drought Conditions, the following Drought Response Measures shall be taken:

- a. The Drought Response Measures established for Mild Drought Conditions and Moderate Drought Conditions shall continue to be implemented.
- b. Consistent with the City of Houston’s Drought Contingency measures, the Authority is authorized to ration water to Member Districts.

- E. Termination of Trigger Conditions Notification. When a Trigger Condition occurs, the Authority shall enforce the Drought Response Measures applicable to such Trigger Conditions for a minimum of five (5) days after the last day the demand on the Authority's water supply facilities reaches or exceeds the limits of such Trigger Conditions. After such five (5) day period, the Drought Response Measures prescribed may, in the discretion of the Board, be continued for an additional five (5) day period. After the expiration of ten (10) days, and assuming no other Trigger Conditions have occurred, the Drought Response Measures prescribed shall terminate and the Authority shall cease implementation and enforcement of such measures. The Authority will notify Member Districts of the termination of the particular Drought Response Measures and may utilize the same manner of notification used to inform Member Districts of the Occurrence of the Trigger Condition and implementation of the Drought Response Measures.

Section 6: Emergency Contingency Plan. In the event of a fire, flood hurricane, lightning strike, tornado, windstorm, or any other act of God, riot, terrorist act, or any other act of civil disobedience, or any other similar occurrence which results in the inability of the Authority to provide potable water to Member Districts (or the likelihood thereof), the Board, in its discretion, may, without prior notice, invoke all or any of the Drought Response Measures set forth in this Plan as "Emergency Response Measures". The Board may establish any of the penalties set forth in Section 8 for violations of the Emergency Response Measures.

Section 7: Implementation. Without limitation to specific actions stated in this Plan to be taken by the Authority's operator, the Authority's operator will administer and enforce this Plan, and will oversee and be responsible for the execution and implementation of all elements of this Plan. The operator shall keep adequate records for plan verification. The Authority's operator shall report to the Board of the Authority, at meetings of the Board, regarding actions taken and which need to be taken under this Plan. Without limiting the foregoing, the Authority's operator shall advise the President of the Board (or if the President is unavailable to receive notification, another member of the Board) as soon as reasonably practicable when a particular Trigger Condition has been reached under this Plan and when a particular drought condition no longer exists.

Section 8: Variances.

- A. Policy: The Authority may, in writing, grant a temporary variance to rationing or pro rata water allocation policies adopted pursuant to this Plan, or a temporary variance to a provision in the Plan, if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the public health, welfare, or safety and if one or more of the following conditions are met:

1. Compliance with this Plan cannot be technically accomplished during the duration of water supply shortage or other condition for which the Plan is in effect.
  2. Alternative methods can be implemented which will achieve the same level of reduction in water use.
- B. Petition: Persons requesting an exemption from the provisions of this plan shall file a petition for variance with the Authority within 5 days allocation has been invoked. All petitions for variances shall be reviewed by the Authority and shall include the following:
1. Name and address of the petitioner(s).
  2. For Authority residents and other users of water within the Authority, a detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioners complies with this Plan or rationing of water adopted by the Authority pursuant to this Plan.
  3. For wholesale water customers, if any, a detailed statement with supporting data and information as to how the pro rata allocation of water under the policies and procedures established in the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this plan.
  4. Description of the relief requested.
  5. Period of time for which the variance is sought.
  6. Alternative measures the petitioner is taking or proposes to take to meet the intent of this Plan and compliance date.
  7. Other pertinent information.
- C. Conditions: Variances granted by the Authority shall be subject to the following conditions unless waived or modified by the Authority or its designee:
1. Variances granted shall include a timetable for compliance.
  2. Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No Variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Section 10: Remedies Cumulative. All rights, remedies, sanctions, penalties and enforcement procedures provided for in this Order are cumulative. In addition, the Authority shall have and may exercise and enforce any and all rights and remedies provided by law or in equity.

Section 11: Notice to TCEQ. The Authority shall notify the executive director of the TCEQ within five (5) business days of the implementation of any mandatory provisions of this Plan.

Section 12: Rate Order Provisions. The rate order to be adopted by the Authority shall be included a provision that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code, Section 11.039.

## **APPENDIX B**

### **WATER CONSERVATION AND DROUGHT** **CONTINGENCY PLAN ADOPTION**

RESOLUTION REGARDING REVIEW  
WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

WHEREAS, the Central Harris County Regional Water Authority ("Authority") adopted its Water Conservation and Drought Contingency Plan, dated May 7, 2008 (the "Plan") pursuant to Chapter 288, Texas Administrative Code; and

WHEREAS, Chapter 288, Texas Administrative Code, requires the District to perform a review of the Plan on an established five (5) year schedule, and a review is required on or before May 1, 2014; and

WHEREAS, the Authority has, on the date hereof, performed said review;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the Central Harris County Regional Water Authority that the policies, procedures, and provisions set forth in the Plan are hereby amended pursuant to the attached Water Conservation and Drought Contingency Plan which shall remain in effect until amended by further action of the District and the Plan is hereby revoked effective as of the effective date of this Resolution.

PASSED AND ADOPTED ON THIS 7th day of May, 2014 to be effective as of the 1<sup>st</sup> day of May, 2014.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

ATTEST:

By: /s/ Judge Caston  
Secretary  
Board of Directors

By: /s/ Margaret Cox  
President  
Board of Directors



CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS    §  
                                   §  
 COUNTY OF HARRIS    §

I, the undersigned officer of the Board of Directors of the Central Harris County Regional Water Authority, do hereby certify as follows:

1. The Board of Directors of the Central Harris County Regional Water Authority convened in regular session on the 7<sup>th</sup> day of May, 2014, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

and all of said persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
 CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
 ADOPTION OF WATER CONSERVATION PLANS BY MEMBER  
 DISTRICTS OF THE  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 7<sup>th</sup> day of May, 2014.



*Judge Caston*  
Secretary, Board of Directors

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS    §  
                                   §  
 COUNTY OF HARRIS    §

I, the undersigned officer of the Board of Directors of the Central Harris County Regional Water Authority, do hereby certify as follows:

1. The Board of Directors of the Central Harris County Regional Water Authority convened in regular session on the 7<sup>th</sup> day of May, 2008, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

and all of said persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
 CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
 ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS  
 OF THE  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the

public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 7<sup>th</sup> day of May, 2008.



*Judge Caston*  
Secretary, Board of Directors

192687

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS  
OF THE  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

\* \* \*

WHEREAS, the Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Code" and with all references thereto being made to the codification; and

WHEREAS, the Authority was created to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); and

WHEREAS, the Code authorizes the Authority to acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and to otherwise administer and enforce the Act; and

WHEREAS, the Authority has contracted to purchase certain rights to capacity in treated surface water production and transmission facilities constructed by the City of Houston, Texas, under that certain Water Supply Contract, dated December 5, 2003, by and among Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston (the "City of Houston Contract"), and by the North Harris County Regional Water

Authority under that certain Agreement For Joint Financing, Design, Construction, Operation And Maintenance Of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority; and

WHEREAS, the Authority is in the process of the sale, issuance and delivery of its revenue bonds to the Texas Water Development Board ("TWDB Bonds") in order to finance the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, which system is deemed necessary and convenient to achieve the objectives of the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District; and

WHEREAS, the City of Houston Contract provides that, as a condition to the delivery of water pursuant to the terms and provisions set forth therein, the Authority shall adopt and implement a water conservation program consistent with the applicable requirements of the Texas Commission on Environmental Quality ("TCEQ") set forth in Subchapter A of Chapter 288, Title 30, Texas Administrative Code ("30 TAC § 288"), as amended from time to time; and

WHEREAS, as a condition to the acceptance of delivery of the TWDB Bonds by the Texas Water Development Board ("TWDB"), the rules of the TWDB in Chapter 363 of Title 30, Texas Administrative Code, as amended, provide that the Authority shall adopt and implement a water conservation program, which may be satisfied through the adoption of a water conservation program meeting the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time; and

WHEREAS, in order to conserve the available water supply and protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage or other water supply emergency conditions, has additionally considered the adoption of a drought contingency plan consistent with the applicable requirements of the TCEQ set forth in Subchapter B of 30 TAC § 288, as amended from time to time; and

WHEREAS, the Board of Directors of the Authority ("Board") wishes to adopt (a) a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time, (b) a drought

contingency plan consistent with the requirements of the TCEQ set forth in Subchapter B of 30 TAC § 288, and (c) regulations providing that each Member District of the Authority shall similarly adopt and implement a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time;

NOW THEREFORE, BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY THAT:

ARTICLE I.  
FINDINGS; AUTHORIZATION

Section 1.01: Findings. Each of the recitals stated in this Resolution Adopting Groundwater Conservation and Drought Contingency Plan, and Setting Forth Regulations Pertaining to the Adoption of Water Conservation Plans by Member Districts of the Central Harris County Regional Water Authority ("Resolution") are hereby adopted as findings of the Board. All statutory requirements and conditions have been met for the adoption of this Resolution by the Board, including but not limited to the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended.

Section 1.02: Authorization. The adoption of this Resolution is authorized by Sections 8815.102 and 8815.108 of the Code.

ARTICLE II.  
DEFINITIONS

Section 2.01: Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein, shall apply with equal force herein and in any amendment or supplement hereto:

Member Districts.

The term "Member Districts" shall have the meaning set forth in § 8815.001(8) of the Code.

Water Conservation Plan.

The term "Water Conservation Plan" shall mean a plan setting forth a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time.

ARTICLE III.  
ADOPTION OF AUTHORITY WATER CONSERVATION  
AND DROUGHT CONTINGENCY PLAN;  
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS

Section 3.01: Authority Plan. The Authority hereby adopts that certain Water Conservation and Drought Contingency Plan of even date herewith, prepared by Pate Engineers, Inc. (the "Authority Plan"). In particular, and without limiting the foregoing, the Authority adopts the Drought Contingency Plan set forth in Appendix A to the Authority Plan as if same was set forth fully herein.

Section 3.02: Member District Plans. Not later than December 31, 2009, each Member District shall adopt and implement a Water Conservation Plan. To the extent that a Member District provides wholesale water service within or without the Authority, and water so provided is comprised in whole or in part of treated surface water derived from the Authority's water distribution system, such Member District shall require its wholesale customer, to the greatest extent practicable, to implement the water conservation measures adopted in such Member District's Water Conservation Plan.

Section 3.03: Incorporation of Resolution in Authority Plan. A certified copy of this Resolution shall be included as Appendix B to the Authority Plan.

ARTICLE IV  
CIVIL PENALTIES; INJUNCTION

Section 4.01: Civil Penalty. A person or entity that violates a rule or order of the Authority is subject to a civil penalty of not more than \$5,000, as determined by the Board, for each violation or each day of a continuing violation. The Board may set the penalty based on the severity of the offense; whether such violation was willful, knowing, reckless or inadvertent; the history of offenses by such person or entity; and the damages sustained by the Authority. The Authority may bring an action to recover the penalty in a district court in Harris County, Texas. The penalty shall be paid to the Authority.

Section 4.02: Injunction. The Authority may bring an action for injunctive relief in a district court in Harris County, Texas. The Authority may bring an action for a civil penalty and injunctive relief in the same proceeding.

PASSED AND ADOPTED this the 7<sup>th</sup> day of May, 2008.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By: /s/ Margaret L. Cox  
President, Board of Directors

ATTEST:

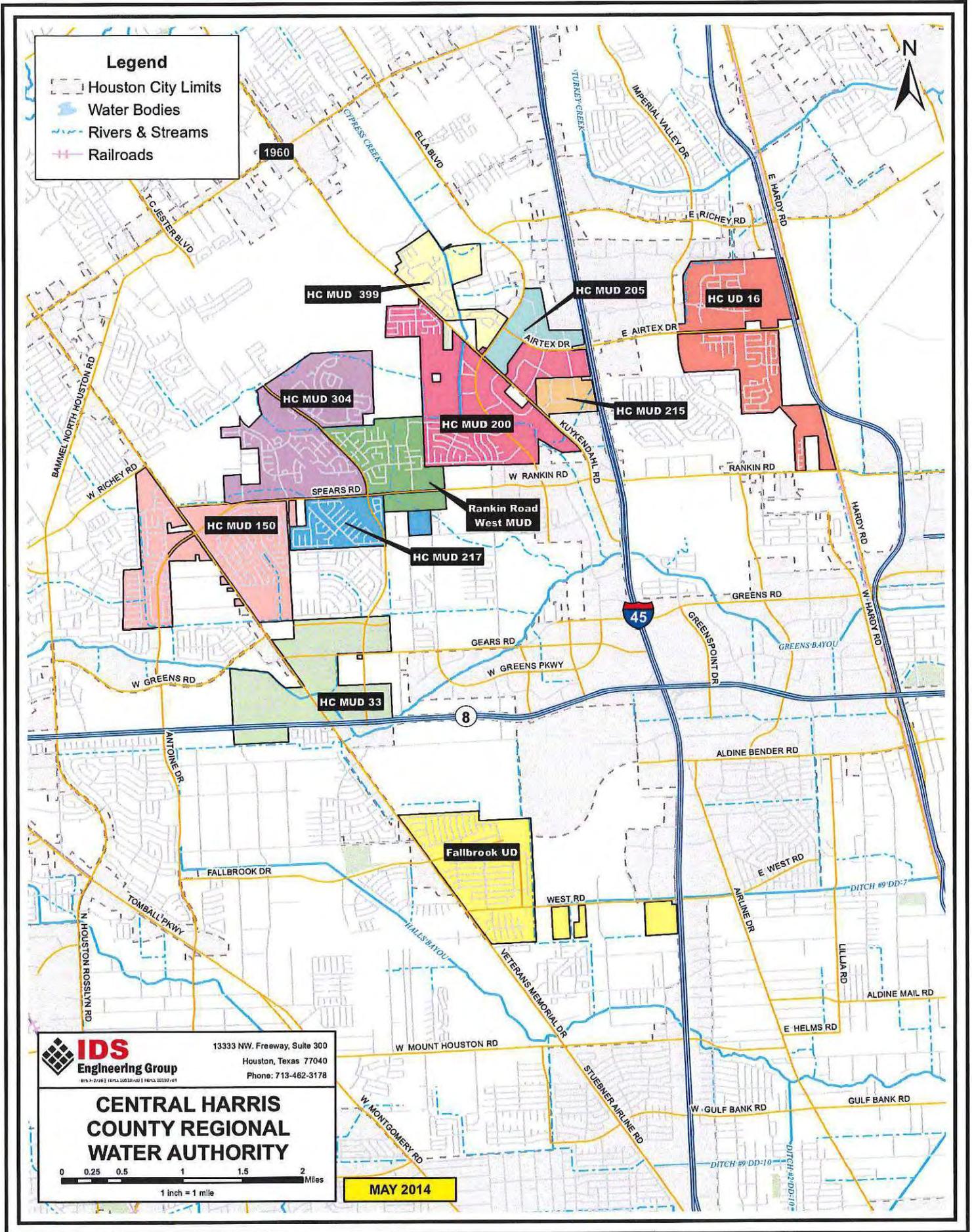
By: /s/ Judge Caston  
Secretary, Board of Directors

(SEAL)

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## **APPENDIX C**

### **AUTHORITY MAP**



**IDS Engineering Group**  
 13333 NW Freeway, Suite 300  
 Houston, Texas 77040  
 Phone: 713-462-3178

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

## HARRIS COUNTY ANALYSIS OF TAX BASE BY YEAR

	2014	2013	2012	2011	2010
Residential	\$172,969,634,044	\$150,824,399,577	\$143,255,129,230	\$141,661,638,693	\$141,343,036,140
Commercial	\$92,661,189,504	\$81,844,140,651	\$86,500,679,008	\$65,502,525,993	\$62,999,653,104
Industrial	<u>\$84,795,425,203</u>	<u>\$80,748,669,300</u>	<u>\$57,552,809,034</u>	<u>\$66,997,145,601</u>	<u>\$66,165,357,819</u>
Total	\$350,426,248,751	\$313,417,209,528	\$287,308,617,272	\$274,161,310,287	\$270,508,047,063

## CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

2015 Projected Annual Cash Flow Analysis, with 2015 - 2020 TWDB SMWFT Bonds Assuming NO Annual Increases in Total Water Usage

With \$0.70 Rate Increase in 2015; \$0.60 Rate Increase in 2018; and \$0.40 Rate Increase in 2020 (1 Penny Equals \$16,650 of Revenue Per Year)

2015CashFlowForSWFTBondApplicationWith30YearBondsWithRateIncrease(b)ForCNG-23-2015  
6/23/2015

Year	Surplus Fund		Interest Earnings (b)	Annual Operating Revenue (c)	Annual Operating Expenditures (d)	Non-Bonded Debt Service Cost (e)	Net Revenues	Bonded Debt Service (f)		Surplus Fund Balance	Debt Service Coverage
	Beginning Balance (a)	Ending Balance						Service (f)	Service (f)		
2015	\$3,108,619	\$11,304	\$3,586,974	\$1,490,000	\$0	\$1,894,224	\$1,410,870	\$1,410,870	\$3,591,973	1.34	
2016	\$3,591,973	\$12,512	\$4,169,724	\$1,490,000	\$0	\$2,692,236	\$1,168,259	\$1,168,259	\$5,632,296	2.30	
2017	\$5,632,296	\$17,879	\$4,169,724	\$1,490,000	\$0	\$2,697,603	\$1,395,910	\$1,395,910	\$8,121,485	1.93	
2018	\$8,121,485	\$25,659	\$5,168,724	\$1,490,000	\$110,000	\$3,594,383	\$2,682,974	\$2,682,974	\$9,860,904	1.34	
2019	\$9,860,904	\$31,162	\$5,168,724	\$1,490,000	\$110,000	\$3,599,886	\$3,442,719	\$3,442,719	\$10,371,781	1.05	
2020	\$10,371,781	\$33,246	\$5,834,724	\$1,490,000	\$110,000	\$4,267,970	\$3,791,628	\$3,791,628	\$11,155,333	1.13	
2021	\$11,155,333	\$35,452	\$5,834,724	\$1,490,000	\$110,000	\$4,270,176	\$4,124,879	\$4,124,879	\$11,410,990	1.04	
2022	\$11,410,990	\$36,091	\$5,834,724	\$1,490,000	\$110,000	\$4,270,815	\$4,228,279	\$4,228,279	\$11,453,526	1.01	
2023	\$11,453,526	\$36,198	\$5,834,724	\$1,490,000	\$110,000	\$4,270,922	\$4,234,317	\$4,234,317	\$11,490,130	1.01	
2024	\$11,490,130	\$36,289	\$5,834,724	\$1,490,000	\$110,000	\$4,271,013	\$4,233,058	\$4,233,058	\$11,528,085	1.01	
2025	\$11,528,085	\$36,384	\$5,834,724	\$1,490,000	\$110,000	\$4,271,108	\$4,234,853	\$4,234,853	\$11,564,340	1.01	
2026	\$11,564,340	\$36,475	\$5,834,724	\$1,490,000	\$110,000	\$4,271,199	\$4,234,725	\$4,234,725	\$11,600,813	1.01	
2027	\$11,600,813	\$36,566	\$5,834,724	\$1,490,000	\$110,000	\$4,271,290	\$4,227,363	\$4,227,363	\$11,644,740	1.01	
2028	\$11,644,740	\$36,676	\$5,834,724	\$1,490,000	\$110,000	\$4,271,400	\$4,232,972	\$4,232,972	\$11,683,168	1.01	
2029	\$11,683,168	\$36,772	\$5,834,724	\$1,490,000	\$110,000	\$4,271,496	\$4,231,082	\$4,231,082	\$11,723,581	1.01	
2030	\$11,723,581	\$36,873	\$5,834,724	\$1,490,000	\$110,000	\$4,271,597	\$2,821,929	\$2,821,929	\$13,173,249	1.51	
2031	\$13,173,249	\$40,497	\$5,834,724	\$1,490,000	\$110,000	\$4,275,221	\$2,822,165	\$2,822,165	\$14,626,304	1.51	
2032	\$14,626,304	\$44,130	\$5,834,724	\$1,490,000	\$110,000	\$4,278,854	\$2,816,834	\$2,816,834	\$16,088,324	1.52	
2033	\$16,088,324	\$47,785	\$5,834,724	\$1,490,000	\$110,000	\$4,282,509	\$2,821,215	\$2,821,215	\$17,549,617	1.52	
2034	\$17,549,617	\$51,438	\$5,834,724	\$1,490,000	\$110,000	\$4,286,162	\$2,820,040	\$2,820,040	\$19,015,739	1.52	
2035	\$19,015,739	\$55,103	\$5,834,724	\$1,490,000	\$110,000	\$4,289,827	\$2,818,451	\$2,818,451	\$20,487,115	1.52	
2036	\$20,487,115	\$58,782	\$5,834,724	\$1,490,000	\$110,000	\$4,293,506	\$2,821,483	\$2,821,483	\$21,959,137	1.52	
2037	\$21,959,137	\$62,462	\$5,834,724	\$1,490,000	\$110,000	\$4,297,186	\$2,818,773	\$2,818,773	\$23,437,549	1.52	
2038	\$23,437,549	\$66,158	\$5,834,724	\$1,490,000	\$110,000	\$4,300,882	\$2,815,711	\$2,815,711	\$24,922,720	1.53	
2039	\$24,922,720	\$69,871	\$5,834,724	\$1,490,000	\$110,000	\$4,304,595	\$2,822,338	\$2,822,338	\$26,404,976	1.53	
2040	\$26,404,976	\$73,576	\$5,834,724	\$1,490,000	\$110,000	\$4,308,300	\$2,818,343	\$2,818,343	\$27,894,933	1.53	
2041	\$27,894,933	\$77,301	\$5,834,724	\$1,490,000	\$110,000	\$4,312,025	\$2,824,037	\$2,824,037	\$29,382,921	1.53	
2042	\$29,382,921	\$81,021	\$5,834,724	\$1,490,000	\$110,000	\$4,315,745	\$2,817,957	\$2,817,957	\$30,880,709	1.53	
2043	\$30,880,709	\$84,766	\$5,834,724	\$1,490,000	\$110,000	\$4,319,490	\$2,821,493	\$2,821,493	\$32,378,706	1.53	
2044	\$32,378,706	\$88,511	\$5,834,724	\$1,490,000	\$110,000	\$4,323,235	\$2,819,306	\$2,819,306	\$33,882,634	1.53	
2045	\$33,882,634	\$92,271	\$5,834,724	\$1,490,000	\$110,000	\$4,326,995	\$2,826,508	\$2,826,508	\$35,383,120	1.53	
2046	\$35,383,120	\$96,022	\$5,834,724	\$1,490,000	\$110,000	\$4,330,746	\$1,932,523	\$1,932,523	\$37,781,343	2.24	
2047	\$37,781,343	\$102,017	\$5,834,724	\$1,490,000	\$110,000	\$4,336,741	\$790,002	\$790,002	\$41,328,082	5.49	
2048	\$41,328,082	\$110,884	\$5,834,724	\$1,490,000	\$110,000	\$4,345,608	\$522,974	\$522,974	\$45,150,717	8.31	
2049	\$45,150,717	\$120,441	\$5,834,724	\$1,490,000	\$110,000	\$4,355,165	\$187,870	\$187,870	\$49,318,012	23.18	

(a) Reflects approximate 1/1/2015 cash balance per audited financial statements.  
 (b) Projected at 1/4 of 1.0%  
 (c) Per 2014 audited results and 2015 budget numbers plus \$0.70 rate increase during 2015; \$0.60 rate increase at the beginning of 2018; and \$0.40 rate increase at the beginning of 2020.  
 (d) Reflects 2015 General Fund budgeted figure; NO GROWTH ASSUMED.  
 (e) Reflects Authority's share of Luce Bayou capital costs estimated at \$2 million per COH 9/30/2011 letter.  
 (f) Reflects sale of Series 2008 Bonds to TWDB and assumes sale of 2015 - 2020 Bonds to TWDB at 3.01%-3.10% amortized over 30 years - see attached schedule.

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**Projected Debt Service With 2015-2020 TWDB Swift Bond Financings**

6/23/2015

OutlineForSwiftBond2015-2020ForCN

<u>Year</u>	<u>Series</u>		<u>Series</u>		<u>Series</u>		<u>Series</u>		<u>2016-2020</u>	<u>Capitalized</u>	<u>Out-of-Pocket</u>
	<u>2008</u>	<u>2015A</u>	<u>2015B</u>	<u>2015C</u>	<u>2015B</u>	<u>2015C</u>	<u>Bonds</u>	<u>Interest (a)</u>			
2015	\$1,410,870	\$5,510,000	\$3,625,000	\$1,670,000	\$0	\$0	\$0	\$0	\$1,410,870		\$1,410,870
2016	\$1,410,278	\$98,433	\$64,702	\$29,856	\$81,335	\$81,335	\$81,335	\$516,346	\$1,168,259		\$1,168,259
2017	\$1,412,948	\$287,649	\$187,053	\$84,784	\$610,972	\$610,972	\$610,972	\$1,187,496	\$1,395,910		\$1,395,910
2018	\$1,413,741	\$286,683	\$191,432	\$84,508	\$1,534,620	\$1,534,620	\$1,534,620	\$828,010	\$2,682,974		\$2,682,974
2019	\$1,412,806	\$285,325	\$190,511	\$89,120	\$1,818,667	\$1,818,667	\$1,818,667	\$353,710	\$3,442,719		\$3,442,719
2020	\$1,415,196	\$288,687	\$189,399	\$88,594	\$2,116,962	\$2,116,962	\$2,116,962	\$307,210	\$3,791,628		\$3,791,628
2021	\$1,414,514	\$286,744	\$188,126	\$87,991	\$2,257,864	\$2,257,864	\$2,257,864	\$110,360	\$4,124,879		\$4,124,879
2022	\$1,411,886	\$284,540	\$186,682	\$87,307	\$2,257,864	\$2,257,864	\$2,257,864		\$4,228,279		\$4,228,279
2023	\$1,412,683	\$287,119	\$190,096	\$86,555	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,317		\$4,234,317
2024	\$1,411,822	\$289,374	\$188,266	\$85,732	\$2,257,864	\$2,257,864	\$2,257,864		\$4,233,058		\$4,233,058
2025	\$1,414,437	\$286,367	\$191,326	\$84,859	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,853		\$4,234,853
2026	\$1,410,502	\$288,220	\$189,194	\$88,945	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,725		\$4,234,725
2027	\$1,410,259	\$284,604	\$186,821	\$87,815	\$2,257,864	\$2,257,864	\$2,257,864		\$4,227,363		\$4,227,363
2028	\$1,413,585	\$285,684	\$189,249	\$86,590	\$2,257,864	\$2,257,864	\$2,257,864		\$4,232,972		\$4,232,972
2029	\$1,415,177	\$286,378	\$186,378	\$85,285	\$2,257,864	\$2,257,864	\$2,257,864		\$4,231,082		\$4,231,082
2030		\$286,754	\$188,386	\$88,925	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,929		\$2,821,929
2031		\$286,801	\$190,131	\$87,369	\$2,257,864	\$2,257,864	\$2,257,864		\$2,822,165		\$2,822,165
2032		\$286,563	\$186,639	\$85,768	\$2,257,864	\$2,257,864	\$2,257,864		\$2,816,834		\$2,816,834
2033		\$286,106	\$188,099	\$89,146	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,215		\$2,821,215
2034		\$285,444	\$189,374	\$87,358	\$2,257,864	\$2,257,864	\$2,257,864		\$2,820,040		\$2,820,040
2035		\$284,574	\$190,461	\$85,552	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,451		\$2,818,451
2036		\$288,514	\$186,371	\$88,734	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,483		\$2,821,483
2037		\$287,004	\$187,186	\$86,719	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,773		\$2,818,773
2038		\$285,318	\$187,832	\$84,697	\$2,257,864	\$2,257,864	\$2,257,864		\$2,815,711		\$2,815,711
2039		\$288,476	\$188,322	\$87,676	\$2,257,864	\$2,257,864	\$2,257,864		\$2,822,338		\$2,822,338
2040		\$286,323	\$188,657	\$85,499	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,343		\$2,818,343
2041		\$289,014	\$188,837	\$88,322	\$2,257,864	\$2,257,864	\$2,257,864		\$2,824,037		\$2,824,037
2042		\$285,807	\$188,477	\$85,809	\$2,257,864	\$2,257,864	\$2,257,864		\$2,817,957		\$2,817,957
2043		\$287,407	\$187,933	\$88,289	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,493		\$2,821,493
2044		\$288,645	\$187,204	\$85,593	\$2,257,864	\$2,257,864	\$2,257,864		\$2,819,306		\$2,819,306
2045		\$289,492	\$191,271	\$87,881	\$2,257,864	\$2,257,864	\$2,257,864		\$2,826,508		\$2,826,508
2046				\$1,932,523	\$1,932,523	\$1,932,523	\$1,932,523		\$1,932,523		\$1,932,523
2047				\$790,002	\$790,002	\$790,002	\$790,002		\$790,002		\$790,002
2048				\$522,974	\$522,974	\$522,974	\$522,974		\$522,974		\$522,974
2049				\$187,870	\$187,870	\$187,870	\$187,870		\$187,870		\$187,870
<b>Total</b>	\$21,190,704	\$8,418,049	\$5,534,415	\$2,551,278	\$51,319,843	\$51,319,843	\$51,319,843	\$3,303,131	\$82,891,177		\$82,891,177

(a) Assumes 2 years of capitalized interest for each Bond issue.

**NOTE:** The 2016 - 2020 Bonds include Bonds for the internal lines that are in the process of being incorporated into the Region H Plan and then the Statewide Water Plan; such bonds have not been approved for TWDB funding yet.

## CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY - TWDB SWIFT BONDS BY YEAR

	2015	2016	2017	2018	2019	2020	Total All Bonds
Northeast Plant Expansion	\$5,510,000		\$16,200,000			\$945,000	\$22,655,000
Phase I 2D Source Line	\$3,625,000			\$1,685,000	\$1,535,000	\$2,615,000	\$9,460,000
Phase II 2D Source Line	\$1,670,000	\$2,395,000	\$5,450,000				\$9,515,000
CHCRWA Internal Lines		\$3,770,000 (a)		\$3,375,000	\$4,815,000		\$11,960,000
<b>Total Bonds</b>	<b>\$10,805,000</b>	<b>\$6,165,000</b>	<b>\$21,650,000</b>	<b>\$5,060,000</b>	<b>\$6,350,000</b>	<b>\$3,560,000</b>	<b>\$53,590,000</b>

(a) Bonds for this project are in the process of being incorporated into the Region H Plan and the Statewide Water Plan

SwiftBondsByYear2015-2020

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015A  
SWIFT PROGRAM - BONDS FOR NORTHEAST PLANT PARTICIPATION

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Debt Service Schedule  
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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			24,608.25	24,608.25	
8/ 1/16			73,824.75	73,824.75	98,433.00
2/ 1/17			73,824.75	73,824.75	
8/ 1/17	140,000.00	0.690000	73,824.75	213,824.75	287,649.50
2/ 1/18			73,341.75	73,341.75	
8/ 1/18	140,000.00	0.970000	73,341.75	213,341.75	286,683.50
2/ 1/19			72,662.75	72,662.75	
8/ 1/19	140,000.00	1.170000	72,662.75	212,662.75	285,325.50
2/ 1/20			71,843.75	71,843.75	
8/ 1/20	145,000.00	1.340000	71,843.75	216,843.75	288,687.50
2/ 1/21			70,872.25	70,872.25	
8/ 1/21	145,000.00	1.520000	70,872.25	215,872.25	286,744.50
2/ 1/22			69,770.25	69,770.25	
8/ 1/22	145,000.00	1.670000	69,770.25	214,770.25	284,540.50
2/ 1/23			68,559.50	68,559.50	
8/ 1/23	150,000.00	1.830000	68,559.50	218,559.50	287,119.00
2/ 1/24			67,187.00	67,187.00	
8/ 1/24	155,000.00	1.940000	67,187.00	222,187.00	289,374.00
2/ 1/25			65,683.50	65,683.50	
8/ 1/25	155,000.00	2.030000	65,683.50	220,683.50	286,367.00
2/ 1/26			64,110.25	64,110.25	
8/ 1/26	160,000.00	2.260000	64,110.25	224,110.25	288,220.50
2/ 1/27			62,302.25	62,302.25	
8/ 1/27	160,000.00	2.450000	62,302.25	222,302.25	284,604.50
2/ 1/28			60,342.25	60,342.25	
8/ 1/28	165,000.00	2.610000	60,342.25	225,342.25	285,684.50
2/ 1/29			58,189.00	58,189.00	
8/ 1/29	170,000.00	2.720000	58,189.00	228,189.00	286,378.00
2/ 1/30			55,877.00	55,877.00	
8/ 1/30	175,000.00	2.830000	55,877.00	230,877.00	286,754.00
2/ 1/31			53,400.75	53,400.75	
8/ 1/31	180,000.00	2.910000	53,400.75	233,400.75	286,801.50
2/ 1/32			50,781.75	50,781.75	
8/ 1/32	185,000.00	2.950000	50,781.75	235,781.75	286,563.50
2/ 1/33			48,053.00	48,053.00	
8/ 1/33	190,000.00	2.980000	48,053.00	238,053.00	286,106.00
2/ 1/34			45,222.00	45,222.00	
8/ 1/34	195,000.00	3.010000	45,222.00	240,222.00	285,444.00
2/ 1/35			42,287.25	42,287.25	
8/ 1/35	200,000.00	3.030000	42,287.25	242,287.25	284,574.50
2/ 1/36			39,257.25	39,257.25	
8/ 1/36	210,000.00	3.100000	39,257.25	249,257.25	288,514.50
2/ 1/37			36,002.25	36,002.25	
8/ 1/37	215,000.00	3.110000	36,002.25	251,002.25	287,004.50
2/ 1/38			32,659.00	32,659.00	
8/ 1/38	220,000.00	3.110000	32,659.00	252,659.00	285,318.00
2/ 1/39			29,238.00	29,238.00	
8/ 1/39	230,000.00	3.110000	29,238.00	259,238.00	288,476.00
2/ 1/40			25,661.50	25,661.50	
8/ 1/40	235,000.00	3.110000	25,661.50	260,661.50	286,323.00
2/ 1/41			22,007.25	22,007.25	

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015A  
 SWIFT PROGRAM - BONDS FOR NORTHEAST PLANT PARTICIPATION

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 Debt Service Schedule  
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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	245,000.00	3.350000	22,007.25	267,007.25	289,014.50
2/ 1/42			17,903.50	17,903.50	
8/ 1/42	250,000.00	3.360000	17,903.50	267,903.50	285,807.00
2/ 1/43			13,703.50	13,703.50	
8/ 1/43	260,000.00	3.370000	13,703.50	273,703.50	287,407.00
2/ 1/44			9,322.50	9,322.50	
8/ 1/44	270,000.00	3.390000	9,322.50	279,322.50	288,645.00
2/ 1/45			4,746.00	4,746.00	
8/ 1/45	280,000.00	3.390000	4,746.00	284,746.00	289,492.00
	-----		-----	-----	
	5,510,000.00		2,908,056.50	8,418,056.50	
ACCRUED					
	5,510,000.00		2,908,056.50	8,418,056.50	
	*****		*****	*****	

Dated 12/ 1/15 with Delivery of 12/ 1/15

Bond Years 96,383.333  
 Average Coupon 3.017178  
 Average Life 17.492438  
 N I C % 3.017178 % Using 100.000000

Weighted Bond Years 96,383.333  
 Weighted Average Life 17.492438  
 Weighted N I C % 3.017178 % Using 100.000000  
 T I C % 2.975325 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:08:45 Filename: CHCRWA Key: 2015A

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015B  
SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE I

\*\*\*\*\*  
Debt Service Schedule  
\*\*\*\*\*

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			16,175.58	16,175.58	
8/ 1/16			48,526.75	48,526.75	64,702.33
2/ 1/17			48,526.75	48,526.75	
8/ 1/17	90,000.00	0.690000	48,526.75	138,526.75	187,053.50
2/ 1/18			48,216.25	48,216.25	
8/ 1/18	95,000.00	0.970000	48,216.25	143,216.25	191,432.50
2/ 1/19			47,755.50	47,755.50	
8/ 1/19	95,000.00	1.170000	47,755.50	142,755.50	190,511.00
2/ 1/20			47,199.75	47,199.75	
8/ 1/20	95,000.00	1.340000	47,199.75	142,199.75	189,399.50
2/ 1/21			46,563.25	46,563.25	
8/ 1/21	95,000.00	1.520000	46,563.25	141,563.25	188,126.50
2/ 1/22			45,841.25	45,841.25	
8/ 1/22	95,000.00	1.670000	45,841.25	140,841.25	186,682.50
2/ 1/23			45,048.00	45,048.00	
8/ 1/23	100,000.00	1.830000	45,048.00	145,048.00	190,096.00
2/ 1/24			44,133.00	44,133.00	
8/ 1/24	100,000.00	1.940000	44,133.00	144,133.00	188,266.00
2/ 1/25			43,163.00	43,163.00	
8/ 1/25	105,000.00	2.030000	43,163.00	148,163.00	191,326.00
2/ 1/26			42,097.25	42,097.25	
8/ 1/26	105,000.00	2.260000	42,097.25	147,097.25	189,194.50
2/ 1/27			40,910.75	40,910.75	
8/ 1/27	105,000.00	2.450000	40,910.75	145,910.75	186,821.50
2/ 1/28			39,624.50	39,624.50	
8/ 1/28	110,000.00	2.610000	39,624.50	149,624.50	189,249.00
2/ 1/29			38,189.00	38,189.00	
8/ 1/29	110,000.00	2.720000	38,189.00	148,189.00	186,378.00
2/ 1/30			36,693.00	36,693.00	
8/ 1/30	115,000.00	2.830000	36,693.00	151,693.00	188,386.00
2/ 1/31			35,065.75	35,065.75	
8/ 1/31	120,000.00	2.910000	35,065.75	155,065.75	190,131.50
2/ 1/32			33,319.75	33,319.75	
8/ 1/32	120,000.00	2.950000	33,319.75	153,319.75	186,639.50
2/ 1/33			31,549.75	31,549.75	
8/ 1/33	125,000.00	2.980000	31,549.75	156,549.75	188,099.50
2/ 1/34			29,687.25	29,687.25	
8/ 1/34	130,000.00	3.010000	29,687.25	159,687.25	189,374.50
2/ 1/35			27,730.75	27,730.75	
8/ 1/35	135,000.00	3.030000	27,730.75	162,730.75	190,461.50
2/ 1/36			25,685.50	25,685.50	
8/ 1/36	135,000.00	3.100000	25,685.50	160,685.50	186,371.00
2/ 1/37			23,593.00	23,593.00	
8/ 1/37	140,000.00	3.110000	23,593.00	163,593.00	187,186.00
2/ 1/38			21,416.00	21,416.00	
8/ 1/38	145,000.00	3.110000	21,416.00	166,416.00	187,832.00
2/ 1/39			19,161.25	19,161.25	
8/ 1/39	150,000.00	3.110000	19,161.25	169,161.25	188,322.50
2/ 1/40			16,828.75	16,828.75	
8/ 1/40	155,000.00	3.110000	16,828.75	171,828.75	188,657.50
2/ 1/41			14,418.50	14,418.50	

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015B  
 SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE I

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 Debt Service Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	160,000.00	3.350000	14,418.50	174,418.50	168,837.00
2/ 1/42			11,738.50	11,738.50	
8/ 1/42	165,000.00	3.360000	11,738.50	176,738.50	168,477.00
2/ 1/43			8,966.50	8,966.50	
8/ 1/43	170,000.00	3.370000	8,966.50	178,966.50	167,933.00
2/ 1/44			6,102.00	6,102.00	
8/ 1/44	175,000.00	3.390000	6,102.00	181,102.00	167,204.00
2/ 1/45			3,135.75	3,135.75	
8/ 1/45	185,000.00	3.390000	3,135.75	188,135.75	191,271.50
	3,625,000.00		1,909,422.83	5,534,422.83	
ACCRUED	3,625,000.00		1,909,422.83	5,534,422.83	

Dated 12/ 1/15 with Delivery of 12/ 1/15  
 Bond Years 63,311.667  
 Average Coupon 3.015910  
 Average Life 17.465287  
 N I C % 3.015910 % Using 100.0000000

Weighted Bond Years 63,311.667  
 Weighted Average Life 17.465287  
 Weighted N I C % 3.015910 % Using 100.0000000  
 T I C % 2.973932 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:24:04 Filename: CHCRWA Key: 2015B

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015C  
SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE II

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Debt Service Schedule  
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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			7,464.08	7,464.08	
8/ 1/16			22,392.25	22,392.25	29,856.33
2/ 1/17			22,392.25	22,392.25	
8/ 1/17	40,000.00	0.690000	22,392.25	62,392.25	84,784.50
2/ 1/18			22,254.25	22,254.25	
8/ 1/18	40,000.00	0.970000	22,254.25	62,254.25	84,508.50
2/ 1/19			22,060.25	22,060.25	
8/ 1/19	45,000.00	1.170000	22,060.25	67,060.25	89,120.50
2/ 1/20			21,797.00	21,797.00	
8/ 1/20	45,000.00	1.340000	21,797.00	66,797.00	88,594.00
2/ 1/21			21,495.50	21,495.50	
8/ 1/21	45,000.00	1.520000	21,495.50	66,495.50	87,991.00
2/ 1/22			21,153.50	21,153.50	
8/ 1/22	45,000.00	1.670000	21,153.50	66,153.50	87,307.00
2/ 1/23			20,777.75	20,777.75	
8/ 1/23	45,000.00	1.830000	20,777.75	65,777.75	86,555.50
2/ 1/24			20,366.00	20,366.00	
8/ 1/24	45,000.00	1.940000	20,366.00	65,366.00	85,732.00
2/ 1/25			19,929.50	19,929.50	
8/ 1/25	45,000.00	2.030000	19,929.50	64,929.50	84,859.00
2/ 1/26			19,472.75	19,472.75	
8/ 1/26	50,000.00	2.260000	19,472.75	69,472.75	88,945.50
2/ 1/27			18,907.75	18,907.75	
8/ 1/27	50,000.00	2.450000	18,907.75	68,907.75	87,815.50
2/ 1/28			18,295.25	18,295.25	
8/ 1/28	50,000.00	2.610000	18,295.25	68,295.25	86,590.50
2/ 1/29			17,642.75	17,642.75	
8/ 1/29	50,000.00	2.720000	17,642.75	67,642.75	85,285.50
2/ 1/30			16,962.75	16,962.75	
8/ 1/30	55,000.00	2.830000	16,962.75	71,962.75	88,925.50
2/ 1/31			16,184.50	16,184.50	
8/ 1/31	55,000.00	2.910000	16,184.50	71,184.50	87,369.00
2/ 1/32			15,384.25	15,384.25	
8/ 1/32	55,000.00	2.950000	15,384.25	70,384.25	85,768.50
2/ 1/33			14,573.00	14,573.00	
8/ 1/33	60,000.00	2.980000	14,573.00	74,573.00	89,146.00
2/ 1/34			13,679.00	13,679.00	
8/ 1/34	60,000.00	3.010000	13,679.00	73,679.00	87,358.00
2/ 1/35			12,776.00	12,776.00	
8/ 1/35	60,000.00	3.030000	12,776.00	72,776.00	85,552.00
2/ 1/36			11,867.00	11,867.00	
8/ 1/36	65,000.00	3.100000	11,867.00	76,867.00	88,734.00
2/ 1/37			10,859.50	10,859.50	
8/ 1/37	65,000.00	3.110000	10,859.50	75,859.50	86,719.00
2/ 1/38			9,848.75	9,848.75	
8/ 1/38	65,000.00	3.110000	9,848.75	74,848.75	84,697.50
2/ 1/39			8,838.00	8,838.00	
8/ 1/39	70,000.00	3.110000	8,838.00	78,838.00	87,676.00
2/ 1/40			7,749.50	7,749.50	
8/ 1/40	70,000.00	3.110000	7,749.50	77,749.50	85,499.00
2/ 1/41			6,661.00	6,661.00	

Micro-Muni Debt Date: 05-18-2015 @ 16:27:26 Filename: CHCRWA Key: 2015C

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015C  
 SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE II

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 Debt Service Schedule  
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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	75,000.00	3.350000	6,661.00	81,661.00	88,322.00
2/ 1/42			5,404.75	5,404.75	
8/ 1/42	75,000.00	3.350000	5,404.75	80,404.75	85,809.50
2/ 1/43			4,144.75	4,144.75	
8/ 1/43	80,000.00	3.370000	4,144.75	84,144.75	88,289.50
2/ 1/44			2,796.75	2,796.75	
8/ 1/44	80,000.00	3.390000	2,796.75	82,796.75	85,593.50
2/ 1/45			1,440.75	1,440.75	
8/ 1/45	85,000.00	3.390000	1,440.75	86,440.75	87,881.50
	1,670,000.00		881,285.83	2,551,285.83	
ACCRUED					
	1,670,000.00		881,285.83	2,551,285.83	

Dated 12/ 1/15 with Delivery of 12/ 1/15  
 Bond Years 29,213.333  
 Average Coupon 3.016725  
 Average Life 17.493014  
 N I C % 3.016725 % Using 100.000000

Weighted Bond Years 29,213.333  
 Weighted Average Life 17.493014  
 Weighted N I C % 3.016725 % Using 100.000000  
 T I C % 2.974929 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:27:26 Filename: CHCRWA Key: 2015C

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**Projected Debt Service With 2015-2020 TWDB Swift Bond Financings**

5/18/2015  
 OutlineForSwiftBond2015-2020

Year	\$22,050,000 Series 2008	\$5,510,000 Series 2015A	\$3,625,000 Series 2015B	\$1,670,000 Series 2015C	\$6,165,000 Series 2016 (a)	\$21,650,000 Series 2017 (b)	\$5,060,000 Series 2018 (c)	\$8,350,000 Series 2019 (d)	\$3,580,000 Series 2020 (e)	TOTAL BONDED DEBT SERVICE	Capitalized Interest (f)	Out-of-Pocket Bond Debt Service	Next Year's Out-of-Pocket Bonded Debt Sv
2015	\$1,410,870	\$98,433	\$64,702	\$29,856	\$81,335	\$285,530	\$86,757	\$335,104	\$48,967	\$1,410,870	\$516,346	\$1,168,259	\$1,168,259
2016	\$1,410,278	\$287,649	\$187,053	\$94,784	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$1,684,604	\$516,346	\$1,168,259	\$1,385,910
2017	\$1,412,948	\$286,683	\$191,432	\$84,508	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$2,593,406	\$1,187,496	\$1,395,910	\$2,682,974
2018	\$1,412,806	\$285,325	\$190,511	\$89,120	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$3,510,984	\$828,010	\$2,682,974	\$3,442,719
2019	\$1,415,188	\$288,687	\$189,399	\$88,684	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,098,838	\$353,710	\$3,442,719	\$3,791,628
2020	\$1,414,514	\$286,744	\$185,126	\$87,691	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,238,239	\$307,210	\$3,791,628	\$4,124,879
2021	\$1,411,886	\$284,540	\$186,682	\$87,307	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,228,279	\$110,360	\$4,124,879	\$4,234,317
2022	\$1,412,693	\$287,119	\$190,086	\$86,555	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,233,058	\$4,233,058	\$4,233,058	\$4,233,058
2023	\$1,411,822	\$289,374	\$185,266	\$85,732	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,234,853	\$4,234,853	\$4,234,853	\$4,234,725
2024	\$1,414,437	\$286,367	\$191,326	\$84,858	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,234,725	\$4,234,725	\$4,234,725	\$4,227,363
2025	\$1,410,502	\$288,220	\$189,194	\$88,945	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,227,363	\$4,227,363	\$4,227,363	\$4,232,972
2026	\$1,410,259	\$284,604	\$186,621	\$87,815	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,232,972	\$4,232,972	\$4,232,972	\$4,231,082
2027	\$1,413,585	\$285,884	\$189,249	\$86,590	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$4,231,082	\$4,231,082	\$4,221,929
2028	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2029	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2030	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2031	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2032	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2033	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2034	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2035	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2036	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2037	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2038	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2039	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2040	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2041	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2042	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2043	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2044	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2045	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2046	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2047	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2048	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
2049	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,221,929	\$4,221,929	\$4,221,929	\$4,216,834
Total	\$21,190,704	\$8,418,049	\$5,534,415	\$2,551,278	\$7,889,530	\$26,563,615	\$5,941,373	\$7,120,967	\$3,804,358	\$86,194,308	\$3,303,131	\$82,891,177	\$84,304,345

(a) Assumes the sale of \$3,770,000 Bonds for internal lines and \$2,395,000 Bonds for Phase II Second Source Line  
 (b) Assumes the sale of \$16,200,000 Bonds for the Northeast Plant expansion and \$5,450,000 for Phase II Second Source Line  
 (c) Assumes the sale of \$1,685,000 Second Source Line Phase I and \$3,375,000 internal lines.  
 (d) Assumes the sale of \$1,535,000 Second Source Line Phase I and \$4,815,000 internal lines.  
 (e) Assumes the sale of \$945,000 Northeast Plant expansion Bonds and \$2,615,000 Second Source Line Phase I Bonds  
 (f) Assumes 2 years of capitalized interest for each Bond issue.

\$45,583,976  
 \$1,519,465.87

\$72,147,591  
 \$2,404,919.70

**Central Harris County Regional Water Authority**  
**Projected Rate Increases Assuming No Growth in Water Usage (a)**  
 All Rates per 1,000 Gallons of Water Usage

	Current Rates	2015 (a)	2018 (b)	2020 (c)
Surface Water	\$1.95	\$2.65	\$3.25	\$3.65
Groundwater	\$1.61	\$2.31	\$2.91	\$3.31

(a) The Cash Flow on the following page assumes no growth in water usage. The figures above represent the water rate increases that would be necessary assuming the sale of all of the Bonds necessary between 2015 through and including 2020.

(b) Reflects CHCWA \$0.70 rate increase that will go into effect July 1, 2015

(c) \$0.60 rate increase assumed to go into effect January 1, 2018

(d) \$0.40 rate increase assumed to go into effect January 1, 2020

ProjectedRateIncreasesAssumingNoGrowthInWaterUsage

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

**2015 Projected Annual Cash Flow Analysis, with 2015 - 2020 TWDB SWIFT Bonds Showing "Adjusted" Additional Bonds Test Assuming NO Annual Increases in Total Water Usage**  
**With \$0.70 Rate Increase in 2018; and \$0.40 Rate Increase in 2020 (1 Penny Equals \$16,650 of Revenue Per Year)**

Year	Surplus Fund Balance (a)		Annual Operating Revenue (c)	Annual Operating Expenditures (d)	Non-Bonded Debt Service Cost (e)	Net Revenues	Capitalized Interest (f)	Bonded Debt Service (g)	DSRF Deposit	Surplus Fund Balance		Funds Available for Additional Bonds Test (h)	Rate Covenant Test	Additional Bonds Test (i)	Accumulated DSRF Deposit	All Funds Reserve Balance	Bond Funded DSRF	Calendar Year Bonds Sold
	Beginning	Ending								Beginning	Ending							
2015	\$3,108,619	\$3,586,974	\$1,490,000	\$6	\$6	\$1,894,224	\$1,894,224	\$1,410,876			\$3,591,873	\$4,482,453	1.34	3.00	\$1,412,973	186%	\$0	\$1,605,000
2016	\$3,591,873	\$4,169,724	\$1,490,000	\$0	\$0	\$2,992,236	\$516,346	\$1,694,604			\$5,115,950	\$5,686,197	1.66	2.34	\$1,412,973	160%	\$106,494	\$6,165,000
2017	\$5,115,950	\$4,169,724	\$1,490,000	\$0	\$0	\$2,696,313	\$1,187,436	\$2,593,408			\$6,416,353	\$7,608,197	1.04	3.31	\$1,519,466	153%	\$622,469	\$7,165,000
2018	\$6,416,353	\$5,168,724	\$1,490,000	\$110,000	\$110,000	\$3,990,120	\$825,010	\$3,510,384			\$7,323,499	\$9,112,665	1.02	2.85	\$2,141,935	175%	\$402,000	\$9,569,000
2019	\$7,323,499	\$5,168,724	\$1,490,000	\$110,000	\$110,000	\$3,993,843	\$355,710	\$3,796,429			\$7,474,323	\$10,915,619	0.95	4.66	\$2,603,956	177%	\$322,658	\$11,241,000
2020	\$7,474,323	\$5,834,724	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$337,210	\$4,096,038			\$7,943,421	\$11,067,856	1.04	4.22	\$2,926,593	188%	\$99,000	\$11,360,000
2021	\$7,943,421	\$7,423	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,380	\$4,235,239			\$8,086,688	\$8,114,398	1.01	1.91%	\$3,035,593	191%		\$8,114,398
2022	\$8,086,688	\$7,766	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,228,279			\$8,114,398	\$8,114,398	1.01	1.91%	\$3,025,593	191%		\$8,114,398
2023	\$8,114,398	\$7,951	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,224,317			\$8,143,156	\$8,172,744	1.01	1.91%	\$3,025,593	191%		\$8,172,744
2024	\$8,143,156	\$7,922	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,220,610			\$8,200,610	\$8,234,653	1.01	1.91%	\$3,025,593	192%		\$8,234,653
2025	\$8,234,653	\$7,896	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,218,725			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2026	\$8,228,674	\$7,869	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,216,840			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2027	\$8,228,674	\$7,843	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,214,955			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2028	\$8,228,674	\$7,817	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,213,070			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2029	\$8,228,674	\$7,791	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,211,185			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2030	\$8,228,674	\$7,765	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,209,300			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2031	\$8,228,674	\$7,739	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,207,415			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2032	\$8,228,674	\$7,713	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,205,530			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2033	\$8,228,674	\$7,687	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,203,645			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2034	\$8,228,674	\$7,661	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,201,760			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2035	\$8,228,674	\$7,635	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,200,000			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2036	\$8,228,674	\$7,609	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,198,235			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2037	\$8,228,674	\$7,583	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,196,470			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2038	\$8,228,674	\$7,557	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,194,705			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2039	\$8,228,674	\$7,531	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,192,940			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2040	\$8,228,674	\$7,505	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,191,175			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2041	\$8,228,674	\$7,479	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,189,410			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2042	\$8,228,674	\$7,453	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,187,645			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2043	\$8,228,674	\$7,427	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,185,880			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2044	\$8,228,674	\$7,401	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,184,115			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2045	\$8,228,674	\$7,375	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,182,350			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2046	\$8,228,674	\$7,349	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,180,585			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2047	\$8,228,674	\$7,323	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,178,820			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2048	\$8,228,674	\$7,297	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,177,055			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674
2049	\$8,228,674	\$7,271	\$1,490,000	\$110,000	\$110,000	\$4,262,147	\$110,000	\$4,175,290			\$8,228,674	\$8,228,674	1.01	1.91%	\$3,025,593	192%		\$8,228,674

(a) Reflects approximate 11/2015 cash balance per audited financial statements.  
 (b) Projected at 1/4 of 1.0%  
 (c) Per 2014 audited results and 2015 budget numbers plus \$0.70 rate increase during 2015; \$0.60 rate increase at the beginning of 2018; and \$0.40 rate increase at the beginning of 2020.  
 (d) Reflects 2015 General Fund budgeted figures; NO GROWTH ASSUMED.  
 (e) Reflects Authority's share of Lone Bayou capital costs estimated at \$2 million per COH 9/30/2011 letter.  
 (f) Reflects cash of Series 2008 Bonds to TWDB and assumes sale of 2015 - 2020 Bonds to TWDB at 0.1%-1.10% amortized over 30 years - see attached schedule.  
 (g) Capitalized interest funded with each Series of Bonds. Dollar amounts reflected in years in which dollars will be actually used for debt service.  
 (h) Equals General Fund plus Surplus Fund Balance divided by the subsequent year's total cash outflow for operating costs plus non bond debt service.  
 (i) Adjusted additional Bond test.  
 (j) Must be at least 1.25 times

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF CASH TRANSACTIONS**  
**FOR THE PERIOD APRIL 1, 2015 - MAY 6, 2015**  
(Unaudited)

	GENERAL FUND	SURPLUS REVENUE FUND	DEBT SERVICE FUND	DEBT SERVICE RESERVE FUND	CAPITAL PROJECTS FUND
	=====	=====	=====	=====	=====
<b>BALANCE, MARCH 31, 2015</b>	<b>\$224,111.96</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
RECEIPTS	153,931.85	0.00	0.00	0.00	0.00
DISBURSEMENTS	(127,303.73)	0.00	0.00	0.00	0.00
INVEST PROCEEDS	0.00	0.00	0.00	0.00	0.00
INVEST PURCHASES	0.00	0.00	(117,572.56)	0.00	0.00
TRANSFERS	(117,572.56)	0.00	117,572.56	0.00	0.00
<b>BALANCE, APRIL 30, 2015</b>	<b>133,167.52</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
CURRENT MONTHS ACTIVITY:					
RECEIPTS	115,392.98	0.00	0.00	0.00	0.00
DISBURSEMENTS	(139,186.78)	0.00	0.00	0.00	(1,379.88)
INVEST PROCEEDS	0.00	0.00	0.00	0.00	1,379.88
INVEST PURCHASES	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0.00	0.00	0.00	0.00	0.00
<b>CURRENT CASH BALANCE</b>	<b>\$109,373.72</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>CURRENT INVESTMENTS</b>	<b>0.00</b>	<b>2,293,827.12</b>	<b>846,583.40</b>	<b>1,413,262.59</b>	<b>1,285,974.08</b>
<b>CASH BALANCES, MAY 6, 2015</b>	<b>\$109,373.72</b>	<b>\$2,293,827.12</b>	<b>\$846,583.40</b>	<b>\$1,413,262.59</b>	<b>\$1,285,974.08</b>
	=====	=====	=====	=====	=====

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**CASH TRANSACTIONS**  
**----- FOR THE MONTH ENDED APRIL 30, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
4/1/15	2806	JULIAN F. BODDY	DIR FEE 3/4		138.52
4/1/15	2807	JUDGE CASTON	DIR FEE 3/4		138.52
4/1/15	2808	MARGARET L. COX	DIR FEE 3/4		138.52
4/1/15	2809	THOMAS C. GOWER	DIR FEE/EXP 3/4		118.88
4/1/15	2810	RICHARD C. MEEK	DIR FEE/EXP 3/4		145.42
4/1/15	2811	ASSOCIATION OF WATER BOARD DIR	JUNE (COX)		355.00
4/1/15	2812	AT&T	SERVICE: 3/19-4/18		118.53
4/1/15	2813	CITY OF HOUSTON	FEB - 50,229,000 GALS@1.4435		72,505.56
4/1/15	2814	CITY OF HOUSTON	PREVIOUSLY INCURRED COSTS		27,888.06
4/1/15	2815	CJ PARHAM TREDWAY	APRIL 2015		2,500.00
4/1/15	2816	F MATUSKA INC	MARCH 2015		956.05
4/1/15	2817	IDS ENGINEERING GROUP	DIST ADMIN THRU 2/25		17,129.91
4/1/15	2818	MUNICIPAL OPERATIONS & CONSULT	MARCH 2015		3,959.46
4/1/15	2819	UNITED STATES TREASURY	FORM 941 1ST QTR 2015		976.30
4/1/15	2820	WATER UTILITY SERVICES INC	#22881		217.00
3/2/15	J3-4	COMPASS INTEREST		12.90	
3/16/15	J3-5	COMPASS SC			18.00
4/2/15	R4-1	DEP HCMUD150 2/2015 SW		42,794.70	
4/21/15	R4-2	DEP HCMUD33 3/2015		26,404.00	
4/23/15	R4-3	DEP TML EQUITY RETURN		64.00	
4/27/15	R4-4	DEP RANKIN RD W 3/2015 SW		6,928.35	
4/27/15	R4-5	DEP HCMUD150 3/2015 SW		41,720.25	
4/27/15	R4-6	DEP HCMUD215 3/2015		5,995.64	
4/27/15	R4-7	DEP FALLBROOK 3/2015		30,012.01	
<b>TOTALS - GENERAL FUND</b>				<b>153,931.85</b>	<b>127,303.73</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>0.00</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**CASH TRANSACTIONS**  
 ----- FOR THE PERIOD ENDED MAY 6, 2015 -----

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
5/6/15	2821	JULIAN F. BODDY	DIR FEES 4/1;5/4		277.05
5/6/15	2822	JUDGE CASTON	DIR FEE 4/1		138.52
5/6/15	2823	MARGARET L. COX	DIR FEE 4/1		138.52
5/6/15	2824	THOMAS C. GOWER	DIR FEES/EXP 4/1;4/6;5/4		420.08
5/6/15	2825	RICHARD C. MEEK	DIR FEES/EXP 4/1;4/17		297.75
5/6/15	2826	ASSOCIATION OF WATER BOARD DIR	JUNE (CASTON); APRIL (MEEK)		430.00
5/6/15	2827	AT&T	SERVICE: 4/19-5/18		118.58
5/6/15	2828	BKD LLP	INTERIM BILLING 12/31/14 AUDIT		16,300.00
5/6/15	2829	CITY OF HOUSTON	MAR - 55,951,000 GALS @ 1.4435		80,765.27
5/6/15	2830	CJ PARHAM TREDWAY	MAY 2015		2,500.00
5/6/15	2831	F MATUSKA INC	APRIL 2015		952.83
5/6/15	2832	FRESE AND NICHOLS	REGION H RWP AMENDMENT		2,190.00
5/6/15	2833	HARRIS-GALVESTON SUBSIDENCE	PERMIT RENEWAL 6/1/15-5/31/16		24,000.00
5/6/15	2834	IDS ENGINEERING GROUP	DIST ADMIN THRU 3/25		5,730.02
5/6/15	2835	MUNICIPAL OPERATIONS & CONSULT	APRIL 2015		4,711.16
5/6/15	2836	WATER UTILITY SERVICES INC	#23280		217.00
5/4/15	R5-1	DEP HCUD16 3/2015		16,663.50	
5/4/15	R5-2	DEP HCMUD200 3/2015		20,847.89	
5/4/15	R5-3	DEP HCMUD200 3/2015 SW		49,461.75	
5/4/15	R5-4	DEP HCMUD217 3/2015 SW		9,640.80	
5/4/15	R5-5	DEP HCMUD304 3/2015		18,779.04	
<b>TOTALS - GENERAL FUND</b>				<b>115,392.98</b>	<b>139,186.78</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
5/7/15	WT05-01-15	CITY OF HOUSTON	LUCE BAYOU-ANNUAL DS (FY15)		1,379.88
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>1,379.88</b>

## CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

## SUMMARY OF INVESTMENTS

MAY 6, 2015

(Unaudited)

BANK	ACCT #	RATE	PURCHASE DATE	MATURITY DATE	AMOUNT
<b>GENERAL FUND</b>					
TOTAL GENERAL FUND INVESTMENTS					\$0.00
<b>SURPLUS REVENUE FUND</b>					
COMPASS BANK	2530959174	0.1500%			2,293,827.12
TOTAL SURPLUS REVENUE FUND INVESTMENTS					\$2,293,827.12
<b>DEBT SERVICE FUND</b>					
TEXPOOL	7891600003	0.0524%			846,583.40
TOTAL DEBT SERVICE FUND INVESTMENTS					\$846,583.40
<b>DEBT SERVICE RESERVE FUND</b>					
(AVERAGE ANNUAL DEBT SERVICE PAYMENT: 1,412,714.02)					
TEXPOOL	7891600004	0.0524%			1,413,262.59
TOTAL DEBT SERVICE RESERVE FUND INVESTMENTS					\$1,413,262.59
<b>CAPITAL PROJECTS FUND</b>					
COMPASS BANK	83659	0.1500%			1,285,974.08
TOTAL CAPITAL PROJECTS FUND INVESTMENTS					\$1,285,974.08

## SCHEDULE OF DEBT SERVICE PAYMENTS

	PAID					
	1-Feb-2015	1-Aug-2015	1-Feb-2016	1-Aug-2016	1-Feb-2017	1-Aug-2017
SERIES 2008(WELLS FARGO)						
PRINCIPAL		985,000.00		1,000,000.00		1,020,000.00
INTEREST	212,935.33	212,935.33	205,139.05	205,139.05	196,474.05	196,474.05
	212,935.33	1,197,935.33	205,139.05	1,205,139.05	196,474.05	1,216,474.05
ANNUAL REQUIREMENT	2015	1,410,870.66	2016	1,410,278.10	2017	1,412,948.10

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**FOR THE ONE AND THREE MONTHS ENDED MARCH 31, 2015**  
**(UNAUDITED)**

	Current Period			Year-to-Date			Annual	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Variance
<b>REVENUES</b>								
PUMPAGE FEES	118,702.08	164,545.00	(45,842.92)	334,696.46	493,625.00	(158,928.54)	1,974,504.00	(1,639,807.54)
SURFACE WATER FEES	107,751.15	85,410.00	22,341.15	316,697.55	256,230.00	60,467.55	1,024,920.00	(708,222.45)
INTEREST	276.82	400.00	(123.18)	885.16	1,200.00	(314.84)	4,800.00	(3,914.84)
<b>TOTAL REVENUES</b>	<b>226,730.05</b>	<b>250,355.00</b>	<b>(23,624.95)</b>	<b>652,279.17</b>	<b>751,055.00</b>	<b>(98,775.83)</b>	<b>3,004,224.00</b>	<b>(2,351,944.83)</b>
<b>EXPENDITURES</b>								
ENGINEERING FEES-GENERAL	5,730.02	6,000.00	269.98	32,498.00	18,000.00	(14,498.00)	72,000.00	39,502.00
LEGAL FEES-GENERAL MATTERS	0.00	10,000.00	10,000.00	22,333.45	30,000.00	7,666.55	120,000.00	97,666.55
FINANCIAL ADVISOR-OPERATING MATTERS	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
CITY OF HOUSTON-WATER	80,765.27	63,225.00	(17,540.27)	235,319.37	189,675.00	(45,644.37)	758,704.00	523,384.63
CITY OF HOUSTON TRUE-UP	0.00	5,420.00	5,420.00	0.00	16,250.00	16,250.00	65,000.00	65,000.00
OPERATIONS/METER TEST/R&M	4,176.46	7,720.00	3,543.54	9,942.72	23,150.00	13,207.28	92,600.00	82,657.28
NHCRWA JOINT FACILITIES OPER/R&M	0.00	17,500.00	17,500.00	0.00	52,500.00	52,500.00	210,000.00	210,000.00
TELEPHONE	118.53	120.00	1.47	353.31	350.00	(3.31)	1,400.00	1,046.69
PERMIT FEES	0.00	0.00	0.00	100.00	0.00	(100.00)	26,000.00	25,900.00
DIRECTOR FEES	1,650.00	750.00	(900.00)	5,400.00	4,050.00	(1,350.00)	13,500.00	8,100.00
TRAVEL & EXPENSES	86.60	50.00	(36.60)	4,710.08	6,100.00	1,389.92	12,000.00	7,289.92
PAYROLL TAXES	126.24	60.00	(66.24)	413.15	305.00	(108.15)	1,050.00	636.85
LOBBYIST	2,500.00	2,500.00	0.00	7,500.00	7,500.00	0.00	30,000.00	22,500.00
BOOKKEEPING	825.00	1,100.00	275.00	3,165.00	3,300.00	135.00	13,200.00	10,035.00
AUDITOR	16,300.00	16,000.00	(300.00)	16,300.00	16,000.00	(300.00)	17,500.00	1,200.00
INSURANCE	4,733.00	5,000.00	267.00	4,733.00	5,000.00	267.00	5,000.00	267.00
LEGAL NOTICES	0.00	170.00	170.00	0.00	500.00	500.00	2,000.00	2,000.00
PRINTING & OFFICE SUPPLIES	167.05	150.00	(17.05)	465.44	450.00	(15.44)	1,800.00	1,334.56
DUES	0.00	0.00	0.00	565.00	565.00	0.00	565.00	0.00
WATERSMART	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00	2,000.00
MISCELLANEOUS EXPENSE	0.00	420.00	420.00	0.00	1,250.00	1,250.00	5,000.00	5,000.00
TRANSFER TO DEBT SERVICE	117,572.56	117,575.00	2.44	352,717.68	352,720.00	2.32	1,410,870.00	1,058,152.32
<b>TOTAL EXPENDITURES</b>	<b>234,750.73</b>	<b>253,760.00</b>	<b>19,009.27</b>	<b>696,516.20</b>	<b>727,665.00</b>	<b>31,148.80</b>	<b>2,870,189.00</b>	<b>2,173,672.80</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(8,020.68)</b>	<b>(3,405.00)</b>	<b>(4,615.68)</b>	<b>(44,237.03)</b>	<b>23,390.00</b>	<b>(67,627.03)</b>	<b>134,035.00</b>	<b>(178,272.03)</b>

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
PUMPAGE FEES PAID

	JAN 2015	FEB 2015	MAR 2015	APRIL 2015	MAY 2015	JUNE 2015	JULY 2015	AUG 2015	SEPT 2015	OCT 2015	NOV 2015	DEC 2015
FALLBROOK UD	30,675.33	26,798.45	30,012.01									
HARRIS CO MUD 150	43,457.42	42,794.70	41,720.25									
HARRIS CO MUD 200	69,890.86	63,586.10	70,309.64									
HARRIS CO MUD 205												
HARRIS CO MUD 215	7,813.33	2,986.21	5,995.64									
HARRIS CO MUD 217	1,396.20	4,563.00	9,640.80									
HARRIS CO MUD 304	19,284.58	16,705.36	18,779.04									
HARRIS CO MUD 399												
HARRIS CO MUD 33	23,989.00	21,615.86	26,404.00									
HARRIS CO UD 16	19,373.13	14,771.75	16,663.50									
RANKIN ROAD WEST MUD	7,491.90	7,737.60	6,928.35									
	<u>223,371.75</u>	<u>201,569.03</u>	<u>226,453.23</u>	<u>0.00</u>								

PUMPAGE REPORTED THRU HCMUD200

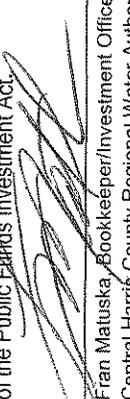
PUMPAGE REPORTED THRU HCMUD200

Effective 7/1/2013 pumpage fee 1.56/1000 gallons; surface water fee 1.90/1000 gallons  
Effective 7/1/2014 pumpage fee 1.61/1000 gallons; surface water fee 1.95/1000 gallons

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**QUARTERLY INVESTMENT REPORT**  
**MARCH 31, 2015**

BANK/ TYPE OF SECURITY	ID #	RATE	MARKET VALUE		TRANSACTIONS		PURCHASE/ BOOK VALUE		MARKET VALUE 31-Mar-2015	PAR AMOUNT	ACCRUED INTEREST THRU 31-Mar-2015
			31-Dec-2014	31-Dec-2014	IN	OUT	31-Mar-2015	31-Mar-2015			
<b>GENERAL FUND</b>											
GENERAL FUND TOTALS			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>SURPLUS REVENUE FUND</b>											
BBVA COMPASS BANK	2530959174	0.1500%	2,293,032.91	2,293,032.91	848.21	(54.00)	2,293,827.12	2,293,827.12	2,293,827.12	2,293,827.12	0.00
SURPLUS REVENUE FUND TOTALS			2,293,032.91	2,293,032.91	848.21	(54.00)	2,293,827.12	2,293,827.12	2,293,827.12	2,293,827.12	0.00
<b>DEBT SERVICE FUND</b>											
TEXPOOL	7691600003	0.0480%	589,655.55	589,655.55	352,790.64	(213,435.35)	729,010.84	729,010.84	729,010.84	729,010.84	0.00
DEBT SERVICE FUND TOTALS			589,655.55	589,655.55	352,790.64	(213,435.35)	729,010.84	729,010.84	729,010.84	729,010.84	0.00
<b>DEBT SERVICE RESERVE FUND</b>											
TEXPOOL	7891600004	0.0480%	1,413,101.41	1,413,101.41	161.18	0.00	1,413,262.59	1,413,262.59	1,413,262.59	1,413,262.59	0.00
DEBT SERVICE RESERVE FUND TOTALS			1,413,101.41	1,413,101.41	161.18	0.00	1,413,262.59	1,413,262.59	1,413,262.59	1,413,262.59	0.00
<b>CAPITAL PROJECTS FUND</b>											
BBVA COMPASS BANK	83669	0.1500%	1,288,117.73	1,288,117.73	476.23	(1,240.00)	1,287,353.96	1,287,353.96	1,287,353.96	1,287,353.96	0.00
CAPITAL PROJECTS FUND TOTALS			1,288,117.73	1,288,117.73	476.23	(1,240.00)	1,287,353.96	1,287,353.96	1,287,353.96	1,287,353.96	0.00
TOTALS			5,583,907.60	5,583,907.60	354,276.26	(214,729.35)	5,723,454.51	5,723,454.51	5,723,454.51	5,723,454.51	0.00

To the best of my knowledge and belief, the above investments set out in this report constitute all invested funds of the District and comply with the investment strategy for each of the funds reported, with the District's Investment Policy, and with the applicable terms of the Public Funds Investment Act.

  
 Fran Matuska, Bookkeeper/Investment Officer  
 Central Harris County Regional Water Authority

May 5, 2015

PFLA Training, 4 Hrs

18-Oct-14

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 COMPARISON OF COSTS TO TWDB W/F PROJECT #21607  
 SERIES 2008  
 ACTIVITY THROUGH MAY 6, 2015

TWDB Funds Approved		Pate Allocation of Funds	Total Paid To Date	Variations (Over) Under
	Basic Engineering Fees			
12,500	6402-4 Planning	55,000	0	55,000
350,300	6404-4 Design	432,400	498,179	(65,779)
35,000	6406-4 Construction	45,000	75,050	(30,050)
	Special Engineering Fees			
55,000	6418-4 Environmental Assessment	35,000	35,000	0
131,000	6420-4 Surveying	161,600	37,417	124,183
50,000	6424-4 Geotechnical	51,000	45,741	5,259
45,000	6429-4 Testing	45,000	26,030	18,970
225,000	6423-4 Inspection	225,000	249,548	(24,548)
55,000	6300-4 Phase I & II ESA	0	0	0
7,500	6302-4 USACE Permit	0	0	0
4,000	6304-4 Cultural Pedestrian Survey	0	0	0
12,500	6306-4 Corrosion Protection Analysis	0	0	0
720,000	6700-4 Contingency	1,278,394	23,980	1,254,414
4,780,000	6600-4 Construction	4,668,670	2,904,991	1,763,679
196,700	6417-4 Easements/Land Acquisition	308,500	553,006	(244,506)
225,000	6315-4 Fiscal Fees(F/A)	225,000	225,000	0
395,000	6320-4 Legal Fees	395,000	395,000	0
17,250	6359-4 Bond Issuance	17,250	14,075	3,175
12,000,000	6800-4 Capacity Buy-In	13,351,900	12,823,224	528,676
1,433,250	6336-4 Other (Capitalized Interest)	475,286	475,286	0
1,300,000	6500-4 Capitalizable Previous Incurred Expense	280,000	289,077	(9,077)
0	6900-4 Chloramination Conversion(Surplus)	0	2,574,334	(2,574,334)
0	5391-4 Interest Earned	0	(480,912)	480,912
22,050,000	TOTAL COSTS	22,050,000	20,764,026	1,285,974

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 COMPARISON OF COSTS TO TWDB WIF PROJECT #21607  
 SERIES 2008  
 ACTIVITY THROUGH MAY 6, 2015

Code	Description	Start Date	End Date	Activity	Quantity	Unit	Rate	Total
6402-4	Basic Engineering Fees							0.00
6402-4	Planning							
6404-4	Design							498,178.93
6404-4	ENGINEERING-WATER SYS MODELING	10/1/2007		PATE ENGINEERS	0099995	PJ	1,493.71	
6404-4	ENGINEERING-WATER SYS MODELING	12/1/2007		PATE ENGINEERS	0100996	PJ	608.44	
6404-4	ENGINEERING-DESIGN PHASE	9/1/08		PATE ENGINEERS	0104903	CPJ	29,804.69	
6404-4	ENGINEERING-DESIGN PHASE	9/30/08		RECLASS PER TASK DETAIL	J9-11	GENJ	168,280.50	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	2/1/08		PATE ENGINEERS	0102438	PJ	37,503.00	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	3/1/08		PATE ENGINEERS	0102876	PJ	26,247.00	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	4/1/08		PATE ENGINEERS	0103468	PJ	35,893.65	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	5/1/08		PATE ENGINEERS	0104108	PJ	17,306.85	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	6/1/08		PATE ENGINEERS	0104439	PJ	51,330.00	
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ	21,896.00	
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0105424-A	PJ	14,160.15	
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ	1,942.00	
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0105424-A	PJ	1,942.00	
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ	885.59	
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0105424-A	PJ	885.59	
6404-4	ENGINEERING-WATER SYS MODELING	1/1/08		PATE ENGINEERS	0101618	PJ	38,830.19	
6404-4	ENGINEERING-DESIGN PHASE	11/1/08		PATE ENGINEERS	0106129-A	PJ	1,420.60	
6404-4	ENGINEERING-DESIGN PHASE	11/1/08		TCB	10031491	PJ	53,842.70	
6404-4	ENGINEERING-DESIGN PHASE	12/1/08		PATE ENGINEERS	0106370	PJ	32,232.75	
6404-4	ENGINEERING-DESIGN PHASE	12/31/08		AP CPF PATE	J12-5	GENJ	26,190.87	
6404-4	ENGINEERING-DESIGN PHASE	12/31/08		AP CPF PATE	J12-16	GENJ	28,799.50	
6404-4	ENGINEERING-DESIGN PHASE	3/3/09		PATE ENGINEERS	0107626	PJ	6,243.75	
6404-4	ENGINEERING-DESIGN PHASE	4/1/09		PATE ENGINEERS	0108059	PJ	624.54	
6404-4	ENGINEERING-DESIGN PHASE	6/1/09		PATE ENGINEERS	0108860	PJ	7,604.82	
6404-4	ENGINEERING-DESIGN PHASE	7/1/09		PATE ENGINEERS	0109332	PJ	7,757.23	
6404-4	ENGINEERING-DESIGN PHASE	10/1/09		PATE ENGINEERS	0110135	PJ	9,224.50	
6404-4	ENGINEERING-DESIGN PHASE	12/1/09		PATE ENGINEERS	0110987	PJ	10,654.50	
6404-4	CONTINGENCIES-CONSTRUCTION	10/21/08		TSFR CPF TO GOF	J10-2	GENJ	7,103.00	
6404-4	ENGINEERING-METERING STATION	5/1/08		TCB	10029354	PJ	3,551.50	
6404-4	ENGINEERING-METERING STATION	6/1/08		TCB	10029964	PJ	24,300.00	
6404-4	CONTINGENCIES-CONSTRUCTION	10/21/08		TSFR CPF TO GOF	J10-2	GENJ	12,636.00	
6404-4	ENGINEERING-PROJ 17 SEGMENT 3	2/1/08		DANNENBAUM ENGINEERING C	440901/01	PJ	11,664.00	
6404-4	ENGINEERING-PROJ 17 SEGMENT 3	3/1/08		DANNENBAUM ENGINEERING C	440901/02	PJ	3,040.25	
6404-4	CONTINGENCIES-CONSTRUCTION	7/1/09		AECOM USA INC	60043195	PJ	2,130.90	
6404-4	ENGINEERING-DESIGN PHASE	4/1/10		AECOM USA INC	7063123 F	PJ	6,210.75	
6404-4	ENGINEERING-DESIGN PHASE	6/1/10		AECOM USA INC	7077744/F	PJ		
6406-4	Construction							75,049.68
6406-4	CONSTRUCTION	5/1/09		PATE ENGINEERS	0108671	PJ	1,828.04	
6406-4	CONSTRUCTION	6/1/09		PATE ENGINEERS	0108860	PJ	2,000.00	
6406-4	BASIC ENGINEERING-CONSTRUCTION	7/1/09		PATE ENGINEERS	0109332	PJ	2,375.00	
6406-4	BASIC ENGINEERING-CONSTRUCTION	8/1/09		PATE ENGINEERS	0109718	PJ	1,625.00	
6406-4	BASIC ENGINEERING-CONSTRUCTION	9/1/09		PATE ENGINEERS	0110055	PJ	1,250.00	

498,178.93

6406-4	BASIC ENGINEERING-CONSTRUCTION	10/1/09	0110135	PJ	PATE ENGINEERS	3,750.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	11/1/09	0110471	PJ	PATE ENGINEERS	2,500.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	2,500.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/09	J12-6	GENJ	CPF_A/P-PATE	2,110.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	1/1/10	3014T09	PJ	AT&T	4,221.64		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/09	J12-17	GENJ	CPF_A/P-PATE	3,400.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	3/2/10	0111925	PJ	PATE ENGINEERS	1,770.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	4/1/10	0112237	PJ	PATE ENGINEERS	8,670.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	5/4/10	0112620	PJ	PATE ENGINEERS	4,995.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	6/1/10	0112996	PJ	PATE ENGINEERS	5,585.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	7/1/10	0113279	PJ	PATE ENGINEERS	5,100.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	8/1/10	0113605	PJ	PATE ENGINEERS	6,250.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	9/1/10	0114027	PJ	PATE ENGINEERS - CAPITAL PROJECTS FUNI	2,775.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	10/1/10	0114279	PJ	PATE ENGINEERS	4,070.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	11/2/10	0114524	PJ	PATE ENGINEERS	2,275.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/1/10	0114872	PJ	PATE ENGINEERS	2,275.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/10	J12-4	GENJ	CPF A/P PATE	2,765.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/10	J12-13	GENJ	A/P CPF PATE	480.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	3/1/11	0115795	PJ	PATE ENGINEERS	480.00		
							75,049.68	
							=====	
<b>Special Engineering Fees</b>								
6418-4	Environmental Assessment						35,000.00	
6418-4	ENVIRONMENTAL ASSESSMENT	9/1/08	2008-6905	PJ	BERG-OLIVER ASSOCIATES INC	8,750.00		
6418-4	ENVIRONMENTAL ASSESSMENT	9/30/08	J9-4	GENJ	TSFR CPF TO GOF	17,500.00		
6418-4	ENVIRONMENTAL SERVICES	5/1/08	2008-6905	PJ	BERG-OLIVER ASSOCIATES INC	17,500.00		
6418-4	ENVIRONMENTAL ASSESSMENT	5/1/09	2009-6905	PJ	BERG-OLIVER ASSOCIATES INC	8,750.00		
							35,000.00	
							=====	
6420-4	Surveying						37,417.23	
6420-4	SURVEYING	9/1/08	0104903	C/PJ	PATE ENGINEERS	7,135.00		
6420-4	SURVEYING	9/30/08	J9-11	GENJ	RECLASS PER TASK DETAIL	2,100.00		
6420-4	ENGINEERING-SURVEY/GEOTECH/ROM	3/1/08	12008200	PJ	SURVCON INC	1,882.94		
6420-4	ENGINEERING-SURVEY/GEOTECH/ROM	4/1/08	12008246	PJ	SURVCON INC	217.06		
6420-4	SURVEYING	10/1/08	0105424-A	PJ	PATE ENGINEERS - CAPITAL PROJECTS FUNI	23,507.23		
6420-4	SURVEYING	11/1/08	0106129-A	PJ	PATE ENGINEERS	2,175.00		
6420-4	SURVEYING	12/31/08	J12-5	GENJ	A/P CPF PATE	2,500.00		
							37,417.23	
							=====	
6424-4	Geotechnical						45,740.70	
6424-4	GEOTECHNICAL	9/1/08	08-8170	PJ	TOLUNAY-WONG ENGINEERS INC	20,329.20		
6424-4	GEOTECHNICAL	9/30/08	J9-11	GENJ	RECLASS PER TASK DETAIL	25,411.50		
6424-4	ENGINEERING-SURVEY/GEOTECH/ROM	4/1/08	08-4176	PJ	TOLUNAY-WONG ENGINEERS IT	25,411.50		
							45,740.70	
							=====	
6429-4	Testing						26,030.25	
6429-4	TESTING	9/1/09	23186	PJ	HTS INC CONSULTANTS	2,348.50		
6429-4	TESTING	9/1/09	23274	PJ	HTS INC CONSULTANTS	1,256.25		
							26,030.25	
							=====	

6429-4	TESTING	11/1/09	23366	PJ	HTS INC CONSULTANTS	305.00
6429-4	TESTING	11/1/09	23444	PJ	HTS INC CONSULTANTS	285.50
6429-4	SPECIAL ENGR FEES-TESTING	12/31/09	J12-5	GENJ	CPF-AP-HTS	1,061.50
6429-4	SPECIAL ENGR FEES-TESTING	12/31/09	J12-16	GENJ	CPF-AP-HTS	1,290.00
6429-4	SPECIAL ENGR FEES-TESTING	4/1/10	23937	PJ	CPF-AP-HTS	394.50
6429-4	SPECIAL ENGR FEES-TESTING	6/1/10	24041	PJ	HTS INC CONSULTANTS	2,948.75
6429-4	SPECIAL ENGR FEES-TESTING	6/1/10	24151	PJ	HTS INC CONSULTANTS	5,592.00
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24260	PJ	HTS INC CONSULTANTS	766.00
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24376	PJ	HTS INC CONSULTANTS	4,012.50
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24401	PJ	HTS INC CONSULTANTS	551.50
6429-4	SPECIAL ENGR FEES-TESTING	9/1/10	24525	PJ	HTS INC CONSULTANTS	1,809.50
6429-4	SPECIAL ENGR FEES-TESTING	10/1/10	24620	PJ	HTS INC CONSULTANTS	2,619.75
						789.00
						26,030.25

6423-4 Inspection 249,547.59

6423-4	BASIC ENGINEERING-CONSTRUCTION	8/1/09	0109718	PJ	PATE ENGINEERS	3,606.40
6423-4	BASIC ENGINEERING-CONSTRUCTION	9/1/09	0110055	PJ	PATE ENGINEERS	7,109.76
6423-4	BASIC ENGINEERING-CONSTRUCTION	10/1/09	0110135	PJ	PATE ENGINEERS	2,369.92
6423-4	BASIC ENGINEERING-CONSTRUCTION	11/1/09	0110471	PJ	PATE ENGINEERS	6,208.12
6423-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	5,273.67
6423-4	CONTINGENCIES-CONSTRUCTION	1/1/09	CONST SL	PJ	NORTH HARRIS COUNTY RWA	78,671.83
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/09	J12-6	GENJ	CPF-AP-PATE	6,544.63
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/09	J12-17	GENJ	CPF-AP-PATE	3,278.84
6423-4	SPECIAL ENGR FEES-INSPECTION	3/2/10	0111925	PJ	PATE ENGINEERS	5,491.82
6423-4	SPECIAL ENGR FEES-INSPECTION	4/1/10	0112237	PJ	PATE ENGINEERS	12,069.18
6423-4	SPECIAL ENGR FEES-INSPECTION	5/4/10	0112620	PJ	PATE ENGINEERS	12,302.73
6423-4	SPECIAL ENGR FEES-INSPECTION	6/1/10	0112996	PJ	PATE ENGINEERS	17,561.72
6423-4	SPECIAL ENGR FEES-INSPECTION	7/1/10	0113279	PJ	PATE ENGINEERS	21,317.18
6423-4	SPECIAL ENGR FEES-INSPECTION	8/1/10	0113605	PJ	PATE ENGINEERS	19,986.61
6423-4	SPECIAL ENGR FEES-INSPECTION	9/1/10	0114027	PJ	PATE ENGINEERS	17,109.24
6423-4	SPECIAL ENGR FEES-INSPECTION	10/1/10	0114279	PJ	PATE ENGINEERS	17,882.25
6423-4	SPECIAL ENGR FEES-INSPECTION	11/2/10	0114524	PJ	PATE ENGINEERS	6,763.24
6423-4	SPECIAL ENGR FEES-INSPECTION	12/1/10	0114872	PJ	PATE ENGINEERS	4,837.05
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/10	J12-4	GENJ	CPF AP PATE	382.17
6423-4	SPECIAL ENGR FEES-INSPECTION	3/1/11	0115795	PJ	PATE ENGINEERS	319.63
6423-4	SPECIAL ENGR FEES-INSPECTION	12/1/11	0118446	PJ	PATE ENGINEERS	461.60
						249,547.59

6300-4 Phase I & II ESA 0.00

6302-4 USACE Permit 0.00

6304-4 Cultural Pedestrian Survey 0.00

6306-4 Corrosion Protection Analysis 0.00

6700-4	Contingency					
6700-4	CONTINGENCIES-CONSTRUCTION	12/31/08	J12-7	GENJ	A/P CPF SPH	354.30
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/09	33473	PJ	SCHWARTZ PAGE & HARDING LLP	386.20
6700-4	CONTINGENCIES-CONSTRUCTION	3/3/09	33750	PJ	SCHWARTZ PAGE & HARDING LLP	257.50
6700-4	CONTINGENCIES-CONSTRUCTION	3/3/09	33752	PJ	SCHWARTZ PAGE & HARDING LLP	495.50
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/09	34042	PJ	SCHWARTZ PAGE & HARDING LLP	238.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/09	34316	PJ	SCHWARTZ PAGE & HARDING LLP	975.00
						23,980.49

6700-4	CONTINGENCIES-CONSTRUCTION	5/1/09	34318	PJ	SCHWARTZ PAGE & HARDING LLP	968.00
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	10086119	PJ	DAILY COURT REVIEW	847.44
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	10086120	PJ	DAILY COURT REVIEW	881.10
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	34563	PJ	SCHWARTZ PAGE & HARDING LLP	799.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/09	34865	PJ	SCHWARTZ PAGE & HARDING LLP	97.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/09	34867	PJ	SCHWARTZ PAGE & HARDING LLP	670.80
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/09	35427	PJ	SCHWARTZ PAGE & HARDING LLP	429.00
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/09	35429	PJ	SCHWARTZ PAGE & HARDING LLP	195.00
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/09	35723	PJ	SCHWARTZ PAGE & HARDING LLP	682.50
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/09	35725	PJ	SCHWARTZ PAGE & HARDING LLP	99.30
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/09	35962	PJ	SCHWARTZ PAGE & HARDING LLP	136.50
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/09	35964	PJ	SCHWARTZ PAGE & HARDING LLP	650.10
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/09	36216	PJ	SCHWARTZ PAGE & HARDING LLP	1,231.15
6700-4	BASIC ENGINEERING-CONSTRUCTION	8/1/09	0109718	PJ	PATE ENGINEERS	2,887.94
6700-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	-3,537.39
6700-4	CONTINGENCIES-CONSTRUCTION	12/31/09	J12-6	GENU	CPF-A/P-PATE	198.20
6700-4	CONTINGENCIES-CONSTRUCTION	12/31/09	J12-7	GENU	CPF-A/P-SPH	1,056.37
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/10	36809	PJ	SCHWARTZ PAGE & HARDING LLP	1,982.03
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/10	37083	PJ	SCHWARTZ PAGE & HARDING LLP	164.40
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/10	37325	PJ	SCHWARTZ PAGE & HARDING LLP	246.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/4/10	37599	PJ	SCHWARTZ PAGE & HARDING LLP	307.50
6700-4	CONTINGENCIES-CONSTRUCTION	5/4/10	37601	PJ	SCHWARTZ PAGE & HARDING LLP	931.10
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/10	37844	PJ	SCHWARTZ PAGE & HARDING LLP	718.70
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/10	37846	PJ	SCHWARTZ PAGE & HARDING LLP	535.40
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/10	38129	PJ	SCHWARTZ PAGE & HARDING LLP	1,045.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/10	38131	PJ	SCHWARTZ PAGE & HARDING LLP	246.00
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/10	38374	PJ	SCHWARTZ PAGE & HARDING LLP	924.90
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/10	J8-3	GENU	APPLY SPH MATTER 12000	-11,195.95
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/10	38639	PJ	SCHWARTZ PAGE & HARDING LLP	102.50
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/10	38931	PJ	SCHWARTZ PAGE & HARDING LLP	110.30
6700-4	CONTINGENCIES-CONSTRUCTION	11/2/10	39191	PJ	SCHWARTZ PAGE & HARDING LLP	164.00
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/10	39497	PJ	SCHWARTZ PAGE & HARDING LLP	315.50
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/11	40036	PJ	SCHWARTZ PAGE & HARDING LLP	103.50
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/11	40546	PJ	SCHWARTZ PAGE & HARDING LLP	106.25
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/11	40793	PJ	SCHWARTZ PAGE & HARDING LLP	109.25
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/11	41042	PJ	SCHWARTZ PAGE & HARDING LLP	63.75
6700-4	CONTINGENCIES-CONSTRUCTION	8/2/11	41546	PJ	SCHWARTZ PAGE & HARDING LLP	420.25
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/12	43277	PJ	SCHWARTZ PAGE & HARDING LLP	558.85
6700-4	CONTINGENCIES-CONSTRUCTION	4/3/12	43457	PJ	SCHWARTZ PAGE & HARDING LLP	3,698.70
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/12	43680	PJ	SCHWARTZ PAGE & HARDING LLP	579.30
6700-4	CONTINGENCIES-CONSTRUCTION	6/5/12	43913	PJ	SCHWARTZ PAGE & HARDING LLP	1,582.95
6700-4	CONTINGENCIES-CONSTRUCTION	7/9/12	44201	PJ	SCHWARTZ PAGE & HARDING LLP	1,081.90
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/12	44408	PJ	SCHWARTZ PAGE & HARDING LLP	452.00
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/12	44910	PJ	SCHWARTZ PAGE & HARDING LLP	111.65
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/12	45197	PJ	SCHWARTZ PAGE & HARDING LLP	224.90
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/12	45446	PJ	SCHWARTZ PAGE & HARDING LLP	111.25
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/13	45986	PJ	SCHWARTZ PAGE & HARDING LLP	690.00
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/13	46371	PJ	SCHWARTZ PAGE & HARDING LLP	1,361.40
6700-4	CONTINGENCIES-CONSTRUCTION	4/2/13	46527	PJ	SCHWARTZ PAGE & HARDING LLP	185.80
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/13	47084	PJ	SCHWARTZ PAGE & HARDING LLP	577.80
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/13	47424	PJ	SCHWARTZ PAGE & HARDING LLP	626.60
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/13	47645	PJ	SCHWARTZ PAGE & HARDING LLP	785.80
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/13	47876	PJ	SCHWARTZ PAGE & HARDING LLP	230.00
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/14	49820	PJ	SCHWARTZ PAGE & HARDING LLP	1,748.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/14	50178	PJ	SCHWARTZ PAGE & HARDING LLP	752.55
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/14	50760	PJ	SCHWARTZ PAGE & HARDING LLP	220.65

23,980.49

2,904,990.69

553,006.43

Account Number	Description	Date	Account	Payee	Amount
6600-4	Construction		J10-2	TSFR CPF TO GOF	475,665.79
6600-4	CONSTRUCTION-PROJ 17 SEGMENT 3	10/21/08	WT06-01	NORTH HARRIS COUNTY RWA -	475,665.79
6600-4	CONSTRUCTION	6/20/08	J10-2	TSFR CPF TO GOF	129,502.12
6600-4	CONSTRUCTION-METERING STATION	6/20/08	WT06-01	NORTH HARRIS COUNTY RWA -	129,502.12
2140-4	CONSTRUCTION	8/1/09	EST#1	TRIPLE B SERVICES LLP	150,035.20
2140-4	RETAINAGE PAYABLE	8/1/09	EST#1	TRIPLE B SERVICES LLP	-7,502.01
6600-4	CONSTRUCTION	9/1/09	PAYMENT PJ	TRIPLE B SERVICES LLP	144,464.50
2140-4	RETAINAGE PAYABLE	9/1/09	PAYMENT PJ	TRIPLE B SERVICES LLP	-7,222.98
6600-4	CONSTRUCTION	11/1/09	EST#3	TRIPLE B SERVICES LLP	137,425.40
2140-4	RETAINAGE PAYABLE	11/1/09	EST#3	TRIPLE B SERVICES LLP	-6,871.27
2140-4	RETAINAGE PAYABLE	11/1/09	EST#4	TRIPLE B SERVICES LLP	-9,186.61
6600-4	CONSTRUCTION	12/1/09	EST#5	TRIPLE B SERVICES LLP	407,545.90
2140-4	RETAINAGE PAYABLE	12/1/09	EST#5	TRIPLE B SERVICES LLP	-20,377.29
6600-4	CONSTRUCTION	12/31/09	J12-8	CPF-AP-TRIPLE B EST#6	96,849.50
2140-4	RETAINAGE PAYABLE	12/31/09	J12-8	CPF-AP-TRIPLE B EST#6	-4,842.48
6600-4	CONSTRUCTION	3/2/10	EST #7	TRIPLE B SERVICES LLP	7,735.00
2140-4	RETAINAGE PAYABLE	3/2/10	EST #7	TRIPLE B SERVICES LLP	-386.75
6600-4	CONSTRUCTION	4/1/10	EST#1 LIN PJ	HURTADO CONSTRUCTION COMPANY	147,489.00
2140-4	RETAINAGE PAYABLE	4/1/10	EST#1 LIN PJ	HURTADO CONSTRUCTION COMPANY	-7,374.45
6600-4	CONSTRUCTION	5/4/10	EST #2	HURTADO CONSTRUCTION COMPANY	296,589.40
2140-4	RETAINAGE PAYABLE	5/4/10	EST #2	HURTADO CONSTRUCTION COMPANY	-14,829.47
6600-4	CONSTRUCTION	7/1/10	EST#1 LIN PJ	SCOHIL CONSTRUCTION SERVICES L	63,535.63
2140-4	RETAINAGE PAYABLE	7/1/10	EST#1 LIN PJ	SCOHIL CONSTRUCTION SERVICES L	-5,627.45
6600-4	CONSTRUCTION	8/1/10	EST#3	HURTADO CONSTRUCTION COMPANY	271,830.20
2140-4	RETAINAGE PAYABLE	8/1/10	EST#3	HURTADO CONSTRUCTION COMPANY	-143,064.37
6600-4	CONSTRUCTION	8/1/10	EST#2	SCOHIL CONSTRUCTION SERVICES L	143,064.37
2140-4	RETAINAGE PAYABLE	8/1/10	EST#2	SCOHIL CONSTRUCTION SERVICES L	-13,591.51
6600-4	CONSTRUCTION	8/1/10	EST#2	HURTADO CONSTRUCTION COMPANY	-15,032.55
6600-4	CONSTRUCTION	10/1/10	EST#4 LIN PJ	HURTADO CONSTRUCTION SERVICES L	142,200.00
6600-4	CONSTRUCTION	10/1/10	EST#3 LIN PJ	HURTADO CONSTRUCTION SERVICES L	14,409.30
2140-4	RETAINAGE PAYABLE	10/1/10	EST#4 LIN PJ	HURTADO CONSTRUCTION SERVICES L	-7,110.00
2140-4	RETAINAGE PAYABLE	10/1/10	EST#3 LIN PJ	HURTADO CONSTRUCTION SERVICES L	-1,440.93
6600-4	CONSTRUCTION	11/2/10	7222	NATIONAL FENCE COMPANY	6,698.00
2140-4	RETAINAGE PAYABLE	11/2/10	#4 FINAL PJ	SCOHIL CONSTRUCTION SERVICES L	22,100.93
6600-4	CONSTRUCTION	11/2/10	EST#8/FIN PJ	TRIPLE B SERVICES LLP	56,389.39
2140-4	RETAINAGE PAYABLE	11/1/10	EST#5	HURTADO CONSTRUCTION COMPANY	68,904.00
6600-4	CONSTRUCTION	12/1/10	EST#5	HURTADO CONSTRUCTION COMPANY	-3,445.20
6600-4	CONSTRUCTION	5/1/11	PAYMENT PJ	HURTADO CONSTRUCTION COMPANY	17,315.18
2140-4	RETAINAGE PAYABLE	5/1/11	PAYMENT PJ	HURTADO CONSTRUCTION COMPANY	46,350.63

2,904,990.69

553,006.43

Easements/Land Acquisition

Account Number	Description	Date	Account	Payee	Amount
6417-4	EASEMENT/LAND ACQUISITION	9/1/08	TRACT 1-1 PJ	MARIA MANUEL	2,647.93
6417-4	EASEMENT/LAND ACQUISITION	9/30/08	J9-4	TSFR CPF TO GOF	10,000.00
6417-4	EASEMENT PURCHASE	7/1/08	EASEMENT PJ	TRAN ACQUISITIONS LP	10,000.00
6417-4	EASEMENT/LAND ACQUISITION	9/30/08	J9-11	RECLASS PER TASK DETAIL	19,000.00
6417-4	ENGINEERING-SURVEY/GEOTECH/ROW	5/1/08	0104/08	PATE ENGINEERS	9,500.00
6417-4	ENGINEERING-SURVEY/GEOTECH/ROW	6/1/08	0104/39	PATE ENGINEERS	9,500.00
6417-4	EASEMENT/LAND ACQUISITION	10/21/08	J10-2	TSFR CPF TO GOF	2,848.89
6417-4	EASEMENT PURCHASE	8/1/08	TRACT 1-1 PJ	SKYLINE FORMING INC	2,848.89
6417-4	EASEMENT/LAND ACQUISITION	10/31/08	J10-9	RECLASS PER TWDB BUDGET	40,698.23
2140-4	ROW ACQUISITION SERVICES	9/1/08	009024-20 PJ	POSTLE PROPERTY SERVICES	3,330.90
2140-4	ROW ACQUISITION SERVICES	9/1/08	34103	UNIVERSAL FIELD SERVICES IN	603.03
2140-4	ROW ACQUISITION SERVICES	2/1/08	008973-20 PJ	POSTLE PROPERTY SERVICES	10,408.55
2140-4	ROW ACQUISITION SERVICES	3/1/08	008983-20 PJ	POSTLE PROPERTY SERVICES	6,578.10

6417-4	ROW ACQUISITION SERVICES	4/1/08	008993-20 PJ	POSTLE PROPERTY SERVICES	5,920.85	25,360.32
	ROW ACQUISITION SERVICES	5/1/08	008998-20 PJ	POSTLE PROPERTY SERVICES	3,574.35	
	ROW ACQUISITION SERVICES	6/1/08	009008-20 PJ	POSTLE PROPERTY SERVICES	2,372.85	
	ROW ACQUISITION SERVICES	7/1/08	009016-20 PJ	POSTLE PROPERTY SERVICES	4,556.95	
	ROW ACQUISITION SERVICES	10/1/08	009029-20 PJ	POSTLE PROPERTY SERVICES	3,352.65	
	LEGAL FEES-EASEMENT/ROW	10/31/08	J10-9 GENU	RECLASS PER TWDB BUDGET		
	LEGAL FEES-EASEMENT/ROW	9/1/08	31989 PJ	SCHWARTZ PAGE & HARDING L	3,872.82	
	LEGAL FEES-EASEMENT/ROW	9/30/08	J9-4 GENU	TSFR CPF TO GOF	15,236.50	
	LEGAL FEES-EASEMENT/ROW	10/1/08	32301 PJ	SCHWARTZ PAGE & HARDING L	6,251.00	
6417-4	CONTINGENCIES-CONSTRUCTION	10/31/08	J10-9 GENU	RECLASS PER TWDB BUDGET	2,500.00	
	ENGINEERING-WL EASEMENTS	10/1/08	0105424-A PJ	PATE ENGINEERS	2,500.00	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	0106129-A PJ	PATE ENGINEERS	2,150.00	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	009006-20 PJ	POSTLE PROPERTY SERVICES INC	1,226.95	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	32572 PJ	SCHWARTZ PAGE & HARDING LLP	2,182.75	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	10427767 PJ	ANDREWS KURTH LLP	1,826.55	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	TRACT 2- PJ	HARRIS COUNTY	1,500.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	TRACT 2- PJ	HARRIS COUNTY FLOOD CONTROL DI	1,500.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	0106370 PJ	PATE ENGINEERS	6,450.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	009045-20 PJ	POSTLE PROPERTY SERVICES INC	2,787.55	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	32855 PJ	SCHWARTZ PAGE & HARDING LLP	12,160.73	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-4 GENU	AP CPF ANDREWS KURTH	12,550.00	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-5 GENU	AP CPF PATE	2,376.47	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-6 GENU	AP CPF POSTLE	1,216.85	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-7 GENU	AP CPF SPH	6,100.00	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-16 GENU	AP CPF PATE	2,075.00	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	33475 PJ	SCHWARTZ PAGE & HARDING LLP	4,130.51	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	009057-20 PJ	POSTLE PROPERTY SERVICES INC	3,257.00	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	TRACT 1- PJ	BRUCETON LTD	9,746.28	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	10439952 PJ	ANDREWS KURTH LLP	12,020.00	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	TRACTS 2 PJ	HARRIS COUNTY FLOOD CONTROL DI	10,149.00	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	2-1 EASEN PJ	HARRIS COUNTY TREASURER	3,026.75	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	FEB 2009 PJ	POSTLE PROPERTY SERVICES INC	3,760.20	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	33754 PJ	SCHWARTZ PAGE & HARDING LLP	2,068.30	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	009074-20 PJ	SCHWARTZ PAGE & HARDING LLP	3,718.10	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	34044 PJ	SCHWARTZ PAGE & HARDING LLP	10,000.00	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	TRACT 1- PJ	BEVERLY KAUFMAN, HARRIS COUNTY	4,287.00	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	TRACT 1- PJ	BEVERLY KAUFMAN, HARRIS COUNTY	10,464.26	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10443513 PJ	ANDREWS KURTH LLP	3,500.90	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	009087-20 PJ	POSTLE PROPERTY SERVICES INC	5,617.90	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	34320 PJ	SCHWARTZ PAGE & HARDING LLP	8,247.73	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447160 PJ	ANDREWS KURTH LLP	1,881.55	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447159 PJ	ANDREWS KURTH LLP	3,080.54	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447158 PJ	ANDREWS KURTH LLP	696.00	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	TRACT 2- PJ	HARRIS COUNTY FLOOD CONTROL DI	2,500.00	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	0108860 PJ	PATE ENGINEERS	334.50	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	009095-20 PJ	POSTLE PROPERTY SERVICES INC	5,906.30	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	34565 PJ	SCHWARTZ PAGE & HARDING LLP	16,695.60	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450430 PJ	ANDREWS KURTH LLP	14,381.75	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450431 PJ	ANDREWS KURTH LLP	8,928.03	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450432 PJ	ANDREWS KURTH LLP	3,044.00	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	34869 PJ	SCHWARTZ PAGE & HARDING LLP	2,946.78	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	009107-20 PJ	POSTLE PROPERTY SERVICES INC	5,315.34	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10453586 PJ	ANDREWS KURTH LLP	1,813.20	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456956 PJ	ANDREWS KURTH LLP	1,315.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456957 PJ	ANDREWS KURTH LLP	1,090.91	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456958 PJ	ANDREWS KURTH LLP	1,219.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	TCE 2-3 & PJ	HARRIS COUNTY FLOOD CONTROL DI	1,009.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	TCE 2-1 PJ	HARRIS COUNTY TREASURER	2,469.30	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	009118-20 PJ	POSTLE PROPERTY SERVICES INC	4,575.20	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	35151 PJ	SCHWARTZ PAGE & HARDING LLP		

6417-4	EASEMENT/LAND ACQUISITION	9/1/09	2-7 EASEM PJ	JFCSL PROPERTIES LTD - CAPITAL PROJECT	3,246.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	2-6 EASEM PJ	LARRY STRICKLAND	2,259.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	AUGUST 2 PJ	POSTLE PROPERTY SERVICES INC	3,324.74
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	35431 PJ	SCHWARTZ PAGE & HARDING LLP	3,816.00
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460473 PJ	ANDREWS KURTH LLP	2,167.62
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460474 PJ	ANDREWS KURTH LLP	1,098.10
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460475 PJ	ANDREWS KURTH LLP	490.05
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10464003 PJ	ANDREWS KURTH LLP	1,388.25
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	35726 PJ	SCHWARTZ PAGE & HARDING LLP	4,987.10
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	PARCEL 3 PJ	MELISSA TAN	14,966.00
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	PARCEL 3 PJ	S A CRANBROOK LTD	23,391.00
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467739 PJ	ANDREWS KURTH LLP	1,960.20
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467743 PJ	ANDREWS KURTH LLP	7,518.20
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467740 PJ	ANDREWS KURTH LLP	2,363.65
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	009143-20 PJ	POSTLE PROPERTY SERVICES INC	1,928.66
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	35985 PJ	SCHWARTZ PAGE & HARDING LLP	4,271.93
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	PARCEL 1 PJ	ROY RICHARD BROCK	20,000.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	10470861 PJ	ANDREWS KURTH LLP	2,088.41
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	0186146 PJ	ANDREWS KURTH LLP	1,868.58
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	10470860 PJ	ANDREWS KURTH LLP	867.52
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	36218 PJ	SCHWARTZ PAGE & HARDING LLP	2,361.40
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-4 GENJ	CPF-A/P-ANDREWS & KURTH	829.80
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-4 GENJ	CPF-A/P-ANDREWS & KURTH	1,835.25
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-7 GENJ	CPF-A/P-SPH	997.50
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-15 GENJ	CPF-A/P-ANDREWS KURTH-LINE 1	3,329.75
6417-4	EASEMENT/LAND ACQUISITION	2/1/10	HENDRICH PJ	BEVERLY KAUFMAN, HARRIS COUNTY	34,000.00
6417-4	EASEMENT/LAND ACQUISITION	2/1/10	36811 PJ	SCHWARTZ PAGE & HARDING LLP	1,050.40
6417-4	EASEMENT/LAND ACQUISITION	3/1/10	10480300 PJ	ANDREWS KURTH LLP	4,629.51
6417-4	EASEMENT/LAND ACQUISITION	3/2/10	27072 PJ	FOX HUNT LAND RESEARCH SERVICE	50.00
6417-4	EASEMENT/LAND ACQUISITION	3/1/10	37085 PJ	SCHWARTZ PAGE & HARDING LLP	370.50
6417-4	EASEMENT/LAND ACQUISITION	7/1/10	10491154 PJ	ANDREWS KURTH LLP	6,625.40
6417-4	EASEMENT/LAND ACQUISITION	8/1/10	38375 PJ	SCHWARTZ PAGE & HARDING LLP	2,015.50
6417-4	EASEMENT/LAND ACQUISITION	8/13/10	R8-8 GENJ	DEPOSIT HARRIS CO CLERK-POLK FINAL JUC	-4,946.35
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	0114027 PJ	PATE ENGINEERS	2,150.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	38641 PJ	SCHWARTZ PAGE & HARDING LLP	943.50
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	10500549 PJ	ANDREWS KURTH LLP	527.60
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	10500548 PJ	ANDREWS KURTH LLP	7,126.61
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	AUG 2010 PJ	POSTLE PROPERTY SERVICES INC	2,003.80
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	10503917 PJ	ANDREWS KURTH LLP	242.19
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	10503918 PJ	ANDREWS KURTH LLP	4,114.81
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	38933 PJ	SCHWARTZ PAGE & HARDING LLP	2,498.80
6417-4	EASEMENT/LAND ACQUISITION	11/2/10	10506338 PJ	ANDREWS KURTH LLP	775.58
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	39193 PJ	SCHWARTZ PAGE & HARDING LLP	106.70
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	28574 PJ	FOX HUNT LAND RESEARCH SERVICE	50.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	0114872 PJ	PATE ENGINEERS	3,500.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	39489 PJ	SCHWARTZ PAGE & HARDING LLP	102.50
6417-4	EASEMENT/LAND ACQUISITION	12/31/10	J12-5 GENJ	CPF A/P SPH	205.00
6417-4	EASEMENT/LAND ACQUISITION	2/1/11	40038 PJ	SCHWARTZ PAGE & HARDING LLP	1,107.45
6417-4	EASEMENT/LAND ACQUISITION	3/1/11	40303 PJ	SCHWARTZ PAGE & HARDING LLP	127.50
6417-4	EASEMENT/LAND ACQUISITION	4/1/11	40548 PJ	SCHWARTZ PAGE & HARDING LLP	106.25
6417-4	EASEMENT/LAND ACQUISITION	4/5/11	10523038 PJ	ANDREWS KURTH LLP	1,069.20
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	28892 PJ	FOX HUNT LAND RESEARCH SERVICE	200.00
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	009299-20 PJ	POSTLE PROPERTY SERVICES INC	568.99
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	40795 PJ	SCHWARTZ PAGE & HARDING LLP	561.90
6417-4	EASEMENT/LAND ACQUISITION	6/1/11	10528653 PJ	ANDREWS KURTH LLP	5,398.30
6417-4	EASEMENT/LAND ACQUISITION	6/1/11	41044 PJ	SCHWARTZ PAGE & HARDING LLP	504.75
6417-4	EASEMENT/LAND ACQUISITION	7/1/11	41310 PJ	SCHWARTZ PAGE & HARDING LLP	311.50
6417-4	EASEMENT/LAND ACQUISITION	8/2/11	7129/11 PJ	CLINTON H HENDRICKS TRUSTEE	17,500.00
6417-4	EASEMENT/LAND ACQUISITION	8/2/11	0169774 PJ	COTTON SURVEYING COMPANY	5,717.32
6417-4	EASEMENT/LAND ACQUISITION	9/7/11	41795 PJ	SCHWARTZ PAGE & HARDING LLP	281.65

6417-4	EASEMENT/LAND ACQUISITION	11/1/11	10544569 PJ	ANDREWS KURTH LLP	4,963.11	
6417-4	EASEMENT/LAND ACQUISITION	11/1/11	42265 PJ	SCHWARTZ PAGE & HARDING LLP	110.25	
6417-4	EASEMENT/LAND ACQUISITION	6/1/14	5/30/14 PJ	ANDREWS KURTH LLP	212.80	
						563,006.43
						=====
6315-4	Fiscal Fees(F/A)				225,000.00	
6315-4	FINANCIAL ADVISOR-GENERAL	8/1/08	SER 2008 PJ	THE GMS GROUP LLC - CAPITAL PROJECTS F	225,000.00	
						=====
						225,000.00
						=====
6320-4	Legal Fees				395,000.00	
6320-4	BOND COUNSEL FEE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP - CAPITAL	395,000.00	
						=====
						395,000.00
						=====
6359-4	Bond Issuance				14,075.03	
6359-4	COST OF ISSUANCE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP	679.90	
6359-4	COST OF ISSUANCE	9/30/08	J9-4 GENU	TSFR CPF TO GOF	9,915.00	
	ISSUANCE EXPENSES	6/1/08	SER 08 PJ	ATTORNEY GENERAL OF TEXAS	9,500.00	
	ISSUANCE EXPENSES	6/1/08	34817282 PJ	STANDARD & POOR'S	415.00	
6359-4	COST OF ISSUANCE	10/1/08	32299 PJ	SCHWARTZ PAGE & HARDING LLP	777.13	
6359-4	COST OF ISSUANCE	10/31/08	J10-7 GENU	COMPASS INT & SC	10.00	
6359-4	PRINTING & OFFICE SUPPLIES	8/21/08	J8-4 GENU	TSB INT & SC	10.00	
6359-4	BOND COUNSEL FEE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP - CAPITAL	500.00	
6359-4	COST OF ISSUANCE	11/17/08	J11-8 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	12/15/08	J12-13 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	12/31/08	J12-3 GENU	A/P CPF BOOKBINDERY	958.00	
6359-4	COST OF ISSUANCE	1/16/09	J1-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	2/16/09	J2-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	3/16/09	J3-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	4/15/09	J4-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	5/15/09	J5-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	6/15/09	J6-14 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	8/1/09	9900.064 PJ	MCCALL PARKHURST & HORTON LLP	450.00	
6359-4	COST OF ISSUANCE	7/20/09	J7-6 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	8/17/09	J8-8 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	9/15/09	J9-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	10/15/09	J10-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	11/30/09	J11-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	12/15/09	J12-14 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	1/15/10	J1-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	2/16/10	J2-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	3/15/10	J3-8 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	4/15/10	J4-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	5/17/10	J5-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	6/15/10	J6-7 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	7/15/10	J7-11 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	8/16/10	J8-12 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	9/15/10	J9-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	10/29/10	J10-8 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	11/15/10	J11-7 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	12/16/10	J12-12 GENU	COMPASS SC	10.00	

6359-4	COST OF ISSUANCE	1/18/11	J1-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/11	J2-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/11	J3-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/11	J4-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/16/11	J5-21	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/15/11	J6-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/11	J7-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/11	J8-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/15/11	J9-12	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/17/11	J10-12	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/11	J11-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/15/11	J12-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/17/12	J1-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/12	J2-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/12	J3-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/16/12	J4-6	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/12	J5-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/12	J10-6	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/12	J11-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/17/12	J12-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/15/13	J1-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/13	J2-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/13	J3-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/13	J4-6	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/13	J5-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/17/13	J6-4	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/13	J7-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/13	J8-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/16/13	J9-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/13	J10-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/13	J11-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/16/13	J12-12	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/15/14	J1-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/18/14	J2-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/17/14	J3-6	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/14	J4-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/14	J5-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/16/14	J6-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/14	J7-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/14	J8-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/15/14	J9-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/14	J10-7	GENU	COMPASS SC	15.00
6359-4	COST OF ISSUANCE	11/17/14	J11-7	GENU	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	12/15/14	J12-7	GENU	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	1/15/15	J1-11	GENU	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	2/17/15	J2-7	GENU	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	3/16/15	J3-5	GENU	COMPASS SC	18.00

14,075.03

12,823,224.22

6800-4	Capacity Buy-In					
6800-4	CAPACITY BUY-IN	10/1/08	55476	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	3,521,445.00
6800-4	CAPACITY BUY-IN	2/1/09	CWA 1/31/PJ		CITY OF HOUSTON - CAPITAL PROJECTS FUP	2,273.00
6800-4	CAPACITY BUY-IN	6/1/09	6/15/09	PJ	CITY OF HOUSTON	63,000.00
6800-4	CAPACITY BUY-IN	12/1/09	12/7/09	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	1,490,806.09
6800-4	CAPACITY BUY-IN	6/1/10	6/15/10	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	31,500.00
6800-4	CAPACITY BUY-IN	5/1/12	4/11/2012	PJ	CITY OF HOUSTON	31,500.00
6800-4	CAPACITY BUY-IN	3/1/13	3/14/13	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	2,200.41

6800-4	CAPACITY BUY-IN	12/1/13	EXHIBIT C PJ	NORTH HARRIS COUNTY RWA - CAPITAL PRC	7,679,119.84		
6800-4	CAPACITY BUY-IN	5/7/15	5/7/2015 PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUN	1,379.88		
						12,823,224.22	
6336-4	Other (Capitalized Interest)	8/8/08	J8-5	BOND SALE	475,286.00		475,286.00
						475,286.00	
6500-4	Capitalizable Previous Incurred Expense						289,077.05
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET			
	LEGAL FEES-JOINT SURFACE WL	2/1/08	30279	SCHWARTZ PAGE & HARDING L	5,786.25		
	LEGAL FEES-JOINT SURFACE WL	3/1/08	30546	SCHWARTZ PAGE & HARDING L	572.50		
	LEGAL FEES-JOINT SURFACE WL	4/1/08	30843	SCHWARTZ PAGE & HARDING L	93.75		
	LEGAL FEES-JOINT SURFACE WL	5/1/08	31150	SCHWARTZ PAGE & HARDING L	93.75		
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET			179,593.70
	COH INTEREST PAYMENT	1/1/08	1/1/2008	CITY OF HOUSTON			
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET			2,937.10
	LEGAL FEES-CONSTRUCTION	1/1/08	29924	SCHWARTZ PAGE & HARDING L	2,339.35		
	LEGAL FEES-CONSTRUCTION	2/1/08	30280	SCHWARTZ PAGE & HARDING L	597.75		
	1 year only + \$100,000. (COH)						100,000.00
						289,077.05	
6900-4	Chloramination Conversion						2,574,334.00
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 150	974,074.00		
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 217	329,985.00		
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 200	844,849.00		
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	RANKIN RD WEST MUD	265,008.00		
6900-4	CHLORAMINATION CONVERSION	8/1/13	7/26/13 PJ	FALLBROOK UTILITY DISTRICT	160,418.00		
						2,574,334.00	
5391-4	Interest Earned						(480,912.37)
5391-4	INTEREST ON INVESTMENTS	8/21/08	J8-4	TSB INT & SC	3,997.83		
5391-4	INTEREST ON INVESTMENTS	8/29/08	J8-10	COMPASS INTEREST	7,243.77		
5391-4	INTEREST ON INVESTMENTS	8/31/08	J8-11	WELLS FARGO ESCROW INTEREST	13,594.54		
5391-4	INTEREST ON INVESTMENTS	9/30/08	J9-8	COMPASS INTEREST	28,827.05		
5391-4	INTEREST ON INVESTMENTS	9/30/08	J9-9	WELLS FARGO ESCROW INTEREST	10,786.70		
5391-4	INTEREST ON INVESTMENTS	10/31/08	J10-7	COMPASS INT & SC	31,897.20		
5391-4	INTEREST ON INVESTMENTS	10/31/08	J10-8	WELLS FARGO ESCROW INTEREST	7,438.50		
5391-4	INTEREST ON INVESTMENTS	11/28/08	J11-7	COMPASS INTEREST	20,821.44		
5391-4	INTEREST ON INVESTMENTS	11/30/08	J11-9	WELLS FARGO ESCROW INTEREST	5,482.41		
5391-4	INTEREST ON INVESTMENTS	12/31/08	J12-12	COMPASS INTEREST	24,321.12		
5391-4	INTEREST ON INVESTMENTS	12/31/08	J12-14	WELLS FARGO ESCROW INTEREST	4,012.62		
5391-4	INTEREST ON INVESTMENTS	1/31/09	J1-9	COMPASS INTEREST	20,734.32		
5391-4	INTEREST ON INVESTMENTS	1/31/09	J1-11	WELLS FARGO ESC INT	2,923.00		
5391-4	INTEREST ON INVESTMENTS	2/28/09	J2-8	COMPASS INTEREST	9,710.59		
5391-4	INTEREST ON INVESTMENTS	2/28/09	J2-10	WELLS FARGO ESCROW INTEREST	1,836.91		
5391-4	INTEREST ON INVESTMENTS	3/31/09	J3-9	COMPASS INTEREST	9,852.86		
5391-4	INTEREST ON INVESTMENTS	3/31/09	J3-11	WELLS FARGO ESCROW INTEREST	1,445.17		

5391-4	INTEREST ON INVESTMENTS	4/30/09	J4-9	GENJ	COMPASS INTEREST	9,110.49
5391-4	INTEREST ON INVESTMENTS	4/30/09	J4-11	GENJ	WELLS FARGO ESCROW INTEREST	893.80
5391-4	INTEREST ON INVESTMENTS	5/29/09	J5-9	GENJ	COMPASS INTEREST	8,794.59
5391-4	INTEREST ON INVESTMENTS	5/31/09	J5-11	GENJ	WELLS FARGO ESCROW INTEREST	784.20
5391-4	INTEREST ON INVESTMENTS	6/30/09	J6-13	GENJ	COMPASS INTEREST	11,288.18
5391-4	INTEREST ON INVESTMENTS	7/31/09	J7-5	GENJ	COMPASS INTEREST	11,295.35
5391-4	INTEREST ON INVESTMENTS	8/17/09	R8-10	GENJ	DEP WELLS FARGO INTEREST	51.06
5391-4	INTEREST ON INVESTMENTS	8/31/09	J8-7	GENJ	COMPASS INTEREST	11,199.57
5391-4	INTEREST ON INVESTMENTS	9/30/09	J9-9	GENJ	COMPASS INTEREST	10,721.46
5391-4	INTEREST ON INVESTMENTS	10/30/09	J10-9	GENJ	COMPASS INTEREST	10,687.68
5391-4	INTEREST ON INVESTMENTS	11/30/09	J11-9	GENJ	COMPASS INTEREST	8,373.87
5391-4	INTEREST ON INVESTMENTS	12/31/09	J12-13	GENJ	COMPASS INTEREST	7,993.63
5391-4	INTEREST ON INVESTMENTS	1/29/10	J1-9	GENJ	COMPASS INTEREST	6,704.62
5391-4	INTEREST ON INVESTMENTS	2/26/10	J2-8	GENJ	COMPASS INTEREST	6,446.85
5391-4	INTEREST ON INVESTMENTS	3/31/10	J3-7	GENJ	COMPASS INTEREST	7,595.71
5391-4	INTEREST ON INVESTMENTS	4/30/10	J4-8	GENJ	COMPASS INTEREST	6,321.25
5391-4	INTEREST ON INVESTMENTS	5/28/10	J5-8	GENJ	COMPASS INTEREST	5,755.44
5391-4	INTEREST ON INVESTMENTS	6/30/10	J6-6	GENJ	COMPASS INTEREST	6,725.91
5391-4	INTEREST ON INVESTMENTS	7/31/10	J7-10	GENJ	COMPASS INTEREST	6,079.41
5391-4	INTEREST ON INVESTMENTS	8/31/10	J8-11	GENJ	COMPASS INTEREST	6,289.70
5391-4	INTEREST ON INVESTMENTS	9/30/10	J9-8	GENJ	COMPASS INTEREST	5,851.70
5391-4	INTEREST ON INVESTMENTS	10/29/10	J10-7	GENJ	COMPASS INTEREST	5,596.09
5391-4	INTEREST ON INVESTMENTS	11/30/10	J11-6	GENJ	COMPASS INTEREST	6,117.71
5391-4	INTEREST ON INVESTMENTS	12/31/10	J12-11	GENJ	COMPASS INTEREST	5,884.45
5391-4	INTEREST ON INVESTMENTS	1/31/11	J1-8	GENJ	COMPASS INTEREST	5,884.76
5391-4	INTEREST ON INVESTMENTS	2/28/11	J2-8	GENJ	COMPASS INTEREST	5,317.10
5391-4	INTEREST ON INVESTMENTS	3/31/11	J3-7	GENJ	COMPASS INTEREST	5,888.86
5391-4	INTEREST ON INVESTMENTS	4/29/11	J4-8	GENJ	COMPASS INTEREST	4,598.82
5391-4	INTEREST ON INVESTMENTS	5/31/11	J5-20	GENJ	COMPASS INTEREST	5,051.53
5391-4	INTEREST ON INVESTMENTS	6/30/11	J6-7	GENJ	COMPASS INTEREST	4,732.18
5391-4	INTEREST ON INVESTMENTS	7/29/11	J7-8	GENJ	COMPASS INTEREST	3,659.09
5391-4	INTEREST ON INVESTMENTS	8/31/11	J8-9	GENJ	COMPASS INTEREST	4,158.09
5391-4	INTEREST ON INVESTMENTS	9/30/11	J9-11	GENJ	COMPASS INTEREST	3,779.96
5391-4	INTEREST ON INVESTMENTS	10/31/11	J10-11	GENJ	COMPASS INTEREST	3,907.22
5391-4	INTEREST ON INVESTMENTS	11/30/11	J11-6	GENJ	COMPASS INTEREST	3,780.90
5391-4	INTEREST ON INVESTMENTS	12/30/11	J12-8	GENJ	COMPASS INTEREST	3,762.03
5391-4	INTEREST ON INVESTMENTS	1/31/12	J1-10	GENJ	COMPASS INTEREST	3,792.83
5391-4	INTEREST ON INVESTMENTS	2/29/12	J2-9	GENJ	COMPASS INTEREST	3,200.20
5391-4	INTEREST ON INVESTMENTS	3/30/12	J3-11	GENJ	COMPASS INTEREST	2,762.12
5391-4	INTEREST ON INVESTMENTS	4/30/12	J4-7	GENJ	COMPASS INTEREST	2,618.92
5391-4	INTEREST ON INVESTMENTS	5/31/12	J5-10	GENJ	COMPASS INTEREST	2,326.19
5391-4	INTEREST ON INVESTMENTS	6/29/12	J6-6	GENJ	COMPASS INTEREST	2,176.60
5391-4	INTEREST ON INVESTMENTS	7/31/12	J7-12	GENJ	COMPASS INTEREST	2,395.09
5391-4	INTEREST ON INVESTMENTS	8/31/12	J8-8	GENJ	COMPASS INTEREST	2,319.17
5391-4	INTEREST ON INVESTMENTS	10/1/12	J10-7	GENJ	COMPASS INTEREST	2,763.40
5391-4	INTEREST ON INVESTMENTS	11/1/12	J11-8	GENJ	COMPASS INTEREST	3,086.06
5391-4	INTEREST ON INVESTMENTS	12/3/12	J12-9	GENJ	COMPASS INTEREST	2,987.52
5391-4	INTEREST ON INVESTMENTS	1/2/13	J1-9	GENJ	COMPASS INTEREST	3,088.05
5391-4	INTEREST ON INVESTMENTS	2/1/13	J2-9	GENJ	COMPASS INTEREST	2,693.52
5391-4	INTEREST ON INVESTMENTS	3/1/13	J3-9	GENJ	COMPASS INTEREST	2,098.52
5391-4	INTEREST ON INVESTMENTS	4/1/13	J4-5	GENJ	COMPASS INTEREST	1,549.04
5391-4	INTEREST ON INVESTMENTS	5/1/13	J5-9	GENJ	COMPASS INTEREST	1,499.18
5391-4	INTEREST ON INVESTMENTS	6/3/13	J6-5	GENJ	COMPASS INTEREST	1,549.36
5391-4	INTEREST ON INVESTMENTS	7/1/13	J7-7	GENJ	COMPASS INTEREST	1,499.22
5391-4	INTEREST ON INVESTMENTS	8/1/13	J8-6	GENJ	COMPASS INTEREST	1,549.46
5391-4	INTEREST ON INVESTMENTS	9/3/13	J9-7	GENJ	COMPASS INTEREST	1,528.36
5391-4	INTEREST ON INVESTMENTS	10/1/13	J10-4	GENJ	COMPASS INTEREST	1,473.27
5391-4	INTEREST ON INVESTMENTS	11/1/13	J11-6	GENJ	COMPASS INTEREST	1,522.64

5391-4	INTEREST ON INVESTMENTS	12/2/13	J12-11	GENJ	COMPASS INTEREST	1,473.77
5391-4	INTEREST ON INVESTMENTS	1/2/14	J1-9	GENJ	COMPASS INTEREST	326.29
5391-4	INTEREST ON INVESTMENTS	2/3/14	J2-4	GENJ	COMPASS INTEREST	218.80
5391-4	INTEREST ON INVESTMENTS	3/3/14	J3-5	GENJ	COMPASS INTEREST	197.66
5391-4	INTEREST ON INVESTMENTS	4/1/14	J4-6	GENJ	COMPASS INTEREST	218.87
5391-4	INTEREST ON INVESTMENTS	5/1/14	J5-6	GENJ	COMPASS INTEREST	211.58
5391-4	INTEREST ON INVESTMENTS	6/2/14	J6-4	GENJ	COMPASS INTEREST	218.60
5391-4	INTEREST ON INVESTMENTS	7/1/14	J7-8	GENJ	COMPASS INTEREST	211.58
5391-4	INTEREST ON INVESTMENTS	8/1/14	J8-6	GENJ	COMPASS INTEREST	206.33
5391-4	INTEREST ON INVESTMENTS	9/2/14	J9-4	GENJ	COMPASS INTEREST	164.03
5391-4	INTEREST ON INVESTMENTS	10/1/14	J10-6	GENJ	COMPASS INTEREST	158.76
5391-4	INTEREST ON INVESTMENTS	11/3/14	J11-6	GENJ	COMPASS INTEREST	164.07
5391-4	INTEREST ON INVESTMENTS	12/1/14	J12-6	GENJ	COMPASS INTEREST	158.79
5391-4	INTEREST ON INVESTMENTS	1/2/15	J1-10	GENJ	COMPASS INTEREST	164.10
5391-4	INTEREST ON INVESTMENTS	2/2/15	J2-6	GENJ	COMPASS INTEREST	164.01
5391-4	INTEREST ON INVESTMENTS	3/2/15	J3-4	GENJ	COMPASS INTEREST	148.12
<b>TOTAL COSTS</b>						(480,912.37)
						20,764,025.92
						20,764,025.92

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2014 - December 31, 2010**

	2014	2013	2012	2011	2010
<b>Operating Revenues</b>					
Pumpage fees	\$1,577,942	\$1,670,501	\$1,714,575	\$1,308,338	\$1,922,672
Surface water	<u>\$1,283,329</u>	<u>\$1,031,107</u>	<u>\$820,416</u>	<u>\$1,051,824</u>	<u>-</u>
Total Operating revenues	<u>\$2,861,271</u>	<u>\$2,701,608</u>	<u>\$2,534,991</u>	<u>\$2,360,162</u>	<u>\$1,922,672</u>
<b>Operating Expenses</b>					
Purchased water service	\$1,040,271	\$868,017	\$593,272	\$745,098	\$208,060
Professional fees	\$294,972	\$233,025	\$221,344	\$219,048	\$208,847
Contracted services	\$61,297	\$51,320	\$49,545	\$56,577	\$39,340
Repairs and maintenance	\$2,263	\$218,828	-	-	-
Other expenditures	\$95,134	\$97,356	\$89,141	\$86,787	\$77,144
Depreciation	<u>\$563,275</u>	<u>\$397,271</u>	<u>\$284,285</u>	<u>\$248,385</u>	<u>\$196,474</u>
Total operating expense	<u>\$2,057,212</u>	<u>\$1,865,817</u>	<u>\$1,237,587</u>	<u>\$1,355,895</u>	<u>\$729,865</u>
<b>Operating Income</b>	<u>\$804,059</u>	<u>\$835,791</u>	<u>\$1,297,404</u>	<u>\$1,004,267</u>	<u>\$1,192,807</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	\$7,482	\$29,286	\$41,926	\$80,927	\$94,416
Other income	-	-	\$6,512	-	-
Interest and fees	<u>(\$434,520)</u>	<u>(\$447,639)</u>	<u>(\$484,300)</u>	<u>(\$456,861)</u>	<u>(\$421,019)</u>
Total nonoperating expenses	<u>(\$427,038)</u>	<u>(\$418,353)</u>	<u>(\$435,862)</u>	<u>(\$375,934)</u>	<u>(\$326,603)</u>
<b>Change in Net Position</b>	\$377,021	\$417,438	\$861,542	\$628,333	\$866,204

**Central Harris County Regional Water Authority**

Harris County, Texas

Auditor's Report and Financial Statements

December 31, 2013



# Central Harris County Regional Water Authority

## December 31, 2013

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## Independent Auditor's Report

Board of Directors  
Central Harris County Regional Water Authority  
Harris County, Texas

We have audited the accompanying basic financial statements of Central Harris County Regional Water Authority (the Authority), which are comprised of a statement of net position as of December 31, 2013, and statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors  
Central Harris County Regional Water Authority  
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 9 to the financial statements, in 2013, the Authority adopted the new accounting guidance included in Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Houston, Texas  
May 9, 2014

# Central Harris County Regional Water Authority

## Management's Discussion and Analysis

### December 31, 2013

#### **Introduction**

This management's discussion and analysis of the financial performance of Central Harris County Regional Water Authority (the Authority) provides an overview of the Authority's financial activities for the year ended December 31, 2013. It should be read in conjunction with the accompanying financial statements of the Authority.

#### **Using This Annual Report**

The Authority's basic financial statements consist of three statements -- a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors or participating entities. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### **The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position**

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The statement of net position and statement of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The Authority's total net position – the difference between assets and liabilities – is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's service area, changes in legislation and regulations, measures of the quantity and quality of services provided to its participants, and local economic factors should also be considered to assess the overall financial health of the Authority.

#### **The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Financial Analysis of the Authority**

Effective January 1, 2013, the Authority adopted the new accounting and financial reporting guidance included in GASB Statement No. 65 (Statement No. 65), *Items Previously Reported as Assets and Liabilities*.

Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows or inflows of resources and recognizes as expenses or revenues certain items that were previously reported as assets and liabilities. The adjustments required for the Authority's 2012 financial statements, not presented herein, for adoption of Statement No. 65, include reducing other noncurrent assets for previously capitalized deferred debt issuance costs and reducing interest and fees for debt issuance costs amortized during 2012. The Authority's 2012 summarized financial information presented below has been restated to reflect the adoption of Statement No. 65.

**The Authority's Net Position**

The Authority's overall financial position and activities for the past two years are summarized as follows, based on the information included in the financial statements.

**Summary of Assets, Liabilities and Net Position**

	<b>2013</b>	<b>Restated 2012</b>
Current assets	\$ 6,172,369	\$ 14,111,325
Capital assets	18,261,963	10,819,697
Total assets	<u>\$ 24,434,332</u>	<u>\$ 24,931,022</u>
Long-term liabilities	\$ 17,290,000	\$ 18,265,000
Current liabilities	1,367,589	1,306,717
Total liabilities	<u>18,657,589</u>	<u>19,571,717</u>
Net position:		
Net investment in capital assets	623,826	62,543
Restricted	2,004,288	1,786,748
Unrestricted	3,148,629	3,510,014
Total net position	<u>\$ 5,776,743</u>	<u>\$ 5,359,305</u>

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Operating Results and Changes in Net Position**

The total net position of the Authority increased by \$417,438, or about 8 percent, due to pumpage fees and surface water fees received from participants in excess of general expenditures of the Authority.

**Summary of Revenues, Expenses and Change in Net Position**

	<b>2013</b>	<b>Restated 2012</b>
Operating revenues:		
Charges for services	\$ 2,701,608	\$ 2,534,991
Operating expenses:		
Administrative expenses	1,468,546	953,302
Depreciation and amortization	397,271	284,285
Total operating expenses	1,865,817	1,237,587
Operating income	835,791	1,297,404
Nonoperating revenues (expenses):		
Investment income	29,286	41,926
Other income	-	6,512
Interest and fees	(447,639)	(459,240)
Total nonoperating expenses	(418,353)	(410,802)
Change in net position	417,438	886,602
Net position, beginning of year	5,359,305	4,472,703
Net position, end of year	\$ 5,776,743	\$ 5,359,305

**Operating Income**

The first component of the overall change in the Authority's net position is its operating income or loss – generally, the difference between charges to participants and the expenses incurred to perform services.

The primary components of the operating income are related to charges to participants to pay the operating expenses of the Authority.

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of investment income and interest expense.

**The Authority's Cash Flows**

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier.

**Capital Assets and Debt Administration**

**Capital Assets**

Capital assets held by the Authority at the end of the current and previous fiscal years are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	2013	2012
Land and improvements	\$ 750,725	\$ 750,725
Water facilities	17,511,238	10,068,972
Total capital assets	\$ 18,261,963	\$ 10,819,697

During the current year, additions to capital assets were as follows:

District's share of joint facilities with the North Harris County Regional Water Authority	\$ 7,679,119
Chloramine conversions at Member District Fallbrook Utility District	160,418
Total additions to capital assets	\$ 7,839,537

**Debt**

The changes in the debt position of the Authority during the fiscal year ended December 31, 2013, is summarized as follows:

Long-term debt payable, beginning of year	\$ 19,225,000
Decreases in long-term debt	(960,000)
Long-term debt payable, end of year	\$ 18,265,000

The Authority's Series 2008 bonds are not rated.

**Central Harris County Regional Water Authority**  
**Statement of Net Position**  
**December 31, 2013**

**Assets****Current Assets**

Cash and cash equivalents	\$ 5,892,053
Due from participants	278,956
Prepaid expenses	<u>1,360</u>
Total current assets	<u>6,172,369</u>

**Noncurrent Assets**

## Capital assets (net of accumulated depreciation):

Land and improvements	750,725
Interest in water facilities	<u>17,511,238</u>

Total noncurrent assets	<u>18,261,963</u>
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Total assets	<u>24,434,332</u>
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**Liabilities****Current Liabilities**

Accounts payable	209,321
Accrued interest payable	183,268
Current portion of long-term debt	<u>975,000</u>

Total current liabilities	1,367,589
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**Long-term Debt**

Due after one year	<u>17,290,000</u>
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Total liabilities	<u>18,657,589</u>
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**Net Position**

Net investment in capital assets	623,826
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## Restricted for:

Debt service	1,526,868
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Capital acquisitions	477,420
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Unrestricted	<u>3,148,629</u>
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Total net position	<u>\$ 5,776,743</u>
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**Central Harris County Regional Water Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2013**

<b>Operating Revenues</b>	
Pumpage fees	\$ 1,670,501
Surface water	<u>1,031,107</u>
Total operating revenues	<u>2,701,608</u>
<b>Operating Expenses</b>	
Purchased water service	868,017
Professional fees	233,025
Contracted services	51,320
Repairs and maintenance	218,828
Other expenditures	97,356
Depreciation	<u>397,271</u>
Total operating expenses	<u>1,865,817</u>
<b>Operating Income</b>	<u>835,791</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	29,286
Interest and fees	<u>(447,639)</u>
Total nonoperating expenses	<u>(418,353)</u>
<b>Change in Net Position</b>	417,438
<b>Net Position</b>	
Beginning of year, as previously reported	5,895,270
Adjustment for adoption of new accounting standard (Note 9)	<u>(535,965)</u>
Beginning of year, as restated	<u>5,359,305</u>
End of year	<u>\$ 5,776,743</u>

# Central Harris County Regional Water Authority

## Statement of Cash Flows Year Ended December 31, 2013

<b>Operating Activities</b>	
Receipts from participants	\$ 2,790,787
Payments for service operations	(1,415,334)
Changes in customer deposits	<u>(2,408)</u>
Net cash provided by operating activities	<u>1,373,045</u>
<b>Capital and Related Financing Activities</b>	
Principal paid on long-term debt	(960,000)
Interest paid on long-term debt	(452,851)
Purchase of capital assets	<u>(7,839,537)</u>
Net cash used in capital and related financing activities	<u>(9,252,388)</u>
<b>Investing Activity</b>	
Interest and other income	<u>29,286</u>
Net cash provided by investing activity	<u>29,286</u>
Decrease in Cash and Cash Equivalents	(7,850,057)
Cash and Cash Equivalents, Beginning of Year	<u>13,742,110</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,892,053</u>
<b>Reconciliation of Net Operating Revenues to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 835,791
Depreciation and amortization	397,271
Changes in:	
Customer deposits	(2,688)
Participant receivables	89,179
Accounts payable and accrued liabilities	<u>53,492</u>
Net cash provided by operating activities	<u>\$ 1,373,045</u>

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

Central Harris County Regional Water Authority (the Authority) was created by House Bill Number 3181 (the Bill) of the 79th Legislature of the State of Texas, Regular Session, effective September 1, 2005 (inception), now codified in Chapter 8815, Texas Special District Local Laws Code. Chapter 8815 authorizes the Authority to purchase, construct or otherwise acquire surface and underground water supplies. The Authority may also enter into contracts with others for the supply and transport of water, but may not impose, levy, assess or collect taxes on property.

The Authority is governed by a Board of Directors (the Board) consisting of five individuals who are appointed by the entities participating in the Authority. The Board sets the policies of the Authority. The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the Authority:

The Authority charges a fee, based on the amount of water pumped from the well, to the owner of wells located within the boundaries of the Authority, unless exempted. These fees enable the Authority to fulfill its purpose and regulatory functions, as set forth in the act. Effective January 1, 2012, the pumpage fee charge was \$1.46 per 1,000 gallons of water pumped from each well or transported into the Authority from outside and the surface water fee increased to \$1.80 per 1,000 gallons of surface water supplied. Effective July 1, 2013, the pumpage or transportation fee was increased to \$1.56 per 1,000 gallons of water pumped from each well and the surface water fee increased to \$1.90 per 1,000 gallons of surface water supplied. These rates are subject to future changes.

***Reporting Entity***

There are no component units that are legally separate entities for which the Authority is considered to be financially accountable. Accountability is defined as the Authority's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the Authority must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the Authority.

***Basis of Accounting and Presentation***

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources management focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB.

***Pension Costs***

The Authority does not participate in a pension plan and, therefore, has no pension costs.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013, cash equivalents consisted primarily of TexPool and certificate of deposit accounts.

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure, are reported in the financial statements. Capital assets are defined by the Authority as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as shown below:

	<b>Years</b>
Interest in water production and distribution facilities	40

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

***Long-term Obligations***

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

***Debt Issuance Costs***

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset since the costs are not applicable to a future period and therefore are recognized as an expense/expenditure in the period incurred.

***Net Position***

Net position of the Authority is classified in three components. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, donors or participants external to the Authority, including amounts held as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable. When both restricted and unrestricted resources are available for use, generally, it is the Authority's policy to use restricted resources first.

The components of invested in capital assets, net of related debt are as follows:

Capital assets, net	\$ 18,261,963
Long-term debt	(18,265,000)
Accrued interest payable on long-term debt	(183,268)
Unexpended bond proceeds for construction	<u>810,131</u>
Total	<u>\$ 623,826</u>

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law and the Authority's investment policy.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At December 31, 2013, none of the Authority's bank balances were exposed to custodial credit risk.

**Investments**

The Authority may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The Authority's investment policy may be more restrictive than the Public Funds Investment Act.

The Authority invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2013, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 2,002,656	\$ 2,002,656	\$ 0	\$ 0	\$ 0

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2013, the Authority's investments in TexPool were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statement of net position as cash and cash equivalents.

**Investment Income**

Investment income of \$29,286 for the year ended December 31, 2013, consisted of interest income.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2013, is presented below:

	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 750,725	\$ -	\$ 750,725
Capital assets, depreciable:			
Water production and distribution facilities	11,315,359	7,839,537	19,154,896
Less accumulated depreciation:			
Water production and distribution facilities	(1,246,387)	(397,271)	(1,643,658)
Total governmental activities, net	<u>\$ 10,819,697</u>	<u>\$ 7,442,266</u>	<u>\$ 18,261,963</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2013, were as follows:

	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
Revenue bonds	<u>\$ 19,225,000</u>	<u>\$ 960,000</u>	<u>\$ 18,265,000</u>	<u>\$ 975,000</u>

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Revenue Bonds**

	<b>Series 2008</b>
Amount outstanding, December 31, 2013	\$18,265,000
Interest rates	1.3030% to 2.9220%
Maturity dates, serially beginning/ending	August 1, 2014/2029
Interest payment dates	February 1/August 1
Callable date*	August 1, 2018

\*Or any date thereafter, callable at par plus accrued interest to the date of redemption.

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds outstanding at December 31, 2013.

Year	Principal	Interest	Total
2014	\$ 975,000	\$ 439,842	\$ 1,414,842
2015	985,000	425,871	1,410,871
2016	1,000,000	410,278	1,410,278
2017	1,020,000	392,948	1,412,948
2018	1,040,000	373,741	1,413,741
2019-2023	5,555,000	1,512,088	7,067,088
2024-2028	6,315,000	745,607	7,060,607
2029	1,375,000	40,178	1,415,178
Total	\$ 18,265,000	\$ 4,340,553	\$ 22,605,553

The bonds are payable from and secured by a first lien on and pledge of Pledged Revenues (as defined in the Bond Order) to be received from participants. The bonds are special obligations of the Authority and do not constitute a general obligation of the Authority.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 5: Significant Bond Order and Commission Requirements**

- A. The Bond Order establishes a debt service reserve fund to be maintained as long as the bonds are outstanding. The Authority is to maintain a reserve in the debt service fund equal to the average annual sum payable in respect of the principal and interest scheduled to become due on all bonds outstanding at the time of such computation. At December 31, 2013, the required reserve fund balance is \$1,526,868.
- B. The Bond Order establishes a surplus revenues fund to be maintained as long as the bonds are outstanding. The surplus revenues fund contains any net revenues remaining in or accrued by the general fund at the end of each fiscal year, after payment of operation and maintenance expenses and making required deposits, including deposits to the debt service fund and the debt service reserve fund. The calculation of surplus revenues is based on net revenues of the general fund; including revenues, expenditures, transfers from capital projects fund to reimburse the general fund for capital activities; and transfers to the debt service fund and to the debt service reserve fund. During the year ended December 31, 2013, there were no surplus revenues. Surplus revenues retained at the beginning of 2013 were \$3,934,884.
- C. The Authority has covenanted that it will at all times keep insured such parts of the system that are customarily insured by municipal corporations and political subdivisions in Texas. At December 31, 2013, the Authority has general liability coverage of \$3,000,000 and pollution liability coverage of \$2,000,000.

**Note 6: City of Houston**

On November 25, 2003, Harris County Municipal Utility District No. 33 (District No. 33), as Operating District for the Central Harris County Water Users Consortium (the Consortium), predecessor to the Authority, entered into a Water Supply Contract (the Contract) with the City of Houston (the City) for an initial term of 40 years. Pursuant to the Contract, the Authority purchases potable treated surface water from the City for distribution and use for domestic, commercial and other purposes. The City is responsible for the design, construction, ownership, maintenance and delivery of surface water, pursuant to said Contract. The Authority, in cooperation with the North Harris County Regional Water Authority (the North Authority), is responsible for the design, construction, ownership, maintenance and operation of facilities downstream of the point(s) of delivery. The City will make available to the Authority at the point(s) of delivery the amount of water that equals the Water Demand Allocation described in the Contract, which is 2.12 million gallons per day (mgd), for the period 2010 through 2019. The Authority was obligated to purchase all of the Initial Untreated Water Facilities Demand Allocation in the approximate amount of 2.12 mgd for \$3,521,445, which was paid to the City during a prior year. The Authority also made an additional payment of \$1,490,806 for untreated water facilities to the City during a prior year.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

On January 28, 2009, the Authority and the City executed a first supplement to the water supply contract to provide for the permitting, engineering, surveying and right-of-way acquisition necessary for the Luce Bayou Interbasin Transfer Project and its construction. Under terms of the agreement, the Authority is obligated to fund its share of the project costs in future years.

The Authority is required to reimburse the City on a periodic basis for the expenses incurred by the City in production and treating the water delivered to the Authority. During the year ended December 31, 2013, the Authority purchased \$868,017 of potable treated surface water from the City.

**Note 7: North Harris County Regional Water Authority**

Effective November 3, 2003, District No. 33 entered into an Agreement for Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities with the North Authority (the Financing Agreement). The Financing Agreement provides for the design, financing, construction, operation and maintenance of a 60-inch surface water transmission line from the point of delivery of surface water by the City to the service areas of the Authority and the North Authority. The North Authority holds title to the facilities and the Authority must pay a pro rata share of the costs of right-of-way acquisition, design and construction for the facilities. The Authority has provided funds to the North Authority for each phase of the construction and design. The Authority is also responsible for its pro rata share of operation and maintenance costs of the facilities and, in addition, is required to establish an operations and maintenance reserve based on an annual operating budget adopted by the North Authority.

Under these agreements, the Authority is responsible for paying its pro rata share of the total costs incurred. During a prior year, the Authority funded its share of the Spears Road meter station for \$129,502 and Project 17, Segment 3, for \$475,666. During the current year, the Authority paid the North Authority \$7,679,119 for all of the remaining amounts owed for its share of joint facilities.

**Note 8: Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority participates, along with other entities, in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The Authority has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The Authority has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 9: Adoption of New Accounting Standard**

Effective January 1, 2013, the Authority adopted the new accounting and financial reporting guidance included in Governmental Accounting Standards Board Statement No. 65 (Statement No. 65), *Items Previously Reported as Assets and Liabilities*.

Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognizes as expenses or revenues certain items that were previously reported as assets and liabilities.

The following table reconciles beginning net position as previously reported to the beginning net position as restated to reflect the accounting changes adopted to conform to the provisions of Statement No. 65. The restatement results from the provisions in Statement No. 65 requiring the expensing of deferred financing costs previously classified as an asset on the Authority's statement of net position.

<b>Statement of Net Position</b>	<b>January 1, 2013, Net Position as Previously Reported</b>	<b>Statement No. 65 Adoption</b>	<b>January 1, 2013, Net Position as Restated</b>
Net position	\$ 5,895,270	\$ (535,965)	\$ 5,359,305

## **Supplementary Information**

**Central Harris County Regional Water Authority**  
**Supplementary Schedules Included Within This Report**  
**December 31, 2013**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 10-18
- Schedule of Services and Rates – Not Applicable
- Schedule of General Fund Expenditures – Not Applicable
- Schedule of Temporary Investments
- Analysis of Taxes Levied and Receivable – Not Applicable
- Schedule of Long-term Debt Service Requirements by Years
- Changes in Long-term Bonded Debt
- Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years – Not Applicable
- Board Members, Key Personnel and Consultants

**Central Harris County Regional Water Authority**  
**Schedule of Temporary Investments**  
**December 31, 2013**

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
TexPool	0.04%	Demand	\$ 589,587	\$ -
TexPool	0.04%	Demand	<u>1,413,069</u>	<u>-</u>
Totals			<u>\$ 2,002,656</u>	<u>\$ 0</u>

**Central Harris County Regional Water Authority**  
**Schedule of Long-term Debt Service Requirement by Years**  
**December 31, 2013**

Due During Fiscal Years Ending December 31,	Series 2008		Total
	Principal Due August 1	Interest Due February 1, August 1	
2014	\$ 975,000	\$ 439,842	\$ 1,414,842
2015	985,000	425,871	1,410,871
2016	1,000,000	410,278	1,410,278
2017	1,020,000	392,948	1,412,948
2018	1,040,000	373,741	1,413,741
2019	1,060,000	352,806	1,412,806
2020	1,085,000	330,197	1,415,197
2021	1,110,000	304,515	1,414,515
2022	1,135,000	276,887	1,411,887
2023	1,165,000	247,683	1,412,683
2024	1,195,000	216,822	1,411,822
2025	1,230,000	184,438	1,414,438
2026	1,260,000	150,502	1,410,502
2027	1,295,000	115,260	1,410,260
2028	1,335,000	78,585	1,413,585
2029	1,375,000	40,178	1,415,178
Totals	<u>\$ 18,265,000</u>	<u>\$ 4,340,553</u>	<u>\$ 22,605,553</u>

**Central Harris County Regional Water Authority**  
**Changes in Long-term Bonded Debt**  
**Year Ended December 31, 2013**

	<b>Bond Issue</b>
	<b>Series 2008</b>
Interest rates	1.3030% to 2.9220%
Dates interest payable	February 1/ August 1
Maturity dates	August 1, 20142029
Bonds outstanding, beginning of current year	\$ 19,225,000
Retirements, principal	960,000
Bonds outstanding, end of current year	\$ 18,265,000
Interest paid during current year	\$ 452,351
Paying agent's name and address:	

**Series 2008 - Wells Fargo Bank, N.A., Houston, Texas**

---

Bond authority:	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	0	0	0
Amount issued	0	0	0
Remaining to be issued	0	0	0
Debt service fund cash and temporary investment balances as of December 31, 2013:			
	\$ 2,002,656		
Average annual debt service payment (principal and interest) for remaining term of all debt:			
	\$ 1,412,847		

**Central Harris County Regional Water Authority**  
**Board Members, Key Personnel and Consultants**  
**Year Ended December 31, 2013**

Complete District mailing address:	Central Harris County Regional Water Authority c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 2, 2012
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Margaret L. Cox	Elected 05/10- 05/14	\$ 3,750	\$ 618	President
Julian F. Boddy	Elected 05/12- 05/16	2,550	379	Vice President
Judge Caston	Elected 05/12- 05/16	2,250	1,005	Secretary
Tom Gower	Elected 05/10- 05/14	5,400	2,000	Assistant Secretary
Richard C. Meek	Elected 05/10- 05/14	2,850	748	Assistant Secretary

\*Fees are the amounts actually paid to a director during the District's fiscal year.

**Central Harris County Regional Water Authority**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended December 31, 2013**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
BKD, LLP	02/07/07	\$ 16,400	Auditor
CJ Parham Treadway	12/06/06	30,000	Lobbyist
FMataska, Inc.	07/05/06	12,351	Bookkeeper
The GMS Group, L.L.C.	09/14/05	9,855	Financial Advisor
IDS Engineering Group	09/14/05	46,106	Engineer
Municipal Operations & Consulting, Inc.	04/07/10	62,661	Operator
Schwartz, Page & Harding, L.L.P.	09/14/05	167,530	Attorney
<b>Investment Officer</b>			
Fran Matuska	09/14/05	N/A	Bookkeeper

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF CASH TRANSACTIONS**  
**FOR THE PERIOD MAY 1, 2015 - JUNE 3, 2015**  
(Unaudited)

	GENERAL FUND	SURPLUS REVENUE FUND	DEBT SERVICE FUND	DEBT SERVICE RESERVE FUND	CAPITAL PROJECTS FUND
	=====	=====	=====	=====	=====
<b>BALANCE, APRIL 30, 2015</b>	<b>\$133,167.52</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
RECEIPTS	228,863.05	0.00	0.00	0.00	0.00
DISBURSEMENTS	(218,831.25)	0.00	0.00	0.00	(1,379.88)
INVEST PROCEEDS	0.00	80,000.00	0.00	0.00	1,379.88
INVEST PURCHASES	0.00	0.00	(117,572.56)	0.00	0.00
TRANSFERS	(37,572.56)	(80,000.00)	117,572.56	0.00	0.00
<b>BALANCE, MAY 31, 2015</b>	<b>105,626.76</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
CURRENT MONTHS ACTIVITY:					
RECEIPTS	120,566.36	0.00	0.00	0.00	0.00
DISBURSEMENTS	(208,373.04)	0.00	0.00	0.00	0.00
INVEST PROCEEDS	0.00	0.00	0.00	0.00	0.00
INVEST PURCHASES	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0.00	0.00	0.00	0.00	0.00
<b>CURRENT CASH BALANCE</b>	<b>\$17,820.08</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>CURRENT INVESTMENTS</b>	<b>0.00</b>	<b>2,214,101.35</b>	<b>964,187.82</b>	<b>1,413,323.42</b>	<b>1,286,120.09</b>
<b>CASH BALANCES, JUNE 3, 2015</b>	<b>\$17,820.08</b>	<b>\$2,214,101.35</b>	<b>\$964,187.82</b>	<b>\$1,413,323.42</b>	<b>\$1,286,120.09</b>
	=====	=====	=====	=====	=====

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE MONTH ENDED MAY 31, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
5/6/15	2821	JULIAN F. BODDY	DIR FEES 4/1;5/4		277.05
5/6/15	2822	JUDGE CASTON	DIR FEE 4/1		138.52
5/6/15	2823	MARGARET L. COX	DIR FEE 4/1		138.52
5/6/15	2824	THOMAS C. GOWER	DIR FEES/EXP 4/1;4/6;5/4		420.08
5/6/15	2825	RICHARD C. MEEK	DIR FEES/EXP 4/1;4/17		297.75
5/6/15	2826	ASSOCIATION OF WATER BOARD DIR	JUNE (CASTON); APRIL (MEEK)		430.00
5/6/15	2827	AT&T	SERVICE: 4/19-5/18		118.58
5/6/15	2828	BKD LLP	INTERIM BILLING 12/31/14 AUDIT		16,300.00
5/6/15	2829	CITY OF HOUSTON	MAR - 55,951,000 GALS @ 1.4435		80,765.27
5/6/15	2830	CJ PARHAM TREDWAY	MAY 2015		2,500.00
5/6/15	2831	F MATUSKA INC	APRIL 2015		952.83
5/6/15	2832	FRESE AND NICHOLS	REGION H RWP AMENDMENT		2,190.00
5/6/15	2833	HARRIS-GALVESTON SUBSIDENCE	PERMIT RENEWAL 6/1/15-5/31/16		24,000.00
5/6/15	2834	IDS ENGINEERING GROUP	DIST ADMIN THRU 3/25		5,730.02
5/6/15	2835	MUNICIPAL OPERATIONS & CONSULT	APRIL 2015		4,711.16
5/6/15	2836	WATER UTILITY SERVICES INC	#23280		217.00
5/6/15	2837	SCHWARTZ PAGE & HARDING LLP	FEBRUARY-MARCH		79,626.47
4/1/15	J4-4	COMPASS INTEREST		9.62	
4/15/15	J4-5	COMPASS SC			18.00
5/4/15	R5-1	DEP HCUUD16 3/2015		16,663.50	
5/4/15	R5-2	DEP HCMUD200 3/2015		20,847.89	
5/4/15	R5-3	DEP HCMUD200 3/2015 SW		49,461.75	
5/4/15	R5-4	DEP HCMUD217 3/2015 SW		9,640.80	
5/4/15	R5-5	DEP HCMUD304 3/2015		18,779.04	
5/21/15	R5-6	DEP RANKIN RD W 4/2015 SW		12,285.00	
5/28/15	R5-7	DEP HCMUD33 4/2015		26,965.89	
5/28/15	R5-8	DEP FALLBROOK 4/2015		31,042.41	
5/28/15	R5-9	DEP HCMUD150 4/2015 SW		43,167.15	
<b>TOTALS - GENERAL FUND</b>				<b>228,863.05</b>	<b>218,831.25</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
5/7/15	WT05-01-15	CITY OF HOUSTON	CPF-LUCE BAYOU-ANNUAL DS-FY15		1,379.88
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>1,379.88</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE PERIOD ENDED JUNE 3, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
6/3/15	2838	JULIAN F. BODDY	DIR FEE 5/6		138.52
6/3/15	2839	JUDGE CASTON	DIR FEE 5/6		138.52
6/3/15	2840	MARGARET L. COX	DIR FEE 5/6		138.52
6/3/15	2841	THOMAS C. GOWER	DIR FEES/EXP 5/6,6/1		269.49
6/3/15	2842	RICHARD C. MEEK	DIR FEE/EXP 5/6		145.42
6/3/15	2843	AWBD-WATERSMART	WATERSMART		2,000.00
6/3/15	2844	AT&T	SERVICE: 5/19-6/18		118.56
6/3/15	2845	CITY OF HOUSTON	APR - 57,680,000 GALS @ 1.4435		83,261.08
6/3/15	2846	CJ PARHAM TREDWAY	JUNE 2015		2,500.00
6/3/15	2847	F MATUSKA INC	MAY 2015		972.07
6/3/15	2848	FREESE AND NICHOLS	REGION H RWP AMENDMENT		1,460.00
6/3/15	2849	IDS ENGINEERING GROUP	DIST ADMIN THRU 4/25		6,254.31
6/3/15	2850	MUNICIPAL OPERATIONS & CONSULT	MAY 2015		2,724.73
6/3/15	2851	NORTH HARRIS COUNTY RWA	2013 FY O&M		72,052.58
6/3/15	2852	SCHWARTZ PAGE & HARDING LLP	APRIL-MAY		35,982.24
6/3/15	2853	WATER UTILITY SERVICES INC	#23720		217.00
6/1/15	R6-1	DEP HCMUD200 4/2015		25,590.95	
6/1/15	R6-2	DEP HCMUD200 4/2015 SW		42,118.05	
6/1/15	R6-3	DEP HCMUD215 4/2015		6,043.94	
6/1/15	R6-4	DEP HCUD16 4/2015		22,084.37	
6/1/15	R6-5	DEP HCMUD304 4/2015		14,288.75	
6/1/15	R6-6	DEP HCMUD217 4/2015 SW		10,440.30	
<b>TOTALS - GENERAL FUND</b>				<b>120,566.36</b>	<b>208,373.04</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>0.00</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF INVESTMENTS**  
**JUNE 3, 2015**  
(Unaudited)

BANK	ACCT #	RATE	PURCHASE DATE	MATURITY DATE	AMOUNT
<b>GENERAL FUND</b>					
<b>TOTAL GENERAL FUND INVESTMENTS</b>					<b>\$0.00</b>
<b>SURPLUS REVENUE FUND</b>					
COMPASS BANK	2530959174	0.1500%			2,214,101.35
<b>TOTAL SURPLUS REVENUE FUND INVESTMENTS</b>					<b>\$2,214,101.35</b>
<b>DEBT SERVICE FUND</b>					
TEXPOOL	7891600003	0.0553%			964,187.82
<b>TOTAL DEBT SERVICE FUND INVESTMENTS</b>					<b>\$964,187.82</b>
<b>DEBT SERVICE RESERVE FUND</b>					
(AVERAGE ANNUAL DEBT SERVICE PAYMENT: 1,412,714.02)					
TEXPOOL	7891600004	0.0553%			1,413,323.42
<b>TOTAL DEBT SERVICE RESERVE FUND INVESTMENTS</b>					<b>\$1,413,323.42</b>
<b>CAPITAL PROJECTS FUND</b>					
COMPASS BANK	83659	0.1500%			1,286,120.09
<b>TOTAL CAPITAL PROJECTS FUND INVESTMENTS</b>					<b>\$1,286,120.09</b>

-----SCHEDULE OF DEBT SERVICE PAYMENTS-----

	PAID					
	1-Feb-2015	1-Aug-2015	1-Feb-2016	1-Aug-2016	1-Feb-2017	1-Aug-2017
SERIES 2008(WELLS FARGO)						
PRINCIPAL		985,000.00		1,000,000.00		1,020,000.00
INTEREST	212,935.33	212,935.33	205,139.05	205,139.05	196,474.05	196,474.05
	212,935.33	1,197,935.33	205,139.05	1,205,139.05	196,474.05	1,216,474.05
ANNUAL REQUIREMENT	2015	1,410,870.66	2016	1,410,278.10	2017	1,412,948.10

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**FOR THE ONE AND FOUR MONTHS ENDED APRIL 30, 2015**  
**(UNAUDITED)**

	Current Period			Year-to-Date			Annual	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Variance
<b>REVENUES</b>								
PUMPAGE FEES	126,016.31	164,540.00	(38,523.69)	460,712.77	658,165.00	(197,452.23)	1,974,504.00	(1,513,791.23)
SURFACE WATER FEES	108,010.50	85,410.00	22,600.50	424,708.05	341,640.00	83,068.05	1,024,920.00	(600,211.95)
INTEREST	301.85	400.00	(98.15)	1,187.01	1,600.00	(412.99)	4,800.00	(3,612.99)
<b>TOTAL REVENUES</b>	<b>234,328.66</b>	<b>250,350.00</b>	<b>(16,021.34)</b>	<b>886,607.83</b>	<b>1,001,405.00</b>	<b>(114,797.17)</b>	<b>3,004,224.00</b>	<b>(2,117,616.17)</b>
<b>EXPENDITURES</b>								
ENGINEERING FEES-GENERAL	9,904.31	6,000.00	(3,904.31)	42,402.31	24,000.00	(18,402.31)	72,000.00	29,597.69
LEGAL FEES-GENERAL MATTERS	0.00	10,000.00	10,000.00	101,959.92	40,000.00	(61,959.92)	120,000.00	18,040.08
FINANCIAL ADVISOR-OPERATING MATTERS	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
CITY OF HOUSTON-WATER	83,261.08	63,225.00	(20,036.08)	318,580.45	252,900.00	(65,680.45)	758,704.00	440,123.55
CITY OF HOUSTON TRUE-UP	0.00	5,415.00	5,415.00	0.00	21,665.00	21,665.00	65,000.00	65,000.00
OPERATIONS/METER TEST/R&M	4,928.16	7,715.00	2,786.84	14,870.88	30,865.00	15,994.12	92,600.00	77,729.12
NHCRWA JOINT FACILITIES OPER/R&M	0.00	17,500.00	17,500.00	0.00	70,000.00	70,000.00	210,000.00	210,000.00
TELEPHONE	118.58	115.00	(3.58)	471.89	465.00	(6.89)	1,400.00	928.11
PERMIT FEES	0.00	0.00	0.00	100.00	0.00	(100.00)	26,000.00	25,900.00
DIRECTOR FEES	750.00	750.00	0.00	6,150.00	4,800.00	(1,350.00)	13,500.00	7,350.00
TRAVEL & EXPENSES	112.26	50.00	(62.26)	4,822.34	6,150.00	1,327.66	12,000.00	7,177.66
PAYROLL TAXES	57.40	60.00	2.60	470.55	365.00	(105.55)	1,050.00	579.45
LOBBYIST	2,500.00	2,500.00	0.00	10,000.00	10,000.00	0.00	30,000.00	20,000.00
BOOKKEEPING	855.00	1,100.00	245.00	4,020.00	4,400.00	380.00	13,200.00	9,180.00
AUDITOR	0.00	1,500.00	1,500.00	16,300.00	17,500.00	1,200.00	17,500.00	1,200.00
INSURANCE	(64.00)	0.00	64.00	4,669.00	5,000.00	331.00	5,000.00	331.00
LEGAL NOTICES	0.00	165.00	165.00	0.00	665.00	665.00	2,000.00	2,000.00
PRINTING & OFFICE SUPPLIES	133.83	150.00	16.17	599.27	600.00	0.73	1,800.00	1,200.73
DUES	0.00	0.00	0.00	565.00	565.00	0.00	565.00	0.00
WATERSMART	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00	2,000.00
MISCELLANEOUS EXPENSE	0.00	415.00	415.00	0.00	1,665.00	1,665.00	5,000.00	5,000.00
TRANSFER TO DEBT SERVICE	117,572.56	117,570.00	(2.56)	470,290.24	470,290.00	(0.24)	1,410,870.00	940,579.76
<b>TOTAL EXPENDITURES</b>	<b>220,129.18</b>	<b>234,230.00</b>	<b>14,100.82</b>	<b>996,271.85</b>	<b>961,895.00</b>	<b>(34,376.85)</b>	<b>2,870,189.00</b>	<b>1,873,917.15</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>14,199.48</b>	<b>16,120.00</b>	<b>(1,920.52)</b>	<b>(109,664.02)</b>	<b>39,510.00</b>	<b>(149,174.02)</b>	<b>134,035.00</b>	<b>(243,699.02)</b>



Board of Directors  
 Central Harris County Regional Water Authority  
 Harris County, Texas

In planning and performing our audit of the financial statements of Central Harris County Regional Water Authority (the Authority) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Authority's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be material weaknesses.

### Material Weaknesses

The Authority's management consists of an elected Board of Directors (the Board). Day-to-day operations are performed by private entities (consultants) under contract with the Authority. The Board supervises the performance of the consultants; however, although consultants can be part of the Authority's system of internal control, the consultants are not members of management. Per auditing standards, management is responsible for design and implementation of the Authority's system of internal controls.

Board of Directors  
Central Harris County Regional Water Authority  
Page 2

Per auditing standards, one of the primary controls within the system of internal controls is related to the preparation of the financial statements. Management of the Authority is responsible for either preparing the financial statements or having the knowledge to determine whether the financial statements have been properly prepared and are free from potential misstatement. The absence of this expertise within management, or a consultant of the Authority hired to perform this service, is considered by auditing standards to be a material weakness in internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to correct and present the financial statements on the government-wide basis of accounting. Additionally, we noted adjustments to various accounts, such as capital assets and depreciation and long-term debt, which were necessary in order for the fund financial statements to be in conformity with generally accepted accounting principles. The inability of management (or a consultant of the Authority hired to perform this service) to detect these necessary adjustments is considered by auditing standards to be a material weakness in internal control over financial reporting.

Finally, management, or a consultant of the Authority, does not prepare the capital asset and depreciation register or post adjustments related to the presentation of the capital assets in the government-wide financial statements. As management is not preparing or reviewing and does not have the expertise to prevent, detect and correct related significant potential misstatements, this is considered by auditing standards to be a material weakness.

The material weaknesses noted above, if not corrected, could result in a material misstatement or omission of a required disclosure in the financial statements.

### **Management's Response**

The Authority responds that the auditor's Management Letter, and the material weaknesses identified therein, are prepared in response to Statement on Auditing Standards No. 115 (SAS 115) and are not prompted by any other circumstances identified during the course of the audit and disclosed to the Authority's Board.

As you know, the Board has, since the inception of the Authority, engaged the auditor to perform the Authority's audit and to prepare the financial statements and depreciation schedules upon which the audit is based. It is our understanding that this is the usual and customary practice for smaller special districts in Texas, such as the Authority, as it is more cost effective to engage consultants to perform such services than to employ persons (who would constitute district management) to perform same. It is also the Board's understanding that, under the requirements of SAS 115, the engagement of the auditor to perform these services resulted in the Management Letter because (1) the Board members are not able to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements, and (2) the Board has not implemented controls to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements, such as the hiring of an employee or the engagement of another consultant to prepare the Authority's financial statements.

With respect to item (1) identified above, the Board responds that its members are appointed or elected in accordance with the requirements set forth in the Texas Water Code, and that such members do not necessarily have the ability to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements.

Board of Directors  
Central Harris County Regional Water Authority  
Page 3

With respect to item (2) identified above, the Board responds that it is a small government unit and that it engages the auditor based upon the auditor's professional qualifications, and in light of such qualifications, does not feel that the addition at this time of an employee or the engagement of a consultant to prepare the Authority's financial statements (as a form of control) would be cost effective. Additionally, the Board adds that the Authority does not have any employees, but rather engages consultants who possess industry knowledge and expertise to provide financial services, including its bookkeeper, auditor and financial advisor, as well as consultants that provide legal, engineering, and operation and maintenance services. In particular, the Authority's bookkeeper presents periodic financial information (unaudited) to the Board for review, which information generally reflects income, disbursements, adjustments and the status of investments relative to the Authority's various accounts.

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors and the Texas Commission on Environmental Quality, and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

May 9, 2014

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2008  
WIF PROGRAM BONDS SOLD TO THE TWDS

\*\*\*\*\*  
Debt Service Schedule  
\*\*\*\*\*

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/15			212,935.33	212,935.33	
8/ 1/15	985,000.00	1.583000	212,935.33	1,197,935.33	1,410,870.65
2/ 1/16			205,139.05	205,139.05	
8/ 1/16	1,000,000.00	1.733000	205,139.05	1,205,139.05	1,410,278.10
2/ 1/17			196,474.05	196,474.05	
8/ 1/17	1,020,000.00	1.883000	196,474.05	1,216,474.05	1,412,948.10
2/ 1/18			186,870.75	186,870.75	
8/ 1/18	1,040,000.00	2.013000	186,870.75	1,226,870.75	1,413,741.50
2/ 1/19			176,403.15	176,403.15	
8/ 1/19	1,060,000.00	2.133000	176,403.15	1,236,403.15	1,412,806.30
2/ 1/20			165,098.25	165,098.25	
8/ 1/20	1,085,000.00	2.367000	165,098.25	1,250,098.25	1,415,196.50
2/ 1/21			152,257.28	152,257.28	
8/ 1/21	1,110,000.00	2.489000	152,257.28	1,262,257.28	1,414,514.55
2/ 1/22			138,443.33	138,443.33	
8/ 1/22	1,135,000.00	2.573000	138,443.33	1,273,443.33	1,411,886.65
2/ 1/23			123,841.55	123,841.55	
8/ 1/23	1,165,000.00	2.649000	123,841.55	1,288,841.55	1,412,683.10
2/ 1/24			108,411.13	108,411.13	
8/ 1/24	1,195,000.00	2.710000	108,411.13	1,303,411.13	1,411,822.25
2/ 1/25			92,218.88	92,218.88	
8/ 1/25	1,230,000.00	2.759000	92,218.88	1,322,218.88	1,414,437.75
2/ 1/26			75,251.03	75,251.03	
8/ 1/26	1,260,000.00	2.797000	75,251.03	1,335,251.03	1,410,502.05
2/ 1/27			57,629.93	57,629.93	
8/ 1/27	1,295,000.00	2.832000	57,629.93	1,352,629.93	1,410,259.85
2/ 1/28			39,292.73	39,292.73	
8/ 1/28	1,335,000.00	2.877000	39,292.73	1,374,292.73	1,413,585.45
2/ 1/29			20,088.75	20,088.75	
8/ 1/29	1,375,000.00	2.922000	20,088.75	1,395,088.75	1,415,177.50
	17,290,000.00		3,900,710.30	21,190,710.30	
ACCRUED	17,290,000.00		3,900,710.30	21,190,710.30	

Dated 8/ 1/14 with Delivery of 8/ 1/14  
Bond Years 146,100.000  
Average Coupon 2.669891  
Average Life 8.449971  
N I C % 2.669891 % Using 100.000000

Weighted Bond Years 146,100.000  
Weighted Average Life 8.449971  
Weighted N I C % 2.669891 % Using 100.000000  
T I C % 2.657375 % From Delivery Date

Micro-Muni Debt Date: 06-03-2015 @ 13:10:24 Filename: CHCRWA Key: 2008

**SECOND SUPPLEMENT TO WATER SUPPLY CONTRACT BETWEEN THE  
CITY OF HOUSTON, TEXAS AND THE CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY**

**FOR THE NORTHEAST WATER PURIFICATION PLANT EXPANSION**

**THIS SECOND SUPPLEMENT TO WATER SUPPLY CONTRACT** (this “Second Supplement”) is by and between the **CITY OF HOUSTON** (“Houston”) and the **CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY** (the “Authority”), and is for the purpose of providing for the expansion of the Northeast Water Purification Plant located at 12121 North Sam Houston Parkway East, Humble, Texas 77396 (“NEWPP”). This Second Supplement is effective on the date of countersignature hereof by the Houston Controller (“Second Supplement Effective Date”). For and in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do mutually agree as follows:

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**EXHIBITS**

- “A” PARTICIPATION TABLE**
- “B” BUDGET**
- “C” SCHEDULE**
- “D” ESCROW AGREEMENT**
- “E” CASH CALL NO. 1**

**ARTICLE I*****RECITALS***

- Section 1.1 Houston and the Authority entered into a Water Supply Contract effective as of December 5, 2003 (the “Original Contract”), under which Houston provides treated water to the Authority and the Authority pays costs for treatment and conveyance of the water by certain treated and untreated water facilities necessary to provide water to the Authority.
- Section 1.2 Pursuant to Ordinance 2009-0052 (January 28, 2009), Houston executed a First Supplement to Water Supply Contract with the Authority (“First Supplement”) to provide for the permitting, engineering, surveying, construction, and right-of-way and site acquisition necessary for the Luce Bayou Interbasin Transfer Project (“Luce Bayou”) to convey untreated water from the Trinity River to Lake Houston.
- Section 1.3 Houston and the Authority, along with the Other Authorities, further amended the Original Contract through a First Amendment to the First Supplement (“First Amendment”) adopted pursuant to Ordinance 2013-0045 and effective as of January 22, 2013, in order to clarify certain funding for Luce Bayou.
- Section 1.4 Houston has entered into agreements with North Harris County Regional Water Authority, North Fort Bend Water Authority, and West Harris County Regional Water Authority (“Other Authorities”) that are substantially similar to the Original Contract, First Supplement, and First Amendment.
- Section 1.5 The Authority and each of the Other Authorities seek to increase their Treated Water Facilities Demand Allocation and Houston does not currently have sufficient capacity available in the Existing Treated Water Facilities to serve such increases, and Houston seeks to increase its own treated water capacity.
- Section 1.6 Houston and the Authority now desire to clarify and agree to terms for sharing the cost of the Expansion Project in order to provide additional treated water capacity from the NEWPP of 320 million gallons per day (“MGD”) and to potentially provide certain oversizing of facilities.
- Section 1.7 Houston and the Authority believe that using design/build as the method of delivery of the Expansion Project, in accordance with Texas Government Code Chapter 2269, Subchapter H, is appropriate given the priorities of the Parties.
- Section 1.8 This Second Supplement provides for all Costs and Work associated with the Expansion Project. This Second Supplement does not include any work associated with rehabilitation or repair of the NEWPP’s existing facilities, and

this Second Supplement does not create any new obligation for the Authority to pay for rehabilitation or repair of the NEWPP's existing facilities.

- Section 1.9 Contingent upon the Project Parties timely satisfying their Cash Calls required by the Second Supplement and the Other Second Supplements, Houston and the Authority intend for Houston to cause the Expansion Project to be substantially complete as described in this Second Supplement in two phases with one delivery date not later than August 31, 2021 for 80 MGD of treated water capacity ("Phase 1") and another delivery date not later than June 30, 2024 for 240 MGD of treated water capacity ("Phase 2").
- Section 1.10 Houston shall use good faith efforts to timely complete Phase 1 and Phase 2; provided, however, Houston's undertaking to administer and oversee the Work shall not be deemed or construed as a guarantee of the cost of the Work or of the timely or successful completion of the Work.

## ARTICLE II

### *DEFINITIONS*

- Section 2.1 Unless otherwise defined in this Second Supplement, the capitalized terms used in this Second Supplement have the meaning provided in the Contract. In addition to the terms defined elsewhere in this Second Supplement, the following terms have the definitions provided below.
- Section 2.2 *Acquisition Costs* means the portion of the Costs associated with acquiring the Expansion Project Property, if any, whether by purchase or condemnation, including all reasonable costs related to title examination and title policies, due diligence, property surveying, payments to property owners, closing costs, environmental mitigation, litigation and court costs, permitting necessary for acquisition or environmental mitigation, court costs, and any other related costs arising out of the acquisition of the Expansion Project Property.
- Section 2.3 *Agreed Upon Procedures Report or AUP Report* means a report and associated findings produced by an independent accounting firm engaged by Houston under an Agreed-Upon Procedures Engagement conducted in accordance with (i) Section 8.6 of this Second Supplement, and (ii) the Statements on Standards for Attestation Engagements published by the American Institute of Certified Public Accountants.
- Section 2.4 *Annual Financial Report* is defined in Section 8.2.
- Section 2.5 *Appropriate(d) Houston Funds or Appropriation of Houston Funds* means when both of the following have occurred with respect to Houston's funds

(as opposed to funds from the Authority or Other Authorities): (i) Houston's City Controller has certified that a certain dollar amount of Cash or Cash Equivalent is available for the Expansion Project, and (ii) Houston's City Council has approved appropriating such dollar amount for the Expansion Project.

- Section 2.6 *Authority Fund* means a segregated fund established and controlled by Houston for the receipt and disbursement of the funds of the Authority and the Other Authorities, and used by Houston to pay for the pro-rata share of the Costs of the Authority and the Other Authorities, as set forth herein.
- Section 2.7 *Authority Meeting* is defined in Section 6.4.1.
- Section 2.8 *Authorized Investments* means investment pool(s): (i) that comply with the requirements of Houston's investment policy and Texas Government Code Chapter 2256, and (ii) in which Houston's funds (in addition to funds from the Authority) are invested.
- Section 2.9 *Budget* means the chart attached as Exhibit "B", which (a) reflects the estimated Costs for each Work Item and cumulative total thereof, and (b) will be revised in accordance with this Second Supplement to reflect the updated estimated Costs and the actual Costs for each Work Item and cumulative total thereof.
- Section 2.10 *Cash* means currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America.
- Section 2.11 *Cash Call* means one of a series of demands for funds from the Project Parties sent by the Project Director to pay for Costs in accordance with the requirements set forth in Section 3.7 of this Second Supplement.
- Section 2.12 *Cash Call Due Date* means the date specified in a Cash Call that either Cash or Cash Equivalent, at the option of each Project Party, is required from the Project Parties.
- Section 2.13 *Cash Equivalent* means one or more line(s) of credit or letter(s) of credit obtained by a Party from one or more financial institution(s). For Houston, in addition to line of credit and letter of credit, Cash Equivalent shall also include, as certified in writing by Houston's Controller, capacity in Houston's commercial paper program that is available for payment of Houston's pro-rata share of Costs, based on Houston's applicable Cost Share, and that is not committed for other use. The Project Director and the Representatives may

collectively agree in writing to add to the items included in the term *Cash Equivalent*.

- Section 2.14 *Consensus Item* is defined in Section 6.3.
- Section 2.15 *Consensus Process* is defined in Section 6.1.
- Section 2.16 *Consensus Vote* is defined in Section 6.2.
- Section 2.17 *Construction Costs* means the costs associated with the construction of the Expansion Project, including all reasonable costs for labor, equipment, materials, electricity, fuel, and Consultant(s) (including construction management, inspection, and materials testing).
- Section 2.18 *Consultant(s)* means professional or legal service provider(s), whether a firm or an individual, engaged by Houston to assist in the planning, design, acquisition, and other Work.
- Section 2.19 *Contract* means the Original Contract, as supplemented by the First Supplement, and as amended by the First Amendment.
- Section 2.20 *Contract Price* means all or any portion of the Costs that Houston is obligated to pay: (i) to the Design/Builder, Contractor(s), or Consultant(s), including any guaranteed maximum prices, lump sum amount, maximum contract prices, and (ii) for the Acquisition Costs. No Costs shall be included in Contract Price unless the Costs have been approved in accordance with Section 6.3.
- Section 2.21 *Contract Non-Oversized Price* is defined in Section 3.14.4.
- Section 2.22 *Contract Oversized Price* means a dollar amount equal to the Costs included in a Contract Price for any and all Work Items for the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking.
- Section 2.23 *Contractor* means the Design/Builder; provided, however, in the event a delivery method other than design/build, pursuant to Texas Government Code Chapter 2269, Subchapter H, is employed by Houston, in accordance with this Second Supplement, Contractor shall instead mean the prime contractor for the Expansion Project.
- Section 2.24 *Cost Recovery Amounts* means the portion of the costs of Houston's employees' salaries, associated benefits, overhead, and itemized costs paid from the cost recovery fund (Houston's Fund 1001), that are allocated and attributable to the Expansion Project for the period beginning on December 1,

2014, and concluding as of the date of the Final Accounting, calculated in accordance with Section 3.13.

- Section 2.25 *Cost Share* means each Project Party's pro-rata share of the Costs for Phase 1, Phase 2, and Multi-Phase Work, which the Parties agree are set forth in the Participation Table, and may be adjusted in accordance with Section 3.2.
- Section 2.26 *Costs* means all or any portion of the costs for the Work, including the Engineering Costs, Construction Costs, Acquisition Costs, Cost Recovery Amounts, and any other costs the Parties are obligated to pay in accordance with this Second Supplement.
- Section 2.27 *Day* means calendar day, unless otherwise noted.
- Section 2.28 *Design/Builder* means the firm or firms selected pursuant to this Second Supplement to design and build the Expansion Project, in accordance with Texas Government Code Chapter 2269, Subchapter H.
- Section 2.29 *Direct Employee* shall have the meaning assigned in Section 3.13.
- Section 2.30 *Director* means Houston's Director of Public Works and Engineering.
- Section 2.31 *Downsizing Costs* is defined in Section 7.2.2.
- Section 2.32 *Engineering Costs* means the costs for engineering Work associated with the Expansion Project, including all reasonable costs for the planning, management, oversight, inspection, basis of design, engineering design, geotechnical investigations, surveys, estimates, pilot plant testing, materials testing, plans, specifications, investigations, and necessary permitting.
- Section 2.33 *Escrow Account* means an escrow account held by the Escrow Agent for the receipt of Cash or Cash Equivalent from the Authority to satisfy Cash Call(s) and for the distribution of funds to Houston out of such account, for payment of the Authority's pro-rata share of Costs, based on the Authority's applicable Cost Share, all as set forth in this Second Supplement.
- Section 2.34 *Escrow Agent* means an authorized financial institution of the Authority's choice, which may be changed from time to time, in accordance with good money management practices, to transfer funds from one financial institution to another, provided the funds are not released to the Authority until the conditions stated in the Escrow Agreement are met.
- Section 2.35 *Escrow Agreement* means the escrow & pay agent agreement, in the form substantially similar to the form attached hereto as Exhibit "D," executed by the Authority, the Project Director (on behalf of Houston) and the Escrow

Agent; provided, however, the Project Director, the Authority, and the Other Authorities may collectively agree in writing to modifications of the Escrow Agreement.

- Section 2.36 *Estimated Non-Oversized Price* is defined in Section 3.14.
- Section 2.37 *Estimated Oversized Price* is defined in Section 3.14.
- Section 2.38 *Exempt Item* is defined in Section 6.5.
- Section 2.39 *Expansion Project* means the undertaking that is the subject of this Second Supplement to be overseen by Houston in two Phases to design, permit, and construct the additional Treated Water Facilities to add 320 MGD of treated water capacity to the NEWPP. Provided, however, the Oversized Facilities may be oversized as described herein. Expansion Project does not include any rehabilitation or repair of the NEWPP's existing facilities.
- Section 2.40 *Expansion Project Property* is defined in Section 5.4.
- Section 2.41 *Expansion Project Reservation* means the Phase 1 Expansion Project Reservation and the Phase 2 Expansion Project Reservation.
- Section 2.42 *Expansion Project Team* means the Project Director and other Houston employees and agents, authorized to manage the Work performed by Contractor and Consultant(s).
- Section 2.43 *Final Accounting* is defined in Section 8.7.
- Section 2.44 *Final Non-Oversized Price* is defined in Section 3.14.5.
- Section 2.45 *Final Oversized Price* is defined in Section 3.14.5.
- Section 2.46 *Material* shall have the meaning of such word as used under federal securities laws.
- Section 2.47 *MSRB* is defined in Section 10.16.
- Section 2.48 *Multi-Phase Work* means Work Items that benefit both Phase 1 and Phase 2, including without limitation, the new intake structure with pumping and conveyance facilities to provide untreated water from Lake Houston, the electrical substation, the high service pump station, Consultants' services, clearing and grubbing, drainage, any separate operation facility for the Expansion Project, permitting, environmental Work, Expansion Project Property (if any), fencing, security facilities, SCADA (supervisory control and data acquisition) system, access roads and/or paving, ground storage tanks, on-

site conveyance facilities, office/control building, chemical facilities, sludge dewatering facilities, yard lighting, yard piping, maintenance or shop building, any rail spur, backwash facilities, and related appurtenances.

- Section 2.49 *Non-Payment Default* means any default described in Sections 3.9.4 or 3.9.5.
- Section 2.50 *Notice of Upcoming Cash Call* is defined in Section 3.7.1.
- Section 2.51 *Original Contract* is defined in Section 1.1.
- Section 2.52 *Other Authorities* is defined in Section 1.4.
- Section 2.53 *Other Representatives* means the individuals authorized under Other Second Supplements to act as on behalf of the Other Authorities regarding the Expansion Project.
- Section 2.54 *Other Second Supplements* means written agreements between Houston and the Other Authorities that are substantially similar to this Second Supplement.
- Section 2.55 *Overhead* is defined in Section 3.13.
- Section 2.56 *Overhead Factor* is defined in Section 3.13.2.
- Section 2.57 *Oversized Facilities* means certain Multi-Phase Work items that, pursuant to Section 3.14, may be oversized so that such facilities are capable of producing the Oversized Facilities Design Capacity and/or meeting Houston's seasonal demands for peaking. Oversized Facilities include, without limitation: the new intake structure with pumping and conveyance facilities to provide untreated water from Lake Houston, the electrical substation, and the high service pump station. The Project Director and the Representatives may collectively agree in writing to revise the definition of Oversized Facilities.
- Section 2.58 *Oversized Facilities Contribution* is defined in Section 3.15.1.
- Section 2.59 *Oversized Facilities Design Capacity* means the amount of treated water, measured in MGD, that the Project Director reasonably determines that the Oversized Facilities are able to produce based on the Contractor's or a Consultant's analysis and Houston's available water rights that may be diverted from Lake Houston. The Oversized Facilities Design Capacity shall be an MGD amount that exceeds 320 MGD.
- Section 2.60 *Oversized Facilities Option* means the Authority's unrestricted right to an Oversized Facilities Reservation of 1 MGD, which is further described in Section 3.15. The sum of the Oversized Facilities Option of the Authority

plus the Oversized Facilities Options of the Other Authorities (under Other Second Supplements) equals 43 MGD.

- Section 2.61 *Oversized Facilities Reservation* means a Reservation in the Treated Water Demand Allocation limited to the Oversized Facilities, which the Authority may obtain as provided in Section 3.15.
- Section 2.62 *Oversizing Costs* means a dollar amount equal to the Costs included in the “ $(W^B - W^A)$ ” portion of the formula in Section 3.7.3, as revised by Section 3.7.4.
- Section 2.63 *Participation Table* means the table attached as Exhibit “A”, detailing the Expansion Project Reservation and Cost Share of the Authority, the Expansion Project Reservations and Cost Shares of the Other Authorities, Houston’s capacity and Cost Share in the Expansion Project, and the Oversized Facilities Design Capacity. The Participation Table may be revised in accordance with this Second Supplement.
- Section 2.64 *Party* or *Parties* means all or any of the following entities, as applicable: Houston and the Authority.
- Section 2.65 *Phase(s)* means Phase 1, Phase 2, or both.
- Section 2.66 *Phase 1 Expansion Project Reservation* is defined in Section 3.1.
- Section 2.67 *Phase 2 Expansion Project Reservation* is defined in Section 3.1.
- Section 2.68 *Phase AUP Report* is defined in Section 8.6.1.
- Section 2.69 *Phase Financial Report* is defined in Section 8.3.
- Section 2.70 *Presentation* is defined in Section 6.3.1.
- Section 2.71 *Project Director* means an individual designated by the Director and authorized to act on behalf of Houston in the manner described in this Second Supplement, which individual may be changed by the Director from time to time.
- Section 2.72 *Project Party* or *Project Parties* means all or any of the following entities, as applicable: Houston, the Authority, and the Other Authorities.
- Section 2.73 *Proposed Solution* is defined in Section 6.4.
- Section 2.74 *Representation* is defined in Section 3.6.

- Section 2.75 *Representative* means the individual authorized in writing by the Authority to act on behalf of an Authority in the manner described in this Second Supplement, or an alternate individual approved by the Authority, which individuals may be changed by the Authority from time to time.
- Section 2.76 *Representatives* mean the Representative and the Other Representatives.
- Section 2.77 *Representatives Issue* is defined in Section 6.4.
- Section 2.78 *Rule* is defined in Section 10.16.
- Section 2.79 *Schedule* means a chart attached as Exhibit "C," accurately reflecting the estimated and actual timing of Work Items, Cash Calls, and projected Substantial Completion Dates, which Schedule will be revised in accordance with this Second Supplement.
- Section 2.80 *Selection Reviewer* means an individual designated in writing by the Authority who is responsible to perform the functions of Selection Reviewer under Section 5.2 and who has provided the Project Parties with a written certification that he or she is not an employee or paid consultant of a firm involved in the submission of a proposal to Houston to serve as the Contractor.
- Section 2.81 *Substantial Completion* means the stage in the progress of the Work when the Work, or designated portion thereof, is sufficiently complete in accordance with the contract between Houston and the Contractor so Houston can occupy and utilize the Work for its intended use, as evidenced by a certificate of Substantial Completion issued by Houston.
- Section 2.82 *Substantial Completion Date* means, for each Phase, the date of Substantial Completion shown on the certificate of Substantial Completion issued by Houston.
- Section 2.83 *True-Up* means the process described in Section 8.8.
- Section 2.84 *True-Up Statement* is defined in Section 8.8.
- Section 2.85 *TWDB* is defined in Section 3.12.
- Section 2.86 *TWDB Expansion Funding* is defined in Section 3.12.
- Section 2.87 *Unpaid Reservation* is defined in Section 7.2.1.
- Section 2.88 *Unpaid Capacity* is defined in Section 7.4.1.
- Section 2.89 *Weighted Vote* is defined in Section 6.2.

- Section 2.90 *Withdrawal Request and Certificate* means, as further described in the Escrow Agreement, a written instrument that is signed by the Project Director and addressed to the Escrow Agent, for the purpose of withdrawing funds from the Escrow Account to pay the Authority's pro-rata share of Costs, based on the Authority's applicable Cost Share, pursuant to this Second Supplement.
- Section 2.91 *Work* means any of the labor, materials, equipment, administration, and other similar efforts and items necessary for the completion of the Expansion Project.
- Section 2.92 *Work Management System* means a remotely-accessible system or systems Houston uses to share information with the Expansion Project Team and Representatives, as further described in Section 4.4.
- Section 2.93 *Work Item* means a discrete portion of the Work that is attributable to Phase(s) of the Expansion Project and included in a Contract Price.

### ARTICLE III

#### *COST SHARING & FUNDING*

Section 3.1. *Cost Sharing and Reservation.* The Authority seeks to increase its Treated Water Facilities Demand Allocation from 2.12 MGD to 7.00 MGD. Accordingly, the Authority hereby makes a Reservation request for 0.46 MGD in Phase 1 of the Expansion Project (the "Phase 1 Expansion Project Reservation") and 4.42 MGD in Phase 2 of the Expansion Project (the "Phase 2 Expansion Project Reservation"). For Phase 1, the Authority's Phase 1 Expansion Project Reservation shall be deemed approved on the Substantial Completion Date of Phase 1 if the Authority is not then in Non-Payment Default. For Phase 2, the Authority's Phase 2 Expansion Project Reservation shall be deemed approved on the Substantial Completion Date of Phase 2 if the Authority is not then in Non-Payment Default.

Section 3.2. *The Participation Table & Cost Share.* The Participation Table shall show (i) the Expansion Project Reservation and Cost Share of the Authority, the Expansion Project Reservations and Cost Shares of the Other Authorities, and Houston's capacity and Cost Share in the Expansion Project, and (ii) the Oversized Facilities Design Capacity.

- 3.2.1 The Participation Table and Costs Shares shall not change, unless (i) one or more of the Project Parties fails to timely satisfy any of its Cash Call obligations and any of the remedies in Sections 7.2, 7.3, or 7.4 are initiated, or (ii) one or more of the Project Parties assigns, in writing, a portion of its Expansion Project Reservation to another of the Project Parties.

- 3.2.2 Without the need for consent from any Project Party, any Project Party may assign to another Project Party, in writing, any portion of its Expansion Project Reservation, provided the assignee agrees in writing that the assignee assumes all of assignor's outstanding and future rights and obligations related to same. The price for such assignment may be as mutually agreed upon by the seller and buyer.
- 3.2.3 In the event the Costs Shares change pursuant to Section 3.2.1 or 3.2.2, and when the Oversized Facilities Design Capacity is determined as provided in Section 3.14, the Project Director shall cause the (i) prompt preparation of an updated Participation Table and posting of same on the Work Management System, and (ii) concurrent provision of an email (or other written notice) to the Representative notifying the Representative that the updated Participation Table has been posted to the Work Management System.

Section 3.3 *The Budget.* The Budget shall itemize the Cost of each Work Item and aggregate Costs for each Phase, for Multi-Phase Work, and for the Oversized Facilities. The Project Director shall cause the: (i) prompt preparation and maintenance of an accurate Budget and posting of same on the Work Management System, and (ii) concurrent provision of an email (or other written notice) to the Representative notifying the Representative when an updated Budget has been posted to the Work Management System.

Section 3.4 *Houston's Previously Incurred Costs.* The Parties acknowledge that Houston has incurred Costs for the Expansion Project prior to the Second Supplement Effective Date. As a pre-condition to entering this Second Supplement, the Authority hereby agrees to pay for its pro-rata share of the Costs, based on its applicable Cost Share, incurred by Houston prior to December 1, 2014, which the Parties hereby agree is estimated to be \$27,888.06, subject to the provisions of Article VIII. The Authority agrees to pay Houston such \$27,888.06 within ninety (90) days of the Second Supplement Effective Date. All Costs incurred by Houston on or after December 1, 2014, shall be included in a Cash Call pursuant to Section 3.7 or 3.8. Subject to the provisions of Article VIII, the Authority is not responsible for any Costs incurred by Houston prior to December 1, 2014, other than such \$27,888.06, which amount includes the Cost Recovery Amounts incurred prior to December 1, 2014.

Section 3.5 *Rates.* Each Party represents and certifies that it will have on hand and lawfully available sufficient funds to make its payments due hereunder. Each Party recognizes its duty to, and covenants and agrees, that at all times it will establish and maintain, and from time to time adjust, the rates, fees, and charges for the services it provides to its customers to the end that the revenue therefrom, together with funds received from any other lawful source will be sufficient at all times to pay all of its obligations under this Second Supplement.

Section 3.6 *The Representative.* The Representative shall have the right to participate in the day-to-day Expansion Project activities and shall enjoy the same privileges of access as a member of the Expansion Project Team, including access to the Work Management System, Expansion Project-related activities, equipment, and workspace (“Representation”).

- 3.6.1 No individual shall be qualified to serve as the Representative if he or she (i) is performing Work on the Expansion Project in his or her individual capacity or (ii) is an employee or owner of an entity that is performing Work on the Expansion Project.
- 3.6.2 Prior to or contemporaneous with the Authority authorizing an individual to serve as the Representative, the individual shall be required to provide the Project Parties with a written certification that confirms that the individual is in compliance with Section 3.6.1 and that the individual will remain in compliance with same during the period of time that the individual remains the Representative.
- 3.6.3 The Authority shall pay for the Representative’s equipment and workspace to the extent such equipment and workspace is requested by the Representative and provided for the exclusive use of the Representative. The Project Director and the Representative may agree to purchase or lease terms for such equipment and/or work space as part of the Contract Price(s).
- 3.6.4 Notwithstanding the provisions above and consistent with this Second Supplement, the Project Director and the Representatives may further collectively agree on the manner in which they collaborate on Work, the Schedule, and the Budget.

Section 3.7 *Cash Calls in General.* The Project Director shall send Cash Calls to the Project Parties from time to time as necessary to fund the Expansion Project, and shall send each individual Cash Call to all the Project Parties on the same date; provided, however, no Cash Call shall be sent to the Project Parties after the date of the Final Accounting.

- 3.7.1 The Project Director shall provide all Project Parties with written notice (“Notice of Upcoming Cash Call”) of: (i) the estimated Costs and Work Items to be paid with proceeds of the upcoming Cash Call, (ii) the estimated dollar amount due from each Project Party pursuant to the upcoming Cash Call and the calculation thereof, and (iii) the estimated Cash Call Due Date (which shall be no earlier than 180 days after the date the Project Director sends the Notice of Upcoming Cash Call to the Project Parties), all as reasonably estimated by the Project Director. Each Notice of Upcoming Cash Call shall include a certification that the Project Director reasonably expects to spend all of the proceeds of the Cash Call within 3

years of the Authority's Cash Call Due Date. The phrase "3 years" in the preceding sentence shall be changed to "5 years" for that Cash Call if the Project Director provides the Representatives a written certification from a licensed engineer that a period of at least 5 years is necessary to complete the Work included in the Cash Call.

3.7.2 Except as may be agreed to in writing otherwise by the Project Director, the Authority, and the Other Authorities, collectively, each Cash Call Due Date shall be (i) for the Authority, no earlier than the later of (A) 60 days after the date the Authority receives that particular Cash Call or (B) the estimated Cash Call Due Date provided in the Notice of Upcoming Cash Call, and (ii) for Houston, 30 days after the Authority's Cash Call Due Date. In no event shall a Cash Call Due Date be any later than 18 months after the date the Project Director sends the Notice of Upcoming Cash Call to the Project Parties.

3.7.3 Unless and until Houston, as set forth in Section 3.14.3, chooses to design and construct the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking, the Project Director shall use the formulas below to calculate each Project Party's Cash Call amount, the amount of the Authority's funds to be drawn from the Escrow Account, the amount of the Authority's funds to be drawn out of the Authority Fund, and the amount of Houston's funds to be drawn out of the Appropriation of Houston Funds:

**For the Authority and the Other Authorities:**

$$C = (P^1 * W^1) + (P^2 * W^2) + (P^M * W^M) + Z$$

**For Houston:**

$$C = (P^1 * W^1) + (P^2 * W^2) + (P^M * W^M) + Z$$

Where:

- C = Dollar amount of Cash (or for Cash Calls, the dollar amount of Cash or Cash Equivalent) due from the Project Party.
- P = The Project Party's Cost Share for the applicable Work as listed in the Participation Table, where: P<sup>1</sup> = Phase 1 Cost Share; P<sup>2</sup> = Phase 2 Cost Share; P<sup>M</sup> = Multi-Phase Work Cost Share.
- W = The Costs to be paid, where: W<sup>1</sup> = dollar amount of Costs for Phase 1; W<sup>2</sup> = dollar amount of Costs for Phase 2; W<sup>M</sup> = dollar amount of Costs for Multi-Phase Work.

Z = Costs that a Project Party is obligated to pay at 100% pursuant to Section 3.6.3 of this Second Supplement or of Other Second Supplements.

3.7.4 If, as set forth in Section 3.14.3, Houston chooses to design and construct the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking, then the formulas in Section 3.7.3 above shall be revised as follows: (i) " $W^M$ " shall be revised to mean the dollar amount of Costs for Multi-Phase Work excluding all Costs of the Oversized Facilities, (ii) the Authority's formula above shall be modified to add after "Z", " $+ (P^M * W^A)$ ", (iii) Houston's formula above shall be modified to add after "Z", " $+ (P^M * W^A)$ " and " $+ (W^B - W^A)$ ," and (iv)  $W^A$  shall be the dollar amount of Costs for the approved Contract Non-Oversized Price and  $W^B$  shall be the dollar amount of Costs for the approved Contract Oversized Price. (In item "(iv)" of the preceding sentence, the term "approved" means approved in accordance with Section 6.3.). If the formulas are revised as described in the first sentence of this paragraph, then such revisions shall occur as of the effective date of the notice to proceed issued by Houston for the final design of the Oversized Facilities, which Houston shall issue in order to commence final design. Any reference to Section 3.7.3 in this Second Supplement shall be interpreted to include, if applicable, the revisions provided in this Section 3.7.4.

3.7.5 Each Cash Call shall include a written statement providing: (i) the actual dollar amount due from each Project Party pursuant to the Cash Call, but this actual dollar amount (A) shall not exceed the estimated dollar amount for that Project Party provided in the Notice of Upcoming Cash Call and (B) shall only be for Costs that have been approved in accordance with Section 6.3, for Exempt Item(s), or for Cost Recovery Amounts; (ii) the calculation of the amount of each Project Party's portion of the Cash Call; (iii) the Cash Call Due Date; (iv) the Costs and Work Items to be paid with the proceeds of the Cash Call; and (v) each Project Party's amount of surplus from previous Cash Calls, if any, as reasonably determined by the Project Director. At the time of sending a Cash Call to any Project Party, the Project Director shall provide a copy of that Cash Call to the other Project Parties via the Work Management System.

3.8 *Cash Call No. 1.* By the Parties' execution of this Second Supplement, Houston will be deemed to have issued to the Project Parties Cash Call No. 1 in the amount of \$6,975,173, as described in the attached Exhibit "E." Notwithstanding the provisions of Section 3.7 and Section 6.3: (i) the Authority's Cash Call Due Date for Cash Call No. 1 shall be 120 days after the Second Supplement Effective Date, and (ii) the Costs of such \$6,975,173 are deemed to be included in a Contract Price and are deemed to have obtained a Consensus Vote. Houston represents that it has already performed an Appropriation of Houston

Funds in an amount equal to or greater than Houston's pro-rata share of Costs, based on Houston's applicable Cost Share for such Cash Call.

3.9 *Paying Cash Calls.* Houston shall pay Cash Calls in accordance with this Second Supplement, and the Authority shall pay Cash Calls in accordance with this Second Supplement and the Escrow Agreement.

3.9.1 In paying a Cash Call, and in accordance with the Escrow Agreement, the Authority shall, by its Cash Call Due Date, provide the Escrow Agent with Cash or Cash Equivalent, at the option of the Authority, in the amount of the funds required from the Authority by such Cash Call, which at the Authority's option may include the application of any or all of the surplus identified in the Cash Call. In paying a Cash Call, Houston shall Appropriate Houston Funds by its Cash Call Due Date in the amount of the funds required from Houston by such Cash Call, which at Houston's option may include the application of any or all of the surplus identified in the Cash Call.

3.9.2 If the Authority satisfies a Cash Call with Cash, then the Authority shall be in default if any loss in investments made with such Cash in the Escrow Account causes insufficient Cash or Cash Equivalent to be available such that Houston is unable to timely draw the undrawn portion of the Cash Call that was satisfied with Cash. Provided, however, if the Authority promptly provides additional Cash or Cash Equivalent to replace such loss so that Houston is able to timely draw the undrawn portion of the Cash Call that was satisfied with Cash, then the Authority is deemed to not have been in default. If Houston presents a Withdrawal Request and Certificate to the Escrow Agent and Houston is unable to draw funds from the Escrow Account because of default described above in this Section 3.9.2, then the Authority shall pay Houston interest on the amount that Houston was unable to draw. Such interest shall be calculated at the interest rate described in Section 7.5 and shall accrue from the date Houston presents the Withdrawal Request and Certificate to the Escrow Agent until the date the Authority makes the funds available to Houston.

3.9.3 If an Appropriation of Houston Funds is comprised of Cash and if any loss in investments made with such Cash causes a reduction in such Cash so that Houston is unable to timely draw the undrawn portion of the Cash Call that was satisfied with Cash, then Houston shall promptly seek to Appropriate Houston Funds to replace such loss. If Houston fails to Appropriate Houston Funds to replace such loss, then Houston shall be in default, and Houston shall replace such loss prior to spending Cash from the Authority Fund.

3.9.4 If the Authority fails to provide Cash or Cash Equivalent or Houston fails to Appropriate Houston Funds by any Cash Call Due Date, as required by Section

3.9.1, then that Party shall be in default. In satisfying some or all of any Cash Call, if the Authority provides the Escrow Agent with Cash Equivalent or if Houston's Appropriation of Houston Funds is derived from Cash Equivalent, then the Authority or Houston, as applicable, shall be in default if it fails to both: (i) maintain the Cash Equivalent in place such that Houston is unable to timely draw the undrawn portion of the Cash Call that was satisfied with Cash Equivalent, and (ii) re-establish the Cash Equivalent (within 10 business days of receiving written notice) such that Houston is able to timely draw the undrawn portion of the Cash Call that was satisfied with the Cash Equivalent. (The phrase "written notice" in the preceding sentence means a written notice (a) stating that the Cash Equivalent was not maintained, and (b) that is issued by the Project Director (if the notice is to the Authority) or issued by the Project Director or the Authority (if the notice is to Houston).) If Houston fails to spend funds out of the Appropriation of Houston Funds as required by Section 3.11.1, then Houston shall be in default. As described in Section 2.49, default under this Section 3.9.4 shall be considered Non-Payment Default.

3.9.5 Cash Equivalent that is in the form of a line of credit may only be obtained from a financial institution which at the time of obtaining the Cash Equivalent has long term credit ratings in one of the three highest generic rating categories from at least two nationally recognized rating services. If at any time after the date a Party obtains a line of credit, the financial institution fails to meet the credit ratings requirement of the preceding sentence, then the Party shall (within 60 days after the date the financial institution failed to meet the credit ratings requirement) either replace the line of credit with: (i) Cash Equivalent that satisfies the credit ratings requirement, or (ii) Cash. After the expiration of such 60 days, a Party shall be in default if it fails (within 10 business days after receiving written notice from the Project Director or Authority (if the Party is Houston) or from the Project Director (if the Party is the Authority)) to replace the line of credit as described in the preceding sentence. As described in Section 2.49, default under this Section 3.9.5 shall be considered Non-Payment Default.

3.9.6 Cash or Cash Equivalent provided for any particular Cash Call shall only be used to pay for the Cash Call for which it was provided, unless it is determined to be surplus as provided in Section 3.7.5.

3.10 *The Escrow Account; Withdrawal of Funds.* Requests for disbursements from the Escrow Account shall be made in accordance with this Second Supplement and the Escrow Agreement. At such times as the Project Director reasonably determines that payments will be due to pay for the Work pursuant to this Second Supplement and Other Second Supplements, the Project Director shall provide to the Authority a written notice of its intent to draw from the Escrow Account along with a calculation of how each Project Party's draw amount has been calculated under Section 3.7.3.

- 3.10.1 No earlier than 5 days after providing such notice to the Authority, Houston, through the Project Director, shall deliver to the Escrow Agent a Withdrawal Request and Certificate that complies with the requirements of the Escrow Agreement (with a copy contemporaneously sent to Houston's Controller and the Representatives) in order to draw Cash from the Escrow Account.
- 3.10.2 Through the Work Management System, the Project Director shall notify the Project Parties of the following: (A) with respect to the Project Parties (other than Houston) the amount of Cash that Houston (via the Project Director) withdraws out of a Project Party's Escrow Account and the date of such withdrawals; and (B) with respect to Houston: (i) each date when Houston has Appropriated Houston Funds and the dollar amount of same, (ii) the dollar amount of all funds that Houston (via the Project Director) withdraws out of the Appropriation of Houston Funds and the date of such withdrawals.
- 3.10.3 The Authority shall maintain an Escrow Account meeting the requirements of this Section 3.10 until (i) the Authority receives a True-Up Statement calculated pursuant to Section 8.8 which indicates that the Authority no longer owes Houston any amounts related to the Expansion Project, or (ii) the Authority pays Houston the amount, if any, due from the Authority under such True-Up Statement.
- 3.11 *The Authority Fund.* All Authority funds withdrawn from the Escrow Account shall be immediately deposited into the Authority Fund and held in the Authority Fund until payment is made for the Costs. All Authority funds held in the Authority Fund shall be held by Houston in trust for the benefit of the Authority.
- 3.11.1 Houston, through the Project Director, shall spend funds in the Authority Fund only for (i) Costs that have been approved in accordance with Section 6.3 (or for Exempt Item(s)) for which Houston's Controller certified the availability of funds, and (ii) Cost Recovery Amounts. For each and every payment made by Houston out of the Authority Fund, Houston shall: (i) with respect to the Authority's funds held in the Authority Fund, withdraw an amount equal to the Authority's pro-rata share of the Costs to be paid for same, which shall be determined in accordance with the formula applicable to the Authority stated in Section 3.7.3; and (ii) contemporaneous with Houston's withdrawal of Authority funds for the payment, Houston shall spend funds out of the Appropriation of Houston Funds in an amount equal to Houston's pro-rata share of the Costs to be paid for same, which shall be determined in accordance with the formula applicable to Houston stated in Section 3.7.3.

3.11.2 For the pro-rata benefit of the Authority and Other Authorities, Houston's Controller shall invest the funds on hand in the Authority Fund in the Authorized Investments. All earnings and interest that are attributable to the Authority's funds on deposit in the Authority Fund shall inure to the benefit of the Authority.

3.11.3 The Project Director shall calculate the accrued interest and earnings in the Authority Fund and distribute the remaining proceeds from such interest and earnings as part of the True-Up. Provided, however, if requested in writing by the Representative, the Project Director shall reduce the size of subsequent draw(s) from the Escrow Account by the amount of such interest and earnings.

3.12 *TWDB Funding.* The Project Parties shall endeavor to work in good faith to file applications with the Texas Water Development Board ("TWDB") for financing assistance for the Expansion Project on terms acceptable to each Project Party ("TWDB Expansion Funding").

3.12.1 The Director and the Authority's Board President shall be authorized to sign an amendment to this Second Supplement for the specific and limited purpose of accommodating TWDB Expansion Funding, without further approval from the governing bodies.

3.12.2 Nothing in this Second Supplement shall be construed to limit the Authority's right or Houston's right to independently seek TWDB funding for projects other than the Expansion Project.

3.12.3 No Project Party shall request funding for any portion of the Expansion Project from any TWDB funding program that would impose more stringent requirements on the Expansion Project than the requirements applicable to the State Water Implementation Fund, without first obtaining a Consensus Vote in favor of such requested funding. In connection with, and prior to, such Consensus Vote, the requesting Project Party shall provide each of the Project Parties with the draft funding application to be submitted to the TWDB.

3.13 *Cost Recovery Amounts.* Cost Recovery Amounts shall include a portion of the salary and associated benefits for each of Houston's employees who track their hours worked on Houston's construction projects (each a "Direct Employee"), plus a portion of the costs in Houston's Fund 1001 that are not associated with salaries and benefits for Direct Employees ("Overhead"), both of which shall be calculated in the manner described below.

3.13.1 Cost Recovery Amounts for Direct Employees shall be determined by multiplying (i) the cost to Houston of the salary and benefits of each Direct Employee, expressed as an hourly rate, by (ii) the hours each Direct Employee recorded as spent working on the Expansion Project.

3.13.2 The Cost Recovery Amounts for Overhead shall be calculated by multiplying (i) the percentage that Cost Recovery Amounts for Direct Employees (calculated pursuant to 3.13.1) bears to Houston's total cost of salaries and benefits for all Direct Employees (the "Overhead Factor"), by (ii) the costs in Houston's Fund 1001 that are not associated with the salary and benefits for Direct Employees.

3.14 *Oversized Facilities Determination & Administration.* Prior to commencement of final design of the Oversized Facilities, the Project Director shall (a) reasonably determine the amount (in MGD) of the Oversized Facilities Design Capacity; and (b) obtain from the Contractor: (i) an estimate of the dollar amount of the cost to design and construct the Oversized Facilities to produce 320 MGD of treated water ("Estimated Non-Oversized Price"), and (ii) an estimate of the dollar amount of the cost to design and construct the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking ("Estimated Oversized Price").

3.14.1 Within 5 days of the Project Director receiving the Estimated Non-Oversized Price and the Estimated Oversized Price, the Project Director shall (i) post the Estimated Non-Oversized Price and the Estimated Oversized Price, and all related documents, including the technical specifications and estimated price for all Work Items on the Work Management System, and (ii) concurrently provide an email (or other written notice) to the Representative of such posting.

3.14.2 The Project Director shall present the Estimated Non-Oversized Price and the Estimated Oversized Price as Consensus Items in accordance with Section 6.3. The Project Director shall include in such presentation the technical specifications and estimated price of all Work Items that are included in the Oversized Facilities in both the Estimated Non-Oversized Price and the Estimated Oversized Price.

3.14.3 Houston may choose to construct the Oversized Facilities to produce the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking only if (a) the Estimated Non-Oversized Price and Estimated Oversized Price are approved by Consensus Vote; and (b) the Project Director revises the Cash Call Formula as provided in Section 3.7.4.

3.14.4 If Houston chooses to design and construct the Oversized Facilities to provide the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking, then the Project Director shall also be required, as part of the applicable presentation for the Costs to be included in a Contract Price for such Work Items, to adjust the Estimated Non-Oversized Price for each Work Item ("Contract Non-Oversized Price") by

multiplying (a) the Estimated Non-Oversized Price of the Work Item by (b) the quotient of the Contract Oversized Price (numerator) and the Estimated Oversized Price (denominator) of the same Work Item.

- 3.14.5 If Houston has constructed the Oversized Facilities to provide the Oversized Facilities Design Capacity and/or to meet Houston's seasonal demands for peaking, then the Project Director will update the Budget to reflect all actual and final Costs for each Work Item included in a Contract Oversized Price ("Final Oversized Price"), Subject to True-Up, the Project Director shall also update the Budget to show an adjustment to the Contract Non-Oversized Price ("Final Non-Oversized Price"), which is the result of multiplying (a) the Contract Non-Oversized Price of the Work Item by (b) the quotient of the Final Oversized Price (numerator) and the Contract Oversized Price (denominator) of the same Work Item. If the Contract Non-Oversized Price exceeds the Final Non-Oversized Price, then as documented in an Annual Financial Report, the excess shall be deemed surplus for purposes of Section 3.7.5. The Final Oversized Price and the Final Non-Oversized Price are subject to True-Up under Article VIII.

3.15 *Oversized Facilities Options & Reservations.* This Section 3.15 shall be applicable only if Houston chooses to design and construct the Oversized Facilities to produce the Oversized Facilities Design Capacity. After the last Phase AUP Report is prepared pursuant to Article VIII, and at any time prior to December 31, 2045, the Authority shall have the unrestricted right to an Oversized Facilities Reservation up to the Authority's Oversized Facilities Option. Houston shall be obligated to approve such Oversized Facilities Reservation within 60 days of receipt of (a) the Authority's request for the Oversized Facilities Reservation; and (b) the cost due from the Authority for the Oversized Facilities Contribution, in accordance with the formula below (instead of the cost-sharing formula for Treated Water Facilities Capital Contribution set forth in Section 3.03 of the Contract).

- 3.15.1 Within 60 days after receiving a request from the Authority for a calculation of the cost that may be due under the formula below ("Oversized Facilities Contribution"), Houston shall provide such calculation to the Authority.

[(Oversizing Costs as reflected in the Final Accounting + Houston's related borrowing costs)/Oversized Facilities Design Capacity in MGD] \* the Authority's Oversized Facilities Reservation in MGD. In the formula above, the phrase "Houston's related borrowing costs" shall mean the portion of Houston's actual interest and issuance costs then-incurred by Houston on its bonds and other financial instruments to the extent they are attributable to the Oversizing Costs, after taking into account any actual savings from any refundings or defeasances of such bonds or other financial instruments.

For each issue of Houston's bonds and other financial instruments described above, Houston shall include in the Final Accounting: (i) the name and principal amount issued, (ii) a summary of costs of the projects financed, including issuance costs, (iii) the calculation of "Houston's related borrowing costs" (as of the Final Accounting) as described in the preceding paragraph, and (iv) a debt service schedule showing all interest and principal payments due from Houston. At the time of calculation of any payment pursuant to the formula in the preceding paragraph, the items listed in the preceding sentence will be updated to take into account any actual savings from any refundings or defeasances of such bonds or other financial instruments.

- 3.15.2 If the Authority has not requested an Oversized Facilities Reservation in amounts up to its Oversized Facilities Option, then starting on December 31, 2045 and continuing through the term of this Second Supplement, Houston shall not sell, use, or transfer capacity in the amount remaining in the Authority's Oversized Facilities Option such that the Authority would be unable to obtain its remaining Oversized Facility Option unless Houston first provides the Authority with written notice of same and a 90 day opportunity to make an Oversized Facilities Reservation for an amount up to the Authority's remaining Oversized Facilities Option. Houston shall be obligated to approve such Oversized Facilities Reservation within 60 days of receipt of (a) the Authority's request for the Oversized Facilities Reservation; and (b) the cost due from the Authority's Oversized Facilities Contribution.
- 3.15.3 After the last Phase AUP Report is prepared pursuant to Article VIII, and at any time prior to December 31, 2045, the Authority shall have the unrestricted right to increase its Untreated Water Facilities Demand Allocation by an amount up to its Oversized Facilities Option, by submitting a request for a Reservation to Houston for such increase. Houston shall be obligated to approve such Reservation within 60 days of receipt of the Authority's request. Thereafter, the Authority shall hereby be obligated to make all payments for such increase in Untreated Water Facilities Demand Allocation in accordance with the due dates and calculations set forth in the provisions of the Contract. Within 60 days after receiving a request from the Authority for a calculation of the payments due for an increase in Untreated Water Facilities Demand Allocation, Houston shall provide such calculation to the Authority. The Authority may only obtain an Untreated Water Facilities Demand Allocation under this paragraph in an amount of MGD that does not exceed the Oversized Facilities Reservation that it previously or concurrently obtained; provided, however, this sentence shall

not be construed to limit the Authority's right to increase its Untreated Water Facilities Demand Allocation under the terms of the Contract.

- 3.15.4 If, prior to December 31, 2045, the Authority has not increased its Untreated Water Facilities Demand Allocation by the entire Oversized Facilities Option, then starting on December 31, 2045 and continuing through the term of this Second Supplement, Houston shall not sell, use, or transfer untreated water such that the Authority would be unable to obtain its remaining Oversized Facilities Option unless Houston first provides the Authority with written notice of same and a 90 day opportunity to make a request for a Reservation for such increase. Houston shall be obligated to approve such Reservation within 60 days of receipt of the Authority's request. Thereafter, the Authority shall hereby be obligated to make all payments for such increase in Untreated Water Facilities Demand Allocation in accordance with the due dates and calculations set forth in the provisions of the Contract.
- 3.15.5 After completion of the Expansion Project, the Authority may utilize any portion of its Oversized Facilities Reservation (for which it has paid its Oversized Facilities Contribution) at such time as the Authority increases (by an equal amount of MGD) its Untreated Water Facilities Demand Allocation and Treated Water Facilities Demand Allocation in the NEWPP (but no additional payment will be required for Oversized Facilities).
- 3.15.6 Any Project Party may in whole or in part assign, in the same manner as provided in Section 3.2.2 for Expansion Project Reservations, the Oversized Facilities Reservation and any Reservation that increases its Untreated Water Facilities Demand Allocation under this Section 3.15.

#### **ARTICLE IV**

##### ***WORK & SCHEDULE***

Section 4.1 *Control of the Work.* Houston, through the Project Director, shall manage the Work, including design, acquisition of the Expansion Project Property, and construction of the Expansion Project, in accordance with the Budget, Schedule, applicable laws and regulations, and this Second Supplement. Subject to the terms of this Second Supplement, Houston shall control and supervise the detailed manner or method of execution of all Work items and be responsible for the management and compensation of all personnel performing the Work. Houston's control of the Work and the Representative's involvement in the Work described under this Second Supplement shall not change the nature of the relationship established in contracts between Houston and the Contractor or Consultants.

Section 4.2 *The Schedule.* The Project Director shall cause the prompt: (i) preparation and maintenance of an accurate Schedule and posting of same on the Work Management System, and (ii) concurrent provision of an email (or other written notice) to the Representative notifying the Representative when an updated Schedule has been posted to the Work Management System.

Section 4.3 *Bonds, Indemnity, and Insurance.* In order to meet applicable legal requirements and protect the Parties from reasonably foreseeable risks associated with the Work, Houston shall require: (i) any Contractor to provide adequate insurance coverage and payment and performance bonds, and (ii) any Consultant providing engineering services (and any other Consultant as reasonably determined by Houston) to provide adequate insurance coverage. Houston shall require any written contract with a Contractor and each Consultant engaged by Houston after the Second Supplement Effective Date to name the Authority: (a) as an additional insured (including waivers of subrogation by insurance carriers) to the extent permitted by law and to the extent that such Contractor or Consultant provides same in favor of Houston, and (b) as a party included under indemnity, hold harmless, release, and defense provisions to the extent permitted by law and to the extent that such Contractor or Consultant provides same in favor of Houston. With respect to Consultants providing Engineering Services contracted with Houston prior to the Second Supplement Effective Date, Houston shall accomplish the provisions of the previous sentence no later than 30 days after the Second Supplement Effective Date. The Project Director shall post copies of all such contracts and applicable insurance policies on the Work Management System. The Project Director and the Representatives collectively may agree to revisions to this paragraph.

- 4.3.1 The Project Director shall reasonably determine whether to make a claim under any first party insurance policy (such as a property insurance policy) or bond in connection with the Expansion Project. If the Project Director makes such a claim, the Project Director shall promptly distribute proceeds from the claim or bond in proportion to the Authority's applicable Cost Share related to the subject of the claim as follows: (i) to the Authority Fund for the benefit of the Authority, or (ii) to the Authority if the Project Director reasonably determines that such proceeds are surplus. In the event a Party makes a claim on an insurance policy or Houston makes a claim on a bond, such Party shall provide written notice to all Project Parties.

Section 4.4 *Work Management System.* To the fullest extent practicable, Houston shall cause all information and documents related to the Expansion Project to be accessible to the Expansion Project Team and the Representative through the Work Management System.

- 4.4.1 In order to protect information and documents in the Work Management System, the Project Director may require the Representative to agree to reasonable access conditions and non-disclosure terms.

- 4.4.2 The Project Director and Representative may agree on additional or different accessibility and contents of the Work Management System in order to facilitate collaboration and timely completion of the Work.
- 4.4.3 The Authority does not by way of this Second Supplement acquire any title, ownership interest, copyright or any other ownership right, to any information, document, or intellectual property, of any kind, stored or visible on the Work Management System. To the extent that any information, document, or intellectual property is not produced for the exclusive use of the Authority, the Authority shall not claim ownership of any intellectual property, or other ownership interest in the Work Management System, or related services, information, documents, charts, diagrams, specifications, and other tangible or intangible material of any nature whatsoever contained on the Work Management System. All patents, copyrights, and other proprietary rights related to the Work Management System and its components, shall be the sole and exclusive property of Houston, Contractor or Consultant(s). However, the Authority shall be entitled to use the Work Management System and all of its contents in order to achieve the purposes provided for in this Second Supplement.

## ARTICLE V

### *PROJECT DELIVERY*

Section 5.1 *Procurement Generally.* In accordance with this Second Supplement, Houston shall develop all documents and forms, such as solicitations and contracts, for procurement of all Work, Expansion Project Property, equipment, and materials necessary or desirable for completion of the Expansion Project. The Project Director shall place such documents and forms on the Work Management System prior to any public use of these documents.

Section 5.2 *Selection of Contractor.* In accordance with applicable law, Houston shall prepare and publish the request for qualifications of the Contractor. After Houston receives statements of qualifications from firms interested in submitting proposals for the Expansion Project, Houston shall provide said statements to the Selection Reviewer if the Selection Reviewer has agreed in writing to reasonable non-disclosure terms provided by the Project Director. No firm shall be qualified for final selection under Section 2269.359(c), Texas Government Code, unless Houston and at least two of the Selection Reviewers of the following four governmental entities agree in writing that such firm is qualified: Central Harris County Regional Water Authority, North Fort Bend Water Authority, North Harris County Regional Water Authority, and West Harris County Regional Water Authority.

- 5.2.1 Thereafter, Houston shall provide a draft of the request for proposals, including a draft of the contract to be entered into between Houston and the

Contractor, to the public, including qualified firms and the Selection Reviewer, for comments. After considering the comments provided and publishing to the public the comments and how they were addressed, Houston shall, in accordance with applicable law, publish the final request for proposals. The Project Director and the Selection Reviewer of all Project Parties (other than Houston) may collectively agree in writing to modifications of this paragraph.

- 5.2.2 In accordance with applicable law, including Texas Government Code Chapter 2269, Subchapter H, Houston shall (i) decide the firm with which it will negotiate a contract and provide notice to the Selection Reviewer of its decision; and (ii) after successful negotiations between Houston and a firm and after receipt of a Consensus Vote in favor of the final contract to be entered into between Houston and the firm, enter into a contract with the firm. In connection with, and prior to, such Consensus Vote, Houston shall provide the Selection Reviewer with the technical proposal and cost proposal that such firm provided to Houston, subject to the Selection Reviewer agreeing to reasonable non-disclosure terms provided by the Project Director.
- 5.2.3 If the Representative does not meet the eligibility qualifications required of the Selection Reviewer, as provided in Section 2.80, then the Selection Reviewer shall (i) assume all of the Representative's responsibilities related to the Consensus Vote described in Sections 5.2.2(ii) and 6.3(5), and (ii) provide written notice of such assumption to the Project Parties prior to such assumption occurring.
- 5.2.4 Pursuant to Section 2269.053, Texas Government Code, and only to the extent of the terms and conditions of this Section 5.2 and Section 6.3, Houston hereby delegates certain of its authority under Texas Government Code Chapter 2269 to the Selection Reviewers of the following four governmental entities: Central Harris County Regional Water Authority, North Fort Bend Water Authority, North Harris County Regional Water Authority, and West Harris County Regional Water Authority. Houston shall provide notice of this delegation as required by Section 2269.053(b), Texas Government Code.

Section 5.3 *Design.* After entering into a contract with the Contractor, the Project Director shall cause the Contractor to promptly proceed with the design of the Expansion Project.

Section 5.4 *Expansion Project Property.* This Section shall not be effective unless the Project Director (i) reasonably determines that rights of way and other interests in real property adjacent to or in the immediate vicinity of the existing NEWPP site are necessary for the Expansion Project ("Expansion Project Property"), and (ii) provides written notice to the Representative of the Expansion Project Property to be acquired. In accordance with the

Schedule and Consensus Process, Houston shall acquire the Expansion Project Property for a Contract Price. The Project Director shall reasonably determine the method and form that Houston uses to acquire the Expansion Project Property and may hire Consultants to acquire or assist in acquisition of the Expansion Project Property on Houston's behalf. Payments made by the Authority pursuant to this Second Supplement do not give the Authority an ownership interest in the Expansion Project Property.

Section 5.5 *Engineering and Construction Contract Price.* In accordance with the Schedule, Consensus Process, and other terms of this Second Supplement, the Project Director shall negotiate, on behalf of the Project Parties, Contract Prices for the Work associated with the Engineering Costs and Construction Costs.

Section 5.6 *Construction.* After obtaining the necessary design for the applicable portion of the Expansion Project, necessary permits and approvals, and a Contract Price for all or part of the Work, Houston shall cause the performance of the Work related to such Contract Price in accordance with the terms of this Second Supplement.

Section 5.7 *Contractor Schedule.* Houston shall include in the final request for proposals and in any contract with the Contractor a requirement that the Contractor achieve substantial completion of Phase 1 no later than August 31, 2021 and Phase 2 no later than June 30, 2024, subject to Houston's customary terms and provisions within such contracts regarding extension of time. The Project Director and the Representatives may collectively agree in writing to modifications of this paragraph.

Section 5.8 *Dispute Arising from the Work.* In the event that Houston is in a dispute with the Contractor or Consultants regarding the Work that results in settlement, litigation or other formal or informal dispute resolution, then the reasonable costs of same (including, without limitation, legal fees, court costs, expert witness fees, filing fees, and judgment payments or settlement payments paid to the Contractor or Consultants) shall be treated as a Cost such that each Project Party will be responsible for its applicable Cost Share related to the subject of the payment.

5.8.1 Any settlement agreement related to such a dispute shall be treated as a Consensus Item subject to the Consensus Process, and the settlement agreement shall also be subject to approval by Houston's City Council if required by law. Any judgment payments or settlement payments received by Houston shall inure to the benefit of the Project Parties in proportion to each Project Party's applicable Cost Share related to the subject of the payment.

5.8.2 Notwithstanding any provision of this Second Supplement and to the fullest extent permitted by law, including Houston's Charter and Code of Ordinances (to the extent the Ordinances are not inconsistent with this Second Supplement), any Project Parties that collectively comprise more than 63% of the Multi-Phase Cost Shares, as provided in the Participation Table, shall have the right by written

instrument delivered to Houston, to direct the method and manner of conducting all proceedings related to such litigation or other dispute resolution or for any remedy available to Houston under the contracts with the Contractor or Consultants; provided, however, that such direction shall not be contrary to law or the provisions of this Second Supplement.

Section 5.9 *Miscellaneous Services*. As part of a Contract Price, Houston may engage various Consultants to provide miscellaneous Work.

## ARTICLE VI *CONSENSUS PROCESS*

Section 6.1 *Consensus Process*. Notwithstanding any other provision of this Second Supplement, the Project Parties shall use and be bound to the process provided in Sections 6.2 through 6.6 below for Work-related items and issues that may arise during the Expansion Project under Article III through VI of this Second Supplement (“Consensus Process”). The Project Parties shall endeavor to work in good faith to attempt to resolve issues without resorting to the process described in Section 6.4.

Section 6.2 *Weighted Vote; Consensus Vote*. The Project Director, Representative, and the Other Representatives shall each have a vote on a Consensus Item or a Representatives’ Issue, as such terms are defined below, weighted equal to the respective Project Party’s Multi-Phase Cost Share provided in the Participation Table (“Weighted Vote”). Any total Weighted Vote of the Project Parties that exceeds 63% in favor of a particular option voted upon (“Consensus Vote”) shall be binding on all Project Parties to the fullest extent permitted by law.

Section 6.3 *Consensus Items*. At any time during the Expansion Project, a Consensus Vote shall be required to approve the following items (each, a “Consensus Item”): (1) the Costs that Houston proposes to include in the Contract Price(s), plus any related contingency costs; (2) the Estimated Non-Oversized Price, Contract Non-Oversized Price, Estimated Oversized Price and Contract Oversized Price; (3) any change(s) to the contract with a Contractor that change either date reflected in Section 5.7 by more than 60 cumulative days; (4) any emergency purchase order under Section 6.6; and (5) the final contract to be entered into between Houston and the firm described in Section 5.2.2(ii).

6.3.1 The Project Director shall present Consensus Items to the Representative and the Other Representatives via the Work Management System (the “Presentation”); provided, however, the Presentation for an emergency purchase order under Section 6.6 shall also be provided directly to the Representative. The Presentation shall provide the Representative with: (i) a technical overview, cost breakdown, action required by the Project Parties,

and the alternatives considered for the Consensus Item, as applicable, and (ii) for Consensus Items involving Contract Price(s), an updated Budget.

- 6.3.2 The Representative shall provide to the Project Director in writing the official vote on behalf of the Authority within seven (7) business days of the date the Presentation is posted to the Work Management System (or, for any emergency purchase order under Section 6.6, within two (2) business days of the date the Presentation is posted to the Work Management System), otherwise the Authority shall be deemed to have voted in favor of the Consensus Item. (For purposes of the preceding sentence, “the date the Presentation is posted to the Work Management System” shall be the later of: (i) the date the Presentation is placed on the Work Management System, or (ii) the date an email (or other written notice) is received by the Representative from the Project Director notifying the Representative that the Presentation has been placed on the Work Management System.) The Representative shall include with any vote against a Consensus Item a brief summary of the reasons the Authority does not support the Consensus Item. If the vote fails to result in a Consensus Vote in favor of the Consensus Item, then the Consensus Item is not approved. Provided, however, if the failed vote relates to Costs that Houston proposed to include in a Contract Price (or relates to Estimated Non-Oversized Price, Contract Non-Oversized Price, Estimated Oversized Price, or Contract Oversized Price), then the Project Director shall continue thereafter, with all due haste, to provide the Project Parties with modified proposal(s) regarding such items in order to attempt to obtain a Consensus Vote. Absent a written statement to the contrary by the Project Director provided to the Representatives prior to the vote, the Project Director is deemed to cast Houston's vote in favor of the Consensus Item.

Section 6.4 *Representatives' Issues.* At any time during the Expansion Project, two or more Representatives may submit a written request to the Project Director with a copy to the Project Parties to require additional discussion of an issue concerning Representation, or design, construction, progress, or manner of execution of the Expansion Project (“Representatives’ Issue(s)”) if: (1) The requesting Representatives have previously notified the Project Director of the issue and a proposed solution or alternative course of action (collectively, “Proposed Solution(s)”); and (2) The written request includes a summary of the Representatives’ Issue and the Proposed Solution, and is sent not later than five (5) business days after a decision by the Project Director on the subject matter of the Representatives’ Issue is posted to the Work Management System. (Item (2) of the preceding sentence shall not be construed to preclude a Representative Issue from being sent prior to the decision being posted to the Work Management System.)

- 6.4.1 Within five (5) business days of receiving written notice of the Representatives’ Issue, the Project Director shall convene a meeting (“Authority Meeting”) with the Representative and the Other Representatives

to discuss the Representatives' Issue and the Proposed Solution unless the Representatives' Issue is withdrawn in writing prior to the Authority Meeting.

- 6.4.2 If by 11:59 p.m. on the day of the Authority Meeting, any Representative requests a Weighted Vote regarding the Proposed Solution, then the Project Director, the Representative, and the Other Representatives shall provide to the Project Parties in writing the official vote on behalf of each respective Project Party within five (5) business days of the Authority Meeting. If the Representative fails to cast its vote timely, the Representative shall be deemed to have voted the same way as the Project Director. If the Proposed Solution receives a Consensus Vote, then such vote shall be binding on the Project Parties to the fullest extent permitted by law. As set forth in Section 6.5 below, no Consensus Vote shall occur on Exempt Items, but Exempt Items may become Representatives' Issues and may be the subject of an Authority Meeting, as set forth in this Section.
- 6.4.3 If a vote on the Proposed Solution fails to result in a Consensus Vote in favor of the Proposed Solution, one or more Representative(s) comprising at least 20% of the Weighted Vote may appeal to the Director by sending written notice of appeal to the Project Parties and the Director within 3 business days of such vote. Within 5 business days of receiving notice of an appeal, the Director may choose to change the vote cast on behalf of Houston. If the Director chooses to change Houston's vote, and such change results in a Consensus Vote in favor of the Proposed Solution, then that Consensus Vote shall be binding on the Project Parties to the fullest extent permitted by law. If (i) a notice of appeal is not sent, (ii) the Director does not change Houston's vote within 5 business days, or (iii) any such change does not result in a Consensus Vote, then the decision by the Project Director on the subject matter of the Representatives' Issue (referred to in Section 6.4) shall be binding on the Project Parties to the fullest extent permitted by law.
- 6.4.4 The process set forth in this Section 6.4 is not intended to cause an amendment to the express provisions of this Second Supplement without a written instrument being executed by the governing bodies of Houston and the Authority pursuant to Section 10.4; provided, however, such process is intended to cause implementation of any Proposed Solutions that receive Consensus Vote.

Section 6.5 *Exempt Items.* The Project Parties agree that any items shall not be subject to a Consensus Vote if the Director, in his or her reasonable discretion, determines the items are necessary to comply with any applicable regulatory requirements related to workplace safety, public safety, operations, or regulatory compliance, including environmental compliance, related to the Expansion Project or the existing NEWPP (collectively, the "Exempt Item(s)"). If the Director determines, in his or her reasonable

discretion, that a matter constitutes an Exempt Item, then the Director shall (i) provide the Authority with written notice of such determination, and (ii) in good faith consider any comments or input provided by the Authority related to the Exempt Item(s).

Section 6.6 *Emergency Purchase Order*. The Project Director may reasonably determine that a Houston emergency purchase order is necessary for the continuation of the Expansion Project if (i) due to an emergency, (a) the Project Director reasonably determines that immediate Work is needed to prevent unanticipated damage to the property that comprises the Expansion Project (as opposed to property that comprises the existing NEWPP) and (b) the requirements for emergency purchase orders under State law and Houston's written manuals and procedures are met, and (ii) Appropriated Houston Funds do not have adequate contingency funds available to pay for the immediate Work. In that event, the Project Director shall provide the Representative, as soon as practicable, with written notice (i) including a copy of the emergency purchase order and a description of the emergency and damage to be prevented, and (ii) an estimate of the portion of funds from the emergency purchase order directly benefiting the Expansion Project and the Authority's pro-rata share, based on the Authority's applicable Cost Share, of such estimate. If the emergency purchase order is an Exempt Item or receives a Consensus Vote, then the Authority shall pay Houston its applicable Cost Share of the emergency purchase order within 60 days of receiving an invoice for same from Houston.

## ARTICLE VII

### NON-PAYMENT

Section 7.1. *Non-Payment Default Generally*. The Project Director shall promptly provide written notice (such as email or other written notice) to all Project Parties of any Non-Payment Default by the Authority or Houston.

Section 7.2. *Authority's Non-Payment Default*. If it is the Authority that is in Non-Payment Default, then, beginning on the 16<sup>th</sup> and ending on the 45<sup>th</sup> day after the date the Authority receives written notice of the Authority's Non-Payment Default from the Project Director, Houston shall have the remedies set forth in this Section 7.2. If the Authority cures the Non-Payment Default prior to the 16<sup>th</sup> day described in the preceding sentence, then the remedies set forth in this Section 7.2 shall not apply.

7.2.1 Houston may assume some or all of the portion (in MGD) of the Expansion Project Reservation for which the Authority has not already provided Cash or provided and maintained Cash Equivalent ("Unpaid Reservation"). Any such assumption by Houston shall be accomplished by Houston providing written notice to all Project Parties that Houston has assumed all of the Authority's outstanding and future rights and obligations in and to the Unpaid Reservation. Thereafter, Houston may retain or sell all or a portion of the Unpaid Reservation;

- 7.2.2 Houston may modify the Expansion Project to reduce the capacity of the Expansion Project to eliminate some or all of the Unpaid Reservation. The additional Costs resulting therefrom that are incurred by the other Project Parties, including, without limitation, Engineering Costs for re-design Work, (collectively “Downsizing Costs”) shall be due from the Authority, as described below. Any Project Party not then in Non-Payment Default may demand payment of the Downsizing Costs, which payment shall be made within 90 days thereafter by the Authority, pro-rata, to the other Project Parties;
- 7.2.3 Houston may assign some or all of the Unpaid Reservation to one or more of the Other Authorities in accordance with Section 3.2.2 if the one or more Other Authority(ies) to whom it is assigned agree, in writing, to the assignment; and
- 7.2.4 Houston may refuse any requests for Reservations from the Authority received by Houston prior to December 31, 2025.

Section 7.3. *Remaining Unpaid Reservation.* In the event some portion of Unpaid Reservation is remaining after Houston exercises its options pursuant to Section 7.2, or if the 45-day period described in Section 7.2 expires and any portion of the Unpaid Reservation is still remaining, then the Authority that is in Non-Payment Default shall be deemed to have assigned to the Project Parties that are not then in Non-Payment Default (and such Project Parties are deemed to have assumed), pro-rata, the outstanding and future rights and obligations in and to the Unpaid Reservation.

Section 7.4. *Houston’s Non-Payment Default.* If it is Houston that is in Non-Payment Default, then the Authority shall have the remedies set forth in this Section 7.4, beginning on the 16<sup>th</sup> and ending on the 45<sup>th</sup> day after the earlier of: (i) the date the Authority receives written notice of Houston’s Non-Payment Default from the Project Director, or (ii) the date Houston receives written notice of Houston’s Non-Payment Default from the Authority. If the Authority provides notice to Houston pursuant to the preceding sentence, the Authority, contemporaneous with its sending such notice to Houston, shall provide a copy of same to the other Project Parties. If Houston cures the Non-Payment Default prior to the 16<sup>th</sup> day described in the first sentence of this paragraph, then the remedies set forth in this Section 7.4 shall not apply.

- 7.4.1 Pursuant to Section 7.4, the Authority and the Other Authorities (if they are not then in Non-Payment Default) may agree among themselves to assume all of the portion (in MGD) of Houston’s capacity in the Expansion Project for which Houston has not already Appropriated Houston Funds (“Unpaid Capacity”). Any such assumption by the Authority and such Other Authorities shall be accomplished by the Authority and such Other

Authorities providing written notice to all Project Parties that they have assumed all of Houston's outstanding and future rights and obligations in and to the Unpaid Capacity.

7.4.2 In the event the 45-day period described in this Section 7.4 expires and any portion of the Unpaid Capacity is still remaining, then Houston shall be deemed to have assigned to the Project Parties (other than Houston) that are not then in Non-Payment Default (and such Project Parties are deemed to have assumed), pro-rata, the outstanding and future rights and obligations in and to the Unpaid Capacity.

7.4.3 In the event of Houston's Non-Payment Default, Houston shall continue with its obligations under this Second Supplement to complete the Expansion Project.

Section 7.5. *Late Interest.* For the first 45 days following the date a Party enters into Non-Payment Default or following the date that a Party is delinquent in paying Downsizing Costs pursuant to Section 7.2.2, late interest shall accrue on the delinquent amount at an interest rate equal to (i) one percent, plus (ii) the prime rate as published in the Wall Street Journal on the first business day of July of the preceding calendar year. Any Project Party not then in Non-Payment Default may demand payment of such late interest, which payment shall be made within 60 days thereafter by the Party in Non-Payment Default, pro-rata, to the other Project Parties. Thereafter, any interest shall accrue as may be required by law.

Section 7.6. *Preservation of Remedies.* Exercise of the options and remedies set forth in this Article VII does not waive any other remedies (including, without limitation, remedies for damages) that may be available at law or in equity against the Project Party that is in Non-Payment Default.

Section 7.7. *Modification of Time Periods.* The Project Director, the Authority, and the Other Authorities may collectively agree in writing to modify any of the time-periods set forth in this Article VII.

Section 7.8. *Agreement Not Required if in Non-Payment Default.* Certain provisions of this Second Supplement allow for revisions to this Second Supplement if the Project Director, the Authority, and the Other Authorities (or the Project Director and the Representatives) collectively agree in writing. In the event a Project Party is then in Non-Payment Default, agreement from such Project Party shall not be required for the other Project Parties to be able revise the Second Supplement as described in the preceding sentence.

## ARTICLE VIII

### *ACCOUNTING & FINAL STATEMENT*

Section 8.1. *Payment for Work.* As the Project Director receives invoices for the Work and Acquisition Costs, the Project Director shall review and approve or disapprove such invoices and shall pay for same as provided herein. The Project Director shall post this payment information and the other documents described in this Article to the Work Management System.

Section 8.2. *Annual Financial Report.* Each year until the Final Accounting and by no later than October 1 of each year, the Project Director shall post to the Work Management System an interim, unaudited financial report (“Annual Financial Report”) of the (i) funds credited to and debited from the Escrow Account, (ii) sources and uses of funds credited to and debited from (and the dates of such credits and debits) the Authority Fund, (iii) the amount(s) of funds paid (and date(s) paid) by Houston out of the Appropriation of Houston Funds, (iv) earnings and interest accrued in the Authority Fund for the benefit of the Authority and Other Authorities, (v) the Cost Recovery Amounts and calculation thereof, and (vi) for the initial Annual Financial Report, the Costs incurred by Houston prior to December 1, 2014, in accordance with Section 3.4. The reporting period for Annual Financial Reports shall include all transactions from July 1 of the previous calendar year through June 30 of the current year.

Section 8.3. *Phase Financial Report.* Within 90 days of completion of the Work for any Phase, the Multi-Phase Work, or the Oversized Facilities, the Project Director shall post to the Work Management System a final, unaudited financial report of all Costs for that Phase, Multi-Phase Work, or Oversized Facilities (“Phase Financial Report”). The Phase Financial Report shall provide the same type of information and formatting as the Annual Financial Report and shall identify the remaining Cash and Cash Equivalent in the Escrow Account and the Cash in the Authority Fund and anticipated refunds and shortfalls, based upon the most-current Budget and Participation Table.

Section 8.4. *Semi-Annual Cost Recovery Amounts Report.* Semi-Annually, Houston shall provide to the Authority a report showing all Cost Recovery Amounts Houston charged to the Expansion Project during the period from January 1<sup>st</sup> to June 30<sup>th</sup> and from July 1<sup>st</sup> to December 31<sup>st</sup> of each year. Reports for the period ending December 31<sup>st</sup> shall be due by the following February 28<sup>th</sup> and reports for the period ending on June 30<sup>th</sup> shall be due by August 31<sup>st</sup>. Notwithstanding the foregoing, the first report shall cover the period from December 1, 2014 to June 30, 2015 and be due by August 31, 2015.

Each report shall include for the applicable period: (i) for each Direct Employee recording hours worked on the Expansion Project (a) the total cost to Houston for the employee’s salary and associated benefits, expressed as an annual amount and as an hourly rate, (b) the total hours worked, and (c) the totals hours worked on the Expansion Project;

(ii) the total of all amounts determined pursuant to (i); (iii) the total costs of salaries and associated benefits for all Direct Employees, whether each employee recorded hours worked on the Expansion Project or not; (iv) the Overhead Factor; (v) an itemized list and backup for all costs included as Overhead; (vi) the total Cost Recovery Amount.

Section 8.5. *Review and Comment.* The Representative shall have the opportunity to review and comment on Annual Financial Reports, Phase Financial Reports, Final Accounting, and the True-Up Statement within 30 days of the later of: (i) the date the applicable document is posted to the Work Management System, or (ii) the date an email (or other written notice) is received by the Representative from the Project Director notifying the Representative that the applicable document has been posted to the Work Management System. The Project Director shall address any of the Representative's comments within 30 days of receiving the comment(s). The Project Director and Representative may agree in writing to a longer period for comments and to address such comments.

Section 8.6. *Agreed Upon Procedures.* No later than the first anniversary of the Second Supplement Effective Date, Project Parties that collectively comprise more than 63% of the Multi-Phase Cost Shares, as provided in the Participation Table, shall agree on standard procedures and questions for AUP Reports. The cost incurred by Houston to obtain each AUP Report shall be considered a Work Item shared by the Project Parties according to their respective Cost Shares for Multi-Phase Work.

8.6.1 Within 90 days after the end of the time-period for the Representative to provide comments to a Phase Financial Report under Section 8.5, the Project Director shall cause an AUP Report to be prepared and posted on the Work Management System ("Phase AUP Report"). A Phase AUP Report shall review, test, and verify the associated Phase Financial Report.

8.6.2 The Representative shall have the opportunity to review the Phase AUP Report and provide comments to the Project Director for 30 days following the later of: (i) the date the Phase AUP is posted to the Work Management System, or (ii) the date an email (or other written notice) is received by the Representative from the Project Director notifying the Representative that the Phase AUP has been posted to the Work Management System. The Project Director shall consider and respond to said comments and may provide an addendum to the Phase AUP Report.

Section 8.7. *Final Accounting.* The last Phase AUP Report shall include a final accounting for all Phases, Multi-Phase Work, and Oversized Facilities ("Final Accounting") that includes: (a) a list of all Costs paid from the Authority Fund and from Appropriations of Houston Funds; (b) the cumulative amount of Cash withdrawn by Houston from the Escrow Account and from escrow accounts created under the Other Second Supplements; (c) the earnings and interest earned on the Authority's funds and the Other Authorities'

funds in the Authority Fund; (d) the amount of funds, if any, remaining in the Authority Fund after all Costs have been paid; (e) the Authority's and the Other Authorities' pro-rata share shown as a percentage and dollar amount, based on the applicable Cost Share, of any remaining funds described in (d) above; (f) the amount of funds, if any, the Authority owes for the Work, Cost Recovery Amounts, and Acquisition Costs based on its applicable Cost Share that was not already paid by the Authority pursuant to this Second Supplement; and (g) the Costs incurred by Houston prior to December 1, 2014, in accordance with Section 3.4. In accordance with this Second Supplement, the Final Accounting shall state for each Project Party the amounts, if any, due or owing to or from such Project Party for the items calculated using items (a) through (g) above. The Final Accounting shall also include (i) the Oversizing Costs based on the Final Oversized Price and the Final Non-Oversized Price of each applicable Work Item pursuant to Section 3.14 and (ii) the items listed in the third paragraph of Section 3.15.1.

Section 8.8. *True-Up.* Consistent with the Final Accounting, and within 60 days after the Final Accounting has been posted to the Work Management System, the Project Director shall prepare a True-Up Statement (the "True-Up Statement") reflecting the amount, if any, due to or owed from the Authority pursuant to this Second Supplement, and shall post same on the Work Management System. After the comment period provided for in Section 8.5, the Project Director shall issue the Authority the True-Up Statement, including any revisions made by the Project Director based on comments received. If the True-Up Statement provides that the Authority owes Houston a payment, the Authority shall pay any such amount to Houston within 180 days of the date the True-Up Statement is received by the Authority and the Authority shall be in default if it fails to do so. If the True-Up Statement provides that Houston owes the Authority a payment, Houston shall pay any such amount to the Authority within 90 days of the date the True-Up Statement is issued and Houston shall be in default if it fails to do so. Nothing in this Section prohibits a Party from challenging the calculation of the Annual Financial Reports, Phase Financial Reports, Final Accounting, or the True-Up Statement, as not being in compliance with this Second Supplement.

## ARTICLE IX

### *TERM*

Section 9.1 *Term.* Section 15 of the First Supplement is amended to read as follows:

"The Contract and the Second Supplement shall expire at noon on January 1, 2080. At such time as the Contract and the Second Supplement are no longer in force and effect, if requested in writing by the Authority, Houston agrees to continue to provide water services to the Authority upon the payment of reasonable rates and charges therefor which take into account the capital payments paid by the Authority to Houston pursuant to the Contract (and any supplements, including the Second Supplement, or amendments thereto) and the

Authority's equitable interest described below. Upon the date that the Contract and the Second Supplement are no longer in force and effect, the Authority will own the right to use the capacity of the Untreated Water Facilities and Treated Water Facilities proportionate to the amount of its Water Demand Allocation as it existed immediately prior to such date. The immediately preceding two (2) sentences shall survive the expiration or termination of the Contract and the Second Supplement."

The term "Contract" in the above paragraph, and throughout this Second Supplement, has the meaning given in Section 2.19 of this Second Supplement.

## ARTICLE X

### *MISCELLANEOUS*

Section 10.1 *Time; Force Majeure*. Time is of the essence with respect to performance of all obligations set forth in this Second Supplement. The Force Majeure provisions of the Original Contract apply to this Second Supplement; provided, however, Force Majeure does not excuse a failure to timely satisfy Cash Call obligations.

Section 10.2 *Severability*. If any part of this Second Supplement is for any reason found to be unenforceable, all other parts remain enforceable.

Section 10.3 *Recitals*. The recitals contained in Article I are true and correct, accurately represent the understandings and intent of the parties, and are incorporated into this Second Supplement by reference.

Section 10.4 *Written Amendment*. Unless otherwise specified elsewhere in this Second Supplement, this Second Supplement may be amended only by written instrument executed by the governing bodies of Houston and the Authority and, if the amendment is to a provision in Article III through VIII, then the written consent of all Project Parties shall be required.

Section 10.5 *Applicable Laws*. This Second Supplement is subject to the laws of the State of Texas, the Houston's Charter and Ordinances (to the extent the Ordinances are not inconsistent with this Second Supplement), the laws of the federal government of the United States, and all rules and regulations of any regulatory body or officer having jurisdiction. Venue for any litigation relating to this Second Supplement is Harris County, Texas.

Section 10.6 *Notices*. All notices required or permitted by this Second Supplement must be in writing and are deemed delivered on the earlier of the date actually received or the third day following: (a) deposit in a United State Postal Service post office or receptacle; (b) with proper postage (certified mail, return receipt requested); and (c) addressed to the other party at the address provided in the Original Contract.

Section 10.7 *Captions*. Captions contained in this Second Supplement are for reference only, and therefore, have no effect in construing this Second Supplement. The captions are not restrictive of the subject matter of any section in this Second Supplement.

Section 10.8 *Non-Waiver*. If any Party fails to require another Party to perform a term of this Second Supplement, that failure does not prevent the Party from later enforcing that term and all other terms. If any Party waives another Party's breach of a term, that waiver does not waive a later breach of this Second Supplement.

Section 10.9 *Enforcement*. The City Attorney, or his or her designee, may enforce all of Houston's legal rights and obligations under this Second Supplement without further authorization.

Section 10.10 *Ambiguities*. If any term of this Second Supplement is ambiguous, it shall not be construed for or against any Party on the basis that the Party did or did not write it.

Section 10.11 *Remedies Cumulative*. Unless otherwise specified elsewhere in this Second Supplement, the rights and remedies contained in this Second Supplement are not exclusive, but are cumulative of all rights and remedies that exist now or in the future at law or in equity (including, without limitation, specific performance, mandamus, and injunctive relief). No Party may terminate its duties under this Second Supplement except as may be specifically provided for in this Second Supplement.

Section 10.12 *Third Party Beneficiaries*. The terms of this Second Supplement will be binding upon, and inure to the benefit of, the Parties hereto and their permitted successors and assigns. The Parties hereby expressly acknowledge and stipulate their intent that each of the Project Parties not included within the definition of the Parties shall be a third party beneficiary of this Second Supplement, and shall have the right and legal standing to enforce the respective obligations of the Parties hereunder to the full extent allowed at law or in equity; provided, however, that in no event shall the Project Parties have the right to bring suit for money damages against any Party to this Second Supplement in any case or cause of action in which a direct Party to this Second Supplement would have no right to bring suit for money damages under the terms of this Second Supplement. Except as described in the preceding sentence, this Second Supplement shall be for the sole and exclusive benefit of the Parties and shall not be construed to confer any rights upon any third party.

Section 10.13 *Waiver of Immunity*. The Project Parties expressly acknowledge and agree that this Second Supplement constitutes a contract by which each Project Party is providing goods and/or services to all other Project Parties and that this Second Supplement is subject to the provisions of Subchapter I, Chapter 271, of the Texas Local Government Code.

Section 10.14 *Reserved*.

Section 10.15 *Assignability*. Unless otherwise specified elsewhere in this Second Supplement, this Second Supplement shall not be assignable by either Party without the prior written consent of the other Project Parties.

Section 10.16 *Additional Information*. The provisions of this Section shall terminate 180 days after the Authority receives a True-Up Statement calculated pursuant to Section 8.8. The Authority shall provide the Project Director with the following documents no later than the time the Authority submits such documents to the Municipal Securities Rulemaking Board (“MSRB”) via the Electronic Municipal Market Access system established by the MSRB: (i) the Authority’s annual audited financial statements, and (ii) notice of these specified events with respect to outstanding Authority bonds:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults, if Material;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Authority’s outstanding bonds, or other Material events affecting the tax-exempt status of the Authority’s outstanding bonds;
- G. Modifications to rights of holders of the Authority’s outstanding bonds, if Material;
- H. Release, substitution, or sale of property securing repayment of the Authority’s outstanding bonds, if Material;
- I. Rating downgrades (other than bond insurance company rating downgrades);
- J. Bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person within the meaning of the United States Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the “Rule”); and
- K. Consummation of a merger, consolidation, or acquisition involving the Authority or other obligated person within the meaning of the Rule, or the sale of all or substantially all of the assets of the Authority or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if Material.

Upon discovery of an event of default under any agreement by which the Authority obtained a line of credit or letter of credit (if any) as Cash Equivalent under this Second Supplement, the Authority shall deliver to the Project Parties (via the Work Management System or other

means of delivery) a certificate specifying the nature of such event of default, the period of existence of such default, and the action that the Authority has taken and will take to remedy such default.

## ARTICLE XI

### *EFFECT ON AND AMENDMENTS TO THE ORIGINAL CONTRACT*

Section 11.1 *Entire Agreement.* This Second Supplement merges the prior negotiations and understandings of the Parties and embodies the entire agreement of the Parties in relation to the Expansion Project, the Work, the Costs, the Expansion Project Reservation, and the Oversized Facilities Option. No other agreements, assurances, conditions, covenants (express or implied), or other terms of any kind, exist between the Parties regarding the Expansion Project, the Work, the Costs, the Expansion Project Reservation, and the Oversized Facilities Option contemplated in this Second Supplement.

Section 11.2 *Authority's Payment of O&M Expenses; Amendments to Original Contract.*

- 11.2.1 The term "Plant Facilities" is currently defined in the Contract as the facilities identified in Exhibit "B" attached thereto and such exhibit describes the Northeast Water Purification Plant as it exists prior to the Second Supplement Effective Date. For all purposes under the Contract, after the Authority begins receiving Water from the Expansion Project, the term "Plant Facilities" shall be expanded to also include the Expansion Project.
- 11.2.2 For purposes of calculating the O&M Expenses for the Authority (except for purposes of item "F", which is provided for in Section 11.2.3 below), the parties agree to treat the portion of the Plant Facilities existing on the Second Supplement Effective Date and the portion of the Plant Facilities constructed as part of the Expansion Project as a single water plant. As a result, after the Authority begins receiving water out of the Expansion Project, the calculation stated in Section 4.02 of the Original Contract for calculating the Authority's O&M Expenses shall be amended by (i) adding ", less the amount (in millions of gallons) of Water taken from the Plant Facilities during such year by the West Harris County Regional Water Authority and the North Fort Bend Water Authority, combined. The amounts taken from the Plant Facilities by the other aforementioned water authorities shall be determined by the amount of Water measured by the measuring equipment pursuant to Article VII of their respective Water Supply Contracts with Houston." to the end of the current description of "B;" and (ii) adding ", less the amount of all such costs and expenses paid by the West Harris County Regional Water Authority and the North Fort Bend Water Authority, combined." to the end of the first sentence of the description of "C."

- 11.2.3 In addition, the second sentence of item “F” is amended to read as follows: “As used in this definition, the ratio for determining the share of the cost borne by the Authority is a fraction, the numerator of which is the Authority’s then-current Treated Water Facilities Demand Allocation in the applicable facility and the denominator of which is the total capacity (in MGD) of the entire applicable facility subject to the Major Rehabilitation, repair or replacement. For purposes of this calculation, the Plant Facilities, existing at the expansion date of this Second Supplement) and the Expansion Project shall be treated as two separate facilities after the Authority begins receiving water out of the Expansion Project.”

Section 11.3 *Reserved.*

Section 11.4 *Conflicts.* This Second Supplement shall control over the Contract with respect to the matters addressed in this Second Supplement, including, without limitation: (i) the Expansion Project and all payments from the Authority related to the same, (ii) the Phase 1 Expansion Project Reservation, Phase 2 Expansion Project Reservation, Oversized Facilities Option, and all payments related to the same, and (iii) calculation of O&M Expenses with respect to the Expansion Project. Except to the extent inconsistent with this Second Supplement, all terms of the Contract remain in full force and effect.

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**ARTICLE XII**

***SIGNATURES***

IN WITNESS WHEREOF, Participants have executed this Second Supplement in multiple copies, each of which shall be deemed to be an original, as of the date of countersignature by the City Controller of Houston.

**ATTEST/SEAL (if a corporation):  
WITNESS (if not a corporation):**

**CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY**

By: Dodge Caston  
Name: Dodge Caston  
Title: Secretary, Board of Directors

By: Julian J. Boddy  
Name: Julian Boddy  
Title: Vice President, Board of Directors

ATTEST/SEAL:

W. Russell  
City Secretary

CITY OF HOUSTON, TEXAS

Signed by:

Amanda Washington  
Mayor

APPROVED:

Jale A. Rudick  
Director, Public Works Department

COUNTERSIGNED BY:

Ronald C. Smith  
City Controller

APPROVED AS TO FORM:

[Signature]  
Assistant City Attorney  
L.D. File No. [Signature]

DATE COUNTERSIGNED:

2-25-15  
("Second Supplement Countersignature Date")

**EXHIBIT "A"**  
**PARTICIPATION TABLE**

Exhibit A: Participation Table

NEWPP Expansion Project Reservation in Million Gallons per Day (MGD)			
	Total	Phase 1	Phase 2
NHCRWA	113.00	51.05	61.95
CHCRWA	4.88	0.46	4.42
NFBWA	68.50	11.46	57.04
WHCRWA	82.42	17.03	65.39
COH*	51.20	0.00	51.20
TOTAL	320.00	80.00	240.00

NEWPP Expansion Project – Cost Share			
	Multi-Phase (%)	Phase 1 (%)	Phase 2 (%)
NHCRWA	35.313%	63.813%	25.813%
CHCRWA	1.525%	0.575%	1.842%
NFBWA	21.406%	14.325%	23.767%
WHCRWA	25.756%	21.288%	27.246%
COH	16.000%	0.000%	21.333%
TOTAL	100.000%	100.000%	100.000%

\* Represents Houston's additional capacity in the Expansion Project, as Houston does not have an Expansion Project Reservation.

\*\* Exhibit A shall be updated to reflect that the Over-Sized Facilities Design Capacity is \_\_\_ MGD, to be determined in accordance with Section 3.14 of the Second Supplement.

**EXHIBIT "B"**  
**BUDGET**

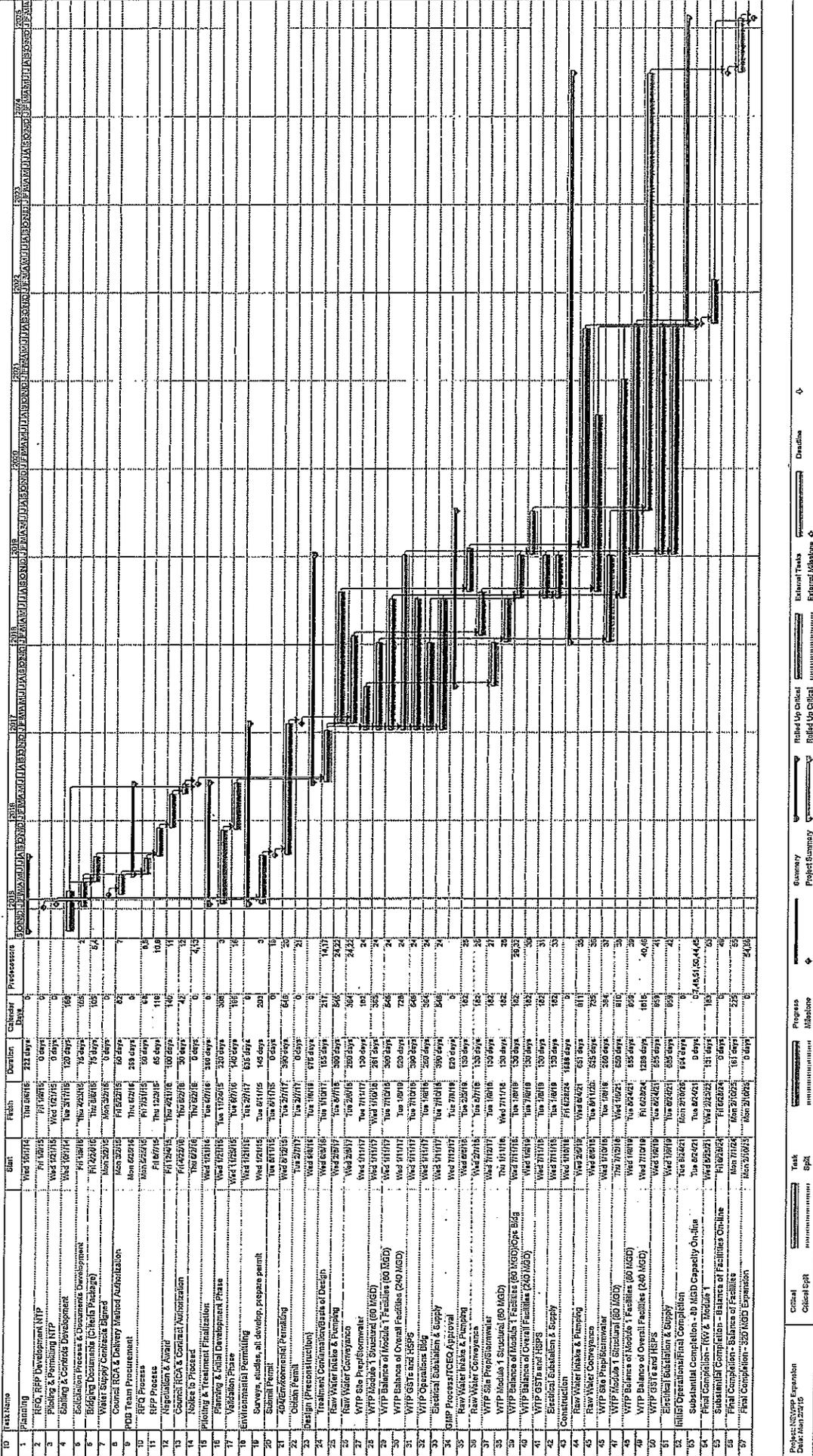




**EXHIBIT "C"**  
**SCHEDULE**

EXHIBIT 'C'

NEWPP EXPANSION PROJECT  
 BASELINE SCHEDULE  
 DRAFT VERSION 1.1A



**EXHIBIT "D"**  
**ESCROW AGREEMENT**

## EXHIBIT "D"

## ESCROW &amp; PAY AGENT AGREEMENT

This Escrow & Pay Agent Agreement (the "Escrow Agreement") is entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ Water Authority, a conservation and reclamation district organized and operating under the provisions of \_\_\_\_\_ (the "Authority"), \_\_\_\_\_ (the "Escrow Agent"), and \_\_\_\_\_, as beneficiary under this Escrow Agreement, the City of Houston ("Houston").

The Authority entered into that certain Second Supplement to Water Supply Contract (the "Second Supplement"), effective as of \_\_\_\_\_.

The Second Supplement, attached as **Exhibit A**, contains provisions regarding the Authority's and Houston's respective responsibilities and obligations related to the funding of the design and construction of the Expansion Project, which involves the expansion of the Northeast Water Purification Plant located at 12121 North Sam Houston Parkway East, Humble, Texas 77396 (the "NEWPP").

Pursuant to the Second Supplement and this Escrow Agreement, the Authority shall deposit into the Escrow Account (as defined below) Cash or Cash Equivalent (as defined in the Second Supplement), representing the Authority's pro-rata share of a portion of the costs of the Expansion Project.

Pursuant to the terms of this Escrow Agreement, the Escrow Agent has agreed to hold such Cash or Cash Equivalent in a separately segregated trust account ("Escrow Account") and disburse funds from the Escrow Account, as set forth this Escrow Agreement.

Pursuant to, and subject to the terms and conditions of, the Second Supplement and this Escrow Agreement, Houston shall draw funds from the Escrow Account to be used to pay for the Authority's pro-rata share of a portion of the costs of the Expansion Project; Now, Therefore,

FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREIN CONTAINED, the Authority, Houston, and Escrow Agent do mutually agree as follows:

Section 1: The recitals above are true and correct and are incorporated into this Escrow Agreement by reference. All capitalized terms used in this Escrow Agreement not otherwise defined herein shall have the meanings assigned to such terms in the Second Supplement.

Section 2: The Parties hereby appoint Escrow Agent to serve as Escrow Agent as set forth herein, and the Escrow Agent hereby accepts and agrees to perform its obligations hereunder.

Section 3: Pursuant to the Second Supplement, and for each Cash Call issued to the Authority by Houston, the Authority shall deposit Cash into the Escrow Account from time to time in the amounts, and within the time-periods, required by the Second Supplement. The Escrow Agent shall separately account for the Cash deposited by the Authority for each of the

Cash Calls. Notwithstanding the other provisions of this paragraph, pursuant to the Second Supplement, in lieu of Cash, the Authority may provide the Escrow Agent with Cash Equivalent(s) that satisfy individual or multiple Cash Calls. Each Cash Equivalent will be payable to the Escrow Agent for the benefit of the Escrow Account. The Authority may at any time replace Cash Equivalent with Cash. Each time the Authority provides Cash or Cash Equivalent to the Escrow Agent, the Authority shall provide a written notice to the Escrow Agent (with a contemporaneous copy to all Project Parties) that identifies the particular Cash Call to which the Cash or Cash Equivalent applies.

Section 4: The Cash and Cash Equivalent provided by the Authority hereunder to the Escrow Agent are owned by the Authority. Subject to the terms of this Escrow Agreement, and once Houston's City Controller has certified in writing to the Escrow Agent that the Cash or Cash Equivalent has been appropriated by Houston's City Council for a Cash Call, such Cash and Cash Equivalent shall be held by the Escrow Agent until the Termination Date (defined below). The Project Director shall from time to time submit to the Escrow Agent Withdrawal Request and Certificates, substantially in the form attached hereto as **Exhibit B**, which describe the Project Director's request for funds, identify from which Cash Call funds are being withdrawn, and certify the following: (i) that the request for funds is solely to pay for the Authority's pro-rata share of Costs, based on the Authority's applicable Cost Share, funded by the Cash Call that the Project Director has identified in the Withdrawal Request and Certificate; (ii) that, for Costs that are for Engineering Costs or Construction Costs, the Project Director has reasonably determined that a certain amount of funds are needed to pay for such Costs and that such Costs are reasonably estimated by the Project Director to be due from Houston to pay Consultants or the Contractor within 90 calendar days after the date the Project Director signs the Withdrawal Request and Certificate, and (iii) that, for Costs that are for Cost Recovery Amounts, Houston has already paid such amounts, or reasonably expects to pay such amounts within 90 calendar days after the Project Director signs the Withdrawal Request and Certificate, and has documented or will document such amounts in a Semi-Annual Cost Recovery Amounts Report. All earnings and interest attributable to Cash and Cash Equivalent in the Escrow Account are owned by the Authority, and, upon written request from the Authority, shall be released by the Escrow Agent to the Authority or allocated by the Escrow Agent to a particular Cash Call.

Section 5: The Escrow Agent shall pay Houston the funds that are requested by the Project Director in the Withdrawal Request and Certificate within 5 business days of the date the Escrow Agent receives the Withdrawal Request and Certificate. The Escrow Agent shall make each of such payments according to the following procedure: (i) first, it shall draw funds from any Cash that has been deposited for that particular Cash Call, and (ii) second, if there is no such Cash attributable to that Cash Call, then the Escrow Agent shall draw upon the Cash Equivalent attributable to that Cash Call to the extent necessary to pay the funds requested by the applicable Withdrawal Request and Certificate.

Section 6: The Escrow Agent shall deposit all Cash, and hold any Cash Equivalent, received from the Authority in the Escrow Account to be held by the Escrow Agent in a fiduciary capacity for the benefit of the Project Parties for the Expansion Project in accordance with the terms and conditions of the Second Supplement. All moneys in the Escrow Account may only be invested in permitted investments under Chapter 2256 of the Texas Government

Code or deposited in accounts collateralized as required by Chapter 2257 of the Texas Government Code, all as shall be directed in writing by the Authority in compliance with the Authority's investment policy.

Section 7: The Escrow Agent shall (i) within 2 business days of the Authority providing to the Escrow Agent Cash or Cash Equivalent (or the renewal or extension of a Cash Equivalent), provide written notice to the Project Parties of the dollar amount of same with a copy of any Cash Equivalent provided, (ii) send monthly statements to all Project Parties of the Authority's current balance stating any deposits into or disbursements from the Escrow Account, and (iii) in the event the Escrow Agent draws funds from Cash Equivalent, the Escrow Agent shall notify all Project Parties (within 2 business days of the draw) of the balance remaining and available for such Cash Equivalent. Notifications and submittals to all Project Parties must be in writing and are deemed delivered on the earlier of the date actually received or the third business day following (a) deposit in a United States Postal Service post office or receptacle; (b) with proper postage (certified mail, return receipt requested); and (c) addressed to the applicable Project Party at the address set forth below. In addition, upon request from any of the Project Parties to send notices through other methods (including electronic mail), the Escrow Agent shall also send notice through such methods.

North Fort Bend Water Authority:

North Fort Bend Water Authority  
c/o Allen Boone Humphries Robinson, LLP  
Attn: David Oliver  
3200 Southwest Freeway, Suite 2600  
Houston, Texas 77027

With a copy to:  
North Fort Bend Water Authority  
c/o AVANTA Services  
Attn: Pamela Logsdon  
5635 Northwest Central Dr., Suite 104E  
Houston, Texas 77092

The City of Houston:

City of Houston  
City Controller  
c/o Ronald Green  
901 Bagby, 6<sup>th</sup> Floor  
Houston, Texas 77002

With a copy to:  
City of Houston  
Resource Management Division  
c/o Susan Bandy

611 Walker, 25<sup>th</sup> Floor  
Houston, Texas 77002

West Harris County Regional Water Authority:

West Harris County Regional Water Authority  
c/o Allen Boone Humphries Robinson, LLP  
Attn: Alex Garcia  
3200 Southwest Freeway, Suite 2600  
Houston, Texas 77027

With a copy to:  
West Harris County Regional Water Authority  
c/o Myrtle Cruz, Inc.  
Attn: Mary Jarmon  
3401 Louisiana Street, Suite 400  
Houston, Texas 77002

Central Harris County Regional Water Authority:

Central Harris County Regional Water Authority  
c/o Schwartz, Page & Harding, LLP  
Attn: Abraham Rubinsky  
1300 Post Oak Blvd., Suite 1400  
Houston, Texas 77056

With a copy to:  
Central Harris County Regional Water Authority  
F. Matuska Inc.  
Attn: Fran Matuska  
4600 Highway 6 North, Suite 315  
Houston, Texas 77084

North Harris County Regional Water Authority:

North Harris County Regional Water Authority  
Attn: General Manager  
3648 Cypress Creek Parkway, Suite 110  
Houston, Texas 77068

With a copy to:  
North Harris County Regional Water Authority  
c/o Radcliffe Bobbitt Adams Polley PLLC  
Attn: Robin S. Bobbitt  
1001 McKinney, Suite 1000  
Houston, Texas 77002

Section 8. In addition to Section 7, above, the Escrow Agent will provide the Project Parties reports upon request, which reports will describe in reasonable detail all transactions pertaining to the Escrow Account. The Project Parties may also inspect and make copies of the information in the books and records of the Escrow Agent pertaining to the Escrow Account at any time the Escrow Agent is customarily open for business, provided that reasonable time is allowed the Escrow Agent to provide an up-to-date listing or to convert the information into written form.

Section 9. Escrow Agent hereby agrees to hold the Cash and Cash Equivalent in accordance with the terms of this Escrow Agreement and to disburse funds from the Escrow Account in strict accordance with the terms of this Escrow Agreement.

Section 10. As compensation for the Escrow Agent's services as Escrow Agent, the Authority shall be responsible to pay the Escrow Agent the fees set forth in the Escrow Agent's fee schedule attached as **Exhibit C** hereto.

Section 11: This Escrow Agreement shall terminate and any remaining Cash and Cash Equivalent (and earnings and interest attributable to the Cash and Cash Equivalent) shall be released and returned to the Authority within 5 business days after the earlier to occur of (such date, the "Termination Date") (a) January 1, 2027, or (b) the date on which Houston notifies the Escrow Agent in writing that Houston has provided the True-Up Statement to the Authority. Houston shall so notify the Escrow Agent (with a contemporaneous copy to the Authority) at the same time that Houston provides the True-Up Statement to the Authority.

Section 12. The Authority shall have the right to terminate this Escrow Agreement prior to the Termination Date determined in accordance with Section 11 above, with or without cause, upon 30 calendar days prior written notice to all parties hereto; provided, however, that no such termination shall be effective until a successor escrow agent has been appointed and has accepted the duties of the Escrow Agent hereunder. If this Escrow Agreement is terminated prior to the Termination Date, then (a) the Authority shall promptly designate a substitute escrow agent, and (b) the Escrow Agent shall deliver to the successor escrow agent all remaining Cash and Cash Equivalent (and earnings and interest attributable to the Cash and Cash Equivalent) held by the Escrow Agent, and all books and records pertaining to the Escrow Agent's role as Escrow Agent hereunder.

Section 13. Escrow Agent shall have the right to resign at any time by giving 30 calendar days' advance written notice of such resignation to the other parties hereto, specifying the effective date of such resignation. Within fifteen (15) calendar days after the Authority receives such notice, the Authority shall appoint a successor escrow agent to which the Escrow Agent shall turn over the remaining Cash and Cash Equivalent. If a successor escrow agent has not been appointed and has not accepted such appointment by the end of such 30-day period, Escrow Agent may either (a) interplead the Cash and Cash Equivalent in the Escrow Account with a court of competent jurisdiction in Harris County, Texas for the appointment of a successor escrow agent; or (b) appoint a successor escrow agent of its own choice. Subject to the

Authority's termination rights under Section 12, any such appointment of a successor escrow agent shall be binding upon the parties. No such appointed successor escrow agent shall be deemed to be an agent of Escrow Agent.

Section 14. The Escrow Agent shall have only the rights, powers, privileges and duties expressly set forth in this Escrow Agreement, together with those rights, powers and privileges reasonably incident thereto.

Section 15. This Escrow Agreement may be executed in counterparts and by facsimile, portable document format (PDF), and other electronic means, each of which shall be deemed an original and which together shall constitute one and the same agreement.

Section 16. This Escrow Agreement shall not be assignable without the consent of all parties hereto.

Section 17. The terms and provisions of this Escrow Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their permitted successors and assigns. The parties hereto hereby expressly acknowledge and stipulate their intent that each of the Project Parties not executing this Escrow Agreement shall be a third party beneficiary of this Escrow Agreement, and shall have the right and legal standing to enforce the respective obligations of the parties hereto hereunder to the full extent allowed at law or in equity; provided, however, that in no event shall any of the Project Parties have the right to bring suit for money damages against any party hereto in any case or cause of action in which a direct party to this Escrow Agreement would have no right to bring suit for money damages under the terms of this Escrow Agreement.

Section 18. No amendment or changes to this Escrow Agreement shall become effective unless in writing and signed by the Escrow Agent and all of the Project Parties.

Section 19. Houston only has the right to access the Authority's funds that have been deposited in the Escrow Account in accordance with this Escrow Agreement. Funds, if any, that the Authority currently or hereafter deposits or invests with the Escrow Agent in the Escrow Agent's capacity outside of this Escrow Agreement (for example, without limitation, in connection with water projects other than the Expansion Project or bond proceeds related to the Expansion Project that have not yet been deposited in the Escrow Account) shall not be subject to the terms and conditions of this Escrow Agreement.

Section 20. This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF the parties have executed this Escrow Agreement as of the date and year first written in this Escrow Agreement.

\_\_\_\_\_ WATER AUTHORITY]

\_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

ESCROW AGENT:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF HOUSTON (AS BENEFICIARY)**

**APPROVED:**

\_\_\_\_\_  
Director, \_\_\_\_\_  
Department

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Assistant City Attorney  
L.D. File No. \_\_\_\_\_

**EXHIBIT A  
SECOND SUPPLEMENT**

**EXHIBIT B**  
**WITHDRAWAL REQUEST AND CERTIFICATE**

Withdrawal Request and Certificate No. \_\_\_\_

Date: \_\_\_\_\_

To: \_\_\_\_\_, Escrow Agent

Pursuant to the Second Supplement to Water Supply Contract that is referenced in the Escrow & Pay Agent Agreement, I, \_\_\_\_\_, the Project Director, request to withdraw \$x from the Authority's [fill in applicable water authority name] Escrow Account, in accordance with Cash Call No. \_\_\_\_, attached hereto.

I certify the following: (i) that the request for funds is solely to pay for the Authority's pro-rata share of Costs, based on the Authority's applicable Cost Share, funded by the Cash Call attached hereto ; (ii) that, for Costs that are for Engineering Costs or Construction Costs, I have reasonably determined that the funds being withdrawn hereby are needed to pay for such Costs and that such Costs are reasonably estimated to be due from Houston to pay Consultants or the Contractor within 90 calendar days after the date of this Withdrawal Request and Certificate, and (iii) that, for Costs that are for Cost Recovery Amounts, Houston has already paid such amounts, or reasonably expects to pay such amounts within 90 calendar days after the Project Director signs the Withdrawal Request and Certificate, and has documented or will document such amounts in a Semi-Annual Cost Recovery Amounts Report.

Capitalized terms used herein shall have the same meaning given to such terms in the Second Supplement to Water Supply Contract that is referenced in the Escrow & Pay Agent Agreement.

AGREED TO AND CERTIFIED BY, AS OF THE DATE SET FORTH ABOVE:

\_\_\_\_\_  
 Project Director

**EXHIBIT C**  
**ESCROW AGENT'S FEE SCHEDULE**

**EXHIBIT "E"**  
**CASH CALL NO. 1**

## EXHIBIT "E"



# Cash Call Due #1

## City of Houston

Public Works & Engineering  
Combined Utility System  
611 Walker  
Houston, Texas 77002

DATE: FEBRUARY 12, 2015  
CASH CALL # 1

TO Abrey Rubinsky  
Central Harris County Regional Water Authority  
1300 Post Oak Blvd., Suite 1400  
Houston, Texas 77056-3078  
713-623-4531  
Customer ID 7099-3027-1016

PAYMENT BY CASH OR CASH EQUIVALENT SHOULD BE REMITTED TO ESCROW AGENT FOR ESCROW ACCOUNT	PAYMENT TERMS AND DUE DATE
	120 Days after Second Supplement Effective Date

Description	Dollar Amount	Cost Share Percentage	Line Total
Multi-Phase Project Cost (including contingency)	\$ 96,822.00	1.525%	\$ 96,822.00
Multi-Phase PWE Cost Recovery	\$ 9,549.00	1.525%	\$ 9,549.00
Phase 1 Project Cost (including contingency)			\$ -
Phase 1 PWE Cost Recovery			\$ -
Phase 2 Project Cost (including contingency)			\$ -
Phase 2 PWE Cost Recovery			\$ -
Over-sized Project Cost (including contingency)			\$ -
Over-sized PWE Cost Recovery			\$ -
Full Cost Obligation		100%	\$ -

Total Cash Call Due	<u>\$ 106,371.00</u>
<i>Surplus from Previous Cash Calls</i>	\$ -

CERTIFICATION PER § 3.7.5 IS INCLUDED ON THE FOLLOWING PAGE

ATTACHMENTS:  
CERTIFICATION PER § 3.7.5  
CALCULATION OF AMOUNT DUE

# Cash Call Due #1

## CASH CALL CERTIFICATION PER § 3.7.5

1. The dollar amount due from each Project Party pursuant to this Cash Call does not exceed the estimated dollar amount provided in the Notice of Upcoming Cash Call related to this Cash Call and is only for costs that have been approved pursuant to Article 6.
2. The calculation of the amount due shown on page 1 of this Cash Call is included on the next page of this document.
3. The Cash Call Due Date is 120 days after Second Supplement Effective Date.
4. The costs and work items to be paid with the proceeds of this Cash Call are as follows:

Ordinance 2D12-121 Driginal Carollo Engineering Contract, First Amendment 2013-155  
& Second Amendment 2D14-16D

- 1) Project Framework Development
- 2) NEWPP Treatment Concepts
- 3) Scenario & Delivery Alternative Development
- 4) Alternative Assessment
- 5) Project Controls
- 6) Project Delivery Alternatives Report

Ordinance 2D14-962 - Carollo Engineering Contract

- 1) Perform raw water system planning and permitting assistance
- 2) Perform US Corp 4D4 and environmental permitting
- 3) Perform pilot operations
- 4) Perform Texas Commission on Environmental Quality coordination and reporting
- 5) Perform special testing and monitoring
- 6) Provide project administrative, permitting, communications and scheduling support
- 7) Conduct supporting and special studies as necessary to support project management decision-making

Ordinance 2D14-1183 Legal Services Hawkins Delafield & Wood LLP

- 1) Project definition and plan
- 2) RFQ Preparation, Issuance and Evaluation
- 3) Preparation and Issuance of RFP and DRAFTY PDB Agreement
- 4) Proposal Development and Submittal
- 5) Proposal Evaluation
- 6) Negotiation and Award
- 7) Post-Execution and Establishment of Final Pricing

5. The City of Houston reasonably expects to spend all of the proceeds of the Cash Call within three (3) years of the Cash Call due date.

NOTE: Any surplus from previous Cash Calls is listed on the first page of this Cash Call.

---

Project Director

City of Houston  
 Department of Public Works & Engineering  
 Combined Utility System



NE Plant Expansion Project Tracking - Cash Call #1  
 Contracts

COH Ord No.	Date	Appropriated & Authorized		
		Appropriated \$s	Contract	Cost Recovery
Remaining \$s from 3 Ordinances authorized and not spent	N/A	\$ 875,173	\$ 749,004	\$ 126,169
2012-0121, 2013-155 & 2014-0160				
2014-0962 Carollo Engineering	10/14/2014	\$ 5,500,000	\$ 5,000,000	\$ 500,000
2014-1183 Legal Services	12/16/2014	\$ 600,000	\$ 600,000	N/A
<b>TOTAL</b>		<b>\$ 6,975,173</b>	<b>\$ 6,349,004</b>	<b>\$ 626,169</b>

By Regional Authorities EXPANSION ONLY

Participants	%	Appropriation Allocation to Participants		
		Appropriated \$s	Contract	Cost Recovery
<b>TOTAL</b>		<b>\$ 6,975,173</b>	<b>\$ 6,349,004</b>	<b>\$ 626,169</b>
NHCRWA	35.313%	\$ 2,463,108	\$ 2,241,992	\$ 221,116
CHCRWA	1.525%	\$ 106,371	\$ 96,822	\$ 9,549
NFBWA	21.406%	\$ 1,493,123	\$ 1,359,084	\$ 134,039
WHCRWA	25.756%	\$ 1,796,543	\$ 1,635,265	\$ 161,278
COH	16.000%	\$ 1,116,028	\$ 1,015,841	\$ 100,187
<b>Total</b>	<b>100.000%</b>	<b>\$ 6,975,173</b>	<b>\$ 6,349,004</b>	<b>\$ 626,169</b>

03-1132  
" 55476

**WATER SUPPLY CONTRACT BETWEEN  
THE CITY OF HOUSTON, TEXAS AND  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 33  
ON BEHALF OF THE CENTRAL HARRIS COUNTY WATER USERS CONSORTIUM**

THIS WATER SUPPLY CONTRACT ("Contract") is made by and between the CITY OF HOUSTON, TEXAS ("Houston") and HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 33 ("No. 33") on behalf of the Central Harris County Water Users Consortium (the "Consortium"). No. 33 is sometimes referred to hereinafter as the Consortium.

**WITNESSETH:**

**Recitals**

Houston is a municipal corporation and home-rule city, principally located in Harris County, Texas. Houston owns a water treatment and distribution system and desires to sell water to No. 33.

No. 33 is a conservation and reclamation district and a political subdivision of the State of Texas created and operating pursuant to and under Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended.

No. 33 and Harris County Municipal Utility District No. 150 ("No. 150"), Harris County Municipal Utility District No. 200 ("No. 200"), Harris County Municipal Utility District No. 205 ("No. 205"), Harris County Municipal Utility District No. 215 ("No. 215"), Harris County Municipal Utility District No. 217 ("No. 217"), Harris County Municipal Utility District No. 304 ("No. 304"), Harris County Utility District No. 16 ("No. 16"), Fallbrook Utility District ("Fallbrook") and Rankin Road West Municipal Utility District ("Rankin Road") each own and operate (or own a beneficial interest in) one or more water wells whose groundwater withdrawal is permitted and regulated by the Harris-Galveston Coastal Subsidence District ("HGCSA").

No. 33, No. 150, No. 200, No. 205, No. 215, No. 217, No. 304, No. 16, Fallbrook and Rankin Road have created an association referred to as the "Central Harris County Water Users Consortium" pursuant to an Agreement dated December 13, 2002 (the "Central Harris County Water Users Consortium Agreement"), a copy of which is on file with Houston, for the purpose of collectively satisfying the requirements of the HGCSA's 1999 Regulatory Plan, as amended.

Pursuant to the Central Harris County Water Users Consortium Agreement, No. 33 has been appointed the Operating District for the Consortium and has been authorized to perform certain services and/or functions on behalf of the Consortium, including specifically, to enter into

this Contract to purchase treated surface water from Houston for distribution and use by members of the Consortium for domestic, commercial and other purposes.

Houston is authorized to enter into this Contract pursuant to its Home Rule Charter and Section 402.021 of the Texas Local Government Code.

No. 33 is authorized to enter into this Contract pursuant to the provisions of the Texas Water Code, as amended, and pursuant to the terms of the Central Harris County Water Users Consortium Agreement.

Houston, as the regional water supplier and principal owner of surface water in Harris County, desires to provide potable treated surface water to the unincorporated area of Harris County, including the areas within the Consortium, to meet the HGCSO requirements for Area Three as defined by the HGCSO's 1999 District Regulatory Plan, as amended.

**NOW, THEREFORE**, for and in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do mutually agree as follows:

## **ARTICLE I**

### **Definitions**

Unless the context requires otherwise, the following terms as used in this Contract shall have meanings as follows:

"Advisory Committee" is defined in Section 8.17.

"Annual Audit" is defined in Section 4.06.

"Annual Interest Payment" is defined in Section 3.03.

"Annual New Untreated Water Facilities Payment" is defined in Section 3.02(c).

"Annual O&M Budget" is defined in Section 4.03.

"Annual Outstanding Debt Service" means the amount of debt service (principal and interest) actually owed by Houston during a Houston fiscal year on any and all bonds, notes, or other obligations for construction and acquisition of New Untreated Water Facilities.

"Commencement of Delivery of Water" shall mean commencement of delivery of Water for consumption and shall not mean delivery of Water for line testing or flushing purposes.

"Consortium System" shall mean all facilities owned and operated by the Consortium (or third parties acting on the Consortium's behalf) to enable the Consortium to receive Water from the Houston System pursuant to this Contract, including without limitation, transmission lines, inter-connection lines, storage facilities, booster pumps, meter vaults, casings, air gap or other backflow prevention controls, valves and flow control devices. The Consortium System may include certain facilities (primarily surface water transmission mains) owned and operated by the

North Authority (defined hereinbelow) which enable the North Authority to receive Water from the Houston System, and which the Consortium has contracted with the North Authority to jointly finance, design, construct, operate and maintain in order to receive Water from the Houston System for distribution to and use by members of the Consortium.

"Existing Untreated Water Facilities" means those facilities listed in **Exhibit "A"**.

"GRP" is defined in Section 8.18.

"Houston System" shall mean all of Houston's Water production, treatment and distribution facilities, including all treatment plants, mains, distribution lines, booster pumps, storage tanks and meter facilities.

"Initial Untreated Water Facilities Demand Allocation" is defined in Section 3.02(a).

"Interest Rate" means the 20 City Municipal Bond Index on the first day of the Houston fiscal year during which the Contract is executed, which the parties hereby agree equals 5.10%.

"Major Rehabilitations" are major capital projects required to maintain and operate the Plant Facilities and Transmission Facilities at their current capacity or as required by applicable regulatory requirements and estimated to cost in excess of \$500,000.

"MGD" shall mean million of gallons per day of Water.

"New Untreated Water Facilities" means any untreated surface water canals, reservoirs, lakes, water rights, or other untreated surface water facilities not listed in **Exhibit "A"** that are hereafter constructed or acquired by Houston pursuant to Section 3.02(c).

"North Authority" shall mean the North Harris County Regional Water Authority.

"North Authority Contract" shall mean that certain Water Supply Contract between Houston and the North Authority, dated December 16, 2002.

"O&M Expenses" are defined in Section 4.02.

"O&M Reserve" is 25% of the then-current Annual O&M Budget.

"Outstanding Debt" means the amount of principal owed by Houston on any and all bonds, notes, or other obligations for construction and acquisition of Existing Untreated Water Facilities.

"Payment for Existing Untreated Water Facilities" is defined in Sections 3.02 (a), (b), and (c), as applicable.

"Payment for Untreated Water Facilities Costs Avoided" is defined in Section 3.02(c).

"Plant Facilities" means those facilities listed in **Exhibit "B"**.

"Point(s) of Delivery" shall mean the output flanges of the tap(s) on Houston's System that will serve the Consortium under the provisions of this Contract, as more particularly

identified and described on **Exhibit "C"** attached hereto and incorporated herein for all purposes.

"Point(s) of Measurement" shall mean the location of the meter(s) at which the Consortium's consumption of Water is measured, as more particularly described on **Exhibit "D"** attached hereto and incorporated herein for all purposes.

"Reservation" means a written request from No. 33, at the Consortium's option, that is approved in writing by the Utility Official, seeking the Utility Official's approval to increase the Consortium's then-current Untreated Water Facilities Demand Allocation and/or its Treated Water Facilities Demand Allocation.

"Ten Year Period" is defined in Section 3.02(c).

"Transmission Facilities" are those transmission lines and facilities described and shown on **Exhibit "E"**.

"Treated Water Facilities" is defined in Section 3.03.

"Treated Water Facilities Capital Contribution" is defined in Section 3.03.

"Treated Water Facilities Capital Costs" means the actual costs incurred by Houston to construct or acquire the Treated Water Facilities, including engineering, testing services, construction, construction management, right-of-way, legal and auditing expenses, expenses related to contractor claims, and cost for services of employees of Houston for construction of the Treated Water Facilities.

"Treated Water Facilities Demand Allocation" is defined in Section 3.03.

"Untreated Water Facilities" means the Existing Untreated Water Facilities plus any New Untreated Water Facilities.

"Untreated Water Facilities Demand Allocation" is defined in Section 3.02.

"Utility Official" shall mean the Utility Official of the Department of Public Works and Engineering of Houston, or any other person who may hereafter exercise the functions of said Utility Official.

"Water" shall mean potable treated surface water from the Houston System serving its own inhabitants.

"Water Demand Allocation" shall mean the maximum amount of Water the Consortium is entitled to take pursuant to the terms of this Contract and pursuant to the Consortium's then current Treated Water Facilities Demand Allocation.

## ARTICLE II

### Construction of Facilities

#### Section 2.01 Construction by Houston.

Houston shall be responsible for the design, construction, ownership, maintenance and operation of the Untreated Water Facilities and the Treated Water Facilities, which facilities are upstream from the Point(s) of Delivery.

#### Section 2.02 Construction by No. 33 or the North Authority of Certain Facilities.

No. 33, or the North Authority pursuant to a contract with No. 33, acting on behalf of the Consortium, shall be responsible for the design, construction, ownership, maintenance and operation of all facilities located downstream of the Point(s) of Delivery necessary to enable it to receive Water at the Point(s) of Delivery. No. 33 shall obtain the Utility Official's approval of all plans and specifications of the Consortium's facilities in the Consortium's System, which approval shall not be unreasonably delayed or withheld.

#### Section 2.03 Time of Completion.

If not already constructed, Houston agrees to proceed with due diligence to construct the facilities described in this Article in order to provide the quantities of Water to the Consortium required by this Contract.

#### Section 2.04 Point(s) of Delivery and Point(s) of Measurement.

The Point(s) of Delivery for Water sold under this Contract shall be located at the physical point(s) of connection between the Houston System and the North Authority System shown on **Exhibit "C"**. The Point(s) of Measurement for Water sold under this Contract shall be located at the physical point(s) of connection of the Consortium System to the surface water transmission lines to be constructed by the North Authority to enable it to receive Water from Houston's System, approximately at the locations shown on **Exhibit "D"**. Additional Point(s) of Delivery and Point(s) of Measurement may be added from time to time, by mutual agreement of the Consortium and the Utility Official.

## ARTICLE III

### Sale and Delivery of Water

#### Section 3.01 Delivery of Water.

Subject to the terms and conditions of this Contract, beginning January 1, 2010, and continuing thereafter, Houston shall deliver and make available to the Consortium at the Point(s) of Delivery the amount of Water that equals the Water Demand Allocation. If for any reason the Consortium takes more Water than its Water Demand Allocation during any given day, the

Consortium shall pay Houston for operation and maintenance charges associated with such excess Water pursuant to Article IV of this Contract but will not be deemed to have increased its Untreated Water Facilities Demand Allocation or Treated Water Facilities Demand Allocation.

The Consortium may, but is not obligated to, purchase Water from Houston in order to satisfy the Consortium's year 2020 and year 2030 HGCSO conversion requirements. Currently, the Consortium's total Water need is projected to be 2.12 MGD for the year 2010, 5.03 MGD for the year 2020 and 5.74 MGD for the year 2030. In the event the Consortium purchases such Water from Houston by increasing its Water Demand Allocation by Reservation, the cost sharing formulas and methods of calculating payments by the Consortium to Houston that are provided in this Article III shall apply.

The Utility Official shall send the Consortium written approval of any Consortium Reservation request within ninety (90) days of receipt of same if Houston at the time of the Reservation request has sufficient capacity to serve the increase requested by the Consortium. If Houston does not at that time have sufficient capacity to serve the increase requested by the Consortium, the Utility Official shall send a written rejection of such Reservation request to the Consortium within ninety (90) days of receipt of same, which rejection shall also advise the Consortium of what new facilities are necessary to serve the requested Reservation. Unless the Utility Official agrees to a lesser period, the Consortium shall provide a Reservation request at least five (5) years prior to the date the Consortium requires the increase of its then-current Untreated Water Facilities Demand Allocation and/or its Treated Water Facilities Demand Allocation. The Utility Official shall provide the Authority with a copy of any Reservation request submitted by the North Authority or the West Harris County Regional Water Authority within twenty (20) days of the Utility Official's receipt of same.

#### Section 3.02 Untreated Water Capital Costs.

Untreated Water Facilities Demand Allocation shall mean 2.12 MGD; provided, however, that in the event the Consortium increases its Untreated Water Facilities Demand Allocation pursuant to the terms of this Contract, then Untreated Water Facilities Demand Allocation shall mean such total increased amount.

#### Section 3.02(a) Initial Untreated Water Facilities Demand Allocation.

On no more than three (3) occasions prior to the year 2010, the Consortium may, at its option, purchase any portion(s) of its 2.12 MGD Untreated Water Facilities Demand Allocation (the "Initial Untreated Water Facilities Demand Allocation") by payment to Houston of the Payment for Existing Untreated Water Facilities pursuant to this Section 3.02(a). The

Consortium shall be obligated to purchase all of its Initial Untreated Water Facilities Demand Allocation no later than December 31, 2009, by payment to Houston of the Payment for Existing Untreated Water Facilities pursuant to this Section 3.02(a). The Payment for Existing Untreated Water Facilities under this Section 3.02(a) shall be calculated as follows:

Payment for Existing Untreated Water Facilities = (A/B)C

Where: "A" is the portion (in MGD) of the Initial Untreated Water Facilities Demand Allocation to be purchased.

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year ending June 30, 2001, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities listed in **Exhibit "F"**.

The Consortium shall make the Payment for Existing Untreated Water Facilities to Houston for the Initial Untreated Water Facilities Demand Allocation, according to the above formula, upon the Consortium's receipt of written notice from Houston showing the amount of such payment and the calculation therefor, but no earlier than the date of commencement of delivery of such Initial Untreated Water Facilities Demand Allocation. Effective immediately upon the Consortium's payment for the Initial Untreated Water Facilities Demand Allocation, the Consortium shall be entitled to take such Water.

In the event the Consortium, as indicated by a written notice from the Consortium to Houston, seeks to pay Houston the Payment for Existing Untreated Water Facilities over a maximum period of fifteen (15) years (with interest) in lieu of a lump sum payment, the Consortium and the Utility Official shall in good faith negotiate a separate written agreement providing for such payment terms. If the Consortium and the Utility Official are unable to enter into a separate written agreement upon terms mutually agreeable to both parties, then the Consortium shall be required to pay the Payment for Existing Untreated Water Facilities to Houston as a lump sum payment.

In the event Houston constructs or acquires New Untreated Water Facilities for any reason, the Consortium shall, in addition to the Payment for Existing Untreated Water Facilities paid under this Section 3.02(a), owe Houston the Annual New Untreated Water Facilities Payment, as provided in Section 3.02(c) (2).

**Exhibit "F"** hereto includes: (i) the Initial Untreated Water Facilities Demand Allocation to be purchased by the Consortium, (ii) the Outstanding Debt (as of June 30, 2001); and (iii) the total amount (in MGD) of factor "B" for the calculation of the Payment for Existing Untreated Water Facilities under this Section 3.02(a).

Section 3.02(b) Reservation Not Requiring Construction of New Untreated Water Facilities.

In the event the Consortium submits a Reservation request on or after January 1, 2010, to the Utility Official for an increase in its Untreated Water Facilities Demand Allocation and Houston then has capacity available in the Existing Untreated Water Facilities to serve such increase, the Utility Official shall, within ninety (90) days of the Consortium's request for the Reservation, send written approval of such Reservation request to the Consortium. For the approved Reservation, the Consortium shall owe Houston a Payment for Existing Untreated Water Facilities under this Section 3.02(b), calculated as follows:

Payment for Existing Untreated Water Facilities = (A/B)C

Where: "A" is the amount (in MGD) of the increase of the Consortium's Untreated Water Facilities Demand Allocation pursuant to a Reservation under this Section 3.02(b).

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year that precedes the fiscal year during which the Consortium's Reservation request is approved in writing by the Utility Official, including such untreated surface water received at Houston's water treatment plants as well as billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities listed in **Exhibit "F"** as of the first day of Houston's fiscal year in which the Consortium's Reservation request is approved in writing by the Utility Official.

If the Consortium submits a Reservation request to the Utility Official prior to January 1, 2010, and Houston then has capacity available in the Existing Untreated Water Facilities to serve such increase, then, for purposes of calculating the Payment for Existing Untreated Water Facilities under this Section 3.02(b) for such Reservation only, factors "B" and "C" of Section 3.02(a) shall be used instead of factors "B" and "C" of this Section 3.02(b).

The Consortium shall pay Houston the Payment for Existing Untreated Water Facilities under this Section 3.02(b) no later than sixty (60) days after the Consortium sends written notice to Houston that the Consortium requires Water from its Reservation made pursuant to this

Section 3.02(b). The Consortium shall send notice to Houston that the Consortium requires Water from its Reservation no later than five (5) years after the date of the Utility Official's written approval of the Reservation.

In the event the Consortium, as indicated by a written notice from the Consortium to Houston, seeks to pay Houston the Payment for Existing Untreated Water Facilities over a maximum period of fifteen (15) years (with interest) in lieu of a lump sum payment, the Consortium and the Utility Official shall in good faith negotiate a separate written agreement providing for such payment terms. If the Consortium and the Utility Official are unable to enter into a separate written agreement upon terms mutually agreeable to both parties, then the Consortium shall be required to pay the Payment for Existing Untreated Water Facilities to Houston as a lump sum payment.

In the event Houston constructs or acquires New Untreated Water Facilities for any reason, the Consortium shall, in addition to the Payment for Existing Untreated Water Facilities, if any, paid under this Section 3.02(b), owe Houston the Annual New Untreated Water Facilities Payment, as provided in Section 3.02(c)(2).

Section 3.02(c) New Untreated Water Facilities.

In the event the Consortium sends a Reservation request to the Utility Official for an increase in its Untreated Water Facilities Demand Allocation and Houston does not then have capacity available in the Existing Untreated Water Facilities to serve such increase, the Utility Official shall send a written rejection of such Reservation request to the Consortium within ninety (90) days of the Utility Official's receipt of such Reservation request, which rejection shall also advise the Consortium of what New Untreated Water Facilities are necessary to serve the requested Reservation. If the Consortium thereafter seeks to increase its Untreated Water Facilities Demand Allocation, it shall send written notice to the Utility Official of the Consortium's need for New Untreated Water Facilities and the amount (in MGD) of its requested Reservation. After receipt of such Consortium notice, Houston shall promptly construct or acquire New Untreated Water Facilities and the Consortium shall owe Houston the Payment for Existing Untreated Water Facilities plus the Annual New Untreated Water Facilities Payment under this Section 3.02(c). Upon completion of the New Untreated Water Facilities necessary to serve the Consortium's requested Reservation, the Consortium's Reservation request shall be deemed approved by the Utility Official.

In the event Houston constructs or acquires New Untreated Water Facilities for any reason but the Consortium does not desire capacity in the New Untreated Water Facilities and accordingly does not make a Reservation request under this Section 3.02(c), the Consortium shall owe Houston the Annual New Untreated Water Facilities Payment under Section 3.02(c)(2) (based on the Consortium's then-current Untreated Water Facilities Demand Allocation), but the Consortium shall not owe Houston the Payment for Existing Untreated Water Facilities under Section 3.02(c)(1).

The Payment for Existing Untreated Water Facilities and the Annual New Untreated Water Facilities Payment under this Section 3.02(c) shall be calculated based on the formula:

$$(A/B)C + (D/E)F$$

and shall be calculated as follows:

$$(1) \text{ Payment for Existing Untreated Water Facilities} = (A/B)C$$

Where: "A" is the amount (in MGD) of the increase of the Consortium's Untreated Water Facilities Demand Allocation pursuant to a Reservation under this Section 3.02(c).

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year that precedes the fiscal year during which the Utility Official's written statement regarding lack of available capacity is issued, including such untreated surface water received at Houston's water treatment plants as well as billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities listed in **Exhibit "F"** as of the first day of Houston's fiscal year in which the Utility Official's written statement regarding lack of available capacity is issued.

$$(2) \text{ Annual New Untreated Water Facilities Payment} = (D/E)F$$

Where: "D" is the then-current Untreated Water Facilities Demand Allocation, plus the amount, if any, (in MGD) that the Consortium seeks to increase its Untreated Water Facilities Demand Allocation upon completion of the New Untreated Water Facilities, as identified in the applicable Consortium Reservation request, if any, pursuant to this Section 3.02(c).

"E" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during the Houston fiscal year that precedes the date Houston calculates the Annual New Untreated Water Facilities Payment, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's

untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"F" is the Annual Outstanding Debt Service for all New Untreated Water Facilities as of the first day of the Houston fiscal year in which Houston calculates the Annual New Untreated Water Facilities Payment.

The Consortium shall pay Houston the Payment for Existing Untreated Water Facilities, if due under this Section 3.02(c), no later than sixty (60) days after the Consortium receives written certification from the Utility Official that construction of the New Untreated Water Facilities necessary to serve the Consortium's requested Reservation is complete.

In the event the Consortium, as indicated by a written notice from the Consortium to Houston, seeks to pay Houston the Payment for Existing Untreated Water Facilities over a maximum period of fifteen (15) years (with interest) in lieu of a lump sum payment, the Consortium and the Utility Official shall in good faith negotiate a separate written agreement providing for such payment terms. If the Consortium and the Utility Official are unable to enter into a separate written agreement upon terms mutually agreeable to both parties, then the Consortium shall be required to pay the Payment for Existing Untreated Water Facilities to Houston as a lump sum payment.

Within ninety (90) days after Houston's first issuance of bonds, notes, or other obligations to finance any New Untreated Water Facilities pursuant to this Section 3.02(c), Houston shall calculate the Annual New Untreated Water Facilities Payment according to the formula above and send written notice to the Consortium of Houston's calculation and the amount of the payment due from the Consortium for the fiscal year in which Houston issues such bonds, notes or other obligations. For each Houston fiscal year thereafter, Houston shall calculate the Annual New Untreated Water Facilities Payment according to the above formula and send written notice to the Consortium of Houston's calculation and the amount of the payment due from the Consortium within ninety (90) days of the last day of the previous Houston fiscal year. Each year, the Consortium shall pay Houston the Annual Untreated Water Facilities Payment within sixty (60) days of its receipt of such notice from Houston. The Consortium shall owe Houston the Annual Untreated Water Facilities Payment each year during the life of the Houston bonds, notes or other obligations used to finance the New Untreated Water Facilities or until this Contract is no longer in effect, whichever occurs first. To assist the Consortium in its financial planning, Houston shall, prior to the last day of each Houston fiscal year, send a written

statement to the Consortium of Houston's reasonable estimate of the Annual Outstanding Debt Service for the following three (3) Houston fiscal years.

Houston shall maintain each Annual New Untreated Water Facilities Payment in an interest-bearing account, which interest shall be credited to the account of the Consortium. Houston shall use the Annual New Untreated Water Facilities Payments, and interest accrued thereon, only for the purpose of paying Annual Outstanding Debt Service. Within one hundred eighty (180) days of the last day of each Houston fiscal year, Houston shall prepare an accounting of the Annual Outstanding Debt Service actually paid by Houston on the New Untreated Water Facilities during such fiscal year. Houston shall engage an independent certified public accounting firm to audit such accounting. Houston and the Consortium agree to "true-up" the Annual New Untreated Water Facilities Payment made by the Consortium such that if the Consortium has underpaid, taking into account interest accrued, it will pay Houston such shortfall within sixty (60) days of receiving the final audit, and Houston agrees to refund to the Consortium any overpayment, taking into account interest accrued, within sixty (60) days of Houston receiving the final audit if the Consortium overpaid.

In the event Houston intends to construct or acquire New Untreated Water Facilities for any reason, Houston shall send written notice to the Consortium of such intent at least one hundred eighty (180) days before Houston's first issuance of bonds, notes or other obligations to finance such New Untreated Water Facilities. If the Consortium desires to increase its Untreated Water Facilities Demand Allocation, it shall submit a Reservation request pursuant to this Section 3.02(c) within ninety (90) days after receipt of such notice of intent from Houston.

If the Consortium's Untreated Water Facilities Demand Allocation is increased pursuant to a Reservation under this Section 3.02(c), then the payment for all subsequent Reservations of the Untreated Water Facilities Demand Allocation (regardless of whether or not they require construction of New Untreated Water Facilities) shall be calculated and made pursuant to the hereinbefore formulas of this Section 3.02(c) and not Sections 3.02(a) or (b). If within ten (10) years after Houston's first issuance of bonds, notes, or other obligations to finance New Untreated Water Facilities pursuant to this Section 3.02(c) (the "Ten Year Period"), the Consortium submits a Reservation request that does not require the construction of New Untreated Water Facilities, the Consortium shall pay Houston the Payment for Untreated Water Facilities Costs Avoided. The Payment for Untreated Water Facilities Costs Avoided shall equal

the total dollar amount, without interest or penalty, of the Payment for Existing Untreated Water Facilities and the total accrued Annual New Untreated Water Facilities Payments which would have been paid by the Consortium, according to the hereinbefore formulas of this Section 3.02(c), had the Consortium made a Reservation request for such increase prior to Houston's first issuance of bonds, notes, or other obligations to finance the New Untreated Water Facilities. The Payment for Untreated Water Facilities Costs Avoided shall be made to Houston within one hundred twenty (120) days of the Consortium's receipt of the Utility Official's approval of such later Reservation request. The Consortium shall not owe Houston the Payment for Untreated Water Facilities Costs Avoided if: (i) the Consortium submits a Reservation request within the Ten Year Period that requires the construction of New Untreated Water Facilities; or (ii) the Consortium submits a Reservation request, regardless of whether or not it requires construction of New Untreated Water Facilities, after the Ten Year Period.

#### Section 3.03 Treated Water Capital Costs.

Treated Water Facilities Demand Allocation shall mean 2.12 MGD; provided, however, that in the event the Consortium increases its Treated Water Facilities Demand Allocation pursuant to the terms of this Contract, then Treated Water Facilities Demand Allocation shall mean such total increased amount.

Except as provided elsewhere in this Section 3.03, the Consortium shall pay Houston its pro-rata Treated Water Facilities Capital Contribution for the Plant Facilities and the Transmission Facilities (collectively, the "Treated Water Facilities") as follows: (i) for Treated Water Facilities constructed prior to the effective date of this Contract or those Treated Water Facilities listed in Exhibits "B" and "E", upon the later of (A) ninety (90) days after the effective date of this Contract or (B) the date that the Consortium's GRP is certified by the HGCSO, but in no event later than January 1, 2004; (ii) for Treated Water Facilities constructed prior to the date of the Utility Official's written consent of any Reservation request from the Consortium, no later than sixty (60) days after the Consortium receives the Utility Official's written consent for the Consortium to increase its Treated Water Facilities Demand Allocation; and (iii) for Treated Water Facilities not constructed prior to the date of the Utility Official's written consent of any Reservation request from the Consortium, sixty (60) days after receipt of the Utility Official's reasonable estimate of the Treated Water Facilities Capital Contribution.

The cost for any Reservation of Treated Water Facilities Demand Allocation shall be in accordance with the formulas set forth in this Section 3.03. Upon request from the Consortium,

Houston shall promptly provide the Consortium with Houston's cost calculation, in accordance with the cost formulas in this Section 3.03, for any Reservation of the Treated Water Facilities Demand Allocation, that at that time may be under consideration by the Consortium. Any Consortium written request for such a Reservation shall include Houston's cost calculation. The Utility Official shall either approve or reject, in writing, the Consortium's Reservation request within ninety (90) days after receipt of such request. If the Utility Official fails to approve such request within such ninety (90)-day period, the Reservation request shall be deemed rejected. A Reservation for Treated Water Facilities not constructed prior to the date of the Reservation request must be approved by the Board of Directors of No. 33 on behalf of the Consortium before Houston will commence design and construction of the designated Treated Water Facilities.

- (1) For Treated Water Facilities that are in service before the effective date of the Contract or the date of any Reservation request, the Consortium's pro-rata Treated Water Facilities Capital Contribution is based on the formula:

$$\text{Treated Water Facilities Capital Contribution} = (A - B) \times (C/D)$$

- (2) For Treated Water Facilities that are not in service before the effective date of any Reservation request, the Consortium's pro-rata Capital Contribution is based on the formula:

$$\text{Treated Water Facilities Capital Contribution} = A \times (C/D)$$

Where: "A" is the Treated Water Facilities Capital Costs of the Treated Water Facilities.

"B" is the amount of depreciation calculated by applying the 50-year straight line depreciation method for the period of time running between the in-service date of the facilities and the effective date of the Contract, or for any Reservation made by the Consortium, the date of such Reservation request (i.e. 2% of Treated Water Facilities Capital Costs per year).

"C" is the Treated Water Facilities Demand Allocation in MGD to be purchased.

"D" is the capacity in MGD of the particular facility. The capacity for transmission lines shall be calculated at a flow rate of 5 feet per second.

The Consortium may defer payment of the Treated Water Facilities Capital Contribution for the initial 2.12 MGD Treated Water Facilities Demand Allocation for the period of time running from the date payment is due pursuant to this Section 3.03 to the date payment is made, but no later than commencement of the delivery of Water, by annually paying Houston an annual interest payment ("Annual Interest Payment"). The Annual Interest Payment shall be calculated by multiplying the Treated Water Facilities Capital Contribution times the Interest Rate. If the Consortium does not pay Houston the Treated Water Facilities Capital Contribution on the date payment is due pursuant to this Section 3.03, then the Consortium shall pay Houston the Annual Interest Payment on such date and, thereafter, on the anniversary date of such payment until the Consortium has paid Houston the Treated Water Facilities Capital Contribution. Because the Annual Interest Payment constitutes the payment of annual interest in advance, in the event the Consortium pays Houston the Treated Water Facilities Capital Contribution prior to the anniversary date of any Annual Interest Payment made by the Consortium, Houston shall, within sixty (60) days of its receipt of the Treated Water Facilities Capital Contribution, refund to the Consortium, with interest at the Interest Rate, the pro-rated portion of such Annual Interest Payment based on the amount of days remaining in such annual period. Houston shall not be required to deliver Water to the Consortium until the Consortium has paid Houston its Treated Water Facilities Capital Contribution for the Treated Water Facilities Demand Allocation of 2.12 MGD, plus any interest costs due from the Consortium to Houston pursuant to this paragraph.

In the event there is no final design and construction for the Treated Water Facilities on the date that any Reservation request is submitted by the Consortium to the Utility Official, the pro-rata Treated Water Facilities Capital Contribution shall be paid in two (2) increments:

(i) For the pro-rata Treated Water Facilities Capital Contribution for design engineering services, including surveys, soils boring and testing, as well as design services, the Utility Official must provide the Consortium a reasonable estimate of the pro-rata Treated Water Facilities Capital Contribution for such services based on Houston's contract with the design engineer. The Consortium shall deposit with Houston the amount of the Utility Official's reasonable estimate within sixty (60) days of its receipt of such estimate.

(ii) For the pro-rata Treated Water Facilities Capital Contribution for the cost of construction of the Treated Water Facilities, the Utility Official must provide the Consortium a reasonable estimate of the pro-rata Treated Water Facilities Capital Contribution for the

construction based on the lowest responsible bid received plus estimated costs for construction management, engineering, testing services and a 15% contingency. The Consortium shall deposit with Houston the amount of the Utility Official's reasonable estimate within sixty (60) days of its receipt of such estimate.

All Consortium pro-rata Treated Water Facilities Capital Contribution deposits shall be kept by Houston in an account. Houston shall spend money from the account only for Treated Water Facilities Capital Costs and/or debt service.

Within ninety (90) days of the acceptance of the completed construction of the subject Treated Water Facilities, Houston shall cause an accounting to be made of the Treated Water Facilities Capital Costs. Houston shall engage an independent certified public accounting firm to audit its accounting. As soon as the firm has completed the audit, Houston shall submit the audited accounting to the Consortium. The accounting shall state the difference between the estimated Treated Water Facilities Capital Costs that were paid by the Consortium and the actual Treated Water Facilities Capital Costs.

If the actual Treated Water Facilities Capital Costs, as determined by the audited accounting, are less than the estimated Treated Water Facilities Capital Costs paid by the Consortium, resulting in an overpayment by the Consortium of its pro-rata share, Houston shall refund such difference with actual interest accrued, within ninety (90) days of the date of the receipt of the accounting by the Consortium.

If the actual Treated Water Facilities Capital Costs, as determined by the accounting, are more than the estimated Treated Water Facilities Capital Costs paid by the Consortium, resulting in an underpayment by the Consortium of its pro-rata share, the Consortium shall pay Houston, within ninety (90) days of the date of the receipt of the accounting by the Consortium, such difference with interest calculated at the actual interest rate of the debt incurred by Houston in order to pay for such difference, running from the time Houston paid for the Consortium's pro-rata share of Treated Water Facilities Capital Costs (resulting from such Consortium underpayment) to the time such underpayment is paid to Houston by the Consortium.

The Treated Water Facilities applicable to the Consortium and the corresponding Treated Water Facilities Capital Contribution calculations for such Treated Water Facilities are shown on **Exhibit "G"** hereto.

## ARTICLE IV

### Operation and Maintenance Charges

#### Section 4.01 In General.

It is expressly understood by the Consortium that it shall directly reimburse Houston on a periodic basis for the expenses incurred in producing and treating the Water delivered to the Consortium. The Consortium pledges to enact rates and fees for its members sufficient to pay the O&M Expenses.

#### Section 4.02 O&M Expenses Calculation.

For the purposes of this Contract, the yearly O&M Expenses for the Consortium are computed according to the following formula:

$$(A/B \times C) + (A/E \times D) + F$$

Where: "A" is the amount of Water (in millions of gallons) taken by the Consortium at the Point(s) of Measurement, as measured by the measuring equipment pursuant to Article VII, during the given year.

"B" is the total amount (in millions of gallons) of Water produced by the Plant Facilities during the given year.

"C" means all costs and expenses incurred by Houston (whether incurred by Houston through its own staff or independent contractors) for the maintenance and operation of the Plant Facilities, including (i) chemicals, labor, power, testing, permits, insurance, and other related costs, necessary for the efficient maintenance and operation of the Plant Facilities in full compliance with this Contract and all applicable regulatory requirements and the preparation costs of the Annual Audit; (ii) necessary repairs and replacements to the Plant Facilities; and (iii) improvements and betterments to maintain the Plant Facilities in proper operation and to comply with this Contract and all applicable regulatory requirements. The above costs and expenses include a proportionate share of administrative costs for management and support, resource management, planning and operations, the Office of the Director of Public Works as well as other indirect costs in the allocation percentage included in Houston's most recent finalized independent rate study. (The portion of such study showing such allocation percentage is attached hereto as **Exhibit "H"**.) At the time of execution of this Contract, this allocation is 27%. Except as provided herein, no cost of Houston's government not directly related to the maintenance and operation of the Plant Facilities shall be included in the factor "C".

"D" means all costs and expenses incurred by Houston (whether incurred by Houston through its own staff or by independent contractors) for the maintenance and operation of the Untreated Water Facilities, including, (i) chemicals, labor, power, testing, permits, insurance, and other related costs, necessary for the efficient maintenance and operation of the Untreated Water Facilities in full compliance with this Contract and all applicable regulatory requirements and the

preparation of costs of the Annual Audit; (ii) necessary repairs and replacements to the Untreated Water Facilities; and (iii) improvements and betterments to maintain the Untreated Water Facilities in proper operation and to comply with this Contract and all applicable regulatory requirements. No cost of Houston's government not directly related to the maintenance and operation of the Untreated Water Facilities shall be included in the factor "D".

"E" is the total amount of untreated surface water (in millions of gallons) sold to Houston's water customers during the given year, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"F" is the Consortium's pro rata share of the cost of (i) Major Rehabilitations and (ii) the repair and/or replacement of any portion of the Transmission Facilities. As used in this definition, the ratio for determining the share of the cost borne by the Consortium is a fraction, the numerator of which is the Consortium's then-current Treated Water Facilities Demand Allocation (in MGD) and the denominator of which is the total capacity (in MGD) of the entire facility subject to the Major Rehabilitation, repair, or replacement. The reasonable cost for such repairs, replacements and/or rehabilitations includes the same classes of costs identified in factor "C" above. Except as provided herein, no cost of Houston's government not directly related to the Major Rehabilitations or the repair and/or replacement of any portion of the Transmission Facilities shall be included in the factor "F". The capacities (in MGD) of the Plant Facilities and Transmission Facilities are shown in **Exhibit "I"**.

#### Section 4.03 Annual O&M Budget.

Ninety (90) days prior to the commencement of delivery of Water under this Contract, and ninety (90) days prior to the beginning of each Houston fiscal year thereafter, Houston shall provide the Consortium for its review and comment the proposed Annual O&M Budget showing (i) an estimate of the Consortium's O&M Expenses for the coming fiscal year, (ii) the proposed monthly payments to be paid by the Consortium for the fiscal year (1/12 of the Annual O&M Budget ), and (iii) the amount of the O&M Reserve. Houston will also include in the proposed and final Annual O&M Budget the estimated water production by the Plant Facilities and the Untreated Water Facilities as well as the anticipated amount of Water to be sold to the Consortium.

The Consortium will have sixty (60) days to review and comment on the proposed Annual O&M Budget, and Houston agrees to provide such records and cost documents in its possession as the Consortium may reasonably require. At the end of the 60-day period Houston will consider the Consortium's comments and issue the final Annual O&M Budget ("Annual O&M Budget") and invoice.

Section 4.04 Payments of Consortium O&M Expenses.

Within thirty (30) days of its receipt of Houston's invoice and final Annual O&M Budget, the Consortium shall pay Houston the O&M Reserve and the first monthly payment of O&M Expenses. Each month thereafter, the Consortium shall make monthly payments to Houston in such equal amounts as required in the applicable Annual O&M Budget. Payments shall be due on the first of each month, and any payment more than sixty (60) days late shall bear interest at the rate applicable under Chapter 2251, Texas Government Code. Houston shall maintain the O&M Reserve in an interest-bearing account, which interest shall be credited to the account of the Consortium. Any portion of a monthly O&M Expenses payment made by the Consortium in excess of the actual monthly O&M Expenses incurred by Houston shall be credited to the account of the Consortium in the O&M Reserve.

Houston may use funds from the O&M Reserve only for O&M Expenses. Houston will use the funds out of the O&M Reserve to pay O&M Expenses only if the monthly O&M Expenses payment made by the Consortium is less than the actual monthly O&M Expenses incurred by Houston or if the payment of the monthly O&M Expenses is not timely made to Houston by the Consortium. Houston may invoice the Consortium for any shortfall in the O&M Reserve in order for the O&M Reserve to equal the amount established in the Annual O&M Budget, provided that any such invoice must include an accounting to justify the additional payment to the O&M Reserve. The Consortium shall pay such invoices within sixty (60) days of its receipt of Houston's accounting and invoice for replenishment of the O&M Reserve.

Section 4.05 Major Rehabilitations.

Houston shall perform such Major Rehabilitations as necessary for the operation and maintenance of the Plant Facilities and Transmission Facilities. Except for emergencies involving health or safety, Houston shall submit plans and specifications for such Major Rehabilitations to the Consortium for review and comment at least sixty (60) days prior to Houston advertising the project for bids. Costs for Major Rehabilitations shall be paid by the Consortium in the ratio of its Treated Water Facilities Demand Allocation to the capacity of the facility requiring the Major Rehabilitation, as applicable. Provided, however, the Consortium shall never be required to pay for any portion of replacements, additions or improvements to facilities that provide capacity or Water solely to other customers.

Section 4.06 Annual Audit.

Within one hundred eighty (180) days of the close of each Houston fiscal year, Houston shall prepare an accounting of the O&M Expenses ("Annual Audit"). Houston shall engage an

independent certified public accounting firm to audit the accounting of costs of the O&M Expenses. As soon as the firm has completed the audit, Houston shall submit the audited accounting to the Consortium. Houston and the Consortium agree to "true-up" the previous payments made for O&M Expenses during the fiscal year such that if the Consortium has underpaid it will make timely payment of all O&M Expenses owed in the next monthly billing following the audit, and Houston agrees to give credit to the Consortium if it has overpaid O&M Expenses for the fiscal year, such credit, including any interest accrued in the O&M Reserve on such overpayments, shall be given on the next monthly billing(s) following the audit.

Houston agrees to provide both the independent auditor and the Consortium all expenses, meter readings and cost data required for the audit. The audit must include an itemization for the Consortium of all costs and meter recordings used to compute the O&M Expenses.

## ARTICLE V

### Term Provision

This Contract shall be in force and effect from and after the execution hereof by the Houston Controller and shall expire at noon on the fortieth (40th) anniversary of the date of countersignature by Houston's Controller. To the extent authorized by law, as amended, Houston agrees, if requested in writing by the Consortium, to execute a written extension of the term of this Contract for an additional twenty (20) years beyond such forty (40) year term. The Houston Mayor shall be authorized to execute such written extension. At such time as this Contract is no longer in force and effect, if requested in writing by the Consortium, Houston agrees to continue to provide water services to the Consortium upon the payment of reasonable rates and charges therefor which take into account the capital payments paid by the Consortium to Houston pursuant to this Contract and subject to the availability of Water. The immediately preceding sentence shall survive the expiration or termination of this Contract.

## ARTICLE VI

### Performance by the Parties

Section 6.01 Construction and Maintenance of Certain Facilities between the Point(s) of Delivery and Point(s) of Measurement.

Pursuant to Section 2.02 of the North Authority Contract, the North Authority will construct certain facilities downstream of the Point(s) of Delivery to enable it to receive water at the Point(s) of Delivery. Pursuant to that certain Agreement for Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities between the Consortium and the North Authority (the "Transmission Facilities Agreement"), the Authority

will be responsible for designing, constructing, operating, maintaining, repairing and replacing, as necessary, certain transmission facilities necessary to enable the Authority and the Consortium to receive Water from Houston at the Point(s) of Delivery, and the Consortium shall be responsible for paying its pro rata share of the costs associated therewith. With respect to any Water handling facilities located between the Point(s) of Delivery and the Point(s) of Measurement shown in **Exhibit "C" and Exhibit "D"**, the Consortium and Houston specifically agree:

- (1) That all such facilities, other than the measurement equipment itself, shall be and remain the property of the North Authority.
- (2) That the Consortium, pursuant to the Transmission Facilities Agreement, shall take all responsible steps to maintain such facilities and to prevent leaks or discharges from such facilities and shall not suffer, permit, cause or allow any water to be taken or used from such facilities, except through the measuring equipment.
- (3) That the Consortium, pursuant to the Transmission Facilities Agreement, shall repair any such leak or discharge at once upon receiving notice thereof and pay Houston the cost of any Water lost by reason of such a leak or discharge. The Consortium shall make payment to Houston for such Water only by Houston including the amount of such Water in the factor "A" defined in Section 4.02. Calculation of the amount of Water lost by reason of such leak shall be estimated on a basis mutually agreed to between the Consortium and the Utility Official.
- (4) That the Consortium, pursuant to the Transmission Facilities Agreement, shall correct or repair any damage caused by any such leak or discharge.

#### Section 6.02 Tap and Meter.

The Consortium shall construct, at its sole cost, water connection taps and set the water meter(s) at the Point(s) of Measurement under the approval and inspection of the Utility Official. The Consortium also agrees to provide a telephone and electronic connection accessible at the Point(s) of Measurement and allow Houston to connect remote meter reading equipment to such telephone line.

Before any connection, the Consortium System shall be chlorinated in accordance with requirements approved by the Utility Official.

### Section 6.03 Delivery Limitations.

The Consortium shall not be guaranteed any specific quantity or pressure of Water whenever Houston's water supply is limited or when Houston's equipment may become inoperative due to unforeseen breakdown or scheduled maintenance and repairs. Should delivery of Water be limited as a result of scheduled maintenance or repairs, Houston shall provide written notification of such scheduled maintenance or repairs at least 30 days prior to same. Houston is in no case to be held to any liability for failure to furnish any specific amount or pressure of Water; provided, however, that Houston shall use reasonable efforts to deliver the Water required by this Contract and to maintain sufficient pressure at the Point(s) of Delivery in order for the Consortium to receive the Water it is entitled to under this Contract. Notwithstanding the other provisions of this Section 6.03, Houston may reduce the supply of Water only in accordance with the laws of the State of Texas, particularly Section 11.039(a) of the Texas Water Code, as may be amended from time to time.

### Section 6.04 Backflow Requirements.

On or before the commencement of delivery of Water to the Consortium pursuant to this Contract, the Consortium shall have installed an air gap or backflow prevention device, in accordance with the specifications approved by the Utility Official, at either: (i) each Point of Delivery or Point of Measurement; or (ii) at each location where the Consortium System connects to the water system of a Consortium member. The Consortium and the Utility Official shall agree in writing as to the location of all air gaps or backflow prevention devices installed by the Consortium.

### Section 6.05 Water Conservation.

The Consortium shall approve and implement a water conservation program as required by the Texas Commission on Environmental Quality pursuant to 30 T.A.C. § 288, as may be amended from time to time.

### Section 6.06 Inspections.

The Consortium agrees that Houston may conduct inspections from time to time to determine that no conditions exist in the Consortium System and connections to its members' premises which would or might adversely affect the Houston System. Houston shall notify the Consortium should such condition exist. Such notification shall be provided in writing and shall be made within forty-eight (48) hours of discovering any such condition.

Section 6.07 Inspection of Records.

With reasonable notice, either party shall allow the other the opportunity to examine records from the other party for the purpose of evaluating the costs for which payments are requested or required hereunder.

Section 6.08 Payment.

In the event the Consortium fails to timely tender payment of any amount within the periods established herein, and such failure continues for sixty (60) days after the notice to the Consortium of such default, Houston may suspend delivery of Water, but the exercise of such right shall be in addition to any other remedy available to Houston.

Section 6.09 Title to and Responsibility for Water.

Title to, possession, and control of Water shall remain with Houston until it passes through the Point(s) of Delivery, where title to, possession, and control of the Water shall pass from Houston to the Consortium.

## ARTICLE VII

### Measuring Equipment

Section 7.01 In General.

At the Consortium's own cost and expense, the Consortium shall provide for installation at the Point(s) of Measurement, measuring equipment, properly equipped with meters and devices of standard type for measuring accurately the quantity of Water delivered under this Contract, with ability to measure the quantity of Water delivered within the accuracy tolerance of two percent (2%). Such measuring equipment, including the remote meter reading device, must be inspected and approved by the Consortium and by the Utility Official before the delivery of Water. The measuring equipment and remote meter reading device shall become the property of Houston after such approval by the Consortium and Utility Official.

Section 7.02 Access.

During any reasonable hours, Houston and the Consortium shall have access to the measuring equipment. The Consortium recognizes that Houston will own and maintain the measuring equipment, including the associated meter reading device, and that the Consortium may not alter, modify, tamper with or connect to such equipment.

The Consortium shall have access to all records pertinent to determining the measurement and quantity of Water actually delivered, but the reading of the meters for purposes

of the calculation of any payment required from the Consortium under this Contract shall be done by Houston.

Section 7.03 Testing of Meter.

Houston shall maintain the measuring equipment within the accuracy tolerance specified in Section 7.04 by periodic tests. Houston shall conduct such tests at least once every twelve (12) months and shall notify the Consortium at least forty-eight (48) hours in advance of the time and location at which such tests are to be made. If the Consortium requests an additional test within twelve (12) months, Houston shall charge the Consortium an amount equal to Houston's cost to perform such test, unless the test reveals that the equipment registers greater than one hundred and two percent (102%) for a given flow rate. In addition, the Consortium shall have the right to independently check, at its own cost, said measuring equipment at any time upon forty-eight (48) hours written notification to the Utility Official, providing the opportunity for the Utility Official to witness such tests.

Section 7.04 Results of Tests.

Should the test of the measuring equipment in question show that the equipment registers either more than one hundred two percent (102%) or less than ninety-five percent (95%) of the Water delivered for a given flow rate, the total quantity of Water delivered to the Consortium will be deemed to be the average daily consumption as measured by the measuring equipment when in working order, and the meter shall be calibrated to the manufacturer's specifications (in the case of Venturi meters) or the AWWA specifications (for all other types of meters) for the given rate of flow, or replaced by Houston with accurate measuring equipment that is tested before it is placed in service. This adjustment shall be for a period extending back to the time when the inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, for a period extending back to the last test of the measuring equipment or one hundred twenty (120) days, whichever is shorter.

As used in this paragraph, the expression "given rate of flow" means one of the following selected by the Utility Official for each calibration or test:

- (1) the total quantity of Water delivered during the preceding period (usually a calendar month) as reflected by the totalizer, converted to gallons per minute;
- (2) high, low, and intermediate rates of flow in the flow range, as reflected by the flow recording devices; or
- (3) AWWA-specified test flow rates for that size and type of meter.

Section 7.05 Disputes as to Testing.

In the event of a dispute between Houston and the Consortium as to the accuracy of the testing equipment used by Houston to conduct the accuracy test, an independent check may be mutually agreed upon between the Consortium and the Utility Official to be conducted by an independent measuring equipment company suitable to both the Consortium and the Utility Official. The cost of such test will be at the Consortium's sole expense.

The Utility Official shall accept the test results of the independent measuring equipment company, provided that the calibration procedure and test equipment are mutually agreeable to the Consortium and to the Utility Official.

Section 7.06 Check Meters.

The Consortium may install, at its own cost and expense, check meters in the Consortium's pipeline; but Houston shall have the right of ingress and egress to such check meters during all reasonable hours; provided, however, that billing computations shall be on the basis of the results of the measuring equipment set forth above.

Section 7.07 Measurement of Consortium Water Usage.

Pursuant to the Transmission Facilities Agreement, the Consortium will participate in the financing, design, construction, operation and maintenance of certain surface water transmission facilities, primarily a sixty-inch (60") pipeline, to be constructed downstream of the Houston System from the Point of Delivery through the service area of the Consortium and to a proposed North Authority pump station, which will enable the Consortium to receive surface water from the Houston System to serve its members. Pursuant to Section 6.02 above, the Consortium shall construct water connection taps and set the water meters at the Points of Measurement described on Exhibit "D" hereto. Houston will read the water meters located at such Points of Measurement to determine the Consortium's Water Usage hereunder. Since the Water passing through the Point of Measurement defined in the North Authority Contract will include both the Consortium's and the North Authority's Water consumption, the Consortium, Houston and the North Authority have entered into or intend to enter into a letter agreement, in substantially the form attached hereto as Exhibit "J" (the "Letter Agreement"), to evidence their collective understanding and agreement with respect to the measurement and allocation of Water purchased from Houston by the Consortium and the North Authority pursuant to this Contract and the North Authority Contract, respectively, as well as other matters. The Consortium shall not be authorized to receive Water from Houston under this Contract until the Letter Agreement has been fully executed by the Consortium, Houston and the North Authority.

## ARTICLE VIII

## Miscellaneous Provisions

Section 8.01 Quality of Water.

Houston shall provide Water meeting all applicable Texas and Federal regulations regarding water quality, including the Safe Drinking Water Act, as same may be amended from time to time.

EXCEPT AS PROVIDED IN SECTIONS 6.03 AND 8.01, HOUSTON MAKES NO WARRANTY, EXPRESSED OR IMPLIED, REGARDING THE QUALITY OR DELIVERY PRESSURE OF THE WATER, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

THE CONSORTIUM HEREBY RELEASES AND DISCHARGES HOUSTON FROM ANY AND ALL FINES, DEMANDS, JUDGMENTS, LIABILITIES OR CLAIMS ARISING BY REASON OF OR IN CONNECTION WITH THE DELIVERY OF WATER WHICH MEETS THE REQUIREMENTS OF SECTIONS 6.03 AND 8.01.

Section 8.02 Ingress and Egress.

During the term of this Contract, and upon the giving of prior notification to the Consortium, Houston shall have the right of ingress and egress in, upon, under and over any and all land, easements and rights-of-way of the Consortium on which Houston, with the Consortium's consent, constructs facilities to deliver Water to the Consortium.

Section 8.03 Assignments.

This Contract shall bind and benefit the respective parties and their legal successors, but shall not otherwise be assignable, in whole or in part, by either party without first obtaining written consent of the other. "Assignment" as used herein means assignment in law or otherwise. Notwithstanding the above provision, this Contract may be assigned by No. 33 on behalf of the Consortium to the Central Harris County Regional Water Authority (the "Central Authority") if and when duly created, without the prior written consent of Houston, in which event the Central Authority shall assume all rights and benefits, and obligations and liabilities of No. 33 and the Consortium hereunder. However, the Consortium shall provide written notice to Houston of any such assignment of this Contract to the Central Authority within thirty (30) days of the effective date thereof, and shall also provide Houston with a copy of any amendment of the Central Harris County Water Users Consortium Agreement.

Section 8.04 Subject to Law.

This Contract shall be subject to all present and future valid laws, orders, rules and regulations of the United States of America, the State of Texas, any regulatory body having jurisdiction and the Charter and Ordinances (to the extent the Ordinances are not inconsistent with this Contract) of the City of Houston, Texas. In order to protect the Houston System it is specifically agreed that the Consortium System shall be constructed and operated to comply with the rules promulgated by the Texas Commission on Environmental Quality, or any successor agency, the Houston Plumbing Code, and the policy of requirements of the Utility Official regarding backflow prevention and cross connections. Should a condition in violation of these requirements be discovered, the Consortium shall promptly cure same.

Section 8.05 No Additional Waiver Implied.

The failure of either party hereto to insist, in any one or more instances, upon performance of any of the terms, covenants or conditions of this Contract, shall not be construed as a waiver or relinquishment of the future performance of any such term, covenant or condition by the other party hereto, but the obligation of such other party with respect to such future performance shall continue in full force and effect.

Section 8.06 Merger.

This instrument contains all the agreements made between the parties.

Section 8.07 Notices.

Until the Consortium is otherwise notified in writing by Houston, the address of Houston is and shall remain as follows:

City of Houston  
Utility Official of Public Works and Engineering Department  
P.O. Box 1560  
Houston, Texas 77251-1560

Until Houston is otherwise notified in writing by the Consortium, the address of the Consortium is and shall remain as follows:

Central Harris County Water Users Consortium  
Schwartz, Page & Harding, L.L.P.  
1300 Post Oak Boulevard, Suite 1400  
Houston, Texas 77056

All written notices, statements and payments required or permitted to be given under this Contract from one party to the other shall be deemed given by the deposit in a United States Postal Service mailbox or receptacle of certified or registered mail, with proper postage affixed

thereto, addressed to the respective other party at the address set forth above or at such other address as the parties respectively shall designate by written notice.

Section 8.08 Authorship.

The parties agree that this Contract shall not be construed in favor of or against either party on the basis that the party did or did not author this Contract.

Section 8.09 Parties in Interest.

This Contract shall be for the sole and exclusive benefit of the parties hereto and shall not be construed to confer any rights upon any third party. Houston shall never be subject to any liability in damages to any customer of the Consortium for any failure to perform under this Contract.

Section 8.10 Sale of Water Outside Boundaries.

In entering into this Contract the parties contemplate that the Consortium will provide the Water to the Consortium Members only. Therefore, the Consortium may sell Water purchased hereunder outside its boundaries only if such sale is approved in writing by the Utility Official. The Utility Official shall grant any such request if the area is outside Houston's city limits and is not then provided Water service by Houston.

Section 8.11 Captions.

The captions appearing at the first of each numbered section in this Contract are inserted and included solely for convenience and shall never be considered or given any effect in construing this Contract, or any provisions hereof, or in connection with the duties, obligations, or liabilities of the respective parties hereto or in ascertaining intent, if any questions of intent should arise.

Section 8.12 Enforcement.

The City Attorney or his or her designee shall have the right to enforce all legal rights and obligations under this Contract without further authorization.

Section 8.13 Approvals.

Unless otherwise provided for herein, any consent or approval of the parties shall be made by the governing body of each party.

Section 8.14 Force Majeure.

In the event either party is rendered unable, wholly or in part, by Force Majeure, to carry out any of its obligations under this Contract, it is agreed that upon such party's giving notice and full particulars of such Force Majeure in writing to the other party as soon as possible after the occurrence of the Force Majeure, the obligations of the party giving such notice, to the extent it

is affected by Force Majeure and to the extent that due diligence is being used to resume performance, shall be suspended for the duration of the Force Majeure. Such cause shall, as far as possible, be remedied with all reasonable dispatch.

Section 8.15 Force Majeure Defined.

The term "Force Majeure," as used herein, shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery, pipelines or canals, and any other incapacities of either party, whether similar to those enumerated or otherwise, and not within the control of the party claiming such inability, which by the exercise of due diligence and care such party could not have avoided.

Section 8.16 Default and Remedies.

Default shall occur only in the event either party fails to adhere to its respective obligations hereunder. In such event, the non-defaulting party shall give the defaulting party: (i) written notice describing such default and the necessary cure therefor; and (ii) the opportunity to cure such default within no less than thirty (30) days of receipt of such notice. If the default is cured within the specified time period to the satisfaction of the non-defaulting party, then no further action shall be taken by the non-defaulting party. If the default is not cured within the specified time period to the satisfaction of the non-defaulting party, the non-defaulting party may pursue any available remedies existing at law or in equity. This Section 8.16 shall not be considered as specifying the exclusive remedy or procedure for remedy for any default, and all remedies existing at law and in equity are to be available to either party; provided, however, that the parties may submit their dispute in good faith to non-binding mediation, the costs of which will be shared equally by the parties, prior to either party filing suit for any default under this Contract.

Section 8.17 Responsibility for Groundwater Reduction Plan.

No. 33, acting on behalf of the Consortium, shall be responsible for adopting, obtaining HGCSO approval of and administering the Consortium's Groundwater Reduction Plan (the "GRP"). Houston shall be responsible for adopting, obtaining HGCSO approval of and administering its GRP.

Section 8.18 Payment Dates.

If the Consortium and the Utility Official mutually agree in writing, the due dates of any payments due under this Contract within any particular calendar year may be modified such that such payments become due on the same date within each calendar year.

Section 8.19 Severability.

The provisions of this Contract are severable, and if any provision or part of this Contract or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Contract and the application of such provision or part of this Contract to other persons or circumstances shall not be affected thereby.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Contract in multiple copies, each of which shall be deemed to be an original, effective on the date of countersignature indicated below.

"Houston"

"No. 33"

CITY OF HOUSTON, TEXAS

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 33, on behalf of the Central Harris County Water Users Consortium

By: Joe P. Brown  
Mayor

By: Burgaret Cox  
President, Board of Directors

Executed for and on behalf of City pursuant to authority granted by the City Council Ordinance No. 2003-1138 passed 11-25, 2003, 200\_, a copy of which is attached hereto for reference.

ATTEST/SEAL  
By: Ronald M. Mungley  
Secretary, Board of Directors

DATE APPROVED: 11-20-03

ATTEST/SEAL  
[Signature]  
City Secretary

APPROVED:  
[Signature]  
Director, Department of Public Works and Engineering

APPROVED AS TO FORM:  
By: Abraham Rubinsley  
General Counsel to the Consortium

APPROVED AS TO FORM:  
[Signature]  
Sr. Assistant City Attorney  
L.D. File No. 80-99041-01

COUNTERSIGNED BY:  
[Signature]  
City Controller

DATE COUNTERSIGNED: 12/5/03

**EXHIBITS**

- Exhibit "A" - Existing Untreated Water Facilities
- Exhibit "B" - Plant Facilities
- Exhibit "C" - Point(s) of Delivery
- Exhibit "D" - Point(s) of Measurement
- Exhibit "E" - Transmission Facilities
- Exhibit "F" - Initial Untreated Water Facilities Demand Allocation, Outstanding Debt (as of June 30, 2001) and Amount of Factor "B" for Payment for Existing Untreated Water Facilities
- Exhibit "G" - Treated Water Facilities applicable to the Consortium and corresponding Treated Water Facilities Capital Contribution Calculations
- Exhibit "H" - Houston's Finalized Independent Rate Study
- Exhibit "I" - Capacities of the Plant Facilities and Transmission Facilities
- Exhibit "J" - Form of Letter Agreement by and among Houston, the Consortium and the North Authority

EXHIBIT "A"

EXISTING UNTREATED WATER FACILITIES

**EXHIBIT A: Houston's Existing Untreated Water Facilities**

- 1 Coastal Water Authority ( General)
- 2 Trinity/Lynchburg Pump Stations
- 3 Conveyance System
  
- 4 Trinity River Authority ( General)
- 5 Lake Livingston Improvements
  
- 6 Lake Houston Dam/Reservoir
  
- 7 Wallisville Lake Project
- 8 Dayton Canal
- 9 Allens Creek Reservoir Land Purchase
  
- 10 Water Rights

EXHIBIT "B"

PLANT FACILITIES

# EXHIBIT B : PLANT FACILITIES – NORTHEAST WATER PURIFICATION PLANT

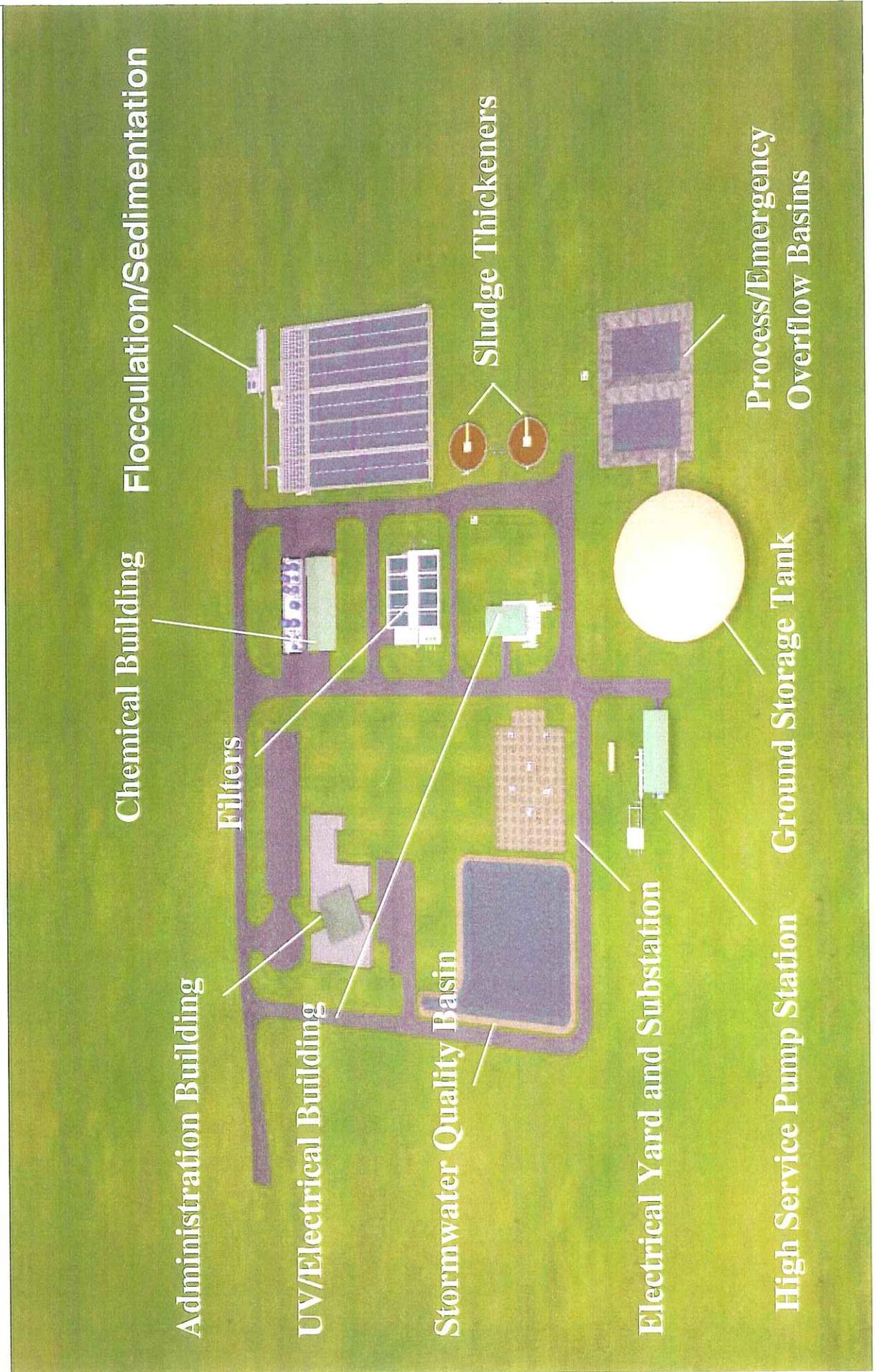
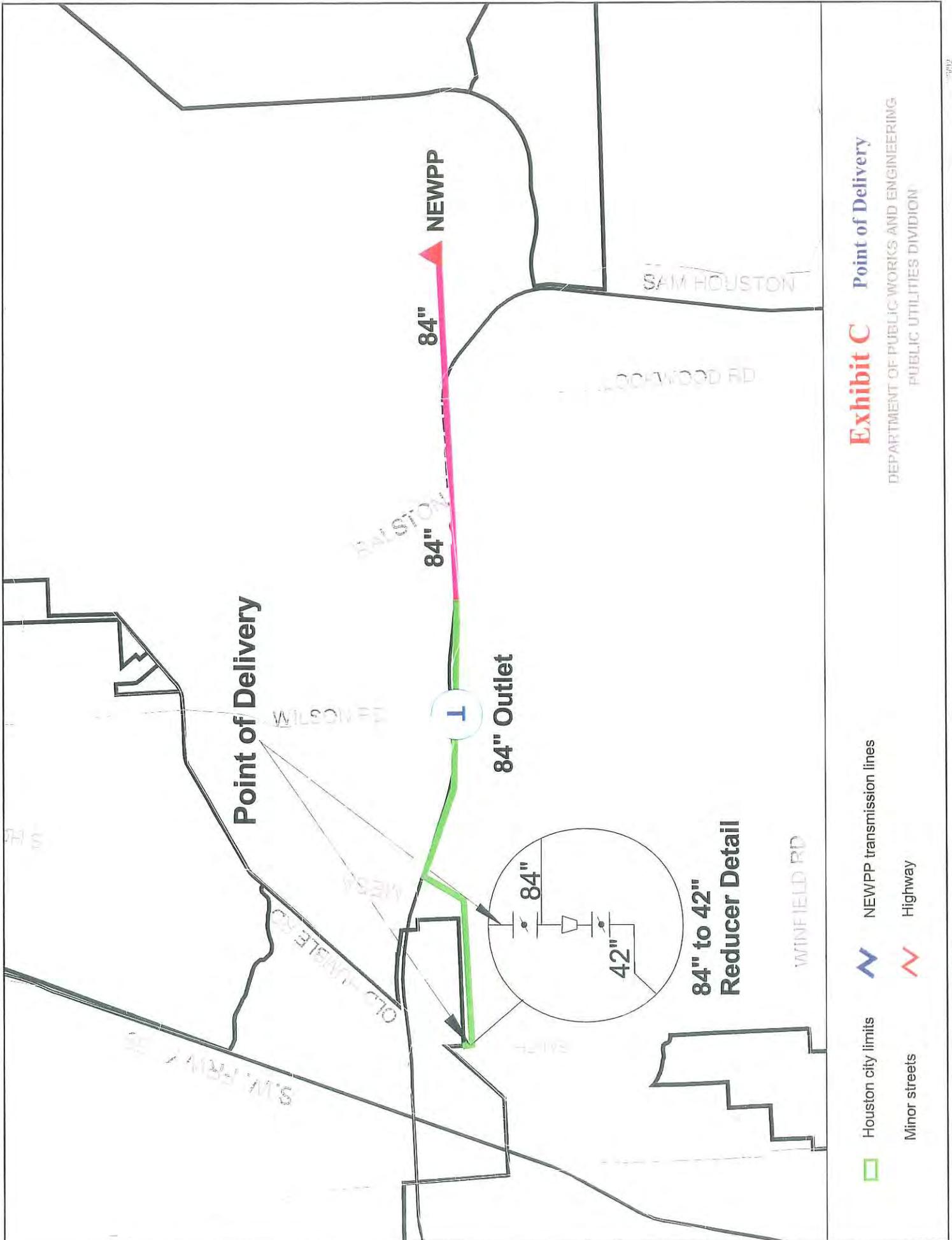


EXHIBIT "C"

POINT(S) OF DELIVERY

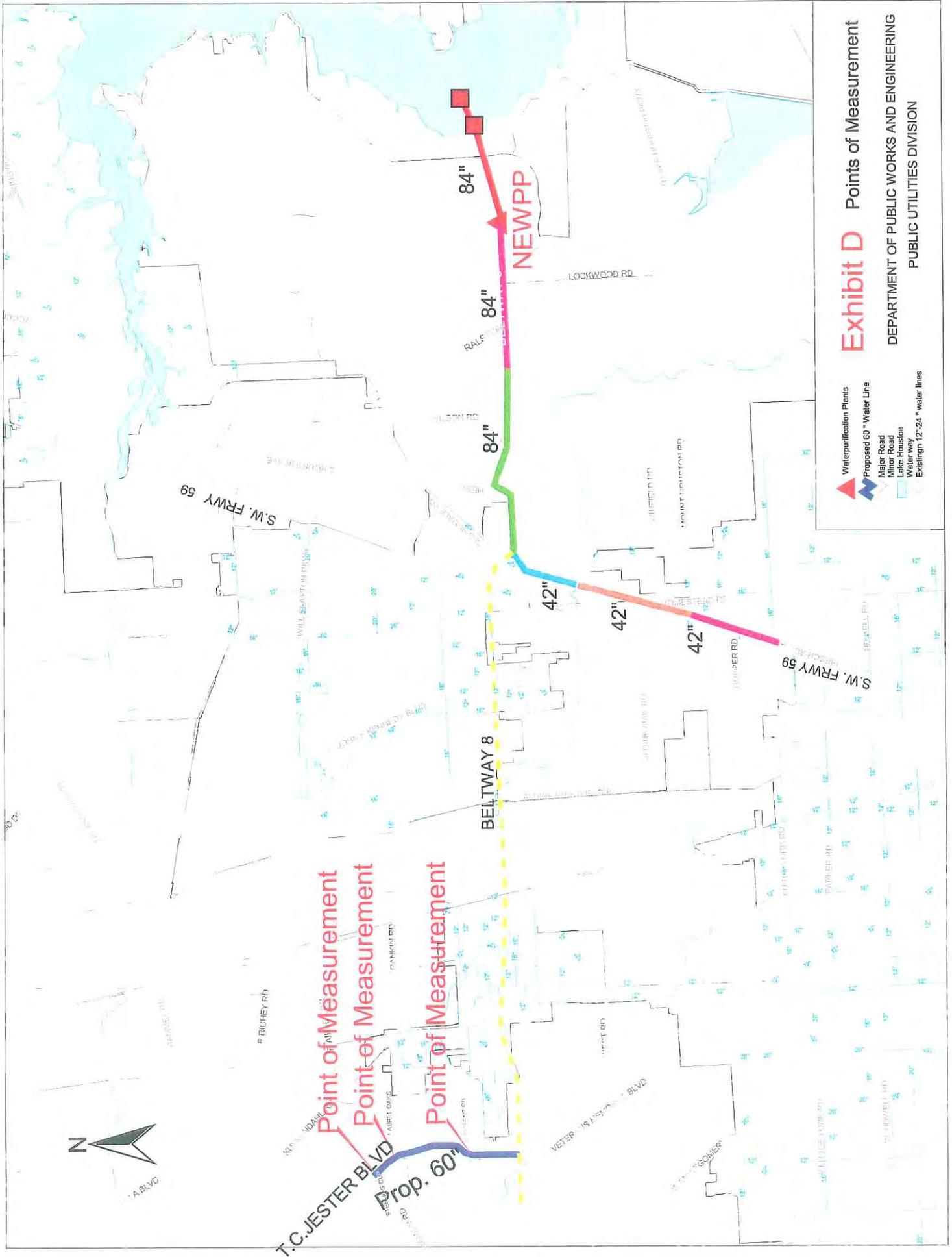


**Exhibit C** Point of Delivery

DEPARTMENT OF PUBLIC WORKS AND ENGINEERING  
PUBLIC UTILITIES DIVISION

EXHIBIT "D"

POINT(S) OF MEASUREMENT



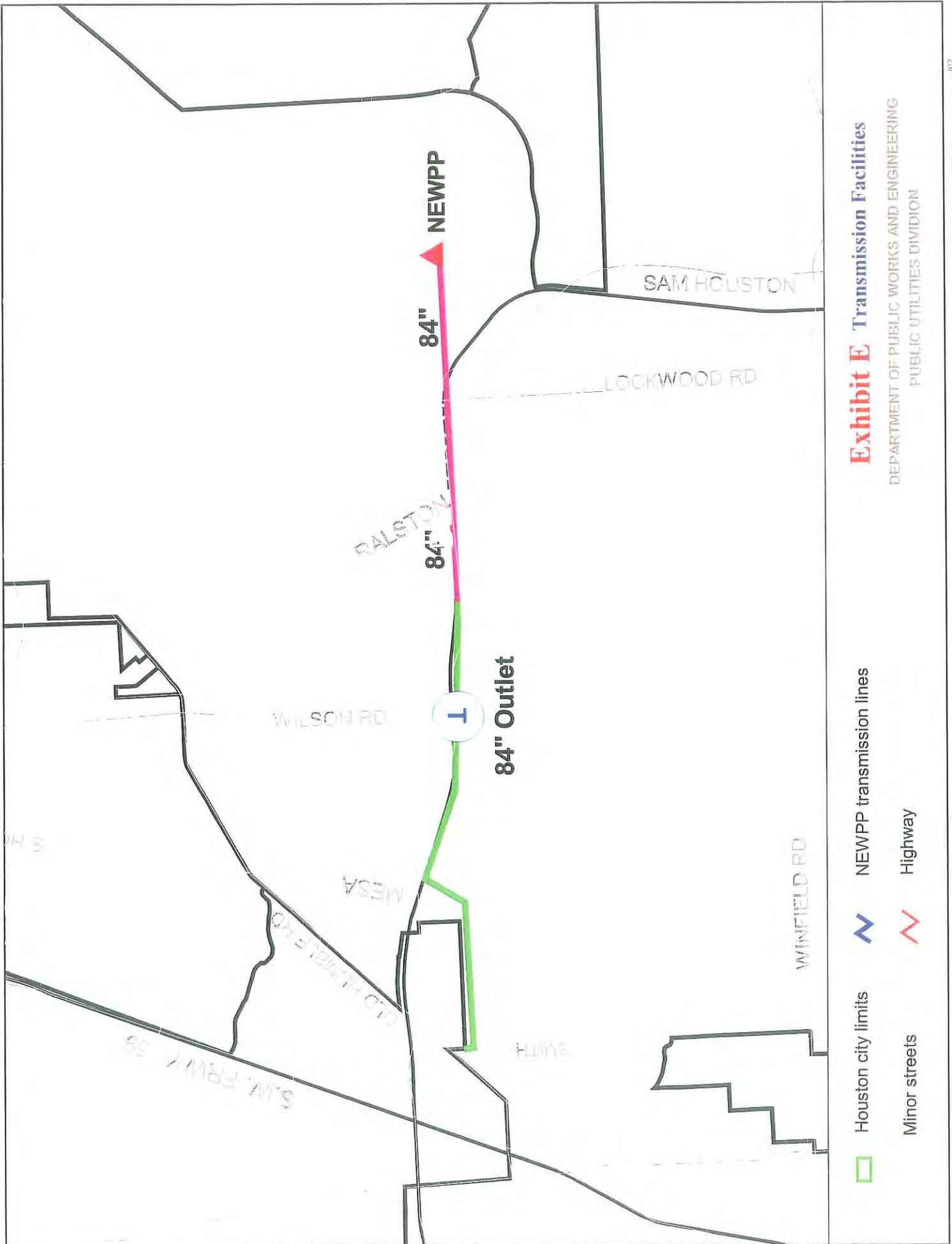
**Exhibit D** Points of Measurement

DEPARTMENT OF PUBLIC WORKS AND ENGINEERING  
PUBLIC UTILITIES DIVISION

Waterpurification Plants  
Proposed 60" Water Line  
Major Road  
Minor Road  
Lake Houston  
Waterway 12-24" water lines

EXHIBIT "E"

TRANSMISSION FACILITIES



**Exhibit E** Transmission Facilities

DEPARTMENT OF PUBLIC WORKS AND ENGINEERING  
PUBLIC UTILITIES DIVISION

-  Houston city limits
-  NEWPP transmission lines
-  Minor streets
-  Highway

EXHIBIT "F"

INITIAL UNTREATED WATER FACILITIES DEMAND ALLOCATION,  
OUTSTANDING DEBT (AS OF JULY 1, 2002) AND AMOUNT OF FACTOR "B" FOR  
PAYMENT OF EXISTING UNTREATED WATER FACILITIES

**EXHIBIT F: Initial Untreated Water Facilities Demand Allocation to be purchased by the CHCWUC, The Outstanding Debt, and the total amount (in MGD) of Factor "B"**

Consortium's Prorata Share of Houston's  
 Untreated Water Facilities Current Outstanding Debt For Initial Demand Allocation (A/B)C = \$1,578,523

Where

**Factor A = Initial Demand Allocation for the Consortium**

Year	Demand Allocation (MGD)
2010	2.12

**Factor B = Surface Water - Average Daily Production (MGD):**

Untreated Water Sold to Customers in 2001 (MGD):	235.51
Water Production at SEWTP in 2001 (MGD):	68.55
Water Production at EWTP in 2001 (MGD):	215.92
Surface Water - Average Daily Production (MGD):	<b>519.98</b>

**Factor C = Houston's Untreated Water Facilities Outstanding Debt**

Facility Component	Outstanding Debt
1 Coastal Water Authority ( General)	\$254,187,160
2 Trinity River Authority ( General)	\$13,000,000
Total Contract Debt:	\$267,187,160
3 Coastal Water Authority (Proposed TRINITY/Lynchburg Pump Station Upgrade General)	\$55,000,000
4 TRA - Current Lake Livingston Improvements	\$15,481,000
5 Allens Creek Land Purchase:	\$16,754,709
6 Lake Houston Dam/Reservoir Improvements:	\$17,016,400
7 Wallisville Lake Project :	\$10,580,707
8 Dayton Canal	\$5,150,000
<b>Total Outstanding Debt (Factor C):</b>	<b>\$387,169,976</b>

Note: Items 1 and 2 represent "Outstanding Debt" for Existing Untreated Water Facilities as of June 30, 2001. Items 3 through 8 represent additional Outstanding Debt that Houston has incurred, or Houston estimates that it will incur, from July 1, 2001, to July 1, 2004. Within 60 days after July 1, 2004, Houston shall revise factor "C" to include the "actual" Outstanding Debt for items 3 through 8 that Houston incurred from July 1, 2001, to July 1, 2004.

EXHIBIT "G"

TREATED WATER FACILITIES APPLICABLE  
TO THE CONSORTIUM AND CORRESPONDING TREATED WATER FACILITIES  
CAPITAL CONTRIBUTION CALCULATIONS

## Exhibit G Treated Water Facilities Applicable to Central Harris County Water Users Consortium

Page 1 of 2      Northeast Water Purification Plant

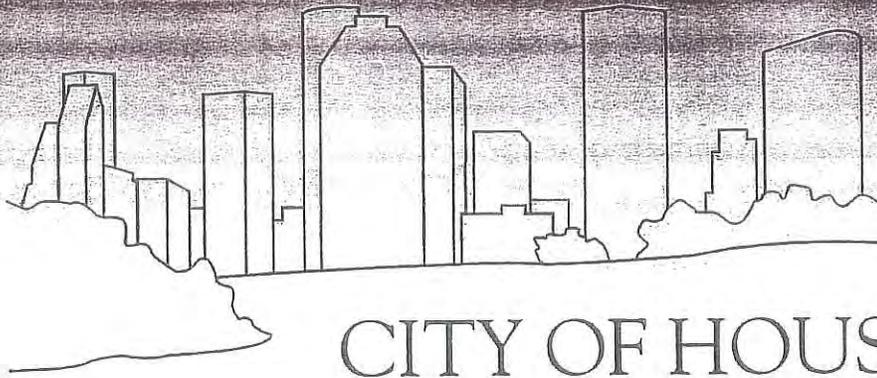
Description	cost	
Phase I Construction Cost		
Total	\$92,206,000	
84-inch	\$14,000,000	
42-inch	\$6,338,000	6.87%
<b>Plant Construction Cost</b>	<b>\$71,868,000</b>	
Phase I Non-construction Cost	<b>\$16,581,586</b>	
Items subject to revision		
Owner's Representative	\$4,427,841	
Diversity Consultant	\$495,000	
General Engineering Consultant	\$1,497,740	
Project Contingency/Change Orders	\$5,000,000	
Total:	\$11,420,581	
Adjusted amount at 6.87%	(\$785,021)	
<b>Adjusted Plant Non-construction Cost</b>	<b>\$15,796,565</b>	
<b>Phase I total</b>	<b>\$87,664,565</b>	
<b>Phase II total</b>	<b>\$32,526,000</b>	
<b>Total Plant Cost</b>	<b>\$120,190,565</b>	
Total Plant Cost		\$120,190,565
Capacity (Gallons / day)		80,000,000
Cost per Gallon / Day		\$1.50
Consortium Pro-Rata Capacity (Gal/day)		2,120,000
Consortium Pro-Rata Cost		<b>\$3,185,050</b>

<b>Exhibit G Treated Water Facilities Applicable to Central Harris County Water Users Consortium</b>							
<b>Page 2 of 2 84-inch Transmission Line</b>							
<b>Total Cost</b>	<b>Component</b>	<b>Length (ft)</b>	<b>Size (in)</b>	<b>Demand Allocation (MGD)*</b>	<b>Full Flow @ 5 ft/sec (MGD)</b>	<b>Authority Pro-Rata Cost</b>	
\$14,000,000	Transmission Line	31,000	84	2.1	124.0	\$239,355	
\$4,161,532	Transmission Easements					\$71,149	
\$1,514,407	Condemnation Attorney					\$25,891	
						<b>Consortium Pro-Rata Cost</b>	<b>\$336,395</b>

\* From Exhibit E

EXHIBIT "H"

HOUSTON'S FINALIZED INDEPENDENT RATE STUDY



CITY OF HOUSTON  
Water and Sewer Rate Study

April 1999

BLACK & VEATCH

Table W-9

## Water Utility Allocation of Maintenance & Operation Expenses 2000 Test Year

Thousands of Dollars

Line NO.	Description	(1) M&O Expenses	(2) Common to Surface Water	(3) Common to All		(4) Common to Treated Water			(5) Common to Retail			(6) Direct SE Plant Participants
				(7) Meters	(8) Utility Billing	(9) Base	(10) Extra Capacity	(11) Max Day	(12) Max Hour	(13) Base	(14) Extra Capacity	
1	Source of Supply - Surface Water	42,080	37,766									4,315
2	Resource Management	42,080	37,766									4,315
3	Meter Maintenance	4,523		4,523								
4	Other Customer Service	12,229			12,229							
5	Customer Service	16,752		4,523	12,229							
6	SE Plant Participants	4,315										4,315
7	Ground Water	982										
8	Pumping	20,951				717	265					
9	Treatment	10,803				10,203	3,771	6,977				
10	Water Production	37,050				7,886	2,917	6,977				4,315
						18,806	6,953	6,977				
11	Distribution Water Storage	2,673				1,302	481	890				
	Water Pipe											
12	Transmission	8,280										
13	Distribution	8,046				6,044	2,236		3,918	1,448	2,680	
14	Water Services	207										
15	Water Meters	122										
16	Utilities Maintenance	19,328				7,346	2,717	890	3,918	1,448	2,680	
17	Management & Support	6,912										
18	Planning & Operations	4,849										
19	Office of the Director	715										
20	Inventory Support	3,655										
21	Resource Management	16,365										
22	Non-capitalized Equipment	1,356										
23	General & Administrative	33,852	12,846	1,481	3,733	7,983	2,952	2,401	1,196	442	818	8,629
24	Total M&O Expenses	149,062	50,612	6,333	15,962	34,135	12,622	10,268	5,114	1,890	3,498	8,629
25	Total M&O Cost of Service	159,992	54,551	6,826	17,204	36,792	13,604	11,067	5,512	2,037	3,770	8,629

# Exhibit H Page 3 of 3

## Calculation of General and Administrative Cost per 1999 Black & Veatch Rate Study

### Water Utility

(1) General and Administrative	\$ 33,852
(2) Total M & O Cost of Service	\$ 159,992
(3) Total M & O excluding General & Administrative Cost	\$ 126,140
(4) % of General & Administrative to Total M & O excluding General & Administrative Cost	26.84%

EXHIBIT "I"

CAPACITIES OF THE PLANT FACILITIES AND TRANSMISSION FACILITIES

<b>Exhibit I</b>		<b>Plant and Transmission Facility Capacities</b>	
<b>Facilities</b>		<b>Capacity (MGD)</b>	
Plant	NEWPP *	80	
Transmission	84"	124 **	
* NEWPP - North East Water Purification Plant, ** Full Flow at 5 ft/sec			

CENTRAL HARRIS COUNTY WATER USERS CONSORTIUM  
1300 Post Oak Boulevard, Suite 1400  
Houston, Texas 77056

November 24, 2003

Mr. Jon C. Vanden Bosch, Director  
City of Houston  
Public Works and Engineering Department  
611 Walker, 25<sup>th</sup> Floor  
Houston, Texas 77002

Board of Directors  
North Harris County Regional Water Authority  
3648 F.M. 1960 West, Suite 110  
Houston, Texas 77068

Re: Letter Agreement by and among the City of Houston ("City"), North Harris County Regional Water Authority ("North Authority") and Central Harris County Water Users Consortium ("Consortium") concerning measurement of water usage pursuant to Water Supply Contracts with the City

Gentlemen:

The purpose of this Letter Agreement is to set forth the understanding and agreement by and among the City, the North Authority and the Consortium concerning certain issues relating to the measurement of water purchased from the City by the North Authority and the Consortium. The North Authority entered into a Water Supply Contract with the City dated December 16, 2002. Harris County Municipal Utility District No. 33 ("No. 33"), as Operating District for the Consortium, intends to enter into a Water Supply Contract with the City on behalf of the Consortium prior to November 30, 2003. The North Authority's Contract with the City sets forth specific terms and procedures for the measurement of water delivered by the City to the North Authority at the Point of Delivery defined in the North Authority's Contract with the City.

The North Authority and the Consortium are also proposing to enter into an Agreement for Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities (the "Transmission Facilities Agreement") to provide for the construction, operation and maintenance of a sixty inch (60") surface water transmission line ("Transmission Line") from the Point of Delivery defined in the North Authority's and the Consortium's Water Supply Contracts with the City through the Service Area of the Consortium and to the

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boundaries of the North Authority. The proposed location of such Transmission Line is from the above-described Point of Delivery (approximately at Beltway 8 and Old Humble Road) extending in a westward direction along the Beltway 8 right-of-way, to the future T. C. Jester right-of-way, then extending along said future T. C. Jester right-of-way in a northerly direction to a location approximately 10,500 feet south of the North Authority's proposed pump station south of F.M. 1960 West.

Pursuant to the North Authority's Water Supply Contract with the City, water delivered to the North Authority will be measured at the Point of Measurement defined in said Contract, which Point of Measurement is located approximately at the Point of Delivery described above. Since the water passing through such Point of Measurement will include both the Consortium's and the North Authority's water consumption, this Letter Agreement is being entered into to set forth our mutual understanding and the methodology for calculating the North Authority's and the Consortium's respective water usage from the City, which is as follows:

1. The City will read, on the same date, the measuring equipment installed at each Point of Measurement defined in the North Authority's and the Consortium's Water Supply Contracts with the City.
2. The North Authority's Point of Measurement is as defined in its Water Supply Contract with the City, which is located approximately at the Point of Delivery, just east of the Transmission Line. The Consortium will initially have three (3) Points of Measurement located along the Transmission Line. Additional Points of Measurement may be added along the Transmission Line from time to time in the future upon mutual agreement of the City, the North Authority and the Consortium. All measuring equipment located at the Points of Measurement along the Transmission Line shall be located in dedicated easements adjacent to a public right-of-way.
3. The City will read the measuring equipment located at each Point of Measurement on the same date and shall add the water consumption measured at each of the Consortium's Points of Measurement to determine the Consortium's total water consumption for the period in question. The City will read the measuring equipment located at the North Authority's Point of Measurement and shall deduct from the water consumption measured at such Point of Measurement the Consortium's total water consumption for the period in question, the balance of which shall be deemed to be the

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North Authority's water consumption for such period. In the event of any discrepancy or dispute concerning the amount of water measured at the North Authority's Point of Measurement and the allocation of such water to the Consortium and to the North Authority, the parties agree that a representative of each entity shall meet promptly to resolve in good faith such discrepancy or dispute.

4. All other issues relating to the measurement of water delivered by the City to the North Authority and the Consortium shall be addressed in accordance with the provisions of their respective Water Supply Contracts with the City.

Further, pursuant to Section 8.17 of the North Authority's and the Consortium's Water Supply Contracts with the City, the City will establish an Advisory Committee comprised of one representative of Houston, one representative of the North Authority, and one representative of the West Harris County Regional Water Authority ("West Authority"). The function of the Advisory Committee is to inform and consult with Houston concerning various issues regarding the delivery of surface water to such parties' respective customers. Upon receipt by the City of the written consent of the North Authority and the West Authority, a representative of the Consortium shall be authorized to attend any meetings of the Advisory Committee, but shall not be considered a member of such Advisory Committee.

Should the above accurately reflect your understanding with regard to the matters discussed hereinabove, we would respectfully request that each party indicate its agreement by executing multiple originals of this Letter Agreement in the appropriate space indicated below.

Very truly yours,

CENTRAL HARRIS COUNTY WATER USERS  
CONSORTIUM

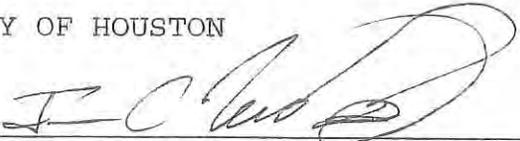
By:   
Ronald Mumphery, President  
Operating Committee

November 24, 2003  
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AGREED TO AND ACCEPTED this 24<sup>th</sup> day of November, 2003.

CITY OF HOUSTON

Date: 11/24/03

By:   
Director, Jon C. Vanden Bosch  
Public Works & Engineering  
Department 

NORTH HARRIS COUNTY REGIONAL WATER  
AUTHORITY

Date: 11/3/03

By:   
Ron Graham, President  
Board of Directors

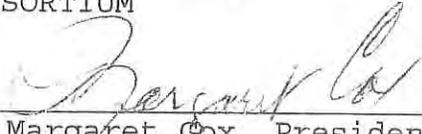
By:   
Kelly P. Fessler, Secretary  
Board of Directors

By:   
Jimmie Schindewolf, P.E.  
General Manager

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HARRIS COUNTY MUNICIPAL UTILITY  
DISTRICT NO. 33, in its capacity as  
Operating District for the CENTRAL  
HARRIS COUNTY WATER USERS  
CONSORTIUM

Date: 11-20-03

By:   
Margaret Cox, President  
Board of Directors

By:   
Ronald Mumphrey, Secretary  
Board of Directors

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cc: Mr. Paul R. Nelson  
Assistant Director  
City of Houston  
Public Works and Engineering Department

Mr. Bill Beauchamp  
Sr. Assistant City Attorney  
City of Houston

Ms. Robin S. Bobbitt  
Johnson Radcliffe Petrov & Bobbitt PLLC  
Attorney for the North Authority

Mr. Tom Rolen  
Turner, Collie & Braden, Inc.  
Engineer Manager for the North Authority

Mr. Abraham I. Rubinsky  
Schwartz, Page & Harding, L.L.P.  
Attorney for the Consortium

Mr. Paul Wallick, P.E.  
Pate Engineers, Inc.  
Engineer for the Consortium

C73169  
2013-0045

THE STATE OF TEXAS §  
 §  
 COUNTY OF HARRIS §

**THIS FIRST AMENDMENT TO THE FIRST SUPPLEMENT TO WATER SUPPLY CONTRACT** ("First Amendment") is made by and between the **CITY OF HOUSTON, TEXAS** ("Houston"), a Home Rule City located principally in Harris County, and, **AND THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**, as a body politic and corporate under Article XVI, Section 59 of the Texas Constitution, ("Authority") (collectively the "Parties").

**RECITALS:**

1. Pursuant to Ordinance No. 2003-1138 (November 25, 2003), Houston and the Authority entered into a Water Supply Agreement (the "Original Contract"). The Original Contract contemplated a cost-sharing arrangement for untreated water facilities and certain other facilities necessary to convey water to the Authority.
2. The Luce Bayou Interbasin Transfer Project (the "Project") is one of the untreated water facilities necessary to convey water to the Authority.
3. Pursuant to Ordinance 09-0052 (January 28, 2009), Houston and the Authority executed a First Supplement to Water Supply Contract ("First Supplement") to provide for the permitting, engineering, surveying, and right-of-way and site acquisition necessary for the Project ("Phase 1") and its construction ("Phase 2").
4. The First Supplement contemplated that Houston would cause Coastal Water Authority ("CWA") to issue bonds to the Texas Water Development Board ("TWDB") through the Water Infrastructure Fund ("WIF") Program for certain Phase 1 costs, and that all funds obtained by CWA for Phase 1 would be structured so Annual Outstanding Debt Service (as defined in the First Supplement) would not be due before January 1, 2018 ("Debt Structure Requirement").
5. As contemplated by the First Supplement, CWA issued \$28,000,000 in bonds to the TWDB in 2009 through the WIF Program to pay for Phase 1.
6. CWA issued an additional \$5,150,000 in bonds to the TWDB in 2010 through the WIF Program, but will need additional funds to complete the design and permitting of the Project.
7. CWA anticipates that completion of Phase 1 may require an estimated additional \$6,000,000.
8. Pursuant to Section 2 of the First Supplement, Houston is causing CWA to seek funding in amounts sufficient to complete Phase 1.

9. CWA intends to enter into a Master Agreement with TWDB for its participation in the Project in an amount not to exceed \$29,000,000, through the State Participation Fund, which CWA must obtain before April 1, 2013 ("2013 Funding").
10. The Parties desire to amend the First Supplement: (A) so Houston may arrange for CWA to obtain the 2013 Funding to complete Phase 1 of the Project and begin Phase 2, without violating (i) the Debt Structure Requirement in Sections 6 of the First Supplement or (ii) the last paragraph of Section 7 of the First Supplement; and (B) to address other matters related to the 2013 Funding.
11. The Parties agree that the payments that CWA must make to TWDB under the Master Agreement are considered "other obligations", as referenced in Section 5A of the First Supplement.
12. Because the majority of the proceeds of the 2013 Funding will be spent on Phase 2, Houston and the Authority agree that for all purposes under the First Supplement, the 2013 Funding shall be deemed to have been issued to finance the costs of Phase 2.

NOW, THEREFORE, the City and Authority agree as follows:

#### ARTICLE I.

The recitals above are true and correct and are incorporated into this First Amendment by reference.

#### ARTICLE II.

**Section 1.** Section 1 of the First Supplement is amended to include the language below in the alphabetical order apparent in Section 1:

"2013 Funding" is defined in the recitals of this First Amendment.

"Unamortized Closing Costs" are those issuance costs that (i) are related to 2013 Funding, (ii) CWA applied for and is obligated to pay, including attorneys' fees and financial advisors' fees, and (iii) the TWDB will not allow CWA to pay for out of the proceeds of the 2013 Funding. Unamortized Closing Costs include the administrative fee charged under 31 T.A.C. § 363.1017 that will be due to the TWDB upon CWA's closing of the 2013 Funding.

**Section 2.** Section 2 of the First Supplement is amended to include the following sentence at the end of Section 2:

Houston shall cause CWA to use its best efforts to obtain the 2013 Funding in the maximum amount of funds and most favorable financing terms available.

**Section 3.** The following portion of the First Paragraph of Section 6 of the First Supplement is

amended to read as follows (all portions of Section 6 not included below remain unchanged):

Calculation and Administration of Phase 1 Annual New Untreated Water Facilities Payments. Notwithstanding any provision of this First Supplement, Houston shall cause the bonds, notes, or other obligations issued by CWA or Houston to finance Phase 1 to be structured such that there is no Annual Outstanding Debt Service for Phase 1 until after September 1, 2013. All of the Annual Outstanding Debt Service due under the 2013 Funding that is associated with Phase 1 costs will be deemed to be part of the Annual Outstanding Debt Service for Phase 2 (instead of being part of the Annual Outstanding Debt Service for Phase 1).

**Section 4.** A new Section 5B is included after Section 5A of the First Supplement and reads as follows:

Section 5B. Formula for Unamortized Closing Costs. The Authority shall pay Houston for Unamortized Closing Costs related to the 2013 Funding based on the following formula:

Authority's Share of Unamortized Closing Costs = (D/E) H

Where: "D" is the same amount in MGD as "D" provided in Subsection 5(2) of the First Supplement.

"E" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year ending June 30, 2012, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"H" is a dollar amount equal to the total Unamortized Closing Costs.

**Section 5.** The following portion of the First Paragraph of Section 7 of the First Supplement is amended to read as follows (all portions of Section 7 not included below remain unchanged):

Calculation and Administration of Phase 2 Annual New Untreated Water Facilities Payments. Notwithstanding any provision of this First Supplement, Houston shall use its best efforts to cause the bonds, notes, or other obligations issued by CWA or Houston to finance Phase 2 to be structured such that there is no Annual Outstanding Debt Service for Phase 2 until after January 1, 2018. However, Annual Outstanding Debt Service due pursuant to the 2013 Funding that is associated with Phase 1 or Phase 2 costs, other than Unamortized Closing Costs, shall be included as part of the Annual Outstanding Debt Service for Phase 2 beginning on or after January 1, 2015.

**Section 6.** A new Section 7A is included after Section 7 of the First Supplement and reads as follows:

Administration of Unamortized Closing Costs. No later than April 1, 2013, Houston shall invoice the Authority for the Authority's Share of Unamortized Closing Costs based on the formula set forth in Section 5B. The Authority shall pay such invoice within 35 days of receipt in accordance with the wiring instructions provided by Houston in such invoice.

**Section 7.** The last Paragraph of Section 7 of the First Supplement is hereby deleted from the First Supplement.

**Section 8.** The last sentence of Section 13 of the First Supplement is amended to read as follows (all portions of Section 13 not included below remain unchanged):

Although CWA is the Project Manager and may issue bonds, notes, or other obligations for the Project (and although after the closing of the 2013 Funding, an entity other than CWA may from time to time own an interest in the Project), Houston shall at all times be obligated to provide the Authority with the Authority's Water Demand Allocation (including its Untreated Water Facilities Demand Allocation) pursuant to the Contract and this First Supplement.

### ARTICLE III.

Except as modified herein, the Original Contract as amended by the First Supplement will remain in full force and effect. In the event of a conflict between the Original Contract (as modified by the First Supplement) and this First Amendment, this First Amendment will prevail. The effective date of this First Amendment is the date that this First Amendment is countersigned by the Houston Controller, as indicated below.

*[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]*

ARTICLE IV.

The Parties hereto have executed this First Amendment in multiple copies, each of which shall be an original.

AUTHORITY

By: [Signature]  
Name: Margaret L. Cox  
Title: President

WITNESS:

By: [Signature]  
Name: Judge Caston  
Title: Secretary

CITY OF HOUSTON, TEXAS

ATTEST/SEAL:

[Signature]  
City Secretary

SIGNED BY:

[Signature]  
Mayor/Matthew D. Rappit

APPROVED BY:

[Signature]  
Director, Public Works & Engineering  
Department

COUNTERSIGNED BY:

[Signature]  
City Controller

APPROVED AS TO FORM BY:

[Signature]  
Assistant City Attorney  
LD No.: 0801200127003

DATE COUNTERSIGNED:

1-22-13

C73169  
09.0052

**FIRST SUPPLEMENT TO WATER SUPPLY CONTRACT BETWEEN THE CITY OF  
HOUSTON, TEXAS, AND THE CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY**

This First Supplement to Water Supply Contract ("First Supplement") is made by and between the **CITY OF HOUSTON, TEXAS** ("Houston") and the **CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY** (the "Authority").

**WITNESSETH:**

**Recitals**

WHEREAS, Houston is a municipal corporation and home-rule city, principally located in Harris County, Texas; and

WHEREAS, the Authority is a Texas conservation and reclamation district organized and operating under provisions of Chapter 8815, Special District Local Code (the "Act") and the Texas Water Code, as amended; and

WHEREAS, Houston entered into a Water Supply Contract effective as of December 5, 2003, (the "Contract") with Harris County Municipal Utility District No. 33 on behalf of the Central Harris County Water Users Consortium (the "Consortium"), as predecessor to the Authority; and

WHEREAS, the Contract was assigned by the Consortium to the Authority following the creation of the Authority by the 79<sup>th</sup> Texas Legislature; and

WHEREAS, Houston has entered into Water Supply Contracts with West Harris County Regional Water Authority, North Fort Bend Water Authority, and North Harris County Regional Water Authority ("Other Authorities"); and

WHEREAS, the Authority and each of the Other Authorities seek to increase their Untreated Water Facilities Demand Allocation and Houston does not currently have sufficient capacity available in the Existing Untreated Water Facilities to serve such increases; and

WHEREAS, Houston, the Authority and the Other Authorities seek the construction and completion of the project known as "Luce Bayou" that will convey approximately 400 million gallons per day ("MGD") of untreated surface water from the Trinity River to Lake Houston (the "Project") in order to increase untreated surface water supplies available to Houston, the Authority and the Other Authorities; and

WHEREAS, Houston and the Authority seek to supplement the Contract to clarify cost-sharing and capacity with respect to the Project under Section 3.02(c) of the Contract and also to address other matters.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do mutually agree as follows:

Section 1. Definitions. In addition to the terms defined elsewhere in this First Supplement, the following terms used in this First Supplement, unless the context requires otherwise, shall have meanings as follows:

“Actual O&M Rate” means the per 1,000 gallon rate calculated by dividing: (i) the actual O&M Expenses for the prior Fiscal Year, by (ii) the actual amount of Water (in millions of gallons) taken by the Authority during the prior Fiscal Year, divided by 1,000.

“Additional Right-of-Way Costs” is defined in Section 2A.

“Anticipated Demand” means the amount of Water (in millions of gallons) that the Authority reasonably anticipates that it will need from Houston during the upcoming Fiscal Year.

“Authority’s Additional Payment for Right-of-Way Costs” means the product of multiplying the Authority’s Right-of-Way Percentage times the Additional Right-of-Way Costs.

“Authority’s Lump Sum Payment for Right-of-Way Costs” means the product of multiplying the Authority’s Right-of-Way Percentage times \$15,000,000.

“Authority’s New UWFDA” means the Authority’s new Untreated Water Facilities Demand Allocation in the amount of 6.3 MGD, which will be effective once the Utility Official has certified that the Project is complete pursuant to Section 3.

“Authority’s Pro-Rata Share of CWA Interest Amount” means \$2,273, which is the result of multiplying \$360,836 by the Authority’s Right-of-Way Percentage.

“Authority’s Pro-Rata Share of Payment for Right-of-Way Costs” means the product of multiplying the Authority’s Right-of-Way Percentage times the total Project Right-of-Way Costs.

“Authority’s Right-of-Way Percentage” means 0.63%.

“CWA” means the Coastal Water Authority.

"CWA Agreement" is defined in Section 1A.

"CWA Interest Amount" means the \$360,836 of interest due to CWA on costs incurred or to be incurred by CWA for the Project prior to CWA obtaining WIF funds.

"Effective Date" means the date this First Supplement is executed by the Houston Controller.

"Estimated O&M Rate" means the per 1,000 gallon rate calculated by dividing: (i) the O&M Expenses reasonably estimated by the City for the coming Fiscal Year, by (ii) the Anticipated Demand, divided by 1,000.

"Fiscal Year" means Houston fiscal year.

"Phase 1" is defined in Section 3.

"Phase 2" is defined in Section 3.

"Phase 1 Annual Letter" is defined in Section 6.

"Phase 2 Annual Letter" is defined in Section 7.

"Project Manager" is defined in Section 1A.

"Public Works Director" means the Director of the Department of Public Works and Engineering of Houston (or the successor equivalent position), or such person as he or she shall designate.

"Phase 1 Remittance Date" is defined in Section 6.

"Phase 2 Remittance Date" is defined in Section 7.

"Project Right-of-Way Costs" means the reasonable and necessary costs and expenses incurred by CWA or Houston for acquisition of Project Right-of-Way.

"Project Right-of-Way" means right-of-way and site acquisition for the Project and interests in land necessary for environmental mitigation (and environmental mitigation credits) for the Project, all as approved by the Public Works Director.

"TexPool Rate" means the monthly "Average Monthly Yield" rate paid by TexPool (or if such rate is discontinued, then a substitute comparable rate agreed upon by the Utility Official and the Authority. (The TexPool Rate for October, 2008 was 1.9762%.)

"Utility Official" means the Public Works Director. (The Contract is hereby amended such that the definition of "Utility Official" in the Contract is deleted and replaced with the definition of "Utility Official" contained in this First Supplement.)

“WIF” is defined in Section 2.

“2008 UWF Reservation” is defined in Section 3.

Section 1A. Coastal Water Authority. Houston and the Authority acknowledge that CWA is the sole entity responsible for all decisions and actions relating to the design, development, procurement and construction of all aspects of the Project ("Project Manager"). Houston will provide, in any agreement between Houston and CWA relating to the design and construction of the Project ("CWA Agreement"), that CWA will regularly communicate with the Authority with respect to the design, development, procurement and construction of the Project, by (i) inviting the Authority to participate in certain development and planning meetings between CWA and its consultants in order to facilitate communication and input from the Authority; and (ii) providing that CWA will provide the Authority with written monthly (or other than monthly if mutually agreed to by CWA and the Authority) updates regarding the progress, status of contracts and other relevant aspects of the Project. Such agreement will also provide that CWA will consider the Authority's input. Houston and the Authority recognize that the communication, input and status reports referenced above do not alter CWA's role as the sole Project Manager. In addition, Houston will ensure that CWA will invite the Authority and Houston to all meetings between CWA and its consultants, and between CWA and its construction contractors, where substantive issues that have a financial or project development impact on the Authority or Houston are being discussed. Houston will allow the Authority a reasonable opportunity to review and comment on any proposed supplements, modifications, or amendments to the CWA Agreement.

Section 1B. Project Construction. The Public Works Director shall review and approve: (i) preliminary engineering reports before CWA proceeds with final design of the Project; (ii) final plans for the Project before CWA advertises for construction contracts or otherwise proceeds with construction; and (iii) CWA's proposed award of contract(s) for construction of the Project before CWA awards such construction contract(s). If requested by the Authority, Houston will provide to the Authority copies of documents possessed by Houston regarding the design, construction, or financing of the Project, and Houston may require the Authority to pay for the costs of duplication.

Section 2. Funding of the Project. Subject to the terms of this First Supplement, Houston shall issue (or cause CWA to issue) bonds, notes, or other obligations to pay for all of the costs of the Project, except the Project Right-of-Way Costs and the CWA Interest Amount. Houston shall approve all bonds, notes, or other obligations issued by CWA (including those issued for refunding or refinancing purposes) that are related to the Project prior to CWA's issuance of same. Houston shall ensure that all proceeds, and related accrued interest, from the bonds, notes, or

other obligations issued by CWA or Houston for the Project shall only be used by CWA and/or Houston to pay for: (i) costs of construction, surveying, engineering and permitting for the Project; and (ii) issuance costs associated with the bonds, notes, or other obligations for the Project. The Authority shall be obligated to pay Houston the Phase 1 Annual New Untreated Water Facilities Payments and Phase 2 Annual New Untreated Water Facilities Payments due to Houston pursuant to Sections 5 through 7 of this First Supplement regardless of whether it is Houston or CWA that issues the bonds, notes, or other obligations for the Project. The Authority shall not owe any obligation whatsoever to CWA, including, without limitation, any obligation to pay to CWA any debt service on bonds, notes, or other obligations issued by CWA for the Project.

Houston shall use its best efforts, and shall cause CWA to use its best efforts, to obtain the maximum amount of funds and most favorable financing terms available from the Texas Water Development Board's Water Infrastructure Fund ("WIF") program to pay for the costs for Phase 1, defined below, except for the Project Right-of-Way Costs. In addition to the other terms and conditions of this First Supplement, neither party shall have any obligation to pay any funds for the Project unless and until Houston or CWA have obtained \$28,000,000 in WIF funding for use on the Project under a WIF program that provides for: (i) the accrual of zero interest on such funds for up to 10 years or until the Project is completed, whichever occurs first (the "Up to 10 Year Period"); and (ii) no interest or principal payments on such funds during the Up to 10 Year Period.

Section 2A. Lump Sum Payment for Project Right-of-Way Costs and the Payment for CWA Interest Amount.

Pursuant to this Section 2A, the Authority will be responsible to pay to Houston the Authority's Pro-Rata Share of Payment for Right-of-Way Costs and also the Authority's Pro-Rata Share of CWA Interest Amount. No payments are due from the Authority for Project Right-of-Way or for CWA interest except those payments set forth in this Section 2A. The Authority shall pay Houston the Authority's Pro-Rata Share of CWA Interest Amount no later than January 31, 2009. Promptly (but no later than five (5) business days) thereafter, Houston will forward said funds to CWA.

Currently, Houston estimates that the Project Right-of-Way Costs will be \$15,000,000. The Authority will pay to Houston the Authority's Lump Sum Payment for Right-of-Way Costs in two segments as follows: (i) no later than June 15, 2009, \$63,000; and (ii) no later than June 15, 2010, \$31,500. Houston shall (or shall cause CWA to) maintain these funds in an interest bearing account. Houston shall ensure that all proceeds, and related accrued interest, from the Authority's Lump Sum Payment for Right-of-Way Costs shall only be used by CWA and/or Houston to pay for Project Right-of-Way Costs.

In the event Houston reasonably determines that said \$15,000,000 is not sufficient to pay for the Project Right-of-Way Costs, Houston shall immediately notify the Authority and Houston shall reasonably determine the amount of the additional funds needed to pay for the remainder of the Project Right-of-Way Costs ("Additional Right-of-Way Costs"). Thereafter, Houston shall invoice the Authority for the Authority's Additional Payment for Right-of-Way Costs, which invoice the Authority shall pay to Houston within ninety (90) days of receipt.

Once CWA or Houston has acquired all of the Project Right-of-Way, but no later than June 30, 2014, Houston shall notify the Authority that all of the Project Right-of-Way has been acquired. Within one hundred eighty (180) days thereafter, Houston shall (or shall cause CWA to) prepare an accounting of the total Project Right-of-Way Costs actually paid by Houston or CWA. Such accounting shall also state the difference, if any, between: (i) the amounts paid by the Authority for Project Right-of-Way Costs pursuant to this Section 2A, and (ii) the Authority's Pro-Rata Share of Payment for Right-of-Way Costs. Houston shall (or shall cause CWA to) provide the Authority with 65 days to review and comment on such accounting prior to the accounting being finalized. Houston and the Authority agree to "true-up" the payments made by the Authority for Project Right-of-Way Costs such that if the Authority has underpaid, taking into account interest accrued, it will pay Houston such shortfall within 60 days of the Authority receiving the final accounting, and Houston agrees to refund to the Authority any overpayment, taking into account interest accrued, within 60 days of Houston receiving the final accounting if the Authority overpaid.

Section 3. Reservation. The Authority seeks to increase its Untreated Water Facilities Demand Allocation from 2.12 MGD to 6.3 MGD (which is currently estimated to be the Authority's surface water demand in the year 2040). The Authority hereby makes a Reservation request for said 4.18 MGD increase (the "2008 UWF Reservation"). (It is agreed and understood that nothing in this First Supplement shall be construed to be a Reservation for Treated Water Facilities. Reservations for Treated Water Facilities shall be governed by the Contract.) Upon completion of the Project, as certified by the Utility Official, the 2008 UWF Reservation will be deemed approved.

Houston agrees to cause the construction of the Project so that it is substantially complete and able to deliver water no later than June 30, 2019. The Utility Official shall issue a written certification to the Authority that the Project has been completed no later than sixty (60) days after the Project is completed. Houston shall cause the Project to be designed, acquired and constructed in two phases, as described below. Phase 1 of the Project ("Phase 1") shall be the permitting, engineering, surveying, right-of-way and site acquisition necessary for the Project, which is currently estimated at a cost of \$43,000,000. Phase 2 of the Project ("Phase 2") shall be the construction and related

costs (for example, without limitation, construction administration, project representation, materials testing) necessary for the Project, which is currently estimated at a cost of \$214,000,000.

As payment for the 2008 UWF Reservation and the Authority's share of the costs of the Project, the Authority shall owe Houston: (i) the payments due under Section 2A; (ii) the four (4) Payments for Existing Untreated Water Facilities, described below; and (iii) the Phase 1 and Phase 2 Annual New Untreated Water Facilities Payments, described below. Upon completion of the Project, as certified by the Utility Official, the Authority's New UWFDA shall be 6.3 MGD and the Authority shall be entitled to receive same. The only payments due from the Authority whatsoever for the Project or the 2008 UWF Reservation are: (i) the payments due under Section 2A; (ii) the four (4) Payments for Existing Untreated Water Facilities, described below; and (iii) the Phase 1 and Phase 2 Annual New Untreated Water Facilities Payments described below.

Section 4A. Payment for Existing Untreated Water Facilities Formula. The formula in Section 3.02(c) of the Contract used to calculate the Payment for Existing Untreated Water Facilities shall not apply to the 2008 UWF Reservation. Instead, the formula and provisions of Sections 4A and 4B of this Supplement shall apply. For the 2008 UWF Reservation, the Authority shall make four (4) Payments for Existing Untreated Water Facilities, as described below:

(1) The 1st Payment for Existing Untreated Water Facilities For the 2008 UWF Reservation shall be calculated as follows:  $(A/B)C$

Where: "A" is 3.26 MGD, which is the portion (in MGD) of the 2008 UWF Reservation that the Authority has determined that it needs by June 30, 2025. If pursuant to Section 8 of this First Supplement, prior to June 30, 2019, the Authority submits a written request to Houston to receive (prior to completion of the Project) a portion of the Water included in "A" of the preceding sentence, and said request is approved in writing by the Utility Official pursuant to the Contract, then "A" in the preceding sentence shall be reduced by the amount of such request. (For example, if prior to June 30, 2019, the Authority were to request, and obtain Utility Official approval for, 2 MGD out of the amount included in "A," then "A" would be reduced to 1.26 MGD.)

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year ending June 30, 2011, including such untreated surface water received at Houston's water treatment plants as well as billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities (such facilities being shown on Exhibit "A" of the Contract) as of July 1, 2011. In no event shall "C" be greater than \$182,952,232.

(2) The 2nd Payment for Existing Untreated Water Facilities For the 2008 UWF Reservation shall be calculated as follows:  $(A/B)C$

Where: "A" is the additional portion (in MGD) of the 2008 UWF Reservation that the Authority needs by June 30, 2030, as determined by the Authority. No later than June 30, 2020, the Authority shall determine this amount and shall issue a written notice to the Utility Official identifying this amount.

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year ending June 30, 2019, including such untreated surface water received at Houston's water treatment plants as well as billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities (such facilities being shown on Exhibit "A" of the Contract) as of July 1, 2019. In no event shall "C" be greater than \$107,438,399.

(3) The 3rd Payment for Existing Untreated Water Facilities For the 2008 UWF Reservation shall be calculated as follows:  $(A/B)C$

Where: "A" is the additional portion (in MGD) of the 2008 UWF Reservation that the Authority needs by June 30, 2035, as determined by the Authority. No later than June 30, 2025, the Authority shall determine this amount and shall issue a written notice to the Utility Official identifying this amount.

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year ending June 30, 2024, including such untreated surface water received at Houston's water treatment plants as well as billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities (such facilities being shown on Exhibit "A" of the Contract) as of July 1, 2024. In no event shall "C" be greater than \$74,538,900.

(4) The 4th Payment for Existing Untreated Water Facilities For the 2008 UWF Reservation shall be calculated as follows:  $(A/B)C$

Where: "A" is the additional portion (in MGD) of the 2008 UWF Reservation that the Authority needs by June 30, 2040, as determined by the Authority. No later than June 30, 2030, the Authority shall determine this amount and shall issue a written notice to the Utility Official identifying this amount.

"B" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during Houston's fiscal year ending June 30, 2029, including such untreated surface water received at Houston's water treatment plants as well as billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"C" is the Outstanding Debt for all Existing Untreated Water Facilities (such facilities being shown on Exhibit "A" of the Contract) as of July 1, 2029. In no event shall "C" be greater than \$46,453,350.

Section 4B. Payment for Existing Untreated Water Facilities Due Dates. Houston shall provide the Authority with the calculation for the 1st Payment for Existing Untreated Water Facilities no later than October 1, 2011. The Authority shall pay Houston the 1st Payment for Existing Untreated Water Facilities no later than sixty (60) days after the Authority receives written certification from the Utility Official that the Project has been completed.

Houston shall provide the Authority with the calculation for the 2nd Payment for Existing Untreated Water Facilities no later than October 1, 2020. The Authority shall pay Houston the 2nd Payment for Existing Untreated Water Facilities upon the earlier of: (i) sixty (60) days after the Authority sends written notice to Houston that the Authority requires the Water included in "A" in the 2nd Payment for Existing Untreated Water Facilities formula; or (ii) June 30, 2025.

Houston shall provide the Authority with the calculation for the 3rd Payment for Existing Untreated Water Facilities no later than October 1, 2025. The Authority shall pay Houston the 3rd Payment for Existing Untreated Water Facilities upon the earlier of: (i) sixty (60) days after the Authority sends written notice to Houston that the Authority requires the Water included in "A" in the 3rd Payment for Existing Untreated Water Facilities formula; or (ii) June 30, 2030.

Houston shall provide the Authority with the calculation for the 4th Payment for Existing Untreated Water Facilities no later than October 1, 2030. The Authority shall pay Houston the 4th Payment for Existing Untreated Water Facilities upon the earlier of: (i) sixty (60) days after the Authority sends written notice to Houston that the Authority requires the Water included in "A" in the 4th Payment for Existing Untreated Water Facilities formula; or (ii) June 30, 2035.

Section 5. Formulas for Phases 1 and 2 Annual New Untreated Water Facilities Payment. The formulas in Section 3.02(c) of the Contract used to calculate the Annual New Untreated Water Facilities Payments shall not apply to the Authority's New UWFDA. Instead, the formula and provisions of this Section 5 shall apply. For the Authority's New UWFDA, the Authority shall pay Houston the Phase 1 Annual New Untreated Water Facilities Payment and Phase 2 Annual New Untreated Water Facilities Payment as described below:

(1) Phase 1 Annual New Untreated Water Facilities Payment = (D/E)F

Where: "D" is 6.3 MGD, which is the Authority's 2.12 MGD current Untreated Water Facilities Demand Allocation plus the additional 4.18 MGD that the Authority will obtain via the 2008 UWF Reservation upon completion of the Project.

"E" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during the Houston fiscal year that precedes the date Houston calculates the Phase 1 Annual New Untreated Water Facilities Payment, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"F" is the Annual Outstanding Debt Service for Phase 1 of the Project as of the first day of the Houston fiscal year in which Houston calculates the Phase 1 Annual New Untreated Water Facilities Payment. ("F" shall equal zero for any Houston fiscal year in which the Annual Outstanding Debt Service for Phase 1 is zero.)

(2) Phase 2 Annual New Untreated Water Facilities Payment = (D/E)G

Where: "D" is 6.3 MGD, which is the Authority's 2.12 MGD current Untreated Water Facilities Demand Allocation plus the additional 4.18 MGD that the Authority will obtain via the 2008 UWF Reservation upon completion of the Project.

"E" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during the Houston fiscal year that precedes the date Houston calculates the Phase 2 Annual New Untreated Water Facilities Payment, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated

surface water customers, but excluding untreated surface water loss by evaporation or leakage.

“G” is the Annual Outstanding Debt Service for Phase 2 of the Project as of the first day of the Houston fiscal year in which Houston calculates the Phase 2 Annual New Untreated Water Facilities Payment. (“G” shall equal zero for any Houston fiscal year in which the Annual Outstanding Debt Service for Phase 2 is zero.)

Section 5A. Definition of “Annual Outstanding Debt Service.” The term “Annual Outstanding Debt Service” shall mean the amount of debt service (principal and interest) actually owed by Houston during a Houston fiscal year on any and all bonds, notes, or other obligations for construction and acquisition of the applicable New Untreated Water Facilities. In determining the amount of principal and interest actually owed by Houston, the amount of any capitalized interest (and its interest earnings) attributable to said bonds, notes, or other obligations and the amount of any debt service reserve fund (and its interest earnings) attributable to said bonds, notes, or other obligations shall be taken into account. In connection with the interest earnings described in the preceding sentence that are attributable to bonds, notes, or other obligations issued for the Project, if rebate or yield reduction payments are due from Houston and/or CWA to the United States of America pursuant to the requirements of the Internal Revenue Code of 1986 (as amended from time to time) or the Treasury Regulations promulgated from time to time thereunder, Houston and/or CWA shall be authorized to use proceeds out of such interest earnings to make such payments; and, if such proceeds are insufficient to make the necessary payment, then any shortfall may thereafter be included in the calculation of “Annual Outstanding Debt Service.”

Section 6. Calculation and Administration of Phase 1 Annual New Untreated Water Facilities Payments. Notwithstanding any provision of this First Supplement, Houston shall cause the bonds, notes, or other obligations issued by CWA or Houston to finance Phase 1 to be structured such that there is no Annual Outstanding Debt Service for Phase 1 until after January 1, 2018. The bonds, notes, or other obligations issued for Phase 1 will have two (2) debt service payments in each Fiscal Year and, accordingly, the Phase 1 Annual New Untreated Water Facilities Payment will be divided into two (2) payments in each Fiscal Year. Starting with the Fiscal Year beginning July 1, 2009, and continuing for each Fiscal Year thereafter, Houston will calculate, according to the formula above, the Authority’s Phase 1 Annual New Untreated Water Facilities Payment and will provide the Authority with a remittance letter (the “Phase 1 Annual Letter”) within 60 days after the beginning of each Fiscal Year. The Phase 1 Annual Letter will include for that Fiscal Year: (i) the calculation for the Authority’s Phase 1 Annual New Untreated Water Facilities Payment; (ii) the calculation of the portion of Annual Outstanding Debt Service for Phase 1 to be paid by the City and all other entities (including water authorities); and (iii) the dollar amounts, wiring instructions, and the remittance date (“Phase 1 Remittance Date”) for each of the

two portions of the Authority's Phase 1 Annual New Untreated Water Facilities Payment. Each of the two Phase 1 Remittance Dates will be no more than twenty (20) business days prior to the date of the applicable actual debt service payment due from Houston in each Fiscal Year. For any Fiscal Year in which the Annual Outstanding Debt Service for Phase 1 is zero, the Phase 1 Annual Letter shall state that no payment is due from the Authority for such Fiscal Year. The Authority shall wire its Phase 1 Annual New Untreated Water Facilities Payment directly to Houston pursuant to the wiring instructions included in the Phase 1 Annual Letter on or before the Phase 1 Remittance Dates.

Houston shall maintain each Phase 1 Annual New Untreated Water Facilities Payment in an interest-bearing account, which interest (and any interest accrued on such interest) shall be credited by Houston against the Authority's next Phase 1 Annual New Untreated Water Facilities Payment. Each Phase 1 Annual Letter issued by Houston shall identify the amount of such interest credited to the Authority.

The Authority shall owe Houston the Phase 1 Annual New Untreated Water Facilities Payment each year during the life of the bonds, notes or other obligations issued by CWA or Houston to finance Phase 1 or until the Contract is no longer in effect, whichever occurs first. To assist the Authority in its financial planning, Houston shall, prior to the last day of each Fiscal Year, send a written statement to the Authority of Houston's reasonable estimate of: (i) the Annual Outstanding Debt Service for Phase 1 for each of the following three (3) Fiscal Years; and (ii) the amount of untreated surface water that Houston estimates will be included in factor "E" in Section 5 for each of the following three (3) Fiscal Years. Houston shall use the Phase 1 Annual New Untreated Water Facilities Payments, and interest accrued thereon in the interest-bearing account described in the preceding paragraph, only for the purpose of paying Annual Outstanding Debt Service on the bonds, notes or other obligations issued by CWA or Houston for the costs of Phase 1.

Houston will ensure that: (i) at no time will the amount held in any reserve fund associated with bonds, notes or other obligations issued by CWA or Houston for the costs of Phase 1 exceed the amount authorized for a "bona fide debt service fund" for tax-exempt obligations; and (ii) to the extent not required to pay rebate amounts to the United States, surplus or other remaining amounts in any such reserve funds will be applied upon the final maturities of principal of and interest on the bonds, notes or other obligations to pay principal of and interest then due, so that on final maturity of the bonds, notes or other obligations no balances will remain in any reserve fund.

Section 7. Calculation and Administration of Phase 2 Annual New Untreated Water Facilities Payments. Notwithstanding any provision of this First Supplement, Houston shall use its best efforts to cause the bonds, notes, or other obligations issued by CWA or Houston to finance Phase 2 to be structured such that there is no Annual Outstanding Debt Service for Phase 2 until after January 1, 2018. The bonds, notes, or

other obligations issued for Phase 2 will have two (2) debt service payments in each Fiscal Year and, accordingly, the Phase 2 Annual New Untreated Water Facilities Payment will be divided into two (2) payments in each Fiscal Year. Starting with the first Fiscal Year in which such bonds, notes, or other obligations are issued, and continuing for each Fiscal Year thereafter, Houston will calculate, according to the formula above, the Authority's Phase 2 Annual New Untreated Water Facilities Payment and will provide the Authority with a remittance letter (the "Phase 2 Annual Letter") within 60 days after the beginning of each Fiscal Year. The Phase 2 Annual Letter will include for that Fiscal Year: (i) the calculation for the Authority's Phase 2 Annual New Untreated Water Facilities Payment; (ii) the calculation of the portion of Annual Outstanding Debt Service for Phase 2 to be paid by the City and all other entities (including water authorities); and (iii) the dollar amount, wiring instructions, and the remittance date ("Phase 2 Remittance Date") for each of the two portions of the Authority's Phase 2 Annual New Untreated Water Facilities Payment. Each of the two Phase 2 Remittance Dates will be no more than twenty (20) business days prior to the date of the applicable actual debt service payment due from Houston in each Fiscal Year. For any Fiscal Year in which the Annual Outstanding Debt Service for Phase 2 is zero, the Phase 2 Annual Letter shall state that no payment is due from the Authority for such Fiscal Year. The Authority shall wire its Phase 2 Annual New Untreated Water Facilities Payment directly to Houston pursuant to the wiring instructions included in the Phase 2 Annual Letter on or before the Phase 2 Remittance Dates.

Houston shall maintain each Phase 2 Annual New Untreated Water Facilities Payment in an interest-bearing account, which interest (and any interest accrued on such interest) shall be credited by Houston against the Authority's next Phase 2 Annual New Untreated Water Facilities Payment. Each Phase 2 Annual Letter issued by Houston shall identify the amount of such interest credited to the Authority.

The Authority shall owe Houston the Phase 2 Annual New Untreated Water Facilities Payment each year during the life of the bonds, notes or other obligations issued by CWA or Houston to finance Phase 2 or until the Contract is no longer in effect, whichever occurs first. To assist the Authority in its financial planning, Houston shall, prior to the last day of each Fiscal Year, send a written statement to the Authority of Houston's reasonable estimate of: (i) the Annual Outstanding Debt Service for Phase 2 for each of the following three (3) Fiscal Years; and (ii) the amount of untreated surface water that Houston estimates will be included in factor "E" in Section 5 for each of the following three (3) Fiscal Years. Houston shall use the Phase 2 Annual New Untreated Water Facilities Payments, and interest accrued thereon in the interest-bearing account described in the preceding paragraph, only for the purpose of paying Annual Outstanding Debt Service on the bonds, notes or other obligations issued by CWA or Houston for the costs of Phase 2.

Houston will ensure that: (i) at no time will the amount held in any reserve fund associated with bonds, notes or other obligations issued by CWA or Houston for the costs of Phase 2 exceed the amount authorized for a “bona fide debt service fund” for tax-exempt obligations; and (ii) to the extent not required to pay rebate amounts to the United States, surplus or other remaining amounts in any such reserve funds will be applied upon the final maturities of principal of and interest on the bonds, notes or other obligations to pay principal of and interest then due, so that on final maturity of the bonds, notes or other obligations no balances will remain in any reserve fund.

Prior to commencement of Phase 2, Houston shall attempt to obtain the Authority’s written consent as to the date that Houston proposes commencement of Phase 2. The Authority shall not be obligated to pay any Phase 2 Annual New Untreated Water Facilities Payments until the Authority has consented in writing to the commencement of Phase 2; provided, however, if the Authority fails to provide such written consent to Houston by January 1, 2014, Houston shall have the right to commence Phase 2 and the Authority shall, after January 1, 2014, be required to pay Phase 2 Annual New Untreated Water Facilities Payments pursuant to this First Supplement.

Section 8. Requests To Obtain Water Prior To June 30, 2019. If, prior to July 1, 2012, the Authority submits a written request to Houston to receive (prior to completion of the Project) a portion of the Untreated Water included in “A” of the 1st Payment for Existing Untreated Water Facilities formula, and said request is approved in writing by the Utility Official pursuant to the Contract, then the payment for said request shall be calculated under 3.02(b) of the Contract and “B” and “C” in Section 3.02(b) of the Contract shall have the definition that is provided for “B” and “C”, respectively, in Section 3.02(b) of the Contract. If, however, after July 1, 2012, but before June 30, 2019, the Authority submits a written request to Houston to receive (prior to completion of the Project) a portion of the Untreated Water included in “A” of the 1st Payment for Existing Untreated Water Facilities formula, and said request is approved in writing by the Utility Official pursuant to the Contract, then for purposes of that request, “B” and “C” in Section 3.02(b) of the Contract shall be revised to mean the definitions of “B” and “C” that are provided in Section 4A(1) of this First Supplement. The payment for Water received under any requests made pursuant to this Section 8 shall be made by the applicable due date required in Section 3.02(b) of the Contract; provided, however, in no event shall such payment be made to Houston later than sixty (60) days after the Authority receives written certification from the Utility Official that the Project has been completed. Any request submitted to the Utility Official under Section 3.02(b) of the Contract prior to June 30, 2019, as provided for in this Section 8, shall not be considered as exceeding the Authority’s New UWFDA.

Section 9. Payment for Untreated Water Facilities Costs Avoided. If before December 31, 2028, the Authority submits a Reservation request that exceeds the

Authority's New UWFDA and such Reservation does not require the construction of New Untreated Water Facilities, the Authority shall pay Houston the "Payment for Untreated Water Facilities Costs Avoided." The Payment for Untreated Water Facilities Costs Avoided shall equal the total dollar amount, without interest or penalty, of the applicable Payment for Existing Untreated Water Facilities, as calculated under this First Supplement, and the total accrued Phase 1 and 2 Annual New Untreated Water Facilities Payments which would have been paid by the Authority, according to the hereinbefore formulas of this First Supplement, had the Authority made a Reservation request for such increase in this First Supplement. The Payment for Untreated Water Facilities Costs Avoided shall be made to Houston within one hundred twenty (120) days of the Authority's receipt of the Utility Official's approval of such later Reservation request. The Authority shall not owe Houston the Payment for Untreated Water Facilities Costs Avoided for a Reservation request that exceeds the Authority's New UWFDA if: (i) the Authority submits the Reservation request before December 31, 2028, and the Reservation requires the construction of New Untreated Water Facilities; or (ii) the Authority submits the Reservation request, regardless of whether or not it requires construction of New Untreated Water Facilities, after December 31, 2028.

The Payment for Untreated Water Facilities Costs Avoided, if any, with respect to the Project shall be calculated and determined pursuant to the preceding paragraph of this Section 9, and not pursuant to the final paragraph of Section 3.02 of the Contract.

Section 10. Future Reservations. The provisions of Sections 10, 10A, 10B, 10C, 10D, and 10E apply only to: (i) future Reservations of the Untreated Water Facilities Demand Allocation that exceed the Authority's New UWFDA; or (ii) to New Untreated Water Facilities, except for the Project. The Project shall be considered "New Untreated Water Facilities" for purposes of the Contract and this First Supplement. Subject to the provisions of this Section 10 (and Sections 10A, 10B, 10C, 10D, and 10E), the payment for all future Reservations of the Untreated Water Facilities Demand Allocation that exceed the Authority's New UWFDA (regardless of whether or not the Reservation requires construction of New Untreated Water Facilities) shall be calculated and made pursuant to the formulas of Section 3.02(c) of the Contract, as amended by this First Supplement, and not Sections 3.02(a) or (b) of the Contract. The Payment for Existing Untreated Water Facilities shall remain as set forth in Section 3.02(c) of the Contract and the Annual New Untreated Water Facilities Payment shall be revised and due as described below in Sections 10A, 10B, 10C, 10D, and 10E.

Section 10A. For a future Reservation of the Untreated Water Facilities Demand Allocation by the Authority that exceeds the Authority's New UWFDA and does not require the construction of New Untreated Water Facilities, the formula for Annual New Untreated Water Facilities Payment in Section 3.02(c) of the Contract shall be revised to read as described below in this Section 10A.

Annual New Untreated Water Facilities Payment =  $(X/E)Z$

Where: "X" is the amount (in MGD) that the Authority seeks to increase its Untreated Water Facilities Demand Allocation, as identified in the applicable Authority Reservation request pursuant to this Section 3.02(c).

"E" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during the Houston fiscal year that precedes the date Houston calculates the Annual New Untreated Water Facilities Payment, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"Z" is the Annual Outstanding Debt Service for all New Untreated Water Facilities as of the first day of the Houston fiscal year in which Houston calculates the Annual New Untreated Water Facilities Payment.

Section 10B. For a future Reservation of the Untreated Water Facilities Demand Allocation by the Authority that exceeds the Authority's New UWFDA and requires the construction of New Untreated Water Facilities, the formula for Annual New Untreated Water Facilities Payment in Section 3.02(c) of the Contract shall be revised to read as described below in this Section 10B.

Annual New Untreated Water Facilities Payment =  $(X1/E)Y$  plus  $(X/E)Y1$

Where: "X1" is the Authority's then-current Untreated Water Facilities Demand Allocation, plus the amount (in MGD) that the Authority seeks to increase its Untreated Water Facilities Demand Allocation upon completion of the New Untreated Water Facilities, as identified in the applicable Authority Reservation request pursuant to this Section 3.02(c).

"E" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during the Houston fiscal year that precedes the date Houston calculates the Annual New Untreated Water Facilities Payment, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-

or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"Y" is the Annual Outstanding Debt Service for all New Untreated Water Facilities (except the Project) as of the first day of the Houston fiscal year in which Houston calculates the Annual New Untreated Water Facilities Payment.

"X" is the amount (in MGD) that the Authority seeks to increase its Untreated Water Facilities Demand Allocation, as identified in the applicable Authority Reservation request pursuant to this Section 3.02(c).

"Y1" is the Annual Outstanding Debt Service for the Project as of the first day of the Houston fiscal year in which Houston calculates the Annual New Untreated Water Facilities Payment.

Section 10C. If Houston constructs or acquires New Untreated Water Facilities for any reason and the Authority does not desire capacity in the New Untreated Water Facilities and accordingly does not make a Reservation request for same, the formula for Annual New Untreated Water Facilities Payment in Section 3.02(c) of the Contract shall be revised to read as described below in this Section 10C.

Annual New Untreated Water Facilities Payment = (U/E)Y

Where: "U" is the Authority's then-current Untreated Water Facilities Demand Allocation (in MGD).

"E" is the total amount of untreated surface water (in MGD) sold to Houston's water customers during the Houston fiscal year that precedes the date Houston calculates the Annual New Untreated Water Facilities Payment, including such untreated surface water received at Houston's water treatment plants as well as the billable quantity (including any take-or-pay amounts) taken by Houston's untreated surface water customers, but excluding untreated surface water loss by evaporation or leakage.

"Y" is the Annual Outstanding Debt Service for all New Untreated Water Facilities (except the Project) as of the first day of the Houston fiscal year in which Houston calculates the Annual New Untreated Water Facilities Payment.

Section 10D. Any Annual New Untreated Water Facilities Payments that may be due pursuant to Sections 10A, 10B, or 10C shall be in addition to the Phase 1 Annual New Untreated Water Facilities Payments and Phase 2 Annual New Untreated Water Facilities Payments otherwise due under Sections 5 through 7.

Section 10E. The paragraph in Section 3.02(c) of the Contract that begins with the phrase “Within ninety (90) days . . .” and ends with the phrase “three (3) Houston fiscal years” is deleted. The paragraph in Section 3.02(c) of the Contract that begins with the phrase “Houston shall maintain” and ends with the phrase “if the Authority overpaid” is deleted. The following provisions of this Section 10E hereby replace the two (2) aforementioned deleted paragraphs:

“The bonds, notes, or other obligations issued for New Untreated Water Facilities will have two (2) debt service payments in each Fiscal Year and, accordingly, the Annual New Untreated Water Facilities Payment will be divided into two (2) payments in each Fiscal Year. Starting with the Fiscal Year in which the Authority makes a Reservation under Sections 10A or 10B (or the Fiscal Year in which Houston first issues bonds, notes, or other obligations to finance New Untreated Water Facilities under Section 10C), and continuing for each Fiscal Year thereafter, Houston will calculate, according to the applicable formula above, the Authority’s Annual New Untreated Water Facilities Payment and will provide the Authority with a remittance letter within 60 days after the beginning of each Fiscal Year. Such letter will include for that Fiscal Year: (i) the calculation for the Authority’s Annual New Untreated Water Facilities Payment; (ii) the calculation of the portion of Annual Outstanding Debt Service to be paid by the City and all other entities (including water authorities); and (iii) the dollar amounts, wiring instructions, and the remittance date for each of the two portions of the Authority’s Annual New Untreated Water Facilities Payment. Each of the two remittance dates will be no more than twenty (20) business days prior to the date of the applicable actual debt service payment due from Houston in each Fiscal Year. For any Fiscal Year in which the Annual Outstanding Debt Service for the New Untreated Water Facilities is zero, said letter shall state that no payment is due from the Authority for such Fiscal Year. The Authority shall wire its Annual New Untreated Water Facilities Payment directly to Houston pursuant to the wiring instructions included in said letter on or before said remittance dates.

Houston shall maintain each Annual New Untreated Water Facilities Payment in an interest-bearing account, which interest (and any interest accrued on such interest) shall be credited by Houston against the Authority’s next Annual New Untreated Water Facilities Payment. Each aforementioned letter issued by Houston shall identify the amount of such interest credited to the Authority.

The Authority shall owe Houston the Annual New Untreated Water Facilities Payment each year during the life of the bonds, notes or other obligations issued by Houston to finance the New Untreated Water Facilities or until the Contract is no longer in effect, whichever occurs first. To assist the Authority in its financial planning, Houston shall, prior to the last day of each Fiscal Year, send a written statement to the Authority of Houston’s reasonable estimate of: (i) the Annual Outstanding Debt

Service for New Untreated Water Facilities for each of the following three (3) Fiscal Years; and (ii) the amount of untreated surface water that Houston estimates will be included in factor "E" in Sections 10A, 10B, or 10C for each of the following three (3) Fiscal Years. Houston shall use the Annual New Untreated Water Facilities Payments, and interest accrued thereon in the interest-bearing account described in the preceding paragraph, only for the purpose of paying Annual Outstanding Debt Service on the bonds, notes or other obligations issued for the New Untreated Water Facilities.

Houston will ensure that: (i) at no time will the amount held in any reserve fund associated with bonds, notes or other obligations issued by Houston for the costs of New Untreated Water Facilities exceed the amount authorized for a "bona fide debt service fund" for tax-exempt obligations; and (ii) to the extent not required to pay rebate amounts to the United States, surplus or other remaining amounts in any such reserve funds will be applied upon the final maturities of principal of and interest on the bonds, notes or other obligations to pay principal of and interest then due, so that on final maturity of the bonds, notes or other obligations no balances will remain in any reserve fund."

Section 11. Bonds, Notes and Other Obligations Issued for the Project. Houston shall cause the Annual Outstanding Debt Service for the Project and the bonds, notes, or other obligations issued by CWA or Houston for the Project to be structured in a manner consistent with the criteria set forth in Exhibit "A" attached hereto. Houston may from time to time refinance, or cause the refinancing of, the outstanding debt service or outstanding debt for the Project; provided, however, Houston shall not refinance or modify (or allow any refinancings or modifications) of the outstanding debt service or outstanding debt for the Project that would increase any payments due from the Authority or extend any time-period(s) during which the Authority owes payments to Houston. Starting in 2008, Houston will annually provide to the Authority a copy of Houston's Comprehensive Annual Financial Report ("CAFR") and a report showing Houston's outstanding debt and outstanding debt service for all Untreated Water Facilities.

Section 12. Terms of Contract. This First Supplement shall control over the Contract with respect to the matters addressed in this First Supplement, included, without limitation: (i) the Project and all payments from the Authority related to same, and (ii) the 2008 UWF Reservation, the Authority's New UWFDA, and all payments related to both of same. Except to the extent inconsistent with this First Supplement, all terms of the Contract remain in full force and effect. Capitalized terms used in this First Supplement that are not defined in this First Supplement shall have the same meanings given such terms in the Contract. This First Supplement shall be for the sole and exclusive benefit of the parties hereto and shall not be construed to confer any rights upon any third party. The parties agree that this First Supplement shall not be

construed in favor of or against either party on the basis that the party did or did not author this First Supplement.

Section 13. Use of Water. While it is understood that Houston may use, dispose of, sell and/or transfer any water (other than the Authority's Untreated Water Facilities Demand Allocation) from the Project, Houston agrees that such use, disposition, sale or transfer shall not harm the Authority or impinge upon the Authority's rights under the Contract or this First Supplement. Although CWA is the Project Manager and may issue bonds, notes, or other obligations for the Project, Houston shall at all times be obligated to provide the Authority with the Authority's Water Demand Allocation (including its Untreated Water Facilities Demand Allocation) pursuant to the Contract and this First Supplement.

Section 14. Existing Payments. With respect to the Authority's Water Demand Allocation as it existed prior to the Effective Date, nothing in this First Supplement shall be construed to relieve the Authority of its obligation to pay the City payments, if any, that are otherwise due to the City: (i) for Existing Untreated Water Facilities pursuant to Section 3.02(a) and 3.02(b) of the Contract; (ii) for Treated Water Facilities pursuant 3.03 of the Contract; or (iii) for O&M Expenses pursuant to Article IV of the Contract.

Section 15. Term. Article V of the Contract is deleted and replaced with the following: "The Contract (being effective as of the date provided in the Contract) and the First Supplement (being effective as of the Effective Date) shall expire at noon on January 1, 2080. At such time as the Contract and the First Supplement are no longer in force and effect, if requested in writing by the Authority, Houston agrees to continue to provide water services to the Authority upon the payment of reasonable rates and charges therefor which take into account the capital payments paid by the Authority to Houston pursuant to the Contract (and any supplements, including the First Supplement, or amendments thereto) and the Authority's equitable interest described below. Upon the date that the Contract and the First Supplement are no longer in force and effect, the Authority will own the right to use the capacity of the Untreated Water Facilities and Treated Water Facilities proportionate to the amount of its Water Demand Allocation as it existed immediately prior to such date. The immediately preceding two (2) sentences shall survive the expiration or termination of the Contract and the First Supplement."

Section 16. O&M Expenses. The Contract currently provides that the Authority will pay the estimated O&M Expenses monthly by paying 1/12 of the Annual O&M Budget. The parties, however, seek to hereby amend the Contract to instead provide that the Authority will pay the estimated O&M Expenses on a per 1,000 gallons consumption basis. The parties also seek to hereby amend the Contract to delete the requirement that an O&M Reserve be maintained.

The first sentence of Section 4.03 of the Contract is deleted and replaced with the following: "Ninety (90) days prior to the commencement of delivery of Water under this Contract, and ninety (90) days prior to the beginning of each Fiscal Year thereafter, Houston shall provide the Authority for its review and comment the proposed Annual O&M Budget showing (i) an estimate of costs and expenses to be included in items "C" and "D" of the formula shown in Section 4.02 of the Contract for the coming Fiscal Year; (ii) a calculation of the estimated O&M Expenses for the coming Fiscal Year, and (iii) the Estimated O&M Rate for the coming Fiscal Year."

The first paragraph of Section 4.04 of the Contract is deleted and replaced with the following: "During Each Fiscal Year, Houston will invoice the Authority monthly for the Authority's share of estimated O&M Expenses, and the charge on such invoice shall be calculated by multiplying (A) the Estimated O&M Rate times (B) the amount of Water taken by the Authority during the prior month, as determined by Houston's reading of the measuring equipment at the Point(s) of Measurement. The Authority shall pay such invoices within 35 days after receipt. Any late payment shall bear interest at the rate applicable under Chapter 2251, Texas Government Code."

In addition to the requirements of Section 4.06 of the Contract, the Annual Audit shall include: (i) the difference between the Estimated O&M Rate and the Actual O&M Rate; (ii) the amount of overpayment or underpayment of O&M Expenses by the Authority; and (iii) the amount of interest due pursuant to this paragraph. The fourth sentence of Section 4.06 is deleted and replaced with the following: "During the next Fiscal Year, Houston and the Authority agree to "true-up" the payments made for O&M Expenses during the prior Fiscal Year such that if the Authority has underpaid it will make timely payment of all O&M Expenses owed, plus interest described below, in the next monthly billing following the Authority's receipt of the final audit; and Houston agrees to give credit to the Authority if it has overpaid O&M Expenses for the prior Fiscal Year, such credit, plus the interest described below, shall be given on the next monthly billing(s) following Houston's receipt of the final audit. The amount of any underpayments or overpayments of O&M Expenses by the Authority shall accrue simple interest at the Texpool Rate, on a monthly basis, from the date payment was due until the date the true-up is completed pursuant to the preceding sentence. Prior to completion of the audit, Houston will provide the Authority at least 40 days to review and comment on the draft audit."

On or before January 15<sup>th</sup> each year, the Authority shall provide Houston with its Anticipated Demand in order for Houston to be able to prepare the Annual O&M Budget as required under the Contract.

The requirement in the Contract requiring that an O&M Reserve be maintained is hereby deleted. Accordingly, the second paragraph of Section 4.04 of the Contract is hereby deleted.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this First Supplement in multiple copies, each of which shall be deemed to be an original, effective on the date of countersignature indicated below.

CITY OF HOUSTON, TEXAS

By: Bill White  
Mayor

Arayda Altobelli

Executed for and on behalf of City pursuant to authority granted by the City Council Ordinance No. 2009-52 passed JANUARY, 28, 2009, a copy of which is attached hereto for reference.

ATTEST/SEAL  
Barbara Fox  
ACTING ASSISTANT CITY SECRETARY

APPROVED:

87 Ornulis M. Torres  
Director, Department of Public Works and Engineering

APPROVED AS TO FORM:

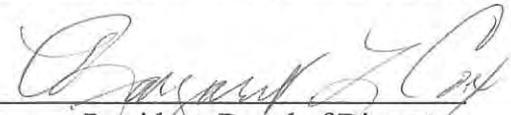
[Signature]  
Sr. Assistant City Attorney  
L.D. File No. 80-99041-01

COUNTERSIGNED BY:

[Signature]  
City Controller Lena Polk

DATE COUNTERSIGNED: 1-30-09

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

By:   
President, Board of Directors

ATTEST / SEAL



By:   
Secretary, Board of Directors

## Exhibit "A"

The Annual Outstanding Debt Service for the Project and the bonds, notes, or other obligations issued by CWA or Houston for the Project will adhere to the following:

1. The bonds, notes, or other obligations will have a final stated maturity no earlier than 20 years, and no later than 30 years, after their date of issuance (though serial maturities and sinking fund redemption may be earlier).
2. During the period where debt service is due, the maximum annual debt service payment on any issuance of bonds, notes, or other obligations shall not exceed the average annual debt service payment on that issuance by more than 25%.
3. The bonds, notes, or other obligations shall be optionally callable, without a premium, no later than 15 years after the date of issuance.
4. Any debt service reserve fund for the bonds, notes, or other obligations shall be: (i) funded with proceeds of the bonds, notes, or other obligations; and/or (ii) satisfied with a surety policy acquired from a financial institution with a long term credit rating in the highest generic rating category from at least two nationally recognized rating services.
5. All costs of issuance, including, without limitation, underwriters' discount, bond insurance premium, surety bond policy, rating agency fees, bond counsel and financial advisory fees shall be funded with proceeds of the bonds, notes, or other obligations.
6. None of the issues of bonds, notes, or other obligations shall be sold for less than 95% of par and the net effective interest rate on same, taking into account any discount or premium as well as the interest rate borne on same, will not exceed two percent (2%) above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one month period next preceding the date of sale of same.

Notwithstanding the provisions hereof, any of the above-provisions of this Exhibit shall be considered modified if a written modification is approved by the Utility Official and 3 out of the 4 boards of directors of the following water authorities: (i) West Harris County Regional Water Authority, (ii) North Harris County Regional Water Authority, (iii) North Fort Bend Water Authority, (iv) Central Harris County Regional Water Authority. The Authority recognizes that if Houston is unable to obtain financing pursuant to the above-provisions of this Exhibit, or if Houston believes that a lower cost alternative to the above-provisions may be reasonably available, Houston will request that the Authority consider modification of one or more of the above-provisions pursuant to the procedure of the preceding sentence.



**CENTRAL HARRIS COUNTY REG. WATER AUTHORITY**

Water Demand Projects as of January 2013

<b>Year</b>	<b>Total Water (MGD)</b>	<b>Surface Water (MGD)</b>	<b>Peak (MGD)</b>	<b>Population Served</b>
2010	5.28	1.58	1.8	28,341
2011	5.43	1.63	1.84	
2012	5.58	1.67	1.89	
2013	5.73	1.72	1.93	
2014	5.88	1.77	1.97	
2015	6.03	1.81	2.01	32,400
2016	6.18	1.86	2.06	
2017	6.33	1.90	2.10	
2018	6.48	1.95	2.14	
2019	6.63	2.00	2.19	
2020	6.78	2.04	2.23	36,400
2021	6.93	2.09	2.27	
2022	7.08	2.14	2.31	
2023	7.23	2.18	2.36	
2024	7.42	2.23	2.4	
2025	7.45	2.47	2.64	40,000
2026	7.47	2.70	2.88	
2027	7.50	2.94	3.12	
2028	7.52	3.18	3.36	
2029	7.55	3.42	3.60	
2030	7.58	3.65	3.84	40,700
2031	7.60	3.89	4.08	
2032	7.63	4.13	4.32	
2033	7.65	4.36	4.56	
2034	7.68	4.6	4.8	
2035	7.88	6.3	6.9	42,300
<b>maximum build out reached</b>				

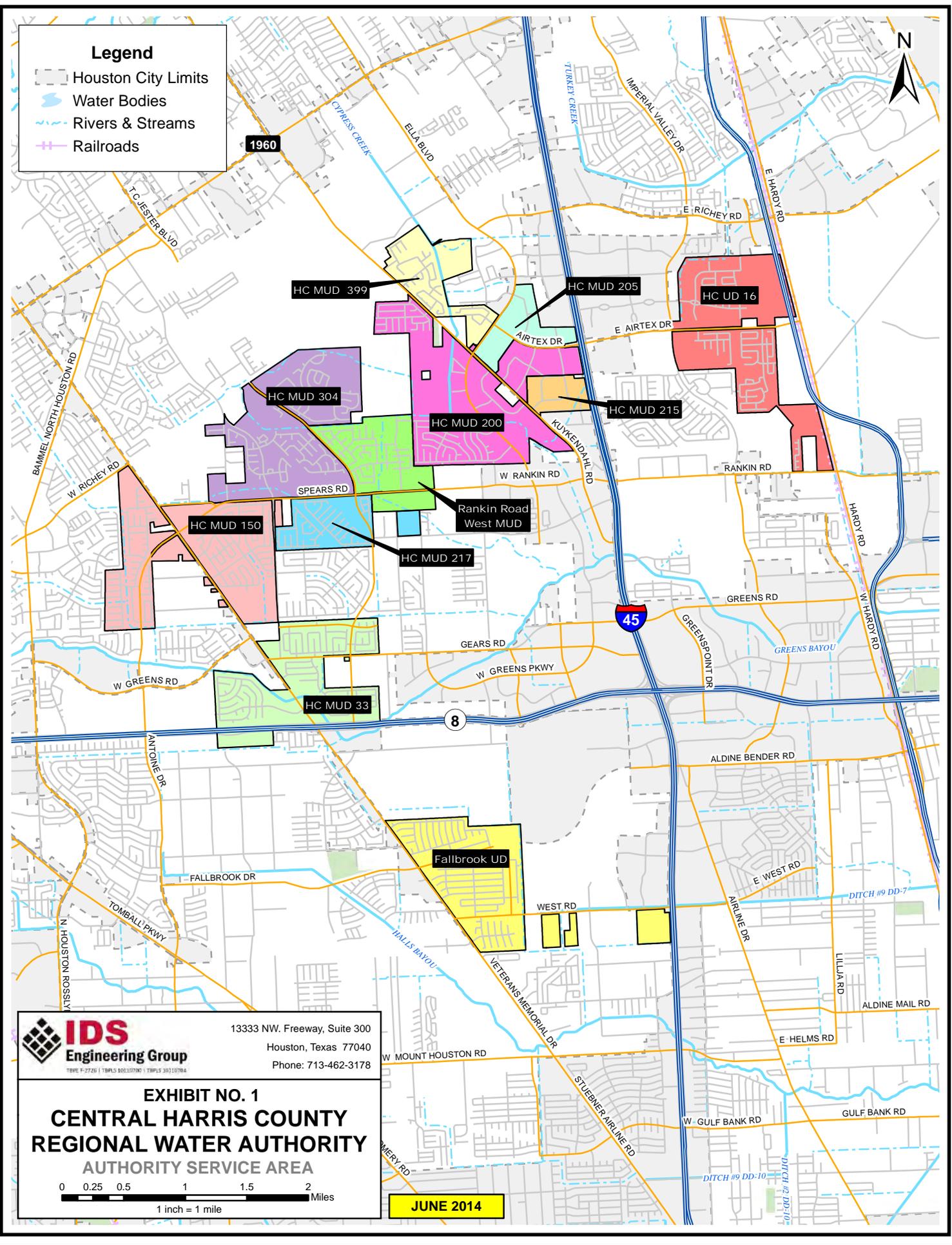
\\Nt03\jobs\1000\102900000 CHCRWA\102900500 CHCRWA SW Conversion\Conversion Alternatives\[Copy of Demand projections as of 01.01.13\_revMK.xlsx]Sheet1

PROJECT BUDGET - Northeast Water Purification Plant						
<p>Note: The NEWPP Plant expansion project is being managed by the City of Houston. As such, the Central Harris County Regional Water Authority does not have an itemized cost estimate, only total estimated costs. The Authority estimates that Project costs are 85% of the total cost, and that the cost of issuance, capitalized interest and debt service fund requirements are the remaining 15% of the total cost.</p>						
Uses	TWDB Funds Series 1 (2015)	TWDB Funds Series 2 (2017)	TWDB Funds Series 3 (2020)	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>						
Construction	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Construction</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Basic Engineering Fees</b>						
Planning +	\$0	\$0	\$0	\$0	\$0	\$0
Design	\$0	\$0	\$0	\$0	\$0	\$0
Construction Engineering	\$0	\$0	\$0	\$0	\$0	\$0
<b>Basic Engineering Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Basic Engineering Fees</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Special Services</b>						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Special Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other</b>						
Administration	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements	\$0	\$0	\$0	\$0	\$0	\$0
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL PROJECT COST</b>	<b>\$4,683,500</b>	<b>\$13,770,000</b>	<b>\$803,250</b>	<b>\$19,256,750</b>	<b>\$0</b>	<b>\$19,256,750</b>
<b>Fiscal Services</b>						
Financial Advisor	\$0	\$0	\$0	\$0	\$0	\$0
Bond Counsel	\$0	\$0	\$0	\$0	\$0	\$0
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Fiscal Services*</b>	<b>\$826,500</b>	<b>\$2,430,000</b>	<b>\$141,750</b>	<b>\$3,398,250</b>	<b>\$0</b>	<b>\$3,398,250</b>
<b>Contingency</b>						
Contingency	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Contingency</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL COSTS*</b>	<b>\$5,510,000</b>	<b>\$16,200,000</b>	<b>\$945,000</b>	<b>\$22,655,000</b>	<b>\$0</b>	<b>\$22,655,000</b>
<b>Other ** description must be entered</b>						

Texas Water Development Board Water Project Information							
A. Project Name		B. Project No.		C. County		D. Regional Planning Group (A-P)	
E. Program(s)		F. Loan <input type="checkbox"/> / Grant <input type="checkbox"/> Amount:		G. Loan Term:			
H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc) The project consists of a 320 MGD expansion of the NEWPP. The water treatment expansion will accommodate the City of Houston and four regional water authorities (the CHCRWA, the NHCRA, the WHCRWA and the NFBWA). The CHCRWA allotment is 7 MGD out of the 320 MGD expansion.							
<b>Attach map of service area affected by Project or other documentation.</b>							
I. Is an Inter Basin Transfer potentially involved? Yes <input type="checkbox"/> No <input type="checkbox"/>				J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> No <input type="checkbox"/>			
K. Projected Population from application for at least a 20 year period. Attach justification and list service area populations if different from Planning Area.	Year	Reference Year	2010	2020	2030	2040	
	Population Projection						
Project Design Year			Design Population				
L. Is the proposed project included in a current Regional Water Plan? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: _____)							
M. What type of water source is associated directly with the proposed project? Surface Water <input type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? _____ Acre-Feet/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location		Source County		Annual Volume and Unit	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location:		Source County		Annual Volume and Unit	
R. Consulting Engineer Name			Telephone No.		E-mail address		
S. Applicant Contact Name, Title			Telephone No.		E-mail address		

**Legend**

- Houston City Limits
- Water Bodies
- Rivers & Streams
- Railroads



**IDS Engineering Group**  
 13333 NW. Freeway, Suite 300  
 Houston, Texas 77040  
 Phone: 713-462-3178

**EXHIBIT NO. 1**  
**CENTRAL HARRIS COUNTY**  
**REGIONAL WATER AUTHORITY**  
**AUTHORITY SERVICE AREA**

0 0.25 0.5 1 1.5 2 Miles  
 1 inch = 1 mile

**JUNE 2014**

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY - TWDB SWIFT BONDS BY YEAR**

The Table Below Indicates the Multi-Year Funding Requests that the CHCRWA will be making to the TWDB  
The CHCRWA will be Requesting Closings as early as possible (given the TWDB's Schedule) in each Year Noted Below  
The CHCRWA Understands that the 2015 Closing will be in November or December 2015

	2015	2016	2017	2018	2019	2020	Total All Bonds
Northeast Plant Expansion	\$5,510,000		\$16,200,000			\$945,000	\$22,655,000
Phase I 2D Source Line	\$3,625,000			\$1,685,000	\$1,535,000	\$2,615,000	\$9,460,000
Phase II 2D Source Line	\$1,670,000	\$2,395,000	\$5,450,000				\$9,515,000
CHCRWA Internal Lines		\$3,770,000 (a)		\$3,375,000	\$4,815,000		\$11,960,000
<b>Total Bonds</b>	\$10,805,000	\$6,165,000	\$21,650,000	\$5,060,000	\$6,350,000	\$3,560,000	\$53,590,000

(a) Bonds for this project are in the process of being incorporated into the Region H Plan and the Statewide Water Plan

RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

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RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

\* \* \*

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Act".

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State to issue

its negotiable revenue bonds, as herein provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and security for repayment set forth and provided in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth and contained in this Resolution; and
- (d) the issuance by the Authority of its revenue bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part.

(End of Article One)

ARTICLE TWODEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein or in any exhibit hereto, shall apply with equal force herein and in any amendment or supplement hereto, and the scope and meaning of terms used in Exhibits "A" and "B" hereto, whether or not defined therein, shall be determined by reference to this Article:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, public body or public agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended,

provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$22,050,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2008, initially dated as of July 1, 2008, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as may be amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund created and established pursuant to Section 7.01(b) hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund created and established pursuant to Section 7.01(c) hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB upon payment of the purchase price therefor, as printed, stamped or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the Water Infrastructure Fund administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and Wells Fargo Bank, N.A., Austin, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund referred to in Section 7.01(a) hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees, and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contribution from any federal, state or local governmental agency or authority or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement as a capital expenditures of or for the System, (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority, or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.03 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority, the Registrar and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District.

The term "Member District" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Agreement For Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, conveyance, treatment or supply of water which are entered into by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to the City of Houston Contract and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other administrative expenses of the Authority.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.06 of this Resolution.

Person.

The term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance and/or condemnation proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Principal Payment Date.

The term "Principal Payment Date" shall mean the date upon which the principal of any then outstanding Bond shall become due and payable, in whole or in part, whether at the Maturity Date or any earlier Redemption Date.

Project.

The term "Project" shall mean the works, facilities, improvements and additions to the System, initially consisting of (a) the purchase of certain rights to capacity in treated surface water production and transmission facilities constructed by (i) the City of Houston, Texas under the City of Houston Contract, and (ii) the North Harris County Regional Water Authority under the North Authority Contract; and (b) the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; and all other costs and expenses directly relating to the foregoing, together with an amount for contingencies of not more than fifteen percent (15%) of the foregoing. In addition, the term "Project Costs" shall include any payments made or to be made for capital improvements of or for the System under the City of Houston Contract, the North Authority Contract, or any similar water supply contract.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District), or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.05 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds and any Additional Bonds remaining outstanding at the time of such computation.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on a source of funds other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund created and established pursuant to Section 7.01(e) hereof.

System.

The term "System" shall mean all works, plants, properties, facilities, improvements, equipment, interests, appliances, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights to certain capital improvements under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the Water Infrastructure Fund Financial Assistance Program and, where appropriate, means the Executive Administrator, Fund Manager, or

other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Order is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREEAUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2008", shall be issued in the aggregate principal amount of \$22,050,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act..

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, shall be initially dated as of July 1, 2008, and shall include thereon the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond. Each Bond registered and delivered by the Registrar upon transfer or in replacement of, or in exchange for, any one or more Initial Bonds shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. Bonds in the aggregate principal amount of \$22,050,000 shall be issued as serial bonds, shall bear interest from the later of the Delivery Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior optional redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
935,000	2010	0.623%
940,000	2011	0.933%
950,000	2012	1.153%
960,000	2013	1.303%
975,000	2014	1.433%
985,000	2015	1.583%
1,000,000	2016	1.733%
1,020,000	2017	1.883%
1,040,000	2018	2.013%
1,060,000	2019	2.133%
1,085,000	2020	2.367%
1,110,000	2021	2.489%
1,135,000	2022	2.573%
1,165,000	2023	2.649%
1,195,000	2024	2.710%
1,230,000	2025	2.759%
1,260,000	2026	2.797%
1,295,000	2027	2.832%
1,335,000	2028	2.877%
1,375,000	2029	2.922%

SECTION 3.04: INTEREST PAYMENT DATES. Interest on the Bonds shall be payable on February 1, 2009, and semi-annually thereafter on February 1 and August 1 of each year until payment of the principal thereof has been made or duly provided for. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date, the Paying Agent shall compute the amount of interest to be due and payable on such Interest Payment Date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such Interest Payment Date.

The interest so payable on any Interest Payment Date will be paid to the person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.05: MEDIUM AND PLACE OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or

collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates or Principal Payment Dates, is legal tender for the payment of debts due the United States of America. The principal of the Bonds shall be payable only upon their presentation and surrender, as they become due at their respective Maturity Dates or Redemption Dates, at the principal trust office of the Paying Agent. Principal and interest payments on, and mandatory redemption payments, if any, in respect of, each Bond (a) may be payable, at the option and expense of the Authority, by check or draft mailed by the Paying Agent to the Holder at the address shown on the Register or by wire transfer to such Holder, or (b) may be payable by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of such Holder. If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, or disposed of by the Authority, such Bonds, nevertheless, may be authenticated and delivered or disposed of as though the Person who signed such Bonds had not ceased to be such officer of the Authority; and, any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not effect the validity or enforceability of such Bond, if same has been duly authenticated by the Registrar or registered by the Comptroller of Public Accounts of the State of Texas, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each year of maturity specified in Section 3.03 hereof, representing the entire principal amount scheduled to mature in each of such years of maturity, and shall be made payable to Cede & Co., as nominee of DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's

Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar for safekeeping and thereafter be (a) dated by the Registrar as of the Delivery Date, and (b) registered on the Register in the name of Cede & Co., as nominee of DTC, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB at the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bonds to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bonds are to be transferred and the principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of registration substantially in the form required by Section 5.03 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond either the aforementioned certificate of registration or a Certificate of Registrar substantially in the form provided in Section 5.02 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Either such certificate of registration upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been so certified or registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes,

whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effectual and shall discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer, exchange and replacement of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name(s) of the transferee(s) one or more exchange Bonds in a like aggregate principal amount(s), and having the same maturity date and bearing interest at the same rate(s), and shall deliver or mail same to the transferee(s) by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, being in any authorized denomination, and being in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each Bond transferred or exchanged and duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such transferred or exchanged Bond is delivered. No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption of Bonds prior to maturity, nor shall the Registrar be required to transfer or exchange any Bond selected for redemption in whole or in part when such Redemption Date is scheduled to occur within thirty (30) calendar days.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall authenticate and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate and deliver, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost

or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Authority and the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. Notwithstanding any provisions contained in this Resolution relating to the payment, transfer, exchange or replacement of the Bonds, the Authority hereby approves and authorizes the use of the "Book-Entry Only" securities clearance, settlement and transfer system provided by DTC. The Initial Bonds and all subsequent Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, except as provided in Section 3.12 hereof.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in

this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Order. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Order with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and the premium, if any, and interest on such Bond, and all notices with respect to such Bond, shall be made and given, respectively, in the manner provided in the Letter of Representation. The execution and delivery of said Letter of Representation is hereby approved along with any other instrument deemed necessary and convenient to carry out the purposes set forth in this Section 3.11, and the President and Secretary of the Board of Directors of the Authority are hereby authorized and directed to execute and deliver same on behalf of the Authority.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, upon receipt of proper proof of the beneficial ownerships of the DTC Participants, and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or

exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Section 3.09 or Section 3.10 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOURREDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: MANDATORY REDEMPTION OF BONDS. To the extent of any excess funds remaining on deposit in the Construction Fund and the Escrow Fund following completion of the Project, as provided in Section 7.08 of this Resolution and in the Escrow Agreement, and unless the use of such excess funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB, the Bonds shall be subject to mandatory redemption by the Authority, at a price equal to the principal amount thereof, plus accrued interest on the Bonds called for redemption to the Redemption Date, in inverse order of their scheduled maturities, on any date within sixty (60) days following the filing with and the approval by the TWDB of such final accounting, to the maximum extent possible out of such excess funds, rounded to the next lowest integral multiple of \$5,000. The Authority shall, at least forty-five (45) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of the Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not

previously been called for redemption, by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.03: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.04: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions, the respective principal amounts of the Bonds to be redeemed, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.05: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for

redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds or portions thereof so called for redemption shall be terminated.

(End of Article Four)

ARTICLE FIVEFORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Order, including the registration certificate of the Comptroller of Public Accounts of the State of Texas or Registrar, as applicable, and form of assignment shall be in substantially the forms specified in Exhibits "A" and "B" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Order.

SECTION 5.02: CERTIFICATE OF REGISTRAR. The form of Certificate of Registrar specified in Exhibit "B" attached hereto shall be printed on each of the Bonds authenticated, registered and delivered subsequent to the Initial Bonds.

SECTION 5.03: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. In lieu of the Certificate of Registrar specified in Section 5.02 hereof, the registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in Exhibit "A" attached hereto.

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in Exhibits "A" and "B" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be printed on the Bonds over the certification of the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Order, an original of said opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIXSECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of any Additional Bonds hereafter issued in conformity with the provisions of this Resolution. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds and any Additional Bonds have been paid in full, as to both principal and interest at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (i) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project, (ii) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, (iii) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, and (iv) fulfill the terms, agreements and covenants made with the Holders of the Bonds and any Additional Bonds issued in conformity with this Resolution and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly

amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties in similar locations under similar circumstances with a responsible insurance company or companies against risks, accidents or casualties against and in an amount which is customarily carried by such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least in an amount sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the improvements to be made to the Project, the Authority covenants that it will apply any proceeds of such insurance policies covering such loss or damage to

the reconstruction or repair of the such improvements, and any excess insurance proceeds remaining after the completion of such improvements shall promptly be deposited into the Debt Service Fund.

To the extent that the Project or any portion thereof shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for the portion of the improvements so taken shall, upon receipt by the Authority, be promptly deposited to the credit of the Debt Service Fund, less any amount determined by the Authority to represent the pro rata share of damages attributable to any portion of such improvements that were acquired or otherwise assumed by the Authority from a conservation and reclamation district or other public or private water system.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVENREVENUES AND APPLICATION THEREOF

SECTION 7.01: CREATION OF FUNDS. The creation, establishment and continuation of the following funds are hereby approved and adopted:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided in the Resolution. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all

times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, after making the deposit required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount. If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds or any Additional Bonds to mature or be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove, and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund and any earnings thereon constitute Pledged Revenues or be, or remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.02 and Section 8.03 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that copies of as-built plans for same, along with a final accounting of the Eligible Project Costs shall be provided to the TWDB. If the Project shall

be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, unless an authorized representative of the TWDB shall have approved in writing the use of any remaining funds for other Project purposes or similar purposes, the Authority shall, immediately upon filing with and approval by the TWDB of such final accounting, call for the redemption, prior to their scheduled maturities, of such portions of the Bonds, in inverse order of their scheduled maturities, to the next lowest multiple of \$5,000, as may be redeemed with such excess and unused proceeds on deposit in the Construction Fund and in the Escrow Fund. In determining the amount of available funds in the Construction Fund for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and in the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHTAPPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: BOND PROCEEDS. The proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO DEBT SERVICE FUND. Proceeds from the sale and delivery of the Bonds representing capitalized interest in the amount of \$475,286 shall be deposited into the Debt Service Fund.

SECTION 8.03: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$637,250, representing the estimated costs of issuance of the Bonds, shall be deposited into the Construction Fund. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds and call for the redemption of Bonds as provided in Section 4.02 hereof, unless the use of such funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB.

SECTION 8.04: DEPOSITS TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.05: TAX COVENANTS. The Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of the proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to insure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

(a) The Authority has not used and will not use, nor permit to be used, more than ten percent (10%) of the net proceeds of the Bonds in the trade or business of any person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds"). For purposes of this Section 8.05, the term "net proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "person" includes any

individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, means any activity other than an activity carried on by a governmental unit;

(b) The Authority has not used and will not use, nor permit to be used, more than five percent (5%) of the net proceeds of the Bonds in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds, and the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the net proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

(c) Principal and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;

(d) The Authority has not used and will not use or permit to be used an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the net proceeds of the Bonds to finance, directly or indirectly, loans to persons other than governmental units;

(e) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the Authority reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond" within the meaning of Section 148 of the Code;

(f) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the repayment of the Bonds and will restrict the yield on such investments to the extent required by the Code or the Regulations; without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on all proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion) to a yield which is not materially higher than the yield on the Bonds (in both cases calculated in accordance with the Code and Regulations);

(g) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code); and

(h) To the extent, if applicable, required by the Code and Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate, at least annually, but not less often than required by the applicable Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other date as permitted by the applicable Regulations, all amounts required to be rebated to the federal government; and the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a "prohibited payment" within the meaning of Temp. Treas. Reg. §1.103-15AT.

(i) The Authority will timely comply with the information reporting requirements of Section 149(e) of the Code.

All officers, employees and agents of the Authority are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Authority as of the date the Bonds are delivered. In complying with the foregoing covenants, the Authority may rely from time to time upon an opinion of bond counsel to the effect that any action by the Authority or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 8.06: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.

The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2008, as a result of the Bonds, will exceed \$10,000,000.

SECTION 8.07: ALLOCATION OF, AND LIMITATION ON, EXPENDITURES. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. For purposes of determining compliance with this covenant the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 8.08: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINEAMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (i) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or
- (ii) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, no such change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority expressly reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority

has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. The Authority further reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority further reserves the right to issue its bonds or other obligations for refunding purposes in any manner permitted by law.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority further reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TENBONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect capacity charges, and to the due, proper and timely application of the Pledged Revenues to the intended purposes, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVENCONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "NRMSIR" means each person whom the SEC or its staff has determined from time to time to be a nationally recognized municipal securities information repository, within the meaning of the Rule.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12, as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "SID" means any person designated by the State of Texas, or an authorized department, officer or agency thereof as, and determined by the SEC or its staff from time to time to be, a state information depository, within the meaning of the Rule.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to each NRMSIR and any SID, within six (6) months after the end of each Fiscal Year ending in or after 2008, financial information and operating data with respect to the Authority of the general type included in the Authority's final application to the TWDB for financial assistance in connection with the Bonds. Any financial statements to be so provided shall be (i) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality (or any successor agency), or such other accounting principles as the Authority may be required to employ from time to time thereafter pursuant to applicable law or regulation, and (ii) audited, if the Authority commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide

such audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02 may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that has theretofore been provided to each NRMSIR and any SID or filed with the SEC. The Authority shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify any SID and either each NRMSIR or MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the applicable provisions of the federal securities laws:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds;
- (h) Calls for redemption of the Bonds;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds; or

(k) Rating changes.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS.

(a) The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon any other person. The Authority undertakes to provide only the financial information, operating data financial statements and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, conditions or prospects of the Authority, nor does the Authority undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or to sell Bonds at any future date.

(c) Under no circumstances shall the Authority be liable to the Holder of any Bond or any other person, in contract or in tort, for damages resulting, in whole or in part, from any breach by the Authority, whether negligent or without fault on its part, of any covenant specified in this Article, but every right and remedy of any such person, in contract or in tort, for or on account of any such breach, shall be limited to an action for mandamus or specific performance.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its

discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment, or (B) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or if any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but, in either case, only if and to the extent that any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(End of Article Eleven)

ARTICLE TWELVEMISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS. The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH REGULATORY REQUIREMENTS. The Authority covenants and agrees, so long as all or any part of the Bonds are outstanding, that it will (i) develop, implement and maintain a water conservation program relative to the System which is consistent with and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB and (iii) comply with and abide by all other applicable rules, regulations, laws and requirements of the TWDB relative to the Project.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.05: REGISTRAR. The initial Registrar in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The President and the Secretary of the Board of Directors of the Authority are hereby authorized and directed, on behalf of the Authority, to approve, execute and deliver an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain at least one (1) Registrar in the State of Texas, where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly

designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.06: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The Authority will maintain in the City of Houston, Texas, at least one (1) Paying Agent who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is

not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligation to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, V.T.C.A. Government Code §1207.001 et seq., as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, firm or corporation, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged

Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Order and other documentation required in connection herewith and with the issuance of the Bonds.

(End of Article Twelve)

ARTICLE THIRTEENSALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEENOPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time on June 11, 2008, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was timely furnished to the County Clerk of Harris County, Texas, for posting on a bulletin board located at a place convenient to the public in the Harris County Courthouse for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended, and that this meeting has been open to the public, as required by law, at all times during which this Resolution and the subject matter hereof has been discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage.

PASSED AND ADOPTED this 11<sup>th</sup> day of June, 2008.

/s/ Margaret L. Cox  
 President, Board of Directors  
 Central Harris County Regional  
 Water Authority

ATTEST:

/s/ Judge Caston  
 Secretary, Board of Directors  
 Central Harris County Regional  
 Water Authority

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF INITIAL BOND)

REGISTERED NUMBER	UNITED STATES OF AMERICA	REGISTERED AMOUNT
IR-	STATE OF TEXAS	\$ _____
	COUNTY OF HARRIS	

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal of this Bond is due at maturity or upon

prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the

interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

OFFICE OF THE COMPTROLLER

REGISTER NO. \_\_\_\_\_

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of the Central Harris County Regional Water Authority and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,  
\_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_  
the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

By: \_\_\_\_\_  
(Authorized Representative)

EXHIBIT "B"

(FORM OF EXCHANGE BOND)

REGISTERED NUMBER R-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the

"Record Date"). Principal of this Bond is due at maturity or upon prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but

the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither

the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same

lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRAR has been manually executed by an authorized representative of Registrar, as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

## CERTIFICATE OF REGISTRAR

This is to certify that this bond is one of the Bonds issued under the provisions of the within-mentioned Bond Resolution, and it is hereby further certified that this bond has been authorized and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

\_\_\_\_\_, Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
 (Social Security or other identifying number): \_\_\_\_\_ the  
 within Bond and does hereby irrevocably constitute and appoint  
 \_\_\_\_\_ as attorney to transfer said  
 Bond on the books kept for registration thereof, with full power of  
 substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
 (Bank, Trust Company, or  
 Brokerage Firm)

By: \_\_\_\_\_  
 (Authorized Representative)

\_\_\_\_\_  
 Registered Owner

NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

[The legal opinion of Bond Counsel shall also be attached to the Exchange Bonds.]

## PRIVATE PLACEMENT MEMORANDUM DATED \_\_\_\_\_, 20\_\_

**NEW ISSUE BOOK-ENTRY-ONLY**

*On the date of initial delivery of the Bonds (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.*

\$ \_\_\_\_\_  
**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS,  
 SERIES 2015 [A][B][C] (the "Bonds")**

**Dated:** \_\_\_\_\_, 2015

**Due:** February 1, as set forth in Appendix A

- Interest Date:** Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2016 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."
- Record Date:** The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a business day.
- Date Interest Accrues:** Interest on the Bonds initially accrues from the Delivery Date (hereinafter defined), and thereafter, from the most recent Interest Payment Date. The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.
- Redemption:** The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.
- Authorized Denominations:** The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.
- Paying Agent/Registrar:** The initial paying agent and registrar for the Bonds is Amegy Bank, National Association ("Paying Agent/Registrar").
- Book-Entry-Only System** Upon initial issuance, the ownership of the Bonds will be registered on the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Houston, Texas as the same become due and payable.
- Issuer:** The Central Harris County Regional Water Authority (the "Authority"), a conservation and reclamation district, is a body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79<sup>th</sup> Texas Legislature, Regular Session 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Authority Act").
- Official Action:** The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas including, the Authority Act, and that certain RESOLUTION AUTHORIZING ISSUANCE OF \$ \_\_\_\_\_ CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2015 [A][B][C], passed and adopted by the Board of Directors of the Authority on \_\_\_\_\_, 20\_\_ (the "Bond Resolution").

Purpose: See "APPENDIX B – BOND RESOLUTION."  
Security for the Bonds: See "APPENDIX B – BOND RESOLUTION."  
Ratings: See "OTHER INFORMATION - Ratings"  
Delivery Date: \_\_\_\_\_, 2015 or the actual date of delivery of the Bonds to the initial purchaser thereof.

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**See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, and Initial CUSIP Numbers**

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**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY****Board of Directors**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Margaret L. Cox	President	May 2018
Julian F. Boddy	Vice President	May 2016
Judge Caston	Secretary	May 2016
Richard C. Meek	Assistant Secretary	May 2018
Tom Gower	Assistant Secretary	May 2018

**Amegy Bank, National Association, Paying Agent/Registrar****Consultants to the Authority**

The consultants listed below are relevant to the sale of the Bonds but are not exhaustive of all Authority consultants.

***Bond Counsel*** – Schwartz, Page & Harding, L.L.P., Houston, Texas, serves as Bond Counsel to the Authority, and also represents the Authority on certain other matters of a general legal nature. The fees for Bond Counsel for bond-related services are contingent on the issuance, sale and delivery of the Bonds.

***Disclosure Counsel*** – McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the Authority. The fees for Disclosure Counsel relative to the proposed issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

***Financial Advisor*** – The Authority has employed the firm of The GMS Group, L.L.C. (“Financial Advisor”) as financial advisor to the Authority. Payment to the Financial Advisor by the Authority is contingent upon the issuance, sale and delivery of the Bonds.

***Auditing*** – The firm BKD, LLP, Certified Public Accountants, prepared the annual audit for the Authority for the fiscal year ended December 31, 2014.

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**Private Placement Memorandum  
relating to**

\$ \_\_\_\_\_

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
*(A political subdivision of the State of Texas)*  
**REVENUE BONDS**  
**SERIES 2015[A][B][C]**

**INTRODUCTION**

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the above-captioned bonds (the “Bonds”) pursuant to the RESOLUTION AUTHORIZING ISSUANCE OF \$ \_\_\_\_\_ CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2015[A][B][C], passed and adopted by the Board of Directors of the Authority on \_\_\_\_\_, 20\_\_ (the “Bond Resolution”). Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Bond Resolution. See “APPENDIX B – “BOND RESOLUTION” attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Bond Resolution which contains a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

**THE BONDS**

**General Description**

The Bonds are being issued in the aggregate principal amount set forth in “APPENDIX A – MATURITY SCHEDULE” attached to this Private Placement Memorandum. The Bonds mature, and principal in respect of the Bonds is payable, on February 1 of each of the years and in the amounts shown in “APPENDIX A – MATURITY SCHEDULE” attached hereto. Interest on the Bonds will be payable on February 1 and August 1 each year, commencing February 1, 2016 (each an “Interest Payment Date”). The Bonds will have a stated dated date, however, interest on the Bonds initially accrues from the date of delivery of the Bonds to the initial purchaser thereof (the “Delivery Date”), and thereafter, from the most recent Interest Payment Date. The Bonds will bear interest at the rates per annum set forth in “APPENDIX A – MATURITY SCHEDULE” attached hereto. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

The Bonds are issued in fully registered form only in denominations of \$5,000, or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

**Purpose**

See “APPENDIX B – BOND RESOLUTION.”

**Authority for Issuance**

The Bonds are issued pursuant to the general laws and the Constitution of the State of Texas, the Authority Act, and the Bond Resolution.

## **Security for the Bonds**

The Bonds are secured by a pledge of and lien on the Pledged Revenues derived from the Net Revenues of the System, all as described in the Bond Resolution. See “APPENDIX B – BOND RESOLUTION.”

## **Redemption Provisions**

The Authority reserves the right, at its option, to redeem the Bonds maturing on or after February 1, 20\_\_, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on February 1, 20\_\_, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for the redemption (the “Redemption Date”).

Under certain circumstances described in the Bond Resolution, the Bonds may also be subject to mandatory redemption.

By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

See “APPENDIX B – BOND RESOLUTION.”

## **Notice of Redemption; Selection of Bonds to Be Redeemed**

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the Authority in accordance with the Bond Resolution. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” Notice of redemption shall be given by the Paying Agent/Registrar in the manner specified in the Bond Resolution. See “APPENDIX B – BOND RESOLUTION.”

## **Book-Entry-Only System**

*The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and deposited with DTC. See APPENDIX B - “BOND RESOLUTION.”

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust &

Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

## **TAX MATTERS**

### **Tax Exemption**

On the Delivery Date, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the Authority, including information and representations contained in the Authority’s federal tax certificate issued in connection with the Bonds, and (b) covenants of the Authority contained in the Bond Resolution relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the Authority to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Bond Counsel will deliver its opinion on the date of delivery of the Bonds substantially in the form as attached in “APPENDIX C – FORM OF OPINION OF BOND COUNSEL.”

### **Not Qualified Tax-Exempt Obligations**

The Authority has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

## **OTHER INFORMATION**

### **Forward Looking Statements**

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer’s expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer’s actual results could differ materially from those in such forward-looking statements.

**Ratings**

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Bonds for ratings or municipal bond insurance, respectively.

**LITIGATION**

With the delivery of the Bonds, the President or Vice President of the Board will, on behalf of the Authority, execute and deliver to the initial purchaser a certificate dated as of the Delivery Date, to the effect that, except as disclosed herein, no litigation of any nature of which the Authority has notice is pending against or, to the knowledge of the Authority's certifying officer, threatened against the Authority, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the Authority or the title of the then present officers and directors of the Board.

**CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to certain other information vendors. SEE APPENDIX B - "BOND RESOLUTION."

**Compliance with Prior Undertakings**

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

**MISCELLANEOUS**

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities as referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

**ADDITIONAL INFORMATION**

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Bond Resolution and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

**APPENDIX A**  
**MATURITY SCHEDULE**

**APPENDIX B**  
**BOND RESOLUTION**

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

378114

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015A**

Maturity Date	Maturity Amount (a)	Coupon (b)	Price	CUSIP No. (c)
02/01/2017	\$140,000		100%	
02/01/2018	\$140,000		100%	
02/01/2019	\$140,000		100%	
02/01/2020	\$145,000		100%	
02/01/2021	\$145,000		100%	
02/01/2022	\$145,000		100%	
02/01/2023	\$150,000		100%	
02/01/2024	\$155,000		100%	
02/01/2025	\$155,000		100%	
02/01/2026	\$160,000		100%	
02/01/2027	\$160,000		100%	
02/01/2028	\$165,000		100%	
02/01/2029	\$170,000		100%	
02/01/2030	\$175,000		100%	
02/01/2031	\$180,000		100%	
02/01/2032	\$185,000		100%	
02/01/2033	\$190,000		100%	
02/01/2034	\$195,000		100%	
02/01/2035	\$200,000		100%	
02/01/2036	\$210,000		100%	
02/01/2037	\$215,000		100%	
02/01/2038	\$220,000		100%	
02/01/2039	\$230,000		100%	
02/01/2040	\$235,000		100%	
02/01/2041	\$245,000		100%	
02/01/2042	\$250,000		100%	
02/01/2043	\$260,000		100%	
02/01/2044	\$270,000		100%	
02/01/2045	\$280,000		100%	
<b>Total</b>	<b>\$5,510,000</b>			

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015B**

Maturity Date	Maturity Amount	(a)	Coupon	(b)	Price	CUSIP No.	(c)
02/01/2017	\$90,000				100%		
02/01/2018	\$95,000				100%		
02/01/2019	\$95,000				100%		
02/01/2020	\$95,000				100%		
02/01/2021	\$95,000				100%		
02/01/2022	\$95,000				100%		
02/01/2023	\$100,000				100%		
02/01/2024	\$100,000				100%		
02/01/2025	\$105,000				100%		
02/01/2026	\$105,000				100%		
02/01/2027	\$105,000				100%		
02/01/2028	\$110,000				100%		
02/01/2029	\$110,000				100%		
02/01/2030	\$115,000				100%		
02/01/2031	\$120,000				100%		
02/01/2032	\$120,000				100%		
02/01/2033	\$125,000				100%		
02/01/2034	\$130,000				100%		
02/01/2035	\$135,000				100%		
02/01/2036	\$135,000				100%		
02/01/2037	\$140,000				100%		
02/01/2038	\$145,000				100%		
02/01/2039	\$150,000				100%		
02/01/2040	\$155,000				100%		
02/01/2041	\$160,000				100%		
02/01/2042	\$165,000				100%		
02/01/2043	\$170,000				100%		
02/01/2044	\$175,000				100%		
02/01/2045	\$185,000				100%		
<b>Total</b>	<b>\$3,625,000</b>						

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015C**

Maturity Date	Maturity Amount (a)	Coupon (b)	Price	CUSIP No. (c)
02/01/2017	\$40,000		100%	
02/01/2018	\$40,000		100%	
02/01/2019	\$45,000		100%	
02/01/2020	\$45,000		100%	
02/01/2021	\$45,000		100%	
02/01/2022	\$45,000		100%	
02/01/2023	\$45,000		100%	
02/01/2024	\$45,000		100%	
02/01/2025	\$45,000		100%	
02/01/2026	\$50,000		100%	
02/01/2027	\$50,000		100%	
02/01/2028	\$50,000		100%	
02/01/2029	\$50,000		100%	
02/01/2030	\$55,000		100%	
02/01/2031	\$55,000		100%	
02/01/2032	\$55,000		100%	
02/01/2033	\$60,000		100%	
02/01/2034	\$60,000		100%	
02/01/2035	\$60,000		100%	
02/01/2036	\$65,000		100%	
02/01/2037	\$65,000		100%	
02/01/2038	\$65,000		100%	
02/01/2039	\$70,000		100%	
02/01/2040	\$70,000		100%	
02/01/2041	\$75,000		100%	
02/01/2042	\$75,000		100%	
02/01/2043	\$80,000		100%	
02/01/2044	\$80,000		100%	
02/01/2045	\$85,000		100%	
<b>Total</b>	<b>\$1,670,000</b>			

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.

**APPLICATION FOR FINANCIAL ASSISTANCE  
FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS**

**NOTICE TO ALL APPLICANTS**

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application is intended for political subdivisions, including Water Supply Corporations.

Each applicant must submit **ONE** double-sided **ORIGINAL** and **ONE** indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat. The application must be submitted to:

Texas Water Development Board  
Water Supply and Infrastructure-Regional Water Planning and Development  
P O Box 13231  
1700 N. Congress Avenue, 5<sup>th</sup> Floor  
Austin, Texas 78711-3231  
(78701 for courier deliveries)

Only **COMPLETE APPLICATIONS** for projects will be considered for funding. A **COMPLETE APPLICATION** consists of all of the applicable information and forms requested in this document.

**IMPORTANT NOTICE**

Applicants **MUST** use this form for application to ensure all requested information is included for review.

When preparing this application please review the Application and all Guidance and Forms, listed at the end.

**TWDB Use Only**

Name of Applicant: \_\_\_\_\_

Date application received: \_\_\_\_\_

Date administratively complete: \_\_\_\_\_

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

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Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part A: General Information**

1. The legal authority under which the applicant was created and operates.
  - a)  TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
  - b)  TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
  - c)  TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
  - d)  HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
  - e)  SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
  - f)  NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
  - g)  NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
  - h)  ALL DISTRICTS (Texas Water Code Chapter 49)
  - i)  OTHER (Please see Attachment Part A1)

2. Applicant Name and Contact Information:

<b>Name:</b>	Central Harris County Regional Water Authority (CHCRWA)
<b>County:</b>	Harris
<b>Physical Address:</b>	1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056
<b>Mailing Address:</b>	1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Website:</b>	N/A

3. Brief description of the project:

The project consists of a 108" transmission pipeline jointly shared by the Central Harris County Regional Water Authority (CHCRWA), the City of Houston (COH) and the North Harris County Regional Water Authority (NHCRWA). The transmission pipeline is approximately 17 miles from the COH Northeast Water Purification Plant (NEWPP) and terminating just west of IH-45. This application is to request funding for the CHCRWA portion of this 108" transmission pipeline, described internally by the CHCRWA as the Second Source Line, Phase I.

4. Applicant's Officers and Members:

<u>Name</u>	<u>Office Held</u>
Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

5. Applicant's **primary contact person** for day-to-day project implementation.

<b>Name:</b>	Abraham I. Rubinsky
<b>Title:</b>	Attorney
<b>Address:</b>	1300 Post Oak Blvd. Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Email:</b>	arubinsky@sphllp.com

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

<b>Firm Name:</b>	IDS Engineering Group, Inc., formally known as Pate Engineers, Inc.
<b>Contact:</b>	Marcel Khouw
<b>Address:</b>	13333 Northwest Freeway, Suite 300, Houston, Texas 77040
<b>Phone:</b>	713.462.3178
<b>Fax:</b>	713.462.1631
<b>Email:</b>	mkhouw@idsengineeringgroup.com

b) Bond Counsel N/A

<b>Firm Name:</b>	Schwartz, Page & Harding, L.L.P.
<b>Contact:</b>	Abraham I. Rubinsky
<b>Address:</b>	1300 Post Oak Blvd. Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Email:</b>	arubinsky@sphllp.com

c) Financial Advisor N/A

<b>Firm Name:</b>	The GMS Group LLC
<b>Contact:</b>	John F. Howell
<b>Address:</b>	5075 Westheimer Rd. Suite 1175, Houston, Texas 77056
<b>Phone:</b>	713.626.3552
<b>Fax:</b>	713.626.3347
<b>Email:</b>	jhowell@gmsgroup.com

d) Certified Public Accountant (or other appropriate rep) N/A

<b>Firm Name:</b>	F Matuska Inc.
<b>Contact:</b>	Fran Matuska
<b>Address:</b>	4600 Highway 6 N. Suite 315, Houston, TX 77084
<b>Phone:</b>	281.859.8779
<b>Fax:</b>	281.859.8556
<b>Email:</b>	fmatуска@att.net

e) Legal Counsel (if other than Bond Counsel) N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

f) Any other consultant representing the Applicant before the Board N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

7. List the counties within the Applicant's service area. Harris

8. Identify the Applicant's total service area population: 28,350

9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAF)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ <u>9,460,000</u>
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain: _____	\$ _____

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
<b>Total Funding from All Sources</b>		\$		

Comments: **Not Applicable**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.
- Attached document**
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part B: Legal Information**

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.  
Section 8815.151, Texas Special District Local Laws Code. See Attachment Part A1.
14. What type of pledge will be used to repay the proposed debt?  
 Systems Revenue  
 Taxes  
 Combination of systems revenues and taxes  
 Other (Contract Revenue, etc.)
15. Provide the full legal name of the security for the proposed debt issue(s).  
\$9,460,000 Central Harris County Regional Water Authority Revenue Bonds (the "Bonds"). The Bonds may be issued in one or more series, upon the advice and consent of the TWDB, in order to facilitate financial assistance from SWIFT as requested herein.
16. Describe the pledge being offered and any existing rate covenants.  
Principal of and interest on the Bonds will be payable and secured by the net revenues of the CHCRWA. The CHCRWA will generate gross revenues sufficient to pay and provide for the timely payment of the Bonds through pumpage fees and service fees assessed pursuant to the CHCRWA rule and regulations.
17. Attach the resolution from the governing body requesting financial assistance.  
TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Resolution**
18. Attach the Application Affidavit  
TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Applicant Affidavits**
19. Attach the Certificate of Secretary  
TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Certificate of Secretary**
20. Is the applicant a Water Supply Corporation (WSC)?  
 Yes If yes, attach each of the following:  
 **Articles of Incorporation**  
 **Certificate of Incorporation from the Texas Secretary of State evidencing that the current Articles of Incorporation are on file with the Secretary**  
 **By-laws and any amendments**  
 **Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)**  
 **Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).**  
 No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

21. Is the applicant proposing to issue revenue bonds?  
 Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.  
 **Attached resolution/ordinance(s)**  
 No
22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?  
 Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.  
 **Attached CCN and service area map**  
 No If no, indicate the status of the CCN.  
 N/A
23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?  
 Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.  
 **Attached**  
 No
24. Are any facilities to be constructed or the area to be served within the service area of a municipality or other public utility?  
 Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?  
 If yes, attach a copy of the affidavit.  
 **Attached affidavit**  
 If no, provide an explanation as to why not.  

The CHCRWA was created for the purpose, among others, of implementing and enforcing a groundwater reduction plan so that its Member District's achieve and maintain compliance with the Harris-Galveston Subsidence District's ("HGSD") regulatory requirements. The facilities constructed in their project are essential to the CHCRWA's ability to meet the HGSD's mandates, please see Attachment Part A1 for a copy of the CHCRWA's enabling legislation.

 No
25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)  
 Yes Enter date of Applicant's WCP adoption: 5/1/2014  
 No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Attached Draft WCP and Drought Contingency Plan**
- Attached Utility Profile TWDB-1965**
- N/A <http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>  
(Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

**Note:** If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?
- Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?
    - Yes
    - No If no, please download survey forms and attach a copy of the completed water use surveys to the application.  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
 **Attached Water Use Survey**
  - No
27. Is the applicant a retail public utility that provides potable water?
- Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?
    - Yes
    - No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.  
 **Attached TWDB Water Audit worksheet**
  - No
28. Does the Applicant provide wastewater services?
- Yes
  - No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part C: Financial Information**

**Regional or wholesale providers, complete questions 29-31.**

**Retail providers, complete questions 32-34.**

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
HC MUD 200	338,224,000	20.06%	N
HC MUD 150	280,659,000	16.65%	N
FALLBROOK UD	258,894,000	15.36%	N
HC MUD 33	235,274,000	13.96%	N
HC MUD 304	186,044,000	11.04%	N
HC UD 16	102,342,000	6.07%	N
HC MUD 217	67,325,000	3.99%	N
RANKIN RD. WEST MUD	66,898,000	3.97%	N
HC MUD 215	57,504,000	3.41%	N
HC MUD 205	47,209,000	2.80%	N

Comments:

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)
HC MUD 200	\$805,525	28.15%	N
HC MUD 150	\$523,689	18.30%	N
FALLBROOK UD	\$382,990	13.39%	N
HC MUD 33	\$337,405	11.79%	N
HC MUD 304	\$271,359	9.48%	N
HC UD 16	\$196,015	6.85%	N
HC MUD 217	\$129,733	4.53%	N
RANKIN RD. WEST MUD	\$128,667	4.50%	N
HC MUD 215	\$ 85,887	3.00%	N
HC MUD 205	Pays through HC MUD 200		

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers **Not Applicable**

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
NOT APPLICABLE						

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER** **Not Applicable**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
NOT APPLICABLE			

b. **WASTEWATER** **Not Applicable**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)
NOT APPLICABLE			

33. Current Average Residential Usage and Rate Information **Not Applicable**

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water	NOT APPLICABLE				
Wastewater	NOT APPLICABLE				

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

34. Provide the number of customers for each of the past five years.

**Not Applicable**

Year	Number of Customers
20	NOT APPLICABLE
20	
20	
20	
20	

All applicants complete questions 35-51 of the financial section, as applicable.

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).

The CHCRWA is not aware of any judgement, order, fine, penalty, enforcement or compliance issue that will keep it from being able to issue or repay debt. The CHCRWA is not aware of any lawsuit, judgement, bankruptcy of any of its Member Districts that will adversely impact its ability to make timely payment of interest and principal on the Bonds. The CHCRWA sells water on a wholesale basis to eleven (11) Member Districts and is not financially dependent upon any single water user or other within those districts. The CHCRWA believes that the homeowners within its boundaries will be paying approximately the same amount for surface water as the homeowners in the other regional water authorities in the Houston area.

36. Has the applicant ever defaulted on any debt?

- Yes If yes, disclose all circumstances surrounding prior default(s).  
 No

37. Does the applicant have taxing authority?

- Yes  
 No

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate.

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
20							
20							
20							
20							
20							

Comments: Not applicable. No taxing authority.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

- a)  2014 attached
- b)  2013 attached
- c)  2012 attached
- d)  2011 attached
- e)  2010 attached

40. Attach the direct and overlapping tax rate table:

Attached tax rate table

Not applicable. No taxing authority.

41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten.

**Not Applicable**

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
NOT APPLICABLE			

Comments: Not applicable. No taxing authority.

42. Provide the maximum tax rate permitted by law per \$100 of property value. N/A

43. Does the applicant collect sales tax?

Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
20	
20	
20	
20	
20	

No

44. Indicate the tax status of the proposed loan?

- Tax-Exempt
- Taxable

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

45. Proforma (**Select one of the four listed below**) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.
- a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:
- projected gross revenues
  - operating and maintenance expenditures
  - outstanding and proposed debt service requirements
  - net revenues available for debt service and coverage of current and proposed debt paid from revenues
- b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- outstanding and proposed debt service requirements
  - the tax rate necessary to repay current and proposed debt paid from taxes
  - list the assumed collection rate and tax base used to prepare the schedule
- c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
  - outstanding and proposed debt service requirements
  - the tax rate necessary to pay the current and proposed debt
  - list the assumed collection rate and tax base used to prepare the schedule
- d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.
- Attached
46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
- Attached Operating Statement.**
47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
- Attached Annual Audit**
  - Attached Management Letter**
  - If applicable, attached interim financial information**
48. Does the applicant have any outstanding debt? (Check all that apply)
- Yes, General obligation debt
  - Yes, Revenue debt
  - Yes, Authorized but unissued debt
  - No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.

a. General Obligation Debt:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

b. Revenue:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

c. Authorized by Unissued Debt:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
Houston Independent School District	22,984
City of Houston	21,095
U.T.M.D Anderson Cancer Center	19,290
United Airlines	17,000
Harris County	14,583
Exxon Mobil	13,191
Houston Methodist Hospital	13,000
Shell Oil Company	13,000
Kroger Company	12,000
National Oilwell Varco	10,000

Comments (example, any anticipated changes to the tax base, employers etc.)

The list above represents 10 largest employers in Harris County. The CHCRWA does not have information regarding the number of employees within its boundaries.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

51. Provide any current bond ratings with date received.

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
G.O.	N/A		N/A		N/A	
Revenue	N/A		N/A		N/A	

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.

**Attached** (Contract will be provided prior to loan closing)

No.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

### Part D: Project Information

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):

The primary purpose for the CHCRWA is to reduce groundwater withdrawals and meet the groundwater reduction requirements of the Harris-Galveston Subsidence District (HGSD) 1999 District Regulatory Plan, including the following:

- Achieve a 30 percent reduction of groundwater pumpage by June 2010
- Achieve a 60 percent reduction of groundwater pumpage by June 2025
- Achieve a 80 percent reduction of groundwater pumpage by June 2035

The construction of the transmission line is necessary to achieve the reduction in groundwater for 2025, 2035 and beyond, as mandated by the HGSD.

See City of Houston application for additional information.

54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):

The project consists of a 108" transmission pipeline jointly shared by the CHCRWA, the COH and the NHCRWA. The transmission pipeline is approximately 17 miles from the NEWPP and terminating just west of IH-45. This application is to request funding for the CHCRWA portion of this 108" transmission pipeline, described internally by the CHCRWA as the Second Source Line, Phase I.

See City of Houston application for additional information.

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
  - Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal **Attached**
- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:
  - a) **Water** (TWDB-0555 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)  
 **Attached**
  - b) **Wastewater** (TWDB-0556 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>)  
 **Attached**
- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

55. Water Made Available (For projects requesting a construction component): **See City of Houston**

- a. *New supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
  - Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.
- b. *New Conservation savings* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,
  - Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.
- c. *New Reuse supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
  - Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.
- d. *Maintenance of Current Supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Volume of recipients' current supplies that will be maintained by implementing the proposed project
  - Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).

56. Project Location:

**See City of Houston**

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

**Attached**

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:

<http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>.

**Please follow these steps:**

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within\_\_\_\_" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.
- Close the Geographies Search window.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

**Attached Census tracts**

58. Project Schedule: **See City of Houston**

- Requested loan closing date.
- Estimated date to submit environmental planning documents.
- Estimated date to submit engineering planning documents.
- Estimated date for completion of design.
- Estimated Construction start date for first contract.
- Estimated Construction end date for last contract.

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.

**Attached**

60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template

**Attached** **See City of Houston**

61. Attach the appropriate Project Information Form:

**Wastewater:** Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

**Water:** Attached a completed Water Project Information Form WRD-253d <http://www.twdb.texas.gov/financial/instructions/index.asp>

62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities. **Not Applicable**

**Attached**

No. Provide explanation:

63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction. **See City of Houston**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**See City of Houston**

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?

- Yes If yes, please attach the completed, appropriate form.
1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)  
 **Attached**
  2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)  
 **Attached**
- No  
 N/A

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
<b><u>See City of Houston</u></b>				

c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)
<b><u>See City of Houston</u></b>		

64. Has the applicant obtained all necessary land and easements for the project?

**See City of Houston**

- Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)  
 **Attached**
- No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

**See City of Houston**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)
<b><u>See City of Houston</u></b>				

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project? **See City of Houston**

- Yes
- Attach a copy of the finding.
- No

66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment? **See City of Houston**

- Yes
- No

67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)? **See City of Houston**

- Yes
  - If yes, attach additional information
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:**

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):
- |                                     |                     |    |
|-------------------------------------|---------------------|----|
| <input type="checkbox"/>            | Deferred            | \$ |
| <input checked="" type="checkbox"/> | Low Interest Loan   | \$ |
| <input type="checkbox"/>            | Board Participation | \$ |
69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.  
 **Attached**
70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the State Water Implementation Fund for Texas (SWIFT) to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.
- As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.
- As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.
71. Provide drafts of the following documents:
- a. Proposed Bond Ordinance  
 **Attached**
  - b. Private Placement Memorandum  
 **Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part F: Economically Distressed Programs (EDAP) Applicants Only:**

**Not Applicable**

In accordance with TWDB Rules (31 TAC Chapter 363), an application for EDAP will **not** be considered until the County has adopted and is enforcing the Model Subdivision Rules (MSRs) Texas Water Code § 16.343. If the proposed project is within a municipality or its extraterritorial jurisdiction (ETJ), or if the applicant is a municipality, the municipality must also have adopted and be enforcing MSRs.

72. Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts)
73. Is financing being requested for a **wastewater** project?
- Yes If yes, does the applicant have the required resolution/ordinance establishing a mandatory hookup policy?
    - Yes. If yes, attach a copy of the resolution/ordinance.
      - Attached**
    - No. If no, explain
  - No
74. Required documentation for the project area for Preliminary EDAP Eligibility (31 TAC Chapter 363)
- Attached** documentation of inadequacy of water and/or wastewater services.
  - Attached** documentation regarding the financial resources of the residential users in the EDAP area. Census data or documentation regarding median household income should be provided.
  - Attached** documentation demonstrating existence of a residence in the project area prior to **June 1, 2005**. This could include tax records of residence, dated aerial maps, or, other documentation demonstrating existence of a residence.
75. Has the Department of State Health Services issued a determination stating a public health nuisance exists in the project area?
- Yes If yes, attach a copy of the determination.
    - Attached**
  - No If no determination exists, attach documentation demonstrating a public health nuisance exists in the project area. (*Photographs may be submitted, but they **must** be labeled with location and date when taken. If the soil types are mentioned in the project area as an issue, include soil profile maps*) This documentation will be used by TWDB staff to request a determination from the Department of State Health Services
    - Attached**
76. Is this project providing new service?
- Yes If yes, attach plats of the affected subdivisions.
    - Attached**
  - No
77. Attach an EDAP Facility Engineering Plan/Scope of Services report that complies with the requirements of WRD-023A. <http://www.twdb.texas.gov/financial/instructions/index.asp>
- Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part G: CWSRF/DWSRF Applicants Only**

**Not Applicable**

**Only applicants applying for funding from the CWSRF and DWSRF Programs must complete this section.**

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to obtain a DUNS number that will represent a universal identifier for all federal funding assistance. DUNS numbers can be obtained from Dun and Bradstreet at <http://fedgov.dnb.com/webform/>

78. Applicant's Data Universal Number System (DUNS) Number:  
DUNS

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to register with System for Award Management (SAM) and maintain current registration at all times during which the Board loan agreement is active or under consideration by the Board. Register at: <https://sam.gov>.

79. The applicant has registered and will maintain current SAM registration at all times during which a federal subaward is active or under consideration by the Board.

- Yes
- No

80. Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?

- Yes
- No

2. Did applicant receive over \$25 million in Federal Awards last year?

- Yes
- No

3. Public does not have access to executive compensation information via SEC or IRS reports?

- Yes
- No

81. If applicant checked **YES** to **ALL** three boxes in 3 above, applicant is required to disclose the name and compensation of the five most highly compensated officers.

Officer's Name	Officer's Compensation (\$)

82. Complete form WRD 213 (<http://www.twdb.texas.gov/financial/instructions/index.asp>) – Certification Regarding Lobbying

- Attached**
- Yes
  - No
  - N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

83. If applying for CWSRF Equivalency or DWSRF, **attach** the Certification Regarding Debarment, Suspension and Other Responsibility. SRF-404  
(<http://www.twdb.texas.gov/financial/instructions/doc/SRF-404.pdf>)

**Attached**  Yes  
 No  
 N/A

84. If applying for CWSRF Equivalency or DWSRF, **attach** the Assurances – Construction Programs. EPA-424D (<http://www.twdb.texas.gov/financial/doc/EPA-424D.pdf>)

**Attached**  Yes  
 No  
 N/A

85. The applicant must comply with the Davis-Bacon Act regarding prevailing wage rates. The applicant acknowledges that they are aware of, and will abide by, the Davis-Bacon Act requirements.

Yes  
 No

Further information on the Davis-Bacon requirement is available through the TWDB Guidance document, DB-0156 (<http://www.twdb.texas.gov/financial/instructions/index.asp>)

All project costs funded by the TWDB through CWSRF Equivalency or DWSRF must comply with the federal Disadvantaged Business Enterprise (DBE) program rules and requirements. The federal DBE program requires a good faith effort to contract with DBE's for all procurements including: professional and non-professional consulting services, equipment, supplies and construction to be funded by federal equivalency dollars. Guidance and forms are found at:

TWDB-0210 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0210.pdf>)

86. **At a minimum, you must complete and attach** the Applicant Affirmative Steps Certification and Goals. This form is required to obtain a financial assistance commitment.

TWDB-0215 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0215.pdf>)

**Attached**  Yes  
 No

87. If you have already solicited contractors, complete and attach the Affirmative Steps Solicitation Report. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-216 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0216.pdf>)

**Attached**  Yes  
 No  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

88. If you have awarded contracts to contractors, complete and attach the Loan/Grant Participation Summary. This form must be submitted for review prior to loan closing and release of funds. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-0373 (<http://www.twdb.texas.gov/financial/doc/TWDB-0373.pdf>)

**Attached**  Yes  
 No  
 N/A

89. All Contractors that have been awarded will need to complete and attach the Prime Contractor Affirmative Steps Certification and Goals This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-217 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0217.pdf>)

**Attached**  Yes  
 No  
 N/A

90. **All CWSRF applicants** must be a Designated Management Agency (DMA) for wastewater collection and treatment. Please complete and attach DMA resolutions. WRD-210 (<http://www.twdb.texas.gov/financial/doc/WRD-210.pdf>) is an example of this type of resolution.

**Attached**  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part H: Documentation of "Green" Projects and Project Components**

CWSRF and DWSRF Applicants Only

**Not Applicable**

**All SRF applicants must complete this section if green benefits are all or part of the project (more than an incidental benefit).** Project is defined as the entire project or a stand-alone component of the project. This section is required so that the TWDB may determine whether the project qualifies as "green" pursuant to Environmental Protection Agency (EPA) Guidance.

A project (or project component) is "green" if the primary purpose qualifies under EPA Guidance as one of the following:

- a. Green Infrastructure,
- b. Water Efficiency-related,
- c. Energy Efficiency-related, or
- d. Environmentally Innovative.

You must use the Green Project Reserve guidance to complete this section. Current guidance may be found at: **Green Project Reserve: Guidance for determining project eligibility**

TWDB-0161 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0161.pdf>)

91. Does your project or a component of your project qualify as Green, per EPA guidance?
- Yes
- No

If Yes, Please complete the remainder of Section G.

92. Type of Green Project
- Water Efficiency       Energy Efficiency       Green Infrastructure       Environmentally Innovative

93. The correct worksheets must be completed.
- Green Project Reserve: CWSRF Green Project Worksheets**  
TWDB-0162 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.pdf>)
- Attached**       Yes  
                          No  
                          N/A

- Green Project Reserve: DWSRF Green Project Worksheets**  
TWDB-0163 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0163.pdf>)
- Attached**       Yes  
                          No  
                          N/A

TWDB will make the final determination whether your project (or project component) meets federal criteria as "green". You may be required to submit a **business case, utilizing the Green guidance**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

### Part A

- No. 6
- No. 12

### General Information

Draft or executed consulting contracts (engineering, financial advisor, bond counsel)  
Existing security document for refinancing

### Part B

- No. 17
- No. 18
- No. 19
- No. 20

### Legal

Resolution (TWDB-0201A)  
Application Affidavit (TWDB-0201)  
Certificate of Secretary (TWDB-201B)  
Water Supply Corporations

- Articles of Incorporation
- Certificate of incorporation from the Texas Secretary of State
- By-laws and any amendments
- Certificate of status from the Texas Secretary of State
- Certificate of account status from Texas Comptroller

- No. 21
- No. 22
- No. 23
- No. 24
- No. 25
- No. 26

Resolution/ordinance authorizing the issuance of parity debt  
Certificate of Convenience & Necessity  
Enforcement Actions  
Affidavit of No Objection  
Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)  
Water use surveys

- No. 27

Water Loss Audit  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
<http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

### Part C

- No. 39
- No. 40
- No. 45
- No. 46
- No. 47
- No. 49
- No. 52

### Financial

Assessed Values by Classifications  
Direct and Overlapping Tax Table  
Proforma for each year of debt outstanding  
Five year comparative system operating statement.  
Annual audit and management letter  
Outstanding debt schedule  
Service provider contracts

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part D**

**Project Information**

- No. 54a Preliminary Engineering Feasibility Data (PEFD)
- No. 54b Engineering Feasibility Report
  - Water (TWDB-0555)
  - Wastewater (TWDB-0556)
- No. 54c Project Draw Schedule (TWDB-1202)
- No. 56 Project Map
- No. 57 Census Tract(s)
- No. 59 Current and future populations and projected water use or wastewater flows
- No. 60 Project Cost Estimate Budget (TWDB-1201)
- No. 61 Wastewater Project Information Form (WRD-253a)  
Water Project Information Form (WRD-253d)
- No. 62 Texas Pollution Discharge Elimination System Permit
- No. 63 If applicant has property rights and permits
  - a. WRD-208A (Surface Water)
  - b. WRD-208B (Groundwater)
- No. 63c Additional Permits
- No. 64 Site certificate, evidencing land ownership for the project. (ED-101)
- No. 65 Categorical Exclusion (CE), Finding of No Significant Impact (FONSI), Record of Decision or any other supporting document
- No. 67 Social or environmental issues

**Part E**

**State Water Implementation Fund for Texas**

- No. 69 Multi-year/phased commitment schedule
- No. 71a Draft Bond Ordinance
- No. 71b Private Placement Memorandum

**Part F**

**Economically Distressed Areas Program**

- No. 73 Resolution/ordinance establishing a mandatory hookup policy
- No. 74 EDAP applicants
  - Inadequacy documentation
  - Financial resources documentation
  - Existence of residences prior to 06/01/2005
- No. 75 Public health nuisance
- No. 76 Plats
- No. 77 EDAP Planning Phase – Facility Engineering Plan/Scope of Services (WRD-023A)

**Part G**

**CWSRF/DWSRF Applicants Only**

- No. 82 Lobbying Activities (WRD-213)
- No. 83 Certification Regarding Debarment, Suspension and Other Responsibility Requirements. (SRF-404)
- No. 84 Assurances – Construction Programs (EPA-424D)  
Disadvantaged Business Requirements Guidance (TWDB-0210)
- No. 86 Affirmative Steps Certification and Goals (TWDB-0215)
- No. 87 Affirmative Steps Solicitation Report (TWDB-216)
- No. 88 Loan/ Grant Participation Summary (TWDB-0373)
- No. 89 Prime Contractor Affirmative Steps Certification and Goals (TWDB-217)
- No. 90 Designated Management Agency (WRD-210)

**Part H**

**Green Projects**

- No. 93 Guidance (TWDB-0161)  
CWSRF Green Project Worksheets (TWDB-0162)  
DWSRF Green Project Worksheets (TWDB-0163)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part J: Guidance and Forms

### Part A

#### General Information

CWSRF – 31 TAC 375

DWSRF – 31 TAC 371

EDAP and SWIFT - 31 TAC 363

For more information visit, <http://www.twdb.texas.gov/about/rules/index.asp>.

### Part D

#### Project Information

[State Programs - 31 TAC 363](#)

[Drinking Water State Revolving Fund - 31 TAC 371](#)

[Clean Water State Revolving Fund / Equivalency - 31 TAC 375](#)

[Clean Water State Revolving Fund / Non-Equivalency - 31 TAC 375](#)

Guidelines for Environmental Assessment, Clean Water Non-Equivalency (ED-001A)

Clean Water EID Instructions (SRF-099)

Guidelines for Environmental Assessment, State Participation, DFund, RWF and WIF,  
(ED-001B)

Guidelines for Environmental Assessment, EDAP (ED-001C)

Drinking Water EID Instructions (DW-001)

### Part H

#### Green Projects and Project Components

Green Project Reserve: Guidance for determining project eligibility  
(TWDB-0161)



The State of Texas  
Secretary of State

I, ROGER WILLIAMS, Secretary of State of the State of Texas, DO  
HEREBY CERTIFY that the attached is a true and correct copy of House  
Bill Number 3181 passed by the 79th Legislature, Regular Session, 2005,  
as signed by the Governor on June 17, 2005, and filed in this office on  
June 17, 2005.

Date issued: August 12, 2005

A handwritten signature in black ink that reads "Roger Williams".

---

Roger Williams  
Secretary of State



ST/lis

AN ACT

1  
2 relating to the creation of the Central Harris County Regional  
3 Water Authority; providing authority to issue bonds or notes;  
4 granting the power of eminent domain; providing an administrative  
5 penalty.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Subtitle H, Title 6, Special District Local Laws  
8 Code, is amended by adding Chapter 8815 to read as follows:

9 CHAPTER 8815. CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

10 SUBCHAPTER A. GENERAL PROVISIONS

11 Sec. 8815.001. DEFINITIONS. In this chapter:

12 (1) "Authority" means the Central Harris County  
13 Regional Water Authority.

14 (2) "Board" means the board of directors of the  
15 authority.

16 (3) "Commission" means the Texas Commission on  
17 Environmental Quality or its successor.

18 (4) "Director" means a member of the board.

19 (5) "District" means any district created under  
20 Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI,  
21 Texas Constitution, regardless of the manner of creation, other  
22 than:

23 (A) a navigation district or port authority; or

24 (B) a district governed by Chapter 36, Water

1 Code.

2 (6) "Groundwater reduction plan" means a plan adopted  
3 or implemented to supply water, reduce reliance on groundwater,  
4 regulate groundwater pumping and usage, or require and allocate  
5 water usage among persons in order to comply with or exceed  
6 requirements imposed by the subsidence district, including any  
7 applicable groundwater reduction requirements.

8 (7) "Local government" means a municipality, county,  
9 district, or other political subdivision of this state or a  
10 combination of two or more of those entities.

11 (8) "Member district" means each of the following  
12 conservation and reclamation districts created under Section 59,  
13 Article XVI, Texas Constitution:

14 (A) Harris County Municipal Utility District No.  
15 33;

16 (B) Harris County Municipal Utility District No.  
17 150;

18 (C) Harris County Municipal Utility District No.  
19 200;

20 (D) Harris County Municipal Utility District No.  
21 205;

22 (E) Harris County Municipal Utility District No.  
23 215;

24 (F) Harris County Municipal Utility District No.  
25 217;

26 (G) Harris County Municipal Utility District No.  
27 304;

1                   (H) Harris County Municipal Utility District No.

2     399;

3                   (I) Harris County Utility District No. 16;

4                   (J) Fallbrook Utility District; and

5                   (K) Rankin Road West Municipal Utility District.

6                   (9) "Subsidence" means the lowering in elevation of  
7 the surface of land by the withdrawal of groundwater.

8                   (10) "Subsidence district" means the Harris-Galveston  
9 Coastal Subsidence District.

10                   (11) "System" means a network of pipelines, conduits,  
11 valves, canals, pumping stations, force mains, treatment plants,  
12 and any other construction, device, or related appurtenance used to  
13 treat or transport water.

14                   (12) "Water" includes:

15                   (A) groundwater, percolating or otherwise;

16                   (B) any surface water, natural or artificial,  
17 navigable or nonnavigable; and

18                   (C) industrial and municipal wastewater.

19                   (13) "Well" includes a facility or device owned or  
20 partially owned by a member district and used to withdraw  
21 groundwater from a groundwater source inside or outside the  
22 boundaries of the authority for the purpose of supplying water to  
23 territory in the authority.

24                   Sec. 8815.002. NATURE OF AUTHORITY. The authority is a  
25 regional water authority in Harris County created under and  
26 essential to accomplish the purposes of Section 59, Article XVI,  
27 Texas Constitution.

1       Sec. 8815.003. CONFIRMATION ELECTION NOT REQUIRED. An  
2 election to confirm the creation of the authority is not required.

3       Sec. 8815.004. AUTHORITY TERRITORY. (a) The initial  
4 territory of the authority consists of the combined territories of  
5 each of the member districts as of the effective date of the law  
6 creating this chapter, regardless of whether the territory contains  
7 noncontiguous parcels of land or whether the territory is located  
8 within the boundaries of any other governmental entity or political  
9 subdivision of this state.

10       (b) The authority may annex additional territory under  
11 Section 8815.006.

12       (c) Territory may be excluded from the authority under  
13 Section 8815.005.

14       Sec. 8815.005. EXCLUSION OF CERTAIN TERRITORY. (a) On the  
15 mutual agreement of the board and the governing body of a member  
16 district, all of the land within that member district may be  
17 excluded from the authority.

18       (b) If a member district is excluded from the authority's  
19 boundaries under this section, the authority:

20           (1) is not required to provide water or any other  
21 service to the district; and

22           (2) is not required to include the district in any  
23 groundwater reduction plan adopted or implemented by the authority  
24 and may remove the district from any groundwater reduction plan  
25 adopted by the authority that includes the district.

26       (c) If a member district excluded from the authority's  
27 boundaries under this section petitions the authority to be annexed

1 under Section 8815.006, the authority may annex the district. The  
2 authority may require, as a condition of annexation, terms and  
3 conditions the board considers appropriate. The authority may  
4 require the district to pay the authority the fees, user fees,  
5 charges, and special assessments, with interest, that, as  
6 determined by the authority, the district would have been charged  
7 by the authority if the district had not been excluded from the  
8 authority under this section.

9 Sec. 8815.006. ANNEXATION. (a) Except to the extent the  
10 authority agrees in writing, a municipality's annexation of  
11 territory within the authority does not affect:

12 (1) the authority's powers inside or outside the  
13 annexed territory;

14 (2) the authority's boundaries or contracts; or

15 (3) the authority's ability to assess fees, user fees,  
16 rates, charges, or special assessments inside or outside the  
17 territory annexed by the municipality.

18 (b) Territory within the authority annexed by a  
19 municipality may be excluded from the authority under a written  
20 agreement between the authority and the municipality.

21 (c) Territory may be annexed to the authority, regardless of  
22 whether the territory is contiguous to the authority, as provided  
23 by Chapter 49, Water Code.

24 (d) In addition to the authority granted by Subsection (c),  
25 regardless of whether the territory is contiguous to the authority,  
26 the authority may annex all of the territory located within a  
27 district if the district files with the authority a petition

1 requesting the annexation signed by a majority of the members of the  
2 governing body of the district. The petition must include an  
3 accurate legal description of the boundaries of the district. If  
4 the authority has bonds, notes, or other obligations outstanding,  
5 the authority shall require the petitioning district to be  
6 obligated to pay its share of the principal of and interest on the  
7 outstanding bonds, notes, or other obligations, and related costs.  
8 The authority may also require the petitioning district to pay a  
9 portion of the expenses incurred by the member districts in  
10 connection with the organization, creation, and administration of  
11 the authority. The board may grant the petition and order the  
12 district annexed to the authority if:

13 (1) it is feasible, practicable, and to the advantage  
14 of the authority; and

15 (2) the authority's system and other improvements are  
16 sufficient or will be sufficient to supply surface water and  
17 groundwater to the added territory, if required under any  
18 groundwater reduction plan adopted and implemented by the  
19 authority, without harming the territory already included in the  
20 authority.

21 (e) Any territory that a member district annexes after the  
22 effective date of the Act creating this chapter becomes territory  
23 of the authority only on the adoption of an order or resolution by  
24 the board consenting to the inclusion of the additional territory  
25 within the authority. The authority by rule may require all member  
26 districts to send to the authority written notice of the effective  
27 date of an annexation and require the member districts to send to

1 the authority copies of any necessary documents describing the  
2 annexed land and describing the member districts' boundaries and  
3 actual and projected water usage requirements as they exist after  
4 inclusion of the annexed land.

5 (f) The annexation to the authority of territory under this  
6 section does not affect the validity of the authority's bonds  
7 issued before or after the annexation.

8 (g) A municipality that annexes territory of the authority  
9 for limited purposes under Subchapter F, Chapter 43, Local  
10 Government Code, does not have the right to:

11 (1) receive notices from the authority under Section  
12 8815.103(c);

13 (2) participate in the appointment of directors under  
14 Subchapter B; or

15 (3) receive information about or have the opportunity  
16 to fund its share of capital costs in the manner provided by the  
17 authority under Section 8815.104.

18 Sec. 8815.007. APPLICABILITY OF OTHER LAW. (a) Except as  
19 otherwise provided by this chapter, Chapter 49, Water Code, applies  
20 to the authority.

21 (b) This chapter does not prevail over or preempt a  
22 provision of Chapter 36, Water Code, or Chapter 8801 of this code  
23 that is being implemented by the subsidence district.

24 [Sections 8815.008-8815.020 reserved for expansion]

25 SUBCHAPTER A-1. TEMPORARY PROVISIONS

26 Sec. 8815.021. INITIAL DIRECTORS. (a) The initial board  
27 consists of:



1        (c) Each director must qualify to serve as director in the  
2 manner provided by Section 49.055, Water Code.

3        Sec. 8815.052. ELIGIBILITY TO SERVE AS DIRECTOR. (a) To be  
4 eligible to serve as a director or to be listed on a ballot as a  
5 candidate for director, an individual must:

6            (1) be at least 18 years of age;

7            (2) be a resident of this state;

8            (3) own land in or be a qualified voter in the  
9 authority; and

10           (4) have served as a director of one or more districts  
11 for a total of at least two years.

12        (b) To be eligible to serve as a director representing a  
13 director precinct or to be listed on a ballot as a candidate for  
14 director representing a director precinct under Section 8815.055,  
15 in addition to satisfying the requirements under Subsection (a), an  
16 individual must own land or be a qualified voter within the director  
17 precinct.

18        (c) A director serves until the director's successor has  
19 qualified.

20        Sec. 8815.053. DISQUALIFICATION OF DIRECTORS. The common  
21 law doctrine of incompatibility does not disqualify an official or  
22 employee of a public entity from serving as a director.  
23 Notwithstanding any other law, a director may participate in all  
24 votes and decisions pertaining to the business of the authority  
25 except that a director who is also an officer or employee of a  
26 public entity may not participate in the discussion of or vote on a  
27 matter regarding a contract with that public entity.

1           Sec. 8815.054. SINGLE-MEMBER DIRECTOR PRECINCTS. (a) The  
2 authority is divided into three single-member director precincts as  
3 follows:

4           (1) Director Precinct No. 1 includes the territory  
5 that is contained in the following member districts: Harris County  
6 Municipal Utility District No. 33, Fallbrook Utility District,  
7 Rankin Road West Municipal Utility District, and Harris County  
8 Municipal Utility District No. 215.

9           (2) Director Precinct No. 2 includes the territory  
10 that is contained in the following member districts: Harris County  
11 Municipal Utility District No. 150, Harris County Municipal Utility  
12 District No. 217, and Harris County Municipal Utility District No.  
13 304.

14           (3) Director Precinct No. 3 includes the territory  
15 that is contained in the following member districts: Harris County  
16 Municipal Utility District No. 200, Harris County Municipal Utility  
17 District No. 205, Harris County Municipal Utility District No. 399,  
18 and Harris County Utility District No. 16.

19           (b) The board may redraw the single-member director  
20 precincts in a manner that is reasonable and equitable:

21           (1) after any change in the boundaries of the  
22 authority; or

23           (2) by a resolution redrawing the director precincts  
24 adopted by a majority of the board based on changed circumstances.

25           Sec. 8815.055. METHOD OF APPOINTMENT OF DIRECTORS. (a) One  
26 director is appointed from each of the three director precincts and  
27 two directors are appointed at large. Two directors from director

1 precincts and one director at large shall be appointed in the first  
2 even-numbered year after the authority is created, and one director  
3 from a director precinct and one director at large shall be  
4 appointed in the next even-numbered year after the authority is  
5 created. Each subsequent even-numbered year, the appropriate  
6 number of directors shall be appointed.

7 (b) In the appropriate even-numbered year, the governing  
8 bodies of the member districts located within a director precinct  
9 jointly shall appoint one director to represent the precinct by a  
10 vote conducted as provided by this section. Each even-numbered  
11 year, the governing bodies of each member district shall appoint  
12 one director for an at-large position by a vote conducted as  
13 provided by this section.

14 (c) If a member district is located within two or more  
15 director precincts, the member district is considered, for purposes  
16 of this subchapter, to be located only within the director precinct  
17 in which the greatest amount of territory of the member district is  
18 located.

19 (d) For the appointment of a director for a director  
20 precinct, the board shall determine the number of votes each member  
21 district may cast. The number of votes for a governing body of a  
22 member district within the precinct is equal to the number computed  
23 by dividing the total number of units of water, as determined by the  
24 board, used within the member district during the calendar year  
25 preceding the year in which the director is selected by the total  
26 number of units of water used by all member districts in the  
27 precinct, multiplying that quotient by 100, and rounding that

1 result to the nearest one-tenth. The board shall provide the  
2 presiding officer of each governing body of a member district  
3 within each director precinct written notice of the number of votes  
4 computed for that governing body to cast.

5 (e) For the appointment of a director for an at-large  
6 position, the board shall determine the number of votes each member  
7 district may cast. The number of votes for a governing body of a  
8 member district is equal to the number computed by dividing the  
9 total number of units of water, as determined by the board, used  
10 within the member district during the calendar year preceding the  
11 year in which the director is selected by the total number of units  
12 of water used by all member districts in the authority, multiplying  
13 that quotient by 100, and rounding that result to the nearest  
14 one-tenth. The board shall provide the presiding officer of each  
15 governing body of a member district written notice of the number of  
16 votes computed for that governing body to cast.

17 (f) For purposes of Subsections (d) and (e), the board shall  
18 determine the amount of water usage of all member districts within  
19 each director precinct.

20 (g) In the appropriate even-numbered year, the governing  
21 body of each member district in a director precinct by resolution  
22 may nominate one candidate for the position of director for that  
23 director precinct. Each member district shall submit the name of  
24 its candidate, if any, to the presiding officer of the authority by  
25 February 15 of that year. If by February 15 of that year only one  
26 candidate's name is submitted for the position of director for a  
27 director precinct, the board may declare the unopposed candidate

1 elected and may cancel the director appointment procedures  
2 generally required by this section for that position. If more than  
3 one candidate's name is submitted for the position of director for a  
4 director precinct, before March 15 of that year, the board shall  
5 prepare, for the director precinct or precincts from which a  
6 director is being appointed, a ballot listing all of the candidates  
7 for that director precinct and shall provide a copy of the  
8 appropriate ballot to the presiding officer of the governing body  
9 of each member district located within the director precinct or  
10 precincts from which a director is being appointed.

11 (h) The governing body of each member district in the  
12 authority by resolution may nominate one candidate for the at-large  
13 director position. Each member district shall submit the name of  
14 its candidate, if any, to the presiding officer of the authority by  
15 February 15 of each even-numbered year. If by February 15 of that  
16 year only one candidate's name is submitted for the at-large  
17 director position, the board may declare the unopposed candidate  
18 elected and may cancel the director appointment procedures  
19 generally required by this section for that position. If more than  
20 one candidate's name is submitted for the at-large director  
21 position, before March 15 of that year, the board shall prepare a  
22 ballot listing all of the candidates for the at-large director  
23 position and shall provide a copy of the ballot to the presiding  
24 officer of the governing body of each member district.

25 (i) An individual may not be listed as a candidate on the  
26 ballot for more than one director position. If a candidate is  
27 nominated for more than one director position, the candidate must

1 choose to be on the ballot for only one director position.

2 (j) The governing body of each member district shall  
3 determine its votes for director by resolution and submit them to  
4 the presiding officer of the authority before May 1 of each  
5 even-numbered year. In casting its votes for director, the  
6 governing body of each member district may vote for only one  
7 candidate on the ballot for the director precinct in which the  
8 member district is located and for one candidate on the at-large  
9 position ballot. For each director precinct from which a director  
10 is being appointed, the board shall count the votes, declare  
11 elected the candidate who received the greatest number of votes  
12 from member districts located within that director precinct, and  
13 submit the results before May 15 of that year to the governing body  
14 of each member district within that director precinct. For the  
15 at-large position, the board shall count the votes, declare elected  
16 the candidate who received the greatest number of votes, and submit  
17 the results before May 15 of that year to the governing body of each  
18 member district.

19 (k) The board may adopt rules regarding:

20 (1) the manner and timing of determinations and  
21 computations required by this section;

22 (2) the reporting of water usage to the authority by  
23 member districts; and

24 (3) the conduct and process of the appointment of  
25 directors.

26 Sec. 8815.056. VACANCY IN OFFICE OF DIRECTOR. A vacancy in  
27 the office of director for a director precinct shall be filled by

1 appointment by the governing bodies of the member districts that  
2 are located within the director precinct for which the vacancy  
3 occurred. A vacancy in the office of director for an at-large  
4 position shall be filled by appointment by the governing bodies of  
5 all of the member districts. The appointment process shall follow  
6 the procedures of Section 8815.055. The board may establish dates  
7 different from those specified by Sections 8815.055(g) and (h), but  
8 the date for the board's submission of the voting results to each  
9 member district may not be later than the 120th day after the date  
10 the vacancy occurs.

11 Sec. 8815.057. MEETINGS AND ACTIONS OF BOARD. (a) The  
12 board may meet as many times each year as the board considers  
13 appropriate.

14 (b) Directors are public officials and are entitled to  
15 governmental immunity for their actions in their capacity as  
16 directors and officers of the authority.

17 (c) Directors may receive fees of office and reimbursement  
18 of expenses as provided by Section 49.060, Water Code.

19 Sec. 8815.058. GENERAL MANAGER. (a) The board may employ a  
20 general manager of the authority or contract with a person to  
21 perform the duties of a general manager. The board may delegate to  
22 the general manager full authority to manage and operate the  
23 affairs of the authority subject only to orders of the board.

24 (b) The board may delegate to the general manager the  
25 authority to employ all persons necessary for the proper handling  
26 of the business and operation of the authority and to determine the  
27 compensation to be paid to all employees, other than the general

1 manager.

2 [Sections 8815.059-8815.100 reserved for expansion]

3 SUBCHAPTER C. POWERS AND DUTIES

4 Sec. 8815.101. GENERAL POWERS AND DUTIES. (a) The

5 authority may:

6 (1) provide for the conservation, preservation,  
7 protection, recharge, and prevention of waste of groundwater, and  
8 for the reduction of groundwater withdrawals as necessary to  
9 develop, implement, or enforce a groundwater reduction plan, in a  
10 manner consistent with the purposes of Section 59, Article XVI,  
11 Texas Constitution, and facilitate compliance with subsidence  
12 district rules, orders, regulations, or requirements;

13 (2) acquire or develop surface water and groundwater  
14 supplies from sources inside or outside the boundaries of the  
15 authority, conserve, store, transport, treat, purify, distribute,  
16 sell, and deliver water to or among persons inside and outside the  
17 boundaries of the authority, and allocate water among persons  
18 participating in the authority's groundwater reduction plan  
19 whether they are located inside or outside the authority's  
20 boundaries;

21 (3) enter into contracts with persons inside or  
22 outside the authority on terms and conditions the board considers  
23 desirable, fair, and advantageous for the performance of its  
24 rights, powers, and authority under this chapter;

25 (4) coordinate water services provided inside,  
26 outside, or into the authority; and

27 (5) administer and enforce this chapter.

1        (b) Sections 49.451-49.455, Water Code, do not apply to the  
2 authority.

3        (c) The authority has all the rights, powers, privileges,  
4 authority, functions, and duties necessary and convenient to  
5 accomplish the purposes of this chapter.

6        (d) The authority's rights, powers, privileges, authority,  
7 functions, and duties are subject to the continuing right of  
8 supervision of the state, to be exercised by and through the  
9 commission.

10        Sec. 8815.102. AUTHORITY RULES. The authority may adopt  
11 and enforce rules reasonably required to implement this chapter,  
12 including rules governing procedures before the board and rules  
13 regarding implementation, enforcement, and any other matters  
14 related to the authority's water supply or groundwater reduction  
15 plan.

16        Sec. 8815.103. FEES, USER FEES, RATES, AND CHARGES. (a)  
17 The authority may establish fees, user fees, rates, and charges and  
18 classifications of payers of fees and rates as necessary to enable  
19 the authority to fulfill the authority's purposes and regulatory  
20 functions provided by this chapter. The authority may impose fees,  
21 user fees, rates, and charges on any person within the authority.

22        (b) The authority may charge the owner of a well located  
23 within the authority's boundaries a fee or user fee according to the  
24 amount of water pumped from the well.

25        (c) The board shall make reasonable efforts to send member  
26 districts written notice of the date, time, and location of the  
27 meeting at which the board intends to adopt a proposed charge under

1 Subsection (b) and the amount of the proposed charge. The board's  
2 failure to comply with this subsection does not invalidate a charge  
3 adopted by the board under Subsection (b).

4 (d) The board shall exempt from the charge under Subsection  
5 (b) classes of wells that are not subject to any groundwater  
6 reduction requirement imposed by the subsidence district. If any  
7 of those classes of wells become subject to a groundwater reduction  
8 requirement imposed by the subsidence district, the authority may  
9 impose the charge under Subsection (b) on those classes. The board  
10 by rule may exempt any other classes of wells from the charge under  
11 Subsection (b). The board may not apply the charge under Subsection  
12 (b) to a well:

13 (1) with a casing diameter of less than five inches  
14 that serves only a single-family dwelling; or

15 (2) regulated under Chapter 27, Water Code.

16 (e) The authority may establish fees, user fees, rates, and  
17 charges that are sufficient to:

18 (1) achieve water conservation;

19 (2) prevent waste of water;

20 (3) serve as a disincentive to pumping groundwater;

21 (4) develop, implement, or enforce a groundwater  
22 reduction plan;

23 (5) accomplish the purposes of this chapter, including  
24 making available alternative water supplies;

25 (6) enable the authority to meet operation and  
26 maintenance expenses;

27 (7) pay the principal of and interest on notes, bonds,

1 and other obligations issued in connection with the exercise of the  
2 authority's general powers and duties; and

3 (8) satisfy all rate covenants relating to the  
4 issuance of notes, bonds, and other obligations.

5 (f) The authority may charge rates established by the  
6 authority for water purchased from the authority.

7 (g) The authority may impose fees, user fees, or charges for  
8 the importation of water into the authority's boundaries from a  
9 source located outside the authority's boundaries.

10 Sec. 8815.104. PURCHASE OF WATER FROM ANOTHER ENTITY. (a)  
11 If the authority purchases water from another entity for resale to  
12 local governments, the authority shall use its best efforts in  
13 negotiating with the entity to determine the amount of capital  
14 costs included in any rates or charges paid by the authority. The  
15 authority shall determine the amount of expected capital costs of  
16 its own system.

17 (b) The authority shall provide each member district  
18 information regarding the share of the capital costs to be paid by  
19 the member district, as determined by the authority, and shall  
20 provide each member district the opportunity, in a manner and by a  
21 procedure determined by the authority, to fund its share of the  
22 capital costs with proceeds from the sale of bonds or fees and  
23 charges collected by the member districts. A member district may  
24 use any lawful source of revenue, including bond funds, to pay any  
25 sums due to the authority.

26 Sec. 8815.105. ASSESSMENTS. (a) The board may undertake  
27 improvement projects and services that confer a special benefit on

1 all or a definable part of the authority. The board may impose  
2 special assessments on property in that area, including property of  
3 a local government, based on the benefit conferred by the  
4 improvement project or services, to pay all or part of the cost of  
5 the project and services. The board may provide improvements and  
6 services to an area outside the boundaries of the authority if the  
7 board determines that there is a benefit to the authority. The  
8 authority may finance with special assessments any improvement  
9 project or service authorized by this chapter or any other  
10 applicable law.

11 (b) Services or improvement projects may be financed with  
12 special assessments under this chapter only after the board holds a  
13 public hearing on the advisability of the improvements and services  
14 and the proposed assessments.

15 (c) The board shall publish notice of the hearing in a  
16 newspaper or newspapers with general circulation in Harris County.  
17 The publication must be made not later than the 30th day before the  
18 date of the hearing.

19 (d) Notice provided under this section must include:

20 (1) the time and place of the hearing;

21 (2) the general nature of the proposed improvement  
22 project or services;

23 (3) the estimated cost of the improvement, including  
24 interest during construction and associated financing costs; and

25 (4) the proposed method of assessment.

26 (e) Written notice containing the information required by  
27 Subsection (d) shall be mailed by certified mail, return receipt

1 requested, not later than the 30th day before the date of the  
2 hearing. The notice shall be mailed to each member district. The  
3 subsidence district shall provide to the authority a list of the  
4 member districts that hold a well permit issued by the subsidence  
5 district.

6 (f) The board may establish rules regarding procedures for a  
7 hearing. A hearing on the services or improvement project, whether  
8 conducted by the board or a hearings examiner, may be adjourned from  
9 time to time. At the conclusion of a hearing conducted by the  
10 board, the board shall make written findings and conclusions  
11 relating to the advisability of the improvement project or  
12 services, the nature of the improvement project or services, the  
13 estimated cost, and the area benefited. If the board appoints a  
14 hearings examiner to conduct the hearing, after conclusion of the  
15 hearing, the hearings examiner shall file with the board a written  
16 report of the examiner's findings and conclusions.

17 (g) At a hearing on proposed assessments, on adjournment of  
18 the hearing, or after consideration of the hearings examiner's  
19 report, the board shall hear and rule on all objections to each  
20 proposed assessment. The board may amend proposed assessments for  
21 any property. After the board hears and takes action on those  
22 objections, the board, by order:

23 (1) shall impose the assessments as special  
24 assessments on the property;

25 (2) shall specify the method of payment of the  
26 assessments; and

27 (3) may provide that those assessments, including

1 interest, be paid in periodic installments.

2 (h) Periodic installments must be in amounts sufficient to  
3 meet annual costs for services and improvements as provided by  
4 Subsection (j) and continue for the number of years required to  
5 retire the indebtedness or pay for the services to be rendered. The  
6 board may provide interest charges or penalties for failure to make  
7 timely payment and may impose an amount to cover delinquencies and  
8 expenses of collection.

9 (i) If assessments are imposed for more than one service or  
10 improvement project, the board may provide that assessments  
11 collected for one service or improvement project may be borrowed to  
12 be used for another service or improvement project. The board shall  
13 establish a procedure for the distribution or use of any  
14 assessments in excess of those necessary to finance the services or  
15 improvement project for which those assessments were collected.

16 (j) The board shall apportion the cost of an improvement  
17 project or services to be assessed against the property in the  
18 authority according to the special benefits that accrue to the  
19 property because of the improvement project or services. The board  
20 may assess the cost only according to the number of gallons of  
21 groundwater pumped from wells within the authority that are subject  
22 to a groundwater reduction requirement imposed by the subsidence  
23 district. The board may not assess the cost according to  
24 groundwater pumped from:

25 (1) a well with a casing diameter of less than five  
26 inches that serves only a single-family dwelling; or

27 (2) a well that is regulated by Chapter 27, Water Code.

1        (k) The area of the authority to be assessed according to  
2 the findings of the board may be the entire authority or any part of  
3 the authority and may be less than the area proposed in the notice  
4 of the hearing.

5        (l) The area to be assessed may not include property that is  
6 not within the authority boundaries at the time of the hearing  
7 unless there is an additional hearing, following the required  
8 notice.

9        (m) Notwithstanding Subsection (l), the owner of land  
10 annexed to the authority after the authority has imposed  
11 assessments may waive the right to notice and an assessment hearing  
12 and may agree to the imposition and payment of assessments at an  
13 agreed rate for land annexed to the authority. A member district  
14 may waive the right to notice and an assessment hearing for land  
15 within its boundaries annexed to the authority and may agree to the  
16 imposition and payment of assessments at an agreed rate for the  
17 annexed land.

18        (n) The board shall have prepared an assessment roll showing  
19 the assessments against each property and the board's basis for the  
20 assessment. The assessment roll shall be:

21            (1) filed with the secretary of the board or other  
22 officer who performs the function of secretary; and

23            (2) open for public inspection.

24        (o) After notice and hearing in the manner required for an  
25 original assessment, the board may make supplemental assessments to  
26 correct omissions or mistakes in the assessment:

27            (1) relating to the total cost of the improvement

1 project or services; or

2 (2) covering delinquencies or costs of collection.

3 Sec. 8815.106. INTEREST AND PENALTIES. The board may  
4 require the payment of interest on any late or unpaid fees, user  
5 fees, rates, charges, and special assessments due the authority,  
6 but the interest rate may not exceed the interest rate permitted by  
7 Section 2251.025; Government Code. The board may also impose  
8 penalties for the failure to make a complete or timely payment to  
9 the authority. In addition, the board may exclude a member district  
10 or other person, or any territory or well owned or controlled by a  
11 member district or other person, from the authority's groundwater  
12 reduction plan for failure to make a complete or timely payment to  
13 the authority.

14 Sec. 8815.107. ADMINISTRATIVE PENALTY; INJUNCTION. (a) A  
15 person who violates a rule or order of the authority is subject to  
16 an administrative penalty of not more than \$5,000, as determined by  
17 the board, for each violation or each day of a continuing violation.  
18 The person shall pay the penalty to the authority.

19 (b) The authority may bring an action to recover the penalty  
20 in a district court in the county where the violation occurred.

21 (c) The authority may bring an action for injunctive relief  
22 in a district court in the county where a violation of an authority  
23 rule or order occurs or is threatened to occur. The court may grant  
24 to the authority, without bond or other undertaking, a prohibitory  
25 or mandatory injunction that the facts warrant, including a  
26 temporary restraining order, temporary injunction, or permanent  
27 injunction.

1        (d) The authority may bring an action for an administrative  
2 penalty and injunctive relief in the same proceeding.

3        Sec. 8815.108. WATER SUPPLY OR DROUGHT CONTINGENCY PLANS.  
4 The authority by rule may develop, prepare, revise, adopt,  
5 implement, enforce, and manage comprehensive water supply or  
6 drought contingency plans for the authority, or any portion of the  
7 authority.

8        Sec. 8815.109. GROUNDWATER REDUCTION PLAN. (a)  
9 Notwithstanding any other law, regardless of whether the authority  
10 enters into contracts with local governments located within its  
11 boundaries, and regardless of whether the authority holds any well  
12 permit issued by the subsidence district under Chapter 8801, the  
13 authority by rule may wholly or partly develop, prepare, revise,  
14 adopt, implement, enforce, manage, or participate in a groundwater  
15 reduction plan that is applicable only to the authority or a  
16 groundwater reduction plan that is applicable to the authority and  
17 one or more persons outside the authority. The authority may  
18 require that any groundwater reduction plan that the authority  
19 wholly or partly develops, prepares, revises, adopts, implements,  
20 enforces, or manages or in which the authority participates be the  
21 exclusive groundwater reduction plan that is binding and mandatory  
22 on some or all of the territory, member districts or other persons,  
23 or wells located within the authority. A groundwater reduction  
24 plan may:

25        (1) specify the measures to be taken to reduce  
26 groundwater withdrawals;

27        (2) identify alternative sources of water to be

1 provided to those affected;

2 (3) identify the rates, terms, and conditions under  
3 which alternative sources of water will be provided, which may be  
4 changed from time to time as considered necessary by the authority;

5 (4) specify the dates and extent to which member  
6 districts or other persons within the authority's boundaries shall  
7 reduce or cease reliance on groundwater and accept water from  
8 alternative sources;

9 (5) include other terms and measures that are  
10 consistent with the powers and duties of the authority;

11 (6) exceed the minimum requirements imposed by the  
12 subsidence district, including any applicable groundwater  
13 reduction requirements; and

14 (7) be amended from time to time at the discretion of  
15 the authority.

16 (b) Fees, user fees, rates, charges, and special  
17 assessments of the authority may be imposed under this chapter for a  
18 person's participation in and benefit derived from the authority's  
19 groundwater reduction plan or a groundwater reduction plan in which  
20 the authority participates.

21 Sec. 8815.110. ACQUISITION, CONSTRUCTION, AND OPERATION OF  
22 SYSTEMS. (a) The authority may:

23 (1) acquire by purchase, gift, lease, contract, or any  
24 other legal means a water treatment or supply system, or any other  
25 works, plants, improvements, or facilities necessary or convenient  
26 to accomplish the purposes of the authority, or any interest of the  
27 authority, inside or outside the authority's boundaries;

1           (2) design, finance, operate, maintain, or construct a  
2 water treatment or supply system or any other works, plants,  
3 improvements, or facilities necessary or convenient to accomplish  
4 the purposes of the authority and provide water services inside or  
5 outside the authority's boundaries;

6           (3) lease or sell a water treatment or supply system or  
7 any other works, plants, improvements, or facilities necessary or  
8 convenient to accomplish the purposes of the authority that the  
9 authority constructs or acquires inside or outside the authority's  
10 boundaries;

11           (4) contract with any person to operate or maintain a  
12 water treatment or supply system the person owns; or

13           (5) acquire water rights under any law or permit.

14           (b) Except as otherwise provided by this chapter, the  
15 provisions of Chapter 49, Water Code, pertaining to competitive  
16 bidding apply to the authority.

17           (c) The authority may contract, according to terms and  
18 conditions the board considers desirable, fair, and advantageous,  
19 with a person outside the authority's boundaries:

20           (1) to allow the person to be included in a groundwater  
21 reduction plan adopted or implemented wholly or partly by the  
22 authority or in a groundwater reduction plan in which the authority  
23 participates;

24           (2) to sell water to the person; or

25           (3) to sell the person available excess capacity or  
26 additional capacity of the authority's water treatment or supply  
27 system.

1        (d) The authority by rule may require that the plans and  
2 specifications of water lines to be constructed within the  
3 authority that are designed or intended to serve more than one  
4 member district or more than one person owning or holding a well  
5 permit issued by the subsidence district be approved by the  
6 authority before the commencement of construction of the water  
7 lines.

8        Sec. 8815.111. SALE OR REUSE OF WATER OR BY-PRODUCT. The  
9 authority may store, sell, or reuse:

10            (1) water; or

11            (2) any by-product from the authority's operations.

12        Sec. 8815.112. CONTRACTS. (a) The authority may enter into  
13 a contract with a person for the performance of a purpose or  
14 function of the authority, including a contract to design,  
15 construct, finance, lease, own, manage, operate, or maintain works,  
16 improvements, facilities, plants, equipment, or appliances  
17 necessary to accomplish a purpose or function of the authority. A  
18 contract may be of unlimited duration.

19            (b) The authority may purchase, acquire, finance, or lease  
20 an interest in a project used for a purpose or function of the  
21 authority.

22            (c) The authority may contract for:

23            (1) the purchase, sale, or lease of water or water  
24 rights;

25            (2) the performance of activities within the powers of  
26 the authority through the purchase, construction, or installation  
27 of works, improvements, facilities, plants, equipment, or

1 appliances; or

2 (3) the design, construction, ownership, management,  
3 maintenance, or operation of any works, improvements, facilities,  
4 plants, equipment, or appliances of the authority or another  
5 person.

6 (d) The authority may purchase surplus property from this  
7 state, the United States, or another public entity through a  
8 negotiated contract without bids.

9 Sec. 8815.113. COOPERATION WITH AND ASSISTANCE OF OTHER  
10 GOVERNMENTAL ENTITIES. (a) In implementing this chapter, the  
11 board may cooperate with and request the assistance of the Texas  
12 Water Development Board, the commission, the United States  
13 Geological Survey, the subsidence district, other local  
14 governments, and other agencies of the United States and this  
15 state.

16 (b) The subsidence district may enter into an interlocal  
17 contract with the authority to carry out the authority's purposes  
18 and may carry out the governmental functions and services specified  
19 in the interlocal contract.

20 (c) The board shall endeavor to coordinate with the City of  
21 Houston to develop a plan for a system to distribute surface water  
22 in an economical and efficient manner to the authority.

23 (d) In an attempt to minimize costs associated with  
24 preparing a groundwater reduction plan, the board shall consider  
25 the usefulness of water supply studies and plans prepared by or on  
26 behalf of the North Harris County Regional Water Authority, the  
27 West Harris County Regional Water Authority, the City of Houston,

1 or other governmental entities to the extent those studies or plans  
2 are available and applicable to the authority.

3 Sec. 8815.114. GIFTS AND GRANTS. The authority may accept a  
4 gift or grant from money collected by the subsidence district under  
5 Chapter 8801 to fund the construction, maintenance, or operation of  
6 a water treatment or supply system.

7 Sec. 8815.115. EXPENDITURES. (a) The authority's money  
8 may be disbursed only by check, draft, order, federal reserve wire  
9 system, or other instrument or authorization.

10 (b) Disbursements of the authority must be signed by at  
11 least a majority of the directors. Notwithstanding any other law,  
12 the board by resolution may allow the general manager, treasurer,  
13 bookkeeper, or other employee of the authority to sign  
14 disbursements, except as limited by Subsection (c).

15 (c) The board by resolution may allow disbursements to be  
16 transferred by federal reserve wire system to accounts in the name  
17 of the authority without the necessity of any directors signing the  
18 disbursement. Disbursements of the authority's money by federal  
19 reserve wire system to any accounts not in the name of the authority  
20 must be signed by at least a majority of the directors.

21 Sec. 8815.116. AD VALOREM TAXATION. The authority may not  
22 impose an ad valorem tax.

23 Sec. 8815.117. EMINENT DOMAIN. (a) The authority may  
24 acquire by condemnation any land, easements, or other property  
25 inside the authority's boundaries to further authorized purposes,  
26 powers, or duties of the authority. The authority may acquire by  
27 condemnation any land, easements, or other property outside the

1 authority's boundaries for the purpose of pumping, storing,  
2 treating, or transporting water. When exercising the power of  
3 eminent domain granted by this section, the authority may elect to  
4 condemn either the fee simple title or a lesser property interest.

5 (b) The authority shall exercise the right of eminent domain  
6 in the manner provided by Chapter 21, Property Code. The authority  
7 is not required to give bond for appeal or bond for costs in a  
8 condemnation suit or other suit to which it is a party. The  
9 authority is not required to deposit more than the amount of an  
10 award in a suit.

11 (c) The authority may not use the power of eminent domain  
12 for the condemnation of land for the purpose of acquiring rights to  
13 groundwater or for the purpose of acquiring water or water rights.

14 (d) The authority may not use the power of eminent domain  
15 for the condemnation of property that is:

16 (1) owned by the City of Houston or any  
17 instrumentality of the City of Houston, including a local  
18 government corporation created under Chapter 431, Transportation  
19 Code, to aid or act on behalf of the City of Houston; or

20 (2) located within the municipal limits of the City of  
21 Houston.

22 (e) Notwithstanding Subsection (d)(2), and as limited by  
23 Subsection (a), the authority may use the power of eminent domain to  
24 acquire property that is not owned by the City of Houston that is  
25 within the municipal limits of the City of Houston if:

26 (1) the property is located in an area of the  
27 municipality that is less than 1,000 feet wide at its narrowest

1 point; or

2 (2) the municipality grants permission for the  
3 condemnation.

4 Sec. 8815.118. CONSENT REQUIRED FOR SERVICE OUTSIDE OF  
5 AUTHORITY. (a) Notwithstanding any contrary provision of this  
6 subchapter, the authority must obtain the consent of the City of  
7 Houston before providing water service to any person or territory  
8 outside the boundaries of the authority.

9 (b) Subsection (a) does not apply to a person or territory  
10 that receives water service or has contracted to receive water  
11 service from a member district on the effective date of the Act  
12 creating this chapter.

13 [Sections 8815.119-8815.150 reserved for expansion]

14 SUBCHAPTER D. BONDS AND NOTES

15 Sec. 8815.151. REVENUE BONDS AND NOTES. (a) The authority  
16 may issue bonds or notes payable solely from revenue from any  
17 source, including:

18 (1) tolls, charges, rates, fees, user fees, and  
19 special assessments the authority imposes or collects;

20 (2) the sale of water, water services, water rights or  
21 capacity, water transmission rights or services, water pumping, or  
22 any other service or product of the authority provided inside or  
23 outside the boundaries of the authority;

24 (3) grants or gifts;

25 (4) the ownership or operation of all or a designated  
26 part of the authority's works, improvements, facilities, plants, or  
27 equipment; and

1           (5) contracts between the authority and any person.

2           (b) Notes issued by the authority may be first or  
3 subordinate lien notes at the board's discretion.

4           (c) In connection with any bonds or notes of the authority,  
5 the authority may exercise any power of an issuer under Chapter  
6 1371, Government Code.

7           (d) The authority may conduct a public, private, or  
8 negotiated sale of the bonds or notes.

9           (e) The authority may enter into one or more indentures of  
10 trust to further secure its bonds or notes.

11           (f) The authority may issue bonds or notes in more than one  
12 series as necessary to carry out the purposes of this chapter. In  
13 issuing bonds or notes secured by revenue of the authority, the  
14 authority may reserve the right to issue additional bonds or notes  
15 secured by the authority's revenue that are on a parity with or are  
16 senior or subordinate to the bonds or notes issued earlier.

17           (g) A resolution of the board authorizing the bonds or notes  
18 or a trust indenture securing the bonds or notes may specify  
19 additional provisions that constitute a contract between the  
20 authority and its bondholders or noteholders.

21           (h) Bonds and notes may be additionally secured by deed of  
22 trust or mortgage on any or all of the authority's facilities.

23           (i) Sections 49.153, 49.154, and 49.181, Water Code, do not  
24 apply to bonds or notes issued by the authority. Commission rules  
25 regarding bonds or notes do not apply to bonds or notes issued by  
26 the authority.

27           SECTION 2. (a) The proper and legal notice of the intention

1 to introduce this Act, setting out the general substance of this  
2 Act, has been published as provided by law, and the notice and a  
3 copy of this Act have been furnished to all persons, agencies,  
4 officials, or entities to which they are required to be furnished by  
5 the constitution and other laws of this state, including the  
6 governor, who has submitted the notice and this Act to the  
7 commission.

8 (b) The commission has filed its recommendations relating  
9 to this Act with the governor, lieutenant governor, and speaker of  
10 the house of representatives within the required time.

11 (c) All requirements of the constitution and laws of this  
12 state and the rules and procedures of the legislature with respect  
13 to notice, introduction, and passage of this Act are fulfilled and  
14 accomplished.

15 SECTION 3. This Act takes effect immediately if it receives  
16 a vote of two-thirds of all the members elected to each house, as  
17 provided by Section 39, Article III, Texas Constitution. If this  
18 Act does not receive the vote necessary for immediate effect, this  
19 Act takes effect September 1, 2005.

David Dewhurst

President of the Senate

Jim Caddick

Speaker of the House

I certify that H.B. No. 3181 was passed by the House on May 10, 2005, by the following vote: Yeas 147, Nays 0, 2 present, not voting.

Robert Haney

Chief Clerk of the House

I certify that H.B. No. 3181 was passed by the Senate on May 25, 2005, by the following vote: Yeas 31, Nays 0.

Datney Spaw

Secretary of the Senate

APPROVED: 17 JUNE '05

Date

Rick Perry

Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
11:20 AM '05

Roger Williams

Secretary of State

**AGREEMENT  
FOR  
ENGINEERING SERVICES**

MADE AND ENTERED INTO by and between CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY hereinafter called the "Authority", and PATE ENGINEERS, INC., hereinafter called the "Engineer".

**RECITALS**

The Authority owns, operates and maintains a water supply system to serve the area within the Authority. The Authority may from time to time require the services of the Engineer which may be generally categorized as follows:

- A. General engineering consultation regarding the administration, operation, and maintenance of Authority facilities generally provided through attendance and reporting at the regularly scheduled Authority meetings.
- B. Special Assignments which may include a broad variety of services, reports, and studies, including permit renewals, bond issue application reports, water and sewer rate studies, minor facility repairs, surveys, etc.
- C. Construction of new Authority facilities, or extensions or expansions to existing Authority facilities, which are hereinafter referred to individually and collectively as "Construction Project".

**SECTION I**

**EMPLOYMENT OF THE ENGINEER**

The Authority agrees to employ the Engineer and the Engineer agrees to perform professional engineering and surveying services as from time to time specifically authorized by the Authority, and for having rendered such services, the Authority agrees to pay the Engineer compensation as specifically agreed for the proposed services.

## SECTION II

## AUTHORIZATION OF SERVICES

No professional services of any nature shall be undertaken by the Engineer under this Agreement until he has received written authorization from the Authority, or receives verbal authorization in a meeting of the Authority's Board of Directors ("Board"), in which the following elements are specified:

- A. The nature of the particular assignment.
- B. The scope of services to be performed.
- C. The method and amount of compensation for the proposed services.

## SECTION III

CHARACTER AND EXTENT OF SERVICES  
FOR GENERAL ENGINEERING CONSULTATION AND SPECIAL ASSIGNMENTS

This section describes those services which may be categorized as general engineering consultation or special assignments.

## A. GENERAL ENGINEERING CONSULTATION SERVICES

These services, which are generally required more or less regularly, may include one or more of the following as directed by the Board:

1. Attend Authority Board meetings.
2. Present oral or written reports to the board summarizing status of engineering assignments and related engineering issues.
3. Prepare letters of inquiry or response as directed by the Board to landowners, governmental agencies, Authority customers, and others.
4. Perform site visits to investigate specific problems with the Authority's water system, as requested by the Board.
5. Assist the Authority's operator, as required, to troubleshoot operational problems, specify materials or equipment for minor repairs, and to respond to regulatory inspections.
6. Maintain accounting of system capacity commitments.

7. Maintain the Authority's engineering records, including maps, surveys, construction plans and specifications, construction contract documents, engineering reports and exhibits, to be filed at the office of the Engineer.

**B. SPECIAL ASSIGNMENTS SERVICES**

These services, which typically are required from time to time, may include one or more of the following:

1. Preparation of permit applications and associated reports, as required, for water wells and other environmental activities.
2. Preparation of engineering reports to accompany the Authority's application for bond issues, use of surplus funds, escrow releases, or standby fees.
3. Design, bidding, and construction phase services for minor repair and improvement projects not handled by the Authority's operator, such as but not limited to water line repair. The Contractor's responsibility for work quality, contract document conformance, and safety shall be in accordance with Section IV(C) of this agreement. The services performed during construction will generally follow those outlined in Section IV (C) of this agreement.
4. Investigation and recommendations for rehabilitation or replacement of the Authority's existing water distribution system.
5. Analysis and development of water rate schedule.
6. Feasibility studies for the proposed annexation of land, or addition of new participants.
7. Appraisals, valuations, and material audits.
8. Surveying services to prepare easement descriptions, topographic surveys, etc.

The individual authorization required under Section II will define the specific scope of work and method of compensation.

## SECTION IV

### CHARACTER AND EXTENT OF SERVICES FOR CONSTRUCTION PROJECTS

This section shall establish the general character and extent of engineering and surveying services to be provided to the Authority by the Engineer for Construction Projects. The individual authorization required under Section II will define the specific scope of work and method of compensation.

#### A. PRELIMINARY PHASE

1. Attend preliminary conference with the Authority regarding the Construction Project.
2. Prepare a preliminary engineering study and report on the Construction Project in sufficient detail to indicate clearly the problems involved and the alternate solutions available to the Authority to include preliminary layouts, sketches and cost estimates for the Construction Project, and to set forth clearly the Engineer's recommendations. (This preliminary report will cover a specific construction project and is not the Engineer's Report required either for Authority creation and bond election or for subsequent bond issues.)
3. Furnish the Authority five (5) copies of the preliminary layouts, sketches and an engineering opinion of the probable cost of the recommended Construction Project.

#### B. DESIGN PHASE

1. Establish the scope, and advise the Authority, of any soil and foundation investigations or any special surveys or special testing which, in the opinion of the Engineer, may be required for the proper execution of the Construction Project, and arrange with the Authority for the conduct of such investigations and tests by qualified subconsultants.
2. Perform field surveys to collect information which, in the opinion of the Engineer, is required in the design of the Construction Project.
3. Prepare detailed construction plans and technical specifications for the Construction Project authorized by the Authority. These designs shall combine the application of sound engineering principles with a high degree of economy.
4. Submit construction plans for governmental agency reviews and approvals as required for each Construction Project.
5. Prepare an engineering opinion of the probable construction cost shall include summaries of bid items and quantities and will be based, where appropriate, on the

unit price system of bidding. Engineer's opinions (or estimates) of probable construction cost provided under this agreement are to be made on the basis of Engineer's experience and qualifications and represent Engineer's best judgment as an experienced and qualified professional engineer generally familiar with the construction industry. However, since Engineer has no control over the cost of labor, materials, equipment or services furnished by others, or over the contractor's methods of determining prices, or over competitive bidding or market conditions, Engineer cannot and does not guarantee that proposals, bids or actual construction cost will not vary from opinions of probable construction cost prepared by Engineer.

6. Furnish the Authority five (5) copies of approved construction plans, specifications, notices to bidders and proposals.

#### C. CONSTRUCTION PHASE:

1. Prepare bid documents and coordinate the advertisement of the Construction Project for public competitive bids.
2. Assist the Authority in the opening and tabulation of bids for Construction Project, and recommend action to the Authority on the proposals received.
3. Prepare formal contract documents between the Authority and the contractor.
4. Make periodic visits to the site (as distinguished from the services of a Resident Project Representative, or Construction Observer, described in Subparagraph 6 below) to observe the progress and quality of the executed work and to determine in general if the work is proceeding in accordance with the contract documents. In performing this service, the Engineer will not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the work or materials; he will not be responsible for the techniques and sequences of construction or the safety precautions incident thereto; and he will not be responsible or liable in any degree for the contractors' failure to perform the construction work in accordance with the contract documents. During visits to the construction site, and on the basis of the Engineer's on-site observations as an experienced and qualified design professional, he will keep the Authority informed of the extent of the progress of the work, and advise the Authority of material and substantial defects and deficiencies in the work of contractors which are discovered by the Engineer or otherwise brought to the Engineer's attention in the course of construction, and may, on behalf of the Authority, exercise whatever rights the Authority may have to disapprove work and materials as failing to conform to the contract documents.
5. Communicate status of construction progress to Authority, advise Authority of issues known to the Engineer affecting construction quality or schedule, issue instructions to the contractor on behalf of the Authority, and prepare change orders as may be required.

6. Furnish the services of Resident Project Representatives (or Construction Observers), and other field personnel, as required, for on-the-site observation of construction. The authority and duties of such Resident Project Representatives are limited to examining the material furnished and observing the work done, and to reporting their findings to the Engineer. The Engineer will use the usual degree of care and prudent judgment in the selection of competent Resident Project Representatives, and the Engineer will use diligence to see that the Resident Project Representatives are on the job to perform their required duties. It is agreed, however, that the Engineer does not underwrite, guarantee or insure the work done by the contractors, and since it is the contractors' responsibility to perform the work in accordance with the contract documents, the Engineer is not responsible or liable for the contractor's failure to do so, and so long as the Engineer has exercised the usual degree of care, the prudent judgment in selecting Resident Project Representatives and has used diligence to see that they are on the job to perform the work, failure by any Resident Project Representatives or other personnel engaged in on-the-site observation to discover defects or deficiencies in the work of the contractors shall never relieve the contractors liability, or subject the Engineer to any liability, for any such defect or deficiency in materials or workmanship. The contractor is solely responsible for means and methods to be used and the safety of its employees and all other persons on the job site.
7. During the course of performing the services described above in subparagraphs 4 and 6, the Engineer agrees that if he observes and recognizes a condition at the site which constitutes an immediate peril, he will report such condition to the Authority. The contractor is solely responsible for the implementation and monitoring of the job site safety program, and any reporting by the Engineer of observed conditions of immediate peril shall not create a continuing duty to monitor and report on the contractor's means and methods to provide a safe site.
8. Review samples, catalog data, schedules, shop drawings, laboratory, shop and mill tests of material and equipment, and other data which the contractor is required to submit, only for conformance with the design concept of the Construction Project and compliance with the information given by the Contract Documents; and assemble written guarantees which are required by the Contract Documents. Review by the Engineer of shop drawings shall in no way be construed as an approval of the means and methods of construction to be used by the Contractor. The Contractor is solely responsible for means and methods to be used and the safety of its employees and all other persons on the job site.
9. Prepare or review monthly and final estimates for payments to contractors, and obtain for the Authority certifications as to payments to sub-contractors and suppliers.
10. Conduct, on behalf of the Authority, a final inspection of the construction project for conformance with the design concept of the construction project and compliance with

the contract documents, and approve in writing final payment to the contractor.

11. Revise contract drawings, with the assistance of the Resident Project Representatives, if any, to show the work as actually constructed. Furnish a set of prints of these revised drawings to the Authority.

## SECTION V

### PERIOD OF SERVICE

This agreement shall be effective upon execution by the Authority and the Engineer, and shall remain in force until terminated under the provisions hereinafter provided in Section X. Further, this agreement shall be deemed to supersede and replace the prior Agreement for Engineering Services between the parties executed as of September 14, 2005. The Agreement is hereby reached and ??? effective as of the effective date hereof.

## SECTION VI

### COORDINATION WITH THE Authority

The Engineer shall hold periodic conferences with the Authority, or its representatives, to the end that the construction project, as perfected, shall have full benefit of the Authority's experience and knowledge of existing needs and facilities, and be consistent with its current policies and construction standards. To implement this coordination, the Authority shall make available to the Engineer, for use in planning the project, all existing plans, maps, field notes, statistics, computations and other data in its possession relative to existing facilities to the construction project.

## SECTION VII

### THE ENGINEER'S COMPENSATION

For and in consideration of the services to be rendered by the Engineer, the Authority shall pay and the Engineer shall receive the compensation as hereinafter set forth for General Engineering Consultation; Special Assignments; and the Preliminary, Design, and Construction Phases of Construction Projects. All remittances by Authority of such compensation shall either be mailed or delivered to Engineer's office in City of Houston, Texas within thirty (30) days of invoice date.

Should the Authority fail to make payment to the Engineer of the sum named in the partial or final statement when payment is past due by more than thirty days, then the Authority shall pay the Engineer, in addition to the sum shown as due by such statement, interest thereon at the rate of prime rate plus one (1) percentage point per annum from the date due, as provided herein, until fully paid, which shall fully liquidate any injury to the Engineer arising from such delay in payment, but the

right is expressly reserved to the Engineer in event payments are not promptly made as provided herein, at any time thereafter to treat the Agreement as terminated by the Authority and recover compensation as provided by Section X of this Agreement. Notwithstanding anything to the contrary herein, the Engineer understands that all or a portion of the funds for the payment of engineering fees will be taken from the proceeds of bonds approved, issued and sold by the Authority. The Engineer agrees that no statement for services shall become past due until the Authority has either sold bonds specifically designated for the billed services and has received the bond funds therefor, or has made other arrangements for funding to pay the Engineer.

#### A. GENERAL ENGINEERING CONSULTATION SERVICES

The Engineer's compensation for General Engineering Consultation Services will be established on a time and materials basis. Such services will be billed monthly at the then current actual labor cost of individual firm members times a multiplier of 2.3. "Labor cost" is defined as the cost of salaries paid to the Engineer's personnel for time directly chargeable to the project, plus associated salary costs including social security (FICA) contributions, federal unemployment insurance, state unemployment insurance, workman's compensation insurance, and medical insurance benefits. Exhibit "A" provides the typical range of hourly engineering fees for various staff categories, which may be adjusted annually based on current salary structure. Surveying services will be billed monthly based on the firm's surveying billing rate schedule provided as Exhibit "B", which may be adjusted annually based on current salary structure. A notice of increase will be provided to the Authority. In addition, reimbursement for certain direct non-labor expenses (including but not limited to reproduction, deliveries, and governmental agency fees) and subcontract services and expenses will be billed monthly at the Engineer's cost.

#### B. SPECIAL ASSIGNMENT SERVICES

The Engineer's compensation for Special Assignment Services may be established on either a time and materials basis (as defined in Section VII.A.), or on a fixed fee basis (conditioned on a well defined, mutually agreed scope of work); at the time the Authority authorizes the Engineer to perform the assignment. For a fixed fee basis, services will be billed monthly based on the percent completion of the scope of work as evidenced by monthly statements submitted by the Engineer. In addition to the fixed fee for professional services, certain out-of-pocket expenses, including but not limited to reproduction, deliveries, and government agencies fees, will be billed at the Engineer's cost.

#### C. CONSTRUCTION PROJECT SERVICES

The Engineer's compensation for the Preliminary Phase of a Construction Project shall be established on a time and materials basis (as defined in Section VII.A.) or a fixed fee basis (as defined in Section VII.B.), to be determined by mutual agreement at the time the Authority authorizes the Engineer to perform the assignment. The

Engineer's compensation for the Design and Construction Phases of a Construction Project shall be established on a time and materials basis (as defined in Section VII.A), fixed fee basis (defined in Section VII.B), or a percent of construction cost basis ("Basic Charge" as defined below), to be determined by mutual agreement at the time the Authority authorizes the Engineer to perform the assignment.

The remainder of this section describes in detail the percent of construction cost basis of compensation. The term Basic Charge applies solely to this method of compensation, and is equal to the compensation amount derived by multiplying the "construction cost", which is defined below, by a certain "percentage of construction" which is specified by Exhibit "C".

"Construction Cost" is defined as the total cost to the Authority for the execution of the work authorized in Section II, excluding fees or other costs for engineering and legal services, the cost of land, rights-of-way, legal and administrative expenses; but including the direct cost to the Authority of the construction contract, items of construction, including labor, materials and equipment required for the completed work (including change orders and extra work items) and the total value at site of the Construction Project of all labor, materials and equipment purchased or furnished directly by the Authority for the Construction Project. No reduction shall be made from the Basic Charge on account of penalties or liquidated damages or other sums withheld from Contractor's payments. The "Construction Cost" is defined separately for each individual construction contract for which bids are to be received.

In the event that proposals for construction of any of the work authorized in the Design Phase are received within 90 days after submission of completed contract drawings and specifications to the Authority by the Engineer, the charge for corresponding services in the Design and Preliminary Phases shall be subject to the following fees:

Phase I – Final Design	The fee obtained by multiplying the Fee percentage x .85 by the Construction Cost, but never less than the Basic Charge x .85 x .95 nor greater than the Basic Charge x .85 x 1.05.
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Phase III – Construction Services	The fee obtained by multiplying the Basic Charge percentage x .15 by the Construction Cost, but never less than the Basic Charge x .15 x .95 nor greater than the Basic Charge x .15 x 1.05.
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Where no proposal or bona fide bids are received, the Engineer's estimate of Construction Cost shall be the basis for final payment for these two phases.

## 1. DESIGN PHASE

Payment for services in the Design Phase shall be made to the Engineer in a sum equal to 85 percent of the Basic Charge, which Basic Charge is defined by Exhibit "C". The classification of the construction work (Curve A or B) for the purpose of applying the Basic Charge is that defined in Exhibit "C".

Partial payment for services in the Design Phase shall be made monthly in proportion to that part of the services in the Design Phase which has been accomplished, as evidenced by monthly statements submitted by the Engineer to the Authority. Final payment for services authorized in the Design Phase shall be due upon the completion of these services.

## 2. CONSTRUCTION PHASE

Payment for services in the Construction Phase shall be made to the Engineer in a sum equal to 15 percent of the Basic Charge, which Basic Charge is defined by Exhibit "C". The classification of the construction work (Curve A or B) for the purpose of applying the Basic Charge is that defined in Exhibit "C".

This sum will be paid in monthly installments in proportion to the construction work completed, on the basis of the Engineer's estimates prepared for monthly payments to contractors, plus the actual value of all materials and equipment purchased or furnished directly by the Authority for the Construction Project. Upon completion of all work authorized in the Construction Phase, the Engineer will be paid the remainder of the charge for this Phase.

## 3. ADDITIONAL SERVICES NOT INCLUDED IN BASIC CHARGE

This subsection covers compensation for those engineering and surveying services often required for a Construction Project which are not included in the Basic Charge for Design and Construction Phases as defined above. The Engineer's compensation for additional services will be established on a time and materials basis as defined in Section VII.A. These services, upon agreement between the Authority and the Engineer, may also be performed on a fixed fee basis.

These Additional Services may include:

- a. Services of a Resident Project Representative and other field personnel as required for on-the-site observation of construction.
- b. Field surveys to collect information required for design and to establish construction controls.

- c. Land surveys and establishment of boundaries and monuments.
- d. Preparation of property or easement descriptions.
- e. Soil and foundation investigations, including test borings, soil tests, materials testing during construction, and analyses of test results.
- f. Preparation of applications and supporting documents for government grants or planning advances for public works projects.
- g. Preparation of local, state and federal permit applications and supporting documents for permits in connection with environmental laws.
- h. Appearances before regulatory agencies. Services required for routing of plans and specifications for local, state and federal agencies.
- i. Material audits or inventories required for certification of force account construction performed by the Authority.
- j. Detailed mill, shop and/or laboratory inspection of materials or equipment.
- k. Preparation of as-built drawings as required by the County Engineer's Office or desired by the Authority.
- l. Assistance to the Authority as an expert witness in any litigation with third parties, arising from development or construction of the project.
- m. Extra travel required of the Engineer and authorized by the Authority from Houston to points other than Harris County in connection with the project.
- n. Additional copies of reports, contracts, and specifications (over 5) and additional blue print copies of drawings (over 5).

Payments to the Engineer for Additional Services will be billed monthly and are payable monthly.

## SECTION VIII

### REVISION OF DRAWINGS AND SPECIFICATIONS

The Engineer will make, without expense to the Authority, such revisions of the preliminary drawings as may be required to meet the needs of the Authority, but after a definite plan has been approved by the Authority, if a decision is subsequently made by the Authority which, for its proper

execution, involves extra services and expenses for changes in, or additions to, the drawings, specifications or other documents, or if the Engineer is put to labor or expense by delays imposed on him from causes not within his control, such as by (but not limited to) the readvertisement of bids or by the delinquency or insolvency of contractors, the Engineer shall be compensated for such extra services and expense, which services and expense shall not be considered as covered by either the Basic Charge as defined above or by a fixed fee. Compensation for such extra services shall be made on a time and materials basis as defined in Section VII.A, or fixed fee basis, and reimbursement for certain non-labor expenses and subcontract expenses at Engineer's cost. The basis for fee determination shall be identified in writing, prior to commencement of such services by the Engineer.

## SECTION IX

### OWNERSHIP OF INSTRUMENTS OF SERVICE

The reports, plans, specifications, field data, field notes, laboratory test data, calculations, estimates and other similar documents prepared by the Engineer pursuant to this Agreement shall be the property of the Authority. The Authority recognizes that no such documents should be subject to unauthorized re-use, that is, re-use without written authorization of the Engineer to do so. Such authorization is essential because it requires the Engineer to evaluate the documents' applicability to new circumstances, not the least of which is passage of time. To the extent permitted by applicable law, the Authority agrees to waive any claim against the Engineer and defend, indemnify and hold the Engineer harmless from any claim or liability for injury or loss allegedly arising from unauthorized re-use of the said documents.

The Engineer agrees to maintain all Authority records in accordance with the requirements of the Texas Local Government Records Act and all rules, regulations, policies, and retention schedules adopted thereunder.

## SECTION X

### TERMINATION

Either party to this Agreement may terminate the Agreement by giving to the other thirty days notice in writing. Upon delivery of such notice by the Authority to the Engineer, and upon expiration of the thirty-day period, the Engineer shall discontinue all services in connection with the performance of this Agreement and shall proceed to cancel promptly all existing orders and contracts insofar as such orders or contracts are chargeable to this Agreement. As soon as practicable after receipt of notice of termination, the Engineer shall submit a statement showing in detail the services performed under this Agreement to the date of termination. The Authority shall then pay the Engineer promptly that proportion of the prescribed charges which the services actually performed under this Agreement bear to the total services called for under this Agreement, less such payments on account of the charges as have been previously made. All completed or partially completed designs, plans and

specifications prepared and paid for by the Authority under this Agreement and all other records of the Authority retained in Engineer's office pursuant to Section IX shall be delivered to the Authority when and if this Agreement is terminated, but subject to the restrictions, as to their use, as set forth in Section IX.

## SECTION XI

### INSURANCE

Engineer assumes all risks, hazards and liabilities encountered in the performance of this Agreement. Engineer agrees to maintain Workers' Compensation Insurance to cover all of its own personnel engaged in performing services for Authority under this Agreement. Furthermore, Engineer agrees to maintain Professional Liability, Comprehensive General Liability and Comprehensive Automobile Liability Insurance each in an amount not less than \$500,000. Authority shall be named as additional insured on General and Automobile liability policies, and the insurance carrier shall provide Authority with thirty (30) days advance written notice of any change, cancellation or termination of coverage. Engineer shall provide Authority current certificates evidencing such insurance.

## SECTION XII

### LIABILITY LIMITATION

- A. The Engineer agrees to carry out and perform the services herein agreed to in a professional and competent manner. The Authority agrees that the Engineer shall not be liable for error, omission, or breach of warranty (either expressed or implied) in his preparation of designs and drawings, preparation of surveys, designation and selection of materials and equipment for the project, or the performance of any other services in connection with any assignment for which specific authorization is given by the Authority pursuant to this Agreement, except to the extent that he fails to exercise the usual degree of care and judgment of an ordinarily prudent Engineer in the same or similar circumstances and conditions.
- B. ENGINEER SHALL INDEMNIFY AND HOLD HARMLESS AUTHORITY FROM LOSS, COST, EXPENSE, OR LIABILITY THAT THE AUTHORITY MAY INCUR OR SUFFER AS A RESULT OF ANY INFRINGEMENT INCURRED BY A DECISION MADE SOLELY BY THE ENGINEER OF THE PATENT OR COPYRIGHT LAWS OF THE UNITED STATES OR OTHER COUNTRY FOR WHICH THE AUTHORITY IS HELD LIABLE.
- C. ENGINEER SHALL PROTECT, INDEMNIFY AND SAVE AUTHORITY HARMLESS FROM AND AGAINST ALL CLAIMS, LOSSES, DAMAGES, CAUSES OF ACTION, SUITS AND LIABILITY OF ANY KIND AND CHARACTER INCLUDING ALL EXPENSES OF LITIGATION, COURT COSTS AND REASONABLE ATTORNEYS'

FEES ON ACCOUNT OF INJURIES OR DAMAGES TO ANY PERSON OR PROPERTY IN ANY WAY ARISING OUT OR RELATING TO THE WORK UNDER THIS AGREEMENT TO THE EXTENT OR DEGREE ON A COMPARATIVE BASIS OF FAULT CAUSED BY OR RESULTING FROM THE INTENTIONAL, WILLFUL OR NEGLIGENT ACTS OR OMISSIONS BY ENGINEER, ANYONE DIRECTLY OR INDIRECTLY EMPLOYED BY ENGINEER OR ANYONE FOR WHOSE ACTS ENGINEER MAY BE LIABLE.

SECTION XIII

SEVERABILITY

Any provision or part of the Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon Authority and Engineer, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

SECTION XIV

AMENDMENTS, CONSTRUCTION, ASSIGNMENT

The Agreement may be amended only in writing executed by both parties. This Agreement shall be construed in accordance with the laws of the State of Texas and shall not be assigned by either party without the prior written consent of the other.

EXECUTED in three (3) counterparts (each of which is an original) on behalf of Engineer by its President or Vice-President shown below and on behalf of the Authority by its President (thereunto duly authorized) on this 2nd day of July, 2008.

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Attest:

Judge Caston  
Secretary, Board of Directors

Raymond L. Cox  
President, Board of Directors

**PATE ENGINEERS, INC.**

Attest:

Both S. Sibilin  
Assistant Secretary

JAE Ross  
Senior Vice President

(CORPORATE SEAL)

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**ATTACHMENT A  
PATE ENGINEERS, INC.**

**CONDITIONS FOR ENGINEERING SERVICES  
ON TIME AND MATERIALS BASIS**

For and in consideration of the services to be rendered by the Engineer, the Owner shall pay, and the Engineer shall receive the compensation on a time and materials basis hereinafter set forth. Engineer will invoice Client for services performed on a monthly basis.

Services performed on a time and materials basis would be based on the actual hourly salary cost rates for members of our staff times a multiplier of 2.3. The following is a list of typical hourly salary cost rates for various staff categories:

<u>Staff Category</u>	<u>Typical Salary Cost</u>	<u>Multiplier</u>	<u>Typical Rate</u>
Principal .....	\$91.00	per hour x 2.3	\$209.30
Senior Project Manager .....	\$83.00	per hour x 2.3	\$190.90
Project Manager .....	\$61.00	per hour x 2.3	\$140.30
Design Manager .....	\$76.00	per hour x 2.3	\$174.80
Project Engineer .....	\$53.00	per hour x 2.3	\$121.90
Design Engineer .....	\$44.00	per hour x 2.3	\$101.20
Senior Designer .....	\$63.00	per hour x 2.3	\$144.90
GIS Technician .....	\$41.00	per hour x 2.3	\$94.30
CADD Technician .....	\$36.00	per hour x 2.3	\$82.80
Construction Manager .....	\$48.00	per hour x 2.3	\$110.40
Construction Observer .....	\$34.00	per hour x 2.3	\$78.20
Administrative .....	\$30.00	per hour x 2.3	\$69.00

# **PATE SURVEYORS**

a division of Pate Engineers, Inc.

## **SURVEY BILLING RATE SCHEDULE**

(EFFECTIVE APRIL 1, 2008)

Survey Manager .....	\$ 120.00
Registered Professional Land Surveyor .....	\$ 100.00
Survey Coordinator .....	\$ 85.00
Survey Technician .....	\$ 65.00
Clerical .....	\$ 45.00
Conventional Survey Crew .....	\$120.00
GPS (Global Positioning System) Crew .....	\$150.00
Robotic Station Crew .....	\$150.00

**Survey Crew rates are inclusive of all normal material, equipment, and vehicle costs, and are billed "portal to portal". Overtime rates, when required and approved by Client, would be invoiced at 1.50 times the listed rates. Expenses for hourly per diems, hotel expenses, substantial or special materials and/or services or expenses required for specific projects, (e.g. delivery charges, reproduction costs, special property identification markers, specialized vehicle and equipment rentals, subcontracted labor and equipment for clearing, charges by public and private utilities for pipeline probing, subcontracted services by abstracting and/or title companies) will be billed at cost. Certain Surveying Services are subject to State and Local Sales Taxes which will be included on the invoice, in addition to normal billing rates and service charges.**

\*\*\*\*\*

SERVICES PROVIDED BY PATE SURVEYORS WILL COMPLY WITH THE RULES AND  
REGULATIONS OF  
THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING  
ANY COMPLAINTS, NOT SATISFIED BY THIS FIRM, SHOULD BE DIRECTED TO:  
THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING  
12100 PARK 35 CIRCLE, BLDG. A, SUITE 156, MC-230,  
AUSTIN, TEXAS 78753

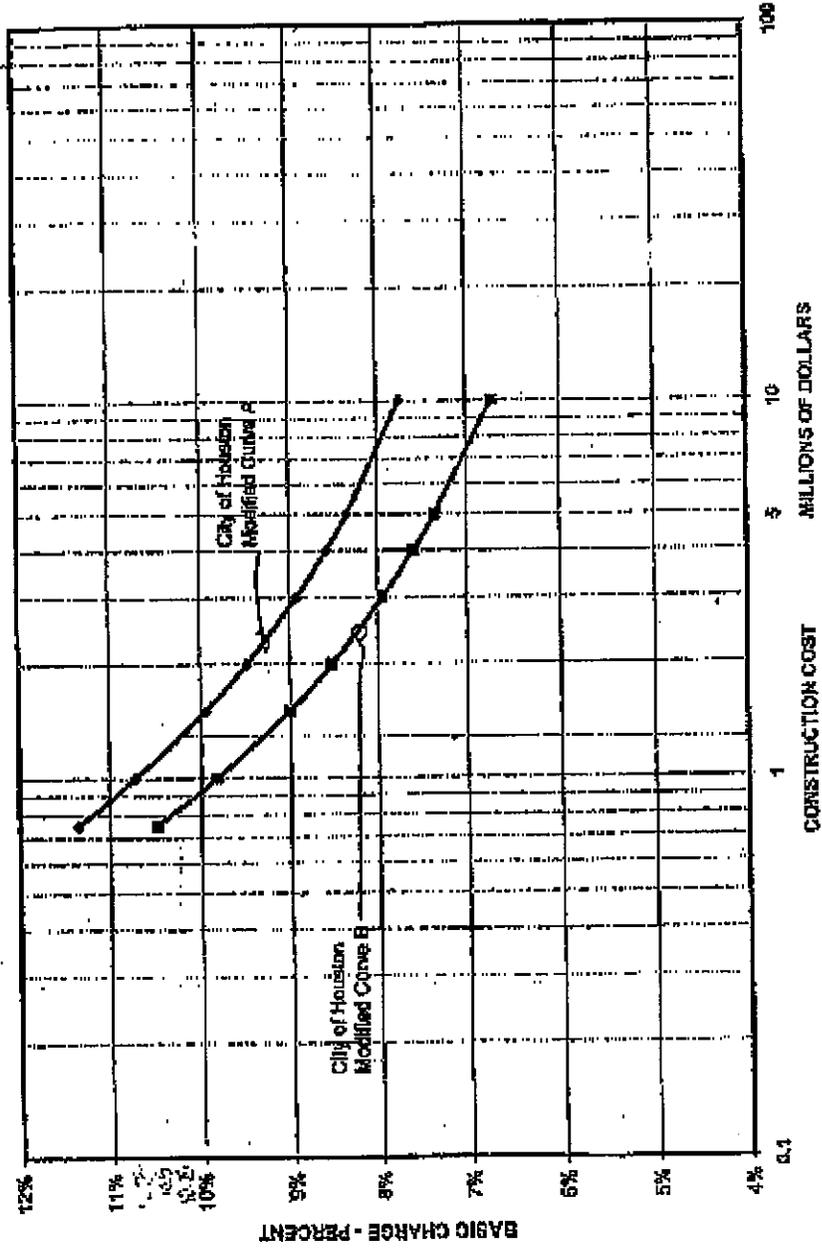
EXHIBIT "C"

DEPARTMENT OF PUBLIC WORKS AND ENGINEERING

Curves of Median Compensation  
Curves A and B

*John C. Vanden Bosch, P.E.*  
John C. Vanden Bosch, P.E.  
Director

*Shawn Nandjiri, P.E.*  
Shawn Nandjiri, P.E.  
Deputy Director



AGREEMENT FOR LEGAL SERVICES

This AGREEMENT FOR LEGAL SERVICES (hereinafter called the "Agreement") made and entered into this 14<sup>th</sup> day of September, 2005, by and between the Central Harris County Regional Water Authority (hereinafter called "the Authority") and Schwartz, Page & Harding, L.L.P., of Houston, Texas (hereinafter called "Firm").

WITNESSETH:

Whereas, the Authority is desirous of obtaining legal services in connection with matters requiring general legal representation and in connection with the issuance of bonds in order to finance utility improvements for the Authority.

Whereas, the Firm is willing to provide such services in a proper, efficient and professional manner.

AGREEMENT:

Now, therefore, in consideration of the promises and other good and valuable consideration and of the mutual benefits and covenants hereinafter expressed, the Authority and the Firm agree as follows:

The Authority and Firm agree that the Firm has previously handled the creation of the Authority.

The Authority hereby also employs the Firm to prepare all legal documentation necessary to obtain the approvals of the Attorney General of the State of Texas of all future bonds of the Authority (hereinafter called "Bonds") and the registration thereof by the Comptroller of Public Accounts of the State of Texas.

The Firm will perform services as bond counsel in connection with the approval, issuance and sale of Bonds to be issued by the Authority in order to provide utility improvements in accordance with the purposes for which the Authority was created ("New Money Bonds") and Bonds to be issued to refinance, redeem and/or defease previously issued Bonds ("Refunding Bonds"). The Firm's services as bond counsel will include the preparation and review of legal notices, resolutions and orders for adoption by the Board of Directors of the Authority (hereinafter called the "Board"), instruments required to obtain approvals of the TCEQ, if necessary, and the Attorney General of the State of Texas, and issuance of the Bonds and registration thereof with the Comptroller of Public Accounts of the State of Texas. In addition, in the Firm's capacity as bond counsel, the Firm will review a transcript of certified proceedings pertaining to the Bonds, which the Firm will help to prepare, and the Firm will render its opinion that the Bonds are valid and binding obligations of the Authority. With

respect to New Money Bonds, the Firm will also render its opinion that the interest on the New Money Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions. It is understood and agreed that the Authority will engage Special Tax Counsel in connection with the issuance of Refunding Bonds to render the opinion that the interest on the Refunding Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions, the fee for which will be paid out of or as a part of the Firm's fee for Refunding Bonds set forth below.

The Firm understands that the Authority has employed a recognized investment banking firm to serve as financial advisor to the Authority and that said firm will be responsible for advising the Authority concerning the sale of the Bonds and will assist the Authority in the preparation of an Official Notice of Sale and an Official Statement (the "Offering Documents") in connection with each issue of the Bonds offered for sale to the public.

In the Firm's capacity as bond counsel, the Firm will review those portions of the Offering Documents which describe the Authority's legal authority for issuance of the Bonds, tax procedures and other legal matters to determine whether such information fairly summarizes relevant provisions of Texas law and the documents referred to therein. The Firm will not, however, undertake to independently verify any of the factual information contained in the Offering Documents, nor will the Firm conduct any investigation of the affairs of the Authority for the purpose of passing on the accuracy or completeness of the Offering Documents. Since the Firm's role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing the Firm's services as outlined above and stating that the Firm's limited participation may not be relied upon as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained therein.

The Firm will not be responsible for advising the Authority concerning the provisions of the various securities laws, including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, the rules of the Securities and Exchange Commission relative to disclosure (including continuing disclosure), and the securities laws of the various states in which the Bonds may be sold. The Firm understands that the Authority has employed or will employ a firm recognized in the area of securities law to provide said advice.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of New Money Bonds, the Authority shall pay the Firm, from each issue or installment of the New Money Bonds, the following amounts:

1. Two and one half percent (2- $\frac{1}{2}$ %) of the par value of the first \$5,000,000 in principal amount of the New Money Bonds;
2. Two percent (2%) of the par value of the principal amount of the New Money Bonds in excess of \$5,000,000 of New Money Bonds up to \$10,000 of New Money Bonds;
3. One and one half percent (1- $\frac{1}{2}$ %) of the par value of the principal amount of the New Money Bonds in excess of \$10,000,000 of New Money Bonds up to \$20,000,000 in New Money Bonds; and
4. One percent (1%) of the par value of the principal amount of the New Money Bonds in excess of \$20,000,000 of New Money Bonds.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of Refunding Bonds and the services of Special Tax Counsel engaged as set forth above and unless otherwise specifically agreed in writing, the Authority shall pay the Firm and Special Tax Counsel, from each issue or installment of the Refunding Bonds one percent (1%) of the par value of the Refunding Bonds, but not less than \$35,000.

The fees for each series of Bonds, as expressed above, shall be due and payable upon the registration thereof by the Comptroller of Public Accounts of the State of Texas. The fees provided for above with respect to bond counsel services shall not include any litigation in which the Authority may be involved nor any services except those specifically set forth above.

If the area of the Authority is reduced or enlarged, this Agreement shall be applicable to the new area the same as to the original area. In case of the addition or annexation of lands to the Authority, the Firm shall perform in connection with such lands all bond counsel services as herein above provided for the original area and shall be paid therefor in accordance with the fees provided above; but such fees shall not include the services for adding or annexing the land to the Authority nor the services for any election held in connection with an addition or annexation. Neither shall the fees above include the services for the exclusion of land from the Authority or any election held in connection therewith.

The Firm, in addition to the bond counsel services described above, and upon request by the Board, shall perform general legal representation for the Authority including services such as contract negotiation and preparation, application for permits, the calling and holding of elections, the negotiation and preparation of documentation for additions or annexations and exclusions of

property, and the preparation of orders and resolutions for adoption by the Board. A representative of the Firm shall also, upon request by the Board, call and attend meetings of the Board, prepare the minutes thereof, and maintain the files and records of the Authority. The Firm shall, upon request by the Board, assist a firm of recognized litigation attorneys engaged by the Authority in connection with any litigation affecting the Authority.

The Firm's fees for general legal representation shall be based on the Firm's established hourly rates and shall be payable upon the presentation of invoices by the Firm. The Authority shall pay the Firm for expenses, including travel, telephone, telefax, secretarial overtime and copying expenses, and all other items and expenses incurred or paid by the Firm on behalf of the Authority.

In light of technological advancements and the corresponding demands of clients, it is the practice of the Firm to use electronic (e-mail) correspondence from time to time to communicate and to transmit documents. The possibility exists that electronic transmissions could be intercepted or otherwise received by third parties and lose their privileged nature if the method of communication is ruled to lack sufficient confidentiality. As with any correspondence regarding legal representation, regardless of the manner of transmission, we urge you to use caution in its dissemination in order to protect its confidentiality. By signing below, you agree that the Firm may use e-mail in the scope of our representation of you.

Nothing herein shall be construed to impose any personal liability on any officer or director of the Authority.

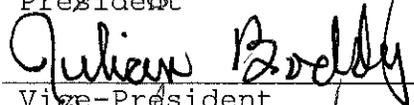
This Agreement may be terminated by either party hereto at any time; however, the Firm shall be compensated for services and expenses through the date of such termination on the same basis for which the Firm is entitled to compensation pursuant to an annexation by a city or other political subdivision as hereinabove set forth.

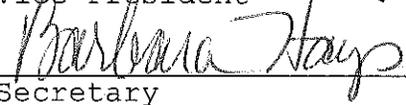
This Agreement may be executed in multiple counterparts, any one of which shall be deemed to be an original, but all of which taken together shall constitute but one Agreement, and the signature pages of which may be removed and aggregated to form one single Agreement reflecting execution by both parties.

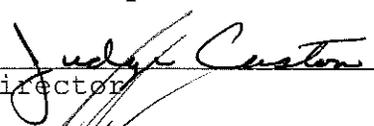
In witness whereof, the members of at least a quorum of the Board of Directors of the Authority, being authorized to do so, have executed this Agreement on behalf of the Authority, and the Firm has executed said Agreement on the date first above written.

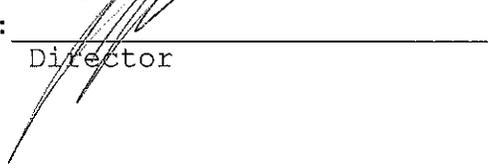
CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By:   
President

By:   
Vice-President

By:   
Secretary

By:   
Director

By:   
Director

SCHWARTZ, PAGE & HARDING, L.L.P.

By: Abraham Rubinsky  
Abraham I. Rubinsky



Galleria Financial Center ■ 5075 Westheimer, Suite 1175 ■ Houston, Texas 77056-5606

September 14, 2005

Central Harris County Regional Water Authority  
Board of Directors  
Harris County, TX

Dear Board Members:

The purpose of this letter is to serve as a Financial Advisory Agreement (the "Agreement") between the Central Harris County Regional Water Authority (the "Authority") and the GMS Group, L.L.C. ("GMS").

GMS proposes to serve as the Financial Advisor to the Authority and to work with the Authority on a project by project basis. We will work on projects/assignments that the Authority's Board wishes us to work on from time to time. GMS will work on projects only after receiving direction from the Authority's Board. GMS will not just "go-off" and work on a project/assignment unless asked to do so by the Authority.

GMS will be paid a fee of \$135.00 per hour for the work performed. GMS will not charge additional fees for work that is performed as a part of any bond/note transaction, private placement transaction, or bank loan transaction.

Any amounts invoiced by GMS to the Authority will be paid only if the Board is happy with the work performed by GMS. Invoices will specifically identify the time that was spent on each project/assignment so the Board members can easily review the charges for work performed. If the Board is not happy with the work performed, then no amount will be owed to GMS for such work.

GMS will work exclusively in an advisory capacity to the Authority and not put ourselves in a position where there might be a potential conflict of interest. This means that we: (i) will not ask to serve as an Underwriter on negotiated transactions with the Authority; and (ii) will only submit a bid for bonds sold at a public sale with the explicit permission of the Board of Directors at the time of the bond sale.

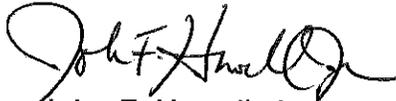
Either party may terminate this Agreement at any time without cause by giving the other party 7 days written notice. Upon notice of termination, GMS will complete any work that it is currently in the process of providing for the Authority's Board at the Authority's request. Upon termination, the Authority will pay the amounts owed to GMS for the work performed.

Page 2

If this Agreement is acceptable to the Board, then just let me know; I am prepared to begin working for you.

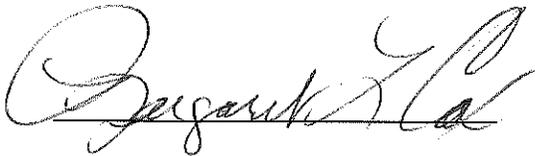
If I can answer any questions that you may have, please do not hesitate to call me at (713) 626-3552.

Sincerely yours,



John F. Howell, Jr.  
Senior Vice President

Agreed and Accepted:



Director, Central Harris County Regional Water Authority

Date Signed: 9-14-05



Director, Central Harris County Regional Water Authority

Date Signed: 9-14-05

**A CONTRACT FOR BOOKKEEPING SERVICES****STATE OF TEXAS****COUNTY OF HARRIS**

This Service Contract is made as of the 5 day of July, 2006 by and between the **CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the Authority)** and **F. MATUSKA, INC. (the Bookkeeper)** in consideration of the mutual covenants and agreements herein contained.

**I. Basic Services**

Beginning on August 1, 2006 Bookkeeper shall render the following services to the Authority:

1. Prepare and present, for Board approval, a monthly report showing cash receipts and disbursements activity within the general, debt service, and capital projects funds. Also included, will be a statement of revenues and expenditures for the general fund. This report will be presented at the Authority's regular meeting together with all checks and related invoices.
2. Maintain all journals and ledgers pertaining to the District's General, Debt Service, Capital Projects, and General Long Term Debt Funds in accordance with generally accepted accounting procedures and the Texas Commission on Environmental Quality's Water District Accounting Manual, 2004.
3. Maintain all journals and ledgers of the Authority in such a manner that excessive auditing procedures or adjustments by the District's auditor are not required.
4. Deposit Authority funds in the appropriate account on a timely basis.
5. Maintain necessary bank accounts, savings accounts and other accounts as may be necessary and authorized, and reconcile such accounts on a monthly basis for the general, debt service, and capital projects funds.
6. The Bookkeeper will provide continuing verification that securities are provided for Authority funds in accordance with State Law.

7. Complete posting and close all journals and ledgers within 45 days following the end of the District's fiscal year.
8. Use the best efforts to comply with recommendations contained in the Auditor's Annual Management Letter to the Board of Directors.
9. Attend one regular meeting of the Board of Directors per month. For meetings beginning at, or continuing beyond 5:00PM or later the District shall pay Bookkeeper Fifty Dollars (\$50) in addition to any other compensation.
10. Process Directors' monthly payroll and file Form 941 quarterly reports on a timely basis.
11. Prepare annual budget for the General Fund.

## **II. Compensation**

The Authority shall pay to the Bookkeeper as compensation for the above enumerated services the sum of \$725.00 per month. In addition to the services specifically named above, the Bookkeeper will provide the Authority with such additional bookkeeping services as its Board of Directors may require as being conducive to sound management. Such additional services will be billed at the rate of \$60.00 per hour and may include, but are not limited to, attendance at more than one meeting per month, meetings for more than one hour, special reports, funds handling resulting from the sale of Bonds or Bond Anticipation Notes, comparisons of Capital Projects Fund expenditures with the costs summary approved by the Commission, preparation of audit schedules and workpapers, quarterly investment reports, annual filing with state and federal agencies, and annual payroll filings.

If Bookkeeper is appointed as Investment Officer, in accordance with the Authority's Investment Policy, the Bookkeeper will receive as compensation \$50.00 per month.

Authority shall pay bookkeeper for all out-of-pocket expenses reasonably and necessarily incurred by Bookkeeper in the performance of services described herein, including, but not limited to, document reproduction, postage, long-distance telephone calls, ledger binders and file folders, records storage, parking, tolls, and automobile travel to and from Authority meetings at the rate per mile allowed by the Internal Revenue Service.

**III. Public Employees Blanket Bond**

The Bookkeeper shall provide a public employees blanket bond, in an amount the Authority determines appropriate, within ten (10) days of execution of this Agreement. The cost of such bond shall be borne by the Authority.

**IV. Timely Invoicing**

The Authority shall instruct all contractors, vendors and service representatives of the Authority to submit all bills and invoices to the Bookkeeper at least seven (7) business days prior to any scheduled regular meeting of the Board of Directors. It is understood that any bill or invoice submitted subsequent to the said seven (7) day period shall be paid, if possible, at said meeting, but will not necessarily be reflected on the reports.

**V. Terms and Cancellation**

The terms of this Contract shall be for a period of one (1) year from its effective date and will be automatically renewed thereafter from year to year, pursuant to the terms and conditions of this Contract, unless the Contract is terminated as hereinafter provided or modified or replaced by written Contract between the parties hereto.

This Contract may be terminated by either party without cause at any time upon submission of thirty (30) days written notice.

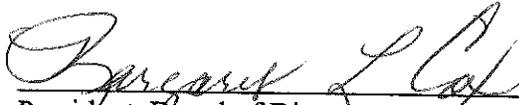
All journals and ledgers maintained by the Bookkeeper pursuant to this Contract shall be the property of the Authority, and in the event of cancellation of this Contract shall be returned to the Authority.

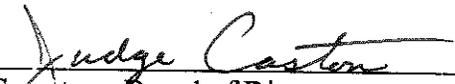
**VI. Miscellaneous**

No alterations or modifications of this Contract shall be made except by a writing duly signed by both parties hereto.

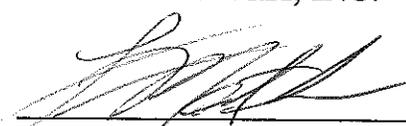
This contract has been executed in multiple copies and is effective as of the date shown above by the duly authorized officers of the parties hereto.

**FOR THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:   
\_\_\_\_\_  
Secretary, Board of Directors

**FOR F. MATUSKA, INC.**

  
\_\_\_\_\_  
Fran Matuska, President

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority") is a body politic and corporate and a governmental agency of the State of Texas, created and operating pursuant to special act of the 79th Texas Legislature as codified at Chapter 8815 of the Texas Special District Local Laws Code (the "Code"), and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Section 8815.101 of the Code authorizes the Authority to: (1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District; (2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; (3) enter into contracts with persons inside or outside the Authority on terms and conditions the Board considers desirable, fair, and advantageous for the performance of its rights, powers, and authority; (4) coordinate water services provided inside, outside, or into the Authority; and (5) generally administer and enforce the foregoing; and

WHEREAS, in connection with the foregoing, the Authority (as successor to the Central Harris County Water Users Consortium) has entered into certain contractual arrangements with the City of Houston, Texas (the "City"), relative to the purchase of surface water by the Authority from the City; and

WHEREAS, the Authority will enter into certain contractual arrangements with the City and the North Harris County Regional Water Authority ("NHCRWA") relative to the financing, design, construction, operation and maintenance of certain transmission facilities necessary for the Authority to receive surface water from the City; and

WHEREAS, pursuant to Section 8815.110 of the Code, the Authority has determined that it is necessary and appropriate to proceed with the design and construction of certain surface water transmission facilities necessary and convenient to accomplish the purposes of the Authority, including the funding of certain obligations under the proposed contract with the City and the NHCRWA (the "Project"); and

WHEREAS, Section 8815.151 of the Code authorizes the Authority to finance the Project through the issuance of bonds or notes payable solely from revenue received by the Authority from any source, including but not limited to revenues received pursuant to that certain Rate Order heretofore duly adopted by the Authority; and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (the "Board") for financial assistance through the State Water Implementation Fund for Texas (the "SWIFT") in order to assist the Authority with the financing and construction of the Project; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially approves the filing of one or more applications for financial assistance from the SWIFT, through a contractual loan agreement, the purchase of the Authority's revenue bonds to be issued in one or several series, and/or such other means or requirements as may be applicable in connection with the SWIFT to facilitate the financing, design and construction of the Project (also referred to as PIF No. 11031) in an amount not to exceed \$9,460,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority and all other agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance. The Authority's engineers in connection with such application, IDS Engineering Group, Inc., Houston, Texas, and the Authority's professional financial advisors in connection with such application, The GMS Group, L.L.C., Houston, Texas, and the Authority's general and bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 3: The Authority's engineers, financial advisors, and counsel, as set forth above, are hereby officially designated as the Authority's authorized representatives for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 4: All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

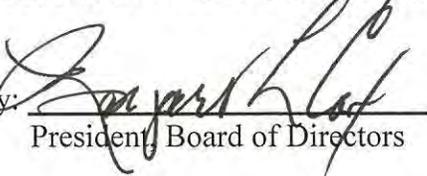
Section 5: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board.

Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

PASSED AND APPROVED this 6th day of May, 2015.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By:   
President, Board of Directors

ATTEST:

By:   
Secretary, Board of Directors

375614

AFFIDAVIT

STATE OF TEXAS                   §  
  §  
COUNTY OF HARRIS               §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Margaret L. Cox, who upon her oath did depose and say as follows:

"1. My name is Margaret L. Cox, and I am the President of the Board of Directors of the Central Harris County Regional Water Authority.

"2. In such capacity, I am familiar with the actions and proceedings of the Board of Directors of the Central Harris County Regional Water Authority and with the applications by the Central Harris County Regional Water Authority to the Texas Water Development Board for financial assistance in an aggregate amount not to exceed \$41,630,000 for financing the costs of design and construction and such other aspects of the 'Project' as may be presented in the Authority's applications for financial assistance to the Texas Water Development Board.

"3. I hereby certify that to the best of my knowledge and belief:

(a) the Central Harris County Regional Water Authority has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government; and

(b) the Central Harris County Regional Water Authority will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the Texas Water Development Board.

"4. That all meetings of the Board of Directors of the Central Harris County Regional Water Authority pertaining to the Project, or approval of the related applications to the Texas Water Development Board, have been held in accordance with Chapter 551, Texas Government Code."

[SIGNATURE ON FOLLOWING PAGE]

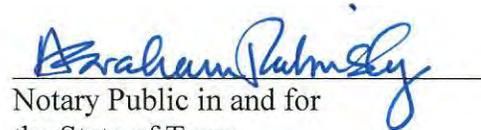
Executed this 3rd day of June, 2015.

  
Margaret L. Cox, Affiant

THE STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS           §

This instrument was sworn to and subscribed before me on this 3rd day of June, 2015, by Margaret L. Cox, Affiant.



  
Notary Public in and for  
the State of Texas

(SEAL)

AFFIDAVIT

STATE OF TEXAS                    §  
  §  
COUNTY OF HARRIS               §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Marcel Khouw, who upon his oath did depose and say as follows:

"1. My name is Marcel Khouw, and I am a professional engineer employed by IDS Engineering Group, Inc., the engineers for the Central Harris County Regional Water Authority.

"2. In such capacity, I am familiar with the actions and proceedings of the Board of Directors of the Central Harris County Regional Water Authority and with the applications by the Central Harris County Regional Water Authority to the Texas Water Development Board for financial assistance in an aggregate amount not to exceed \$41,630,000 for financing the costs of design and construction and such other aspects of the 'Project' as may be presented in the Authority's applications for financial assistance to the Texas Water Development Board.

"3. By resolution of the Board of Directors of the Central Harris County Regional Water Authority, duly adopted in an open meeting on May 6, 2015, I have been designated as an official representative of the Central Harris County Regional Water Authority in connection with such Project and applications to the Texas Water Development Board.

"4. I hereby certify that to the best of my knowledge and belief:

(a) the facts, data, materials and information included in such applications are true and correct; and

(b) the Central Harris County Regional Water Authority warrants compliance with the representations made in such applications in the event that the Texas Water Development Board provides the financial assistance requested therein."

[SIGNATURE ON FOLLOWING PAGE]

Executed this 4<sup>th</sup> day of June, 2015.



\_\_\_\_\_  
Marcel Khouw, Affiant

THE STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS           §

This instrument was sworn to and subscribed before me on this 4<sup>th</sup> day of June, 2015, by Marcel Khouw, Affiant.



\_\_\_\_\_  
Notary Public in and for  
the State of Texas

(SEAL)

CERTIFICATE FOR RESOLUTION

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President  
 Julian F. Boddy, Vice President  
 Judge Caston, Secretary  
 Tom Gower, Assistant Secretary  
 Richard C. Meek, Director

met in regular session, open to the public, on May 6, 2015, at the offices of IDS Engineering Group, Inc., 13333 Northwest Freeway, Suite 300, Houston, Harris County, Texas 77040, and all of the members of the Board were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER  
 DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING  
 AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND  
 CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted, and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: 5

NOES: 0

2. A true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to said minutes and to this certificate; such Resolution has been duly recorded in the Board's minutes of such meeting; the above and foregoing paragraph is a true, full and correct copy excerpt from the Board's minutes of such meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 6<sup>th</sup> day of May, 2015.



*Judge Costen*  
Secretary, Board of Directors

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority") is a body politic and corporate and a governmental agency of the State of Texas, created and operating pursuant to special act of the 79th Texas Legislature as codified at Chapter 8815 of the Texas Special District Local Laws Code (the "Code"), and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Section 8815.101 of the Code authorizes the Authority to: (1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District; (2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; (3) enter into contracts with persons inside or outside the Authority on terms and conditions the Board considers desirable, fair, and advantageous for the performance of its rights, powers, and authority; (4) coordinate water services provided inside, outside, or into the Authority; and (5) generally administer and enforce the foregoing; and

WHEREAS, in connection with the foregoing, the Authority (as successor to the Central Harris County Water Users Consortium) has entered into certain contractual arrangements with the City of Houston, Texas (the "City"), relative to the purchase of surface water by the Authority from the City; and

WHEREAS, the Authority will enter into certain contractual arrangements with the City and the North Harris County Regional Water Authority ("NHCRWA") relative to the financing, design, construction, operation and maintenance of certain transmission facilities necessary for the Authority to receive surface water from the City; and

WHEREAS, pursuant to Section 8815.110 of the Code, the Authority has determined that it is necessary and appropriate to proceed with the design and construction of certain surface water transmission facilities necessary and convenient to accomplish the purposes of the Authority, including the funding of certain obligations under the proposed contract with the City and the NHCRWA (the "Project"); and

WHEREAS, Section 8815.151 of the Code authorizes the Authority to finance the Project through the issuance of bonds or notes payable solely from revenue received by the Authority from any source, including but not limited to revenues received pursuant to that certain Rate Order heretofore duly adopted by the Authority; and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (the "Board") for financial assistance through the State Water Implementation Fund for Texas (the "SWIFT") in order to assist the Authority with the financing and construction of the Project; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially approves the filing of one or more applications for financial assistance from the SWIFT, through a contractual loan agreement, the purchase of the Authority's revenue bonds to be issued in one or several series, and/or such other means or requirements as may be applicable in connection with the SWIFT to facilitate the financing, design and construction of the Project (also referred to as PIF No. 11031) in an amount not to exceed \$9,460,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority and all other agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance. The Authority's engineers in connection with such application, IDS Engineering Group, Inc., Houston, Texas, and the Authority's professional financial advisors in connection with such application, The GMS Group, L.L.C., Houston, Texas, and the Authority's general and bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 3: The Authority's engineers, financial advisors, and counsel, as set forth above, are hereby officially designated as the Authority's authorized representatives for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 4: All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

Section 5: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board.

Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

PASSED AND APPROVED this 6th day of May, 2015.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By: /s/ Margaret L. Cox  
President, Board of Directors

ATTEST:

By: /s/ Judge Caston  
Secretary, Board of Directors

375614

CERTIFICATE FOR  
RESOLUTION AUTHORIZING ISSUANCE OF \$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2008

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President  
Julian F. Boddy, Vice President  
Judge Caston, Secretary  
Tom Gower, Assistant Secretary  
Richard C. Meek, Assistant Secretary

met in special session, open to the public, on June 11, 2008, at 13563 Bammel North Houston, Houston, Harris County, Texas, and all of the members of the Board were present, except Director Boddy, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

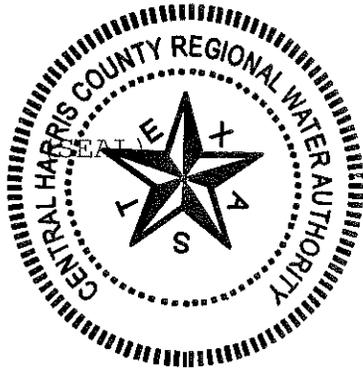
RESOLUTION AUTHORIZING ISSUANCE OF \$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2008

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted, and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: 4                      NOES: 0

2. A true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; such Resolution has been duly recorded in the Board's minutes of such meeting; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 11<sup>th</sup> day of June, 2008.



*Judge Caston*  
Secretary, Board of Directors

RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

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RESOLUTION AUTHORIZING ISSUANCE OF  
 \$22,050,000  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS  
 SERIES 2008

\* \* \*

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS  
 COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Act".

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State to issue

its negotiable revenue bonds, as herein provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and security for repayment set forth and provided in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth and contained in this Resolution; and
- (d) the issuance by the Authority of its revenue bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part.

(End of Article One)

ARTICLE TWODEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein or in any exhibit hereto, shall apply with equal force herein and in any amendment or supplement hereto, and the scope and meaning of terms used in Exhibits "A" and "B" hereto, whether or not defined therein, shall be determined by reference to this Article:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, public body or public agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended,

provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$22,050,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2008, initially dated as of July 1, 2008, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as may be amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund created and established pursuant to Section 7.01(b) hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund created and established pursuant to Section 7.01(c) hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB upon payment of the purchase price therefor, as printed, stamped or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the Water Infrastructure Fund administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and Wells Fargo Bank, N.A., Austin, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund referred to in Section 7.01(a) hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees, and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contribution from any federal, state or local governmental agency or authority or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement as a capital expenditures of or for the System, (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority, or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.03 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority, the Registrar and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District.

The term "Member District" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Agreement For Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, conveyance, treatment or supply of water which are entered into by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to the City of Houston Contract and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other administrative expenses of the Authority.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.06 of this Resolution.

Person.

The term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance and/or condemnation proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Principal Payment Date.

The term "Principal Payment Date" shall mean the date upon which the principal of any then outstanding Bond shall become due and payable, in whole or in part, whether at the Maturity Date or any earlier Redemption Date.

Project.

The term "Project" shall mean the works, facilities, improvements and additions to the System, initially consisting of (a) the purchase of certain rights to capacity in treated surface water production and transmission facilities constructed by (i) the City of Houston, Texas under the City of Houston Contract, and (ii) the North Harris County Regional Water Authority under the North Authority Contract; and (b) the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; and all other costs and expenses directly relating to the foregoing, together with an amount for contingencies of not more than fifteen percent (15%) of the foregoing. In addition, the term "Project Costs" shall include any payments made or to be made for capital improvements of or for the System under the City of Houston Contract, the North Authority Contract, or any similar water supply contract.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District), or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.05 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds and any Additional Bonds remaining outstanding at the time of such computation.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on a source of funds other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund created and established pursuant to Section 7.01(e) hereof.

System.

The term "System" shall mean all works, plants, properties, facilities, improvements, equipment, interests, appliances, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights to certain capital improvements under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the Water Infrastructure Fund Financial Assistance Program and, where appropriate, means the Executive Administrator, Fund Manager, or

other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Order is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREEAUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2008", shall be issued in the aggregate principal amount of \$22,050,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act..

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, shall be initially dated as of July 1, 2008, and shall include thereon the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond. Each Bond registered and delivered by the Registrar upon transfer or in replacement of, or in exchange for, any one or more Initial Bonds shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. Bonds in the aggregate principal amount of \$22,050,000 shall be issued as serial bonds, shall bear interest from the later of the Delivery Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior optional redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
935,000	2010	0.623%
940,000	2011	0.933%
950,000	2012	1.153%
960,000	2013	1.303%
975,000	2014	1.433%
985,000	2015	1.583%
1,000,000	2016	1.733%
1,020,000	2017	1.883%
1,040,000	2018	2.013%
1,060,000	2019	2.133%
1,085,000	2020	2.367%
1,110,000	2021	2.489%
1,135,000	2022	2.573%
1,165,000	2023	2.649%
1,195,000	2024	2.710%
1,230,000	2025	2.759%
1,260,000	2026	2.797%
1,295,000	2027	2.832%
1,335,000	2028	2.877%
1,375,000	2029	2.922%

SECTION 3.04: INTEREST PAYMENT DATES. Interest on the Bonds shall be payable on February 1, 2009, and semi-annually thereafter on February 1 and August 1 of each year until payment of the principal thereof has been made or duly provided for. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date, the Paying Agent shall compute the amount of interest to be due and payable on such Interest Payment Date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such Interest Payment Date.

The interest so payable on any Interest Payment Date will be paid to the person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.05: MEDIUM AND PLACE OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or

collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates or Principal Payment Dates, is legal tender for the payment of debts due the United States of America. The principal of the Bonds shall be payable only upon their presentation and surrender, as they become due at their respective Maturity Dates or Redemption Dates, at the principal trust office of the Paying Agent. Principal and interest payments on, and mandatory redemption payments, if any, in respect of, each Bond (a) may be payable, at the option and expense of the Authority, by check or draft mailed by the Paying Agent to the Holder at the address shown on the Register or by wire transfer to such Holder, or (b) may be payable by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of such Holder. If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, or disposed of by the Authority, such Bonds, nevertheless, may be authenticated and delivered or disposed of as though the Person who signed such Bonds had not ceased to be such officer of the Authority; and, any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not effect the validity or enforceability of such Bond, if same has been duly authenticated by the Registrar or registered by the Comptroller of Public Accounts of the State of Texas, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each year of maturity specified in Section 3.03 hereof, representing the entire principal amount scheduled to mature in each of such years of maturity, and shall be made payable to Cede & Co., as nominee of DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's

Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar for safekeeping and thereafter be (a) dated by the Registrar as of the Delivery Date, and (b) registered on the Register in the name of Cede & Co., as nominee of DTC, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB at the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bonds to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bonds are to be transferred and the principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of registration substantially in the form required by Section 5.03 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond either the aforementioned certificate of registration or a Certificate of Registrar substantially in the form provided in Section 5.02 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Either such certificate of registration upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been so certified or registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes,

whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effectual and shall discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer, exchange and replacement of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name(s) of the transferee(s) one or more exchange Bonds in a like aggregate principal amount(s), and having the same maturity date and bearing interest at the same rate(s), and shall deliver or mail same to the transferee(s) by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, being in any authorized denomination, and being in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each Bond transferred or exchanged and duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such transferred or exchanged Bond is delivered. No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption of Bonds prior to maturity, nor shall the Registrar be required to transfer or exchange any Bond selected for redemption in whole or in part when such Redemption Date is scheduled to occur within thirty (30) calendar days.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall authenticate and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate and deliver, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost

or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Authority and the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. Notwithstanding any provisions contained in this Resolution relating to the payment, transfer, exchange or replacement of the Bonds, the Authority hereby approves and authorizes the use of the "Book-Entry Only" securities clearance, settlement and transfer system provided by DTC. The Initial Bonds and all subsequent Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, except as provided in Section 3.12 hereof.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in

this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Order. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Order with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and the premium, if any, and interest on such Bond, and all notices with respect to such Bond, shall be made and given, respectively, in the manner provided in the Letter of Representation. The execution and delivery of said Letter of Representation is hereby approved along with any other instrument deemed necessary and convenient to carry out the purposes set forth in this Section 3.11, and the President and Secretary of the Board of Directors of the Authority are hereby authorized and directed to execute and deliver same on behalf of the Authority.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, upon receipt of proper proof of the beneficial ownerships of the DTC Participants, and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or

exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Section 3.09 or Section 3.10 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOURREDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: MANDATORY REDEMPTION OF BONDS. To the extent of any excess funds remaining on deposit in the Construction Fund and the Escrow Fund following completion of the Project, as provided in Section 7.08 of this Resolution and in the Escrow Agreement, and unless the use of such excess funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB, the Bonds shall be subject to mandatory redemption by the Authority, at a price equal to the principal amount thereof, plus accrued interest on the Bonds called for redemption to the Redemption Date, in inverse order of their scheduled maturities, on any date within sixty (60) days following the filing with and the approval by the TWDB of such final accounting, to the maximum extent possible out of such excess funds, rounded to the next lowest integral multiple of \$5,000. The Authority shall, at least forty-five (45) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of the Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not

previously been called for redemption, by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.03: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.04: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions, the respective principal amounts of the Bonds to be redeemed, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.05: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for

redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds or portions thereof so called for redemption shall be terminated.

(End of Article Four)

ARTICLE FIVEFORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Order, including the registration certificate of the Comptroller of Public Accounts of the State of Texas or Registrar, as applicable, and form of assignment shall be in substantially the forms specified in Exhibits "A" and "B" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Order.

SECTION 5.02: CERTIFICATE OF REGISTRAR. The form of Certificate of Registrar specified in Exhibit "B" attached hereto shall be printed on each of the Bonds authenticated, registered and delivered subsequent to the Initial Bonds.

SECTION 5.03: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. In lieu of the Certificate of Registrar specified in Section 5.02 hereof, the registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in Exhibit "A" attached hereto.

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in Exhibits "A" and "B" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be printed on the Bonds over the certification of the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Order, an original of said opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIXSECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of any Additional Bonds hereafter issued in conformity with the provisions of this Resolution. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds and any Additional Bonds have been paid in full, as to both principal and interest at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (i) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project, (ii) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, (iii) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, and (iv) fulfill the terms, agreements and covenants made with the Holders of the Bonds and any Additional Bonds issued in conformity with this Resolution and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly

amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties in similar locations under similar circumstances with a responsible insurance company or companies against risks, accidents or casualties against and in an amount which is customarily carried by such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least in an amount sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the improvements to be made to the Project, the Authority covenants that it will apply any proceeds of such insurance policies covering such loss or damage to

the reconstruction or repair of the such improvements, and any excess insurance proceeds remaining after the completion of such improvements shall promptly be deposited into the Debt Service Fund.

To the extent that the Project or any portion thereof shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for the portion of the improvements so taken shall, upon receipt by the Authority, be promptly deposited to the credit of the Debt Service Fund, less any amount determined by the Authority to represent the pro rata share of damages attributable to any portion of such improvements that were acquired or otherwise assumed by the Authority from a conservation and reclamation district or other public or private water system.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVENREVENUES AND APPLICATION THEREOF

SECTION 7.01: CREATION OF FUNDS. The creation, establishment and continuation of the following funds are hereby approved and adopted:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided in the Resolution. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all

times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, after making the deposit required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount. If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds or any Additional Bonds to mature or be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove, and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund and any earnings thereon constitute Pledged Revenues or be, or remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.02 and Section 8.03 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that copies of as-built plans for same, along with a final accounting of the Eligible Project Costs shall be provided to the TWDB. If the Project shall

be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, unless an authorized representative of the TWDB shall have approved in writing the use of any remaining funds for other Project purposes or similar purposes, the Authority shall, immediately upon filing with and approval by the TWDB of such final accounting, call for the redemption, prior to their scheduled maturities, of such portions of the Bonds, in inverse order of their scheduled maturities, to the next lowest multiple of \$5,000, as may be redeemed with such excess and unused proceeds on deposit in the Construction Fund and in the Escrow Fund. In determining the amount of available funds in the Construction Fund for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and in the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHTAPPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: BOND PROCEEDS. The proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO DEBT SERVICE FUND. Proceeds from the sale and delivery of the Bonds representing capitalized interest in the amount of \$475,286 shall be deposited into the Debt Service Fund.

SECTION 8.03: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$637,250, representing the estimated costs of issuance of the Bonds, shall be deposited into the Construction Fund. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds and call for the redemption of Bonds as provided in Section 4.02 hereof, unless the use of such funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB.

SECTION 8.04: DEPOSITS TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.05: TAX COVENANTS. The Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of the proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to insure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

(a) The Authority has not used and will not use, nor permit to be used, more than ten percent (10%) of the net proceeds of the Bonds in the trade or business of any person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds"). For purposes of this Section 8.05, the term "net proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "person" includes any

individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, means any activity other than an activity carried on by a governmental unit;

(b) The Authority has not used and will not use, nor permit to be used, more than five percent (5%) of the net proceeds of the Bonds in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds, and the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the net proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

(c) Principal and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;

(d) The Authority has not used and will not use or permit to be used an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the net proceeds of the Bonds to finance, directly or indirectly, loans to persons other than governmental units;

(e) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the Authority reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond" within the meaning of Section 148 of the Code;

(f) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the repayment of the Bonds and will restrict the yield on such investments to the extent required by the Code or the Regulations; without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on all proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion) to a yield which is not materially higher than the yield on the Bonds (in both cases calculated in accordance with the Code and Regulations);

(g) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code); and

(h) To the extent, if applicable, required by the Code and Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate, at least annually, but not less often than required by the applicable Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other date as permitted by the applicable Regulations, all amounts required to be rebated to the federal government; and the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a "prohibited payment" within the meaning of Temp. Treas. Reg. §1.103-15AT.

(i) The Authority will timely comply with the information reporting requirements of Section 149(e) of the Code.

All officers, employees and agents of the Authority are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Authority as of the date the Bonds are delivered. In complying with the foregoing covenants, the Authority may rely from time to time upon an opinion of bond counsel to the effect that any action by the Authority or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 8.06: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.

The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2008, as a result of the Bonds, will exceed \$10,000,000.

SECTION 8.07: ALLOCATION OF, AND LIMITATION ON, EXPENDITURES. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. For purposes of determining compliance with this covenant the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 8.08: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINEAMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (i) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or
- (ii) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, no such change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority expressly reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority

has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. The Authority further reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority further reserves the right to issue its bonds or other obligations for refunding purposes in any manner permitted by law.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority further reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TENBONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect capacity charges, and to the due, proper and timely application of the Pledged Revenues to the intended purposes, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVENCONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "NRMSIR" means each person whom the SEC or its staff has determined from time to time to be a nationally recognized municipal securities information repository, within the meaning of the Rule.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12, as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "SID" means any person designated by the State of Texas, or an authorized department, officer or agency thereof as, and determined by the SEC or its staff from time to time to be, a state information depository, within the meaning of the Rule.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to each NRMSIR and any SID, within six (6) months after the end of each Fiscal Year ending in or after 2008, financial information and operating data with respect to the Authority of the general type included in the Authority's final application to the TWDB for financial assistance in connection with the Bonds. Any financial statements to be so provided shall be (i) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality (or any successor agency), or such other accounting principles as the Authority may be required to employ from time to time thereafter pursuant to applicable law or regulation, and (ii) audited, if the Authority commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide

such audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02 may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that has theretofore been provided to each NRMSIR and any SID or filed with the SEC. The Authority shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify any SID and either each NRMSIR or MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the applicable provisions of the federal securities laws:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds;
- (h) Calls for redemption of the Bonds;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds; or

(k) Rating changes.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS.

(a) The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon any other person. The Authority undertakes to provide only the financial information, operating data financial statements and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, conditions or prospects of the Authority, nor does the Authority undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or to sell Bonds at any future date.

(c) Under no circumstances shall the Authority be liable to the Holder of any Bond or any other person, in contract or in tort, for damages resulting, in whole or in part, from any breach by the Authority, whether negligent or without fault on its part, of any covenant specified in this Article, but every right and remedy of any such person, in contract or in tort, for or on account of any such breach, shall be limited to an action for mandamus or specific performance.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its

discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment, or (B) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or if any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but, in either case, only if and to the extent that any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(End of Article Eleven)

ARTICLE TWELVEMISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS. The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH REGULATORY REQUIREMENTS. The Authority covenants and agrees, so long as all or any part of the Bonds are outstanding, that it will (i) develop, implement and maintain a water conservation program relative to the System which is consistent with and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB and (iii) comply with and abide by all other applicable rules, regulations, laws and requirements of the TWDB relative to the Project.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.05: REGISTRAR. The initial Registrar in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The President and the Secretary of the Board of Directors of the Authority are hereby authorized and directed, on behalf of the Authority, to approve, execute and deliver an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain at least one (1) Registrar in the State of Texas, where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly

designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.06: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The Authority will maintain in the City of Houston, Texas, at least one (1) Paying Agent who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is

not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligation to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, V.T.C.A. Government Code §1207.001 et seq., as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, firm or corporation, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged

Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Order and other documentation required in connection herewith and with the issuance of the Bonds.

(End of Article Twelve)

ARTICLE THIRTEENSALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEENOPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time on June 11, 2008, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was timely furnished to the County Clerk of Harris County, Texas, for posting on a bulletin board located at a place convenient to the public in the Harris County Courthouse for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended, and that this meeting has been open to the public, as required by law, at all times during which this Resolution and the subject matter hereof has been discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage.

PASSED AND ADOPTED this 11<sup>th</sup> day of June, 2008.

/s/ Margaret L. Cox  
 President, Board of Directors  
 Central Harris County Regional  
 Water Authority

ATTEST:

/s/ Judge Caston  
 Secretary, Board of Directors  
 Central Harris County Regional  
 Water Authority

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF INITIAL BOND)

REGISTERED NUMBER IR-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal of this Bond is due at maturity or upon

prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the

interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

OFFICE OF THE COMPTROLLER

REGISTER NO. \_\_\_\_\_

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of the Central Harris County Regional Water Authority and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,  
\_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_  
the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

By: \_\_\_\_\_  
(Authorized Representative)

EXHIBIT "B"

(FORM OF EXCHANGE BOND)

REGISTERED NUMBER R-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the

"Record Date"). Principal of this Bond is due at maturity or upon prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but

the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither

the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same

lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRAR has been manually executed by an authorized representative of Registrar, as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

CERTIFICATE OF REGISTRAR

This is to certify that this bond is one of the Bonds issued under the provisions of the within-mentioned Bond Resolution, and it is hereby further certified that this bond has been authorized and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

\_\_\_\_\_, Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_ the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

By: \_\_\_\_\_  
(Authorized Representative)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

[The legal opinion of Bond Counsel shall also be attached to the Exchange Bonds.]

WATER CONSERVATION  
AND  
DROUGHT CONTINGENCY PLAN  
  
FOR THE  
  
CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY  
HOUSTON, TEXAS

PREPARED BY:



**IDS**

**Engineering Group**

13333 Northwest Freeway, Suite 300

Houston, Texas 77040

713-462-3178 – Telephone

713-462-1631 – Fax

May 1, 2014

**WATER CONSERVATION  
AND  
DROUGHT CONTINGENCY PLAN**

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ABBREVIATIONS

MG – Million Gallons

MGD – Million Gallons per Day

MGY – Million Gallons per Year

## I. INTRODUCTION

The Central Harris County Regional Water Authority (“Authority”) of Harris County was created by House Bill Number 3181 of the 79<sup>th</sup> Legislature of the State of Texas, Regular Session, 2005. The purpose of the Authority is to prepare and implement a plan to construct and operate the necessary public water transmission facilities to convert an area in central Harris County, Texas from groundwater to surface water. The Authority is expressly authorized to purchase, own, hold, lease and maintain pipelines for the transportation of water, to build and operate plants for the treatment and distribution of water, to purchase from and sell water to towns, cities, conservation and reclamation districts and other political subdivisions of the State of Texas, or to private corporations and individuals. The Board of Directors has the managing control and operation of the Authority’s system. Three members of the Board of Directors are elected by precincts comprised of one or more districts. Two members are elected at-large.

The Authority boundary includes all the acreage encompassed by the Member Districts (as defined in the above legislation creating the Authority) and is estimated at 4,800 acres. The Member Districts are in Regulatory Area III of the Harris-Galveston Coastal Subsidence District that permits their water wells.

The Authority will provide wholesale treated surface water to connected Member Districts. The Authority will operate a surface water transmission and distribution system (“the system”) in order to meet the Harris Galveston Subsidence District (“HGSD”) mandates for surface water conversion by the Member Districts through ultimately providing an overall 80 percent surface water usage rate among the Member Districts. Surface water is purchased from the City of Houston and is conveyed to certain Member Districts water plant facilities by way of the System.

## II. UTILITY EVALUATION

### A. WATER SUPPLY AND TRANSMISSION SYSTEM INFORMATION

1. Population of Service Areas (Estimated): 26,000
2. Area of Service Areas: 4,800 acre
3. Water Production and Sales Information
  - a) Water supplied during the last year (2006) – 1,672 MG
  - b) Avg. water supplied for last two years (2005 - 2006) – 1,667 MG
  - c) Monthly water sales by user for last year (2006) – See Table 1

TABLE NO. 1

## 2013 Total Water Usage (MG)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
HCMUD 33	17203	15487	17932	17199	20042	20621	22273	25751	22212	20453	18510	17591
HCMUD 150	19539	13560	23114	22027	29231	23947	26293	28795	24474	22206	20565	21671
HCMUD 217	4653	3304	5585	5538	6770	6966	7301	7904	6490	5445	5525	1844
HCMUD 304	11816	11815	14337	15222	18318	18698	20225	21525	17186	13650	12009	11243
FALLBROOKUD	19533	18284	20648	19560	21219	23033	23074	27132	26017	20162	19523	20709
HCMUD 200	30433	27145	32240	31566	37545	35504	37325	43879	37911	32602	30040	33711
HCMUD 205	0	0	0	0	0	0	0	0	0	0	0	0
Rankin Rd MUD	3673	3546	4853	5122	6738	6946	7523	7631	6455	5284	4650	1249
HCMUD 399	0	0	0	0	0	0	0	0	0	0	0	0
HCMUD 215	4173	3888	4150	4094	4340	4679	5336	5111	4732	5016	6033	5952
HCUD 16	7570	6716	8976	9119	10962	11902	12643	13178	10913	8659	1704	0

d) Highest average daily water use on record for system – 1.488 MGD

e) Peak daily use for the last year 2.232 MGD

4. Number and type of meter connections in service area: 11 – Public Entity

5. Net gain of new connections per year

N/A – Residential N/A – Commercial

6. Source of Water: City of Houston

7. Safe annual yield of water supply: Not Applicable

8. Design capacity of water system: 7.5 MGD

9. Major high volume customers

<u>Name</u>	<u>Quantity (MGY)</u>
1. HCMUD 33	235,274
2. HCMUD 150	280,659
3. Fallbrook UD	258,894
4. HCMUD 200	409,901

## B. UTILITY FINANCIAL OPERATIONS INFORMATION

### 1. Water rate structures

Effective as of July 1, 2013 the Authority assesses a pumpage fee of \$1.56 per 1000 gallons for groundwater and \$1.90 per 1000 gallons for surface water to all Member Districts based on total water pumped. The fee is also assessed on imported groundwater.

## 2. Sources revenue:

Percent of Annual Revenues from water rates – 100% (assuming is importation fee revenue)

## 3. Annual Operating Costs

- a) Average Annual Operating Costs - \$500,000
- b) Percent of Average Annual Operating Cost that are Fixed Cost – 94%
- c) Percent of Average Annual Operating Costs that are Variable – 6%

## C. OTHER APPLICABLE INFORMATION

## 1. Applicable local regulations relating to Water Conservation and Drought Contingency Planning.

- City of Houston Drought Contingency Plan
- Water Supply Contract by and among the Authority and the City of Houston.
- HGSD Water Wise Program - Eight of the Member Districts participate in the AWBD Water Smart Program.

## 2. Information on Member Districts: See TABLE No. 2

TABLE NO. 2

## Member Districts

Fallbrook UD c/o Abraham Rubinsky Schwartz Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	Rankin Road West MUD c/o Taylor Goodall Smith, Murdaugh, Little & Bonham, LLP 2727 Allen Parkway, Suite 1100 Houston, TX 77019
Harris County MUD 150 c/o Kara Richardson Marks Richardson, PC 3700 Buffalo Speedway., Suite 830 Houston, TX 77098	Harris County MUD 215 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
Harris County MUD 217 c/o Maria Salinas Parker Sanford & Kuhl 1980 Post oak Blvd., Suite 1380 Houston, TX 77056	Harris County MUD 200 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
Harris County MUD 304 c/o Mitchell Page Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	Harris County MUD 205 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056

Harris County MUD 33 c/o Regina Adams Johnson, Radcliffe, Petrov & Bobbitt, PLLC 1001 McKinney St., Suite 1000 Houston, TX 77002	Harris County UD 16 c/o David M. Marks Marks Richardson, P.C. 3700 Buffalo Speedway., Suite 830 Houston, TX 77098
Harris County MUD 399 c/o Peter T. Harding Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	

### III. PUBLIC INVOLVEMENT

#### A. Public at Large

The Authority holds regular board meetings once each month. Directors meet the first Wednesday of each month. These meetings are open to the public and anyone is free to speak to the Board of Directors.

### IV. WATER CONSERVATION PLAN

#### A. EDUCATION AND INFORMATION

The Authority will promote water conservation by informing the public of ways to conserve water. The following methods will be used to inform water users.

1. The Authority will make its Member Districts aware that water conservation material is available from the TWDB and the HGSD.
2. The Authority will provide an annual water conservation message to its Member Districts.

Information obtained from various regulatory agencies will be used as the basis for public education as well as pre-printed brochures from:

Texas Water Development Board  
P. O. Box 13231, Capital Station  
Austin, Texas 78711-3231

#### B. PLUMBING CODE – NOT APPLICABLE

#### C. RETROFIT PROGRAM – NOT APPLICABLE

#### D. WATER RATE STRUCTURE

The rate structure will be based on a formula included in the rate order to be adopted by the Authority on or before completion of the System.

#### E. METERING

The AUTHORITY will meter 100% of the water sold. Incorporated into the Water Conservation Plan, the Authority will set up the following meter testing schedule:

- Authority Delivery Meters – Calibrated annually.
- City of Houston Delivery Point Meters - Calibrated annually.
- Water well meters - Calibrated annually.

The Authority will engage the services of an operating company (the “Operator”) which will use a computer billing system handle all of the billing. The billing system will compare meter readings monthly and note dramatic changes.

F. WATER CONSERVATION LANDSCAPING – NOT APPLICABLE

G. LEAK DETECTION AND REPAIR

The Authority leak detection program includes:

- Electronic Surveillance – Monitor the quantity of water purchased from the City of Houston compared with the quantity sold to the Member Districts.
- Leak Detection and Location Program – visual inspection by Operator employees to watch for abnormal conditions indicating leaks (i.e. sink holes, flowing water, etc.).
- Maintain an adequate and qualified maintenance staff, which is available to repair leaks as they are located or perform corrective measures.
- Monthly water use accounting by the billing computer system, which identifies high water use for service meters indicating possible leaks or malfunction.
- Water Accountability – Achieve less than 5% water loss through application of the above steps.

H. RECYCLING AND REUSE

The Authority will have no means to recycle or reuse water. There are no customers at this time that would be able to recycle water.

I. IMPLEMENTATION AND ENFORCEMENT – NOT APPLICABLE

J. DISTRIBUTION SYSTEM AND/OR RESIDENTIAL PRESSURE CONTROLS  
- NOT APPLICABLE

## V. DROUGHT CONTINGENCY PLAN

### A. INTERRUPTED SUPPLY STRATEGY

The rate order adopted by the Authority requires Member Districts to maintain water wells in operation to augment or provide water supply in the case of an interrupted supply from the System.

### B. LIMITS ON WATER SUPPLY

1. If the City of Houston restricts the Authority to less than 100% of its contracted water supply the Authority has:
  - a) The right to limit water supply to each Member District directly proportional to the City restriction.
  - b) The right to limit water supply to each Member District considering Member District alternative sources of water supply, such as wells and interconnects.
2. If the water supply from the City is suspended each Member District is responsible to meet its own demands by alternative sources such as wells and/or interconnects.
3. See also Texas Water Code, Section 11.039.

### C. EMERGENCY MANAGEMENT

Each Member District is required by TCEQ rules to adopt a Drought Contingency Plan. By implementing their plans the reduction of demand would be directly reflected in Authority demand in the event of drought conditions.

### D. CONTRACTUAL SURCHARGES

If the City imposes a surcharge on water delivered to the Authority as a part of its Drought Contingency Plan, the Authority will limit its supply to Member Districts so as to avoid or minimize the impact of the surcharge.

### E. DROUGHT CONTINGENCY PLAN - APPENDIX A

### F. DROUGHT CONTINGENCY PLAN ADOPTION - APPENDIX B

**APPENDIX A**

# **APPENDIX A**

## **DROUGHT CONTINGENCY PLAN**

## DROUGHT CONTINGENCY PLAN

Section 1: Purpose of the Plan. The board of Directors (the “Board”) of Central Harris County Regional Water Authority (the “Authority”), has carefully considered the current water conditions in the Authority and has determined that the adoption of this Drought Contingency Plan (the “Plan”) by the Authority is necessary to ensure that an adequate supply of water is maintained. The Board also desires to provide in the Plan for the possibility of a natural disaster or equipment failure.

Section 2: Water from the City; City Reductions. The Authority receives water from the City of Houston (“City”). The Authority shall consult with the City in order to respond appropriately to the City’s Drought Contingency Plan for reductions in water supply. Also in such case, if the City implements drought response stages pursuant to its drought contingency plan, the Authority will evaluate implementing its drought response stages and evaluate the need to discourage excessive use of water in an effort to reduce the use of water.

Section 3: Education and Information. The Authority will engage in an educational program to promote the Plan which may include any of the following:

- A. Distribution of information regarding the plan to Member Districts of the Authority; and
- B. Direct distributions of educational and informational material regarding the Plan to customers of the Member Districts; and
- C. Additional educational activities consisting of (i) publishing articles in a newsletter of general circulation in the Authority’s service area, providing tips or information on water saving techniques, or (ii) conducting an informational school program in a school attended by students within the Authority’s service area, or (iii) conducting an educational program at a public place within accessible to residents of the Authority, or (iv) conducting or engaging in such other informational or educational activity designed to further the Plan as, in discretion of the Board, may be consistent with the purposes and policies of this Plan, or (v) any combination of the foregoing.

Section 4: Retrofit Educational Program. The Authority shall make information regarding the Plan available to Member Districts to provide to its customers

purchasing and installing various plumbing fixtures, lawn watering equipment, and other water-using appliances.

Section 5: The Drought Contingency Plan.

- A. Public Involvement. The Authority shall actively inform its Member Districts, and affirmatively provide the opportunity for input from them regarding the Plan.
- B. Trigger Conditions. For the purpose of this Plan, the Authority hereby adopts the trigger conditions (the “Trigger Conditions”) set forth below, which are based on study and/or statistical analysis of the vulnerability of water sources under “drought of record” conditions. These Trigger Conditions are for the purpose of responding to, but not limited to, the following situations: (a) reduction in available water supply up to a repeat of the drought of record; (b) water production or distribution system limitations; (c) supply source contamination; or (d) water system outage due to the failure or damage of major water system components (e.g, pumps).
1. Mild Drought. This condition (herein, “Mild Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds eighty percent of the production capacity of such facilities for 3 consecutive days, as determined by the Authority’s operator.
  2. Moderate Drought. This condition (herein, “Moderate Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds ninety percent of the production capacity of such facilities for 3 consecutive days, as determined by the Authority’s operator.
  3. Severe Drought. This condition (herein, “Severe Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds one hundred percent of the production capacity of such facilities for 24 hours, as determined by the Authority’s operator.
- C. Notice. Once one of the above Trigger Conditions has occurred, Member Districts will be notified that such Trigger Condition has occurred and of the Drought Response Measures (as defined below) to be taken. The process of notifying Users may include any of the following:
1. Mailing, at least 48 hours prior to the commencement of the required Drought Response Measures, a written notice to each Member District; and
  2. Posting notices at public places in the Authority.

Any notice issued shall contain (i) the date the Drought Response Measures will begin, (ii) the date the Drought Response Measures will terminate, if known, (iii) a list of Drought Response Measures to be implemented, and (iv) an explanation of penalties for violations of such Drought Response Measures.

D. Emergency Management Program. The Authority hereby establishes and adopts the following measures (“Drought Response Measures”) for the respective Trigger Conditions. The Drought Response Measures related to each Trigger Condition shall automatically become effective and shall be implemented by the Authority when Trigger conditions occurs.

1. Mild Drought. In the event of Mild Drought Conditions, the following Drought Response Measures shall be taken:

- a. Member Districts will be asked to take actions to voluntarily reduce water use and will be informed of specific steps that can be taken to reduce water use.

2. Moderate Drought. In the event of Moderate Drought Conditions, the following Drought Response Measures shall be taken.

- a. The Drought Response Measures established for Mild Drought Conditions shall continue to be implemented.

- b. The Authority shall recommend that the following water use by any customers of its Member Districts not essential for public health and safety be curtailed:

- (1) Street washing;
- (2) Fire hydrant flushing; and
- (3) Filling of swimming pools.

3. Severe Drought. In the event of Severe Drought Conditions, the following Drought Response Measures shall be taken:

- a. The Drought Response Measures established for Mild Drought Conditions and Moderate Drought Conditions shall continue to be implemented.

- b. Consistent with the City of Houston’s Drought Contingency measures, the Authority is authorized to ration water to Member Districts.

- E. Termination of Trigger Conditions Notification. When a Trigger Condition occurs, the Authority shall enforce the Drought Response Measures applicable to such Trigger Conditions for a minimum of five (5) days after the last day the demand on the Authority's water supply facilities reaches or exceeds the limits of such Trigger Conditions. After such five (5) day period, the Drought Response Measures prescribed may, in the discretion of the Board, be continued for an additional five (5) day period. After the expiration of ten (10) days, and assuming no other Trigger Conditions have occurred, the Drought Response Measures prescribed shall terminate and the Authority shall cease implementation and enforcement of such measures. The Authority will notify Member Districts of the termination of the particular Drought Response Measures and may utilize the same manner of notification used to inform Member Districts of the Occurrence of the Trigger Condition and implementation of the Drought Response Measures.

Section 6: Emergency Contingency Plan. In the event of a fire, flood hurricane, lightning strike, tornado, windstorm, or any other act of God, riot, terrorist act, or any other act of civil disobedience, or any other similar occurrence which results in the inability of the Authority to provide potable water to Member Districts (or the likelihood thereof), the Board, in its discretion, may, without prior notice, invoke all or any of the Drought Response Measures set forth in this Plan as "Emergency Response Measures". The Board may establish any of the penalties set forth in Section 8 for violations of the Emergency Response Measures.

Section 7: Implementation. Without limitation to specific actions stated in this Plan to be taken by the Authority's operator, the Authority's operator will administer and enforce this Plan, and will oversee and be responsible for the execution and implementation of all elements of this Plan. The operator shall keep adequate records for plan verification. The Authority's operator shall report to the Board of the Authority, at meetings of the Board, regarding actions taken and which need to be taken under this Plan. Without limiting the foregoing, the Authority's operator shall advise the President of the Board (or if the President is unavailable to receive notification, another member of the Board) as soon as reasonably practicable when a particular Trigger Condition has been reached under this Plan and when a particular drought condition no longer exists.

Section 8: Variances.

- A. Policy: The Authority may, in writing, grant a temporary variance to rationing or pro rata water allocation policies adopted pursuant to this Plan, or a temporary variance to a provision in the Plan, if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the public health, welfare, or safety and if one or more of the following conditions are met:

1. Compliance with this Plan cannot be technically accomplished during the duration of water supply shortage or other condition for which the Plan is in effect.
  2. Alternative methods can be implemented which will achieve the same level of reduction in water use.
- B. Petition: Persons requesting an exemption from the provisions of this plan shall file a petition for variance with the Authority within 5 days allocation has been invoked. All petitions for variances shall be reviewed by the Authority and shall include the following:
1. Name and address of the petitioner(s).
  2. For Authority residents and other users of water within the Authority, a detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioners complies with this Plan or rationing of water adopted by the Authority pursuant to this Plan.
  3. For wholesale water customers, if any, a detailed statement with supporting data and information as to how the pro rata allocation of water under the policies and procedures established in the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this plan.
  4. Description of the relief requested.
  5. Period of time for which the variance is sought.
  6. Alternative measures the petitioner is taking or proposes to take to meet the intent of this Plan and compliance date.
  7. Other pertinent information.
- C. Conditions: Variances granted by the Authority shall be subject to the following conditions unless waived or modified by the Authority or its designee:
1. Variances granted shall include a timetable for compliance.
  2. Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No Variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Section 10: Remedies Cumulative. All rights, remedies, sanctions, penalties and enforcement procedures provided for in this Order are cumulative. In addition, the Authority shall have and may exercise and enforce any and all rights and remedies provided by law or in equity.

Section 11: Notice to TCEQ. The Authority shall notify the executive director of the TCEQ within five (5) business days of the implementation of any mandatory provisions of this Plan.

Section 12: Rate Order Provisions. The rate order to be adopted by the Authority shall be included a provision that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code, Section 11.039.

## **APPENDIX B**

### **WATER CONSERVATION AND DROUGHT** **CONTINGENCY PLAN ADOPTION**

RESOLUTION REGARDING REVIEW  
WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

WHEREAS, the Central Harris County Regional Water Authority ("Authority") adopted its Water Conservation and Drought Contingency Plan, dated May 7, 2008 (the "Plan") pursuant to Chapter 288, Texas Administrative Code; and

WHEREAS, Chapter 288, Texas Administrative Code, requires the District to perform a review of the Plan on an established five (5) year schedule, and a review is required on or before May 1, 2014; and

WHEREAS, the Authority has, on the date hereof, performed said review;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the Central Harris County Regional Water Authority that the policies, procedures, and provisions set forth in the Plan are hereby amended pursuant to the attached Water Conservation and Drought Contingency Plan which shall remain in effect until amended by further action of the District and the Plan is hereby revoked effective as of the effective date of this Resolution.

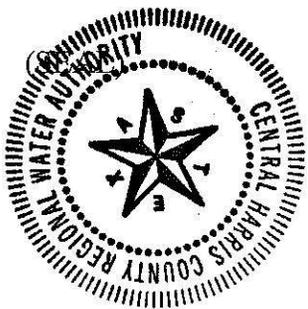
PASSED AND ADOPTED ON THIS 7th day of May, 2014 to be effective as of the 1<sup>st</sup> day of May, 2014.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

ATTEST:

By: /s/ Judge Caston  
Secretary  
Board of Directors

By: /s/ Margaret Cox  
President  
Board of Directors



CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS     §  
   §  
 COUNTY OF HARRIS       §

I, the undersigned officer of the Board of Directors of the Central Harris County Regional Water Authority, do hereby certify as follows:

1. The Board of Directors of the Central Harris County Regional Water Authority convened in regular session on the 7<sup>th</sup> day of May, 2014, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

and all of said persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
 CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
 ADOPTION OF WATER CONSERVATION PLANS BY MEMBER  
 DISTRICTS OF THE  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 7<sup>th</sup> day of May, 2014.



*Judge Caston*  
Secretary, Board of Directors

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS    §  
   §  
 COUNTY OF HARRIS    §

I, the undersigned officer of the Board of Directors of the Central Harris County Regional Water Authority, do hereby certify as follows:

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Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
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Richard C. Meek	Assistant Secretary

and all of said persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
 CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
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 OF THE  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

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public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 7<sup>th</sup> day of May, 2008.



*Judge Caston*  
Secretary, Board of Directors

192687

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS  
OF THE  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

\* \* \*

WHEREAS, the Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Code" and with all references thereto being made to the codification; and

WHEREAS, the Authority was created to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); and

WHEREAS, the Code authorizes the Authority to acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and to otherwise administer and enforce the Act; and

WHEREAS, the Authority has contracted to purchase certain rights to capacity in treated surface water production and transmission facilities constructed by the City of Houston, Texas, under that certain Water Supply Contract, dated December 5, 2003, by and among Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston (the "City of Houston Contract"), and by the North Harris County Regional Water

Authority under that certain Agreement For Joint Financing, Design, Construction, Operation And Maintenance Of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority; and

WHEREAS, the Authority is in the process of the sale, issuance and delivery of its revenue bonds to the Texas Water Development Board ("TWDB Bonds") in order to finance the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, which system is deemed necessary and convenient to achieve the objectives of the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District; and

WHEREAS, the City of Houston Contract provides that, as a condition to the delivery of water pursuant to the terms and provisions set forth therein, the Authority shall adopt and implement a water conservation program consistent with the applicable requirements of the Texas Commission on Environmental Quality ("TCEQ") set forth in Subchapter A of Chapter 288, Title 30, Texas Administrative Code ("30 TAC § 288"), as amended from time to time; and

WHEREAS, as a condition to the acceptance of delivery of the TWDB Bonds by the Texas Water Development Board ("TWDB"), the rules of the TWDB in Chapter 363 of Title 30, Texas Administrative Code, as amended, provide that the Authority shall adopt and implement a water conservation program, which may be satisfied through the adoption of a water conservation program meeting the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time; and

WHEREAS, in order to conserve the available water supply and protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage or other water supply emergency conditions, has additionally considered the adoption of a drought contingency plan consistent with the applicable requirements of the TCEQ set forth in Subchapter B of 30 TAC § 288, as amended from time to time; and

WHEREAS, the Board of Directors of the Authority ("Board") wishes to adopt (a) a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time, (b) a drought

contingency plan consistent with the requirements of the TCEQ set forth in Subchapter B of 30 TAC § 288, and (c) regulations providing that each Member District of the Authority shall similarly adopt and implement a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time;

NOW THEREFORE, BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY THAT:

ARTICLE I.  
FINDINGS; AUTHORIZATION

Section 1.01: Findings. Each of the recitals stated in this Resolution Adopting Groundwater Conservation and Drought Contingency Plan, and Setting Forth Regulations Pertaining to the Adoption of Water Conservation Plans by Member Districts of the Central Harris County Regional Water Authority ("Resolution") are hereby adopted as findings of the Board. All statutory requirements and conditions have been met for the adoption of this Resolution by the Board, including but not limited to the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended.

Section 1.02: Authorization. The adoption of this Resolution is authorized by Sections 8815.102 and 8815.108 of the Code.

ARTICLE II.  
DEFINITIONS

Section 2.01: Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein, shall apply with equal force herein and in any amendment or supplement hereto:

Member Districts.

The term "Member Districts" shall have the meaning set forth in § 8815.001(8) of the Code.

Water Conservation Plan.

The term "Water Conservation Plan" shall mean a plan setting forth a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time.

ARTICLE III.  
ADOPTION OF AUTHORITY WATER CONSERVATION  
AND DROUGHT CONTINGENCY PLAN;  
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS

Section 3.01: Authority Plan. The Authority hereby adopts that certain Water Conservation and Drought Contingency Plan of even date herewith, prepared by Pate Engineers, Inc. (the "Authority Plan"). In particular, and without limiting the foregoing, the Authority adopts the Drought Contingency Plan set forth in Appendix A to the Authority Plan as if same was set forth fully herein.

Section 3.02: Member District Plans. Not later than December 31, 2009, each Member District shall adopt and implement a Water Conservation Plan. To the extent that a Member District provides wholesale water service within or without the Authority, and water so provided is comprised in whole or in part of treated surface water derived from the Authority's water distribution system, such Member District shall require its wholesale customer, to the greatest extent practicable, to implement the water conservation measures adopted in such Member District's Water Conservation Plan.

Section 3.03: Incorporation of Resolution in Authority Plan. A certified copy of this Resolution shall be included as Appendix B to the Authority Plan.

ARTICLE IV  
CIVIL PENALTIES; INJUNCTION

Section 4.01: Civil Penalty. A person or entity that violates a rule or order of the Authority is subject to a civil penalty of not more than \$5,000, as determined by the Board, for each violation or each day of a continuing violation. The Board may set the penalty based on the severity of the offense; whether such violation was willful, knowing, reckless or inadvertent; the history of offenses by such person or entity; and the damages sustained by the Authority. The Authority may bring an action to recover the penalty in a district court in Harris County, Texas. The penalty shall be paid to the Authority.

Section 4.02: Injunction. The Authority may bring an action for injunctive relief in a district court in Harris County, Texas. The Authority may bring an action for a civil penalty and injunctive relief in the same proceeding.

PASSED AND ADOPTED this the 7<sup>th</sup> day of May, 2008.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By: /s/ Margaret L. Cox  
President, Board of Directors

ATTEST:

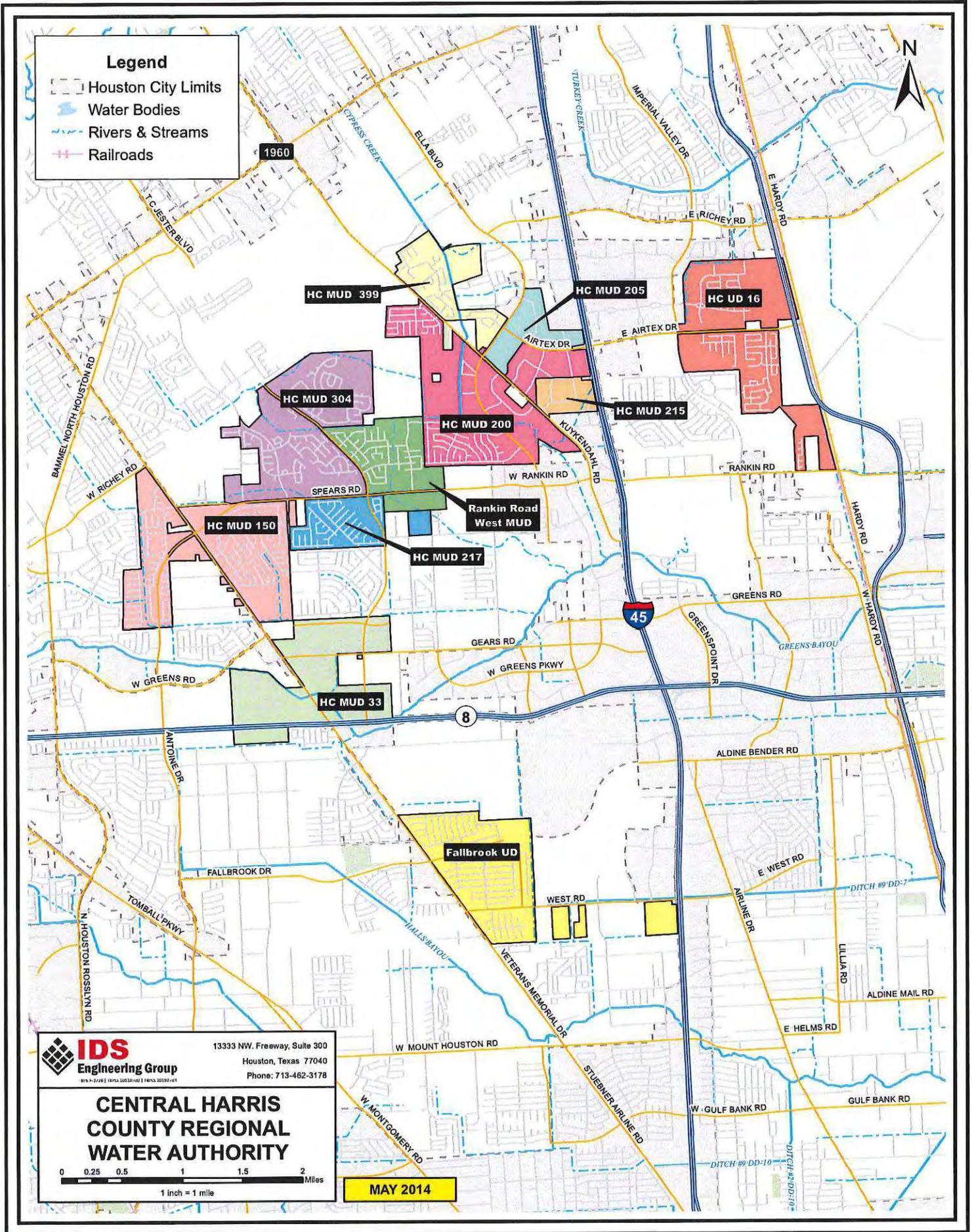
By: /s/ Judge Caston  
Secretary, Board of Directors

(SEAL)

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## **APPENDIX C**

### **AUTHORITY MAP**



**IDS**  
Engineering Group  
13333 NW Freeway, Suite 300  
Houston, Texas 77040  
Phone: 713-462-3178

**CENTRAL HARRIS  
COUNTY REGIONAL  
WATER AUTHORITY**

## HARRIS COUNTY ANALYSIS OF TAX BASE BY YEAR

	2014	2013	2012	2011	2010
Residential	\$172,969,634,044	\$150,824,399,577	\$143,255,129,230	\$141,661,638,693	\$141,343,036,140
Commercial	\$92,661,189,504	\$81,844,140,651	\$86,500,679,008	\$65,502,525,993	\$62,999,653,104
Industrial	<u>\$84,795,425,203</u>	<u>\$80,748,669,300</u>	<u>\$57,552,809,034</u>	<u>\$66,997,145,601</u>	<u>\$66,165,357,819</u>
Total	\$350,426,248,751	\$313,417,209,528	\$287,308,617,272	\$274,161,310,287	\$270,508,047,063

## CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

2015 Projected Annual Cash Flow Analysis, with 2015 - 2020 TWDB SWIFT Bonds Assuming NO Annual Increases in Total Water Usage

With \$0.70 Rate Increase in 2015; \$0.60 Rate Increase in 2018; and \$0.40 Rate Increase in 2020 (1 Penny Equals \$16,650 of Revenue Per Year)

2015CashFlowForSWIFTBondApplicationWith30YearBondsWithRateIncrease(b)ForCIN6-23-2015  
6/23/2015

Year	Surplus Fund		Interest Earnings (b)	Annual Operating Revenue (c)	Annual Operating Expenditures (d)	Non-Bonded Debt Service Cost (e)	Net Revenues	Bonded Debt Service (f)		Surplus Fund Balance	Debt Service Coverage
	Beginning Balance (a)	Ending Balance						Service (f)	Service (f)		
2015	\$3,108,619	\$11,304	\$3,586,974	\$1,490,000	\$0	\$1,894,224	\$1,410,870	\$1,410,870	\$3,591,973	1.34	
2016	\$3,591,973	\$12,512	\$4,169,724	\$1,490,000	\$0	\$2,692,236	\$1,168,259	\$1,168,259	\$5,632,296	2.30	
2017	\$5,632,296	\$17,879	\$4,169,724	\$1,490,000	\$0	\$2,697,603	\$1,395,910	\$1,395,910	\$8,121,485	1.93	
2018	\$8,121,485	\$25,659	\$5,168,724	\$1,490,000	\$110,000	\$3,594,383	\$2,682,974	\$2,682,974	\$9,860,904	1.34	
2019	\$9,860,904	\$31,162	\$5,168,724	\$1,490,000	\$110,000	\$3,599,886	\$3,442,719	\$3,442,719	\$10,371,781	1.05	
2020	\$10,371,781	\$33,246	\$5,834,724	\$1,490,000	\$110,000	\$4,267,970	\$3,791,628	\$3,791,628	\$11,155,333	1.13	
2021	\$11,155,333	\$35,452	\$5,834,724	\$1,490,000	\$110,000	\$4,270,176	\$4,124,879	\$4,124,879	\$11,410,990	1.04	
2022	\$11,410,990	\$36,091	\$5,834,724	\$1,490,000	\$110,000	\$4,270,815	\$4,228,279	\$4,228,279	\$11,453,526	1.01	
2023	\$11,453,526	\$36,198	\$5,834,724	\$1,490,000	\$110,000	\$4,270,922	\$4,234,317	\$4,234,317	\$11,490,130	1.01	
2024	\$11,490,130	\$36,289	\$5,834,724	\$1,490,000	\$110,000	\$4,271,013	\$4,233,058	\$4,233,058	\$11,528,085	1.01	
2025	\$11,528,085	\$36,384	\$5,834,724	\$1,490,000	\$110,000	\$4,271,108	\$4,234,853	\$4,234,853	\$11,564,340	1.01	
2026	\$11,564,340	\$36,475	\$5,834,724	\$1,490,000	\$110,000	\$4,271,199	\$4,234,725	\$4,234,725	\$11,600,813	1.01	
2027	\$11,600,813	\$36,566	\$5,834,724	\$1,490,000	\$110,000	\$4,271,290	\$4,227,363	\$4,227,363	\$11,644,740	1.01	
2028	\$11,644,740	\$36,676	\$5,834,724	\$1,490,000	\$110,000	\$4,271,400	\$4,232,972	\$4,232,972	\$11,683,168	1.01	
2029	\$11,683,168	\$36,772	\$5,834,724	\$1,490,000	\$110,000	\$4,271,496	\$4,231,082	\$4,231,082	\$11,723,581	1.01	
2030	\$11,723,581	\$36,873	\$5,834,724	\$1,490,000	\$110,000	\$4,271,597	\$2,821,929	\$2,821,929	\$13,173,249	1.51	
2031	\$13,173,249	\$40,497	\$5,834,724	\$1,490,000	\$110,000	\$4,275,221	\$2,822,165	\$2,822,165	\$14,626,304	1.51	
2032	\$14,626,304	\$44,130	\$5,834,724	\$1,490,000	\$110,000	\$4,278,854	\$2,816,834	\$2,816,834	\$16,088,324	1.52	
2033	\$16,088,324	\$47,785	\$5,834,724	\$1,490,000	\$110,000	\$4,282,509	\$2,821,215	\$2,821,215	\$17,549,617	1.52	
2034	\$17,549,617	\$51,438	\$5,834,724	\$1,490,000	\$110,000	\$4,286,162	\$2,820,040	\$2,820,040	\$19,015,739	1.52	
2035	\$19,015,739	\$55,103	\$5,834,724	\$1,490,000	\$110,000	\$4,289,827	\$2,818,451	\$2,818,451	\$20,487,115	1.52	
2036	\$20,487,115	\$58,782	\$5,834,724	\$1,490,000	\$110,000	\$4,293,506	\$2,821,483	\$2,821,483	\$21,959,137	1.52	
2037	\$21,959,137	\$62,462	\$5,834,724	\$1,490,000	\$110,000	\$4,297,186	\$2,818,773	\$2,818,773	\$23,437,549	1.52	
2038	\$23,437,549	\$66,158	\$5,834,724	\$1,490,000	\$110,000	\$4,300,882	\$2,815,711	\$2,815,711	\$24,922,720	1.53	
2039	\$24,922,720	\$69,871	\$5,834,724	\$1,490,000	\$110,000	\$4,304,595	\$2,822,338	\$2,822,338	\$26,404,976	1.53	
2040	\$26,404,976	\$73,576	\$5,834,724	\$1,490,000	\$110,000	\$4,308,300	\$2,818,343	\$2,818,343	\$27,894,933	1.53	
2041	\$27,894,933	\$77,301	\$5,834,724	\$1,490,000	\$110,000	\$4,312,025	\$2,824,037	\$2,824,037	\$29,382,921	1.53	
2042	\$29,382,921	\$81,021	\$5,834,724	\$1,490,000	\$110,000	\$4,315,745	\$2,817,957	\$2,817,957	\$30,880,709	1.53	
2043	\$30,880,709	\$84,766	\$5,834,724	\$1,490,000	\$110,000	\$4,319,490	\$2,821,493	\$2,821,493	\$32,378,706	1.53	
2044	\$32,378,706	\$88,511	\$5,834,724	\$1,490,000	\$110,000	\$4,323,235	\$2,819,306	\$2,819,306	\$33,882,634	1.53	
2045	\$33,882,634	\$92,271	\$5,834,724	\$1,490,000	\$110,000	\$4,326,995	\$2,826,508	\$2,826,508	\$35,383,120	1.53	
2046	\$35,383,120	\$96,022	\$5,834,724	\$1,490,000	\$110,000	\$4,330,746	\$1,932,523	\$1,932,523	\$37,781,343	2.24	
2047	\$37,781,343	\$102,017	\$5,834,724	\$1,490,000	\$110,000	\$4,336,741	\$790,002	\$790,002	\$41,328,082	5.49	
2048	\$41,328,082	\$110,884	\$5,834,724	\$1,490,000	\$110,000	\$4,345,608	\$522,974	\$522,974	\$45,150,717	8.31	
2049	\$45,150,717	\$120,441	\$5,834,724	\$1,490,000	\$110,000	\$4,355,165	\$187,870	\$187,870	\$49,318,012	23.18	

(a) Reflects approximate 1/1/2015 cash balance per audited financial statements.  
 (b) Projected at 1/4 of 1.0%  
 (c) Per 2014 audited results and 2015 budget numbers plus \$0.70 rate increase during 2015; \$0.60 rate increase at the beginning of 2018; and \$0.40 rate increase at the beginning of 2020.  
 (d) Reflects 2015 General Fund budgeted figure; NO GROWTH ASSUMED.  
 (e) Reflects Authority's share of Luce Bayou capital costs estimated at \$2 million per COH 9/30/2011 letter.  
 (f) Reflects sale of Series 2008 Bonds to TWDB and assumes sale of 2015 - 2020 Bonds to TWDB at 3.01%-3.10% amortized over 30 years - see attached schedule.

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**Projected Debt Service With 2015-2020 TWDB Swift Bond Financings**

6/23/2015

OutlineForSwiftBond2015-2020ForCN

<u>Year</u>	<u>Series</u>		<u>Series</u>		<u>Series</u>		<u>Series</u>		<u>2016-2020</u>	<u>Capitalized</u>	<u>Out-of-Pocket</u>
	<u>2008</u>	<u>2015A</u>	<u>2015B</u>	<u>2015C</u>	<u>2015B</u>	<u>2015C</u>	<u>Bonds</u>	<u>Interest (a)</u>			
2015	\$1,410,870	\$5,510,000	\$3,625,000	\$1,670,000	\$0	\$0	\$0	\$0	\$1,410,870	\$1,410,870	
2016	\$1,410,278	\$98,433	\$64,702	\$29,856	\$81,335	\$81,335	\$81,335	\$516,346	\$1,168,259	\$1,168,259	
2017	\$1,412,948	\$287,649	\$187,053	\$84,784	\$610,972	\$610,972	\$610,972	\$1,187,496	\$1,395,910	\$1,395,910	
2018	\$1,413,741	\$286,683	\$191,432	\$84,508	\$1,534,620	\$1,534,620	\$1,534,620	\$828,010	\$2,682,974	\$2,682,974	
2019	\$1,412,806	\$285,325	\$190,511	\$89,120	\$1,818,667	\$1,818,667	\$1,818,667	\$353,710	\$3,442,719	\$3,442,719	
2020	\$1,415,196	\$288,687	\$189,399	\$88,594	\$2,116,962	\$2,116,962	\$2,116,962	\$307,210	\$3,791,628	\$3,791,628	
2021	\$1,414,514	\$286,744	\$188,126	\$87,991	\$2,257,864	\$2,257,864	\$2,257,864	\$110,360	\$4,124,879	\$4,124,879	
2022	\$1,411,886	\$284,540	\$186,682	\$87,307	\$2,257,864	\$2,257,864	\$2,257,864		\$4,228,279	\$4,228,279	
2023	\$1,412,683	\$287,119	\$190,096	\$86,555	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,317	\$4,234,317	
2024	\$1,411,822	\$289,374	\$188,266	\$85,732	\$2,257,864	\$2,257,864	\$2,257,864		\$4,233,058	\$4,233,058	
2025	\$1,414,437	\$286,367	\$191,326	\$84,859	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,853	\$4,234,853	
2026	\$1,410,502	\$288,220	\$189,194	\$88,945	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,725	\$4,234,725	
2027	\$1,410,259	\$284,604	\$186,821	\$87,815	\$2,257,864	\$2,257,864	\$2,257,864		\$4,227,363	\$4,227,363	
2028	\$1,413,585	\$285,684	\$189,249	\$86,590	\$2,257,864	\$2,257,864	\$2,257,864		\$4,232,972	\$4,232,972	
2029	\$1,415,177	\$286,378	\$186,378	\$85,285	\$2,257,864	\$2,257,864	\$2,257,864		\$4,231,082	\$4,231,082	
2030		\$286,754	\$188,386	\$88,925	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,929	\$2,821,929	
2031		\$286,801	\$190,131	\$87,369	\$2,257,864	\$2,257,864	\$2,257,864		\$2,822,165	\$2,822,165	
2032		\$286,563	\$186,639	\$85,768	\$2,257,864	\$2,257,864	\$2,257,864		\$2,816,834	\$2,816,834	
2033		\$286,106	\$188,099	\$89,146	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,215	\$2,821,215	
2034		\$285,444	\$189,374	\$87,358	\$2,257,864	\$2,257,864	\$2,257,864		\$2,820,040	\$2,820,040	
2035		\$284,574	\$190,461	\$85,552	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,451	\$2,818,451	
2036		\$288,514	\$186,371	\$88,734	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,483	\$2,821,483	
2037		\$287,004	\$187,186	\$86,719	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,773	\$2,818,773	
2038		\$285,318	\$187,832	\$84,697	\$2,257,864	\$2,257,864	\$2,257,864		\$2,815,711	\$2,815,711	
2039		\$288,476	\$188,322	\$87,676	\$2,257,864	\$2,257,864	\$2,257,864		\$2,822,338	\$2,822,338	
2040		\$286,323	\$188,657	\$85,499	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,343	\$2,818,343	
2041		\$289,014	\$188,837	\$88,322	\$2,257,864	\$2,257,864	\$2,257,864		\$2,824,037	\$2,824,037	
2042		\$285,807	\$188,477	\$85,809	\$2,257,864	\$2,257,864	\$2,257,864		\$2,817,957	\$2,817,957	
2043		\$287,407	\$187,933	\$88,289	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,493	\$2,821,493	
2044		\$288,645	\$187,204	\$85,593	\$2,257,864	\$2,257,864	\$2,257,864		\$2,819,306	\$2,819,306	
2045		\$289,492	\$191,271	\$87,881	\$2,257,864	\$2,257,864	\$2,257,864		\$2,826,508	\$2,826,508	
2046				\$1,932,523	\$1,932,523	\$1,932,523	\$1,932,523		\$1,932,523	\$1,932,523	
2047				\$790,002	\$790,002	\$790,002	\$790,002		\$790,002	\$790,002	
2048				\$522,974	\$522,974	\$522,974	\$522,974		\$522,974	\$522,974	
2049				\$187,870	\$187,870	\$187,870	\$187,870		\$187,870	\$187,870	
<b>Total</b>	\$21,190,704	\$8,418,049	\$5,534,415	\$2,551,278	\$51,319,843	\$51,319,843	\$51,319,843	\$3,303,131	\$82,891,177	\$82,891,177	

(a) Assumes 2 years of capitalized interest for each Bond issue.

**NOTE:** The 2016 - 2020 Bonds include Bonds for the internal lines that are in the process of being incorporated into the Region H Plan and then the Statewide Water Plan; such bonds have not been approved for TWDB funding yet.

## CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY - TWDB SWIFT BONDS BY YEAR

	2015	2016	2017	2018	2019	2020	Total All Bonds
Northeast Plant Expansion	\$5,510,000		\$16,200,000			\$945,000	\$22,655,000
Phase I 2D Source Line	\$3,625,000			\$1,685,000	\$1,535,000	\$2,615,000	\$9,460,000
Phase II 2D Source Line	\$1,670,000	\$2,395,000	\$5,450,000				\$9,515,000
CHCRWA Internal Lines		\$3,770,000 (a)		\$3,375,000	\$4,815,000		\$11,960,000
<b>Total Bonds</b>	<b>\$10,805,000</b>	<b>\$6,165,000</b>	<b>\$21,650,000</b>	<b>\$5,060,000</b>	<b>\$6,350,000</b>	<b>\$3,560,000</b>	<b>\$53,590,000</b>

(a) Bonds for this project are in the process of being incorporated into the Region H Plan and the Statewide Water Plan

SwiftBondsByYear2015-2020

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015A  
SWIFT PROGRAM - BONDS FOR NORTHEAST PLANT PARTICIPATION

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Debt Service Schedule  
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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			24,608.25	24,608.25	
8/ 1/16			73,824.75	73,824.75	98,433.00
2/ 1/17			73,824.75	73,824.75	
8/ 1/17	140,000.00	0.690000	73,824.75	213,824.75	287,649.50
2/ 1/18			73,341.75	73,341.75	
8/ 1/18	140,000.00	0.970000	73,341.75	213,341.75	286,683.50
2/ 1/19			72,662.75	72,662.75	
8/ 1/19	140,000.00	1.170000	72,662.75	212,662.75	285,325.50
2/ 1/20			71,843.75	71,843.75	
8/ 1/20	145,000.00	1.340000	71,843.75	216,843.75	288,687.50
2/ 1/21			70,872.25	70,872.25	
8/ 1/21	145,000.00	1.520000	70,872.25	215,872.25	286,744.50
2/ 1/22			69,770.25	69,770.25	
8/ 1/22	145,000.00	1.670000	69,770.25	214,770.25	284,540.50
2/ 1/23			68,559.50	68,559.50	
8/ 1/23	150,000.00	1.830000	68,559.50	218,559.50	287,119.00
2/ 1/24			67,187.00	67,187.00	
8/ 1/24	155,000.00	1.940000	67,187.00	222,187.00	289,374.00
2/ 1/25			65,683.50	65,683.50	
8/ 1/25	155,000.00	2.030000	65,683.50	220,683.50	286,367.00
2/ 1/26			64,110.25	64,110.25	
8/ 1/26	160,000.00	2.260000	64,110.25	224,110.25	288,220.50
2/ 1/27			62,302.25	62,302.25	
8/ 1/27	160,000.00	2.450000	62,302.25	222,302.25	284,604.50
2/ 1/28			60,342.25	60,342.25	
8/ 1/28	165,000.00	2.610000	60,342.25	225,342.25	285,684.50
2/ 1/29			58,189.00	58,189.00	
8/ 1/29	170,000.00	2.720000	58,189.00	228,189.00	286,378.00
2/ 1/30			55,877.00	55,877.00	
8/ 1/30	175,000.00	2.830000	55,877.00	230,877.00	286,754.00
2/ 1/31			53,400.75	53,400.75	
8/ 1/31	180,000.00	2.910000	53,400.75	233,400.75	286,801.50
2/ 1/32			50,781.75	50,781.75	
8/ 1/32	185,000.00	2.950000	50,781.75	235,781.75	286,563.50
2/ 1/33			48,053.00	48,053.00	
8/ 1/33	190,000.00	2.980000	48,053.00	238,053.00	286,106.00
2/ 1/34			45,222.00	45,222.00	
8/ 1/34	195,000.00	3.010000	45,222.00	240,222.00	285,444.00
2/ 1/35			42,287.25	42,287.25	
8/ 1/35	200,000.00	3.030000	42,287.25	242,287.25	284,574.50
2/ 1/36			39,257.25	39,257.25	
8/ 1/36	210,000.00	3.100000	39,257.25	249,257.25	288,514.50
2/ 1/37			36,002.25	36,002.25	
8/ 1/37	215,000.00	3.110000	36,002.25	251,002.25	287,004.50
2/ 1/38			32,659.00	32,659.00	
8/ 1/38	220,000.00	3.110000	32,659.00	252,659.00	285,318.00
2/ 1/39			29,238.00	29,238.00	
8/ 1/39	230,000.00	3.110000	29,238.00	259,238.00	288,476.00
2/ 1/40			25,661.50	25,661.50	
8/ 1/40	235,000.00	3.110000	25,661.50	260,661.50	286,323.00
2/ 1/41			22,007.25	22,007.25	

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015A  
 SWIFT PROGRAM - BONDS FOR NORTHEAST PLANT PARTICIPATION

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 Debt Service Schedule  
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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	245,000.00	3.350000	22,007.25	267,007.25	289,014.50
2/ 1/42			17,903.50	17,903.50	
8/ 1/42	250,000.00	3.360000	17,903.50	267,903.50	285,807.00
2/ 1/43			13,703.50	13,703.50	
8/ 1/43	260,000.00	3.370000	13,703.50	273,703.50	287,407.00
2/ 1/44			9,322.50	9,322.50	
8/ 1/44	270,000.00	3.390000	9,322.50	279,322.50	288,645.00
2/ 1/45			4,746.00	4,746.00	
8/ 1/45	280,000.00	3.390000	4,746.00	284,746.00	289,492.00
	-----		-----	-----	
	5,510,000.00		2,908,056.50	8,418,056.50	
ACCRUED					
	5,510,000.00		2,908,056.50	8,418,056.50	
	*****		*****	*****	

Dated 12/ 1/15 with Delivery of 12/ 1/15

Bond Years 96,383.333  
 Average Coupon 3.017178  
 Average Life 17.492438  
 N I C % 3.017178 % Using 100.000000

Weighted Bond Years 96,383.333  
 Weighted Average Life 17.492438  
 Weighted N I C % 3.017178 % Using 100.000000  
 T I C % 2.975325 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:08:45 Filename: CHCRWA Key: 2015A

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015B  
SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE I

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Debt Service Schedule  
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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			16,175.58	16,175.58	
8/ 1/16			48,526.75	48,526.75	64,702.33
2/ 1/17			48,526.75	48,526.75	
8/ 1/17	90,000.00	0.690000	48,526.75	138,526.75	187,053.50
2/ 1/18			48,216.25	48,216.25	
8/ 1/18	95,000.00	0.970000	48,216.25	143,216.25	191,432.50
2/ 1/19			47,755.50	47,755.50	
8/ 1/19	95,000.00	1.170000	47,755.50	142,755.50	190,511.00
2/ 1/20			47,199.75	47,199.75	
8/ 1/20	95,000.00	1.340000	47,199.75	142,199.75	189,399.50
2/ 1/21			46,563.25	46,563.25	
8/ 1/21	95,000.00	1.520000	46,563.25	141,563.25	188,126.50
2/ 1/22			45,841.25	45,841.25	
8/ 1/22	95,000.00	1.670000	45,841.25	140,841.25	186,682.50
2/ 1/23			45,048.00	45,048.00	
8/ 1/23	100,000.00	1.830000	45,048.00	145,048.00	190,096.00
2/ 1/24			44,133.00	44,133.00	
8/ 1/24	100,000.00	1.940000	44,133.00	144,133.00	188,266.00
2/ 1/25			43,163.00	43,163.00	
8/ 1/25	105,000.00	2.030000	43,163.00	148,163.00	191,326.00
2/ 1/26			42,097.25	42,097.25	
8/ 1/26	105,000.00	2.260000	42,097.25	147,097.25	189,194.50
2/ 1/27			40,910.75	40,910.75	
8/ 1/27	105,000.00	2.450000	40,910.75	145,910.75	186,821.50
2/ 1/28			39,624.50	39,624.50	
8/ 1/28	110,000.00	2.610000	39,624.50	149,624.50	189,249.00
2/ 1/29			38,189.00	38,189.00	
8/ 1/29	110,000.00	2.720000	38,189.00	148,189.00	186,378.00
2/ 1/30			36,693.00	36,693.00	
8/ 1/30	115,000.00	2.830000	36,693.00	151,693.00	188,386.00
2/ 1/31			35,065.75	35,065.75	
8/ 1/31	120,000.00	2.910000	35,065.75	155,065.75	190,131.50
2/ 1/32			33,319.75	33,319.75	
8/ 1/32	120,000.00	2.950000	33,319.75	153,319.75	186,639.50
2/ 1/33			31,549.75	31,549.75	
8/ 1/33	125,000.00	2.980000	31,549.75	156,549.75	188,099.50
2/ 1/34			29,687.25	29,687.25	
8/ 1/34	130,000.00	3.010000	29,687.25	159,687.25	189,374.50
2/ 1/35			27,730.75	27,730.75	
8/ 1/35	135,000.00	3.030000	27,730.75	162,730.75	190,461.50
2/ 1/36			25,685.50	25,685.50	
8/ 1/36	135,000.00	3.100000	25,685.50	160,685.50	186,371.00
2/ 1/37			23,593.00	23,593.00	
8/ 1/37	140,000.00	3.110000	23,593.00	163,593.00	187,186.00
2/ 1/38			21,416.00	21,416.00	
8/ 1/38	145,000.00	3.110000	21,416.00	166,416.00	187,832.00
2/ 1/39			19,161.25	19,161.25	
8/ 1/39	150,000.00	3.110000	19,161.25	169,161.25	188,322.50
2/ 1/40			16,828.75	16,828.75	
8/ 1/40	155,000.00	3.110000	16,828.75	171,828.75	188,657.50
2/ 1/41			14,418.50	14,418.50	

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015B  
 SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE I

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 Debt Service Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	160,000.00	3.350000	14,418.50	174,418.50	188,837.00
2/ 1/42			11,738.50	11,738.50	
8/ 1/42	165,000.00	3.360000	11,738.50	176,738.50	188,477.00
2/ 1/43			8,966.50	8,966.50	
8/ 1/43	170,000.00	3.370000	8,966.50	178,966.50	187,933.00
2/ 1/44			6,102.00	6,102.00	
8/ 1/44	175,000.00	3.390000	6,102.00	181,102.00	187,204.00
2/ 1/45			3,135.75	3,135.75	
8/ 1/45	185,000.00	3.390000	3,135.75	188,135.75	191,271.50
	3,625,000.00		1,909,422.83	5,534,422.83	
ACCRUED	3,625,000.00		1,909,422.83	5,534,422.83	

Dated 12/ 1/15 with Delivery of 12/ 1/15  
 Bond Years 63,311.667  
 Average Coupon 3.015910  
 Average Life 17.465287  
 N I C % 3.015910 % Using 100.0000000

Weighted Bond Years 63,311.667  
 Weighted Average Life 17.465287  
 Weighted N I C % 3.015910 % Using 100.0000000  
 T I C % 2.973932 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:24:04 Filename: CHCRWA Key: 2015B

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015C  
SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE II

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Debt Service Schedule  
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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			7,464.08	7,464.08	
8/ 1/16			22,392.25	22,392.25	29,856.33
2/ 1/17			22,392.25	22,392.25	
8/ 1/17	40,000.00	0.690000	22,392.25	62,392.25	84,784.50
2/ 1/18			22,254.25	22,254.25	
8/ 1/18	40,000.00	0.970000	22,254.25	62,254.25	84,508.50
2/ 1/19			22,060.25	22,060.25	
8/ 1/19	45,000.00	1.170000	22,060.25	67,060.25	89,120.50
2/ 1/20			21,797.00	21,797.00	
8/ 1/20	45,000.00	1.340000	21,797.00	66,797.00	88,594.00
2/ 1/21			21,495.50	21,495.50	
8/ 1/21	45,000.00	1.520000	21,495.50	66,495.50	87,991.00
2/ 1/22			21,153.50	21,153.50	
8/ 1/22	45,000.00	1.670000	21,153.50	66,153.50	87,307.00
2/ 1/23			20,777.75	20,777.75	
8/ 1/23	45,000.00	1.830000	20,777.75	65,777.75	86,555.50
2/ 1/24			20,366.00	20,366.00	
8/ 1/24	45,000.00	1.940000	20,366.00	65,366.00	85,732.00
2/ 1/25			19,929.50	19,929.50	
8/ 1/25	45,000.00	2.030000	19,929.50	64,929.50	84,859.00
2/ 1/26			19,472.75	19,472.75	
8/ 1/26	50,000.00	2.260000	19,472.75	69,472.75	88,945.50
2/ 1/27			18,907.75	18,907.75	
8/ 1/27	50,000.00	2.450000	18,907.75	68,907.75	87,815.50
2/ 1/28			18,295.25	18,295.25	
8/ 1/28	50,000.00	2.610000	18,295.25	68,295.25	86,590.50
2/ 1/29			17,642.75	17,642.75	
8/ 1/29	50,000.00	2.720000	17,642.75	67,642.75	85,285.50
2/ 1/30			16,962.75	16,962.75	
8/ 1/30	55,000.00	2.830000	16,962.75	71,962.75	88,925.50
2/ 1/31			16,184.50	16,184.50	
8/ 1/31	55,000.00	2.910000	16,184.50	71,184.50	87,369.00
2/ 1/32			15,384.25	15,384.25	
8/ 1/32	55,000.00	2.950000	15,384.25	70,384.25	85,768.50
2/ 1/33			14,573.00	14,573.00	
8/ 1/33	60,000.00	2.980000	14,573.00	74,573.00	89,146.00
2/ 1/34			13,679.00	13,679.00	
8/ 1/34	60,000.00	3.010000	13,679.00	73,679.00	87,358.00
2/ 1/35			12,776.00	12,776.00	
8/ 1/35	60,000.00	3.030000	12,776.00	72,776.00	85,552.00
2/ 1/36			11,867.00	11,867.00	
8/ 1/36	65,000.00	3.100000	11,867.00	76,867.00	88,734.00
2/ 1/37			10,859.50	10,859.50	
8/ 1/37	65,000.00	3.110000	10,859.50	75,859.50	86,719.00
2/ 1/38			9,848.75	9,848.75	
8/ 1/38	65,000.00	3.110000	9,848.75	74,848.75	84,697.50
2/ 1/39			8,838.00	8,838.00	
8/ 1/39	70,000.00	3.110000	8,838.00	78,838.00	87,676.00
2/ 1/40			7,749.50	7,749.50	
8/ 1/40	70,000.00	3.110000	7,749.50	77,749.50	85,499.00
2/ 1/41			6,661.00	6,661.00	

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015C  
 SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE II

Debt Service Schedule  
 =====

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	75,000.00	3.350000	6,661.00	81,661.00	88,322.00
2/ 1/42			5,404.75	5,404.75	
8/ 1/42	75,000.00	3.350000	5,404.75	80,404.75	85,809.50
2/ 1/43			4,144.75	4,144.75	
8/ 1/43	80,000.00	3.370000	4,144.75	84,144.75	88,289.50
2/ 1/44			2,796.75	2,796.75	
8/ 1/44	80,000.00	3.390000	2,796.75	82,796.75	85,593.50
2/ 1/45			1,440.75	1,440.75	
8/ 1/45	85,000.00	3.390000	1,440.75	86,440.75	87,881.50
	1,670,000.00		881,285.83	2,551,285.83	
ACCRUED					
	1,670,000.00		881,285.83	2,551,285.83	

Dated 12/ 1/15 with Delivery of 12/ 1/15  
 Bond Years 29,213.333  
 Average Coupon 3.016725  
 Average Life 17.493014  
 N I C % 3.016725 % Using 100.000000

Weighted Bond Years 29,213.333  
 Weighted Average Life 17.493014  
 Weighted N I C % 3.016725 % Using 100.000000  
 T I C % 2.974929 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:27:26 Filename: CHCRWA Key: 2015C

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**Projected Debt Service With 2015-2020 TWDB Swift Bond Financings**

5/18/2015  
 OutlineForSwiftBond2015-2020

Year	\$22,050,000 Series 2008	\$5,510,000 Series 2015A	\$3,625,000 Series 2015B	\$1,670,000 Series 2015C	\$6,165,000 Series 2016 (a)	\$21,650,000 Series 2017 (b)	\$5,060,000 Series 2018 (c)	\$8,350,000 Series 2019 (d)	\$3,580,000 Series 2020 (e)	TOTAL BONDED DEBT SERVICE	Capitalized Interest (f)	Out-of-Pocket Bond Debt Service	Next Year's Out-of-Pocket Bonded Debt Sv
2015	\$1,410,870	\$98,433	\$64,702	\$29,856	\$81,335	\$285,530	\$86,757	\$335,104	\$48,967	\$1,410,870	\$516,346	\$1,168,259	\$1,168,259
2016	\$1,410,278	\$287,649	\$187,053	\$94,784	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$1,684,604	\$516,346	\$1,168,259	\$1,385,910
2017	\$1,412,948	\$286,683	\$191,432	\$84,508	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$2,593,406	\$1,187,496	\$1,395,910	\$2,682,974
2018	\$1,412,806	\$285,325	\$190,511	\$89,120	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$3,510,984	\$828,010	\$2,682,974	\$3,442,719
2019	\$1,415,188	\$288,687	\$189,399	\$88,584	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,098,838	\$353,710	\$3,442,719	\$3,791,628
2020	\$1,414,514	\$286,744	\$185,126	\$87,691	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,238,239	\$307,210	\$3,791,628	\$4,124,879
2021	\$1,411,886	\$284,540	\$186,682	\$87,307	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,228,279	\$412,317	\$4,124,879	\$4,234,317
2022	\$1,412,693	\$287,119	\$190,086	\$86,555	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,233,058	\$423,317	\$4,233,058	\$4,233,058
2023	\$1,411,822	\$289,374	\$185,266	\$85,732	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,234,853	\$423,317	\$4,234,853	\$4,234,853
2024	\$1,414,437	\$286,367	\$191,326	\$84,858	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,234,725	\$423,317	\$4,234,725	\$4,234,725
2025	\$1,410,502	\$288,220	\$189,194	\$88,945	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,227,363	\$423,317	\$4,227,363	\$4,227,363
2026	\$1,410,259	\$284,604	\$186,621	\$87,815	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,232,972	\$423,317	\$4,232,972	\$4,232,972
2027	\$1,413,585	\$285,884	\$189,249	\$86,590	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,232,972	\$423,317	\$4,232,972	\$4,232,972
2028	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2029	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2030	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2031	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2032	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2033	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2034	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2035	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2036	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2037	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2038	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2039	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2040	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2041	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2042	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2043	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2044	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2045	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2046	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2047	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2048	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
2049	\$1,415,177	\$286,378	\$186,378	\$85,295	\$325,341	\$1,142,521	\$267,028	\$335,104	\$187,870	\$4,231,082	\$423,317	\$4,231,082	\$4,231,082
Total	\$21,190,704	\$8,418,049	\$5,534,415	\$2,551,278	\$7,889,530	\$26,563,615	\$5,941,373	\$7,120,967	\$3,804,358	\$86,194,308	\$3,303,131	\$82,891,177	\$84,304,345

(e) Assumes the sale of \$3,770,000 Bonds for internal lines and \$2,395,000 Bonds for Phase II Second Source Line  
 (f) Assumes the sale of \$16,200,000 Bonds for the Northeast Plant expansion and \$5,450,000 for Phase II Second Source Line  
 (c) Assumes the sale of \$1,685,000 Second Source Line Phase I and \$3,375,000 internal lines.  
 (d) Assumes the sale of \$1,535,000 Second Source Line Phase I and \$4,815,000 internal lines.  
 (e) Assumes the sale of \$945,000 Northeast Plant expansion Bonds and \$2,615,000 Second Source Line Phase I Bonds  
 (f) Assumes 2 years of capitalized interest for each Bond issue.

\$45,583,976  
 \$1,519,465.87

\$72,147,591  
 \$2,404,919.70

**Central Harris County Regional Water Authority**  
**Projected Rate Increases Assuming No Growth in Water Usage (a)**  
 All Rates per 1,000 Gallons of Water Usage

	Current Rates	2015 (a)	2018 (b)	2020 (c)
Surface Water	\$1.95	\$2.65	\$3.25	\$3.65
Groundwater	\$1.61	\$2.31	\$2.91	\$3.31

(a) The Cash Flow on the following page assumes no growth in water usage. The figures above represent the water rate increases that would be necessary assuming the sale of all of the Bonds necessary between 2015 through and including 2020.

(b) Reflects CHCWA \$0.70 rate increase that will go into effect July 1, 2015

(c) \$0.60 rate increase assumed to go into effect January 1, 2018

(d) \$0.40 rate increase assumed to go into effect January 1, 2020

ProjectedRateIncreasesAssumingNoGrowthInWaterUsage

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

**2015 Projected Annual Cash Flow Analysis, with 2015 - 2020 TWDB SWIFT Bonds Showing "Adjusted" Additional Bonds Test Assuming NO Annual Increases in Total Water Usage**  
**With \$0.70 Rate Increase in 2018; and \$0.40 Rate Increase in 2020 (1 Penny Equals \$16,650 of Revenue Per Year)**

Year	Surplus Fund		Annual Operating Expenditures (e)	Annual Operating Revenue (e)	Annual Operating Expenditures (e)	Non-Bonded Debt Service Cost (e)	Net Revenues	Capitalized Interest (f)	Bonded Debt Service (f)	DSRF Deposit	Surplus Fund Balance	Funds Available for Additional Bonds Test (f)	Rate Covenant Test	Additional Bonds Test (f)	Accumulated DSRF Deposit	All Funds Reserve Balance	Bond Funded DSRF	Calendar Year	Bonds Sold
	Beginning Balance (a)	Ending Balance (a)																	
2015	\$3,108,619	\$3,586,974	\$1,490,000	\$5,834,724	\$1,490,000	\$6	\$1,834,224	\$1,410,876	\$1,694,604		\$3,591,873	\$4,482,453	1.34	3.00	\$1,412,973	186%	\$0	2015	\$10,805,000
2016	\$3,591,873	\$4,169,724	\$1,490,000	\$6,169,724	\$1,490,000	\$0	\$2,692,236	\$516,346	\$1,694,604		\$5,115,950	\$5,486,197	1.66	2.34	\$1,412,973	160%	\$106,494	2016	\$6,165,000
2017	\$5,115,950	\$4,169,724	\$1,490,000	\$6,169,724	\$1,490,000	\$0	\$2,696,313	\$1,187,436	\$2,593,408		\$6,416,353	\$7,608,197	1.04	3.31	\$1,519,466	153%	\$622,469	2017	\$5,650,000
2018	\$6,416,353	\$5,168,724	\$1,490,000	\$5,168,724	\$1,490,000	\$110,000	\$3,990,120	\$825,010	\$3,510,384		\$7,323,499	\$9,112,665	1.02	2.85	\$2,141,935	175%	\$402,000	2018	\$5,060,000
2019	\$7,323,499	\$5,168,724	\$1,490,000	\$5,168,724	\$1,490,000	\$110,000	\$3,993,843	\$355,710	\$3,796,429		\$7,474,323	\$10,915,619	0.95	4.66	\$2,603,956	177%	\$322,658	2019	\$6,350,000
2020	\$7,474,323	\$5,834,724	\$1,490,000	\$5,834,724	\$1,490,000	\$110,000	\$4,260,126	\$337,210	\$4,096,818		\$7,943,421	\$11,067,856	1.04	4.22	\$2,926,593	188%	\$99,000	2020	\$3,560,000
2021	\$7,943,421	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,262,147	\$110,380	\$4,235,239		\$8,086,688	\$8,114,395	1.01		\$3,035,593	191%		2021	
2022	\$8,086,688	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,262,490	\$4,228,279	\$4,224,317		\$8,114,395	\$8,114,395	1.01		\$3,025,593	191%		2022	
2023	\$8,114,395	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,262,575	\$4,234,317	\$4,234,317		\$8,143,156	\$8,143,156	1.01		\$3,025,593	191%		2023	
2024	\$8,143,156	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,262,646	\$4,234,653	\$4,234,653		\$8,200,810	\$8,200,810	1.01		\$3,025,593	192%		2024	
2025	\$8,200,810	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,262,720	\$4,234,725	\$4,234,725		\$8,228,874	\$8,228,874	1.01		\$3,025,593	193%		2025	
2026	\$8,228,874	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,262,790	\$4,234,725	\$4,234,725		\$8,258,171	\$8,258,171	1.01		\$3,025,593	194%		2026	
2027	\$8,258,171	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,262,860	\$4,234,725	\$4,234,725		\$8,288,147	\$8,288,147	1.01		\$3,025,593	194%		2027	
2028	\$8,288,147	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,262,946	\$4,234,725	\$4,234,725		\$8,318,123	\$8,318,123	1.01		\$3,025,593	195%		2028	
2029	\$8,318,123	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,023	\$4,234,725	\$4,234,725		\$8,348,099	\$8,348,099	1.01		\$3,025,593	196%		2029	
2030	\$8,348,099	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,103	\$4,234,725	\$4,234,725		\$8,378,075	\$8,378,075	1.51		\$3,025,593	207%		2030	
2031	\$8,378,075	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,186	\$4,234,725	\$4,234,725		\$8,408,051	\$8,408,051	1.51		\$3,025,593	322%		2031	
2032	\$8,408,051	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,271	\$4,234,725	\$4,234,725		\$8,438,027	\$8,438,027	1.52		\$3,025,593	365%		2032	
2033	\$8,438,027	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,357	\$4,234,725	\$4,234,725		\$8,468,003	\$8,468,003	1.52		\$3,025,593	388%		2033	
2034	\$8,468,003	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,444	\$4,234,725	\$4,234,725		\$8,498,000	\$8,498,000	1.52		\$3,025,593	421%		2034	
2035	\$8,498,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,531	\$4,234,725	\$4,234,725		\$8,528,000	\$8,528,000	1.52		\$3,025,593	444%		2035	
2036	\$8,528,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,618	\$4,234,725	\$4,234,725		\$8,558,000	\$8,558,000	1.52		\$3,025,593	467%		2036	
2037	\$8,558,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,705	\$4,234,725	\$4,234,725		\$8,588,000	\$8,588,000	1.52		\$3,025,593	490%		2037	
2038	\$8,588,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,792	\$4,234,725	\$4,234,725		\$8,618,000	\$8,618,000	1.52		\$3,025,593	513%		2038	
2039	\$8,618,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,879	\$4,234,725	\$4,234,725		\$8,648,000	\$8,648,000	1.52		\$3,025,593	536%		2039	
2040	\$8,648,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,263,966	\$4,234,725	\$4,234,725		\$8,678,000	\$8,678,000	1.52		\$3,025,593	559%		2040	
2041	\$8,678,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,053	\$4,234,725	\$4,234,725		\$8,708,000	\$8,708,000	1.52		\$3,025,593	582%		2041	
2042	\$8,708,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,140	\$4,234,725	\$4,234,725		\$8,738,000	\$8,738,000	1.52		\$3,025,593	605%		2042	
2043	\$8,738,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,227	\$4,234,725	\$4,234,725		\$8,768,000	\$8,768,000	1.52		\$3,025,593	628%		2043	
2044	\$8,768,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,314	\$4,234,725	\$4,234,725		\$8,798,000	\$8,798,000	1.52		\$3,025,593	651%		2044	
2045	\$8,798,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,401	\$4,234,725	\$4,234,725		\$8,828,000	\$8,828,000	1.52		\$3,025,593	674%		2045	
2046	\$8,828,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,488	\$4,234,725	\$4,234,725		\$8,858,000	\$8,858,000	1.52		\$3,025,593	697%		2046	
2047	\$8,858,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,575	\$4,234,725	\$4,234,725		\$8,888,000	\$8,888,000	1.52		\$3,025,593	720%		2047	
2048	\$8,888,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,662	\$4,234,725	\$4,234,725		\$8,918,000	\$8,918,000	1.52		\$3,025,593	743%		2048	
2049	\$8,918,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,749	\$4,234,725	\$4,234,725		\$8,948,000	\$8,948,000	1.52		\$3,025,593	766%		2049	
2050	\$8,948,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,836	\$4,234,725	\$4,234,725		\$8,978,000	\$8,978,000	1.52		\$3,025,593	789%		2050	
2051	\$8,978,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,264,923	\$4,234,725	\$4,234,725		\$9,008,000	\$9,008,000	1.52		\$3,025,593	812%		2051	
2052	\$9,008,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,010	\$4,234,725	\$4,234,725		\$9,038,000	\$9,038,000	1.52		\$3,025,593	835%		2052	
2053	\$9,038,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,097	\$4,234,725	\$4,234,725		\$9,068,000	\$9,068,000	1.52		\$3,025,593	858%		2053	
2054	\$9,068,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,184	\$4,234,725	\$4,234,725		\$9,098,000	\$9,098,000	1.52		\$3,025,593	881%		2054	
2055	\$9,098,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,271	\$4,234,725	\$4,234,725		\$9,128,000	\$9,128,000	1.52		\$3,025,593	904%		2055	
2056	\$9,128,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,358	\$4,234,725	\$4,234,725		\$9,158,000	\$9,158,000	1.52		\$3,025,593	927%		2056	
2057	\$9,158,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,445	\$4,234,725	\$4,234,725		\$9,188,000	\$9,188,000	1.52		\$3,025,593	950%		2057	
2058	\$9,188,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,532	\$4,234,725	\$4,234,725		\$9,218,000	\$9,218,000	1.52		\$3,025,593	973%		2058	
2059	\$9,218,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,619	\$4,234,725	\$4,234,725		\$9,248,000	\$9,248,000	1.52		\$3,025,593	996%		2059	
2060	\$9,248,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,706	\$4,234,725	\$4,234,725		\$9,278,000	\$9,278,000	1.52		\$3,025,593	1019%		2060	
2061	\$9,278,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,793	\$4,234,725	\$4,234,725		\$9,308,000	\$9,308,000	1.52		\$3,025,593	1042%		2061	
2062	\$9,308,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,880	\$4,234,725	\$4,234,725		\$9,338,000	\$9,338,000	1.52		\$3,025,593	1065%		2062	
2063	\$9,338,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,000	\$4,265,967	\$4,234,725	\$4,234,725		\$9,368,000	\$9,368,000	1.52		\$3,025,593	1088%		2063	
2064	\$9,368,000	\$7,766	\$1,490,000	\$7,766	\$1,490,000	\$110,00													

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF CASH TRANSACTIONS**  
**FOR THE PERIOD APRIL 1, 2015 - MAY 6, 2015**  
(Unaudited)

	GENERAL FUND	SURPLUS REVENUE FUND	DEBT SERVICE FUND	DEBT SERVICE RESERVE FUND	CAPITAL PROJECTS FUND
	=====	=====	=====	=====	=====
<b>BALANCE, MARCH 31, 2015</b>	<b>\$224,111.96</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
RECEIPTS	153,931.85	0.00	0.00	0.00	0.00
DISBURSEMENTS	(127,303.73)	0.00	0.00	0.00	0.00
INVEST PROCEEDS	0.00	0.00	0.00	0.00	0.00
INVEST PURCHASES	0.00	0.00	(117,572.56)	0.00	0.00
TRANSFERS	(117,572.56)	0.00	117,572.56	0.00	0.00
<b>BALANCE, APRIL 30, 2015</b>	<b>133,167.52</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
CURRENT MONTHS ACTIVITY:					
RECEIPTS	115,392.98	0.00	0.00	0.00	0.00
DISBURSEMENTS	(139,186.78)	0.00	0.00	0.00	(1,379.88)
INVEST PROCEEDS	0.00	0.00	0.00	0.00	1,379.88
INVEST PURCHASES	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0.00	0.00	0.00	0.00	0.00
<b>CURRENT CASH BALANCE</b>	<b>\$109,373.72</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>CURRENT INVESTMENTS</b>	<b>0.00</b>	<b>2,293,827.12</b>	<b>846,583.40</b>	<b>1,413,262.59</b>	<b>1,285,974.08</b>
<b>CASH BALANCES, MAY 6, 2015</b>	<b>\$109,373.72</b>	<b>\$2,293,827.12</b>	<b>\$846,583.40</b>	<b>\$1,413,262.59</b>	<b>\$1,285,974.08</b>
	=====	=====	=====	=====	=====

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**CASH TRANSACTIONS**  
**----- FOR THE MONTH ENDED APRIL 30, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
4/1/15	2806	JULIAN F. BODDY	DIR FEE 3/4		138.52
4/1/15	2807	JUDGE CASTON	DIR FEE 3/4		138.52
4/1/15	2808	MARGARET L. COX	DIR FEE 3/4		138.52
4/1/15	2809	THOMAS C. GOWER	DIR FEE/EXP 3/4		118.88
4/1/15	2810	RICHARD C. MEEK	DIR FEE/EXP 3/4		145.42
4/1/15	2811	ASSOCIATION OF WATER BOARD DIR	JUNE (COX)		355.00
4/1/15	2812	AT&T	SERVICE: 3/19-4/18		118.53
4/1/15	2813	CITY OF HOUSTON	FEB - 50,229,000 GALS@1.4435		72,505.56
4/1/15	2814	CITY OF HOUSTON	PREVIOUSLY INCURRED COSTS		27,888.06
4/1/15	2815	CJ PARHAM TREDWAY	APRIL 2015		2,500.00
4/1/15	2816	F MATUSKA INC	MARCH 2015		956.05
4/1/15	2817	IDS ENGINEERING GROUP	DIST ADMIN THRU 2/25		17,129.91
4/1/15	2818	MUNICIPAL OPERATIONS & CONSULT	MARCH 2015		3,959.46
4/1/15	2819	UNITED STATES TREASURY	FORM 941 1ST QTR 2015		976.30
4/1/15	2820	WATER UTILITY SERVICES INC	#22881		217.00
3/2/15	J3-4	COMPASS INTEREST		12.90	
3/16/15	J3-5	COMPASS SC			18.00
4/2/15	R4-1	DEP HCMUD150 2/2015 SW		42,794.70	
4/21/15	R4-2	DEP HCMUD33 3/2015		26,404.00	
4/23/15	R4-3	DEP TML EQUITY RETURN		64.00	
4/27/15	R4-4	DEP RANKIN RD W 3/2015 SW		6,928.35	
4/27/15	R4-5	DEP HCMUD150 3/2015 SW		41,720.25	
4/27/15	R4-6	DEP HCMUD215 3/2015		5,995.64	
4/27/15	R4-7	DEP FALLBROOK 3/2015		30,012.01	
<b>TOTALS - GENERAL FUND</b>				<b>153,931.85</b>	<b>127,303.73</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>0.00</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE PERIOD ENDED MAY 6, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
5/6/15	2821	JULIAN F. BODDY	DIR FEES 4/1;5/4		277.05
5/6/15	2822	JUDGE CASTON	DIR FEE 4/1		138.52
5/6/15	2823	MARGARET L. COX	DIR FEE 4/1		138.52
5/6/15	2824	THOMAS C. GOWER	DIR FEES/EXP 4/1;4/6;5/4		420.08
5/6/15	2825	RICHARD C. MEEK	DIR FEES/EXP 4/1;4/17		297.75
5/6/15	2826	ASSOCIATION OF WATER BOARD DIR	JUNE (CASTON); APRIL (MEEK)		430.00
5/6/15	2827	AT&T	SERVICE: 4/19-5/18		118.58
5/6/15	2828	BKD LLP	INTERIM BILLING 12/31/14 AUDIT		16,300.00
5/6/15	2829	CITY OF HOUSTON	MAR - 55,951,000 GALS @ 1.4435		80,765.27
5/6/15	2830	CJ PARHAM TREDWAY	MAY 2015		2,500.00
5/6/15	2831	F MATUSKA INC	APRIL 2015		952.83
5/6/15	2832	FRESE AND NICHOLS	REGION H RWP AMENDMENT		2,190.00
5/6/15	2833	HARRIS-GALVESTON SUBSIDENCE	PERMIT RENEWAL 6/1/15-5/31/16		24,000.00
5/6/15	2834	IDS ENGINEERING GROUP	DIST ADMIN THRU 3/25		5,730.02
5/6/15	2835	MUNICIPAL OPERATIONS & CONSULT	APRIL 2015		4,711.16
5/6/15	2836	WATER UTILITY SERVICES INC	#23280		217.00
5/4/15	R5-1	DEP HCUD16 3/2015		16,663.50	
5/4/15	R5-2	DEP HCMUD200 3/2015		20,847.89	
5/4/15	R5-3	DEP HCMUD200 3/2015 SW		49,461.75	
5/4/15	R5-4	DEP HCMUD217 3/2015 SW		9,640.80	
5/4/15	R5-5	DEP HCMUD304 3/2015		18,779.04	
<b>TOTALS - GENERAL FUND</b>				<b>115,392.98</b>	<b>139,186.78</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
5/7/15	WT05-01-15	CITY OF HOUSTON	LUCE BAYOU-ANNUAL DS (FY15)		1,379.88
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>1,379.88</b>

## CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

## SUMMARY OF INVESTMENTS

MAY 6, 2015

(Unaudited)

BANK	ACCT #	RATE	PURCHASE DATE	MATURITY DATE	AMOUNT
<b>GENERAL FUND</b>					
TOTAL GENERAL FUND INVESTMENTS					\$0.00
<b>SURPLUS REVENUE FUND</b>					
COMPASS BANK	2530959174	0.1500%			2,293,827.12
TOTAL SURPLUS REVENUE FUND INVESTMENTS					\$2,293,827.12
<b>DEBT SERVICE FUND</b>					
TEXPOOL	7891600003	0.0524%			846,583.40
TOTAL DEBT SERVICE FUND INVESTMENTS					\$846,583.40
<b>DEBT SERVICE RESERVE FUND</b>					
(AVERAGE ANNUAL DEBT SERVICE PAYMENT: 1,412,714.02)					
TEXPOOL	7891600004	0.0524%			1,413,262.59
TOTAL DEBT SERVICE RESERVE FUND INVESTMENTS					\$1,413,262.59
<b>CAPITAL PROJECTS FUND</b>					
COMPASS BANK	83659	0.1500%			1,285,974.08
TOTAL CAPITAL PROJECTS FUND INVESTMENTS					\$1,285,974.08

## SCHEDULE OF DEBT SERVICE PAYMENTS

	PAID					
	1-Feb-2015	1-Aug-2015	1-Feb-2016	1-Aug-2016	1-Feb-2017	1-Aug-2017
SERIES 2008(WELLS FARGO)						
PRINCIPAL		985,000.00		1,000,000.00		1,020,000.00
INTEREST	212,935.33	212,935.33	205,139.05	205,139.05	196,474.05	196,474.05
	212,935.33	1,197,935.33	205,139.05	1,205,139.05	196,474.05	1,216,474.05
ANNUAL REQUIREMENT	2015	1,410,870.66	2016	1,410,278.10	2017	1,412,948.10

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**FOR THE ONE AND THREE MONTHS ENDED MARCH 31, 2015**  
**(UNAUDITED)**

	Current Period			Year-to-Date			Annual	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Variance
<b>REVENUES</b>								
PUMPAGE FEES	118,702.08	164,545.00	(45,842.92)	334,696.46	493,625.00	(158,928.54)	1,974,504.00	(1,639,807.54)
SURFACE WATER FEES	107,751.15	85,410.00	22,341.15	316,697.55	256,230.00	60,467.55	1,024,920.00	(708,222.45)
INTEREST	276.82	400.00	(123.18)	885.16	1,200.00	(314.84)	4,800.00	(3,914.84)
<b>TOTAL REVENUES</b>	<b>226,730.05</b>	<b>250,355.00</b>	<b>(23,624.95)</b>	<b>652,279.17</b>	<b>751,055.00</b>	<b>(98,775.83)</b>	<b>3,004,224.00</b>	<b>(2,351,944.83)</b>
<b>EXPENDITURES</b>								
ENGINEERING FEES-GENERAL	5,730.02	6,000.00	269.98	32,498.00	18,000.00	(14,498.00)	72,000.00	39,502.00
LEGAL FEES-GENERAL MATTERS	0.00	10,000.00	10,000.00	22,333.45	30,000.00	7,666.55	120,000.00	97,666.55
FINANCIAL ADVISOR-OPERATING MATTERS	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
CITY OF HOUSTON-WATER	80,765.27	63,225.00	(17,540.27)	235,319.37	189,675.00	(45,644.37)	758,704.00	523,384.63
CITY OF HOUSTON TRUE-UP	0.00	5,420.00	5,420.00	0.00	16,250.00	16,250.00	65,000.00	65,000.00
OPERATIONS/METER TEST/R&M	4,176.46	7,720.00	3,543.54	9,942.72	23,150.00	13,207.28	92,600.00	82,657.28
NHCRWA JOINT FACILITIES OPER/R&M	0.00	17,500.00	17,500.00	0.00	52,500.00	52,500.00	210,000.00	210,000.00
TELEPHONE	118.53	120.00	1.47	353.31	350.00	(3.31)	1,400.00	1,046.69
PERMIT FEES	0.00	0.00	0.00	100.00	0.00	(100.00)	26,000.00	25,900.00
DIRECTOR FEES	1,650.00	750.00	(900.00)	5,400.00	4,050.00	(1,350.00)	13,500.00	8,100.00
TRAVEL & EXPENSES	86.60	50.00	(36.60)	4,710.08	6,100.00	1,389.92	12,000.00	7,289.92
PAYROLL TAXES	126.24	60.00	(66.24)	413.15	305.00	(108.15)	1,050.00	636.85
LOBBYIST	2,500.00	2,500.00	0.00	7,500.00	7,500.00	0.00	30,000.00	22,500.00
BOOKKEEPING	825.00	1,100.00	275.00	3,165.00	3,300.00	135.00	13,200.00	10,035.00
AUDITOR	16,300.00	16,000.00	(300.00)	16,300.00	16,000.00	(300.00)	17,500.00	1,200.00
INSURANCE	4,733.00	5,000.00	267.00	4,733.00	5,000.00	267.00	5,000.00	267.00
LEGAL NOTICES	0.00	170.00	170.00	0.00	500.00	500.00	2,000.00	2,000.00
PRINTING & OFFICE SUPPLIES	167.05	150.00	(17.05)	465.44	450.00	(15.44)	1,800.00	1,334.56
DUES	0.00	0.00	0.00	565.00	565.00	0.00	565.00	0.00
WATERSMART	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00	2,000.00
MISCELLANEOUS EXPENSE	0.00	420.00	420.00	0.00	1,250.00	1,250.00	5,000.00	5,000.00
TRANSFER TO DEBT SERVICE	117,572.56	117,575.00	2.44	352,717.68	352,720.00	2.32	1,410,870.00	1,058,152.32
<b>TOTAL EXPENDITURES</b>	<b>234,750.73</b>	<b>253,760.00</b>	<b>19,009.27</b>	<b>696,516.20</b>	<b>727,665.00</b>	<b>31,148.80</b>	<b>2,870,189.00</b>	<b>2,173,672.80</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(8,020.68)</b>	<b>(3,405.00)</b>	<b>(4,615.68)</b>	<b>(44,237.03)</b>	<b>23,390.00</b>	<b>(67,627.03)</b>	<b>134,035.00</b>	<b>(178,272.03)</b>

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
PUMPAGE FEES PAID

	JAN 2015	FEB 2015	MAR 2015	APRIL 2015	MAY 2015	JUNE 2015	JULY 2015	AUG 2015	SEPT 2015	OCT 2015	NOV 2015	DEC 2015
FALLBROOK UD	30,675.33	26,798.45	30,012.01									
HARRIS CO MUD 150	43,457.42	42,794.70	41,720.25									
HARRIS CO MUD 200	69,890.86	63,586.10	70,309.64									
HARRIS CO MUD 205												
HARRIS CO MUD 215	7,813.33	2,986.21	5,995.64									
HARRIS CO MUD 217	1,396.20	4,563.00	9,640.80									
HARRIS CO MUD 304	19,284.58	16,705.36	18,779.04									
HARRIS CO MUD 399												
HARRIS CO MUD 33	23,989.00	21,615.86	26,404.00									
HARRIS CO UD 16	19,373.13	14,771.75	16,663.50									
RANKIN ROAD WEST MUD	7,491.90	7,737.60	6,928.35									
	<u>223,371.75</u>	<u>201,569.03</u>	<u>226,453.23</u>	<u>0.00</u>								

PUMPAGE REPORTED THRU HCMUD200

PUMPAGE REPORTED THRU HCMUD200

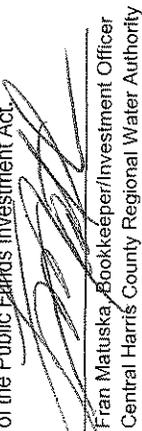
PUMPAGE REPORTED THRU HCMUD200

Effective 7/1/2013 pumpage fee 1.56/1000 gallons; surface water fee 1.90/1000 gallons  
 Effective 7/1/2014 pumpage fee 1.61/1000 gallons; surface water fee 1.95/1000 gallons

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**QUARTERLY INVESTMENT REPORT**  
**MARCH 31, 2015**

BANK/ TYPE OF SECURITY	ID #	RATE	MARKET VALUE		TRANSACTIONS		PURCHASE/ BOOK VALUE		MARKET VALUE 31-Mar-2015	PAR AMOUNT	ACCRUED INTEREST THRU 31-Mar-2015
			31-Dec-2014	31-Dec-2014	IN	OUT	31-Mar-2015	31-Mar-2015			
<b>GENERAL FUND</b>											
GENERAL FUND TOTALS			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>SURPLUS REVENUE FUND</b>											
BBVA COMPASS BANK	2530959174	0.1500%	2,293,032.91	2,293,032.91	848.21	(54.00)	2,293,827.12	2,293,827.12	2,293,827.12	2,293,827.12	0.00
SURPLUS REVENUE FUND TOTALS			2,293,032.91	2,293,032.91	848.21	(54.00)	2,293,827.12	2,293,827.12	2,293,827.12	2,293,827.12	0.00
<b>DEBT SERVICE FUND</b>											
TEXPOOL	7691600003	0.0480%	589,655.55	589,655.55	352,790.64	(213,435.35)	729,010.84	729,010.84	729,010.84	729,010.84	0.00
DEBT SERVICE FUND TOTALS			589,655.55	589,655.55	352,790.64	(213,435.35)	729,010.84	729,010.84	729,010.84	729,010.84	0.00
<b>DEBT SERVICE RESERVE FUND</b>											
TEXPOOL	7891600004	0.0480%	1,413,101.41	1,413,101.41	161.18	0.00	1,413,262.59	1,413,262.59	1,413,262.59	1,413,262.59	0.00
DEBT SERVICE RESERVE FUND TOTALS			1,413,101.41	1,413,101.41	161.18	0.00	1,413,262.59	1,413,262.59	1,413,262.59	1,413,262.59	0.00
<b>CAPITAL PROJECTS FUND</b>											
BBVA COMPASS BANK	83669	0.1500%	1,288,117.73	1,288,117.73	476.23	(1,240.00)	1,287,353.96	1,287,353.96	1,287,353.96	1,287,353.96	0.00
CAPITAL PROJECTS FUND TOTALS			1,288,117.73	1,288,117.73	476.23	(1,240.00)	1,287,353.96	1,287,353.96	1,287,353.96	1,287,353.96	0.00
TOTALS			5,583,907.60	5,583,907.60	354,276.26	(214,729.35)	5,723,454.51	5,723,454.51	5,723,454.51	5,723,454.51	0.00

To the best of my knowledge and belief, the above investments set out in this report constitute all invested funds of the District and comply with the investment strategy for each of the funds reported, with the District's Investment Policy, and with the applicable terms of the Public Funds Investment Act.

  
 Fran Matuska, Bookkeeper/Investment Officer  
 Central Harris County Regional Water Authority

May 5, 2015

PFLA Training, 4 Hrs

18-Oct-14

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 COMPARISON OF COSTS TO TWDB W/F PROJECT #21607  
 SERIES 2008  
 ACTIVITY THROUGH MAY 6, 2015

TWDB Funds Approved		Pate Allocation of Funds	Total Paid To Date	Variations (Over) Under
	Basic Engineering Fees			
12,500	6402-4 Planning	55,000	0	55,000
350,300	6404-4 Design	432,400	498,179	(65,779)
35,000	6406-4 Construction	45,000	75,050	(30,050)
	Special Engineering Fees			
55,000	6418-4 Environmental Assessment	35,000	35,000	0
131,000	6420-4 Surveying	161,600	37,417	124,183
50,000	6424-4 Geotechnical	51,000	45,741	5,259
45,000	6429-4 Testing	45,000	26,030	18,970
225,000	6423-4 Inspection	225,000	249,548	(24,548)
55,000	6300-4 Phase I & II ESA	0	0	0
7,500	6302-4 USACE Permit	0	0	0
4,000	6304-4 Cultural Pedestrian Survey	0	0	0
12,500	6306-4 Corrosion Protection Analysis	0	0	0
720,000	6700-4 Contingency	1,278,394	23,980	1,254,414
4,780,000	6600-4 Construction	4,668,670	2,904,991	1,763,679
196,700	6417-4 Easements/Land Acquisition	308,500	553,006	(244,506)
225,000	6315-4 Fiscal Fees(F/A)	225,000	225,000	0
395,000	6320-4 Legal Fees	395,000	395,000	0
17,250	6359-4 Bond Issuance	17,250	14,075	3,175
12,000,000	6800-4 Capacity Buy-In	13,351,900	12,823,224	528,676
1,433,250	6336-4 Other (Capitalized Interest)	475,286	475,286	0
1,300,000	6500-4 Capitalizable Previous Incurred Expense	280,000	289,077	(9,077)
0	6900-4 Chloramination Conversion(Surplus)	0	2,574,334	(2,574,334)
0	5391-4 Interest Earned	0	(480,912)	480,912
22,050,000	TOTAL COSTS	22,050,000	20,764,026	1,285,974

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 COMPARISON OF COSTS TO TWDB WIF PROJECT #21607  
 SERIES 2008  
 ACTIVITY THROUGH MAY 6, 2015

Code	Description	Start Date	End Date	Activity	Quantity	Unit	Rate	Total
6402-4	Basic Engineering Fees							0.00
6402-4	Planning							
6404-4	Design							498,178.93
6404-4	ENGINEERING-WATER SYS MODELING	10/1/2007		PATE ENGINEERS	0099995	PJ	1,493.71	
6404-4	ENGINEERING-WATER SYS MODELING	12/1/2007		PATE ENGINEERS	0100996	PJ	608.44	
6404-4	ENGINEERING-DESIGN PHASE	9/1/08		PATE ENGINEERS	0104903	CPJ	29,804.69	
6404-4	ENGINEERING-DESIGN PHASE	9/30/08		RECLASS PER TASK DETAIL	J9-11	GENJ	168,280.50	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	2/1/08		PATE ENGINEERS	0102438	PJ	37,503.00	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	3/1/08		PATE ENGINEERS	0102876	PJ	26,247.00	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	4/1/08		PATE ENGINEERS	0103468	PJ	35,893.65	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	5/1/08		PATE ENGINEERS	0104108	PJ	17,306.85	
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	6/1/08		PATE ENGINEERS	0104439	PJ	51,330.00	
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ	21,896.00	
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0105424-A	PJ	14,160.15	
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ	1,942.00	
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0105424-A	PJ	1,942.00	
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ	885.59	
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0105424-A	PJ	885.59	
6404-4	ENGINEERING-WATER SYS MODELING	1/1/08		PATE ENGINEERS	0101618	PJ	38,830.19	
6404-4	ENGINEERING-DESIGN PHASE	11/1/08		PATE ENGINEERS	0106129-A	PJ	1,420.60	
6404-4	ENGINEERING-DESIGN PHASE	11/1/08		TCB	10031491	PJ	53,842.70	
6404-4	ENGINEERING-DESIGN PHASE	12/1/08		PATE ENGINEERS	0106370	PJ	32,232.75	
6404-4	ENGINEERING-DESIGN PHASE	12/31/08		AP CPF PATE	J12-5	GENJ	26,190.87	
6404-4	ENGINEERING-DESIGN PHASE	12/31/08		AP CPF PATE	J12-16	GENJ	28,799.50	
6404-4	ENGINEERING-DESIGN PHASE	3/3/09		PATE ENGINEERS	0107626	PJ	6,243.75	
6404-4	ENGINEERING-DESIGN PHASE	4/1/09		PATE ENGINEERS	0108059	PJ	624.54	
6404-4	ENGINEERING-DESIGN PHASE	6/1/09		PATE ENGINEERS	0108860	PJ	7,604.82	
6404-4	ENGINEERING-DESIGN PHASE	7/1/09		PATE ENGINEERS	0109332	PJ	7,757.23	
6404-4	ENGINEERING-DESIGN PHASE	10/1/09		PATE ENGINEERS	0110135	PJ	9,224.50	
6404-4	ENGINEERING-DESIGN PHASE	12/1/09		PATE ENGINEERS	0110987	PJ	10,654.50	
6404-4	CONTINGENCIES-CONSTRUCTION	10/21/08		TSFR CPF TO GOF	J10-2	GENJ	7,103.00	
6404-4	ENGINEERING-METERING STATION	5/1/08		TCB	10029354	PJ	3,551.50	
6404-4	ENGINEERING-METERING STATION	6/1/08		TCB	10029964	PJ	24,300.00	
6404-4	CONTINGENCIES-CONSTRUCTION	10/21/08		TSFR CPF TO GOF	J10-2	GENJ	12,636.00	
6404-4	ENGINEERING-PROJ 17 SEGMENT 3	2/1/08		DANNENBAUM ENGINEERING C	440901/01	PJ	11,664.00	
6404-4	ENGINEERING-PROJ 17 SEGMENT 3	3/1/08		DANNENBAUM ENGINEERING C	440901/02	PJ	3,040.25	
6404-4	CONTINGENCIES-CONSTRUCTION	7/1/09		AECOM USA INC	60043195	PJ	2,130.90	
6404-4	ENGINEERING-DESIGN PHASE	4/1/10		AECOM USA INC	7063123 F	PJ	6,210.75	
6404-4	ENGINEERING-DESIGN PHASE	6/1/10		AECOM USA INC	7077744/F	PJ		
6406-4	Construction							75,049.68
6406-4	CONSTRUCTION	5/1/09		PATE ENGINEERS	0108671	PJ	1,828.04	
6406-4	CONSTRUCTION	6/1/09		PATE ENGINEERS	0108860	PJ	2,000.00	
6406-4	BASIC ENGINEERING-CONSTRUCTION	7/1/09		PATE ENGINEERS	0109332	PJ	2,375.00	
6406-4	BASIC ENGINEERING-CONSTRUCTION	8/1/09		PATE ENGINEERS	0109718	PJ	1,625.00	
6406-4	BASIC ENGINEERING-CONSTRUCTION	9/1/09		PATE ENGINEERS	0110055	PJ	1,250.00	

498,178.93

6406-4	BASIC ENGINEERING-CONSTRUCTION	10/1/09	0110135	PJ	PATE ENGINEERS	3,750.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	11/1/09	0110471	PJ	PATE ENGINEERS	2,500.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	2,500.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/09	J12-6	GENJ	CPF_A/P-PATE	2,110.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	1/1/10	3014T09	PJ	AT&T	4,221.64		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/09	J12-17	GENJ	CPF_A/P-PATE	3,400.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	3/2/10	0111925	PJ	PATE ENGINEERS	1,770.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	4/1/10	0112237	PJ	PATE ENGINEERS	8,670.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	5/4/10	0112620	PJ	PATE ENGINEERS	4,995.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	6/1/10	0112996	PJ	PATE ENGINEERS	5,585.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	7/1/10	0113279	PJ	PATE ENGINEERS	5,100.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	8/1/10	0113605	PJ	PATE ENGINEERS	6,250.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	9/1/10	0114027	PJ	PATE ENGINEERS - CAPITAL PROJECTS FUNI	2,775.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	10/1/10	0114279	PJ	PATE ENGINEERS	4,070.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	11/2/10	0114524	PJ	PATE ENGINEERS	2,275.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/1/10	0114872	PJ	PATE ENGINEERS	2,275.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/10	J12-4	GENJ	CPF A/P PATE	2,765.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/10	J12-13	GENJ	A/P CPF PATE	480.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	3/1/11	0115795	PJ	PATE ENGINEERS	480.00		
							75,049.68	
							=====	
<b>Special Engineering Fees</b>								
6418-4	Environmental Assessment						35,000.00	
6418-4	ENVIRONMENTAL ASSESSMENT	9/1/08	2008-6905	PJ	BERG-OLIVER ASSOCIATES INC	8,750.00		
6418-4	ENVIRONMENTAL ASSESSMENT	9/30/08	J9-4	GENJ	TSFR CPF TO GOF	17,500.00		
6418-4	ENVIRONMENTAL SERVICES	5/1/08	2008-6905	PJ	BERG-OLIVER ASSOCIATES INC	17,500.00		
6418-4	ENVIRONMENTAL ASSESSMENT	5/1/09	2009-6905	PJ	BERG-OLIVER ASSOCIATES INC	8,750.00		
							35,000.00	
							=====	
6420-4	Surveying						37,417.23	
6420-4	SURVEYING	9/1/08	0104903	C/PJ	PATE ENGINEERS	7,135.00		
6420-4	SURVEYING	9/30/08	J9-11	GENJ	RECLASS PER TASK DETAIL	2,100.00		
6420-4	ENGINEERING-SURVEY/GEOTECH/ROM	3/1/08	12008200	PJ	SURVCON INC	1,882.94		
6420-4	ENGINEERING-SURVEY/GEOTECH/ROM	4/1/08	12008246	PJ	SURVCON INC	217.06		
6420-4	SURVEYING	10/1/08	0105424-A	PJ	PATE ENGINEERS - CAPITAL PROJECTS FUNI	23,507.23		
6420-4	SURVEYING	11/1/08	0106129-A	PJ	PATE ENGINEERS	2,175.00		
6420-4	SURVEYING	12/31/08	J12-5	GENJ	A/P CPF PATE	2,500.00		
							37,417.23	
							=====	
6424-4	Geotechnical						45,740.70	
6424-4	GEOTECHNICAL	9/1/08	08-8170	PJ	TOLUNAY-WONG ENGINEERS INC	20,329.20		
6424-4	GEOTECHNICAL	9/30/08	J9-11	GENJ	RECLASS PER TASK DETAIL	25,411.50		
6424-4	ENGINEERING-SURVEY/GEOTECH/ROM	4/1/08	08-4176	PJ	TOLUNAY-WONG ENGINEERS IT	25,411.50		
							45,740.70	
							=====	
6429-4	Testing						26,030.25	
6429-4	TESTING	9/1/09	23186	PJ	HTS INC CONSULTANTS	2,348.50		
6429-4	TESTING	9/1/09	23274	PJ	HTS INC CONSULTANTS	1,256.25		
							26,030.25	
							=====	

6429-4	TESTING	11/1/09	23366	PJ	HTS INC CONSULTANTS	305.00
6429-4	TESTING	11/1/09	23444	PJ	HTS INC CONSULTANTS	285.50
6429-4	SPECIAL ENGR FEES-TESTING	12/31/09	J12-5	GENJ	CPF-AP-HTS	1,061.50
6429-4	SPECIAL ENGR FEES-TESTING	12/31/09	J12-16	GENJ	CPF-AP-HTS	1,290.00
6429-4	SPECIAL ENGR FEES-TESTING	4/1/10	23937	PJ	CPF-AP-HTS	394.50
6429-4	SPECIAL ENGR FEES-TESTING	6/1/10	24041	PJ	HTS INC CONSULTANTS	2,948.75
6429-4	SPECIAL ENGR FEES-TESTING	6/1/10	24151	PJ	HTS INC CONSULTANTS	5,592.00
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24260	PJ	HTS INC CONSULTANTS	766.00
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24376	PJ	HTS INC CONSULTANTS	4,012.50
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24401	PJ	HTS INC CONSULTANTS	551.50
6429-4	SPECIAL ENGR FEES-TESTING	9/1/10	24525	PJ	HTS INC CONSULTANTS	1,809.50
6429-4	SPECIAL ENGR FEES-TESTING	10/1/10	24620	PJ	HTS INC CONSULTANTS	2,619.75
						789.00
						26,030.25

6423-4 Inspection 249,547.59

6423-4	BASIC ENGINEERING-CONSTRUCTION	8/1/09	0109718	PJ	PATE ENGINEERS	3,606.40
6423-4	BASIC ENGINEERING-CONSTRUCTION	9/1/09	0110055	PJ	PATE ENGINEERS	7,109.76
6423-4	BASIC ENGINEERING-CONSTRUCTION	10/1/09	0110135	PJ	PATE ENGINEERS	2,369.92
6423-4	BASIC ENGINEERING-CONSTRUCTION	11/1/09	0110471	PJ	PATE ENGINEERS	6,208.12
6423-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	5,273.67
6423-4	CONTINGENCIES-CONSTRUCTION	1/1/09	CONST SL	PJ	NORTH HARRIS COUNTY RWA	78,671.83
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/09	J12-6	GENJ	CPF-AP-PATE	6,544.63
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/09	J12-17	GENJ	CPF-AP-PATE	3,278.84
6423-4	SPECIAL ENGR FEES-INSPECTION	3/2/10	0111925	PJ	PATE ENGINEERS	5,491.82
6423-4	SPECIAL ENGR FEES-INSPECTION	4/1/10	0112237	PJ	PATE ENGINEERS	12,069.18
6423-4	SPECIAL ENGR FEES-INSPECTION	5/4/10	0112620	PJ	PATE ENGINEERS	12,302.73
6423-4	SPECIAL ENGR FEES-INSPECTION	6/1/10	0112996	PJ	PATE ENGINEERS	17,561.72
6423-4	SPECIAL ENGR FEES-INSPECTION	7/1/10	0113279	PJ	PATE ENGINEERS	21,317.18
6423-4	SPECIAL ENGR FEES-INSPECTION	8/1/10	0113605	PJ	PATE ENGINEERS	19,986.61
6423-4	SPECIAL ENGR FEES-INSPECTION	9/1/10	0114027	PJ	PATE ENGINEERS	17,109.24
6423-4	SPECIAL ENGR FEES-INSPECTION	10/1/10	0114279	PJ	PATE ENGINEERS	17,882.25
6423-4	SPECIAL ENGR FEES-INSPECTION	11/2/10	0114524	PJ	PATE ENGINEERS	6,763.24
6423-4	SPECIAL ENGR FEES-INSPECTION	12/1/10	0114872	PJ	PATE ENGINEERS	4,837.05
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/10	J12-4	GENJ	CPF AP PATE	382.17
6423-4	SPECIAL ENGR FEES-INSPECTION	3/1/11	0115795	PJ	PATE ENGINEERS	319.63
6423-4	SPECIAL ENGR FEES-INSPECTION	12/1/11	0118446	PJ	PATE ENGINEERS	461.60

6300-4 Phase I & II ESA 0.00

6302-4 USACE Permit 0.00

6304-4 Cultural Pedestrian Survey 0.00

6306-4 Corrosion Protection Analysis 0.00

6700-4	Contingency					
6700-4	CONTINGENCIES-CONSTRUCTION	12/31/08	J12-7	GENJ	A/P CPF SPH	354.30
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/09	33473	PJ	SCHWARTZ PAGE & HARDING LLP	386.20
6700-4	CONTINGENCIES-CONSTRUCTION	3/3/09	33750	PJ	SCHWARTZ PAGE & HARDING LLP	257.50
6700-4	CONTINGENCIES-CONSTRUCTION	3/3/09	33752	PJ	SCHWARTZ PAGE & HARDING LLP	495.50
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/09	34042	PJ	SCHWARTZ PAGE & HARDING LLP	238.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/09	34316	PJ	SCHWARTZ PAGE & HARDING LLP	975.00
						23,980.49

249,547.59

6700-4	CONTINGENCIES-CONSTRUCTION	5/1/09	34318	PJ	SCHWARTZ PAGE & HARDING LLP	968.00
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	10086119	PJ	DAILY COURT REVIEW	847.44
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	10086120	PJ	DAILY COURT REVIEW	881.10
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	34563	PJ	SCHWARTZ PAGE & HARDING LLP	799.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/09	34865	PJ	SCHWARTZ PAGE & HARDING LLP	97.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/09	34867	PJ	SCHWARTZ PAGE & HARDING LLP	670.80
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/09	35427	PJ	SCHWARTZ PAGE & HARDING LLP	429.00
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/09	35429	PJ	SCHWARTZ PAGE & HARDING LLP	195.00
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/09	35723	PJ	SCHWARTZ PAGE & HARDING LLP	682.50
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/09	35725	PJ	SCHWARTZ PAGE & HARDING LLP	99.30
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/09	35962	PJ	SCHWARTZ PAGE & HARDING LLP	136.50
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/09	35964	PJ	SCHWARTZ PAGE & HARDING LLP	650.10
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/09	36216	PJ	SCHWARTZ PAGE & HARDING LLP	1,231.15
6700-4	BASIC ENGINEERING-CONSTRUCTION	8/1/09	0109718	PJ	PATE ENGINEERS	2,887.94
6700-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	-3,537.39
6700-4	CONTINGENCIES-CONSTRUCTION	12/31/09	J12-6	GENU	CPF-A/P-PATE	198.20
6700-4	CONTINGENCIES-CONSTRUCTION	12/31/09	J12-7	GENU	CPF-A/P-SPH	1,056.37
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/10	36809	PJ	SCHWARTZ PAGE & HARDING LLP	1,982.03
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/10	37083	PJ	SCHWARTZ PAGE & HARDING LLP	164.40
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/10	37325	PJ	SCHWARTZ PAGE & HARDING LLP	246.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/4/10	37599	PJ	SCHWARTZ PAGE & HARDING LLP	307.50
6700-4	CONTINGENCIES-CONSTRUCTION	5/4/10	37601	PJ	SCHWARTZ PAGE & HARDING LLP	931.10
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/10	37844	PJ	SCHWARTZ PAGE & HARDING LLP	718.70
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/10	37846	PJ	SCHWARTZ PAGE & HARDING LLP	535.40
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/10	38129	PJ	SCHWARTZ PAGE & HARDING LLP	1,045.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/10	38131	PJ	SCHWARTZ PAGE & HARDING LLP	246.00
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/10	38374	PJ	SCHWARTZ PAGE & HARDING LLP	924.90
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/10	J8-3	GENU	APPLY SPH MATTER 12000	-11,195.95
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/10	38639	PJ	SCHWARTZ PAGE & HARDING LLP	102.50
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/10	38931	PJ	SCHWARTZ PAGE & HARDING LLP	110.30
6700-4	CONTINGENCIES-CONSTRUCTION	11/2/10	39191	PJ	SCHWARTZ PAGE & HARDING LLP	164.00
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/10	39497	PJ	SCHWARTZ PAGE & HARDING LLP	315.50
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/11	40036	PJ	SCHWARTZ PAGE & HARDING LLP	103.50
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/11	40546	PJ	SCHWARTZ PAGE & HARDING LLP	106.25
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/11	40793	PJ	SCHWARTZ PAGE & HARDING LLP	109.25
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/11	41042	PJ	SCHWARTZ PAGE & HARDING LLP	63.75
6700-4	CONTINGENCIES-CONSTRUCTION	8/2/11	41546	PJ	SCHWARTZ PAGE & HARDING LLP	420.25
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/12	43277	PJ	SCHWARTZ PAGE & HARDING LLP	558.85
6700-4	CONTINGENCIES-CONSTRUCTION	4/3/12	43457	PJ	SCHWARTZ PAGE & HARDING LLP	3,698.70
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/12	43680	PJ	SCHWARTZ PAGE & HARDING LLP	579.30
6700-4	CONTINGENCIES-CONSTRUCTION	6/5/12	43913	PJ	SCHWARTZ PAGE & HARDING LLP	1,582.95
6700-4	CONTINGENCIES-CONSTRUCTION	7/9/12	44201	PJ	SCHWARTZ PAGE & HARDING LLP	1,081.90
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/12	44408	PJ	SCHWARTZ PAGE & HARDING LLP	452.00
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/12	44910	PJ	SCHWARTZ PAGE & HARDING LLP	111.65
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/12	45197	PJ	SCHWARTZ PAGE & HARDING LLP	224.90
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/12	45446	PJ	SCHWARTZ PAGE & HARDING LLP	111.25
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/13	45986	PJ	SCHWARTZ PAGE & HARDING LLP	690.00
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/13	46371	PJ	SCHWARTZ PAGE & HARDING LLP	1,361.40
6700-4	CONTINGENCIES-CONSTRUCTION	4/2/13	46527	PJ	SCHWARTZ PAGE & HARDING LLP	185.80
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/13	47084	PJ	SCHWARTZ PAGE & HARDING LLP	577.80
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/13	47424	PJ	SCHWARTZ PAGE & HARDING LLP	626.60
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/13	47645	PJ	SCHWARTZ PAGE & HARDING LLP	785.80
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/13	47876	PJ	SCHWARTZ PAGE & HARDING LLP	230.00
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/14	49820	PJ	SCHWARTZ PAGE & HARDING LLP	1,748.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/14	50178	PJ	SCHWARTZ PAGE & HARDING LLP	752.55
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/14	50760	PJ	SCHWARTZ PAGE & HARDING LLP	220.65

23,980.49

2,904,990.69

553,006.43

Account Number	Description	Date	Account	Payee	Amount
6600-4	Construction		J10-2	TSFR CPF TO GOF	475,665.79
6600-4	CONSTRUCTION-PROJ 17 SEGMENT 3	10/21/08	WT06-01	NORTH HARRIS COUNTY RWA -	475,665.79
6600-4	CONSTRUCTION	6/20/08	J10-2	TSFR CPF TO GOF	129,502.12
6600-4	CONSTRUCTION-METERING STATION	6/20/08	WT06-01	NORTH HARRIS COUNTY RWA -	129,502.12
2140-4	CONSTRUCTION	8/1/09	EST#1	TRIPLE B SERVICES LLP	150,035.20
2140-4	RETAINAGE PAYABLE	8/1/09	EST#1	TRIPLE B SERVICES LLP	-7,502.01
6600-4	CONSTRUCTION	9/1/09	PAYMENT PJ	TRIPLE B SERVICES LLP	144,464.50
2140-4	RETAINAGE PAYABLE	9/1/09	PAYMENT PJ	TRIPLE B SERVICES LLP	-7,222.98
6600-4	CONSTRUCTION	11/1/09	EST#3	TRIPLE B SERVICES LLP	137,425.40
2140-4	RETAINAGE PAYABLE	11/1/09	EST#3	TRIPLE B SERVICES LLP	-6,871.27
2140-4	RETAINAGE PAYABLE	11/1/09	EST#4	TRIPLE B SERVICES LLP	-9,186.61
6600-4	CONSTRUCTION	12/1/09	EST#5	TRIPLE B SERVICES LLP	407,545.90
2140-4	RETAINAGE PAYABLE	12/1/09	EST#5	TRIPLE B SERVICES LLP	-20,377.29
6600-4	CONSTRUCTION	12/31/09	J12-8	CPF-AP-TRIPLE B EST#6	96,849.50
2140-4	RETAINAGE PAYABLE	12/31/09	J12-8	CPF-AP-TRIPLE B EST#6	-4,842.48
6600-4	CONSTRUCTION	3/2/10	EST #7	TRIPLE B SERVICES LLP	7,735.00
2140-4	RETAINAGE PAYABLE	3/2/10	EST #7	TRIPLE B SERVICES LLP	-386.75
6600-4	CONSTRUCTION	4/1/10	EST#1 LIN PJ	HURTADO CONSTRUCTION COMPANY	147,489.00
2140-4	RETAINAGE PAYABLE	4/1/10	EST#1 LIN PJ	HURTADO CONSTRUCTION COMPANY	-7,374.45
6600-4	CONSTRUCTION	5/4/10	EST #2	HURTADO CONSTRUCTION COMPANY	296,589.40
2140-4	RETAINAGE PAYABLE	5/4/10	EST #2	HURTADO CONSTRUCTION COMPANY	-14,829.47
6600-4	CONSTRUCTION	7/1/10	EST#1 LIN PJ	SCOHIL CONSTRUCTION SERVICES L	63,535.63
2140-4	RETAINAGE PAYABLE	7/1/10	EST#1 LIN PJ	SCOHIL CONSTRUCTION SERVICES L	-5,627.45
6600-4	CONSTRUCTION	8/1/10	EST#3	HURTADO CONSTRUCTION COMPANY	271,830.20
2140-4	RETAINAGE PAYABLE	8/1/10	EST#3	HURTADO CONSTRUCTION COMPANY	-143,064.37
6600-4	CONSTRUCTION	8/1/10	EST#2	SCOHIL CONSTRUCTION SERVICES L	143,064.37
2140-4	RETAINAGE PAYABLE	8/1/10	EST#2	SCOHIL CONSTRUCTION SERVICES L	-13,591.51
6600-4	CONSTRUCTION	8/1/10	EST#2	HURTADO CONSTRUCTION COMPANY	-15,032.55
6600-4	CONSTRUCTION	10/1/10	EST#4 LIN PJ	HURTADO CONSTRUCTION SERVICES L	142,200.00
6600-4	CONSTRUCTION	10/1/10	EST#3 LIN PJ	HURTADO CONSTRUCTION SERVICES L	14,409.30
2140-4	RETAINAGE PAYABLE	10/1/10	EST#4 LIN PJ	HURTADO CONSTRUCTION SERVICES L	-7,110.00
2140-4	RETAINAGE PAYABLE	10/1/10	EST#3 LIN PJ	HURTADO CONSTRUCTION SERVICES L	-1,440.93
6600-4	CONSTRUCTION	11/2/10	7222	NATIONAL FENCE COMPANY	6,698.00
2140-4	RETAINAGE PAYABLE	11/2/10	#4 FINAL PJ	SCOHIL CONSTRUCTION SERVICES L	22,100.93
6600-4	CONSTRUCTION	11/2/10	EST#8/FIN PJ	TRIPLE B SERVICES LLP	56,389.39
2140-4	RETAINAGE PAYABLE	11/1/10	EST#5	HURTADO CONSTRUCTION COMPANY	68,904.00
6600-4	CONSTRUCTION	12/1/10	EST#5	HURTADO CONSTRUCTION COMPANY	-3,445.20
6600-4	CONSTRUCTION	5/1/11	PAYMENT PJ	HURTADO CONSTRUCTION COMPANY	17,315.18
2140-4	RETAINAGE PAYABLE	5/1/11	PAYMENT PJ	HURTADO CONSTRUCTION COMPANY	46,350.63

2,904,990.69

Easements/Land Acquisition

Account Number	Description	Date	Account	Payee	Amount
6417-4	EASEMENT/LAND ACQUISITION	9/1/08	TRACT 1-1 PJ	MARIA MANUEL	2,647.93
6417-4	EASEMENT/LAND ACQUISITION	9/30/08	J9-4	TSFR CPF TO GOF	10,000.00
6417-4	EASEMENT PURCHASE	7/1/08	EASEMENT PJ	TRAN ACQUISITIONS LP	10,000.00
6417-4	EASEMENT/LAND ACQUISITION	9/30/08	J9-11	RECLASS PER TASK DETAIL	19,000.00
6417-4	ENGINEERING-SURVEY/GEOTECH/ROW	5/1/08	0104/08	PATE ENGINEERS	9,500.00
6417-4	ENGINEERING-SURVEY/GEOTECH/ROW	6/1/08	0104/39	PATE ENGINEERS	9,500.00
6417-4	EASEMENT/LAND ACQUISITION	10/21/08	J10-2	TSFR CPF TO GOF	2,848.89
6417-4	EASEMENT PURCHASE	8/1/08	TRACT 1-1 PJ	SKYLINE FORMING INC	2,848.89
6417-4	EASEMENT/LAND ACQUISITION	10/31/08	J10-9	RECLASS PER TWDB BUDGET	40,698.23
2140-4	ROW ACQUISITION SERVICES	9/1/08	009024-20 PJ	POSTLE PROPERTY SERVICES	3,330.90
2140-4	ROW ACQUISITION SERVICES	9/1/08	34103	UNIVERSAL FIELD SERVICES IN	603.03
2140-4	ROW ACQUISITION SERVICES	2/1/08	008973-20 PJ	POSTLE PROPERTY SERVICES	10,408.55
2140-4	ROW ACQUISITION SERVICES	3/1/08	008983-20 PJ	POSTLE PROPERTY SERVICES	6,578.10

6417-4	ROW ACQUISITION SERVICES	4/1/08	008993-20 PJ	POSTLE PROPERTY SERVICES	5,920.85	25,360.32
	ROW ACQUISITION SERVICES	5/1/08	008998-20 PJ	POSTLE PROPERTY SERVICES	3,574.35	
	ROW ACQUISITION SERVICES	6/1/08	009008-20 PJ	POSTLE PROPERTY SERVICES	2,372.85	
	ROW ACQUISITION SERVICES	7/1/08	009016-20 PJ	POSTLE PROPERTY SERVICES	4,556.95	
	ROW ACQUISITION SERVICES	10/1/08	009029-20 PJ	POSTLE PROPERTY SERVICES	3,352.65	
	LEGAL FEES-EASEMENT/ROW	10/31/08	J10-9 GENU	RECLASS PER TWDB BUDGET		
	LEGAL FEES-EASEMENT/ROW	9/1/08	31989 PJ	SCHWARTZ PAGE & HARDING L	3,872.82	
	LEGAL FEES-EASEMENT/ROW	9/30/08	J9-4 GENU	TSFR CPF TO GOF	15,236.50	
	LEGAL FEES-EASEMENT/ROW	10/1/08	32301 PJ	SCHWARTZ PAGE & HARDING L	6,251.00	
6417-4	CONTINGENCIES-CONSTRUCTION	10/31/08	J10-9 GENU	RECLASS PER TWDB BUDGET	2,500.00	
	ENGINEERING-WL EASEMENTS	10/1/08	0105424-A PJ	PATE ENGINEERS	2,500.00	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	0106129-A PJ	PATE ENGINEERS	2,150.00	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	009006-20 PJ	POSTLE PROPERTY SERVICES INC	1,226.95	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	32572 PJ	SCHWARTZ PAGE & HARDING LLP	2,182.75	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	10427767 PJ	ANDREWS KURTH LLP	1,826.55	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	TRACT 2- PJ	HARRIS COUNTY	1,500.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	TRACT 2- PJ	HARRIS COUNTY FLOOD CONTROL DI	1,500.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	0106370 PJ	PATE ENGINEERS	6,450.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	009045-20 PJ	POSTLE PROPERTY SERVICES INC	2,787.55	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	32855 PJ	SCHWARTZ PAGE & HARDING LLP	12,160.73	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-4 GENU	AP CPF ANDREWS KURTH	12,550.00	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-5 GENU	AP CPF PATE	2,376.47	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-6 GENU	AP CPF POSTLE	1,216.85	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-7 GENU	AP CPF SPH	6,100.00	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-16 GENU	AP CPF PATE	2,075.00	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	33475 PJ	SCHWARTZ PAGE & HARDING LLP	4,130.51	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	009057-20 PJ	POSTLE PROPERTY SERVICES INC	3,257.00	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	TRACT 1- PJ	BRUCETON LTD	9,746.28	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	10439952 PJ	ANDREWS KURTH LLP	12,020.00	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	TRACTS 2 PJ	HARRIS COUNTY FLOOD CONTROL DI	10,149.00	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	2-1 EASEN PJ	HARRIS COUNTY TREASURER	3,026.75	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	FEB 2009 PJ	POSTLE PROPERTY SERVICES INC	3,760.20	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	33754 PJ	SCHWARTZ PAGE & HARDING LLP	2,068.30	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	009074-20 PJ	SCHWARTZ PAGE & HARDING LLP	3,718.10	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	34044 PJ	SCHWARTZ PAGE & HARDING LLP	10,000.00	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	TRACT 1- PJ	BEVERLY KAUFMAN, HARRIS COUNTY	4,287.00	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	TRACT 1- PJ	BEVERLY KAUFMAN, HARRIS COUNTY	10,464.26	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10443513 PJ	ANDREWS KURTH LLP	3,500.90	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	009087-20 PJ	POSTLE PROPERTY SERVICES INC	5,617.90	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	34320 PJ	SCHWARTZ PAGE & HARDING LLP	8,247.73	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447160 PJ	ANDREWS KURTH LLP	1,881.55	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447159 PJ	ANDREWS KURTH LLP	3,080.54	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447158 PJ	ANDREWS KURTH LLP	696.00	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	TRACT 2- PJ	HARRIS COUNTY FLOOD CONTROL DI	2,500.00	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	0108860 PJ	PATE ENGINEERS	334.50	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	009095-20 PJ	POSTLE PROPERTY SERVICES INC	5,906.30	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	34565 PJ	SCHWARTZ PAGE & HARDING LLP	16,695.60	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450430 PJ	ANDREWS KURTH LLP	14,381.75	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450431 PJ	ANDREWS KURTH LLP	8,928.03	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450432 PJ	ANDREWS KURTH LLP	3,044.00	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	34869 PJ	SCHWARTZ PAGE & HARDING LLP	2,946.78	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	009107-20 PJ	POSTLE PROPERTY SERVICES INC	5,315.34	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10453586 PJ	ANDREWS KURTH LLP	1,813.20	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456956 PJ	ANDREWS KURTH LLP	1,315.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456957 PJ	ANDREWS KURTH LLP	1,090.91	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456958 PJ	ANDREWS KURTH LLP	1,219.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	TCE 2-3 & PJ	HARRIS COUNTY FLOOD CONTROL DI	1,009.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	TCE 2-1 PJ	HARRIS COUNTY TREASURER	2,469.30	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	009118-20 PJ	POSTLE PROPERTY SERVICES INC	4,575.20	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	35151 PJ	SCHWARTZ PAGE & HARDING LLP		

6417-4	EASEMENT/LAND ACQUISITION	9/1/09	2-7 EASEM PJ	JFCSL PROPERTIES LTD - CAPITAL PROJECT	3,246.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	2-6 EASEM PJ	LARRY STRICKLAND	2,259.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	AUGUST 2 PJ	POSTLE PROPERTY SERVICES INC	3,324.74
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	35431 PJ	SCHWARTZ PAGE & HARDING LLP	3,816.00
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460473 PJ	ANDREWS KURTH LLP	2,167.62
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460474 PJ	ANDREWS KURTH LLP	1,098.10
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460475 PJ	ANDREWS KURTH LLP	490.05
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10464003 PJ	ANDREWS KURTH LLP	1,388.25
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	35726 PJ	SCHWARTZ PAGE & HARDING LLP	4,987.10
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	PARCEL 3 PJ	MELISSA TAN	14,966.00
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	PARCEL 3 PJ	S A CRANBROOK LTD	23,391.00
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467739 PJ	ANDREWS KURTH LLP	1,960.20
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467743 PJ	ANDREWS KURTH LLP	7,518.20
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467740 PJ	ANDREWS KURTH LLP	2,363.65
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	009143-20 PJ	POSTLE PROPERTY SERVICES INC	1,928.66
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	35985 PJ	SCHWARTZ PAGE & HARDING LLP	4,271.93
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	PARCEL 1 PJ	ROY RICHARD BROCK	20,000.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	10470861 PJ	ANDREWS KURTH LLP	2,088.41
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	0186146 PJ	ANDREWS KURTH LLP	1,868.58
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	10470860 PJ	ANDREWS KURTH LLP	867.52
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	36218 PJ	SCHWARTZ PAGE & HARDING LLP	2,361.40
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-4 GENJ	CPF-A/P-ANDREWS & KURTH	829.80
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-4 GENJ	CPF-A/P-ANDREWS & KURTH	1,835.25
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-7 GENJ	CPF-A/P-SPH	997.50
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-15 GENJ	CPF-A/P-ANDREWS KURTH-LINE 1	3,329.75
6417-4	EASEMENT/LAND ACQUISITION	2/1/10	HENDRICH PJ	BEVERLY KAUFMAN, HARRIS COUNTY	34,000.00
6417-4	EASEMENT/LAND ACQUISITION	2/1/10	36811 PJ	SCHWARTZ PAGE & HARDING LLP	1,050.40
6417-4	EASEMENT/LAND ACQUISITION	3/1/10	10480300 PJ	ANDREWS KURTH LLP	4,629.51
6417-4	EASEMENT/LAND ACQUISITION	3/2/10	27072 PJ	FOX HUNT LAND RESEARCH SERVICE	50.00
6417-4	EASEMENT/LAND ACQUISITION	3/1/10	37085 PJ	SCHWARTZ PAGE & HARDING LLP	370.50
6417-4	EASEMENT/LAND ACQUISITION	7/1/10	10491154 PJ	ANDREWS KURTH LLP	6,625.40
6417-4	EASEMENT/LAND ACQUISITION	8/1/10	38375 PJ	SCHWARTZ PAGE & HARDING LLP	2,015.50
6417-4	EASEMENT/LAND ACQUISITION	8/13/10	R8-8 GENJ	DEPOSIT HARRIS CO CLERK-POLK FINAL JUC	-4,946.35
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	0114027 PJ	PATE ENGINEERS	2,150.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	38641 PJ	SCHWARTZ PAGE & HARDING LLP	943.50
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	10500549 PJ	ANDREWS KURTH LLP	527.60
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	10500548 PJ	ANDREWS KURTH LLP	7,126.61
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	AUG 2010 PJ	POSTLE PROPERTY SERVICES INC	2,003.80
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	10503917 PJ	ANDREWS KURTH LLP	242.19
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	10503918 PJ	ANDREWS KURTH LLP	4,114.81
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	38933 PJ	SCHWARTZ PAGE & HARDING LLP	2,498.80
6417-4	EASEMENT/LAND ACQUISITION	11/2/10	10506338 PJ	ANDREWS KURTH LLP	775.58
6417-4	EASEMENT/LAND ACQUISITION	11/2/10	39193 PJ	SCHWARTZ PAGE & HARDING LLP	106.70
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	28574 PJ	FOX HUNT LAND RESEARCH SERVICE	50.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	0114872 PJ	PATE ENGINEERS	3,500.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	39489 PJ	SCHWARTZ PAGE & HARDING LLP	102.50
6417-4	EASEMENT/LAND ACQUISITION	12/31/10	J12-5 GENJ	CPF A/P SPH	205.00
6417-4	EASEMENT/LAND ACQUISITION	2/1/11	40038 PJ	SCHWARTZ PAGE & HARDING LLP	1,107.45
6417-4	EASEMENT/LAND ACQUISITION	3/1/11	40303 PJ	SCHWARTZ PAGE & HARDING LLP	127.50
6417-4	EASEMENT/LAND ACQUISITION	4/1/11	40548 PJ	SCHWARTZ PAGE & HARDING LLP	106.25
6417-4	EASEMENT/LAND ACQUISITION	4/5/11	10523038 PJ	ANDREWS KURTH LLP	1,069.20
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	28892 PJ	FOX HUNT LAND RESEARCH SERVICE	200.00
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	009299-20 PJ	POSTLE PROPERTY SERVICES INC	568.99
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	40795 PJ	SCHWARTZ PAGE & HARDING LLP	561.90
6417-4	EASEMENT/LAND ACQUISITION	6/1/11	10528653 PJ	ANDREWS KURTH LLP	5,398.30
6417-4	EASEMENT/LAND ACQUISITION	6/1/11	41044 PJ	SCHWARTZ PAGE & HARDING LLP	504.75
6417-4	EASEMENT/LAND ACQUISITION	7/1/11	41310 PJ	SCHWARTZ PAGE & HARDING LLP	311.50
6417-4	EASEMENT/LAND ACQUISITION	8/2/11	7129/11 PJ	CLINTON H HENDRICKS TRUSTEE	17,500.00
6417-4	EASEMENT/LAND ACQUISITION	8/2/11	0169774 PJ	COTTON SURVEYING COMPANY	5,717.32
6417-4	EASEMENT/LAND ACQUISITION	9/7/11	41795 PJ	SCHWARTZ PAGE & HARDING LLP	281.65

6417-4	EASEMENT/LAND ACQUISITION	11/1/11	10544569 PJ	ANDREWS KURTH LLP	4,963.11	
6417-4	EASEMENT/LAND ACQUISITION	11/1/11	42265 PJ	SCHWARTZ PAGE & HARDING LLP	110.25	
6417-4	EASEMENT/LAND ACQUISITION	6/1/14	5/30/14 PJ	ANDREWS KURTH LLP	212.80	
						=====
						553,006.43
						=====
6315-4	Fiscal Fees(F/A)					225,000.00
6315-4	FINANCIAL ADVISOR-GENERAL	8/1/08	SER 2008 PJ	THE GMS GROUP LLC - CAPITAL PROJECTS F	225,000.00	
						=====
						225,000.00
						=====
6320-4	Legal Fees					395,000.00
6320-4	BOND COUNSEL FEE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP - CAPITAL	395,000.00	
						=====
						395,000.00
						=====
6359-4	Bond Issuance					14,075.03
6359-4	COST OF ISSUANCE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP	679.90	
6359-4	COST OF ISSUANCE	9/30/08	J9-4 GENU	TSFR CPF TO GOF	9,915.00	
	ISSUANCE EXPENSES	6/1/08	SER 08 PJ	ATTORNEY GENERAL OF TEXAS	9,500.00	
	ISSUANCE EXPENSES	6/1/08	34817282 PJ	STANDARD & POOR'S	415.00	
6359-4	COST OF ISSUANCE	10/1/08	32299 PJ	SCHWARTZ PAGE & HARDING LLP	777.13	
6359-4	COST OF ISSUANCE	10/31/08	J10-7 GENU	COMPASS INT & SC	10.00	
6359-4	PRINTING & OFFICE SUPPLIES	8/21/08	J8-4 GENU	TSB INT & SC	10.00	
6359-4	BOND COUNSEL FEE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP - CAPITAL	500.00	
6359-4	COST OF ISSUANCE	11/17/08	J11-8 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	12/15/08	J12-13 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	12/31/08	J12-3 GENU	A/P CPF BOOKBINDERY	958.00	
6359-4	COST OF ISSUANCE	1/16/09	J1-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	2/16/09	J2-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	3/16/09	J3-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	4/15/09	J4-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	5/15/09	J5-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	6/15/09	J6-14 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	8/1/09	9900.064 PJ	MCCALL PARKHURST & HORTON LLP	450.00	
6359-4	COST OF ISSUANCE	7/20/09	J7-6 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	8/17/09	J8-8 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	9/15/09	J9-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	10/15/09	J10-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	11/30/09	J11-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	12/15/09	J12-14 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	1/15/10	J1-10 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	2/16/10	J2-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	3/15/10	J3-8 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	4/15/10	J4-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	5/17/10	J5-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	6/15/10	J6-7 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	7/15/10	J7-11 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	8/16/10	J8-12 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	9/15/10	J9-9 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	10/29/10	J10-8 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	11/15/10	J11-7 GENU	COMPASS SC	10.00	
6359-4	COST OF ISSUANCE	12/16/10	J12-12 GENU	COMPASS SC	10.00	

6359-4	COST OF ISSUANCE	1/18/11	J1-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/11	J2-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/11	J3-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/11	J4-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/16/11	J5-21	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/15/11	J6-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/11	J7-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/11	J8-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/15/11	J9-12	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/17/11	J10-12	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/11	J11-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/15/11	J12-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/17/12	J1-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/12	J2-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/12	J3-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/16/12	J4-6	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/12	J5-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/12	J10-6	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/12	J11-9	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/17/12	J12-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/15/13	J1-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/13	J2-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/13	J3-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/13	J4-6	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/13	J5-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/17/13	J6-4	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/13	J7-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/13	J8-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/16/13	J9-8	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/13	J10-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/13	J11-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/16/13	J12-12	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/15/14	J1-10	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/18/14	J2-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/17/14	J3-6	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/14	J4-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/14	J5-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/16/14	J6-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/14	J7-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/14	J8-7	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/15/14	J9-5	GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/14	J10-7	GENU	COMPASS SC	15.00
6359-4	COST OF ISSUANCE	11/17/14	J11-7	GENU	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	12/15/14	J12-7	GENU	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	1/15/15	J1-11	GENU	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	2/17/15	J2-7	GENU	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	3/16/15	J3-5	GENU	COMPASS SC	18.00

14,075.03

12,823,224.22

6800-4	Capacity Buy-In					
6800-4	CAPACITY BUY-IN	10/1/08	55476	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	3,521,445.00
6800-4	CAPACITY BUY-IN	2/1/09	CWA 1/3/1/	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	2,273.00
6800-4	CAPACITY BUY-IN	6/1/09	6/15/09	PJ	CITY OF HOUSTON	63,000.00
6800-4	CAPACITY BUY-IN	12/1/09	12/7/09	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	1,490,806.09
6800-4	CAPACITY BUY-IN	6/1/10	6/15/10	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	31,500.00
6800-4	CAPACITY BUY-IN	5/1/12	4/11/2012	PJ	CITY OF HOUSTON	31,500.00
6800-4	CAPACITY BUY-IN	3/1/13	3/14/13	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	2,200.41

6800-4	CAPACITY BUY-IN	12/1/13	EXHIBIT C PJ	NORTH HARRIS COUNTY RWA - CAPITAL PRC	7,679,119.84		
6800-4	CAPACITY BUY-IN	5/7/15	5/7/2015 PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUN	1,379.88		
						12,823,224.22	
6336-4	Other (Capitalized Interest)	8/8/08	J8-5	BOND SALE	475,286.00		475,286.00
						475,286.00	
6500-4	Capitalizable Previous Incurred Expense						289,077.05
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET			
	LEGAL FEES-JOINT SURFACE WL	2/1/08	30279	SCHWARTZ PAGE & HARDING L	5,786.25		
	LEGAL FEES-JOINT SURFACE WL	3/1/08	30546	SCHWARTZ PAGE & HARDING L	572.50		
	LEGAL FEES-JOINT SURFACE WL	4/1/08	30843	SCHWARTZ PAGE & HARDING L	93.75		
	LEGAL FEES-JOINT SURFACE WL	5/1/08	31150	SCHWARTZ PAGE & HARDING L	93.75		
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET			179,593.70
	COH INTEREST PAYMENT	1/1/08	1/1/2008	CITY OF HOUSTON			
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET			2,937.10
	LEGAL FEES-CONSTRUCTION	1/1/08	29924	SCHWARTZ PAGE & HARDING L	2,339.35		
	LEGAL FEES-CONSTRUCTION	2/1/08	30280	SCHWARTZ PAGE & HARDING L	597.75		
	1 year only + \$100,000. (COH)						100,000.00
							289,077.05
6900-4	Chloramination Conversion						2,574,334.00
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 150	974,074.00		
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 217	329,985.00		
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 200	844,849.00		
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	RANKIN RD WEST MUD	265,008.00		
6900-4	CHLORAMINATION CONVERSION	8/1/13	7/26/13 PJ	FALLBROOK UTILITY DISTRICT	160,418.00		
							2,574,334.00
5391-4	Interest Earned						(480,912.37)
5391-4	INTEREST ON INVESTMENTS	8/21/08	J8-4	TSB INT & SC	3,997.83		
5391-4	INTEREST ON INVESTMENTS	8/29/08	J8-10	COMPASS INTEREST	7,243.77		
5391-4	INTEREST ON INVESTMENTS	8/31/08	J8-11	WELLS FARGO ESCROW INTEREST	13,594.54		
5391-4	INTEREST ON INVESTMENTS	9/30/08	J9-8	COMPASS INTEREST	28,827.05		
5391-4	INTEREST ON INVESTMENTS	9/30/08	J9-9	WELLS FARGO ESCROW INTEREST	10,786.70		
5391-4	INTEREST ON INVESTMENTS	10/31/08	J10-7	COMPASS INT & SC	31,897.20		
5391-4	INTEREST ON INVESTMENTS	10/31/08	J10-8	WELLS FARGO ESCROW INTEREST	7,438.50		
5391-4	INTEREST ON INVESTMENTS	11/28/08	J11-7	COMPASS INTEREST	20,821.44		
5391-4	INTEREST ON INVESTMENTS	11/30/08	J11-9	WELLS FARGO ESCROW INTEREST	5,482.41		
5391-4	INTEREST ON INVESTMENTS	12/31/08	J12-12	COMPASS INTEREST	24,321.12		
5391-4	INTEREST ON INVESTMENTS	12/31/08	J12-14	WELLS FARGO ESCROW INTEREST	4,012.62		
5391-4	INTEREST ON INVESTMENTS	1/31/09	J1-9	COMPASS INTEREST	20,734.32		
5391-4	INTEREST ON INVESTMENTS	1/31/09	J1-11	WELLS FARGO ESC INT	2,923.00		
5391-4	INTEREST ON INVESTMENTS	2/28/09	J2-8	COMPASS INTEREST	9,710.59		
5391-4	INTEREST ON INVESTMENTS	2/28/09	J2-10	WELLS FARGO ESCROW INTEREST	1,836.91		
5391-4	INTEREST ON INVESTMENTS	3/31/09	J3-9	COMPASS INTEREST	9,852.86		
5391-4	INTEREST ON INVESTMENTS	3/31/09	J3-11	WELLS FARGO ESCROW INTEREST	1,445.17		

5391-4	INTEREST ON INVESTMENTS	4/30/09	J4-9	GENJ	COMPASS INTEREST	9,110.49
5391-4	INTEREST ON INVESTMENTS	4/30/09	J4-11	GENJ	WELLS FARGO ESCROW INTEREST	893.80
5391-4	INTEREST ON INVESTMENTS	5/29/09	J5-9	GENJ	COMPASS INTEREST	8,794.59
5391-4	INTEREST ON INVESTMENTS	5/31/09	J5-11	GENJ	WELLS FARGO ESCROW INTEREST	784.20
5391-4	INTEREST ON INVESTMENTS	6/30/09	J6-13	GENJ	COMPASS INTEREST	11,288.18
5391-4	INTEREST ON INVESTMENTS	7/31/09	J7-5	GENJ	COMPASS INTEREST	11,295.35
5391-4	INTEREST ON INVESTMENTS	8/17/09	R8-10	GENJ	DEP WELLS FARGO INTEREST	51.06
5391-4	INTEREST ON INVESTMENTS	8/31/09	J8-7	GENJ	COMPASS INTEREST	11,199.57
5391-4	INTEREST ON INVESTMENTS	9/30/09	J9-9	GENJ	COMPASS INTEREST	10,721.46
5391-4	INTEREST ON INVESTMENTS	10/30/09	J10-9	GENJ	COMPASS INTEREST	10,687.68
5391-4	INTEREST ON INVESTMENTS	11/30/09	J11-9	GENJ	COMPASS INTEREST	8,373.87
5391-4	INTEREST ON INVESTMENTS	12/31/09	J12-13	GENJ	COMPASS INTEREST	7,993.63
5391-4	INTEREST ON INVESTMENTS	1/29/10	J1-9	GENJ	COMPASS INTEREST	6,704.62
5391-4	INTEREST ON INVESTMENTS	2/26/10	J2-8	GENJ	COMPASS INTEREST	6,446.85
5391-4	INTEREST ON INVESTMENTS	3/31/10	J3-7	GENJ	COMPASS INTEREST	7,595.71
5391-4	INTEREST ON INVESTMENTS	4/30/10	J4-8	GENJ	COMPASS INTEREST	6,321.25
5391-4	INTEREST ON INVESTMENTS	5/28/10	J5-8	GENJ	COMPASS INTEREST	5,755.44
5391-4	INTEREST ON INVESTMENTS	6/30/10	J6-6	GENJ	COMPASS INTEREST	6,725.91
5391-4	INTEREST ON INVESTMENTS	7/31/10	J7-10	GENJ	COMPASS INTEREST	6,079.41
5391-4	INTEREST ON INVESTMENTS	8/31/10	J8-11	GENJ	COMPASS INTEREST	6,289.70
5391-4	INTEREST ON INVESTMENTS	9/30/10	J9-8	GENJ	COMPASS INTEREST	5,851.70
5391-4	INTEREST ON INVESTMENTS	10/29/10	J10-7	GENJ	COMPASS INTEREST	5,596.09
5391-4	INTEREST ON INVESTMENTS	11/30/10	J11-6	GENJ	COMPASS INTEREST	6,117.71
5391-4	INTEREST ON INVESTMENTS	12/31/10	J12-11	GENJ	COMPASS INTEREST	5,884.45
5391-4	INTEREST ON INVESTMENTS	1/31/11	J1-8	GENJ	COMPASS INTEREST	5,884.76
5391-4	INTEREST ON INVESTMENTS	2/28/11	J2-8	GENJ	COMPASS INTEREST	5,317.10
5391-4	INTEREST ON INVESTMENTS	3/31/11	J3-7	GENJ	COMPASS INTEREST	5,888.86
5391-4	INTEREST ON INVESTMENTS	4/29/11	J4-8	GENJ	COMPASS INTEREST	4,598.82
5391-4	INTEREST ON INVESTMENTS	5/31/11	J5-20	GENJ	COMPASS INTEREST	5,051.53
5391-4	INTEREST ON INVESTMENTS	6/30/11	J6-7	GENJ	COMPASS INTEREST	4,732.18
5391-4	INTEREST ON INVESTMENTS	7/29/11	J7-8	GENJ	COMPASS INTEREST	3,659.09
5391-4	INTEREST ON INVESTMENTS	8/31/11	J8-9	GENJ	COMPASS INTEREST	4,158.09
5391-4	INTEREST ON INVESTMENTS	9/30/11	J9-11	GENJ	COMPASS INTEREST	3,779.96
5391-4	INTEREST ON INVESTMENTS	10/31/11	J10-11	GENJ	COMPASS INTEREST	3,907.22
5391-4	INTEREST ON INVESTMENTS	11/30/11	J11-6	GENJ	COMPASS INTEREST	3,780.90
5391-4	INTEREST ON INVESTMENTS	12/30/11	J12-8	GENJ	COMPASS INTEREST	3,762.03
5391-4	INTEREST ON INVESTMENTS	1/31/12	J1-10	GENJ	COMPASS INTEREST	3,792.83
5391-4	INTEREST ON INVESTMENTS	2/29/12	J2-9	GENJ	COMPASS INTEREST	3,200.20
5391-4	INTEREST ON INVESTMENTS	3/30/12	J3-11	GENJ	COMPASS INTEREST	2,762.12
5391-4	INTEREST ON INVESTMENTS	4/30/12	J4-7	GENJ	COMPASS INTEREST	2,618.92
5391-4	INTEREST ON INVESTMENTS	5/31/12	J5-10	GENJ	COMPASS INTEREST	2,326.19
5391-4	INTEREST ON INVESTMENTS	6/29/12	J6-6	GENJ	COMPASS INTEREST	2,176.60
5391-4	INTEREST ON INVESTMENTS	7/31/12	J7-12	GENJ	COMPASS INTEREST	2,395.09
5391-4	INTEREST ON INVESTMENTS	8/31/12	J8-8	GENJ	COMPASS INTEREST	2,319.17
5391-4	INTEREST ON INVESTMENTS	10/1/12	J10-7	GENJ	COMPASS INTEREST	2,763.40
5391-4	INTEREST ON INVESTMENTS	11/1/12	J11-8	GENJ	COMPASS INTEREST	3,086.06
5391-4	INTEREST ON INVESTMENTS	12/3/12	J12-9	GENJ	COMPASS INTEREST	2,987.52
5391-4	INTEREST ON INVESTMENTS	1/2/13	J1-9	GENJ	COMPASS INTEREST	3,088.05
5391-4	INTEREST ON INVESTMENTS	2/1/13	J2-9	GENJ	COMPASS INTEREST	2,693.52
5391-4	INTEREST ON INVESTMENTS	3/1/13	J3-9	GENJ	COMPASS INTEREST	2,098.52
5391-4	INTEREST ON INVESTMENTS	4/1/13	J4-5	GENJ	COMPASS INTEREST	1,549.04
5391-4	INTEREST ON INVESTMENTS	5/1/13	J5-9	GENJ	COMPASS INTEREST	1,499.18
5391-4	INTEREST ON INVESTMENTS	6/3/13	J6-5	GENJ	COMPASS INTEREST	1,549.36
5391-4	INTEREST ON INVESTMENTS	7/1/13	J7-7	GENJ	COMPASS INTEREST	1,499.22
5391-4	INTEREST ON INVESTMENTS	8/1/13	J8-6	GENJ	COMPASS INTEREST	1,549.46
5391-4	INTEREST ON INVESTMENTS	9/3/13	J9-7	GENJ	COMPASS INTEREST	1,528.36
5391-4	INTEREST ON INVESTMENTS	10/1/13	J10-4	GENJ	COMPASS INTEREST	1,473.27
5391-4	INTEREST ON INVESTMENTS	11/1/13	J11-6	GENJ	COMPASS INTEREST	1,522.64

5391-4	INTEREST ON INVESTMENTS	12/2/13	J12-11	GENJ	COMPASS INTEREST	1,473.77
5391-4	INTEREST ON INVESTMENTS	1/2/14	J1-9	GENJ	COMPASS INTEREST	326.29
5391-4	INTEREST ON INVESTMENTS	2/3/14	J2-4	GENJ	COMPASS INTEREST	218.80
5391-4	INTEREST ON INVESTMENTS	3/3/14	J3-5	GENJ	COMPASS INTEREST	197.66
5391-4	INTEREST ON INVESTMENTS	4/1/14	J4-6	GENJ	COMPASS INTEREST	218.87
5391-4	INTEREST ON INVESTMENTS	5/1/14	J5-6	GENJ	COMPASS INTEREST	211.58
5391-4	INTEREST ON INVESTMENTS	6/2/14	J6-4	GENJ	COMPASS INTEREST	218.60
5391-4	INTEREST ON INVESTMENTS	7/1/14	J7-8	GENJ	COMPASS INTEREST	211.58
5391-4	INTEREST ON INVESTMENTS	8/1/14	J8-6	GENJ	COMPASS INTEREST	206.33
5391-4	INTEREST ON INVESTMENTS	9/2/14	J9-4	GENJ	COMPASS INTEREST	164.03
5391-4	INTEREST ON INVESTMENTS	10/1/14	J10-6	GENJ	COMPASS INTEREST	158.76
5391-4	INTEREST ON INVESTMENTS	11/3/14	J11-6	GENJ	COMPASS INTEREST	164.07
5391-4	INTEREST ON INVESTMENTS	12/1/14	J12-6	GENJ	COMPASS INTEREST	158.79
5391-4	INTEREST ON INVESTMENTS	1/2/15	J1-10	GENJ	COMPASS INTEREST	164.10
5391-4	INTEREST ON INVESTMENTS	2/2/15	J2-6	GENJ	COMPASS INTEREST	164.01
5391-4	INTEREST ON INVESTMENTS	3/2/15	J3-4	GENJ	COMPASS INTEREST	148.12
<b>TOTAL COSTS</b>						(480,912.37)
						20,764,025.92
						20,764,025.92

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2014 - December 31, 2010**

	2014	2013	2012	2011	2010
<b>Operating Revenues</b>					
Pumpage fees	\$1,577,942	\$1,670,501	\$1,714,575	\$1,308,338	\$1,922,672
Surface water	<u>\$1,283,329</u>	<u>\$1,031,107</u>	<u>\$820,416</u>	<u>\$1,051,824</u>	<u>-</u>
Total Operating revenues	<u>\$2,861,271</u>	<u>\$2,701,608</u>	<u>\$2,534,991</u>	<u>\$2,360,162</u>	<u>\$1,922,672</u>
<b>Operating Expenses</b>					
Purchased water service	\$1,040,271	\$868,017	\$593,272	\$745,098	\$208,060
Professional fees	\$294,972	\$233,025	\$221,344	\$219,048	\$208,847
Contracted services	\$61,297	\$51,320	\$49,545	\$56,577	\$39,340
Repairs and maintenance	\$2,263	\$218,828	-	-	-
Other expenditures	\$95,134	\$97,356	\$89,141	\$86,787	\$77,144
Depreciation	<u>\$563,275</u>	<u>\$397,271</u>	<u>\$284,285</u>	<u>\$248,385</u>	<u>\$196,474</u>
Total operating expense	<u>\$2,057,212</u>	<u>\$1,865,817</u>	<u>\$1,237,587</u>	<u>\$1,355,895</u>	<u>\$729,865</u>
<b>Operating Income</b>	<u>\$804,059</u>	<u>\$835,791</u>	<u>\$1,297,404</u>	<u>\$1,004,267</u>	<u>\$1,192,807</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	\$7,482	\$29,286	\$41,926	\$80,927	\$94,416
Other income	-	-	\$6,512	-	-
Interest and fees	<u>(\$434,520)</u>	<u>(\$447,639)</u>	<u>(\$484,300)</u>	<u>(\$456,861)</u>	<u>(\$421,019)</u>
Total nonoperating expenses	<u>(\$427,038)</u>	<u>(\$418,353)</u>	<u>(\$435,862)</u>	<u>(\$375,934)</u>	<u>(\$326,603)</u>
<b>Change in Net Position</b>	\$377,021	\$417,438	\$861,542	\$628,333	\$866,204

**Central Harris County Regional Water Authority**

Harris County, Texas

Auditor's Report and Financial Statements

December 31, 2013



# Central Harris County Regional Water Authority

## December 31, 2013

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## Independent Auditor's Report

Board of Directors  
Central Harris County Regional Water Authority  
Harris County, Texas

We have audited the accompanying basic financial statements of Central Harris County Regional Water Authority (the Authority), which are comprised of a statement of net position as of December 31, 2013, and statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors  
Central Harris County Regional Water Authority  
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 9 to the financial statements, in 2013, the Authority adopted the new accounting guidance included in Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Houston, Texas  
May 9, 2014

# Central Harris County Regional Water Authority

## Management's Discussion and Analysis

### December 31, 2013

#### **Introduction**

This management's discussion and analysis of the financial performance of Central Harris County Regional Water Authority (the Authority) provides an overview of the Authority's financial activities for the year ended December 31, 2013. It should be read in conjunction with the accompanying financial statements of the Authority.

#### **Using This Annual Report**

The Authority's basic financial statements consist of three statements -- a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors or participating entities. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### **The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position**

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The statement of net position and statement of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The Authority's total net position – the difference between assets and liabilities – is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's service area, changes in legislation and regulations, measures of the quantity and quality of services provided to its participants, and local economic factors should also be considered to assess the overall financial health of the Authority.

#### **The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Financial Analysis of the Authority**

Effective January 1, 2013, the Authority adopted the new accounting and financial reporting guidance included in GASB Statement No. 65 (Statement No. 65), *Items Previously Reported as Assets and Liabilities*.

Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows or inflows of resources and recognizes as expenses or revenues certain items that were previously reported as assets and liabilities. The adjustments required for the Authority's 2012 financial statements, not presented herein, for adoption of Statement No. 65, include reducing other noncurrent assets for previously capitalized deferred debt issuance costs and reducing interest and fees for debt issuance costs amortized during 2012. The Authority's 2012 summarized financial information presented below has been restated to reflect the adoption of Statement No. 65.

**The Authority's Net Position**

The Authority's overall financial position and activities for the past two years are summarized as follows, based on the information included in the financial statements.

**Summary of Assets, Liabilities and Net Position**

	<b>2013</b>	<b>Restated 2012</b>
Current assets	\$ 6,172,369	\$ 14,111,325
Capital assets	18,261,963	10,819,697
Total assets	<u>\$ 24,434,332</u>	<u>\$ 24,931,022</u>
Long-term liabilities	\$ 17,290,000	\$ 18,265,000
Current liabilities	1,367,589	1,306,717
Total liabilities	<u>18,657,589</u>	<u>19,571,717</u>
Net position:		
Net investment in capital assets	623,826	62,543
Restricted	2,004,288	1,786,748
Unrestricted	3,148,629	3,510,014
Total net position	<u>\$ 5,776,743</u>	<u>\$ 5,359,305</u>

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Operating Results and Changes in Net Position**

The total net position of the Authority increased by \$417,438, or about 8 percent, due to pumpage fees and surface water fees received from participants in excess of general expenditures of the Authority.

**Summary of Revenues, Expenses and Change in Net Position**

	<b>2013</b>	<b>Restated 2012</b>
Operating revenues:		
Charges for services	\$ 2,701,608	\$ 2,534,991
Operating expenses:		
Administrative expenses	1,468,546	953,302
Depreciation and amortization	397,271	284,285
Total operating expenses	1,865,817	1,237,587
Operating income	835,791	1,297,404
Nonoperating revenues (expenses):		
Investment income	29,286	41,926
Other income	-	6,512
Interest and fees	(447,639)	(459,240)
Total nonoperating expenses	(418,353)	(410,802)
Change in net position	417,438	886,602
Net position, beginning of year	5,359,305	4,472,703
Net position, end of year	\$ 5,776,743	\$ 5,359,305

**Operating Income**

The first component of the overall change in the Authority's net position is its operating income or loss – generally, the difference between charges to participants and the expenses incurred to perform services.

The primary components of the operating income are related to charges to participants to pay the operating expenses of the Authority.

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of investment income and interest expense.

**The Authority's Cash Flows**

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier.

**Capital Assets and Debt Administration**

**Capital Assets**

Capital assets held by the Authority at the end of the current and previous fiscal years are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	2013	2012
Land and improvements	\$ 750,725	\$ 750,725
Water facilities	17,511,238	10,068,972
Total capital assets	\$ 18,261,963	\$ 10,819,697

During the current year, additions to capital assets were as follows:

District's share of joint facilities with the North Harris County Regional Water Authority	\$ 7,679,119
Chloramine conversions at Member District Fallbrook Utility District	160,418
Total additions to capital assets	\$ 7,839,537

**Debt**

The changes in the debt position of the Authority during the fiscal year ended December 31, 2013, is summarized as follows:

Long-term debt payable, beginning of year	\$ 19,225,000
Decreases in long-term debt	(960,000)
Long-term debt payable, end of year	\$ 18,265,000

The Authority's Series 2008 bonds are not rated.

**Central Harris County Regional Water Authority**  
**Statement of Net Position**  
**December 31, 2013**

**Assets****Current Assets**

Cash and cash equivalents	\$ 5,892,053
Due from participants	278,956
Prepaid expenses	<u>1,360</u>
Total current assets	<u>6,172,369</u>

**Noncurrent Assets**

## Capital assets (net of accumulated depreciation):

Land and improvements	750,725
Interest in water facilities	<u>17,511,238</u>

Total noncurrent assets	<u>18,261,963</u>
-------------------------	-------------------

Total assets	<u>24,434,332</u>
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**Liabilities****Current Liabilities**

Accounts payable	209,321
Accrued interest payable	183,268
Current portion of long-term debt	<u>975,000</u>

Total current liabilities	1,367,589
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**Long-term Debt**

Due after one year	<u>17,290,000</u>
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Total liabilities	<u>18,657,589</u>
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**Net Position**

Net investment in capital assets	623,826
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## Restricted for:

Debt service	1,526,868
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Capital acquisitions	477,420
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Unrestricted	<u>3,148,629</u>
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Total net position	<u>\$ 5,776,743</u>
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**Central Harris County Regional Water Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2013**

<b>Operating Revenues</b>	
Pumpage fees	\$ 1,670,501
Surface water	<u>1,031,107</u>
Total operating revenues	<u>2,701,608</u>
<b>Operating Expenses</b>	
Purchased water service	868,017
Professional fees	233,025
Contracted services	51,320
Repairs and maintenance	218,828
Other expenditures	97,356
Depreciation	<u>397,271</u>
Total operating expenses	<u>1,865,817</u>
<b>Operating Income</b>	<u>835,791</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	29,286
Interest and fees	<u>(447,639)</u>
Total nonoperating expenses	<u>(418,353)</u>
<b>Change in Net Position</b>	417,438
<b>Net Position</b>	
Beginning of year, as previously reported	5,895,270
Adjustment for adoption of new accounting standard (Note 9)	<u>(535,965)</u>
Beginning of year, as restated	<u>5,359,305</u>
End of year	<u>\$ 5,776,743</u>

# Central Harris County Regional Water Authority

## Statement of Cash Flows Year Ended December 31, 2013

<b>Operating Activities</b>	
Receipts from participants	\$ 2,790,787
Payments for service operations	(1,415,334)
Changes in customer deposits	<u>(2,408)</u>
Net cash provided by operating activities	<u>1,373,045</u>
<b>Capital and Related Financing Activities</b>	
Principal paid on long-term debt	(960,000)
Interest paid on long-term debt	(452,851)
Purchase of capital assets	<u>(7,839,537)</u>
Net cash used in capital and related financing activities	<u>(9,252,388)</u>
<b>Investing Activity</b>	
Interest and other income	<u>29,286</u>
Net cash provided by investing activity	<u>29,286</u>
Decrease in Cash and Cash Equivalents	(7,850,057)
Cash and Cash Equivalents, Beginning of Year	<u>13,742,110</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,892,053</u>
<b>Reconciliation of Net Operating Revenues to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 835,791
Depreciation and amortization	397,271
Changes in:	
Customer deposits	(2,688)
Participant receivables	89,179
Accounts payable and accrued liabilities	<u>53,492</u>
Net cash provided by operating activities	<u>\$ 1,373,045</u>

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

Central Harris County Regional Water Authority (the Authority) was created by House Bill Number 3181 (the Bill) of the 79th Legislature of the State of Texas, Regular Session, effective September 1, 2005 (inception), now codified in Chapter 8815, Texas Special District Local Laws Code. Chapter 8815 authorizes the Authority to purchase, construct or otherwise acquire surface and underground water supplies. The Authority may also enter into contracts with others for the supply and transport of water, but may not impose, levy, assess or collect taxes on property.

The Authority is governed by a Board of Directors (the Board) consisting of five individuals who are appointed by the entities participating in the Authority. The Board sets the policies of the Authority. The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the Authority:

The Authority charges a fee, based on the amount of water pumped from the well, to the owner of wells located within the boundaries of the Authority, unless exempted. These fees enable the Authority to fulfill its purpose and regulatory functions, as set forth in the act. Effective January 1, 2012, the pumpage fee charge was \$1.46 per 1,000 gallons of water pumped from each well or transported into the Authority from outside and the surface water fee increased to \$1.80 per 1,000 gallons of surface water supplied. Effective July 1, 2013, the pumpage or transportation fee was increased to \$1.56 per 1,000 gallons of water pumped from each well and the surface water fee increased to \$1.90 per 1,000 gallons of surface water supplied. These rates are subject to future changes.

***Reporting Entity***

There are no component units that are legally separate entities for which the Authority is considered to be financially accountable. Accountability is defined as the Authority's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the Authority must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the Authority.

***Basis of Accounting and Presentation***

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources management focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB.

***Pension Costs***

The Authority does not participate in a pension plan and, therefore, has no pension costs.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013, cash equivalents consisted primarily of TexPool and certificate of deposit accounts.

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure, are reported in the financial statements. Capital assets are defined by the Authority as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as shown below:

	<b>Years</b>
Interest in water production and distribution facilities	40

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Long-term Obligations**

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

**Debt Issuance Costs**

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset since the costs are not applicable to a future period and therefore are recognized as an expense/expenditure in the period incurred.

**Net Position**

Net position of the Authority is classified in three components. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, donors or participants external to the Authority, including amounts held as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable. When both restricted and unrestricted resources are available for use, generally, it is the Authority's policy to use restricted resources first.

The components of invested in capital assets, net of related debt are as follows:

Capital assets, net	\$ 18,261,963
Long-term debt	(18,265,000)
Accrued interest payable on long-term debt	(183,268)
Unexpended bond proceeds for construction	<u>810,131</u>
Total	<u>\$ 623,826</u>

**Note 2: Deposits, Investments and Investment Income****Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law and the Authority's investment policy.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At December 31, 2013, none of the Authority's bank balances were exposed to custodial credit risk.

**Investments**

The Authority may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The Authority's investment policy may be more restrictive than the Public Funds Investment Act.

The Authority invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2013, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 2,002,656	\$ 2,002,656	\$ 0	\$ 0	\$ 0

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2013, the Authority's investments in TexPool were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statement of net position as cash and cash equivalents.

**Investment Income**

Investment income of \$29,286 for the year ended December 31, 2013, consisted of interest income.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2013, is presented below:

	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 750,725	\$ -	\$ 750,725
Capital assets, depreciable:			
Water production and distribution facilities	11,315,359	7,839,537	19,154,896
Less accumulated depreciation:			
Water production and distribution facilities	(1,246,387)	(397,271)	(1,643,658)
Total governmental activities, net	<u>\$ 10,819,697</u>	<u>\$ 7,442,266</u>	<u>\$ 18,261,963</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2013, were as follows:

	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
Revenue bonds	<u>\$ 19,225,000</u>	<u>\$ 960,000</u>	<u>\$ 18,265,000</u>	<u>\$ 975,000</u>

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Revenue Bonds**

	<b>Series 2008</b>
Amount outstanding, December 31, 2013	\$18,265,000
Interest rates	1.3030% to 2.9220%
Maturity dates, serially beginning/ending	August 1, 2014/2029
Interest payment dates	February 1/August 1
Callable date*	August 1, 2018

\*Or any date thereafter, callable at par plus accrued interest to the date of redemption.

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds outstanding at December 31, 2013.

Year	Principal	Interest	Total
2014	\$ 975,000	\$ 439,842	\$ 1,414,842
2015	985,000	425,871	1,410,871
2016	1,000,000	410,278	1,410,278
2017	1,020,000	392,948	1,412,948
2018	1,040,000	373,741	1,413,741
2019-2023	5,555,000	1,512,088	7,067,088
2024-2028	6,315,000	745,607	7,060,607
2029	1,375,000	40,178	1,415,178
Total	\$ 18,265,000	\$ 4,340,553	\$ 22,605,553

The bonds are payable from and secured by a first lien on and pledge of Pledged Revenues (as defined in the Bond Order) to be received from participants. The bonds are special obligations of the Authority and do not constitute a general obligation of the Authority.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 5: Significant Bond Order and Commission Requirements**

- A. The Bond Order establishes a debt service reserve fund to be maintained as long as the bonds are outstanding. The Authority is to maintain a reserve in the debt service fund equal to the average annual sum payable in respect of the principal and interest scheduled to become due on all bonds outstanding at the time of such computation. At December 31, 2013, the required reserve fund balance is \$1,526,868.
- B. The Bond Order establishes a surplus revenues fund to be maintained as long as the bonds are outstanding. The surplus revenues fund contains any net revenues remaining in or accrued by the general fund at the end of each fiscal year, after payment of operation and maintenance expenses and making required deposits, including deposits to the debt service fund and the debt service reserve fund. The calculation of surplus revenues is based on net revenues of the general fund; including revenues, expenditures, transfers from capital projects fund to reimburse the general fund for capital activities; and transfers to the debt service fund and to the debt service reserve fund. During the year ended December 31, 2013, there were no surplus revenues. Surplus revenues retained at the beginning of 2013 were \$3,934,884.
- C. The Authority has covenanted that it will at all times keep insured such parts of the system that are customarily insured by municipal corporations and political subdivisions in Texas. At December 31, 2013, the Authority has general liability coverage of \$3,000,000 and pollution liability coverage of \$2,000,000.

**Note 6: City of Houston**

On November 25, 2003, Harris County Municipal Utility District No. 33 (District No. 33), as Operating District for the Central Harris County Water Users Consortium (the Consortium), predecessor to the Authority, entered into a Water Supply Contract (the Contract) with the City of Houston (the City) for an initial term of 40 years. Pursuant to the Contract, the Authority purchases potable treated surface water from the City for distribution and use for domestic, commercial and other purposes. The City is responsible for the design, construction, ownership, maintenance and delivery of surface water, pursuant to said Contract. The Authority, in cooperation with the North Harris County Regional Water Authority (the North Authority), is responsible for the design, construction, ownership, maintenance and operation of facilities downstream of the point(s) of delivery. The City will make available to the Authority at the point(s) of delivery the amount of water that equals the Water Demand Allocation described in the Contract, which is 2.12 million gallons per day (mgd), for the period 2010 through 2019. The Authority was obligated to purchase all of the Initial Untreated Water Facilities Demand Allocation in the approximate amount of 2.12 mgd for \$3,521,445, which was paid to the City during a prior year. The Authority also made an additional payment of \$1,490,806 for untreated water facilities to the City during a prior year.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

On January 28, 2009, the Authority and the City executed a first supplement to the water supply contract to provide for the permitting, engineering, surveying and right-of-way acquisition necessary for the Luce Bayou Interbasin Transfer Project and its construction. Under terms of the agreement, the Authority is obligated to fund its share of the project costs in future years.

The Authority is required to reimburse the City on a periodic basis for the expenses incurred by the City in production and treating the water delivered to the Authority. During the year ended December 31, 2013, the Authority purchased \$868,017 of potable treated surface water from the City.

**Note 7: North Harris County Regional Water Authority**

Effective November 3, 2003, District No. 33 entered into an Agreement for Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities with the North Authority (the Financing Agreement). The Financing Agreement provides for the design, financing, construction, operation and maintenance of a 60-inch surface water transmission line from the point of delivery of surface water by the City to the service areas of the Authority and the North Authority. The North Authority holds title to the facilities and the Authority must pay a pro rata share of the costs of right-of-way acquisition, design and construction for the facilities. The Authority has provided funds to the North Authority for each phase of the construction and design. The Authority is also responsible for its pro rata share of operation and maintenance costs of the facilities and, in addition, is required to establish an operations and maintenance reserve based on an annual operating budget adopted by the North Authority.

Under these agreements, the Authority is responsible for paying its pro rata share of the total costs incurred. During a prior year, the Authority funded its share of the Spears Road meter station for \$129,502 and Project 17, Segment 3, for \$475,666. During the current year, the Authority paid the North Authority \$7,679,119 for all of the remaining amounts owed for its share of joint facilities.

**Note 8: Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority participates, along with other entities, in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The Authority has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The Authority has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 9: Adoption of New Accounting Standard**

Effective January 1, 2013, the Authority adopted the new accounting and financial reporting guidance included in Governmental Accounting Standards Board Statement No. 65 (Statement No. 65), *Items Previously Reported as Assets and Liabilities*.

Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognizes as expenses or revenues certain items that were previously reported as assets and liabilities.

The following table reconciles beginning net position as previously reported to the beginning net position as restated to reflect the accounting changes adopted to conform to the provisions of Statement No. 65. The restatement results from the provisions in Statement No. 65 requiring the expensing of deferred financing costs previously classified as an asset on the Authority's statement of net position.

<b>Statement of Net Position</b>	<b>January 1, 2013, Net Position as Previously Reported</b>	<b>Statement No. 65 Adoption</b>	<b>January 1, 2013, Net Position as Restated</b>
Net position	\$ 5,895,270	\$ (535,965)	\$ 5,359,305

## **Supplementary Information**

**Central Harris County Regional Water Authority**  
**Supplementary Schedules Included Within This Report**  
**December 31, 2013**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 10-18
- Schedule of Services and Rates – Not Applicable
- Schedule of General Fund Expenditures – Not Applicable
- Schedule of Temporary Investments
- Analysis of Taxes Levied and Receivable – Not Applicable
- Schedule of Long-term Debt Service Requirements by Years
- Changes in Long-term Bonded Debt
- Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years – Not Applicable
- Board Members, Key Personnel and Consultants

**Central Harris County Regional Water Authority**  
**Schedule of Temporary Investments**  
**December 31, 2013**

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
TexPool	0.04%	Demand	\$ 589,587	\$ -
TexPool	0.04%	Demand	<u>1,413,069</u>	<u>-</u>
Totals			<u>\$ 2,002,656</u>	<u>\$ 0</u>

**Central Harris County Regional Water Authority**  
**Schedule of Long-term Debt Service Requirement by Years**  
**December 31, 2013**

Due During Fiscal Years Ending December 31,	Series 2008		Total
	Principal Due August 1	Interest Due February 1, August 1	
2014	\$ 975,000	\$ 439,842	\$ 1,414,842
2015	985,000	425,871	1,410,871
2016	1,000,000	410,278	1,410,278
2017	1,020,000	392,948	1,412,948
2018	1,040,000	373,741	1,413,741
2019	1,060,000	352,806	1,412,806
2020	1,085,000	330,197	1,415,197
2021	1,110,000	304,515	1,414,515
2022	1,135,000	276,887	1,411,887
2023	1,165,000	247,683	1,412,683
2024	1,195,000	216,822	1,411,822
2025	1,230,000	184,438	1,414,438
2026	1,260,000	150,502	1,410,502
2027	1,295,000	115,260	1,410,260
2028	1,335,000	78,585	1,413,585
2029	1,375,000	40,178	1,415,178
Totals	<u>\$ 18,265,000</u>	<u>\$ 4,340,553</u>	<u>\$ 22,605,553</u>

**Central Harris County Regional Water Authority**  
**Changes in Long-term Bonded Debt**  
**Year Ended December 31, 2013**

	<b>Bond Issue</b>
	<b>Series 2008</b>
Interest rates	1.3030% to 2.9220%
Dates interest payable	February 1/ August 1
Maturity dates	August 1, 20142029
Bonds outstanding, beginning of current year	\$ 19,225,000
Retirements, principal	960,000
Bonds outstanding, end of current year	\$ 18,265,000
Interest paid during current year	\$ 452,351
Paying agent's name and address:	

**Series 2008 - Wells Fargo Bank, N.A., Houston, Texas**

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Bond authority:	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	0	0	0
Amount issued	0	0	0
Remaining to be issued	0	0	0
Debt service fund cash and temporary investment balances as of December 31, 2013:	\$ 2,002,656		
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$ 1,412,847		

**Central Harris County Regional Water Authority**  
**Board Members, Key Personnel and Consultants**  
**Year Ended December 31, 2013**

Complete District mailing address:	Central Harris County Regional Water Authority c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 2, 2012
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Margaret L. Cox	Elected 05/10- 05/14	\$ 3,750	\$ 618	President
Julian F. Boddy	Elected 05/12- 05/16	2,550	379	Vice President
Judge Caston	Elected 05/12- 05/16	2,250	1,005	Secretary
Tom Gower	Elected 05/10- 05/14	5,400	2,000	Assistant Secretary
Richard C. Meek	Elected 05/10- 05/14	2,850	748	Assistant Secretary

\*Fees are the amounts actually paid to a director during the District's fiscal year.

**Central Harris County Regional Water Authority**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended December 31, 2013**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	02/07/07	\$ 16,400	Auditor
CJ Parham Treadway	12/06/06	30,000	Lobbyist
FMataska, Inc.	07/05/06	12,351	Bookkeeper
The GMS Group, L.L.C.	09/14/05	9,855	Financial Advisor
IDS Engineering Group	09/14/05	46,106	Engineer
Municipal Operations & Consulting, Inc.	04/07/10	62,661	Operator
Schwartz, Page & Harding, L.L.P.	09/14/05	167,530	Attorney
<b>Investment Officer</b>			
Fran Matuska	09/14/05	N/A	Bookkeeper

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF CASH TRANSACTIONS**  
**FOR THE PERIOD MAY 1, 2015 - JUNE 3, 2015**  
(Unaudited)

	GENERAL FUND	SURPLUS REVENUE FUND	DEBT SERVICE FUND	DEBT SERVICE RESERVE FUND	CAPITAL PROJECTS FUND
	=====	=====	=====	=====	=====
<b>BALANCE, APRIL 30, 2015</b>	<b>\$133,167.52</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
RECEIPTS	228,863.05	0.00	0.00	0.00	0.00
DISBURSEMENTS	(218,831.25)	0.00	0.00	0.00	(1,379.88)
INVEST PROCEEDS	0.00	80,000.00	0.00	0.00	1,379.88
INVEST PURCHASES	0.00	0.00	(117,572.56)	0.00	0.00
TRANSFERS	(37,572.56)	(80,000.00)	117,572.56	0.00	0.00
<b>BALANCE, MAY 31, 2015</b>	<b>105,626.76</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
CURRENT MONTHS ACTIVITY:					
RECEIPTS	120,566.36	0.00	0.00	0.00	0.00
DISBURSEMENTS	(208,373.04)	0.00	0.00	0.00	0.00
INVEST PROCEEDS	0.00	0.00	0.00	0.00	0.00
INVEST PURCHASES	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0.00	0.00	0.00	0.00	0.00
<b>CURRENT CASH BALANCE</b>	<b>\$17,820.08</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>CURRENT INVESTMENTS</b>	<b>0.00</b>	<b>2,214,101.35</b>	<b>964,187.82</b>	<b>1,413,323.42</b>	<b>1,286,120.09</b>
<b>CASH BALANCES, JUNE 3, 2015</b>	<b>\$17,820.08</b>	<b>\$2,214,101.35</b>	<b>\$964,187.82</b>	<b>\$1,413,323.42</b>	<b>\$1,286,120.09</b>
	=====	=====	=====	=====	=====

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE MONTH ENDED MAY 31, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
5/6/15	2821	JULIAN F. BODDY	DIR FEES 4/1;5/4		277.05
5/6/15	2822	JUDGE CASTON	DIR FEE 4/1		138.52
5/6/15	2823	MARGARET L. COX	DIR FEE 4/1		138.52
5/6/15	2824	THOMAS C. GOWER	DIR FEES/EXP 4/1;4/6;5/4		420.08
5/6/15	2825	RICHARD C. MEEK	DIR FEES/EXP 4/1;4/17		297.75
5/6/15	2826	ASSOCIATION OF WATER BOARD DIR	JUNE (CASTON); APRIL (MEEK)		430.00
5/6/15	2827	AT&T	SERVICE: 4/19-5/18		118.58
5/6/15	2828	BKD LLP	INTERIM BILLING 12/31/14 AUDIT		16,300.00
5/6/15	2829	CITY OF HOUSTON	MAR - 55,951,000 GALS @ 1.4435		80,765.27
5/6/15	2830	CJ PARHAM TREDWAY	MAY 2015		2,500.00
5/6/15	2831	F MATUSKA INC	APRIL 2015		952.83
5/6/15	2832	FRESE AND NICHOLS	REGION H RWP AMENDMENT		2,190.00
5/6/15	2833	HARRIS-GALVESTON SUBSIDENCE	PERMIT RENEWAL 6/1/15-5/31/16		24,000.00
5/6/15	2834	IDS ENGINEERING GROUP	DIST ADMIN THRU 3/25		5,730.02
5/6/15	2835	MUNICIPAL OPERATIONS & CONSULT	APRIL 2015		4,711.16
5/6/15	2836	WATER UTILITY SERVICES INC	#23280		217.00
5/6/15	2837	SCHWARTZ PAGE & HARDING LLP	FEBRUARY-MARCH		79,626.47
4/1/15	J4-4	COMPASS INTEREST		9.62	
4/15/15	J4-5	COMPASS SC			18.00
5/4/15	R5-1	DEP HCUUD16 3/2015		16,663.50	
5/4/15	R5-2	DEP HCMUD200 3/2015		20,847.89	
5/4/15	R5-3	DEP HCMUD200 3/2015 SW		49,461.75	
5/4/15	R5-4	DEP HCMUD217 3/2015 SW		9,640.80	
5/4/15	R5-5	DEP HCMUD304 3/2015		18,779.04	
5/21/15	R5-6	DEP RANKIN RD W 4/2015 SW		12,285.00	
5/28/15	R5-7	DEP HCMUD33 4/2015		26,965.89	
5/28/15	R5-8	DEP FALLBROOK 4/2015		31,042.41	
5/28/15	R5-9	DEP HCMUD150 4/2015 SW		43,167.15	
<b>TOTALS - GENERAL FUND</b>				<b>228,863.05</b>	<b>218,831.25</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
5/7/15	WT05-01-15	CITY OF HOUSTON	CPF-LUCE BAYOU-ANNUAL DS-FY15		1,379.88
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>1,379.88</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE PERIOD ENDED JUNE 3, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
=====					
6/3/15	2838	JULIAN F. BODDY	DIR FEE 5/6		138.52
6/3/15	2839	JUDGE CASTON	DIR FEE 5/6		138.52
6/3/15	2840	MARGARET L. COX	DIR FEE 5/6		138.52
6/3/15	2841	THOMAS C. GOWER	DIR FEES/EXP 5/6,6/1		269.49
6/3/15	2842	RICHARD C. MEEK	DIR FEE/EXP 5/6		145.42
6/3/15	2843	AWBD-WATERSMART	WATERSMART		2,000.00
6/3/15	2844	AT&T	SERVICE: 5/19-6/18		118.56
6/3/15	2845	CITY OF HOUSTON	APR - 57,680,000 GALS @ 1.4435		83,261.08
6/3/15	2846	CJ PARHAM TREDWAY	JUNE 2015		2,500.00
6/3/15	2847	F MATUSKA INC	MAY 2015		972.07
6/3/15	2848	FREESE AND NICHOLS	REGION H RWP AMENDMENT		1,460.00
6/3/15	2849	IDS ENGINEERING GROUP	DIST ADMIN THRU 4/25		6,254.31
6/3/15	2850	MUNICIPAL OPERATIONS & CONSULT	MAY 2015		2,724.73
6/3/15	2851	NORTH HARRIS COUNTY RWA	2013 FY O&M		72,052.58
6/3/15	2852	SCHWARTZ PAGE & HARDING LLP	APRIL-MAY		35,982.24
6/3/15	2853	WATER UTILITY SERVICES INC	#23720		217.00
<b>TOTALS - GENERAL FUND</b>				<b>120,566.36</b>	<b>208,373.04</b>
=====					
<b>SURPLUS REVENUE FUND</b>					
=====					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
=====					
<b>DEBT SERVICE FUND</b>					
=====					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
=====					
<b>DEBT SERVICE RESERVE FUND</b>					
=====					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
=====					
<b>CAPITAL PROJECTS FUND</b>					
=====					
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>0.00</b>
=====					

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF INVESTMENTS**  
**JUNE 3, 2015**  
(Unaudited)

BANK	ACCT #	RATE	PURCHASE DATE	MATURITY DATE	AMOUNT
<b>GENERAL FUND</b>					
<b>TOTAL GENERAL FUND INVESTMENTS</b>					<b>\$0.00</b>
<b>SURPLUS REVENUE FUND</b>					
COMPASS BANK	2530959174	0.1500%			2,214,101.35
<b>TOTAL SURPLUS REVENUE FUND INVESTMENTS</b>					<b>\$2,214,101.35</b>
<b>DEBT SERVICE FUND</b>					
TEXPOOL	7891600003	0.0553%			964,187.82
<b>TOTAL DEBT SERVICE FUND INVESTMENTS</b>					<b>\$964,187.82</b>
<b>DEBT SERVICE RESERVE FUND</b>					
(AVERAGE ANNUAL DEBT SERVICE PAYMENT: 1,412,714.02)					
TEXPOOL	7891600004	0.0553%			1,413,323.42
<b>TOTAL DEBT SERVICE RESERVE FUND INVESTMENTS</b>					<b>\$1,413,323.42</b>
<b>CAPITAL PROJECTS FUND</b>					
COMPASS BANK	83659	0.1500%			1,286,120.09
<b>TOTAL CAPITAL PROJECTS FUND INVESTMENTS</b>					<b>\$1,286,120.09</b>

-----SCHEDULE OF DEBT SERVICE PAYMENTS-----

	PAID					
	1-Feb-2015	1-Aug-2015	1-Feb-2016	1-Aug-2016	1-Feb-2017	1-Aug-2017
SERIES 2008(WELLS FARGO)						
PRINCIPAL		985,000.00		1,000,000.00		1,020,000.00
INTEREST	212,935.33	212,935.33	205,139.05	205,139.05	196,474.05	196,474.05
	212,935.33	1,197,935.33	205,139.05	1,205,139.05	196,474.05	1,216,474.05
ANNUAL REQUIREMENT	2015	1,410,870.66	2016	1,410,278.10	2017	1,412,948.10

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**FOR THE ONE AND FOUR MONTHS ENDED APRIL 30, 2015**  
**(UNAUDITED)**

	Current Period			Year-to-Date			Annual	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Variance
<b>REVENUES</b>								
PUMPAGE FEES	126,016.31	164,540.00	(38,523.69)	460,712.77	658,165.00	(197,452.23)	1,974,504.00	(1,513,791.23)
SURFACE WATER FEES	108,010.50	85,410.00	22,600.50	424,708.05	341,640.00	83,068.05	1,024,920.00	(600,211.95)
INTEREST	301.85	400.00	(98.15)	1,187.01	1,600.00	(412.99)	4,800.00	(3,612.99)
<b>TOTAL REVENUES</b>	<b>234,328.66</b>	<b>250,350.00</b>	<b>(16,021.34)</b>	<b>886,607.83</b>	<b>1,001,405.00</b>	<b>(114,797.17)</b>	<b>3,004,224.00</b>	<b>(2,117,616.17)</b>
<b>EXPENDITURES</b>								
ENGINEERING FEES-GENERAL	9,904.31	6,000.00	(3,904.31)	42,402.31	24,000.00	(18,402.31)	72,000.00	29,597.69
LEGAL FEES-GENERAL MATTERS	0.00	10,000.00	10,000.00	101,959.92	40,000.00	(61,959.92)	120,000.00	18,040.08
FINANCIAL ADVISOR-OPERATING MATTERS	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
CITY OF HOUSTON-WATER	83,261.08	63,225.00	(20,036.08)	318,580.45	252,900.00	(65,680.45)	758,704.00	440,123.55
CITY OF HOUSTON TRUE-UP	0.00	5,415.00	5,415.00	0.00	21,665.00	21,665.00	65,000.00	65,000.00
OPERATIONS/METER TEST/R&M	4,928.16	7,715.00	2,786.84	14,870.88	30,865.00	15,994.12	92,600.00	77,729.12
NHCRWA JOINT FACILITIES OPER/R&M	0.00	17,500.00	17,500.00	0.00	70,000.00	70,000.00	210,000.00	210,000.00
TELEPHONE	118.58	115.00	(3.58)	471.89	465.00	(6.89)	1,400.00	928.11
PERMIT FEES	0.00	0.00	0.00	100.00	0.00	(100.00)	26,000.00	25,900.00
DIRECTOR FEES	750.00	750.00	0.00	6,150.00	4,800.00	(1,350.00)	13,500.00	7,350.00
TRAVEL & EXPENSES	112.26	50.00	(62.26)	4,822.34	6,150.00	1,327.66	12,000.00	7,177.66
PAYROLL TAXES	57.40	60.00	2.60	470.55	365.00	(105.55)	1,050.00	579.45
LOBBYIST	2,500.00	2,500.00	0.00	10,000.00	10,000.00	0.00	30,000.00	20,000.00
BOOKKEEPING	855.00	1,100.00	245.00	4,020.00	4,400.00	380.00	13,200.00	9,180.00
AUDITOR	0.00	1,500.00	1,500.00	16,300.00	17,500.00	1,200.00	17,500.00	1,200.00
INSURANCE	(64.00)	0.00	64.00	4,669.00	5,000.00	331.00	5,000.00	331.00
LEGAL NOTICES	0.00	165.00	165.00	0.00	665.00	665.00	2,000.00	2,000.00
PRINTING & OFFICE SUPPLIES	133.83	150.00	16.17	599.27	600.00	0.73	1,800.00	1,200.73
DUES	0.00	0.00	0.00	565.00	565.00	0.00	565.00	0.00
WATERSMART	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00	2,000.00
MISCELLANEOUS EXPENSE	0.00	415.00	415.00	0.00	1,665.00	1,665.00	5,000.00	5,000.00
TRANSFER TO DEBT SERVICE	117,572.56	117,570.00	(2.56)	470,290.24	470,290.00	(0.24)	1,410,870.00	940,579.76
<b>TOTAL EXPENDITURES</b>	<b>220,129.18</b>	<b>234,230.00</b>	<b>14,100.82</b>	<b>996,271.85</b>	<b>961,895.00</b>	<b>(34,376.85)</b>	<b>2,870,189.00</b>	<b>1,873,917.15</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>14,199.48</b>	<b>16,120.00</b>	<b>(1,920.52)</b>	<b>(109,664.02)</b>	<b>39,510.00</b>	<b>(149,174.02)</b>	<b>134,035.00</b>	<b>(243,699.02)</b>

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
PUMPAGE FEES PAID

	JAN 2015	FEB 2015	MAR 2015	APRIL 2015	MAY 2015	JUNE 2015	JULY 2015	AUG 2015	SEPT 2015	OCT 2015	NOV 2015	DEC 2015
FALLBROOK UD	30,675.33	26,798.45	30,012.01	31,042.41								
HARRIS CO MUD 150	43,457.42	42,794.70	41,720.25	43,167.15								
HARRIS CO MUD 200	69,890.86	63,586.10	70,309.64	67,709.00								
HARRIS CO MUD 205												
HARRIS CO MUD 215	7,813.33	2,996.21	5,995.64	6,043.94								
HARRIS CO MUD 217	1,386.20	4,563.00	9,640.80	10,440.30								
HARRIS CO MUD 304	19,284.58	16,705.36	18,779.04	14,288.75								
HARRIS CO MUD 399												
HARRIS CO MUD 33	23,989.00	21,615.86	26,404.00	26,965.89								
HARRIS CO UD 16	19,373.13	14,771.75	16,663.50	22,064.37								
RANKIN ROAD WEST MUD	7,491.90	7,737.60	6,928.35	12,285.00								
	223,371.75	201,569.03	226,453.23	234,026.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Effective 7/1/2013 pumpage fee 1.56/1000 gallons; surface water fee 1.90/1000 gallons  
 Effective 7/1/2014 pumpage fee 1.61/1000 gallons; surface water fee 1.95/1000 gallons

Board of Directors  
Central Harris County Regional Water Authority  
Harris County, Texas

In planning and performing our audit of the financial statements of Central Harris County Regional Water Authority (the Authority) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Authority's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be material weaknesses.

### Material Weaknesses

The Authority's management consists of an elected Board of Directors (the Board). Day-to-day operations are performed by private entities (consultants) under contract with the Authority. The Board supervises the performance of the consultants; however, although consultants can be part of the Authority's system of internal control, the consultants are not members of management. Per auditing standards, management is responsible for design and implementation of the Authority's system of internal controls.

Board of Directors  
Central Harris County Regional Water Authority  
Page 2

Per auditing standards, one of the primary controls within the system of internal controls is related to the preparation of the financial statements. Management of the Authority is responsible for either preparing the financial statements or having the knowledge to determine whether the financial statements have been properly prepared and are free from potential misstatement. The absence of this expertise within management, or a consultant of the Authority hired to perform this service, is considered by auditing standards to be a material weakness in internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to correct and present the financial statements on the government-wide basis of accounting. Additionally, we noted adjustments to various accounts, such as capital assets and depreciation and long-term debt, which were necessary in order for the fund financial statements to be in conformity with generally accepted accounting principles. The inability of management (or a consultant of the Authority hired to perform this service) to detect these necessary adjustments is considered by auditing standards to be a material weakness in internal control over financial reporting.

Finally, management, or a consultant of the Authority, does not prepare the capital asset and depreciation register or post adjustments related to the presentation of the capital assets in the government-wide financial statements. As management is not preparing or reviewing and does not have the expertise to prevent, detect and correct related significant potential misstatements, this is considered by auditing standards to be a material weakness.

The material weaknesses noted above, if not corrected, could result in a material misstatement or omission of a required disclosure in the financial statements.

### **Management's Response**

The Authority responds that the auditor's Management Letter, and the material weaknesses identified therein, are prepared in response to Statement on Auditing Standards No. 115 (SAS 115) and are not prompted by any other circumstances identified during the course of the audit and disclosed to the Authority's Board.

As you know, the Board has, since the inception of the Authority, engaged the auditor to perform the Authority's audit and to prepare the financial statements and depreciation schedules upon which the audit is based. It is our understanding that this is the usual and customary practice for smaller special districts in Texas, such as the Authority, as it is more cost effective to engage consultants to perform such services than to employ persons (who would constitute district management) to perform same. It is also the Board's understanding that, under the requirements of SAS 115, the engagement of the auditor to perform these services resulted in the Management Letter because (1) the Board members are not able to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements, and (2) the Board has not implemented controls to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements, such as the hiring of an employee or the engagement of another consultant to prepare the Authority's financial statements.

With respect to item (1) identified above, the Board responds that its members are appointed or elected in accordance with the requirements set forth in the Texas Water Code, and that such members do not necessarily have the ability to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements.

Board of Directors  
Central Harris County Regional Water Authority  
Page 3

With respect to item (2) identified above, the Board responds that it is a small government unit and that it engages the auditor based upon the auditor's professional qualifications, and in light of such qualifications, does not feel that the addition at this time of an employee or the engagement of a consultant to prepare the Authority's financial statements (as a form of control) would be cost effective. Additionally, the Board adds that the Authority does not have any employees, but rather engages consultants who possess industry knowledge and expertise to provide financial services, including its bookkeeper, auditor and financial advisor, as well as consultants that provide legal, engineering, and operation and maintenance services. In particular, the Authority's bookkeeper presents periodic financial information (unaudited) to the Board for review, which information generally reflects income, disbursements, adjustments and the status of investments relative to the Authority's various accounts.

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors and the Texas Commission on Environmental Quality, and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

May 9, 2014

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2008  
WIF PROGRAM BONDS SOLD TO THE TWDS

\*\*\*\*\*  
Debt Service Schedule  
\*\*\*\*\*

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/15			212,935.33	212,935.33	
8/ 1/15	985,000.00	1.583000	212,935.33	1,197,935.33	1,410,870.65
2/ 1/16			205,139.05	205,139.05	
8/ 1/16	1,000,000.00	1.733000	205,139.05	1,205,139.05	1,410,278.10
2/ 1/17			196,474.05	196,474.05	
8/ 1/17	1,020,000.00	1.883000	196,474.05	1,216,474.05	1,412,948.10
2/ 1/18			186,870.75	186,870.75	
8/ 1/18	1,040,000.00	2.013000	186,870.75	1,226,870.75	1,413,741.50
2/ 1/19			176,403.15	176,403.15	
8/ 1/19	1,060,000.00	2.133000	176,403.15	1,236,403.15	1,412,806.30
2/ 1/20			165,098.25	165,098.25	
8/ 1/20	1,085,000.00	2.367000	165,098.25	1,250,098.25	1,415,196.50
2/ 1/21			152,257.28	152,257.28	
8/ 1/21	1,110,000.00	2.489000	152,257.28	1,262,257.28	1,414,514.55
2/ 1/22			138,443.33	138,443.33	
8/ 1/22	1,135,000.00	2.573000	138,443.33	1,273,443.33	1,411,886.65
2/ 1/23			123,841.55	123,841.55	
8/ 1/23	1,165,000.00	2.649000	123,841.55	1,288,841.55	1,412,683.10
2/ 1/24			108,411.13	108,411.13	
8/ 1/24	1,195,000.00	2.710000	108,411.13	1,303,411.13	1,411,822.25
2/ 1/25			92,218.88	92,218.88	
8/ 1/25	1,230,000.00	2.759000	92,218.88	1,322,218.88	1,414,437.75
2/ 1/26			75,251.03	75,251.03	
8/ 1/26	1,260,000.00	2.797000	75,251.03	1,335,251.03	1,410,502.05
2/ 1/27			57,629.93	57,629.93	
8/ 1/27	1,295,000.00	2.832000	57,629.93	1,352,629.93	1,410,259.85
2/ 1/28			39,292.73	39,292.73	
8/ 1/28	1,335,000.00	2.877000	39,292.73	1,374,292.73	1,413,585.45
2/ 1/29			20,088.75	20,088.75	
8/ 1/29	1,375,000.00	2.922000	20,088.75	1,395,088.75	1,415,177.50
	17,290,000.00		3,900,710.30	21,190,710.30	
ACCRUED	17,290,000.00		3,900,710.30	21,190,710.30	

Dated 8/ 1/14 with Delivery of 8/ 1/14  
 Bond Years 146,100.000  
 Average Coupon 2.669891  
 Average Life 8.449971  
 N I C % 2.669891 % Using 100.000000

Weighted Bond Years 146,100.000  
 Weighted Average Life 8.449971  
 Weighted N I C % 2.669891 % Using 100.000000  
 T I C % 2.657375 % From Delivery Date

Micro-Muni Debt Date: 06-03-2015 @ 13:10:24 Filename: CHCRWA Key: 2008



**CENTRAL HARRIS COUNTY REG. WATER AUTHORITY**

Water Demand Projects as of January 2013

<b>Year</b>	<b>Total Water (MGD)</b>	<b>Surface Water (MGD)</b>	<b>Peak (MGD)</b>	<b>Population Served</b>
2010	5.28	1.58	1.8	28,341
2011	5.43	1.63	1.84	
2012	5.58	1.67	1.89	
2013	5.73	1.72	1.93	
2014	5.88	1.77	1.97	
2015	6.03	1.81	2.01	32,400
2016	6.18	1.86	2.06	
2017	6.33	1.90	2.10	
2018	6.48	1.95	2.14	
2019	6.63	2.00	2.19	
2020	6.78	2.04	2.23	36,400
2021	6.93	2.09	2.27	
2022	7.08	2.14	2.31	
2023	7.23	2.18	2.36	
2024	7.42	2.23	2.4	
2025	7.45	2.47	2.64	40,000
2026	7.47	2.70	2.88	
2027	7.50	2.94	3.12	
2028	7.52	3.18	3.36	
2029	7.55	3.42	3.60	
2030	7.58	3.65	3.84	40,700
2031	7.60	3.89	4.08	
2032	7.63	4.13	4.32	
2033	7.65	4.36	4.56	
2034	7.68	4.6	4.8	
2035	7.88	6.3	6.9	42,300
<b>maximum build out reached</b>				

\\Nt03\jobs\1000\102900000 CHCRWA\102900500 CHCRWA SW Conversion\Conversion Alternatives\[Copy of Demand projections as of 01.01.13\_revMK.xlsx]Sheet1

## PROJECT BUDGET - Second Source Phase I

Note: The City of Houston Treatment & Districtution expansion project (aka Second Source Line Phase I) is being managed by the City of Houston. As such, the Central Harris County Regional Water Authority does not have an itemized cost estimate, only total estimated costs. The Authority estimates that Project costs are 85% of the total cost, ant that the cost of issuance, capitalized interest and debt service fund requirements are the remaining 15% of the total cost. In addition, per the City of Houston the Environmental Costs are estimated to be approximately 0.18% of the total Project Costs.

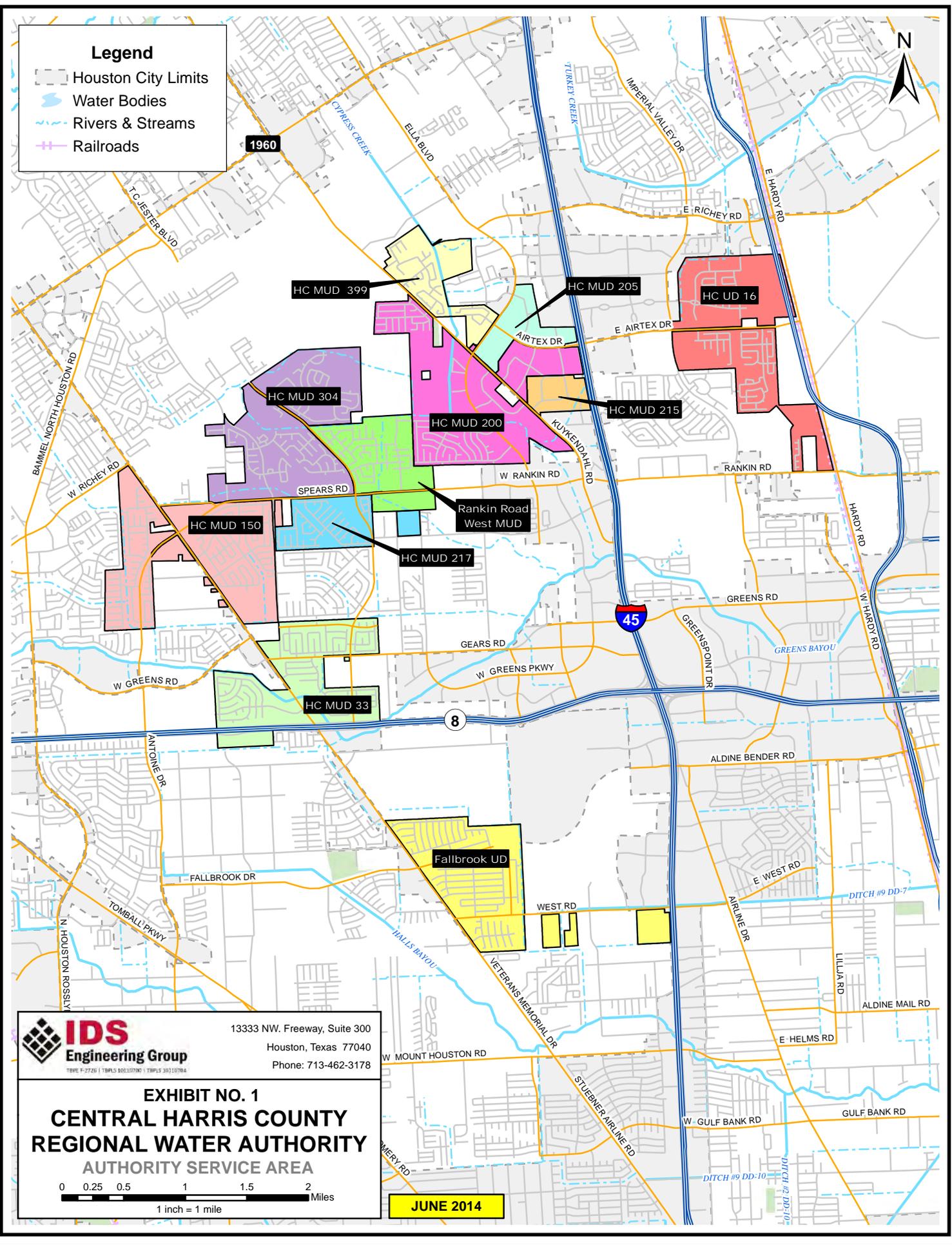
Uses	TWDB Funds Series 1 (2015)	TWDB Funds Series 2 (2018)	TWDB Funds Series 3 (2019)	TWDB Funds Series 4 (2020)	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>							
Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Construction</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Basic Engineering Fees</b>							
Planning +	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Design	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Construction Engineering	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Basic Engineering Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Basic Engineering Fees</b>	<b>\$3,075,700</b>	<b>\$1,429,670</b>	<b>\$1,302,400</b>	<b>\$2,218,740</b>	<b>\$8,026,510</b>	<b>\$0</b>	<b>\$0</b>
<b>Special Services</b>							
Application	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$5,550	\$2,580	\$2,350	\$4,010	\$14,490	\$0	\$14,490
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer Evaluation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution Modeling	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Special Services</b>	<b>\$5,550</b>	<b>\$2,580</b>	<b>\$2,350</b>	<b>\$4,010</b>	<b>\$14,490</b>	<b>\$0</b>	<b>\$14,490</b>
<b>Other</b>							
Administration	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements Acquisition	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Project Costs</b>	<b>\$3,081,250</b>	<b>\$1,432,250</b>	<b>\$1,304,750</b>	<b>\$2,222,750</b>	<b>\$8,041,000</b>	<b>\$0</b>	<b>\$8,041,000</b>
<b>Fiscal Services</b>							
Financial Advisor	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Counsel	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Fiscal Services</b>	<b>\$543,750</b>	<b>\$252,750</b>	<b>\$230,250</b>	<b>\$392,250</b>	<b>\$1,419,000</b>	<b>\$0</b>	<b>\$1,419,000</b>
<b>Contingency</b>							
Contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Contingency</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL COSTS</b>	<b>\$6,706,250</b>	<b>\$3,117,250</b>	<b>\$2,839,750</b>	<b>\$4,837,750</b>	<b>\$17,501,000</b>	<b>\$0</b>	<b>\$9,474,490</b>

Other \*\* description must be entered

Texas Water Development Board Water Project Information							
A. Project Name City of Houston Treatment & Distribution Expansion/ NHCRWA Transmission 2020		B. Project No.		C. County		D. Regional Planning Group (A-P)	
E. Program(s)		F. Loan <input type="checkbox"/> / Grant <input type="checkbox"/> Amount:		G. Loan Term:			
H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc)  The City of Houston (COH), the North Harris County Regional Water Authority (NHCRWA) and the CHCRWA propose to design and construct a 108" shared transmission pipeline approximately 17 miles in length from the NEWPP to just west of IH 45.  <b>Attach map of service area affected by Project or other documentation.</b>							
I. Is an Inter Basin Transfer potentially involved?  Yes <input type="checkbox"/> No <input type="checkbox"/>				J. Is project located in a Groundwater District (If yes, identify District by name)?  Yes <input type="checkbox"/> No <input type="checkbox"/>			
K. Projected Population from application for at least a 20 year period. Attach justification and list service area populations if different from Planning Area.	Year	Reference Year	2010	2020	2030	2040	
	Population Projection						
Project Design Year			Design Population				
L. Is the proposed project included in a current Regional Water Plan? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: _____)							
M. What type of water source is associated directly with the proposed project? Surface Water <input type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? _____ Acre-Feet/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location		Source County		Annual Volume and Unit	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location:		Source County		Annual Volume and Unit	
R. Consulting Engineer Name			Telephone No.		E-mail address		
S. Applicant Contact Name, Title			Telephone No.		E-mail address		

**Legend**

- Houston City Limits
- Water Bodies
- Rivers & Streams
- Railroads



**IDS Engineering Group**  
 13333 NW. Freeway, Suite 300  
 Houston, Texas 77040  
 Phone: 713-462-3178

**EXHIBIT NO. 1  
 CENTRAL HARRIS COUNTY  
 REGIONAL WATER AUTHORITY  
 AUTHORITY SERVICE AREA**

0 0.25 0.5 1 1.5 2 Miles  
 1 inch = 1 mile

**JUNE 2014**

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY - TWDB SWIFT BONDS BY YEAR**

The Table Below Indicates the Multi-Year Funding Requests that the CHCRWA will be making to the TWDB  
The CHCRWA will be Requesting Closings as early as possible (given the TWDB's Schedule) in each Year Noted Below  
The CHCRWA Understands that the 2015 Closing will be in November or December 2015

	2015	2016	2017	2018	2019	2020	Total All Bonds
Northeast Plant Expansion	\$5,510,000		\$16,200,000			\$945,000	\$22,655,000
Phase I 2D Source Line	\$3,625,000			\$1,685,000	\$1,535,000	\$2,615,000	\$9,460,000
Phase II 2D Source Line	\$1,670,000	\$2,395,000	\$5,450,000				\$9,515,000
CHCRWA Internal Lines		\$3,770,000 (a)		\$3,375,000	\$4,815,000		\$11,960,000
<b>Total Bonds</b>	<b>\$10,805,000</b>	<b>\$6,165,000</b>	<b>\$21,650,000</b>	<b>\$5,060,000</b>	<b>\$6,350,000</b>	<b>\$3,560,000</b>	<b>\$53,590,000</b>

(a) Bonds for this project are in the process of being incorporated into the Region H Plan and the Statewide Water Plan

RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

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RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

\* \* \*

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Act".

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State to issue

its negotiable revenue bonds, as herein provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and security for repayment set forth and provided in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth and contained in this Resolution; and
- (d) the issuance by the Authority of its revenue bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part.

(End of Article One)

ARTICLE TWODEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein or in any exhibit hereto, shall apply with equal force herein and in any amendment or supplement hereto, and the scope and meaning of terms used in Exhibits "A" and "B" hereto, whether or not defined therein, shall be determined by reference to this Article:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, public body or public agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended,

provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$22,050,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2008, initially dated as of July 1, 2008, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as may be amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund created and established pursuant to Section 7.01(b) hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund created and established pursuant to Section 7.01(c) hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB upon payment of the purchase price therefor, as printed, stamped or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the Water Infrastructure Fund administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and Wells Fargo Bank, N.A., Austin, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund referred to in Section 7.01(a) hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees, and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contribution from any federal, state or local governmental agency or authority or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement as a capital expenditures of or for the System, (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority, or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.03 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority, the Registrar and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District.

The term "Member District" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Agreement For Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, conveyance, treatment or supply of water which are entered into by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to the City of Houston Contract and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other administrative expenses of the Authority.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.06 of this Resolution.

Person.

The term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance and/or condemnation proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Principal Payment Date.

The term "Principal Payment Date" shall mean the date upon which the principal of any then outstanding Bond shall become due and payable, in whole or in part, whether at the Maturity Date or any earlier Redemption Date.

Project.

The term "Project" shall mean the works, facilities, improvements and additions to the System, initially consisting of (a) the purchase of certain rights to capacity in treated surface water production and transmission facilities constructed by (i) the City of Houston, Texas under the City of Houston Contract, and (ii) the North Harris County Regional Water Authority under the North Authority Contract; and (b) the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; and all other costs and expenses directly relating to the foregoing, together with an amount for contingencies of not more than fifteen percent (15%) of the foregoing. In addition, the term "Project Costs" shall include any payments made or to be made for capital improvements of or for the System under the City of Houston Contract, the North Authority Contract, or any similar water supply contract.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District), or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.05 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds and any Additional Bonds remaining outstanding at the time of such computation.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on a source of funds other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund created and established pursuant to Section 7.01(e) hereof.

System.

The term "System" shall mean all works, plants, properties, facilities, improvements, equipment, interests, appliances, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights to certain capital improvements under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the Water Infrastructure Fund Financial Assistance Program and, where appropriate, means the Executive Administrator, Fund Manager, or

other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Order is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREEAUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2008", shall be issued in the aggregate principal amount of \$22,050,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act..

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, shall be initially dated as of July 1, 2008, and shall include thereon the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond. Each Bond registered and delivered by the Registrar upon transfer or in replacement of, or in exchange for, any one or more Initial Bonds shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. Bonds in the aggregate principal amount of \$22,050,000 shall be issued as serial bonds, shall bear interest from the later of the Delivery Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior optional redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
935,000	2010	0.623%
940,000	2011	0.933%
950,000	2012	1.153%
960,000	2013	1.303%
975,000	2014	1.433%
985,000	2015	1.583%
1,000,000	2016	1.733%
1,020,000	2017	1.883%
1,040,000	2018	2.013%
1,060,000	2019	2.133%
1,085,000	2020	2.367%
1,110,000	2021	2.489%
1,135,000	2022	2.573%
1,165,000	2023	2.649%
1,195,000	2024	2.710%
1,230,000	2025	2.759%
1,260,000	2026	2.797%
1,295,000	2027	2.832%
1,335,000	2028	2.877%
1,375,000	2029	2.922%

SECTION 3.04: INTEREST PAYMENT DATES. Interest on the Bonds shall be payable on February 1, 2009, and semi-annually thereafter on February 1 and August 1 of each year until payment of the principal thereof has been made or duly provided for. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date, the Paying Agent shall compute the amount of interest to be due and payable on such Interest Payment Date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such Interest Payment Date.

The interest so payable on any Interest Payment Date will be paid to the person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.05: MEDIUM AND PLACE OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or

collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates or Principal Payment Dates, is legal tender for the payment of debts due the United States of America. The principal of the Bonds shall be payable only upon their presentation and surrender, as they become due at their respective Maturity Dates or Redemption Dates, at the principal trust office of the Paying Agent. Principal and interest payments on, and mandatory redemption payments, if any, in respect of, each Bond (a) may be payable, at the option and expense of the Authority, by check or draft mailed by the Paying Agent to the Holder at the address shown on the Register or by wire transfer to such Holder, or (b) may be payable by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of such Holder. If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, or disposed of by the Authority, such Bonds, nevertheless, may be authenticated and delivered or disposed of as though the Person who signed such Bonds had not ceased to be such officer of the Authority; and, any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not effect the validity or enforceability of such Bond, if same has been duly authenticated by the Registrar or registered by the Comptroller of Public Accounts of the State of Texas, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each year of maturity specified in Section 3.03 hereof, representing the entire principal amount scheduled to mature in each of such years of maturity, and shall be made payable to Cede & Co., as nominee of DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's

Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar for safekeeping and thereafter be (a) dated by the Registrar as of the Delivery Date, and (b) registered on the Register in the name of Cede & Co., as nominee of DTC, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB at the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bonds to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bonds are to be transferred and the principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of registration substantially in the form required by Section 5.03 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond either the aforementioned certificate of registration or a Certificate of Registrar substantially in the form provided in Section 5.02 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Either such certificate of registration upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been so certified or registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes,

whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effectual and shall discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer, exchange and replacement of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name(s) of the transferee(s) one or more exchange Bonds in a like aggregate principal amount(s), and having the same maturity date and bearing interest at the same rate(s), and shall deliver or mail same to the transferee(s) by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, being in any authorized denomination, and being in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each Bond transferred or exchanged and duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such transferred or exchanged Bond is delivered. No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption of Bonds prior to maturity, nor shall the Registrar be required to transfer or exchange any Bond selected for redemption in whole or in part when such Redemption Date is scheduled to occur within thirty (30) calendar days.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall authenticate and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate and deliver, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost

or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Authority and the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. Notwithstanding any provisions contained in this Resolution relating to the payment, transfer, exchange or replacement of the Bonds, the Authority hereby approves and authorizes the use of the "Book-Entry Only" securities clearance, settlement and transfer system provided by DTC. The Initial Bonds and all subsequent Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, except as provided in Section 3.12 hereof.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in

this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Order. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Order with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and the premium, if any, and interest on such Bond, and all notices with respect to such Bond, shall be made and given, respectively, in the manner provided in the Letter of Representation. The execution and delivery of said Letter of Representation is hereby approved along with any other instrument deemed necessary and convenient to carry out the purposes set forth in this Section 3.11, and the President and Secretary of the Board of Directors of the Authority are hereby authorized and directed to execute and deliver same on behalf of the Authority.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, upon receipt of proper proof of the beneficial ownerships of the DTC Participants, and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or

exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Section 3.09 or Section 3.10 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOURREDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: MANDATORY REDEMPTION OF BONDS. To the extent of any excess funds remaining on deposit in the Construction Fund and the Escrow Fund following completion of the Project, as provided in Section 7.08 of this Resolution and in the Escrow Agreement, and unless the use of such excess funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB, the Bonds shall be subject to mandatory redemption by the Authority, at a price equal to the principal amount thereof, plus accrued interest on the Bonds called for redemption to the Redemption Date, in inverse order of their scheduled maturities, on any date within sixty (60) days following the filing with and the approval by the TWDB of such final accounting, to the maximum extent possible out of such excess funds, rounded to the next lowest integral multiple of \$5,000. The Authority shall, at least forty-five (45) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of the Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not

previously been called for redemption, by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.03: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.04: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions, the respective principal amounts of the Bonds to be redeemed, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.05: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for

redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds or portions thereof so called for redemption shall be terminated.

(End of Article Four)

ARTICLE FIVEFORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Order, including the registration certificate of the Comptroller of Public Accounts of the State of Texas or Registrar, as applicable, and form of assignment shall be in substantially the forms specified in Exhibits "A" and "B" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Order.

SECTION 5.02: CERTIFICATE OF REGISTRAR. The form of Certificate of Registrar specified in Exhibit "B" attached hereto shall be printed on each of the Bonds authenticated, registered and delivered subsequent to the Initial Bonds.

SECTION 5.03: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. In lieu of the Certificate of Registrar specified in Section 5.02 hereof, the registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in Exhibit "A" attached hereto.

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in Exhibits "A" and "B" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be printed on the Bonds over the certification of the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Order, an original of said opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIXSECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of any Additional Bonds hereafter issued in conformity with the provisions of this Resolution. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds and any Additional Bonds have been paid in full, as to both principal and interest at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (i) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project, (ii) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, (iii) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, and (iv) fulfill the terms, agreements and covenants made with the Holders of the Bonds and any Additional Bonds issued in conformity with this Resolution and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly

amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties in similar locations under similar circumstances with a responsible insurance company or companies against risks, accidents or casualties against and in an amount which is customarily carried by such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least in an amount sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the improvements to be made to the Project, the Authority covenants that it will apply any proceeds of such insurance policies covering such loss or damage to

the reconstruction or repair of the such improvements, and any excess insurance proceeds remaining after the completion of such improvements shall promptly be deposited into the Debt Service Fund.

To the extent that the Project or any portion thereof shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for the portion of the improvements so taken shall, upon receipt by the Authority, be promptly deposited to the credit of the Debt Service Fund, less any amount determined by the Authority to represent the pro rata share of damages attributable to any portion of such improvements that were acquired or otherwise assumed by the Authority from a conservation and reclamation district or other public or private water system.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVENREVENUES AND APPLICATION THEREOF

SECTION 7.01: CREATION OF FUNDS. The creation, establishment and continuation of the following funds are hereby approved and adopted:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided in the Resolution. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all

times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, after making the deposit required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount. If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds or any Additional Bonds to mature or be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove, and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund and any earnings thereon constitute Pledged Revenues or be, or remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.02 and Section 8.03 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that copies of as-built plans for same, along with a final accounting of the Eligible Project Costs shall be provided to the TWDB. If the Project shall

be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, unless an authorized representative of the TWDB shall have approved in writing the use of any remaining funds for other Project purposes or similar purposes, the Authority shall, immediately upon filing with and approval by the TWDB of such final accounting, call for the redemption, prior to their scheduled maturities, of such portions of the Bonds, in inverse order of their scheduled maturities, to the next lowest multiple of \$5,000, as may be redeemed with such excess and unused proceeds on deposit in the Construction Fund and in the Escrow Fund. In determining the amount of available funds in the Construction Fund for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and in the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHTAPPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: BOND PROCEEDS. The proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO DEBT SERVICE FUND. Proceeds from the sale and delivery of the Bonds representing capitalized interest in the amount of \$475,286 shall be deposited into the Debt Service Fund.

SECTION 8.03: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$637,250, representing the estimated costs of issuance of the Bonds, shall be deposited into the Construction Fund. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds and call for the redemption of Bonds as provided in Section 4.02 hereof, unless the use of such funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB.

SECTION 8.04: DEPOSITS TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.05: TAX COVENANTS. The Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of the proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to insure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

(a) The Authority has not used and will not use, nor permit to be used, more than ten percent (10%) of the net proceeds of the Bonds in the trade or business of any person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds"). For purposes of this Section 8.05, the term "net proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "person" includes any

individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, means any activity other than an activity carried on by a governmental unit;

(b) The Authority has not used and will not use, nor permit to be used, more than five percent (5%) of the net proceeds of the Bonds in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds, and the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the net proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

(c) Principal and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;

(d) The Authority has not used and will not use or permit to be used an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the net proceeds of the Bonds to finance, directly or indirectly, loans to persons other than governmental units;

(e) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the Authority reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond" within the meaning of Section 148 of the Code;

(f) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the repayment of the Bonds and will restrict the yield on such investments to the extent required by the Code or the Regulations; without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on all proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion) to a yield which is not materially higher than the yield on the Bonds (in both cases calculated in accordance with the Code and Regulations);

(g) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code); and

(h) To the extent, if applicable, required by the Code and Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate, at least annually, but not less often than required by the applicable Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other date as permitted by the applicable Regulations, all amounts required to be rebated to the federal government; and the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a "prohibited payment" within the meaning of Temp. Treas. Reg. §1.103-15AT.

(i) The Authority will timely comply with the information reporting requirements of Section 149(e) of the Code.

All officers, employees and agents of the Authority are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Authority as of the date the Bonds are delivered. In complying with the foregoing covenants, the Authority may rely from time to time upon an opinion of bond counsel to the effect that any action by the Authority or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 8.06: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.

The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2008, as a result of the Bonds, will exceed \$10,000,000.

SECTION 8.07: ALLOCATION OF, AND LIMITATION ON, EXPENDITURES. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. For purposes of determining compliance with this covenant the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 8.08: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINEAMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (i) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or
- (ii) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, no such change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority expressly reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority

has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. The Authority further reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority further reserves the right to issue its bonds or other obligations for refunding purposes in any manner permitted by law.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority further reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TENBONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect capacity charges, and to the due, proper and timely application of the Pledged Revenues to the intended purposes, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVENCONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "NRMSIR" means each person whom the SEC or its staff has determined from time to time to be a nationally recognized municipal securities information repository, within the meaning of the Rule.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12, as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "SID" means any person designated by the State of Texas, or an authorized department, officer or agency thereof as, and determined by the SEC or its staff from time to time to be, a state information depository, within the meaning of the Rule.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to each NRMSIR and any SID, within six (6) months after the end of each Fiscal Year ending in or after 2008, financial information and operating data with respect to the Authority of the general type included in the Authority's final application to the TWDB for financial assistance in connection with the Bonds. Any financial statements to be so provided shall be (i) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality (or any successor agency), or such other accounting principles as the Authority may be required to employ from time to time thereafter pursuant to applicable law or regulation, and (ii) audited, if the Authority commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide

such audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02 may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that has theretofore been provided to each NRMSIR and any SID or filed with the SEC. The Authority shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify any SID and either each NRMSIR or MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the applicable provisions of the federal securities laws:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds;
- (h) Calls for redemption of the Bonds;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds; or

(k) Rating changes.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS.

(a) The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon any other person. The Authority undertakes to provide only the financial information, operating data financial statements and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, conditions or prospects of the Authority, nor does the Authority undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or to sell Bonds at any future date.

(c) Under no circumstances shall the Authority be liable to the Holder of any Bond or any other person, in contract or in tort, for damages resulting, in whole or in part, from any breach by the Authority, whether negligent or without fault on its part, of any covenant specified in this Article, but every right and remedy of any such person, in contract or in tort, for or on account of any such breach, shall be limited to an action for mandamus or specific performance.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its

discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment, or (B) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or if any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but, in either case, only if and to the extent that any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(End of Article Eleven)

ARTICLE TWELVEMISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS. The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH REGULATORY REQUIREMENTS. The Authority covenants and agrees, so long as all or any part of the Bonds are outstanding, that it will (i) develop, implement and maintain a water conservation program relative to the System which is consistent with and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB and (iii) comply with and abide by all other applicable rules, regulations, laws and requirements of the TWDB relative to the Project.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.05: REGISTRAR. The initial Registrar in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The President and the Secretary of the Board of Directors of the Authority are hereby authorized and directed, on behalf of the Authority, to approve, execute and deliver an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain at least one (1) Registrar in the State of Texas, where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly

designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.06: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The Authority will maintain in the City of Houston, Texas, at least one (1) Paying Agent who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is

not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligation to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, V.T.C.A. Government Code §1207.001 et seq., as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, firm or corporation, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged

Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Order and other documentation required in connection herewith and with the issuance of the Bonds.

(End of Article Twelve)

ARTICLE THIRTEENSALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEENOPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time on June 11, 2008, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was timely furnished to the County Clerk of Harris County, Texas, for posting on a bulletin board located at a place convenient to the public in the Harris County Courthouse for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended, and that this meeting has been open to the public, as required by law, at all times during which this Resolution and the subject matter hereof has been discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage.

PASSED AND ADOPTED this 11<sup>th</sup> day of June, 2008.

/s/ Margaret L. Cox  
 President, Board of Directors  
 Central Harris County Regional  
 Water Authority

ATTEST:

/s/ Judge Caston  
 Secretary, Board of Directors  
 Central Harris County Regional  
 Water Authority

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF INITIAL BOND)

REGISTERED NUMBER	UNITED STATES OF AMERICA	REGISTERED AMOUNT
IR-	STATE OF TEXAS	\$ _____
	COUNTY OF HARRIS	

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal of this Bond is due at maturity or upon

prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the

interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

OFFICE OF THE COMPTROLLER

REGISTER NO. \_\_\_\_\_

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of the Central Harris County Regional Water Authority and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,  
\_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_  
the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

By: \_\_\_\_\_  
(Authorized Representative)

EXHIBIT "B"

(FORM OF EXCHANGE BOND)

REGISTERED NUMBER R-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the

"Record Date"). Principal of this Bond is due at maturity or upon prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but

the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither

the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same

lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRAR has been manually executed by an authorized representative of Registrar, as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

## CERTIFICATE OF REGISTRAR

This is to certify that this bond is one of the Bonds issued under the provisions of the within-mentioned Bond Resolution, and it is hereby further certified that this bond has been authorized and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

\_\_\_\_\_, Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
 (Social Security or other identifying number): \_\_\_\_\_ the  
 within Bond and does hereby irrevocably constitute and appoint  
 \_\_\_\_\_ as attorney to transfer said  
 Bond on the books kept for registration thereof, with full power of  
 substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
 (Bank, Trust Company, or  
 Brokerage Firm)

By: \_\_\_\_\_  
 (Authorized Representative)

\_\_\_\_\_  
 Registered Owner

NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

[The legal opinion of Bond Counsel shall also be attached to the Exchange Bonds.]

## PRIVATE PLACEMENT MEMORANDUM DATED \_\_\_\_\_, 20\_\_

**NEW ISSUE BOOK-ENTRY-ONLY**

*On the date of initial delivery of the Bonds (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.*

\$ \_\_\_\_\_  
**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS,  
 SERIES 2015 [A][B][C] (the "Bonds")**

**Dated:** \_\_\_\_\_, 2015

**Due:** February 1, as set forth in Appendix A

- Interest Date:** Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2016 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."
- Record Date:** The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a business day.
- Date Interest Accrues:** Interest on the Bonds initially accrues from the Delivery Date (hereinafter defined), and thereafter, from the most recent Interest Payment Date. The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.
- Redemption:** The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.
- Authorized Denominations:** The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.
- Paying Agent/Registrar:** The initial paying agent and registrar for the Bonds is Amegy Bank, National Association ("Paying Agent/Registrar").
- Book-Entry-Only System** Upon initial issuance, the ownership of the Bonds will be registered on the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Houston, Texas as the same become due and payable.
- Issuer:** The Central Harris County Regional Water Authority (the "Authority"), a conservation and reclamation district, is a body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79<sup>th</sup> Texas Legislature, Regular Session 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Authority Act").
- Official Action:** The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas including, the Authority Act, and that certain RESOLUTION AUTHORIZING ISSUANCE OF \$ \_\_\_\_\_ CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2015 [A][B][C], passed and adopted by the Board of Directors of the Authority on \_\_\_\_\_, 20\_\_ (the "Bond Resolution").

Purpose: See "APPENDIX B – BOND RESOLUTION."  
Security for the Bonds: See "APPENDIX B – BOND RESOLUTION."  
Ratings: See "OTHER INFORMATION - Ratings"  
Delivery Date: \_\_\_\_\_, 2015 or the actual date of delivery of the Bonds to the initial purchaser thereof.

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**See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, and Initial CUSIP Numbers**

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**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY****Board of Directors**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Margaret L. Cox	President	May 2018
Julian F. Boddy	Vice President	May 2016
Judge Caston	Secretary	May 2016
Richard C. Meek	Assistant Secretary	May 2018
Tom Gower	Assistant Secretary	May 2018

**Amegy Bank, National Association, Paying Agent/Registrar****Consultants to the Authority**

The consultants listed below are relevant to the sale of the Bonds but are not exhaustive of all Authority consultants.

***Bond Counsel*** – Schwartz, Page & Harding, L.L.P., Houston, Texas, serves as Bond Counsel to the Authority, and also represents the Authority on certain other matters of a general legal nature. The fees for Bond Counsel for bond-related services are contingent on the issuance, sale and delivery of the Bonds.

***Disclosure Counsel*** – McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the Authority. The fees for Disclosure Counsel relative to the proposed issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

***Financial Advisor*** – The Authority has employed the firm of The GMS Group, L.L.C. (“Financial Advisor”) as financial advisor to the Authority. Payment to the Financial Advisor by the Authority is contingent upon the issuance, sale and delivery of the Bonds.

***Auditing*** – The firm BKD, LLP, Certified Public Accountants, prepared the annual audit for the Authority for the fiscal year ended December 31, 2014.

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**Private Placement Memorandum  
relating to**

\$ \_\_\_\_\_

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
*(A political subdivision of the State of Texas)*  
**REVENUE BONDS**  
**SERIES 2015[A][B][C]**

**INTRODUCTION**

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the above-captioned bonds (the “Bonds”) pursuant to the RESOLUTION AUTHORIZING ISSUANCE OF \$ \_\_\_\_\_ CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2015[A][B][C], passed and adopted by the Board of Directors of the Authority on \_\_\_\_\_, 20\_\_ (the “Bond Resolution”). Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Bond Resolution. See “APPENDIX B – “BOND RESOLUTION” attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Bond Resolution which contains a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

**THE BONDS**

**General Description**

The Bonds are being issued in the aggregate principal amount set forth in “APPENDIX A – MATURITY SCHEDULE” attached to this Private Placement Memorandum. The Bonds mature, and principal in respect of the Bonds is payable, on February 1 of each of the years and in the amounts shown in “APPENDIX A – MATURITY SCHEDULE” attached hereto. Interest on the Bonds will be payable on February 1 and August 1 each year, commencing February 1, 2016 (each an “Interest Payment Date”). The Bonds will have a stated dated date, however, interest on the Bonds initially accrues from the date of delivery of the Bonds to the initial purchaser thereof (the “Delivery Date”), and thereafter, from the most recent Interest Payment Date. The Bonds will bear interest at the rates per annum set forth in “APPENDIX A – MATURITY SCHEDULE” attached hereto. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

The Bonds are issued in fully registered form only in denominations of \$5,000, or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

**Purpose**

See “APPENDIX B – BOND RESOLUTION.”

**Authority for Issuance**

The Bonds are issued pursuant to the general laws and the Constitution of the State of Texas, the Authority Act, and the Bond Resolution.

## **Security for the Bonds**

The Bonds are secured by a pledge of and lien on the Pledged Revenues derived from the Net Revenues of the System, all as described in the Bond Resolution. See “APPENDIX B – BOND RESOLUTION.”

## **Redemption Provisions**

The Authority reserves the right, at its option, to redeem the Bonds maturing on or after February 1, 20\_\_, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on February 1, 20\_\_, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for the redemption (the “Redemption Date”).

Under certain circumstances described in the Bond Resolution, the Bonds may also be subject to mandatory redemption.

By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

See “APPENDIX B – BOND RESOLUTION.”

## **Notice of Redemption; Selection of Bonds to Be Redeemed**

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the Authority in accordance with the Bond Resolution. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of redemption shall be given by the Paying Agent/Registrar in the manner specified in the Bond Resolution. See “APPENDIX B – BOND RESOLUTION.”

## **Book-Entry-Only System**

*The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and deposited with DTC. See APPENDIX B - “BOND RESOLUTION.”

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust &

Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

## **TAX MATTERS**

### **Tax Exemption**

On the Delivery Date, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the Authority, including information and representations contained in the Authority’s federal tax certificate issued in connection with the Bonds, and (b) covenants of the Authority contained in the Bond Resolution relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the Authority to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Bond Counsel will deliver its opinion on the date of delivery of the Bonds substantially in the form as attached in “APPENDIX C – FORM OF OPINION OF BOND COUNSEL.”

### **Not Qualified Tax-Exempt Obligations**

The Authority has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

## **OTHER INFORMATION**

### **Forward Looking Statements**

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer’s expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer’s actual results could differ materially from those in such forward-looking statements.

**Ratings**

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Bonds for ratings or municipal bond insurance, respectively.

**LITIGATION**

With the delivery of the Bonds, the President or Vice President of the Board will, on behalf of the Authority, execute and deliver to the initial purchaser a certificate dated as of the Delivery Date, to the effect that, except as disclosed herein, no litigation of any nature of which the Authority has notice is pending against or, to the knowledge of the Authority's certifying officer, threatened against the Authority, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the Authority or the title of the then present officers and directors of the Board.

**CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to certain other information vendors. SEE APPENDIX B - "BOND RESOLUTION."

**Compliance with Prior Undertakings**

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

**MISCELLANEOUS**

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities as referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

**ADDITIONAL INFORMATION**

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Bond Resolution and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

**APPENDIX A**  
**MATURITY SCHEDULE**

**APPENDIX B**  
**BOND RESOLUTION**

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

378114

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015A**

Maturity Date	Maturity Amount (a)	Coupon (b)	Price	CUSIP No. (c)
02/01/2017	\$140,000		100%	
02/01/2018	\$140,000		100%	
02/01/2019	\$140,000		100%	
02/01/2020	\$145,000		100%	
02/01/2021	\$145,000		100%	
02/01/2022	\$145,000		100%	
02/01/2023	\$150,000		100%	
02/01/2024	\$155,000		100%	
02/01/2025	\$155,000		100%	
02/01/2026	\$160,000		100%	
02/01/2027	\$160,000		100%	
02/01/2028	\$165,000		100%	
02/01/2029	\$170,000		100%	
02/01/2030	\$175,000		100%	
02/01/2031	\$180,000		100%	
02/01/2032	\$185,000		100%	
02/01/2033	\$190,000		100%	
02/01/2034	\$195,000		100%	
02/01/2035	\$200,000		100%	
02/01/2036	\$210,000		100%	
02/01/2037	\$215,000		100%	
02/01/2038	\$220,000		100%	
02/01/2039	\$230,000		100%	
02/01/2040	\$235,000		100%	
02/01/2041	\$245,000		100%	
02/01/2042	\$250,000		100%	
02/01/2043	\$260,000		100%	
02/01/2044	\$270,000		100%	
02/01/2045	\$280,000		100%	
<b>Total</b>	<b>\$5,510,000</b>			

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015B**

Maturity Date	Maturity Amount	(a)	Coupon	(b)	Price	CUSIP No.	(c)
02/01/2017	\$90,000				100%		
02/01/2018	\$95,000				100%		
02/01/2019	\$95,000				100%		
02/01/2020	\$95,000				100%		
02/01/2021	\$95,000				100%		
02/01/2022	\$95,000				100%		
02/01/2023	\$100,000				100%		
02/01/2024	\$100,000				100%		
02/01/2025	\$105,000				100%		
02/01/2026	\$105,000				100%		
02/01/2027	\$105,000				100%		
02/01/2028	\$110,000				100%		
02/01/2029	\$110,000				100%		
02/01/2030	\$115,000				100%		
02/01/2031	\$120,000				100%		
02/01/2032	\$120,000				100%		
02/01/2033	\$125,000				100%		
02/01/2034	\$130,000				100%		
02/01/2035	\$135,000				100%		
02/01/2036	\$135,000				100%		
02/01/2037	\$140,000				100%		
02/01/2038	\$145,000				100%		
02/01/2039	\$150,000				100%		
02/01/2040	\$155,000				100%		
02/01/2041	\$160,000				100%		
02/01/2042	\$165,000				100%		
02/01/2043	\$170,000				100%		
02/01/2044	\$175,000				100%		
02/01/2045	\$185,000				100%		
<b>Total</b>	<b>\$3,625,000</b>						

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015C**

Maturity Date	Maturity Amount (a)	Coupon (b)	Price	CUSIP No. (c)
02/01/2017	\$40,000		100%	
02/01/2018	\$40,000		100%	
02/01/2019	\$45,000		100%	
02/01/2020	\$45,000		100%	
02/01/2021	\$45,000		100%	
02/01/2022	\$45,000		100%	
02/01/2023	\$45,000		100%	
02/01/2024	\$45,000		100%	
02/01/2025	\$45,000		100%	
02/01/2026	\$50,000		100%	
02/01/2027	\$50,000		100%	
02/01/2028	\$50,000		100%	
02/01/2029	\$50,000		100%	
02/01/2030	\$55,000		100%	
02/01/2031	\$55,000		100%	
02/01/2032	\$55,000		100%	
02/01/2033	\$60,000		100%	
02/01/2034	\$60,000		100%	
02/01/2035	\$60,000		100%	
02/01/2036	\$65,000		100%	
02/01/2037	\$65,000		100%	
02/01/2038	\$65,000		100%	
02/01/2039	\$70,000		100%	
02/01/2040	\$70,000		100%	
02/01/2041	\$75,000		100%	
02/01/2042	\$75,000		100%	
02/01/2043	\$80,000		100%	
02/01/2044	\$80,000		100%	
02/01/2045	\$85,000		100%	
<b>Total</b>	<b>\$1,670,000</b>			

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.

**APPLICATION FOR FINANCIAL ASSISTANCE  
FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS**

**NOTICE TO ALL APPLICANTS**

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application is intended for political subdivisions, including Water Supply Corporations.

Each applicant must submit **ONE** double-sided **ORIGINAL** and **ONE** indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat. The application must be submitted to:

Texas Water Development Board  
Water Supply and Infrastructure-Regional Water Planning and Development  
P O Box 13231  
1700 N. Congress Avenue, 5<sup>th</sup> Floor  
Austin, Texas 78711-3231  
(78701 for courier deliveries)

Only **COMPLETE APPLICATIONS** for projects will be considered for funding. A **COMPLETE APPLICATION** consists of all of the applicable information and forms requested in this document.

**IMPORTANT NOTICE**

Applicants **MUST** use this form for application to ensure all requested information is included for review.

When preparing this application please review the Application and all Guidance and Forms, listed at the end.

**TWDB Use Only**

Name of Applicant: \_\_\_\_\_

Date application received: \_\_\_\_\_

Date administratively complete: \_\_\_\_\_

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

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Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part A: General Information**

1. The legal authority under which the applicant was created and operates.
  - a)  TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
  - b)  TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
  - c)  TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
  - d)  HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
  - e)  SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
  - f)  NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
  - g)  NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
  - h)  ALL DISTRICTS (Texas Water Code Chapter 49)
  - i)  OTHER (Please see Attachment Part A1)

2. Applicant Name and Contact Information:

<b>Name:</b>	Central Harris County Regional Water Authority (CHCRWA)
<b>County:</b>	Harris
<b>Physical Address:</b>	1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056
<b>Mailing Address:</b>	1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Website:</b>	N/A

3. Brief description of the project:

The project consists of a 84" transmission pipeline jointly shared by the Central Harris County Regional Water Authority (CHCRWA) and the North Harris County Regional Water Authority (NHCRWA). The transmission pipeline continues the 108" transmission pipeline from the City of Houston Northeast Water Purification Plant (NEWPP) west from IH-45 to the NHCRWA 249 pump station. This application is to request funding for the CHCRWA portion of this 84" transmission pipeline, described internally by the CHCRWA as the Second Source Line, Phase II.

4. Applicant's Officers and Members:

<u>Name</u>	<u>Office Held</u>
Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Week	Assistant Secretary

5. Applicant's **primary contact person** for day-to-day project implementation.

<b>Name:</b>	Abraham I. Rubinsky
<b>Title:</b>	Attorney
<b>Address:</b>	1300 Post Oak Blvd. Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Email:</b>	arubinsky@sphllp.com

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

<b>Firm Name:</b>	IDS Engineering Group
<b>Contact:</b>	Marcel Khouw
<b>Address:</b>	13333 Northwest Freeway, Suite 300, Houston, Texas 77040
<b>Phone:</b>	713.462.3178
<b>Fax:</b>	713.462.1631
<b>Email:</b>	mkhouw@idsengineeringgroup.com

b) Bond Counsel N/A

<b>Firm Name:</b>	Schwartz, Page & Harding, L.L.P.
<b>Contact:</b>	Abraham I. Rubinsky
<b>Address:</b>	1300 Post Oak Blvd. Suite 1400, Houston, Texas 77056
<b>Phone:</b>	713.623.4531
<b>Fax:</b>	713.623.6143
<b>Email:</b>	arubinsky@sphllp.com

c) Financial Advisor N/A

<b>Firm Name:</b>	The GMS Group LLC
<b>Contact:</b>	John F. Howell
<b>Address:</b>	5075 Westheimer Rd. Suite 1175, Houston, Texas 77056
<b>Phone:</b>	713.626.3552
<b>Fax:</b>	713.626.3347
<b>Email:</b>	jhowell@gmsgroup.com

d) Certified Public Accountant (or other appropriate rep) N/A

<b>Firm Name:</b>	F Matuska Inc.
<b>Contact:</b>	Fran Matuska
<b>Address:</b>	4600 Highway 6 N. Suite 315, Houston, TX 77084
<b>Phone:</b>	281.859.8779
<b>Fax:</b>	281.859.8556
<b>Email:</b>	fmatуска@att.net

e) Legal Counsel (if other than Bond Counsel) N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

f) Any other consultant representing the Applicant before the Board N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

- 7. List the counties within the Applicant's service area. Harris
- 8. Identify the Applicant's total service area population: 28,350
- 9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAf)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ <u>9,515,000</u>
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain: _____	\$ _____

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
<b>Total Funding from All Sources</b>		\$		

Comments: **Not Applicable**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.
- Attached document**
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

### Part B: Legal Information

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.  
Section 8815.151, Texas Special District Local Laws Code. See Attachment Part A1.
14. What type of pledge will be used to repay the proposed debt?  
 Systems Revenue  
 Taxes  
 Combination of systems revenues and taxes  
 Other (Contract Revenue, etc.)
15. Provide the full legal name of the security for the proposed debt issue(s).  
\$9,515,000 Central Harris County Regional Water Authority Revenue Bonds (the "Bonds"). The Bonds may be issued in one or more series, upon the advice and consent of the TWDB, in order to facilitate financial assistance from SWIFT as requested herein.
16. Describe the pledge being offered and any existing rate covenants.  
Principal of and interest on the Bonds will be payable and secured by the net revenues of the CHCRWA. The CHCRWA will generate gross revenues sufficient to pay and provide for the timely payment of the Bonds through pumpage fees and service fees assessed pursuant to the CHCRWA rule and regulations.
17. Attach the resolution from the governing body requesting financial assistance.  
TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Resolution**
18. Attach the Application Affidavit  
TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Applicant Affidavits**
19. Attach the Certificate of Secretary  
TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Certificate of Secretary**
20. Is the applicant a Water Supply Corporation (WSC)?  
 Yes If yes, attach each of the following:  
 **Articles of Incorporation**  
 **Certificate of Incorporation from the Texas Secretary of State evidencing that the current Articles of Incorporation are on file with the Secretary**  
 **By-laws and any amendments**  
 **Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)**  
 **Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).**  
 No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

21. Is the applicant proposing to issue revenue bonds?  
 Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.  
 **Attached resolution/ordinance(s)**  
 No
22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?  
 Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.  
 **Attached CCN and service area map**  
 No If no, indicate the status of the CCN.  
 N/A
23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?  
 Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.  
 **Attached**  
 No
24. Are any facilities to be constructed or the area to be served within the service area of a municipality or other public utility?  
 Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?  
 If yes, attach a copy of the affidavit.  
 **Attached affidavit**  
 If no, provide an explanation as to why not.  

The CHCRWA was created for the purpose, among others, of implementing and enforcing a groundwater reduction plan so that its Member District's achieve and maintain compliance with the Harris-Galveston Subsidence District's ("HGSD") regulatory requirements. The facilities constructed in this project are essential to the CHCRWA's ability to meet the HGSD's mandates. Please see Attachment Part A1 for a copy of the CHCRWA's enabling legislation.

 No
25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)  
 Yes Enter date of Applicant's WCP adoption: 5/1/2014  
 No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Attached Draft WCP and Drought Contingency Plan**
- Attached Utility Profile TWDB-1965**
- N/A <http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>  
(Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

**Note:** If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?
- Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?
    - Yes
    - No If no, please download survey forms and attach a copy of the completed water use surveys to the application.  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
 **Attached Water Use Survey**
  - No
27. Is the applicant a retail public utility that provides potable water?
- Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?
    - Yes
    - No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.  
 **Attached TWDB Water Audit worksheet**
  - No
28. Does the Applicant provide wastewater services?
- Yes
  - No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part C: Financial Information**

**Regional or wholesale providers, complete questions 29-31.**

**Retail providers, complete questions 32-34.**

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
HC MUD 200	338,224,000	20.06%	N
HC MUD 150	280,659,000	16.65%	N
FALLBROOK UD	258,894,000	15.36%	N
HC MUD 33	235,274,000	13.96%	N
HC MUD 304	186,044,000	11.04%	N
HC UD 16	102,342,000	6.07%	N
HC MUD 217	67,325,000	3.99%	N
RANKIN RD. WEST MUD	66,898,000	3.97%	N
HC MUD 215	57,504,000	3.41%	N
HC MUD 205	47,209,000	2.80%	N

Comments:

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)
HC MUD 200	\$805,525	28.15%	N
HC MUD 150	\$523,689	18.30%	N
FALLBROOK UD	\$382,990	13.39%	N
HC MUD 33	\$337,405	11.79%	N
HC MUD 304	\$271,359	9.48%	N
HC UD 16	\$196,015	6.85%	N
HC MUD 217	\$129,733	4.53%	N
RANKIN RD. WEST MUD	\$128,667	4.50%	N
HC MUD 215	\$ 85,887	3.00%	N
HC MUD 205	Pays through HC MUD 200		

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers

**Not Applicable**

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
NOT APPLICABLE						

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER**

**Not Applicable**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
NOT APPLICABLE			

b. **WASTEWATER**

**Not Applicable**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)
NOT APPLICABLE			

33. Current Average Residential Usage and Rate Information

**Not Applicable**

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water	NOT APPLICABLE				
Wastewater	NOT APPLICABLE				

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

34. Provide the number of customers for each of the past five years.

**Not Applicable**

Year	Number of Customers
20	NOT APPLICABLE
20	
20	
20	
20	

All applicants complete questions 35-51 of the financial section, as applicable.

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).

The CHCRWA is not aware of any judgement, order, fine, penalty, enforcement or compliance issue that will keep it from being able to issue or repay debt. The CHCRWA is not aware of any lawsuit, judgement, bankruptcy of any of its Member Districts that will adversely impact its ability to make timely payment of interest and principal on the Bonds. The CHCRWA sells water on a wholesale basis to eleven (11) Member Districts and is not financially dependent upon any single water user or other within those districts. The CHCRWA believes that the homeowners within its boundaries will be paying approximately the same amount for surface water as the homeowners in the other regional water authorities in the Houston area.

36. Has the applicant ever defaulted on any debt?

- Yes If yes, disclose all circumstances surrounding prior default(s).  
 No

37. Does the applicant have taxing authority?

- Yes  
 No

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate.

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
20 N/A							
20 N/A							
20 N/A							
20 N/A							
20 N/A							

Comments: Not applicable. No taxing authority

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

- a)  2014 attached
- b)  2013 attached
- c)  2012 attached
- d)  2011 attached
- e)  2010 attached

40. Attach the direct and overlapping tax rate table:  
 **Attached tax rate table**

Not applicable. No taxing authority.

41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten.

**Not Applicable**

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
NOT APPLICABLE			

Comments: Not applicable. No taxing authority.

42. Provide the maximum tax rate permitted by law per \$100 of property value. N/A

43. Does the applicant collect sales tax?  
 Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
20	
20	
20	
20	
20	

No

44. Indicate the tax status of the proposed loan?

- Tax-Exempt
- Taxable

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

45. Proforma (**Select one of the four listed below**) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.
- a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:
- projected gross revenues
  - operating and maintenance expenditures
  - outstanding and proposed debt service requirements
  - net revenues available for debt service and coverage of current and proposed debt paid from revenues
- b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- outstanding and proposed debt service requirements
  - the tax rate necessary to repay current and proposed debt paid from taxes
  - list the assumed collection rate and tax base used to prepare the schedule
- c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
  - outstanding and proposed debt service requirements
  - the tax rate necessary to pay the current and proposed debt
  - list the assumed collection rate and tax base used to prepare the schedule
- d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.
- Attached
46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
- Attached Operating Statement.**
47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
- Attached Annual Audit**
  - Attached Management Letter**
  - If applicable, attached interim financial information**
48. Does the applicant have any outstanding debt? (Check all that apply)
- Yes, General obligation debt
  - Yes, Revenue debt
  - Yes, Authorized but unissued debt
  - No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.

a. General Obligation Debt:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

b. Revenue:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

c. Authorized by Unissued Debt:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
Houston Independent School District	22,984
City of Houston	21,095
U.T.M.D Anderson Cancer Center	19,290
United Airlines	17,000
Harris County	14,583
Exxon Mobil	13,191
Houston Methodist Hospital	13,000
Shell Oil Company	13,000
Kroger Company	12,000
National Oilwell Varco	10,000

Comments (example, any anticipated changes to the tax base, employers etc.)

The list above represents 10 largest employers in Harris County. The CHCRWA does not have information regarding the number of employees within its boundaries.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

51. Provide any current bond ratings with date received.

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
G.O.	N/A		N/A		N/A	
Revenue	N/A		N/A		N/A	

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.

**Attached** (Contract will be provided prior to loan closing)

No.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part D: Project Information

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):

The primary purpose for the CHCRWA is to reduce groundwater withdrawals and meet the groundwater reduction requirements of the Harris-Galveston Subsidence District (HGSD) 1999 District Regulatory Plan, including the following:

- Achieve a 30 percent reduction of groundwater pumpage by June 2010
- Achieve a 60 percent reduction of groundwater pumpage by June 2025
- Achieve a 80 percent reduction of groundwater pumpage by June 2035

The construction of the transmission line is necessary to achieve the reduction in groundwater for 2025, 2035 and beyond, as mandated by the HGSD. See City of Houston and NHCRWA application for additional information.

54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):

The project consists of a 84" transmission pipeline jointly shared by the CHCRWA and the NHCRWA. The transmission pipeline continues the 108" transmission pipeline from the City of Houston NEWPP west from IH-45 to the NHCRWA 249 pump station. This application is to request funding for the CHCRWA portion of this 84" transmission pipeline, described internally by the CHCRWA as the Second Source Line, Phase II.

See NHCRWA application for additional information.

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
  - Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal **Attached**
- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:
  - a) **Water** (TWDB-0555 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)  
 **Attached**
  - b) **Wastewater** (TWDB-0556 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>)  
 **Attached**
- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**See NHCRWA Application**

55. Water Made Available (For projects requesting a construction component):

- a. *New supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
  - Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.
- b. *New Conservation savings* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,
  - Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.
- c. *New Reuse supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
  - Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.
- d. *Maintenance of Current Supply* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ (*\$*) *capital cost*
- Volume of recipients' current supplies that will be maintained by implementing the proposed project
  - Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).

56. Project Location:

**See NHCRWA Application**

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

**Attached**

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:

<http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>.

**Please follow these steps:**

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within\_\_\_\_" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.
- Close the Geographies Search window.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

**Attached Census tracts**

58. Project Schedule: **See NHCRWA Application**

- Requested loan closing date.
- Estimated date to submit environmental planning documents.
- Estimated date to submit engineering planning documents.
- Estimated date for completion of design.
- Estimated Construction start date for first contract.
- Estimated Construction end date for last contract.

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.

**Attached**

60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template

**Attached** **See NHCRWA Application**

61. Attach the appropriate Project Information Form:

**Wastewater:** Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

**Water:** Attached a completed Water Project Information Form WRD-253d <http://www.twdb.texas.gov/financial/instructions/index.asp>

62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities. **Not Applicable**

**Attached**

No. Provide explanation:

63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction. **See NHCRWA Application**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**See NHCRWA Application**

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?

- Yes If yes, please attach the completed, appropriate form.
1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)  
 **Attached**
  2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)  
 **Attached**
- No  
 N/A

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
<b><u>See City of Houston</u></b>				

c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)
<b><u>See City of Houston</u></b>		

64. Has the applicant obtained all necessary land and easements for the project?

**See NHCRWA Application**

- Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)  
 **Attached**
- No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

**See NHCRWA Application**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)
<b><u>See NHCRWA Application</u></b>				

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project? **See NHCRWA Application**

- Yes
- Attach a copy of the finding.
- No

66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment? **See NHCRWA Application**

- Yes
- No

67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)? **See NHCRWA Application**

- Yes
  - If yes, attach additional information
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:**

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):
- |                                     |                     |    |
|-------------------------------------|---------------------|----|
| <input type="checkbox"/>            | Deferred            | \$ |
| <input checked="" type="checkbox"/> | Low Interest Loan   | \$ |
| <input type="checkbox"/>            | Board Participation | \$ |
69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.  
 **Attached**
70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the State Water Implementation Fund for Texas (SWIFT) to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.
- As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.
- As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.
71. Provide drafts of the following documents:
- a. Proposed Bond Ordinance  
 **Attached**
  - b. Private Placement Memorandum  
 **Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part F: Economically Distressed Programs (EDAP) Applicants Only:**

**Not Applicable**

In accordance with TWDB Rules (31 TAC Chapter 363), an application for EDAP will **not** be considered until the County has adopted and is enforcing the Model Subdivision Rules (MSRs) Texas Water Code § 16.343. If the proposed project is within a municipality or its extraterritorial jurisdiction (ETJ), or if the applicant is a municipality, the municipality must also have adopted and be enforcing MSRs.

72. Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts)
73. Is financing being requested for a **wastewater** project?
- Yes If yes, does the applicant have the required resolution/ordinance establishing a mandatory hookup policy?
    - Yes. If yes, attach a copy of the resolution/ordinance.
      - Attached**
      - No. If no, explain
    - No
74. Required documentation for the project area for Preliminary EDAP Eligibility (31 TAC Chapter 363)
- Attached** documentation of inadequacy of water and/or wastewater services.
  - Attached** documentation regarding the financial resources of the residential users in the EDAP area. Census data or documentation regarding median household income should be provided.
  - Attached** documentation demonstrating existence of a residence in the project area prior to **June 1, 2005**. This could include tax records of residence, dated aerial maps, or, other documentation demonstrating existence of a residence.
75. Has the Department of State Health Services issued a determination stating a public health nuisance exists in the project area?
- Yes If yes, attach a copy of the determination.
    - Attached**
  - No If no determination exists, attach documentation demonstrating a public health nuisance exists in the project area. (*Photographs may be submitted, but they **must** be labeled with location and date when taken. If the soil types are mentioned in the project area as an issue, include soil profile maps*) This documentation will be used by TWDB staff to request a determination from the Department of State Health Services
    - Attached**
76. Is this project providing new service?
- Yes If yes, attach plats of the affected subdivisions.
    - Attached**
  - No
77. Attach an EDAP Facility Engineering Plan/Scope of Services report that complies with the requirements of WRD-023A. <http://www.twdb.texas.gov/financial/instructions/index.asp>
- Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part G: CWSRF/DWSRF Applicants Only**

**Not Applicable**

**Only applicants applying for funding from the CWSRF and DWSRF Programs must complete this section.**

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to obtain a DUNS number that will represent a universal identifier for all federal funding assistance. DUNS numbers can be obtained from Dun and Bradstreet at <http://fedgov.dnb.com/webform/>

78. Applicant's Data Universal Number System (DUNS) Number:  
DUNS

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to register with System for Award Management (SAM) and maintain current registration at all times during which the Board loan agreement is active or under consideration by the Board. Register at: <https://sam.gov>.

79. The applicant has registered and will maintain current SAM registration at all times during which a federal subaward is active or under consideration by the Board.

- Yes
- No

80. Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?

- Yes
- No

2. Did applicant receive over \$25 million in Federal Awards last year?

- Yes
- No

3. Public does not have access to executive compensation information via SEC or IRS reports?

- Yes
- No

81. If applicant checked **YES** to **ALL** three boxes in 3 above, applicant is required to disclose the name and compensation of the five most highly compensated officers.

Officer's Name	Officer's Compensation (\$)

82. Complete form WRD 213 (<http://www.twdb.texas.gov/financial/instructions/index.asp>) – Certification Regarding Lobbying

- Attached**
- Yes
  - No
  - N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

83. If applying for CWSRF Equivalency or DWSRF, **attach** the Certification Regarding Debarment, Suspension and Other Responsibility. SRF-404  
(<http://www.twdb.texas.gov/financial/instructions/doc/SRF-404.pdf>)

**Attached**  Yes  
 No  
 N/A

84. If applying for CWSRF Equivalency or DWSRF, **attach** the Assurances – Construction Programs. EPA-424D (<http://www.twdb.texas.gov/financial/doc/EPA-424D.pdf>)

**Attached**  Yes  
 No  
 N/A

85. The applicant must comply with the Davis-Bacon Act regarding prevailing wage rates. The applicant acknowledges that they are aware of, and will abide by, the Davis-Bacon Act requirements.

Yes  
 No

Further information on the Davis-Bacon requirement is available through the TWDB Guidance document, DB-0156 (<http://www.twdb.texas.gov/financial/instructions/index.asp>)

All project costs funded by the TWDB through CWSRF Equivalency or DWSRF must comply with the federal Disadvantaged Business Enterprise (DBE) program rules and requirements. The federal DBE program requires a good faith effort to contract with DBE's for all procurements including: professional and non-professional consulting services, equipment, supplies and construction to be funded by federal equivalency dollars. Guidance and forms are found at:

TWDB-0210 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0210.pdf>)

86. **At a minimum, you must complete and attach** the Applicant Affirmative Steps Certification and Goals. This form is required to obtain a financial assistance commitment.

TWDB-0215 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0215.pdf>)

**Attached**  Yes  
 No

87. If you have already solicited contractors, complete and attach the Affirmative Steps Solicitation Report. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-216 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0216.pdf>)

**Attached**  Yes  
 No  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

88. If you have awarded contracts to contractors, complete and attach the Loan/Grant Participation Summary. This form must be submitted for review prior to loan closing and release of funds. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-0373 (<http://www.twdb.texas.gov/financial/doc/TWDB-0373.pdf>)

**Attached**  Yes  
 No  
 N/A

89. All Contractors that have been awarded will need to complete and attach the Prime Contractor Affirmative Steps Certification and Goals This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-217 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0217.pdf>)

**Attached**  Yes  
 No  
 N/A

90. **All CWSRF applicants** must be a Designated Management Agency (DMA) for wastewater collection and treatment. Please complete and attach DMA resolutions. WRD-210 (<http://www.twdb.texas.gov/financial/doc/WRD-210.pdf>) is an example of this type of resolution.

**Attached**  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part H: Documentation of "Green" Projects and Project Components

CWSRF and DWSRF Applicants Only

**Not Applicable**

All SRF applicants must complete this section if green benefits are all or part of the project (**more than an incidental benefit**). Project is defined as the entire project or a stand-alone component of the project. This section is required so that the TWDB may determine whether the project qualifies as "green" pursuant to Environmental Protection Agency (EPA) Guidance.

A project (or project component) is "green" if the primary purpose qualifies under EPA Guidance as one of the following:

- a. Green Infrastructure,
- b. Water Efficiency-related,
- c. Energy Efficiency-related, or
- d. Environmentally Innovative.

You must use the Green Project Reserve guidance to complete this section. Current guidance may be found at: **Green Project Reserve: Guidance for determining project eligibility**

TWDB-0161 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0161.pdf>)

91. Does your project or a component of your project qualify as Green, per EPA guidance?

- Yes  
 No

If Yes, Please complete the remainder of Section G.

92. Type of Green Project

- Water Efficiency       Energy Efficiency       Green Infrastructure       Environmentally Innovative

93. The correct worksheets must be completed.

**Green Project Reserve: CWSRF Green Project Worksheets**

TWDB-0162 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.pdf>)

- Attached**       Yes  
                          No  
                          N/A

**Green Project Reserve: DWSRF Green Project Worksheets**

TWDB-0163 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0163.pdf>)

- Attached**       Yes  
                          No  
                          N/A

TWDB will make the final determination whether your project (or project component) meets federal criteria as "green". You may be required to submit a **business case, utilizing the Green guidance**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

### Part A

- No. 6
- No. 12

### General Information

Draft or executed consulting contracts (engineering, financial advisor, bond counsel)  
Existing security document for refinancing

### Part B

- No. 17
- No. 18
- No. 19
- No. 20

### Legal

Resolution (TWDB-0201A)  
Application Affidavit (TWDB-0201)  
Certificate of Secretary (TWDB-201B)  
Water Supply Corporations

- Articles of Incorporation
- Certificate of incorporation from the Texas Secretary of State
- By-laws and any amendments
- Certificate of status from the Texas Secretary of State
- Certificate of account status from Texas Comptroller

- No. 21
- No. 22
- No. 23
- No. 24
- No. 25
- No. 26

Resolution/ordinance authorizing the issuance of parity debt  
Certificate of Convenience & Necessity  
Enforcement Actions  
Affidavit of No Objection  
Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)  
Water use surveys

- No. 27

Water Loss Audit  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
<http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

### Part C

- No. 39
- No. 40
- No. 45
- No. 46
- No. 47
- No. 49
- No. 52

### Financial

Assessed Values by Classifications  
Direct and Overlapping Tax Table  
Proforma for each year of debt outstanding  
Five year comparative system operating statement.  
Annual audit and management letter  
Outstanding debt schedule  
Service provider contracts

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part D**

**Project Information**

- No. 54a Preliminary Engineering Feasibility Data (PEFD)
- No. 54b Engineering Feasibility Report
  - Water (TWDB-0555)
  - Wastewater (TWDB-0556)
- No. 54c Project Draw Schedule (TWDB-1202)
- No. 56 Project Map
- No. 57 Census Tract(s)
- No. 59 Current and future populations and projected water use or wastewater flows
- No. 60 Project Cost Estimate Budget (TWDB-1201)
- No. 61 Wastewater Project Information Form (WRD-253a)  
Water Project Information Form (WRD-253d)
- No. 62 Texas Pollution Discharge Elimination System Permit
- No. 63 If applicant has property rights and permits
  - a. WRD-208A (Surface Water)
  - b. WRD-208B (Groundwater)
- No. 63c Additional Permits
- No. 64 Site certificate, evidencing land ownership for the project. (ED-101)
- No. 65 Categorical Exclusion (CE), Finding of No Significant Impact (FONSI), Record of Decision or any other supporting document
- No. 67 Social or environmental issues

**Part E**

**State Water Implementation Fund for Texas**

- No. 69 Multi-year/phased commitment schedule
- No. 71a Draft Bond Ordinance
- No. 71b Private Placement Memorandum

**Part F**

**Economically Distressed Areas Program**

- No. 73 Resolution/ordinance establishing a mandatory hookup policy
- No. 74 EDAP applicants
  - Inadequacy documentation
  - Financial resources documentation
  - Existence of residences prior to 06/01/2005
- No. 75 Public health nuisance
- No. 76 Plats
- No. 77 EDAP Planning Phase – Facility Engineering Plan/Scope of Services (WRD-023A)

**Part G**

**CWSRF/DWSRF Applicants Only**

- No. 82 Lobbying Activities (WRD-213)
- No. 83 Certification Regarding Debarment, Suspension and Other Responsibility Requirements. (SRF-404)
- No. 84 Assurances – Construction Programs (EPA-424D)  
Disadvantaged Business Requirements Guidance (TWDB-0210)
- No. 86 Affirmative Steps Certification and Goals (TWDB-0215)
- No. 87 Affirmative Steps Solicitation Report (TWDB-216)
- No. 88 Loan/ Grant Participation Summary (TWDB-0373)
- No. 89 Prime Contractor Affirmative Steps Certification and Goals (TWDB-217)
- No. 90 Designated Management Agency (WRD-210)

**Part H**

**Green Projects**

- No. 93 Guidance (TWDB-0161)  
CWSRF Green Project Worksheets (TWDB-0162)  
DWSRF Green Project Worksheets (TWDB-0163)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part J: Guidance and Forms

### Part A

#### General Information

CWSRF – 31 TAC 375

DWSRF – 31 TAC 371

EDAP and SWIFT - 31 TAC 363

For more information visit, <http://www.twdb.texas.gov/about/rules/index.asp>.

### Part D

#### Project Information

[State Programs - 31 TAC 363](#)

[Drinking Water State Revolving Fund - 31 TAC 371](#)

[Clean Water State Revolving Fund / Equivalency - 31 TAC 375](#)

[Clean Water State Revolving Fund / Non-Equivalency - 31 TAC 375](#)

Guidelines for Environmental Assessment, Clean Water Non-Equivalency (ED-001A)

Clean Water EID Instructions (SRF-099)

Guidelines for Environmental Assessment, State Participation, DFund, RWAf and WIF,  
(ED-001B)

Guidelines for Environmental Assessment, EDAP (ED-001C)

Drinking Water EID Instructions (DW-001)

### Part H

#### Green Projects and Project Components

Green Project Reserve: Guidance for determining project eligibility  
(TWDB-0161)



The State of Texas  
Secretary of State

I, ROGER WILLIAMS, Secretary of State of the State of Texas, DO  
HEREBY CERTIFY that the attached is a true and correct copy of House  
Bill Number 3181 passed by the 79th Legislature, Regular Session, 2005,  
as signed by the Governor on June 17, 2005, and filed in this office on  
June 17, 2005.

Date issued: August 12, 2005

A handwritten signature in black ink that reads "Roger Williams".

Roger Williams  
Secretary of State



ST/lis

AN ACT

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relating to the creation of the Central Harris County Regional Water Authority; providing authority to issue bonds or notes; granting the power of eminent domain; providing an administrative penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle H, Title 6, Special District Local Laws Code, is amended by adding Chapter 8815 to read as follows:

CHAPTER 8815. CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 8815.001. DEFINITIONS. In this chapter:

(1) "Authority" means the Central Harris County Regional Water Authority.

(2) "Board" means the board of directors of the authority.

(3) "Commission" means the Texas Commission on Environmental Quality or its successor.

(4) "Director" means a member of the board.

(5) "District" means any district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, other than:

(A) a navigation district or port authority; or

(B) a district governed by Chapter 36, Water

1 Code.

2 (6) "Groundwater reduction plan" means a plan adopted  
3 or implemented to supply water, reduce reliance on groundwater,  
4 regulate groundwater pumping and usage, or require and allocate  
5 water usage among persons in order to comply with or exceed  
6 requirements imposed by the subsidence district, including any  
7 applicable groundwater reduction requirements.

8 (7) "Local government" means a municipality, county,  
9 district, or other political subdivision of this state or a  
10 combination of two or more of those entities.

11 (8) "Member district" means each of the following  
12 conservation and reclamation districts created under Section 59,  
13 Article XVI, Texas Constitution:

14 (A) Harris County Municipal Utility District No.  
15 33;

16 (B) Harris County Municipal Utility District No.  
17 150;

18 (C) Harris County Municipal Utility District No.  
19 200;

20 (D) Harris County Municipal Utility District No.  
21 205;

22 (E) Harris County Municipal Utility District No.  
23 215;

24 (F) Harris County Municipal Utility District No.  
25 217;

26 (G) Harris County Municipal Utility District No.  
27 304;

1                   (H) Harris County Municipal Utility District No.

2     399;

3                   (I) Harris County Utility District No. 16;

4                   (J) Fallbrook Utility District; and

5                   (K) Rankin Road West Municipal Utility District.

6                   (9) "Subsidence" means the lowering in elevation of  
7 the surface of land by the withdrawal of groundwater.

8                   (10) "Subsidence district" means the Harris-Galveston  
9 Coastal Subsidence District.

10                   (11) "System" means a network of pipelines, conduits,  
11 valves, canals, pumping stations, force mains, treatment plants,  
12 and any other construction, device, or related appurtenance used to  
13 treat or transport water.

14                   (12) "Water" includes:

15                   (A) groundwater, percolating or otherwise;

16                   (B) any surface water, natural or artificial,  
17 navigable or nonnavigable; and

18                   (C) industrial and municipal wastewater.

19                   (13) "Well" includes a facility or device owned or  
20 partially owned by a member district and used to withdraw  
21 groundwater from a groundwater source inside or outside the  
22 boundaries of the authority for the purpose of supplying water to  
23 territory in the authority.

24                   Sec. 8815.002. NATURE OF AUTHORITY. The authority is a  
25 regional water authority in Harris County created under and  
26 essential to accomplish the purposes of Section 59, Article XVI,  
27 Texas Constitution.

1       Sec. 8815.003. CONFIRMATION ELECTION NOT REQUIRED. An  
2 election to confirm the creation of the authority is not required.

3       Sec. 8815.004. AUTHORITY TERRITORY. (a) The initial  
4 territory of the authority consists of the combined territories of  
5 each of the member districts as of the effective date of the law  
6 creating this chapter, regardless of whether the territory contains  
7 noncontiguous parcels of land or whether the territory is located  
8 within the boundaries of any other governmental entity or political  
9 subdivision of this state.

10       (b) The authority may annex additional territory under  
11 Section 8815.006.

12       (c) Territory may be excluded from the authority under  
13 Section 8815.005.

14       Sec. 8815.005. EXCLUSION OF CERTAIN TERRITORY. (a) On the  
15 mutual agreement of the board and the governing body of a member  
16 district, all of the land within that member district may be  
17 excluded from the authority.

18       (b) If a member district is excluded from the authority's  
19 boundaries under this section, the authority:

20           (1) is not required to provide water or any other  
21 service to the district; and

22           (2) is not required to include the district in any  
23 groundwater reduction plan adopted or implemented by the authority  
24 and may remove the district from any groundwater reduction plan  
25 adopted by the authority that includes the district.

26       (c) If a member district excluded from the authority's  
27 boundaries under this section petitions the authority to be annexed

1 under Section 8815.006, the authority may annex the district. The  
2 authority may require, as a condition of annexation, terms and  
3 conditions the board considers appropriate. The authority may  
4 require the district to pay the authority the fees, user fees,  
5 charges, and special assessments, with interest, that, as  
6 determined by the authority, the district would have been charged  
7 by the authority if the district had not been excluded from the  
8 authority under this section.

9 Sec. 8815.006. ANNEXATION. (a) Except to the extent the  
10 authority agrees in writing, a municipality's annexation of  
11 territory within the authority does not affect:

12 (1) the authority's powers inside or outside the  
13 annexed territory;

14 (2) the authority's boundaries or contracts; or

15 (3) the authority's ability to assess fees, user fees,  
16 rates, charges, or special assessments inside or outside the  
17 territory annexed by the municipality.

18 (b) Territory within the authority annexed by a  
19 municipality may be excluded from the authority under a written  
20 agreement between the authority and the municipality.

21 (c) Territory may be annexed to the authority, regardless of  
22 whether the territory is contiguous to the authority, as provided  
23 by Chapter 49, Water Code.

24 (d) In addition to the authority granted by Subsection (c),  
25 regardless of whether the territory is contiguous to the authority,  
26 the authority may annex all of the territory located within a  
27 district if the district files with the authority a petition

1 requesting the annexation signed by a majority of the members of the  
2 governing body of the district. The petition must include an  
3 accurate legal description of the boundaries of the district. If  
4 the authority has bonds, notes, or other obligations outstanding,  
5 the authority shall require the petitioning district to be  
6 obligated to pay its share of the principal of and interest on the  
7 outstanding bonds, notes, or other obligations, and related costs.  
8 The authority may also require the petitioning district to pay a  
9 portion of the expenses incurred by the member districts in  
10 connection with the organization, creation, and administration of  
11 the authority. The board may grant the petition and order the  
12 district annexed to the authority if:

13 (1) it is feasible, practicable, and to the advantage  
14 of the authority; and

15 (2) the authority's system and other improvements are  
16 sufficient or will be sufficient to supply surface water and  
17 groundwater to the added territory, if required under any  
18 groundwater reduction plan adopted and implemented by the  
19 authority, without harming the territory already included in the  
20 authority.

21 (e) Any territory that a member district annexes after the  
22 effective date of the Act creating this chapter becomes territory  
23 of the authority only on the adoption of an order or resolution by  
24 the board consenting to the inclusion of the additional territory  
25 within the authority. The authority by rule may require all member  
26 districts to send to the authority written notice of the effective  
27 date of an annexation and require the member districts to send to

1 the authority copies of any necessary documents describing the  
2 annexed land and describing the member districts' boundaries and  
3 actual and projected water usage requirements as they exist after  
4 inclusion of the annexed land.

5 (f) The annexation to the authority of territory under this  
6 section does not affect the validity of the authority's bonds  
7 issued before or after the annexation.

8 (g) A municipality that annexes territory of the authority  
9 for limited purposes under Subchapter F, Chapter 43, Local  
10 Government Code, does not have the right to:

11 (1) receive notices from the authority under Section  
12 8815.103(c);

13 (2) participate in the appointment of directors under  
14 Subchapter B; or

15 (3) receive information about or have the opportunity  
16 to fund its share of capital costs in the manner provided by the  
17 authority under Section 8815.104.

18 Sec. 8815.007. APPLICABILITY OF OTHER LAW. (a) Except as  
19 otherwise provided by this chapter, Chapter 49, Water Code, applies  
20 to the authority.

21 (b) This chapter does not prevail over or preempt a  
22 provision of Chapter 36, Water Code, or Chapter 8801 of this code  
23 that is being implemented by the subsidence district.

24 [Sections 8815.008-8815.020 reserved for expansion]

25 SUBCHAPTER A-1. TEMPORARY PROVISIONS

26 Sec. 8815.021. INITIAL DIRECTORS. (a) The initial board  
27 consists of:



1        (c) Each director must qualify to serve as director in the  
2 manner provided by Section 49.055, Water Code.

3        Sec. 8815.052. ELIGIBILITY TO SERVE AS DIRECTOR. (a) To be  
4 eligible to serve as a director or to be listed on a ballot as a  
5 candidate for director, an individual must:

6            (1) be at least 18 years of age;

7            (2) be a resident of this state;

8            (3) own land in or be a qualified voter in the  
9 authority; and

10           (4) have served as a director of one or more districts  
11 for a total of at least two years.

12        (b) To be eligible to serve as a director representing a  
13 director precinct or to be listed on a ballot as a candidate for  
14 director representing a director precinct under Section 8815.055,  
15 in addition to satisfying the requirements under Subsection (a), an  
16 individual must own land or be a qualified voter within the director  
17 precinct.

18        (c) A director serves until the director's successor has  
19 qualified.

20        Sec. 8815.053. DISQUALIFICATION OF DIRECTORS. The common  
21 law doctrine of incompatibility does not disqualify an official or  
22 employee of a public entity from serving as a director.  
23 Notwithstanding any other law, a director may participate in all  
24 votes and decisions pertaining to the business of the authority  
25 except that a director who is also an officer or employee of a  
26 public entity may not participate in the discussion of or vote on a  
27 matter regarding a contract with that public entity.

1           Sec. 8815.054. SINGLE-MEMBER DIRECTOR PRECINCTS. (a) The  
2 authority is divided into three single-member director precincts as  
3 follows:

4           (1) Director Precinct No. 1 includes the territory  
5 that is contained in the following member districts: Harris County  
6 Municipal Utility District No. 33, Fallbrook Utility District,  
7 Rankin Road West Municipal Utility District, and Harris County  
8 Municipal Utility District No. 215.

9           (2) Director Precinct No. 2 includes the territory  
10 that is contained in the following member districts: Harris County  
11 Municipal Utility District No. 150, Harris County Municipal Utility  
12 District No. 217, and Harris County Municipal Utility District No.  
13 304.

14           (3) Director Precinct No. 3 includes the territory  
15 that is contained in the following member districts: Harris County  
16 Municipal Utility District No. 200, Harris County Municipal Utility  
17 District No. 205, Harris County Municipal Utility District No. 399,  
18 and Harris County Utility District No. 16.

19           (b) The board may redraw the single-member director  
20 precincts in a manner that is reasonable and equitable:

21           (1) after any change in the boundaries of the  
22 authority; or

23           (2) by a resolution redrawing the director precincts  
24 adopted by a majority of the board based on changed circumstances.

25           Sec. 8815.055. METHOD OF APPOINTMENT OF DIRECTORS. (a) One  
26 director is appointed from each of the three director precincts and  
27 two directors are appointed at large. Two directors from director

1 precincts and one director at large shall be appointed in the first  
2 even-numbered year after the authority is created, and one director  
3 from a director precinct and one director at large shall be  
4 appointed in the next even-numbered year after the authority is  
5 created. Each subsequent even-numbered year, the appropriate  
6 number of directors shall be appointed.

7 (b) In the appropriate even-numbered year, the governing  
8 bodies of the member districts located within a director precinct  
9 jointly shall appoint one director to represent the precinct by a  
10 vote conducted as provided by this section. Each even-numbered  
11 year, the governing bodies of each member district shall appoint  
12 one director for an at-large position by a vote conducted as  
13 provided by this section.

14 (c) If a member district is located within two or more  
15 director precincts, the member district is considered, for purposes  
16 of this subchapter, to be located only within the director precinct  
17 in which the greatest amount of territory of the member district is  
18 located.

19 (d) For the appointment of a director for a director  
20 precinct, the board shall determine the number of votes each member  
21 district may cast. The number of votes for a governing body of a  
22 member district within the precinct is equal to the number computed  
23 by dividing the total number of units of water, as determined by the  
24 board, used within the member district during the calendar year  
25 preceding the year in which the director is selected by the total  
26 number of units of water used by all member districts in the  
27 precinct, multiplying that quotient by 100, and rounding that

1 result to the nearest one-tenth. The board shall provide the  
2 presiding officer of each governing body of a member district  
3 within each director precinct written notice of the number of votes  
4 computed for that governing body to cast.

5 (e) For the appointment of a director for an at-large  
6 position, the board shall determine the number of votes each member  
7 district may cast. The number of votes for a governing body of a  
8 member district is equal to the number computed by dividing the  
9 total number of units of water, as determined by the board, used  
10 within the member district during the calendar year preceding the  
11 year in which the director is selected by the total number of units  
12 of water used by all member districts in the authority, multiplying  
13 that quotient by 100, and rounding that result to the nearest  
14 one-tenth. The board shall provide the presiding officer of each  
15 governing body of a member district written notice of the number of  
16 votes computed for that governing body to cast.

17 (f) For purposes of Subsections (d) and (e), the board shall  
18 determine the amount of water usage of all member districts within  
19 each director precinct.

20 (g) In the appropriate even-numbered year, the governing  
21 body of each member district in a director precinct by resolution  
22 may nominate one candidate for the position of director for that  
23 director precinct. Each member district shall submit the name of  
24 its candidate, if any, to the presiding officer of the authority by  
25 February 15 of that year. If by February 15 of that year only one  
26 candidate's name is submitted for the position of director for a  
27 director precinct, the board may declare the unopposed candidate

1 elected and may cancel the director appointment procedures  
2 generally required by this section for that position. If more than  
3 one candidate's name is submitted for the position of director for a  
4 director precinct, before March 15 of that year, the board shall  
5 prepare, for the director precinct or precincts from which a  
6 director is being appointed, a ballot listing all of the candidates  
7 for that director precinct and shall provide a copy of the  
8 appropriate ballot to the presiding officer of the governing body  
9 of each member district located within the director precinct or  
10 precincts from which a director is being appointed.

11 (h) The governing body of each member district in the  
12 authority by resolution may nominate one candidate for the at-large  
13 director position. Each member district shall submit the name of  
14 its candidate, if any, to the presiding officer of the authority by  
15 February 15 of each even-numbered year. If by February 15 of that  
16 year only one candidate's name is submitted for the at-large  
17 director position, the board may declare the unopposed candidate  
18 elected and may cancel the director appointment procedures  
19 generally required by this section for that position. If more than  
20 one candidate's name is submitted for the at-large director  
21 position, before March 15 of that year, the board shall prepare a  
22 ballot listing all of the candidates for the at-large director  
23 position and shall provide a copy of the ballot to the presiding  
24 officer of the governing body of each member district.

25 (i) An individual may not be listed as a candidate on the  
26 ballot for more than one director position. If a candidate is  
27 nominated for more than one director position, the candidate must

1 choose to be on the ballot for only one director position.

2 (j) The governing body of each member district shall  
3 determine its votes for director by resolution and submit them to  
4 the presiding officer of the authority before May 1 of each  
5 even-numbered year. In casting its votes for director, the  
6 governing body of each member district may vote for only one  
7 candidate on the ballot for the director precinct in which the  
8 member district is located and for one candidate on the at-large  
9 position ballot. For each director precinct from which a director  
10 is being appointed, the board shall count the votes, declare  
11 elected the candidate who received the greatest number of votes  
12 from member districts located within that director precinct, and  
13 submit the results before May 15 of that year to the governing body  
14 of each member district within that director precinct. For the  
15 at-large position, the board shall count the votes, declare elected  
16 the candidate who received the greatest number of votes, and submit  
17 the results before May 15 of that year to the governing body of each  
18 member district.

19 (k) The board may adopt rules regarding:

20 (1) the manner and timing of determinations and  
21 computations required by this section;

22 (2) the reporting of water usage to the authority by  
23 member districts; and

24 (3) the conduct and process of the appointment of  
25 directors.

26 Sec. 8815.056. VACANCY IN OFFICE OF DIRECTOR. A vacancy in  
27 the office of director for a director precinct shall be filled by

1 appointment by the governing bodies of the member districts that  
2 are located within the director precinct for which the vacancy  
3 occurred. A vacancy in the office of director for an at-large  
4 position shall be filled by appointment by the governing bodies of  
5 all of the member districts. The appointment process shall follow  
6 the procedures of Section 8815.055. The board may establish dates  
7 different from those specified by Sections 8815.055(g) and (h), but  
8 the date for the board's submission of the voting results to each  
9 member district may not be later than the 120th day after the date  
10 the vacancy occurs.

11 Sec. 8815.057. MEETINGS AND ACTIONS OF BOARD. (a) The  
12 board may meet as many times each year as the board considers  
13 appropriate.

14 (b) Directors are public officials and are entitled to  
15 governmental immunity for their actions in their capacity as  
16 directors and officers of the authority.

17 (c) Directors may receive fees of office and reimbursement  
18 of expenses as provided by Section 49.060, Water Code.

19 Sec. 8815.058. GENERAL MANAGER. (a) The board may employ a  
20 general manager of the authority or contract with a person to  
21 perform the duties of a general manager. The board may delegate to  
22 the general manager full authority to manage and operate the  
23 affairs of the authority subject only to orders of the board.

24 (b) The board may delegate to the general manager the  
25 authority to employ all persons necessary for the proper handling  
26 of the business and operation of the authority and to determine the  
27 compensation to be paid to all employees, other than the general

1 manager.

2 [Sections 8815.059-8815.100 reserved for expansion]

3 SUBCHAPTER C. POWERS AND DUTIES

4 Sec. 8815.101. GENERAL POWERS AND DUTIES. (a) The  
5 authority may:

6 (1) provide for the conservation, preservation,  
7 protection, recharge, and prevention of waste of groundwater, and  
8 for the reduction of groundwater withdrawals as necessary to  
9 develop, implement, or enforce a groundwater reduction plan, in a  
10 manner consistent with the purposes of Section 59, Article XVI,  
11 Texas Constitution, and facilitate compliance with subsidence  
12 district rules, orders, regulations, or requirements;

13 (2) acquire or develop surface water and groundwater  
14 supplies from sources inside or outside the boundaries of the  
15 authority, conserve, store, transport, treat, purify, distribute,  
16 sell, and deliver water to or among persons inside and outside the  
17 boundaries of the authority, and allocate water among persons  
18 participating in the authority's groundwater reduction plan  
19 whether they are located inside or outside the authority's  
20 boundaries;

21 (3) enter into contracts with persons inside or  
22 outside the authority on terms and conditions the board considers  
23 desirable, fair, and advantageous for the performance of its  
24 rights, powers, and authority under this chapter;

25 (4) coordinate water services provided inside,  
26 outside, or into the authority; and

27 (5) administer and enforce this chapter.

1        (b) Sections 49.451-49.455, Water Code, do not apply to the  
2 authority.

3        (c) The authority has all the rights, powers, privileges,  
4 authority, functions, and duties necessary and convenient to  
5 accomplish the purposes of this chapter.

6        (d) The authority's rights, powers, privileges, authority,  
7 functions, and duties are subject to the continuing right of  
8 supervision of the state, to be exercised by and through the  
9 commission.

10        Sec. 8815.102. AUTHORITY RULES. The authority may adopt  
11 and enforce rules reasonably required to implement this chapter,  
12 including rules governing procedures before the board and rules  
13 regarding implementation, enforcement, and any other matters  
14 related to the authority's water supply or groundwater reduction  
15 plan.

16        Sec. 8815.103. FEES, USER FEES, RATES, AND CHARGES. (a)  
17 The authority may establish fees, user fees, rates, and charges and  
18 classifications of payers of fees and rates as necessary to enable  
19 the authority to fulfill the authority's purposes and regulatory  
20 functions provided by this chapter. The authority may impose fees,  
21 user fees, rates, and charges on any person within the authority.

22        (b) The authority may charge the owner of a well located  
23 within the authority's boundaries a fee or user fee according to the  
24 amount of water pumped from the well.

25        (c) The board shall make reasonable efforts to send member  
26 districts written notice of the date, time, and location of the  
27 meeting at which the board intends to adopt a proposed charge under

1 Subsection (b) and the amount of the proposed charge. The board's  
2 failure to comply with this subsection does not invalidate a charge  
3 adopted by the board under Subsection (b).

4 (d) The board shall exempt from the charge under Subsection  
5 (b) classes of wells that are not subject to any groundwater  
6 reduction requirement imposed by the subsidence district. If any  
7 of those classes of wells become subject to a groundwater reduction  
8 requirement imposed by the subsidence district, the authority may  
9 impose the charge under Subsection (b) on those classes. The board  
10 by rule may exempt any other classes of wells from the charge under  
11 Subsection (b). The board may not apply the charge under Subsection  
12 (b) to a well:

13 (1) with a casing diameter of less than five inches  
14 that serves only a single-family dwelling; or

15 (2) regulated under Chapter 27, Water Code.

16 (e) The authority may establish fees, user fees, rates, and  
17 charges that are sufficient to:

18 (1) achieve water conservation;

19 (2) prevent waste of water;

20 (3) serve as a disincentive to pumping groundwater;

21 (4) develop, implement, or enforce a groundwater  
22 reduction plan;

23 (5) accomplish the purposes of this chapter, including  
24 making available alternative water supplies;

25 (6) enable the authority to meet operation and  
26 maintenance expenses;

27 (7) pay the principal of and interest on notes, bonds,

1 and other obligations issued in connection with the exercise of the  
2 authority's general powers and duties; and

3 (8) satisfy all rate covenants relating to the  
4 issuance of notes, bonds, and other obligations.

5 (f) The authority may charge rates established by the  
6 authority for water purchased from the authority.

7 (g) The authority may impose fees, user fees, or charges for  
8 the importation of water into the authority's boundaries from a  
9 source located outside the authority's boundaries.

10 Sec. 8815.104. PURCHASE OF WATER FROM ANOTHER ENTITY. (a)  
11 If the authority purchases water from another entity for resale to  
12 local governments, the authority shall use its best efforts in  
13 negotiating with the entity to determine the amount of capital  
14 costs included in any rates or charges paid by the authority. The  
15 authority shall determine the amount of expected capital costs of  
16 its own system.

17 (b) The authority shall provide each member district  
18 information regarding the share of the capital costs to be paid by  
19 the member district, as determined by the authority, and shall  
20 provide each member district the opportunity, in a manner and by a  
21 procedure determined by the authority, to fund its share of the  
22 capital costs with proceeds from the sale of bonds or fees and  
23 charges collected by the member districts. A member district may  
24 use any lawful source of revenue, including bond funds, to pay any  
25 sums due to the authority.

26 Sec. 8815.105. ASSESSMENTS. (a) The board may undertake  
27 improvement projects and services that confer a special benefit on

1 all or a definable part of the authority. The board may impose  
2 special assessments on property in that area, including property of  
3 a local government, based on the benefit conferred by the  
4 improvement project or services, to pay all or part of the cost of  
5 the project and services. The board may provide improvements and  
6 services to an area outside the boundaries of the authority if the  
7 board determines that there is a benefit to the authority. The  
8 authority may finance with special assessments any improvement  
9 project or service authorized by this chapter or any other  
10 applicable law.

11 (b) Services or improvement projects may be financed with  
12 special assessments under this chapter only after the board holds a  
13 public hearing on the advisability of the improvements and services  
14 and the proposed assessments.

15 (c) The board shall publish notice of the hearing in a  
16 newspaper or newspapers with general circulation in Harris County.  
17 The publication must be made not later than the 30th day before the  
18 date of the hearing.

19 (d) Notice provided under this section must include:

20 (1) the time and place of the hearing;

21 (2) the general nature of the proposed improvement  
22 project or services;

23 (3) the estimated cost of the improvement, including  
24 interest during construction and associated financing costs; and

25 (4) the proposed method of assessment.

26 (e) Written notice containing the information required by  
27 Subsection (d) shall be mailed by certified mail, return receipt

1 requested, not later than the 30th day before the date of the  
2 hearing. The notice shall be mailed to each member district. The  
3 subsidence district shall provide to the authority a list of the  
4 member districts that hold a well permit issued by the subsidence  
5 district.

6 (f) The board may establish rules regarding procedures for a  
7 hearing. A hearing on the services or improvement project, whether  
8 conducted by the board or a hearings examiner, may be adjourned from  
9 time to time. At the conclusion of a hearing conducted by the  
10 board, the board shall make written findings and conclusions  
11 relating to the advisability of the improvement project or  
12 services, the nature of the improvement project or services, the  
13 estimated cost, and the area benefited. If the board appoints a  
14 hearings examiner to conduct the hearing, after conclusion of the  
15 hearing, the hearings examiner shall file with the board a written  
16 report of the examiner's findings and conclusions.

17 (g) At a hearing on proposed assessments, on adjournment of  
18 the hearing, or after consideration of the hearings examiner's  
19 report, the board shall hear and rule on all objections to each  
20 proposed assessment. The board may amend proposed assessments for  
21 any property. After the board hears and takes action on those  
22 objections, the board, by order:

23 (1) shall impose the assessments as special  
24 assessments on the property;

25 (2) shall specify the method of payment of the  
26 assessments; and

27 (3) may provide that those assessments, including

1 interest, be paid in periodic installments.

2 (h) Periodic installments must be in amounts sufficient to  
3 meet annual costs for services and improvements as provided by  
4 Subsection (j) and continue for the number of years required to  
5 retire the indebtedness or pay for the services to be rendered. The  
6 board may provide interest charges or penalties for failure to make  
7 timely payment and may impose an amount to cover delinquencies and  
8 expenses of collection.

9 (i) If assessments are imposed for more than one service or  
10 improvement project, the board may provide that assessments  
11 collected for one service or improvement project may be borrowed to  
12 be used for another service or improvement project. The board shall  
13 establish a procedure for the distribution or use of any  
14 assessments in excess of those necessary to finance the services or  
15 improvement project for which those assessments were collected.

16 (j) The board shall apportion the cost of an improvement  
17 project or services to be assessed against the property in the  
18 authority according to the special benefits that accrue to the  
19 property because of the improvement project or services. The board  
20 may assess the cost only according to the number of gallons of  
21 groundwater pumped from wells within the authority that are subject  
22 to a groundwater reduction requirement imposed by the subsidence  
23 district. The board may not assess the cost according to  
24 groundwater pumped from:

25 (1) a well with a casing diameter of less than five  
26 inches that serves only a single-family dwelling; or

27 (2) a well that is regulated by Chapter 27, Water Code.

1        (k) The area of the authority to be assessed according to  
2 the findings of the board may be the entire authority or any part of  
3 the authority and may be less than the area proposed in the notice  
4 of the hearing.

5        (l) The area to be assessed may not include property that is  
6 not within the authority boundaries at the time of the hearing  
7 unless there is an additional hearing, following the required  
8 notice.

9        (m) Notwithstanding Subsection (l), the owner of land  
10 annexed to the authority after the authority has imposed  
11 assessments may waive the right to notice and an assessment hearing  
12 and may agree to the imposition and payment of assessments at an  
13 agreed rate for land annexed to the authority. A member district  
14 may waive the right to notice and an assessment hearing for land  
15 within its boundaries annexed to the authority and may agree to the  
16 imposition and payment of assessments at an agreed rate for the  
17 annexed land.

18        (n) The board shall have prepared an assessment roll showing  
19 the assessments against each property and the board's basis for the  
20 assessment. The assessment roll shall be:

21            (1) filed with the secretary of the board or other  
22 officer who performs the function of secretary; and

23            (2) open for public inspection.

24        (o) After notice and hearing in the manner required for an  
25 original assessment, the board may make supplemental assessments to  
26 correct omissions or mistakes in the assessment:

27            (1) relating to the total cost of the improvement

1 project or services; or

2 (2) covering delinquencies or costs of collection.

3 Sec. 8815.106. INTEREST AND PENALTIES. The board may  
4 require the payment of interest on any late or unpaid fees, user  
5 fees, rates, charges, and special assessments due the authority,  
6 but the interest rate may not exceed the interest rate permitted by  
7 Section 2251.025; Government Code. The board may also impose  
8 penalties for the failure to make a complete or timely payment to  
9 the authority. In addition, the board may exclude a member district  
10 or other person, or any territory or well owned or controlled by a  
11 member district or other person, from the authority's groundwater  
12 reduction plan for failure to make a complete or timely payment to  
13 the authority.

14 Sec. 8815.107. ADMINISTRATIVE PENALTY; INJUNCTION. (a) A  
15 person who violates a rule or order of the authority is subject to  
16 an administrative penalty of not more than \$5,000, as determined by  
17 the board, for each violation or each day of a continuing violation.  
18 The person shall pay the penalty to the authority.

19 (b) The authority may bring an action to recover the penalty  
20 in a district court in the county where the violation occurred.

21 (c) The authority may bring an action for injunctive relief  
22 in a district court in the county where a violation of an authority  
23 rule or order occurs or is threatened to occur. The court may grant  
24 to the authority, without bond or other undertaking, a prohibitory  
25 or mandatory injunction that the facts warrant, including a  
26 temporary restraining order, temporary injunction, or permanent  
27 injunction.

1        (d) The authority may bring an action for an administrative  
2 penalty and injunctive relief in the same proceeding.

3        Sec. 8815.108. WATER SUPPLY OR DROUGHT CONTINGENCY PLANS.  
4 The authority by rule may develop, prepare, revise, adopt,  
5 implement, enforce, and manage comprehensive water supply or  
6 drought contingency plans for the authority, or any portion of the  
7 authority.

8        Sec. 8815.109. GROUNDWATER REDUCTION PLAN. (a)  
9 Notwithstanding any other law, regardless of whether the authority  
10 enters into contracts with local governments located within its  
11 boundaries, and regardless of whether the authority holds any well  
12 permit issued by the subsidence district under Chapter 8801, the  
13 authority by rule may wholly or partly develop, prepare, revise,  
14 adopt, implement, enforce, manage, or participate in a groundwater  
15 reduction plan that is applicable only to the authority or a  
16 groundwater reduction plan that is applicable to the authority and  
17 one or more persons outside the authority. The authority may  
18 require that any groundwater reduction plan that the authority  
19 wholly or partly develops, prepares, revises, adopts, implements,  
20 enforces, or manages or in which the authority participates be the  
21 exclusive groundwater reduction plan that is binding and mandatory  
22 on some or all of the territory, member districts or other persons,  
23 or wells located within the authority. A groundwater reduction  
24 plan may:

25        (1) specify the measures to be taken to reduce  
26 groundwater withdrawals;

27        (2) identify alternative sources of water to be

1 provided to those affected;

2 (3) identify the rates, terms, and conditions under  
3 which alternative sources of water will be provided, which may be  
4 changed from time to time as considered necessary by the authority;

5 (4) specify the dates and extent to which member  
6 districts or other persons within the authority's boundaries shall  
7 reduce or cease reliance on groundwater and accept water from  
8 alternative sources;

9 (5) include other terms and measures that are  
10 consistent with the powers and duties of the authority;

11 (6) exceed the minimum requirements imposed by the  
12 subsidence district, including any applicable groundwater  
13 reduction requirements; and

14 (7) be amended from time to time at the discretion of  
15 the authority.

16 (b) Fees, user fees, rates, charges, and special  
17 assessments of the authority may be imposed under this chapter for a  
18 person's participation in and benefit derived from the authority's  
19 groundwater reduction plan or a groundwater reduction plan in which  
20 the authority participates.

21 Sec. 8815.110. ACQUISITION, CONSTRUCTION, AND OPERATION OF  
22 SYSTEMS. (a) The authority may:

23 (1) acquire by purchase, gift, lease, contract, or any  
24 other legal means a water treatment or supply system, or any other  
25 works, plants, improvements, or facilities necessary or convenient  
26 to accomplish the purposes of the authority, or any interest of the  
27 authority, inside or outside the authority's boundaries;

1           (2) design, finance, operate, maintain, or construct a  
2 water treatment or supply system or any other works, plants,  
3 improvements, or facilities necessary or convenient to accomplish  
4 the purposes of the authority and provide water services inside or  
5 outside the authority's boundaries;

6           (3) lease or sell a water treatment or supply system or  
7 any other works, plants, improvements, or facilities necessary or  
8 convenient to accomplish the purposes of the authority that the  
9 authority constructs or acquires inside or outside the authority's  
10 boundaries;

11           (4) contract with any person to operate or maintain a  
12 water treatment or supply system the person owns; or

13           (5) acquire water rights under any law or permit.

14           (b) Except as otherwise provided by this chapter, the  
15 provisions of Chapter 49, Water Code, pertaining to competitive  
16 bidding apply to the authority.

17           (c) The authority may contract, according to terms and  
18 conditions the board considers desirable, fair, and advantageous,  
19 with a person outside the authority's boundaries:

20           (1) to allow the person to be included in a groundwater  
21 reduction plan adopted or implemented wholly or partly by the  
22 authority or in a groundwater reduction plan in which the authority  
23 participates;

24           (2) to sell water to the person; or

25           (3) to sell the person available excess capacity or  
26 additional capacity of the authority's water treatment or supply  
27 system.

1        (d) The authority by rule may require that the plans and  
2 specifications of water lines to be constructed within the  
3 authority that are designed or intended to serve more than one  
4 member district or more than one person owning or holding a well  
5 permit issued by the subsidence district be approved by the  
6 authority before the commencement of construction of the water  
7 lines.

8        Sec. 8815.111. SALE OR REUSE OF WATER OR BY-PRODUCT. The  
9 authority may store, sell, or reuse:

10            (1) water; or

11            (2) any by-product from the authority's operations.

12        Sec. 8815.112. CONTRACTS. (a) The authority may enter into  
13 a contract with a person for the performance of a purpose or  
14 function of the authority, including a contract to design,  
15 construct, finance, lease, own, manage, operate, or maintain works,  
16 improvements, facilities, plants, equipment, or appliances  
17 necessary to accomplish a purpose or function of the authority. A  
18 contract may be of unlimited duration.

19            (b) The authority may purchase, acquire, finance, or lease  
20 an interest in a project used for a purpose or function of the  
21 authority.

22            (c) The authority may contract for:

23            (1) the purchase, sale, or lease of water or water  
24 rights;

25            (2) the performance of activities within the powers of  
26 the authority through the purchase, construction, or installation  
27 of works, improvements, facilities, plants, equipment, or

1 appliances; or

2 (3) the design, construction, ownership, management,  
3 maintenance, or operation of any works, improvements, facilities,  
4 plants, equipment, or appliances of the authority or another  
5 person.

6 (d) The authority may purchase surplus property from this  
7 state, the United States, or another public entity through a  
8 negotiated contract without bids.

9 Sec. 8815.113. COOPERATION WITH AND ASSISTANCE OF OTHER  
10 GOVERNMENTAL ENTITIES. (a) In implementing this chapter, the  
11 board may cooperate with and request the assistance of the Texas  
12 Water Development Board, the commission, the United States  
13 Geological Survey, the subsidence district, other local  
14 governments, and other agencies of the United States and this  
15 state.

16 (b) The subsidence district may enter into an interlocal  
17 contract with the authority to carry out the authority's purposes  
18 and may carry out the governmental functions and services specified  
19 in the interlocal contract.

20 (c) The board shall endeavor to coordinate with the City of  
21 Houston to develop a plan for a system to distribute surface water  
22 in an economical and efficient manner to the authority.

23 (d) In an attempt to minimize costs associated with  
24 preparing a groundwater reduction plan, the board shall consider  
25 the usefulness of water supply studies and plans prepared by or on  
26 behalf of the North Harris County Regional Water Authority, the  
27 West Harris County Regional Water Authority, the City of Houston,

1 or other governmental entities to the extent those studies or plans  
2 are available and applicable to the authority.

3 Sec. 8815.114. GIFTS AND GRANTS. The authority may accept a  
4 gift or grant from money collected by the subsidence district under  
5 Chapter 8801 to fund the construction, maintenance, or operation of  
6 a water treatment or supply system.

7 Sec. 8815.115. EXPENDITURES. (a) The authority's money  
8 may be disbursed only by check, draft, order, federal reserve wire  
9 system, or other instrument or authorization.

10 (b) Disbursements of the authority must be signed by at  
11 least a majority of the directors. Notwithstanding any other law,  
12 the board by resolution may allow the general manager, treasurer,  
13 bookkeeper, or other employee of the authority to sign  
14 disbursements, except as limited by Subsection (c).

15 (c) The board by resolution may allow disbursements to be  
16 transferred by federal reserve wire system to accounts in the name  
17 of the authority without the necessity of any directors signing the  
18 disbursement. Disbursements of the authority's money by federal  
19 reserve wire system to any accounts not in the name of the authority  
20 must be signed by at least a majority of the directors.

21 Sec. 8815.116. AD VALOREM TAXATION. The authority may not  
22 impose an ad valorem tax.

23 Sec. 8815.117. EMINENT DOMAIN. (a) The authority may  
24 acquire by condemnation any land, easements, or other property  
25 inside the authority's boundaries to further authorized purposes,  
26 powers, or duties of the authority. The authority may acquire by  
27 condemnation any land, easements, or other property outside the

1 authority's boundaries for the purpose of pumping, storing,  
2 treating, or transporting water. When exercising the power of  
3 eminent domain granted by this section, the authority may elect to  
4 condemn either the fee simple title or a lesser property interest.

5 (b) The authority shall exercise the right of eminent domain  
6 in the manner provided by Chapter 21, Property Code. The authority  
7 is not required to give bond for appeal or bond for costs in a  
8 condemnation suit or other suit to which it is a party. The  
9 authority is not required to deposit more than the amount of an  
10 award in a suit.

11 (c) The authority may not use the power of eminent domain  
12 for the condemnation of land for the purpose of acquiring rights to  
13 groundwater or for the purpose of acquiring water or water rights.

14 (d) The authority may not use the power of eminent domain  
15 for the condemnation of property that is:

16 (1) owned by the City of Houston or any  
17 instrumentality of the City of Houston, including a local  
18 government corporation created under Chapter 431, Transportation  
19 Code, to aid or act on behalf of the City of Houston; or

20 (2) located within the municipal limits of the City of  
21 Houston.

22 (e) Notwithstanding Subsection (d)(2), and as limited by  
23 Subsection (a), the authority may use the power of eminent domain to  
24 acquire property that is not owned by the City of Houston that is  
25 within the municipal limits of the City of Houston if:

26 (1) the property is located in an area of the  
27 municipality that is less than 1,000 feet wide at its narrowest

1 point; or

2 (2) the municipality grants permission for the  
3 condemnation.

4 Sec. 8815.118. CONSENT REQUIRED FOR SERVICE OUTSIDE OF  
5 AUTHORITY. (a) Notwithstanding any contrary provision of this  
6 subchapter, the authority must obtain the consent of the City of  
7 Houston before providing water service to any person or territory  
8 outside the boundaries of the authority.

9 (b) Subsection (a) does not apply to a person or territory  
10 that receives water service or has contracted to receive water  
11 service from a member district on the effective date of the Act  
12 creating this chapter.

13 [Sections 8815.119-8815.150 reserved for expansion]

14 SUBCHAPTER D. BONDS AND NOTES

15 Sec. 8815.151. REVENUE BONDS AND NOTES. (a) The authority  
16 may issue bonds or notes payable solely from revenue from any  
17 source, including:

18 (1) tolls, charges, rates, fees, user fees, and  
19 special assessments the authority imposes or collects;

20 (2) the sale of water, water services, water rights or  
21 capacity, water transmission rights or services, water pumping, or  
22 any other service or product of the authority provided inside or  
23 outside the boundaries of the authority;

24 (3) grants or gifts;

25 (4) the ownership or operation of all or a designated  
26 part of the authority's works, improvements, facilities, plants, or  
27 equipment; and

1           (5) contracts between the authority and any person.

2           (b) Notes issued by the authority may be first or  
3 subordinate lien notes at the board's discretion.

4           (c) In connection with any bonds or notes of the authority,  
5 the authority may exercise any power of an issuer under Chapter  
6 1371, Government Code.

7           (d) The authority may conduct a public, private, or  
8 negotiated sale of the bonds or notes.

9           (e) The authority may enter into one or more indentures of  
10 trust to further secure its bonds or notes.

11           (f) The authority may issue bonds or notes in more than one  
12 series as necessary to carry out the purposes of this chapter. In  
13 issuing bonds or notes secured by revenue of the authority, the  
14 authority may reserve the right to issue additional bonds or notes  
15 secured by the authority's revenue that are on a parity with or are  
16 senior or subordinate to the bonds or notes issued earlier.

17           (g) A resolution of the board authorizing the bonds or notes  
18 or a trust indenture securing the bonds or notes may specify  
19 additional provisions that constitute a contract between the  
20 authority and its bondholders or noteholders.

21           (h) Bonds and notes may be additionally secured by deed of  
22 trust or mortgage on any or all of the authority's facilities.

23           (i) Sections 49.153, 49.154, and 49.181, Water Code, do not  
24 apply to bonds or notes issued by the authority. Commission rules  
25 regarding bonds or notes do not apply to bonds or notes issued by  
26 the authority.

27           SECTION 2. (a) The proper and legal notice of the intention

1 to introduce this Act, setting out the general substance of this  
2 Act, has been published as provided by law, and the notice and a  
3 copy of this Act have been furnished to all persons, agencies,  
4 officials, or entities to which they are required to be furnished by  
5 the constitution and other laws of this state, including the  
6 governor, who has submitted the notice and this Act to the  
7 commission.

8 (b) The commission has filed its recommendations relating  
9 to this Act with the governor, lieutenant governor, and speaker of  
10 the house of representatives within the required time.

11 (c) All requirements of the constitution and laws of this  
12 state and the rules and procedures of the legislature with respect  
13 to notice, introduction, and passage of this Act are fulfilled and  
14 accomplished.

15 SECTION 3. This Act takes effect immediately if it receives  
16 a vote of two-thirds of all the members elected to each house, as  
17 provided by Section 39, Article III, Texas Constitution. If this  
18 Act does not receive the vote necessary for immediate effect, this  
19 Act takes effect September 1, 2005.

David Dewhurst

President of the Senate

Tom Craddick

Speaker of the House

I certify that H.B. No. 3181 was passed by the House on May 10, 2005, by the following vote: Yeas 147, Nays 0, 2 present, not voting.

Robert Haney

Chief Clerk of the House

I certify that H.B. No. 3181 was passed by the Senate on May 25, 2005, by the following vote: Yeas 31, Nays 0.

Datney Spaw

Secretary of the Senate

APPROVED: 17 JUNE '05

Date

Rick Perry

Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
11:20 AM 'CLOCK

Roger Williams

Secretary of State

**AGREEMENT**  
**FOR**  
**ENGINEERING SERVICES**

MADE AND ENTERED INTO by and between CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY hereinafter called the "Authority", and PATE ENGINEERS, INC., hereinafter called the "Engineer".

**RECITALS**

The Authority owns, operates and maintains a water supply system to serve the area within the Authority. The Authority may from time to time require the services of the Engineer which may be generally categorized as follows:

- A. General engineering consultation regarding the administration, operation, and maintenance of Authority facilities generally provided through attendance and reporting at the regularly scheduled Authority meetings.
- B. Special Assignments which may include a broad variety of services, reports, and studies, including permit renewals, bond issue application reports, water and sewer rate studies, minor facility repairs, surveys, etc.
- C. Construction of new Authority facilities, or extensions or expansions to existing Authority facilities, which are hereinafter referred to individually and collectively as "Construction Project".

**SECTION I**

**EMPLOYMENT OF THE ENGINEER**

The Authority agrees to employ the Engineer and the Engineer agrees to perform professional engineering and surveying services as from time to time specifically authorized by the Authority, and for having rendered such services, the Authority agrees to pay the Engineer compensation as specifically agreed for the proposed services.

## SECTION II

## AUTHORIZATION OF SERVICES

No professional services of any nature shall be undertaken by the Engineer under this Agreement until he has received written authorization from the Authority, or receives verbal authorization in a meeting of the Authority's Board of Directors ("Board"), in which the following elements are specified:

- A. The nature of the particular assignment.
- B. The scope of services to be performed.
- C. The method and amount of compensation for the proposed services.

## SECTION III

CHARACTER AND EXTENT OF SERVICES  
FOR GENERAL ENGINEERING CONSULTATION AND SPECIAL ASSIGNMENTS

This section describes those services which may be categorized as general engineering consultation or special assignments.

## A. GENERAL ENGINEERING CONSULTATION SERVICES

These services, which are generally required more or less regularly, may include one or more of the following as directed by the Board:

1. Attend Authority Board meetings.
2. Present oral or written reports to the board summarizing status of engineering assignments and related engineering issues.
3. Prepare letters of inquiry or response as directed by the Board to landowners, governmental agencies, Authority customers, and others.
4. Perform site visits to investigate specific problems with the Authority's water system, as requested by the Board.
5. Assist the Authority's operator, as required, to troubleshoot operational problems, specify materials or equipment for minor repairs, and to respond to regulatory inspections.
6. Maintain accounting of system capacity commitments.

7. Maintain the Authority's engineering records, including maps, surveys, construction plans and specifications, construction contract documents, engineering reports and exhibits, to be filed at the office of the Engineer.

#### B. SPECIAL ASSIGNMENTS SERVICES

These services, which typically are required from time to time, may include one or more of the following:

1. Preparation of permit applications and associated reports, as required, for water wells and other environmental activities.
2. Preparation of engineering reports to accompany the Authority's application for bond issues, use of surplus funds, escrow releases, or standby fees.
3. Design, bidding, and construction phase services for minor repair and improvement projects not handled by the Authority's operator, such as but not limited to water line repair. The Contractor's responsibility for work quality, contract document conformance, and safety shall be in accordance with Section IV(C) of this agreement. The services performed during construction will generally follow those outlined in Section IV (C) of this agreement.
4. Investigation and recommendations for rehabilitation or replacement of the Authority's existing water distribution system.
5. Analysis and development of water rate schedule.
6. Feasibility studies for the proposed annexation of land, or addition of new participants.
7. Appraisals, valuations, and material audits.
8. Surveying services to prepare easement descriptions, topographic surveys, etc.

The individual authorization required under Section II will define the specific scope of work and method of compensation.

## SECTION IV

### CHARACTER AND EXTENT OF SERVICES FOR CONSTRUCTION PROJECTS

This section shall establish the general character and extent of engineering and surveying services to be provided to the Authority by the Engineer for Construction Projects. The individual authorization required under Section II will define the specific scope of work and method of compensation.

#### A. PRELIMINARY PHASE

1. Attend preliminary conference with the Authority regarding the Construction Project.
2. Prepare a preliminary engineering study and report on the Construction Project in sufficient detail to indicate clearly the problems involved and the alternate solutions available to the Authority to include preliminary layouts, sketches and cost estimates for the Construction Project, and to set forth clearly the Engineer's recommendations. (This preliminary report will cover a specific construction project and is not the Engineer's Report required either for Authority creation and bond election or for subsequent bond issues.)
3. Furnish the Authority five (5) copies of the preliminary layouts, sketches and an engineering opinion of the probable cost of the recommended Construction Project.

#### B. DESIGN PHASE

1. Establish the scope, and advise the Authority, of any soil and foundation investigations or any special surveys or special testing which, in the opinion of the Engineer, may be required for the proper execution of the Construction Project, and arrange with the Authority for the conduct of such investigations and tests by qualified subconsultants.
2. Perform field surveys to collect information which, in the opinion of the Engineer, is required in the design of the Construction Project.
3. Prepare detailed construction plans and technical specifications for the Construction Project authorized by the Authority. These designs shall combine the application of sound engineering principles with a high degree of economy.
4. Submit construction plans for governmental agency reviews and approvals as required for each Construction Project.
5. Prepare an engineering opinion of the probable construction cost shall include summaries of bid items and quantities and will be based, where appropriate, on the

unit price system of bidding. Engineer's opinions (or estimates) of probable construction cost provided under this agreement are to be made on the basis of Engineer's experience and qualifications and represent Engineer's best judgment as an experienced and qualified professional engineer generally familiar with the construction industry. However, since Engineer has no control over the cost of labor, materials, equipment or services furnished by others, or over the contractor's methods of determining prices, or over competitive bidding or market conditions, Engineer cannot and does not guarantee that proposals, bids or actual construction cost will not vary from opinions of probable construction cost prepared by Engineer.

6. Furnish the Authority five (5) copies of approved construction plans, specifications, notices to bidders and proposals.

#### C. CONSTRUCTION PHASE:

1. Prepare bid documents and coordinate the advertisement of the Construction Project for public competitive bids.
2. Assist the Authority in the opening and tabulation of bids for Construction Project, and recommend action to the Authority on the proposals received.
3. Prepare formal contract documents between the Authority and the contractor.
4. Make periodic visits to the site (as distinguished from the services of a Resident Project Representative, or Construction Observer, described in Subparagraph 6 below) to observe the progress and quality of the executed work and to determine in general if the work is proceeding in accordance with the contract documents. In performing this service, the Engineer will not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the work or materials; he will not be responsible for the techniques and sequences of construction or the safety precautions incident thereto; and he will not be responsible or liable in any degree for the contractors' failure to perform the construction work in accordance with the contract documents. During visits to the construction site, and on the basis of the Engineer's on-site observations as an experienced and qualified design professional, he will keep the Authority informed of the extent of the progress of the work, and advise the Authority of material and substantial defects and deficiencies in the work of contractors which are discovered by the Engineer or otherwise brought to the Engineer's attention in the course of construction, and may, on behalf of the Authority, exercise whatever rights the Authority may have to disapprove work and materials as failing to conform to the contract documents.
5. Communicate status of construction progress to Authority, advise Authority of issues known to the Engineer affecting construction quality or schedule, issue instructions to the contractor on behalf of the Authority, and prepare change orders as may be required.

6. Furnish the services of Resident Project Representatives (or Construction Observers), and other field personnel, as required, for on-the-site observation of construction. The authority and duties of such Resident Project Representatives are limited to examining the material furnished and observing the work done, and to reporting their findings to the Engineer. The Engineer will use the usual degree of care and prudent judgment in the selection of competent Resident Project Representatives, and the Engineer will use diligence to see that the Resident Project Representatives are on the job to perform their required duties. It is agreed, however, that the Engineer does not underwrite, guarantee or insure the work done by the contractors, and since it is the contractors' responsibility to perform the work in accordance with the contract documents, the Engineer is not responsible or liable for the contractor's failure to do so, and so long as the Engineer has exercised the usual degree of care, the prudent judgment in selecting Resident Project Representatives and has used diligence to see that they are on the job to perform the work, failure by any Resident Project Representatives or other personnel engaged in on-the-site observation to discover defects or deficiencies in the work of the contractors shall never relieve the contractors liability, or subject the Engineer to any liability, for any such defect or deficiency in materials or workmanship. The contractor is solely responsible for means and methods to be used and the safety of its employees and all other persons on the job site.
7. During the course of performing the services described above in subparagraphs 4 and 6, the Engineer agrees that if he observes and recognizes a condition at the site which constitutes an immediate peril, he will report such condition to the Authority. The contractor is solely responsible for the implementation and monitoring of the job site safety program, and any reporting by the Engineer of observed conditions of immediate peril shall not create a continuing duty to monitor and report on the contractor's means and methods to provide a safe site.
8. Review samples, catalog data, schedules, shop drawings, laboratory, shop and mill tests of material and equipment, and other data which the contractor is required to submit, only for conformance with the design concept of the Construction Project and compliance with the information given by the Contract Documents; and assemble written guarantees which are required by the Contract Documents. Review by the Engineer of shop drawings shall in no way be construed as an approval of the means and methods of construction to be used by the Contractor. The Contractor is solely responsible for means and methods to be used and the safety of its employees and all other persons on the job site.
9. Prepare or review monthly and final estimates for payments to contractors, and obtain for the Authority certifications as to payments to sub-contractors and suppliers.
10. Conduct, on behalf of the Authority, a final inspection of the construction project for conformance with the design concept of the construction project and compliance with

the contract documents, and approve in writing final payment to the contractor.

11. Revise contract drawings, with the assistance of the Resident Project Representatives, if any, to show the work as actually constructed. Furnish a set of prints of these revised drawings to the Authority.

## SECTION V

### PERIOD OF SERVICE

This agreement shall be effective upon execution by the Authority and the Engineer, and shall remain in force until terminated under the provisions hereinafter provided in Section X. Further, this agreement shall be deemed to supersede and replace the prior Agreement for Engineering Services between the parties executed as of September 14, 2005. The Agreement is hereby reached and ??? effective as of the effective date hereof.

## SECTION VI

### COORDINATION WITH THE Authority

The Engineer shall hold periodic conferences with the Authority, or its representatives, to the end that the construction project, as perfected, shall have full benefit of the Authority's experience and knowledge of existing needs and facilities, and be consistent with its current policies and construction standards. To implement this coordination, the Authority shall make available to the Engineer, for use in planning the project, all existing plans, maps, field notes, statistics, computations and other data in its possession relative to existing facilities to the construction project.

## SECTION VII

### THE ENGINEER'S COMPENSATION

For and in consideration of the services to be rendered by the Engineer, the Authority shall pay and the Engineer shall receive the compensation as hereinafter set forth for General Engineering Consultation; Special Assignments; and the Preliminary, Design, and Construction Phases of Construction Projects. All remittances by Authority of such compensation shall either be mailed or delivered to Engineer's office in City of Houston, Texas within thirty (30) days of invoice date.

Should the Authority fail to make payment to the Engineer of the sum named in the partial or final statement when payment is past due by more than thirty days, then the Authority shall pay the Engineer, in addition to the sum shown as due by such statement, interest thereon at the rate of prime rate plus one (1) percentage point per annum from the date due, as provided herein, until fully paid, which shall fully liquidate any injury to the Engineer arising from such delay in payment, but the

right is expressly reserved to the Engineer in event payments are not promptly made as provided herein, at any time thereafter to treat the Agreement as terminated by the Authority and recover compensation as provided by Section X of this Agreement. Notwithstanding anything to the contrary herein, the Engineer understands that all or a portion of the funds for the payment of engineering fees will be taken from the proceeds of bonds approved, issued and sold by the Authority. The Engineer agrees that no statement for services shall become past due until the Authority has either sold bonds specifically designated for the billed services and has received the bond funds therefor, or has made other arrangements for funding to pay the Engineer.

#### A. GENERAL ENGINEERING CONSULTATION SERVICES

The Engineer's compensation for General Engineering Consultation Services will be established on a time and materials basis. Such services will be billed monthly at the then current actual labor cost of individual firm members times a multiplier of 2.3. "Labor cost" is defined as the cost of salaries paid to the Engineer's personnel for time directly chargeable to the project, plus associated salary costs including social security (FICA) contributions, federal unemployment insurance, state unemployment insurance, workman's compensation insurance, and medical insurance benefits. Exhibit "A" provides the typical range of hourly engineering fees for various staff categories, which may be adjusted annually based on current salary structure. Surveying services will be billed monthly based on the firm's surveying billing rate schedule provided as Exhibit "B", which may be adjusted annually based on current salary structure. A notice of increase will be provided to the Authority. In addition, reimbursement for certain direct non-labor expenses (including but not limited to reproduction, deliveries, and governmental agency fees) and subcontract services and expenses will be billed monthly at the Engineer's cost.

#### B. SPECIAL ASSIGNMENT SERVICES

The Engineer's compensation for Special Assignment Services may be established on either a time and materials basis (as defined in Section VII.A.), or on a fixed fee basis (conditioned on a well defined, mutually agreed scope of work); at the time the Authority authorizes the Engineer to perform the assignment. For a fixed fee basis, services will be billed monthly based on the percent completion of the scope of work as evidenced by monthly statements submitted by the Engineer. In addition to the fixed fee for professional services, certain out-of-pocket expenses, including but not limited to reproduction, deliveries, and government agencies fees, will be billed at the Engineer's cost.

#### C. CONSTRUCTION PROJECT SERVICES

The Engineer's compensation for the Preliminary Phase of a Construction Project shall be established on a time and materials basis (as defined in Section VII.A.) or a fixed fee basis (as defined in Section VII.B.), to be determined by mutual agreement at the time the Authority authorizes the Engineer to perform the assignment. The

Engineer's compensation for the Design and Construction Phases of a Construction Project shall be established on a time and materials basis (as defined in Section VII.A), fixed fee basis (defined in Section VII.B), or a percent of construction cost basis ("Basic Charge" as defined below), to be determined by mutual agreement at the time the Authority authorizes the Engineer to perform the assignment.

The remainder of this section describes in detail the percent of construction cost basis of compensation. The term Basic Charge applies solely to this method of compensation, and is equal to the compensation amount derived by multiplying the "construction cost", which is defined below, by a certain "percentage of construction" which is specified by Exhibit "C".

"Construction Cost" is defined as the total cost to the Authority for the execution of the work authorized in Section II, excluding fees or other costs for engineering and legal services, the cost of land, rights-of-way, legal and administrative expenses; but including the direct cost to the Authority of the construction contract, items of construction, including labor, materials and equipment required for the completed work (including change orders and extra work items) and the total value at site of the Construction Project of all labor, materials and equipment purchased or furnished directly by the Authority for the Construction Project. No reduction shall be made from the Basic Charge on account of penalties or liquidated damages or other sums withheld from Contractor's payments. The "Construction Cost" is defined separately for each individual construction contract for which bids are to be received.

In the event that proposals for construction of any of the work authorized in the Design Phase are received within 90 days after submission of completed contract drawings and specifications to the Authority by the Engineer, the charge for corresponding services in the Design and Preliminary Phases shall be subject to the following fees:

Phase I – Final Design                      The fee obtained by multiplying the Fee percentage x .85 by the Construction Cost, but never less than the Basic Charge x .85 x .95 nor greater than the Basic Charge x .85 x 1.05.

Phase III – Construction Services      The fee obtained by multiplying the Basic Charge percentage x .15 by the Construction Cost, but never less than the Basic Charge x .15 x .95 nor greater than the Basic Charge x .15 x 1.05.

Where no proposal or bona fide bids are received, the Engineer's estimate of Construction Cost shall be the basis for final payment for these two phases.

## 1. DESIGN PHASE

Payment for services in the Design Phase shall be made to the Engineer in a sum equal to 85 percent of the Basic Charge, which Basic Charge is defined by Exhibit "C". The classification of the construction work (Curve A or B) for the purpose of applying the Basic Charge is that defined in Exhibit "C".

Partial payment for services in the Design Phase shall be made monthly in proportion to that part of the services in the Design Phase which has been accomplished, as evidenced by monthly statements submitted by the Engineer to the Authority. Final payment for services authorized in the Design Phase shall be due upon the completion of these services.

## 2. CONSTRUCTION PHASE

Payment for services in the Construction Phase shall be made to the Engineer in a sum equal to 15 percent of the Basic Charge, which Basic Charge is defined by Exhibit "C". The classification of the construction work (Curve A or B) for the purpose of applying the Basic Charge is that defined in Exhibit "C".

This sum will be paid in monthly installments in proportion to the construction work completed, on the basis of the Engineer's estimates prepared for monthly payments to contractors, plus the actual value of all materials and equipment purchased or furnished directly by the Authority for the Construction Project. Upon completion of all work authorized in the Construction Phase, the Engineer will be paid the remainder of the charge for this Phase.

## 3. ADDITIONAL SERVICES NOT INCLUDED IN BASIC CHARGE

This subsection covers compensation for those engineering and surveying services often required for a Construction Project which are not included in the Basic Charge for Design and Construction Phases as defined above. The Engineer's compensation for additional services will be established on a time and materials basis as defined in Section VII.A. These services, upon agreement between the Authority and the Engineer, may also be performed on a fixed fee basis.

These Additional Services may include:

- a. Services of a Resident Project Representative and other field personnel as required for on-the-site observation of construction.
- b. Field surveys to collect information required for design and to establish construction controls.

- c. Land surveys and establishment of boundaries and monuments.
- d. Preparation of property or easement descriptions.
- e. Soil and foundation investigations, including test borings, soil tests, materials testing during construction, and analyses of test results.
- f. Preparation of applications and supporting documents for government grants or planning advances for public works projects.
- g. Preparation of local, state and federal permit applications and supporting documents for permits in connection with environmental laws.
- h. Appearances before regulatory agencies. Services required for routing of plans and specifications for local, state and federal agencies.
- i. Material audits or inventories required for certification of force account construction performed by the Authority.
- j. Detailed mill, shop and/or laboratory inspection of materials or equipment.
- k. Preparation of as-built drawings as required by the County Engineer's Office or desired by the Authority.
- l. Assistance to the Authority as an expert witness in any litigation with third parties, arising from development or construction of the project.
- m. Extra travel required of the Engineer and authorized by the Authority from Houston to points other than Harris County in connection with the project.
- n. Additional copies of reports, contracts, and specifications (over 5) and additional blue print copies of drawings (over 5).

Payments to the Engineer for Additional Services will be billed monthly and are payable monthly.

## SECTION VIII

### REVISION OF DRAWINGS AND SPECIFICATIONS

The Engineer will make, without expense to the Authority, such revisions of the preliminary drawings as may be required to meet the needs of the Authority, but after a definite plan has been approved by the Authority, if a decision is subsequently made by the Authority which, for its proper

execution, involves extra services and expenses for changes in, or additions to, the drawings, specifications or other documents, or if the Engineer is put to labor or expense by delays imposed on him from causes not within his control, such as by (but not limited to) the readvertisement of bids or by the delinquency or insolvency of contractors, the Engineer shall be compensated for such extra services and expense, which services and expense shall not be considered as covered by either the Basic Charge as defined above or by a fixed fee. Compensation for such extra services shall be made on a time and materials basis as defined in Section VII.A, or fixed fee basis, and reimbursement for certain non-labor expenses and subcontract expenses at Engineer's cost. The basis for fee determination shall be identified in writing, prior to commencement of such services by the Engineer.

## SECTION IX

### OWNERSHIP OF INSTRUMENTS OF SERVICE

The reports, plans, specifications, field data, field notes, laboratory test data, calculations, estimates and other similar documents prepared by the Engineer pursuant to this Agreement shall be the property of the Authority. The Authority recognizes that no such documents should be subject to unauthorized re-use, that is, re-use without written authorization of the Engineer to do so. Such authorization is essential because it requires the Engineer to evaluate the documents' applicability to new circumstances, not the least of which is passage of time. To the extent permitted by applicable law, the Authority agrees to waive any claim against the Engineer and defend, indemnify and hold the Engineer harmless from any claim or liability for injury or loss allegedly arising from unauthorized re-use of the said documents.

The Engineer agrees to maintain all Authority records in accordance with the requirements of the Texas Local Government Records Act and all rules, regulations, policies, and retention schedules adopted thereunder.

## SECTION X

### TERMINATION

Either party to this Agreement may terminate the Agreement by giving to the other thirty days notice in writing. Upon delivery of such notice by the Authority to the Engineer, and upon expiration of the thirty-day period, the Engineer shall discontinue all services in connection with the performance of this Agreement and shall proceed to cancel promptly all existing orders and contracts insofar as such orders or contracts are chargeable to this Agreement. As soon as practicable after receipt of notice of termination, the Engineer shall submit a statement showing in detail the services performed under this Agreement to the date of termination. The Authority shall then pay the Engineer promptly that proportion of the prescribed charges which the services actually performed under this Agreement bear to the total services called for under this Agreement, less such payments on account of the charges as have been previously made. All completed or partially completed designs, plans and

specifications prepared and paid for by the Authority under this Agreement and all other records of the Authority retained in Engineer's office pursuant to Section IX shall be delivered to the Authority when and if this Agreement is terminated, but subject to the restrictions, as to their use, as set forth in Section IX.

## SECTION XI

### INSURANCE

Engineer assumes all risks, hazards and liabilities encountered in the performance of this Agreement. Engineer agrees to maintain Workers' Compensation Insurance to cover all of its own personnel engaged in performing services for Authority under this Agreement. Furthermore, Engineer agrees to maintain Professional Liability, Comprehensive General Liability and Comprehensive Automobile Liability Insurance each in an amount not less than \$500,000. Authority shall be named as additional insured on General and Automobile liability policies, and the insurance carrier shall provide Authority with thirty (30) days advance written notice of any change, cancellation or termination of coverage. Engineer shall provide Authority current certificates evidencing such insurance.

## SECTION XII

### LIABILITY LIMITATION

- A. The Engineer agrees to carry out and perform the services herein agreed to in a professional and competent manner. The Authority agrees that the Engineer shall not be liable for error, omission, or breach of warranty (either expressed or implied) in his preparation of designs and drawings, preparation of surveys, designation and selection of materials and equipment for the project, or the performance of any other services in connection with any assignment for which specific authorization is given by the Authority pursuant to this Agreement, except to the extent that he fails to exercise the usual degree of care and judgment of an ordinarily prudent Engineer in the same or similar circumstances and conditions.
- B. ENGINEER SHALL INDEMNIFY AND HOLD HARMLESS AUTHORITY FROM LOSS, COST, EXPENSE, OR LIABILITY THAT THE AUTHORITY MAY INCUR OR SUFFER AS A RESULT OF ANY INFRINGEMENT INCURRED BY A DECISION MADE SOLELY BY THE ENGINEER OF THE PATENT OR COPYRIGHT LAWS OF THE UNITED STATES OR OTHER COUNTRY FOR WHICH THE AUTHORITY IS HELD LIABLE.
- C. ENGINEER SHALL PROTECT, INDEMNIFY AND SAVE AUTHORITY HARMLESS FROM AND AGAINST ALL CLAIMS, LOSSES, DAMAGES, CAUSES OF ACTION, SUITS AND LIABILITY OF ANY KIND AND CHARACTER INCLUDING ALL EXPENSES OF LITIGATION, COURT COSTS AND REASONABLE ATTORNEYS'

FEES ON ACCOUNT OF INJURIES OR DAMAGES TO ANY PERSON OR PROPERTY IN ANY WAY ARISING OUT OR RELATING TO THE WORK UNDER THIS AGREEMENT TO THE EXTENT OR DEGREE ON A COMPARATIVE BASIS OF FAULT CAUSED BY OR RESULTING FROM THE INTENTIONAL, WILLFUL OR NEGLIGENT ACTS OR OMISSIONS BY ENGINEER, ANYONE DIRECTLY OR INDIRECTLY EMPLOYED BY ENGINEER OR ANYONE FOR WHOSE ACTS ENGINEER MAY BE LIABLE.

SECTION XIII

SEVERABILITY

Any provision or part of the Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon Authority and Engineer, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

SECTION XIV

AMENDMENTS, CONSTRUCTION, ASSIGNMENT

The Agreement may be amended only in writing executed by both parties. This Agreement shall be construed in accordance with the laws of the State of Texas and shall not be assigned by either party without the prior written consent of the other.

EXECUTED in three (3) counterparts (each of which is an original) on behalf of Engineer by its President or Vice-President shown below and on behalf of the Authority by its President (thereunto duly authorized) on this 2nd day of July, 2008.

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Attest:

Judge Caston  
Secretary, Board of Directors

Raymond L. Cox  
President, Board of Directors

**PATE ENGINEERS, INC.**

Attest:

Both S. Sibilin  
Assistant Secretary

JAE Ross  
Senior Vice President

(CORPORATE SEAL)

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**ATTACHMENT A  
PATE ENGINEERS, INC.**

**CONDITIONS FOR ENGINEERING SERVICES  
ON TIME AND MATERIALS BASIS**

For and in consideration of the services to be rendered by the Engineer, the Owner shall pay, and the Engineer shall receive the compensation on a time and materials basis hereinafter set forth. Engineer will invoice Client for services performed on a monthly basis.

Services performed on a time and materials basis would be based on the actual hourly salary cost rates for members of our staff times a multiplier of 2.3. The following is a list of typical hourly salary cost rates for various staff categories:

<u>Staff Category</u>	<u>Typical Salary Cost</u>	<u>Multiplier</u>	<u>Typical Rate</u>
Principal .....	\$91.00	per hour x 2.3	\$209.30
Senior Project Manager .....	\$83.00	per hour x 2.3	\$190.90
Project Manager .....	\$61.00	per hour x 2.3	\$140.30
Design Manager .....	\$76.00	per hour x 2.3	\$174.80
Project Engineer .....	\$53.00	per hour x 2.3	\$121.90
Design Engineer .....	\$44.00	per hour x 2.3	\$101.20
Senior Designer .....	\$63.00	per hour x 2.3	\$144.90
GIS Technician .....	\$41.00	per hour x 2.3	\$94.30
CADD Technician .....	\$36.00	per hour x 2.3	\$82.80
Construction Manager .....	\$48.00	per hour x 2.3	\$110.40
Construction Observer .....	\$34.00	per hour x 2.3	\$78.20
Administrative .....	\$30.00	per hour x 2.3	\$69.00

# **PATE SURVEYORS**

a division of Pate Engineers, Inc.

## **SURVEY BILLING RATE SCHEDULE**

(EFFECTIVE APRIL 1, 2008)

Survey Manager .....	\$ 120.00
Registered Professional Land Surveyor .....	\$ 100.00
Survey Coordinator .....	\$ 85.00
Survey Technician .....	\$ 65.00
Clerical .....	\$ 45.00
Conventional Survey Crew .....	\$120.00
GPS (Global Positioning System) Crew .....	\$150.00
Robotic Station Crew .....	\$150.00

**Survey Crew rates are inclusive of all normal material, equipment, and vehicle costs, and are billed "portal to portal". Overtime rates, when required and approved by Client, would be invoiced at 1.50 times the listed rates. Expenses for hourly per diems, hotel expenses, substantial or special materials and/or services or expenses required for specific projects, (e.g. delivery charges, reproduction costs, special property identification markers, specialized vehicle and equipment rentals, subcontracted labor and equipment for clearing, charges by public and private utilities for pipeline probing, subcontracted services by abstracting and/or title companies) will be billed at cost. Certain Surveying Services are subject to State and Local Sales Taxes which will be included on the invoice, in addition to normal billing rates and service charges.**

\*\*\*\*\*

SERVICES PROVIDED BY PATE SURVEYORS WILL COMPLY WITH THE RULES AND  
REGULATIONS OF  
THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING  
ANY COMPLAINTS, NOT SATISFIED BY THIS FIRM, SHOULD BE DIRECTED TO:  
THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING  
12100 PARK 35 CIRCLE, BLDG. A, SUITE 156, MC-230,  
AUSTIN, TEXAS 78753

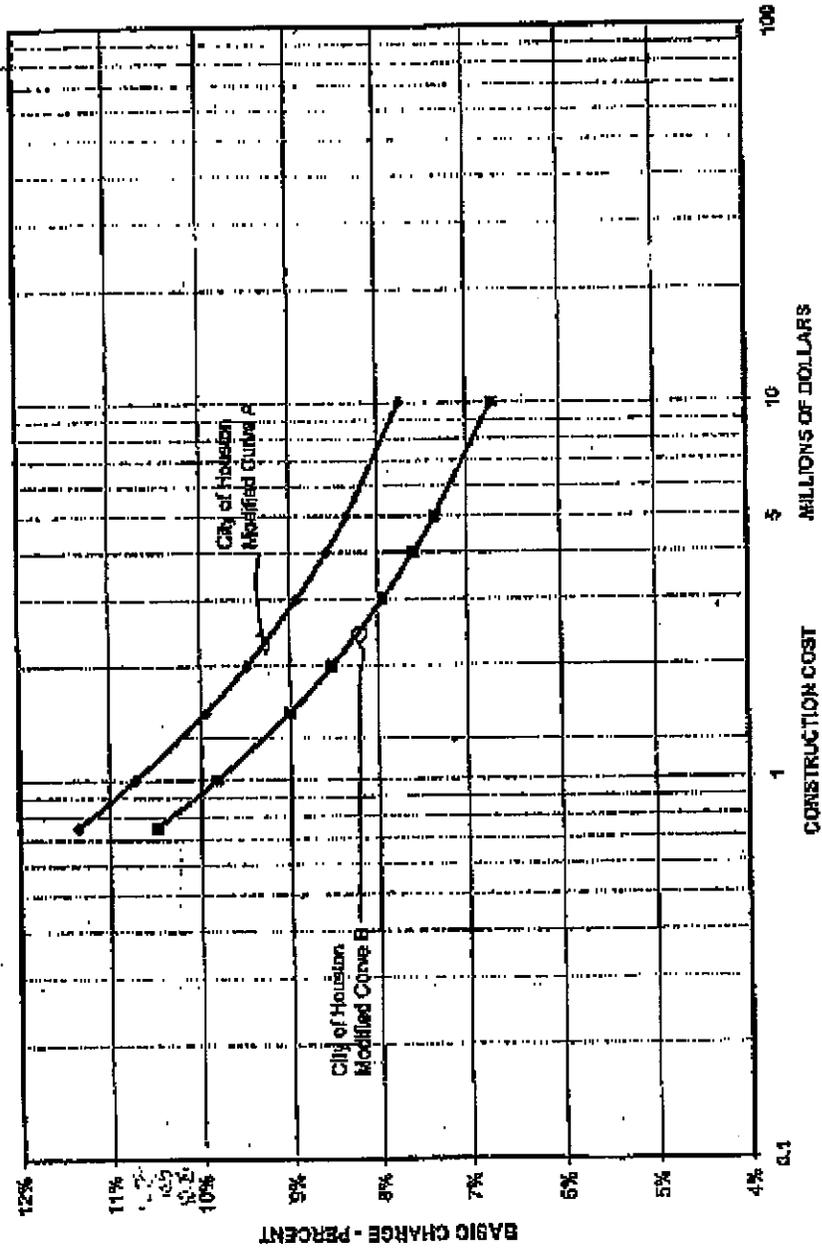
DEPARTMENT OF PUBLIC WORKS AND ENGINEERING

Curves of Median Compensation  
Curves A and B

*Shawna Nandjigiri*  
Shawna Nandjigiri, P.E.  
Deputy Director

*John C. Vanden Bosch*  
John C. Vanden Bosch, P.E.  
Director

EXHIBIT "C"



AGREEMENT FOR LEGAL SERVICES

This AGREEMENT FOR LEGAL SERVICES (hereinafter called the "Agreement") made and entered into this 14<sup>th</sup> day of September, 2005, by and between the Central Harris County Regional Water Authority (hereinafter called "the Authority") and Schwartz, Page & Harding, L.L.P., of Houston, Texas (hereinafter called "Firm").

WITNESSETH:

Whereas, the Authority is desirous of obtaining legal services in connection with matters requiring general legal representation and in connection with the issuance of bonds in order to finance utility improvements for the Authority.

Whereas, the Firm is willing to provide such services in a proper, efficient and professional manner.

AGREEMENT:

Now, therefore, in consideration of the promises and other good and valuable consideration and of the mutual benefits and covenants hereinafter expressed, the Authority and the Firm agree as follows:

The Authority and Firm agree that the Firm has previously handled the creation of the Authority.

The Authority hereby also employs the Firm to prepare all legal documentation necessary to obtain the approvals of the Attorney General of the State of Texas of all future bonds of the Authority (hereinafter called "Bonds") and the registration thereof by the Comptroller of Public Accounts of the State of Texas.

The Firm will perform services as bond counsel in connection with the approval, issuance and sale of Bonds to be issued by the Authority in order to provide utility improvements in accordance with the purposes for which the Authority was created ("New Money Bonds") and Bonds to be issued to refinance, redeem and/or defease previously issued Bonds ("Refunding Bonds"). The Firm's services as bond counsel will include the preparation and review of legal notices, resolutions and orders for adoption by the Board of Directors of the Authority (hereinafter called the "Board"), instruments required to obtain approvals of the TCEQ, if necessary, and the Attorney General of the State of Texas, and issuance of the Bonds and registration thereof with the Comptroller of Public Accounts of the State of Texas. In addition, in the Firm's capacity as bond counsel, the Firm will review a transcript of certified proceedings pertaining to the Bonds, which the Firm will help to prepare, and the Firm will render its opinion that the Bonds are valid and binding obligations of the Authority. With

respect to New Money Bonds, the Firm will also render its opinion that the interest on the New Money Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions. It is understood and agreed that the Authority will engage Special Tax Counsel in connection with the issuance of Refunding Bonds to render the opinion that the interest on the Refunding Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings and court decisions, the fee for which will be paid out of or as a part of the Firm's fee for Refunding Bonds set forth below.

The Firm understands that the Authority has employed a recognized investment banking firm to serve as financial advisor to the Authority and that said firm will be responsible for advising the Authority concerning the sale of the Bonds and will assist the Authority in the preparation of an Official Notice of Sale and an Official Statement (the "Offering Documents") in connection with each issue of the Bonds offered for sale to the public.

In the Firm's capacity as bond counsel, the Firm will review those portions of the Offering Documents which describe the Authority's legal authority for issuance of the Bonds, tax procedures and other legal matters to determine whether such information fairly summarizes relevant provisions of Texas law and the documents referred to therein. The Firm will not, however, undertake to independently verify any of the factual information contained in the Offering Documents, nor will the Firm conduct any investigation of the affairs of the Authority for the purpose of passing on the accuracy or completeness of the Offering Documents. Since the Firm's role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing the Firm's services as outlined above and stating that the Firm's limited participation may not be relied upon as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained therein.

The Firm will not be responsible for advising the Authority concerning the provisions of the various securities laws, including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, the rules of the Securities and Exchange Commission relative to disclosure (including continuing disclosure), and the securities laws of the various states in which the Bonds may be sold. The Firm understands that the Authority has employed or will employ a firm recognized in the area of securities law to provide said advice.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of New Money Bonds, the Authority shall pay the Firm, from each issue or installment of the New Money Bonds, the following amounts:

1. Two and one half percent (2- $\frac{1}{2}$ %) of the par value of the first \$5,000,000 in principal amount of the New Money Bonds;
2. Two percent (2%) of the par value of the principal amount of the New Money Bonds in excess of \$5,000,000 of New Money Bonds up to \$10,000 of New Money Bonds;
3. One and one half percent (1- $\frac{1}{2}$ %) of the par value of the principal amount of the New Money Bonds in excess of \$10,000,000 of New Money Bonds up to \$20,000,000 in New Money Bonds; and
4. One percent (1%) of the par value of the principal amount of the New Money Bonds in excess of \$20,000,000 of New Money Bonds.

As compensation for the Firm's services as bond counsel in connection with the approval, issuance and sale of Refunding Bonds and the services of Special Tax Counsel engaged as set forth above and unless otherwise specifically agreed in writing, the Authority shall pay the Firm and Special Tax Counsel, from each issue or installment of the Refunding Bonds one percent (1%) of the par value of the Refunding Bonds, but not less than \$35,000.

The fees for each series of Bonds, as expressed above, shall be due and payable upon the registration thereof by the Comptroller of Public Accounts of the State of Texas. The fees provided for above with respect to bond counsel services shall not include any litigation in which the Authority may be involved nor any services except those specifically set forth above.

If the area of the Authority is reduced or enlarged, this Agreement shall be applicable to the new area the same as to the original area. In case of the addition or annexation of lands to the Authority, the Firm shall perform in connection with such lands all bond counsel services as herein above provided for the original area and shall be paid therefor in accordance with the fees provided above; but such fees shall not include the services for adding or annexing the land to the Authority nor the services for any election held in connection with an addition or annexation. Neither shall the fees above include the services for the exclusion of land from the Authority or any election held in connection therewith.

The Firm, in addition to the bond counsel services described above, and upon request by the Board, shall perform general legal representation for the Authority including services such as contract negotiation and preparation, application for permits, the calling and holding of elections, the negotiation and preparation of documentation for additions or annexations and exclusions of

property, and the preparation of orders and resolutions for adoption by the Board. A representative of the Firm shall also, upon request by the Board, call and attend meetings of the Board, prepare the minutes thereof, and maintain the files and records of the Authority. The Firm shall, upon request by the Board, assist a firm of recognized litigation attorneys engaged by the Authority in connection with any litigation affecting the Authority.

The Firm's fees for general legal representation shall be based on the Firm's established hourly rates and shall be payable upon the presentation of invoices by the Firm. The Authority shall pay the Firm for expenses, including travel, telephone, telefax, secretarial overtime and copying expenses, and all other items and expenses incurred or paid by the Firm on behalf of the Authority.

In light of technological advancements and the corresponding demands of clients, it is the practice of the Firm to use electronic (e-mail) correspondence from time to time to communicate and to transmit documents. The possibility exists that electronic transmissions could be intercepted or otherwise received by third parties and lose their privileged nature if the method of communication is ruled to lack sufficient confidentiality. As with any correspondence regarding legal representation, regardless of the manner of transmission, we urge you to use caution in its dissemination in order to protect its confidentiality. By signing below, you agree that the Firm may use e-mail in the scope of our representation of you.

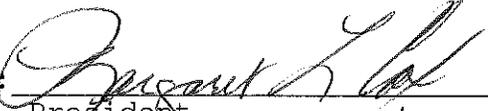
Nothing herein shall be construed to impose any personal liability on any officer or director of the Authority.

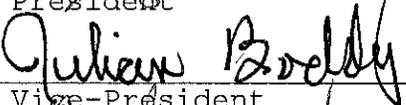
This Agreement may be terminated by either party hereto at any time; however, the Firm shall be compensated for services and expenses through the date of such termination on the same basis for which the Firm is entitled to compensation pursuant to an annexation by a city or other political subdivision as hereinabove set forth.

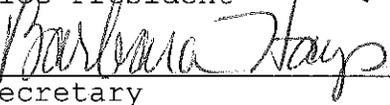
This Agreement may be executed in multiple counterparts, any one of which shall be deemed to be an original, but all of which taken together shall constitute but one Agreement, and the signature pages of which may be removed and aggregated to form one single Agreement reflecting execution by both parties.

In witness whereof, the members of at least a quorum of the Board of Directors of the Authority, being authorized to do so, have executed this Agreement on behalf of the Authority, and the Firm has executed said Agreement on the date first above written.

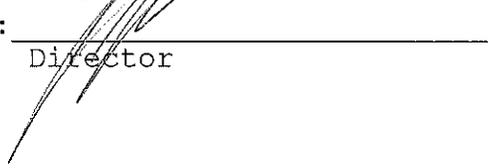
CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By:   
President

By:   
Vice-President

By:   
Secretary

By:   
Director

By:   
Director

SCHWARTZ, PAGE & HARDING, L.L.P.

By: Abraham Rubinsky  
Abraham I. Rubinsky



Galleria Financial Center # 5075 Westheimer, Suite 1175 # Houston, Texas 77056-5606

September 14, 2005

Central Harris County Regional Water Authority  
Board of Directors  
Harris County, TX

Dear Board Members:

The purpose of this letter is to serve as a Financial Advisory Agreement (the "Agreement") between the Central Harris County Regional Water Authority (the "Authority") and the GMS Group, L.L.C. ("GMS").

GMS proposes to serve as the Financial Advisor to the Authority and to work with the Authority on a project by project basis. We will work on projects/assignments that the Authority's Board wishes us to work on from time to time. GMS will work on projects only after receiving direction from the Authority's Board. GMS will not just "go-off" and work on a project/assignment unless asked to do so by the Authority.

GMS will be paid a fee of \$135.00 per hour for the work performed. GMS will not charge additional fees for work that is performed as a part of any bond/note transaction, private placement transaction, or bank loan transaction.

Any amounts invoiced by GMS to the Authority will be paid only if the Board is happy with the work performed by GMS. Invoices will specifically identify the time that was spent on each project/assignment so the Board members can easily review the charges for work performed. If the Board is not happy with the work performed, then no amount will be owed to GMS for such work.

GMS will work exclusively in an advisory capacity to the Authority and not put ourselves in a position where there might be a potential conflict of interest. This means that we: (i) will not ask to serve as an Underwriter on negotiated transactions with the Authority; and (ii) will only submit a bid for bonds sold at a public sale with the explicit permission of the Board of Directors at the time of the bond sale.

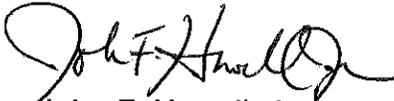
Either party may terminate this Agreement at any time without cause by giving the other party 7 days written notice. Upon notice of termination, GMS will complete any work that it is currently in the process of providing for the Authority's Board at the Authority's request. Upon termination, the Authority will pay the amounts owed to GMS for the work performed.

Page 2

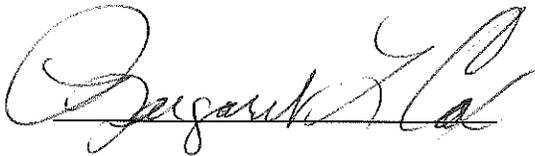
If this Agreement is acceptable to the Board, then just let me know; I am prepared to begin working for you.

If I can answer any questions that you may have, please do not hesitate to call me at (713) 626-3552.

Sincerely yours,

  
John F. Howell, Jr.  
Senior Vice President

Agreed and Accepted:



Director, Central Harris County Regional Water Authority

Date Signed: 9-14-05



Director, Central Harris County Regional Water Authority

Date Signed: 9-14-05

**A CONTRACT FOR BOOKKEEPING SERVICES****STATE OF TEXAS****COUNTY OF HARRIS**

This Service Contract is made as of the 5 day of July, 2006 by and between the **CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the Authority)** and **F. MATUSKA, INC. (the Bookkeeper)** in consideration of the mutual covenants and agreements herein contained.

**I. Basic Services**

Beginning on August 1, 2006 Bookkeeper shall render the following services to the Authority:

1. Prepare and present, for Board approval, a monthly report showing cash receipts and disbursements activity within the general, debt service, and capital projects funds. Also included, will be a statement of revenues and expenditures for the general fund. This report will be presented at the Authority's regular meeting together with all checks and related invoices.
2. Maintain all journals and ledgers pertaining to the District's General, Debt Service, Capital Projects, and General Long Term Debt Funds in accordance with generally accepted accounting procedures and the Texas Commission on Environmental Quality's Water District Accounting Manual, 2004.
3. Maintain all journals and ledgers of the Authority in such a manner that excessive auditing procedures or adjustments by the District's auditor are not required.
4. Deposit Authority funds in the appropriate account on a timely basis.
5. Maintain necessary bank accounts, savings accounts and other accounts as may be necessary and authorized, and reconcile such accounts on a monthly basis for the general, debt service, and capital projects funds.
6. The Bookkeeper will provide continuing verification that securities are provided for Authority funds in accordance with State Law.

7. Complete posting and close all journals and ledgers within 45 days following the end of the District's fiscal year.
8. Use the best efforts to comply with recommendations contained in the Auditor's Annual Management Letter to the Board of Directors.
9. Attend one regular meeting of the Board of Directors per month. For meetings beginning at, or continuing beyond 5:00PM or later the District shall pay Bookkeeper Fifty Dollars (\$50) in addition to any other compensation.
10. Process Directors' monthly payroll and file Form 941 quarterly reports on a timely basis.
11. Prepare annual budget for the General Fund.

## **II. Compensation**

The Authority shall pay to the Bookkeeper as compensation for the above enumerated services the sum of \$725.00 per month. In addition to the services specifically named above, the Bookkeeper will provide the Authority with such additional bookkeeping services as its Board of Directors may require as being conducive to sound management. Such additional services will be billed at the rate of \$60.00 per hour and may include, but are not limited to, attendance at more than one meeting per month, meetings for more than one hour, special reports, funds handling resulting from the sale of Bonds or Bond Anticipation Notes, comparisons of Capital Projects Fund expenditures with the costs summary approved by the Commission, preparation of audit schedules and workpapers, quarterly investment reports, annual filing with state and federal agencies, and annual payroll filings.

If Bookkeeper is appointed as Investment Officer, in accordance with the Authority's Investment Policy, the Bookkeeper will receive as compensation \$50.00 per month.

Authority shall pay bookkeeper for all out-of-pocket expenses reasonably and necessarily incurred by Bookkeeper in the performance of services described herein, including, but not limited to, document reproduction, postage, long-distance telephone calls, ledger binders and file folders, records storage, parking, tolls, and automobile travel to and from Authority meetings at the rate per mile allowed by the Internal Revenue Service.

**III. Public Employees Blanket Bond**

The Bookkeeper shall provide a public employees blanket bond, in an amount the Authority determines appropriate, within ten (10) days of execution of this Agreement. The cost of such bond shall be borne by the Authority.

**IV. Timely Invoicing**

The Authority shall instruct all contractors, vendors and service representatives of the Authority to submit all bills and invoices to the Bookkeeper at least seven (7) business days prior to any scheduled regular meeting of the Board of Directors. It is understood that any bill or invoice submitted subsequent to the said seven (7) day period shall be paid, if possible, at said meeting, but will not necessarily be reflected on the reports.

**V. Terms and Cancellation**

The terms of this Contract shall be for a period of one (1) year from its effective date and will be automatically renewed thereafter from year to year, pursuant to the terms and conditions of this Contract, unless the Contract is terminated as hereinafter provided or modified or replaced by written Contract between the parties hereto.

This Contract may be terminated by either party without cause at any time upon submission of thirty (30) days written notice.

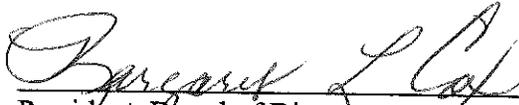
All journals and ledgers maintained by the Bookkeeper pursuant to this Contract shall be the property of the Authority, and in the event of cancellation of this Contract shall be returned to the Authority.

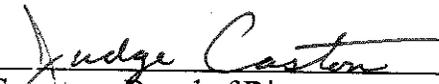
**VI. Miscellaneous**

No alterations or modifications of this Contract shall be made except by a writing duly signed by both parties hereto.

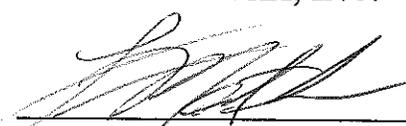
This contract has been executed in multiple copies and is effective as of the date shown above by the duly authorized officers of the parties hereto.

**FOR THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:   
\_\_\_\_\_  
Secretary, Board of Directors

**FOR F. MATUSKA, INC.**

  
\_\_\_\_\_  
Fran Matuska, President

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority") is a body politic and corporate and a governmental agency of the State of Texas, created and operating pursuant to special act of the 79th Texas Legislature as codified at Chapter 8815 of the Texas Special District Local Laws Code (the "Code"), and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Section 8815.101 of the Code authorizes the Authority to: (1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District; (2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; (3) enter into contracts with persons inside or outside the Authority on terms and conditions the Board considers desirable, fair, and advantageous for the performance of its rights, powers, and authority; (4) coordinate water services provided inside, outside, or into the Authority; and (5) generally administer and enforce the foregoing; and

WHEREAS, in connection with the foregoing, the Authority (as successor to the Central Harris County Water Users Consortium) has entered into certain contractual arrangements with the City of Houston, Texas (the "City"), relative to the purchase of surface water by the Authority from the City; and

WHEREAS, the Authority will enter into certain contractual arrangements with the North Harris County Regional Water Authority ("NHCRWA") relative to the financing, design, construction, operation and maintenance of certain transmission facilities necessary for the Authority to receive surface water from the City; and

WHEREAS, pursuant to Section 8815.110 of the Code, the Authority has determined that it is necessary and appropriate to proceed with the design and construction of certain surface water transmission facilities necessary and convenient to accomplish the purposes of the Authority, including the funding of certain obligations under the proposed contract with the NHCRWA (the "Project"); and

WHEREAS, Section 8815.151 of the Code authorizes the Authority to finance the Project through the issuance of bonds or notes payable solely from revenue received by the Authority from any source, including but not limited to revenues received pursuant to that certain Rate Order heretofore duly adopted by the Authority; and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (the "Board") for financial assistance through the State Water Implementation Fund for Texas (the "SWIFT") in order to assist the Authority with the financing and construction of the Project; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially approves the filing of one or more applications for financial assistance from the SWIFT, through a contractual loan agreement, the purchase of the Authority's revenue bonds to be issued in one or several series, and/or such other means or requirements as may be applicable in connection with the SWIFT to facilitate the financing, design and construction of the Project (also referred to as PIF No. 11032) in an amount not to exceed \$9,515,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority and all other agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance. The Authority's engineers in connection with such application, IDS Engineering Group, Inc., Houston, Texas, and the Authority's professional financial advisors in connection with such application, The GMS Group, L.L.C., Houston, Texas, and the Authority's general and bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 3: The Authority's engineers, financial advisors, and counsel, as set forth above, are hereby officially designated as the Authority's authorized representatives for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 4: All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

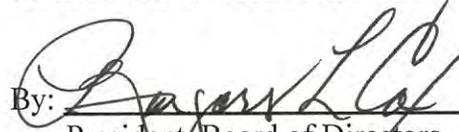
Section 5: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board.

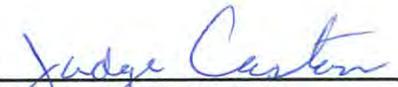
Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

PASSED AND APPROVED this 6th day of May, 2015.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By:   
President, Board of Directors

ATTEST:

By:   
Secretary, Board of Directors

375615

AFFIDAVIT

STATE OF TEXAS                   §  
  §  
COUNTY OF HARRIS               §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Margaret L. Cox, who upon her oath did depose and say as follows:

"1. My name is Margaret L. Cox, and I am the President of the Board of Directors of the Central Harris County Regional Water Authority.

"2. In such capacity, I am familiar with the actions and proceedings of the Board of Directors of the Central Harris County Regional Water Authority and with the applications by the Central Harris County Regional Water Authority to the Texas Water Development Board for financial assistance in an aggregate amount not to exceed \$41,630,000 for financing the costs of design and construction and such other aspects of the 'Project' as may be presented in the Authority's applications for financial assistance to the Texas Water Development Board.

"3. I hereby certify that to the best of my knowledge and belief:

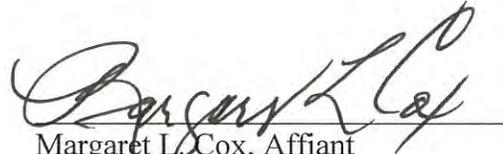
(a) the Central Harris County Regional Water Authority has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government; and

(b) the Central Harris County Regional Water Authority will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the Texas Water Development Board.

"4. That all meetings of the Board of Directors of the Central Harris County Regional Water Authority pertaining to the Project, or approval of the related applications to the Texas Water Development Board, have been held in accordance with Chapter 551, Texas Government Code."

[SIGNATURE ON FOLLOWING PAGE]

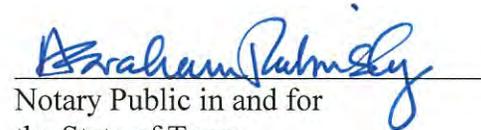
Executed this 3rd day of June, 2015.

  
Margaret L. Cox, Affiant

THE STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS         §

This instrument was sworn to and subscribed before me on this 3rd day of June, 2015, by Margaret L. Cox, Affiant.



  
Notary Public in and for  
the State of Texas

(SEAL)

AFFIDAVIT

STATE OF TEXAS                   §  
  §  
COUNTY OF HARRIS               §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Marcel Khouw, who upon his oath did depose and say as follows:

"1. My name is Marcel Khouw, and I am a professional engineer employed by IDS Engineering Group, Inc., the engineers for the Central Harris County Regional Water Authority.

"2. In such capacity, I am familiar with the actions and proceedings of the Board of Directors of the Central Harris County Regional Water Authority and with the applications by the Central Harris County Regional Water Authority to the Texas Water Development Board for financial assistance in an aggregate amount not to exceed \$41,630,000 for financing the costs of design and construction and such other aspects of the 'Project' as may be presented in the Authority's applications for financial assistance to the Texas Water Development Board.

"3. By resolution of the Board of Directors of the Central Harris County Regional Water Authority, duly adopted in an open meeting on May 6, 2015, I have been designated as an official representative of the Central Harris County Regional Water Authority in connection with such Project and applications to the Texas Water Development Board.

"4. I hereby certify that to the best of my knowledge and belief:

(a) the facts, data, materials and information included in such applications are true and correct; and

(b) the Central Harris County Regional Water Authority warrants compliance with the representations made in such applications in the event that the Texas Water Development Board provides the financial assistance requested therein."

[SIGNATURE ON FOLLOWING PAGE]

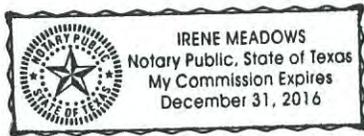
Executed this 4<sup>th</sup> day of June, 2015.



\_\_\_\_\_  
Marcel Khouw, Affiant

THE STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS           §

This instrument was sworn to and subscribed before me on this 4<sup>th</sup> day of June, 2015, by Marcel Khouw, Affiant.



\_\_\_\_\_  
Notary Public in and for  
the State of Texas

(SEAL)

CERTIFICATE FOR RESOLUTION

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President  
 Julian F. Boddy, Vice President  
 Judge Caston, Secretary  
 Tom Gower, Assistant Secretary  
 Richard C. Meek, Director

met in regular session, open to the public, on May 6, 2015, at the offices of IDS Engineering Group, Inc., 13333 Northwest Freeway, Suite 300, Houston, Harris County, Texas 77040, and all of the members of the Board were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER  
 DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING  
 AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND  
 CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted, and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: 5

NOES: 0

2. A true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to said minutes and to this certificate; such Resolution has been duly recorded in the Board's minutes of such meeting; the above and foregoing paragraph is a true, full and correct copy excerpt from the Board's minutes of such meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 6<sup>th</sup> day of May, 2015.



*Judge Casten*  
Secretary, Board of Directors

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority") is a body politic and corporate and a governmental agency of the State of Texas, created and operating pursuant to special act of the 79th Texas Legislature as codified at Chapter 8815 of the Texas Special District Local Laws Code (the "Code"), and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Section 8815.101 of the Code authorizes the Authority to: (1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District; (2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; (3) enter into contracts with persons inside or outside the Authority on terms and conditions the Board considers desirable, fair, and advantageous for the performance of its rights, powers, and authority; (4) coordinate water services provided inside, outside, or into the Authority; and (5) generally administer and enforce the foregoing; and

WHEREAS, in connection with the foregoing, the Authority (as successor to the Central Harris County Water Users Consortium) has entered into certain contractual arrangements with the City of Houston, Texas (the "City"), relative to the purchase of surface water by the Authority from the City; and

WHEREAS, the Authority will enter into certain contractual arrangements with the North Harris County Regional Water Authority ("NHCRWA") relative to the financing, design, construction, operation and maintenance of certain transmission facilities necessary for the Authority to receive surface water from the City; and

WHEREAS, pursuant to Section 8815.110 of the Code, the Authority has determined that it is necessary and appropriate to proceed with the design and construction of certain surface water transmission facilities necessary and convenient to accomplish the purposes of the Authority, including the funding of certain obligations under the proposed contract with the NHCRWA (the "Project"); and

WHEREAS, Section 8815.151 of the Code authorizes the Authority to finance the Project through the issuance of bonds or notes payable solely from revenue received by the Authority from any source, including but not limited to revenues received pursuant to that certain Rate Order heretofore duly adopted by the Authority; and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (the "Board") for financial assistance through the State Water Implementation Fund for Texas (the "SWIFT") in order to assist the Authority with the financing and construction of the Project; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially approves the filing of one or more applications for financial assistance from the SWIFT, through a contractual loan agreement, the purchase of the Authority's revenue bonds to be issued in one or several series, and/or such other means or requirements as may be applicable in connection with the SWIFT to facilitate the financing, design and construction of the Project (also referred to as PIF No. 11032) in an amount not to exceed \$9,515,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority and all other agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance. The Authority's engineers in connection with such application, IDS Engineering Group, Inc., Houston, Texas, and the Authority's professional financial advisors in connection with such application, The GMS Group, L.L.C., Houston, Texas, and the Authority's general and bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 3: The Authority's engineers, financial advisors, and counsel, as set forth above, are hereby officially designated as the Authority's authorized representatives for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 4: All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

Section 5: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board.

Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

PASSED AND APPROVED this 6th day of May, 2015.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By: /s/ Margaret L. Cox  
President, Board of Directors

ATTEST:

By: /s/ Judge Caston  
Secretary, Board of Directors

375615

CERTIFICATE FOR  
 RESOLUTION AUTHORIZING ISSUANCE OF \$22,050,000  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2008

I, the undersigned Secretary of the Board of Directors (the "Board") of Central Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board, composed as follows:

Margaret L. Cox, President  
 Julian F. Boddy, Vice President  
 Judge Caston, Secretary  
 Tom Gower, Assistant Secretary  
 Richard C. Meek, Assistant Secretary

met in special session, open to the public, on June 11, 2008, at 13563 Bammel North Houston, Houston, Harris County, Texas, and all of the members of the Board were present, except Director Boddy, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: A written

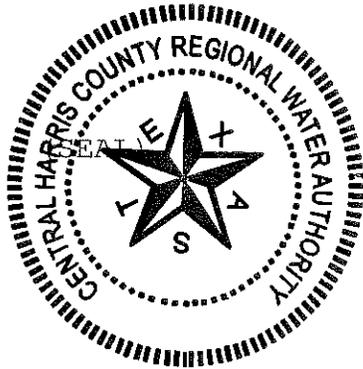
RESOLUTION AUTHORIZING ISSUANCE OF \$22,050,000  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2008

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted, and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: 4                      NOES: 0

2. A true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; such Resolution has been duly recorded in the Board's minutes of such meeting; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting; and such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, Vernon's Texas Civil Statutes, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED this 11<sup>th</sup> day of June, 2008.



*Judge Caston*  
Secretary, Board of Directors

RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

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RESOLUTION AUTHORIZING ISSUANCE OF  
 \$22,050,000  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS  
 SERIES 2008

\* \* \*

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS  
 COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Act".

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State to issue

its negotiable revenue bonds, as herein provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and security for repayment set forth and provided in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth and contained in this Resolution; and
- (d) the issuance by the Authority of its revenue bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part.

(End of Article One)

ARTICLE TWODEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein or in any exhibit hereto, shall apply with equal force herein and in any amendment or supplement hereto, and the scope and meaning of terms used in Exhibits "A" and "B" hereto, whether or not defined therein, shall be determined by reference to this Article:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, public body or public agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended,

provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$22,050,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2008, initially dated as of July 1, 2008, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as may be amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund created and established pursuant to Section 7.01(b) hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund created and established pursuant to Section 7.01(c) hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB upon payment of the purchase price therefor, as printed, stamped or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the Water Infrastructure Fund administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and Wells Fargo Bank, N.A., Austin, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund referred to in Section 7.01(a) hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees, and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contribution from any federal, state or local governmental agency or authority or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement as a capital expenditures of or for the System, (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority, or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.03 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority, the Registrar and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District.

The term "Member District" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Agreement For Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, conveyance, treatment or supply of water which are entered into by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to the City of Houston Contract and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other administrative expenses of the Authority.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.06 of this Resolution.

Person.

The term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance and/or condemnation proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Principal Payment Date.

The term "Principal Payment Date" shall mean the date upon which the principal of any then outstanding Bond shall become due and payable, in whole or in part, whether at the Maturity Date or any earlier Redemption Date.

Project.

The term "Project" shall mean the works, facilities, improvements and additions to the System, initially consisting of (a) the purchase of certain rights to capacity in treated surface water production and transmission facilities constructed by (i) the City of Houston, Texas under the City of Houston Contract, and (ii) the North Harris County Regional Water Authority under the North Authority Contract; and (b) the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; and all other costs and expenses directly relating to the foregoing, together with an amount for contingencies of not more than fifteen percent (15%) of the foregoing. In addition, the term "Project Costs" shall include any payments made or to be made for capital improvements of or for the System under the City of Houston Contract, the North Authority Contract, or any similar water supply contract.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District), or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.05 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds and any Additional Bonds remaining outstanding at the time of such computation.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on a source of funds other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund created and established pursuant to Section 7.01(e) hereof.

System.

The term "System" shall mean all works, plants, properties, facilities, improvements, equipment, interests, appliances, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights to certain capital improvements under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the Water Infrastructure Fund Financial Assistance Program and, where appropriate, means the Executive Administrator, Fund Manager, or

other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Order is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREEAUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2008", shall be issued in the aggregate principal amount of \$22,050,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act..

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, shall be initially dated as of July 1, 2008, and shall include thereon the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond. Each Bond registered and delivered by the Registrar upon transfer or in replacement of, or in exchange for, any one or more Initial Bonds shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. Bonds in the aggregate principal amount of \$22,050,000 shall be issued as serial bonds, shall bear interest from the later of the Delivery Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior optional redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
935,000	2010	0.623%
940,000	2011	0.933%
950,000	2012	1.153%
960,000	2013	1.303%
975,000	2014	1.433%
985,000	2015	1.583%
1,000,000	2016	1.733%
1,020,000	2017	1.883%
1,040,000	2018	2.013%
1,060,000	2019	2.133%
1,085,000	2020	2.367%
1,110,000	2021	2.489%
1,135,000	2022	2.573%
1,165,000	2023	2.649%
1,195,000	2024	2.710%
1,230,000	2025	2.759%
1,260,000	2026	2.797%
1,295,000	2027	2.832%
1,335,000	2028	2.877%
1,375,000	2029	2.922%

SECTION 3.04: INTEREST PAYMENT DATES. Interest on the Bonds shall be payable on February 1, 2009, and semi-annually thereafter on February 1 and August 1 of each year until payment of the principal thereof has been made or duly provided for. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date, the Paying Agent shall compute the amount of interest to be due and payable on such Interest Payment Date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such Interest Payment Date.

The interest so payable on any Interest Payment Date will be paid to the person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.05: MEDIUM AND PLACE OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or

collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates or Principal Payment Dates, is legal tender for the payment of debts due the United States of America. The principal of the Bonds shall be payable only upon their presentation and surrender, as they become due at their respective Maturity Dates or Redemption Dates, at the principal trust office of the Paying Agent. Principal and interest payments on, and mandatory redemption payments, if any, in respect of, each Bond (a) may be payable, at the option and expense of the Authority, by check or draft mailed by the Paying Agent to the Holder at the address shown on the Register or by wire transfer to such Holder, or (b) may be payable by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of such Holder. If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, or disposed of by the Authority, such Bonds, nevertheless, may be authenticated and delivered or disposed of as though the Person who signed such Bonds had not ceased to be such officer of the Authority; and, any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not effect the validity or enforceability of such Bond, if same has been duly authenticated by the Registrar or registered by the Comptroller of Public Accounts of the State of Texas, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each year of maturity specified in Section 3.03 hereof, representing the entire principal amount scheduled to mature in each of such years of maturity, and shall be made payable to Cede & Co., as nominee of DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's

Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar for safekeeping and thereafter be (a) dated by the Registrar as of the Delivery Date, and (b) registered on the Register in the name of Cede & Co., as nominee of DTC, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB at the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bonds to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bonds are to be transferred and the principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of registration substantially in the form required by Section 5.03 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond either the aforementioned certificate of registration or a Certificate of Registrar substantially in the form provided in Section 5.02 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Either such certificate of registration upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been so certified or registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes,

whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effectual and shall discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer, exchange and replacement of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name(s) of the transferee(s) one or more exchange Bonds in a like aggregate principal amount(s), and having the same maturity date and bearing interest at the same rate(s), and shall deliver or mail same to the transferee(s) by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, being in any authorized denomination, and being in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each Bond transferred or exchanged and duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such transferred or exchanged Bond is delivered. No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption of Bonds prior to maturity, nor shall the Registrar be required to transfer or exchange any Bond selected for redemption in whole or in part when such Redemption Date is scheduled to occur within thirty (30) calendar days.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall authenticate and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate and deliver, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost

or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Authority and the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. Notwithstanding any provisions contained in this Resolution relating to the payment, transfer, exchange or replacement of the Bonds, the Authority hereby approves and authorizes the use of the "Book-Entry Only" securities clearance, settlement and transfer system provided by DTC. The Initial Bonds and all subsequent Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, except as provided in Section 3.12 hereof.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in

this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Order. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Order with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and the premium, if any, and interest on such Bond, and all notices with respect to such Bond, shall be made and given, respectively, in the manner provided in the Letter of Representation. The execution and delivery of said Letter of Representation is hereby approved along with any other instrument deemed necessary and convenient to carry out the purposes set forth in this Section 3.11, and the President and Secretary of the Board of Directors of the Authority are hereby authorized and directed to execute and deliver same on behalf of the Authority.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, upon receipt of proper proof of the beneficial ownerships of the DTC Participants, and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or

exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Section 3.09 or Section 3.10 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOURREDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: MANDATORY REDEMPTION OF BONDS. To the extent of any excess funds remaining on deposit in the Construction Fund and the Escrow Fund following completion of the Project, as provided in Section 7.08 of this Resolution and in the Escrow Agreement, and unless the use of such excess funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB, the Bonds shall be subject to mandatory redemption by the Authority, at a price equal to the principal amount thereof, plus accrued interest on the Bonds called for redemption to the Redemption Date, in inverse order of their scheduled maturities, on any date within sixty (60) days following the filing with and the approval by the TWDB of such final accounting, to the maximum extent possible out of such excess funds, rounded to the next lowest integral multiple of \$5,000. The Authority shall, at least forty-five (45) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of the Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not

previously been called for redemption, by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.03: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.04: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions, the respective principal amounts of the Bonds to be redeemed, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.05: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for

redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds or portions thereof so called for redemption shall be terminated.

(End of Article Four)

ARTICLE FIVEFORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Order, including the registration certificate of the Comptroller of Public Accounts of the State of Texas or Registrar, as applicable, and form of assignment shall be in substantially the forms specified in Exhibits "A" and "B" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Order.

SECTION 5.02: CERTIFICATE OF REGISTRAR. The form of Certificate of Registrar specified in Exhibit "B" attached hereto shall be printed on each of the Bonds authenticated, registered and delivered subsequent to the Initial Bonds.

SECTION 5.03: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. In lieu of the Certificate of Registrar specified in Section 5.02 hereof, the registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in Exhibit "A" attached hereto.

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in Exhibits "A" and "B" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be printed on the Bonds over the certification of the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Order, an original of said opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIXSECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of any Additional Bonds hereafter issued in conformity with the provisions of this Resolution. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds and any Additional Bonds have been paid in full, as to both principal and interest at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (i) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project, (ii) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, (iii) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, and (iv) fulfill the terms, agreements and covenants made with the Holders of the Bonds and any Additional Bonds issued in conformity with this Resolution and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly

amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties in similar locations under similar circumstances with a responsible insurance company or companies against risks, accidents or casualties against and in an amount which is customarily carried by such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least in an amount sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the improvements to be made to the Project, the Authority covenants that it will apply any proceeds of such insurance policies covering such loss or damage to

the reconstruction or repair of the such improvements, and any excess insurance proceeds remaining after the completion of such improvements shall promptly be deposited into the Debt Service Fund.

To the extent that the Project or any portion thereof shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for the portion of the improvements so taken shall, upon receipt by the Authority, be promptly deposited to the credit of the Debt Service Fund, less any amount determined by the Authority to represent the pro rata share of damages attributable to any portion of such improvements that were acquired or otherwise assumed by the Authority from a conservation and reclamation district or other public or private water system.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVENREVENUES AND APPLICATION THEREOF

SECTION 7.01: CREATION OF FUNDS. The creation, establishment and continuation of the following funds are hereby approved and adopted:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided in the Resolution. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all

times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, after making the deposit required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount. If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds or any Additional Bonds to mature or be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove, and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund and any earnings thereon constitute Pledged Revenues or be, or remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.02 and Section 8.03 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that copies of as-built plans for same, along with a final accounting of the Eligible Project Costs shall be provided to the TWDB. If the Project shall

be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, unless an authorized representative of the TWDB shall have approved in writing the use of any remaining funds for other Project purposes or similar purposes, the Authority shall, immediately upon filing with and approval by the TWDB of such final accounting, call for the redemption, prior to their scheduled maturities, of such portions of the Bonds, in inverse order of their scheduled maturities, to the next lowest multiple of \$5,000, as may be redeemed with such excess and unused proceeds on deposit in the Construction Fund and in the Escrow Fund. In determining the amount of available funds in the Construction Fund for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and in the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHTAPPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: BOND PROCEEDS. The proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO DEBT SERVICE FUND. Proceeds from the sale and delivery of the Bonds representing capitalized interest in the amount of \$475,286 shall be deposited into the Debt Service Fund.

SECTION 8.03: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$637,250, representing the estimated costs of issuance of the Bonds, shall be deposited into the Construction Fund. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds and call for the redemption of Bonds as provided in Section 4.02 hereof, unless the use of such funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB.

SECTION 8.04: DEPOSITS TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.05: TAX COVENANTS. The Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of the proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to insure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

(a) The Authority has not used and will not use, nor permit to be used, more than ten percent (10%) of the net proceeds of the Bonds in the trade or business of any person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds"). For purposes of this Section 8.05, the term "net proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "person" includes any

individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, means any activity other than an activity carried on by a governmental unit;

(b) The Authority has not used and will not use, nor permit to be used, more than five percent (5%) of the net proceeds of the Bonds in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds, and the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the net proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

(c) Principal and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;

(d) The Authority has not used and will not use or permit to be used an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the net proceeds of the Bonds to finance, directly or indirectly, loans to persons other than governmental units;

(e) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the Authority reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond" within the meaning of Section 148 of the Code;

(f) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the repayment of the Bonds and will restrict the yield on such investments to the extent required by the Code or the Regulations; without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on all proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion) to a yield which is not materially higher than the yield on the Bonds (in both cases calculated in accordance with the Code and Regulations);

(g) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code); and

(h) To the extent, if applicable, required by the Code and Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate, at least annually, but not less often than required by the applicable Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other date as permitted by the applicable Regulations, all amounts required to be rebated to the federal government; and the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a "prohibited payment" within the meaning of Temp. Treas. Reg. §1.103-15AT.

(i) The Authority will timely comply with the information reporting requirements of Section 149(e) of the Code.

All officers, employees and agents of the Authority are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Authority as of the date the Bonds are delivered. In complying with the foregoing covenants, the Authority may rely from time to time upon an opinion of bond counsel to the effect that any action by the Authority or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 8.06: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.

The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2008, as a result of the Bonds, will exceed \$10,000,000.

SECTION 8.07: ALLOCATION OF, AND LIMITATION ON, EXPENDITURES. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. For purposes of determining compliance with this covenant the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 8.08: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINEAMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (i) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or
- (ii) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, no such change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority expressly reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority

has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. The Authority further reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority further reserves the right to issue its bonds or other obligations for refunding purposes in any manner permitted by law.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority further reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TENBONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect capacity charges, and to the due, proper and timely application of the Pledged Revenues to the intended purposes, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVENCONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "NRMSIR" means each person whom the SEC or its staff has determined from time to time to be a nationally recognized municipal securities information repository, within the meaning of the Rule.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12, as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "SID" means any person designated by the State of Texas, or an authorized department, officer or agency thereof as, and determined by the SEC or its staff from time to time to be, a state information depository, within the meaning of the Rule.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to each NRMSIR and any SID, within six (6) months after the end of each Fiscal Year ending in or after 2008, financial information and operating data with respect to the Authority of the general type included in the Authority's final application to the TWDB for financial assistance in connection with the Bonds. Any financial statements to be so provided shall be (i) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality (or any successor agency), or such other accounting principles as the Authority may be required to employ from time to time thereafter pursuant to applicable law or regulation, and (ii) audited, if the Authority commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide

such audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02 may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that has theretofore been provided to each NRMSIR and any SID or filed with the SEC. The Authority shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify any SID and either each NRMSIR or MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the applicable provisions of the federal securities laws:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds;
- (h) Calls for redemption of the Bonds;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds; or

(k) Rating changes.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS.

(a) The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon any other person. The Authority undertakes to provide only the financial information, operating data financial statements and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, conditions or prospects of the Authority, nor does the Authority undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or to sell Bonds at any future date.

(c) Under no circumstances shall the Authority be liable to the Holder of any Bond or any other person, in contract or in tort, for damages resulting, in whole or in part, from any breach by the Authority, whether negligent or without fault on its part, of any covenant specified in this Article, but every right and remedy of any such person, in contract or in tort, for or on account of any such breach, shall be limited to an action for mandamus or specific performance.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its

discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment, or (B) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or if any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but, in either case, only if and to the extent that any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(End of Article Eleven)

ARTICLE TWELVEMISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS. The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH REGULATORY REQUIREMENTS. The Authority covenants and agrees, so long as all or any part of the Bonds are outstanding, that it will (i) develop, implement and maintain a water conservation program relative to the System which is consistent with and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB and (iii) comply with and abide by all other applicable rules, regulations, laws and requirements of the TWDB relative to the Project.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.05: REGISTRAR. The initial Registrar in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The President and the Secretary of the Board of Directors of the Authority are hereby authorized and directed, on behalf of the Authority, to approve, execute and deliver an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain at least one (1) Registrar in the State of Texas, where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly

designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.06: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The Authority will maintain in the City of Houston, Texas, at least one (1) Paying Agent who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is

not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligation to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, V.T.C.A. Government Code §1207.001 et seq., as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, firm or corporation, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged

Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Order and other documentation required in connection herewith and with the issuance of the Bonds.

(End of Article Twelve)

ARTICLE THIRTEENSALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEENOPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time on June 11, 2008, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was timely furnished to the County Clerk of Harris County, Texas, for posting on a bulletin board located at a place convenient to the public in the Harris County Courthouse for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended, and that this meeting has been open to the public, as required by law, at all times during which this Resolution and the subject matter hereof has been discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage.

PASSED AND ADOPTED this 11<sup>th</sup> day of June, 2008.

/s/ Margaret L. Cox  
 President, Board of Directors  
 Central Harris County Regional  
 Water Authority

ATTEST:

/s/ Judge Caston  
 Secretary, Board of Directors  
 Central Harris County Regional  
 Water Authority

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF INITIAL BOND)

REGISTERED NUMBER IR-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal of this Bond is due at maturity or upon

prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the

interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

OFFICE OF THE COMPTROLLER

REGISTER NO. \_\_\_\_\_

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of the Central Harris County Regional Water Authority and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,  
\_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_  
the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

By: \_\_\_\_\_  
(Authorized Representative)

EXHIBIT "B"

(FORM OF EXCHANGE BOND)

REGISTERED NUMBER R-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the

"Record Date"). Principal of this Bond is due at maturity or upon prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but

the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither

the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same

lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRAR has been manually executed by an authorized representative of Registrar, as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

CERTIFICATE OF REGISTRAR

This is to certify that this bond is one of the Bonds issued under the provisions of the within-mentioned Bond Resolution, and it is hereby further certified that this bond has been authorized and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

\_\_\_\_\_, Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_ the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

By: \_\_\_\_\_  
(Authorized Representative)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

[The legal opinion of Bond Counsel shall also be attached to the Exchange Bonds.]

WATER CONSERVATION  
AND  
DROUGHT CONTINGENCY PLAN  
  
FOR THE  
  
CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY  
HOUSTON, TEXAS

PREPARED BY:



13333 Northwest Freeway, Suite 300  
Houston, Texas 77040  
713-462-3178 – Telephone  
713-462-1631 – Fax

May 1, 2014

**WATER CONSERVATION  
AND  
DROUGHT CONTINGENCY PLAN**

**TABLE OF CONTENTS**

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I.	Introduction
II.	Utility Evaluation
III.	Public Involvement
IV.	Water Conservation Plan
V.	Drought Contingency Plan

APPENDICES

Appendix A – Drought Contingency Plan

Appendix B – Resolution Adopting Water Conservation & Drought Contingency Plan & Regulations Pertaining to the Adoption of Water Conservation Plans by Member Districts of the Authority

Appendix C – Authority Map

ABBREVIATIONS

MG – Million Gallons

MGD – Million Gallons per Day

MGY – Million Gallons per Year

## I. INTRODUCTION

The Central Harris County Regional Water Authority (“Authority”) of Harris County was created by House Bill Number 3181 of the 79<sup>th</sup> Legislature of the State of Texas, Regular Session, 2005. The purpose of the Authority is to prepare and implement a plan to construct and operate the necessary public water transmission facilities to convert an area in central Harris County, Texas from groundwater to surface water. The Authority is expressly authorized to purchase, own, hold, lease and maintain pipelines for the transportation of water, to build and operate plants for the treatment and distribution of water, to purchase from and sell water to towns, cities, conservation and reclamation districts and other political subdivisions of the State of Texas, or to private corporations and individuals. The Board of Directors has the managing control and operation of the Authority’s system. Three members of the Board of Directors are elected by precincts comprised of one or more districts. Two members are elected at-large.

The Authority boundary includes all the acreage encompassed by the Member Districts (as defined in the above legislation creating the Authority) and is estimated at 4,800 acres. The Member Districts are in Regulatory Area III of the Harris-Galveston Coastal Subsidence District that permits their water wells.

The Authority will provide wholesale treated surface water to connected Member Districts. The Authority will operate a surface water transmission and distribution system (“the system”) in order to meet the Harris Galveston Subsidence District (“HGSD”) mandates for surface water conversion by the Member Districts through ultimately providing an overall 80 percent surface water usage rate among the Member Districts. Surface water is purchased from the City of Houston and is conveyed to certain Member Districts water plant facilities by way of the System.

## II. UTILITY EVALUATION

### A. WATER SUPPLY AND TRANSMISSION SYSTEM INFORMATION

1. Population of Service Areas (Estimated): 26,000
2. Area of Service Areas: 4,800 acre
3. Water Production and Sales Information
  - a) Water supplied during the last year (2006) – 1,672 MG
  - b) Avg. water supplied for last two years (2005 - 2006) – 1,667 MG
  - c) Monthly water sales by user for last year (2006) – See Table 1

TABLE NO. 1

## 2013 Total Water Usage (MG)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
HCMUD 33	17203	15487	17932	17199	20042	20621	22273	25751	22212	20453	18510	17591
HCMUD 150	19539	13560	23114	22027	29231	23947	26293	28795	24474	22206	20565	21671
HCMUD 217	4653	3304	5585	5538	6770	6966	7301	7904	6490	5445	5525	1844
HCMUD 304	11816	11815	14337	15222	18318	18698	20225	21525	17186	13650	12009	11243
FALLBROOKUD	19533	18284	20648	19560	21219	23033	23074	27132	26017	20162	19523	20709
HCMUD 200	30433	27145	32240	31566	37545	35504	37325	43879	37911	32602	30040	33711
HCMUD 205	0	0	0	0	0	0	0	0	0	0	0	0
Rankin Rd MUD	3673	3546	4853	5122	6738	6946	7523	7631	6455	5284	4650	1249
HCMUD 399	0	0	0	0	0	0	0	0	0	0	0	0
HCMUD 215	4173	3888	4150	4094	4340	4679	5336	5111	4732	5016	6033	5952
HCUD 16	7570	6716	8976	9119	10962	11902	12643	13178	10913	8659	1704	0

d) Highest average daily water use on record for system – 1.488 MGD

e) Peak daily use for the last year 2.232 MGD

4. Number and type of meter connections in service area: 11 – Public Entity

5. Net gain of new connections per year

N/A – Residential N/A – Commercial

6. Source of Water: City of Houston

7. Safe annual yield of water supply: Not Applicable

8. Design capacity of water system: 7.5 MGD

9. Major high volume customers

<u>Name</u>	<u>Quantity (MGY)</u>
1. HCMUD 33	235,274
2. HCMUD 150	280,659
3. Fallbrook UD	258,894
4. HCMUD 200	409,901

## B. UTILITY FINANCIAL OPERATIONS INFORMATION

### 1. Water rate structures

Effective as of July 1, 2013 the Authority assesses a pumpage fee of \$1.56 per 1000 gallons for groundwater and \$1.90 per 1000 gallons for surface water to all Member Districts based on total water pumped. The fee is also assessed on imported groundwater.

## 2. Sources revenue:

Percent of Annual Revenues from water rates – 100% (assuming is importation fee revenue)

## 3. Annual Operating Costs

- a) Average Annual Operating Costs - \$500,000
- b) Percent of Average Annual Operating Cost that are Fixed Cost – 94%
- c) Percent of Average Annual Operating Costs that are Variable – 6%

## C. OTHER APPLICABLE INFORMATION

## 1. Applicable local regulations relating to Water Conservation and Drought Contingency Planning.

- City of Houston Drought Contingency Plan
- Water Supply Contract by and among the Authority and the City of Houston.
- HGSD Water Wise Program - Eight of the Member Districts participate in the AWBD Water Smart Program.

## 2. Information on Member Districts: See TABLE No. 2

TABLE NO. 2

## Member Districts

Fallbrook UD c/o Abraham Rubinsky Schwartz Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	Rankin Road West MUD c/o Taylor Goodall Smith, Murdaugh, Little & Bonham, LLP 2727 Allen Parkway, Suite 1100 Houston, TX 77019
Harris County MUD 150 c/o Kara Richardson Marks Richardson, PC 3700 Buffalo Speedway., Suite 830 Houston, TX 77098	Harris County MUD 215 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
Harris County MUD 217 c/o Maria Salinas Parker Sanford & Kuhl 1980 Post oak Blvd., Suite 1380 Houston, TX 77056	Harris County MUD 200 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056
Harris County MUD 304 c/o Mitchell Page Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	Harris County MUD 205 c/o Spencer Creed Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056

Harris County MUD 33 c/o Regina Adams Johnson, Radcliffe, Petrov & Bobbitt, PLLC 1001 McKinney St., Suite 1000 Houston, TX 77002	Harris County UD 16 c/o David M. Marks Marks Richardson, P.C. 3700 Buffalo Speedway., Suite 830 Houston, TX 77098
Harris County MUD 399 c/o Peter T. Harding Schwartz, Page & Harding, LLP 1300 Post Oak Blvd., Suite 1400 Houston, TX 77056	

### III. PUBLIC INVOLVEMENT

#### A. Public at Large

The Authority holds regular board meetings once each month. Directors meet the first Wednesday of each month. These meetings are open to the public and anyone is free to speak to the Board of Directors.

### IV. WATER CONSERVATION PLAN

#### A. EDUCATION AND INFORMATION

The Authority will promote water conservation by informing the public of ways to conserve water. The following methods will be used to inform water users.

1. The Authority will make its Member Districts aware that water conservation material is available from the TWDB and the HGSD.
2. The Authority will provide an annual water conservation message to its Member Districts.

Information obtained from various regulatory agencies will be used as the basis for public education as well as pre-printed brochures from:

Texas Water Development Board  
P. O. Box 13231, Capital Station  
Austin, Texas 78711-3231

#### B. PLUMBING CODE – NOT APPLICABLE

#### C. RETROFIT PROGRAM – NOT APPLICABLE

#### D. WATER RATE STRUCTURE

The rate structure will be based on a formula included in the rate order to be adopted by the Authority on or before completion of the System.

#### E. METERING

The AUTHORITY will meter 100% of the water sold. Incorporated into the Water Conservation Plan, the Authority will set up the following meter testing schedule:

- Authority Delivery Meters – Calibrated annually.
- City of Houston Delivery Point Meters - Calibrated annually.
- Water well meters - Calibrated annually.

The Authority will engage the services of an operating company (the “Operator”) which will use a computer billing system handle all of the billing. The billing system will compare meter readings monthly and note dramatic changes.

F. WATER CONSERVATION LANDSCAPING – NOT APPLICABLE

G. LEAK DETECTION AND REPAIR

The Authority leak detection program includes:

- Electronic Surveillance – Monitor the quantity of water purchased from the City of Houston compared with the quantity sold to the Member Districts.
- Leak Detection and Location Program – visual inspection by Operator employees to watch for abnormal conditions indicating leaks (i.e. sink holes, flowing water, etc.).
- Maintain an adequate and qualified maintenance staff, which is available to repair leaks as they are located or perform corrective measures.
- Monthly water use accounting by the billing computer system, which identifies high water use for service meters indicating possible leaks or malfunction.
- Water Accountability – Achieve less than 5% water loss through application of the above steps.

H. RECYCLING AND REUSE

The Authority will have no means to recycle or reuse water. There are no customers at this time that would be able to recycle water.

I. IMPLEMENTATION AND ENFORCEMENT – NOT APPLICABLE

J. DISTRIBUTION SYSTEM AND/OR RESIDENTIAL PRESSURE CONTROLS  
- NOT APPLICABLE

## V. DROUGHT CONTINGENCY PLAN

### A. INTERRUPTED SUPPLY STRATEGY

The rate order adopted by the Authority requires Member Districts to maintain water wells in operation to augment or provide water supply in the case of an interrupted supply from the System.

### B. LIMITS ON WATER SUPPLY

1. If the City of Houston restricts the Authority to less than 100% of its contracted water supply the Authority has:
  - a) The right to limit water supply to each Member District directly proportional to the City restriction.
  - b) The right to limit water supply to each Member District considering Member District alternative sources of water supply, such as wells and interconnects.
2. If the water supply from the City is suspended each Member District is responsible to meet its own demands by alternative sources such as wells and/or interconnects.
3. See also Texas Water Code, Section 11.039.

### C. EMERGENCY MANAGEMENT

Each Member District is required by TCEQ rules to adopt a Drought Contingency Plan. By implementing their plans the reduction of demand would be directly reflected in Authority demand in the event of drought conditions.

### D. CONTRACTUAL SURCHARGES

If the City imposes a surcharge on water delivered to the Authority as a part of its Drought Contingency Plan, the Authority will limit its supply to Member Districts so as to avoid or minimize the impact of the surcharge.

### E. DROUGHT CONTINGENCY PLAN - APPENDIX A

### F. DROUGHT CONTINGENCY PLAN ADOPTION - APPENDIX B

**APPENDIX A**

# **APPENDIX A**

## **DROUGHT CONTINGENCY PLAN**

## DROUGHT CONTINGENCY PLAN

Section 1: Purpose of the Plan. The board of Directors (the “Board”) of Central Harris County Regional Water Authority (the “Authority”), has carefully considered the current water conditions in the Authority and has determined that the adoption of this Drought Contingency Plan (the “Plan”) by the Authority is necessary to ensure that an adequate supply of water is maintained. The Board also desires to provide in the Plan for the possibility of a natural disaster or equipment failure.

Section 2: Water from the City; City Reductions. The Authority receives water from the City of Houston (“City”). The Authority shall consult with the City in order to respond appropriately to the City’s Drought Contingency Plan for reductions in water supply. Also in such case, if the City implements drought response stages pursuant to its drought contingency plan, the Authority will evaluate implementing its drought response stages and evaluate the need to discourage excessive use of water in an effort to reduce the use of water.

Section 3: Education and Information. The Authority will engage in an educational program to promote the Plan which may include any of the following:

- A. Distribution of information regarding the plan to Member Districts of the Authority; and
- B. Direct distributions of educational and informational material regarding the Plan to customers of the Member Districts; and
- C. Additional educational activities consisting of (i) publishing articles in a newsletter of general circulation in the Authority’s service area, providing tips or information on water saving techniques, or (ii) conducting an informational school program in a school attended by students within the Authority’s service area, or (iii) conducting an educational program at a public place within accessible to residents of the Authority, or (iv) conducting or engaging in such other informational or educational activity designed to further the Plan as, in discretion of the Board, may be consistent with the purposes and policies of this Plan, or (v) any combination of the foregoing.

Section 4: Retrofit Educational Program. The Authority shall make information regarding the Plan available to Member Districts to provide to its customers

purchasing and installing various plumbing fixtures, lawn watering equipment, and other water-using appliances.

Section 5: The Drought Contingency Plan.

- A. Public Involvement. The Authority shall actively inform its Member Districts, and affirmatively provide the opportunity for input from them regarding the Plan.
- B. Trigger Conditions. For the purpose of this Plan, the Authority hereby adopts the trigger conditions (the “Trigger Conditions”) set forth below, which are based on study and/or statistical analysis of the vulnerability of water sources under “drought of record” conditions. These Trigger Conditions are for the purpose of responding to, but not limited to, the following situations: (a) reduction in available water supply up to a repeat of the drought of record; (b) water production or distribution system limitations; (c) supply source contamination; or (d) water system outage due to the failure or damage of major water system components (e.g, pumps).
1. Mild Drought. This condition (herein, “Mild Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds eighty percent of the production capacity of such facilities for 3 consecutive days, as determined by the Authority’s operator.
  2. Moderate Drought. This condition (herein, “Moderate Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds ninety percent of the production capacity of such facilities for 3 consecutive days, as determined by the Authority’s operator.
  3. Severe Drought. This condition (herein, “Severe Drought Conditions”) exists when demand on the Authority’s water supply facilities reaches or exceeds one hundred percent of the production capacity of such facilities for 24 hours, as determined by the Authority’s operator.
- C. Notice. Once one of the above Trigger Conditions has occurred, Member Districts will be notified that such Trigger Condition has occurred and of the Drought Response Measures (as defined below) to be taken. The process of notifying Users may include any of the following:
1. Mailing, at least 48 hours prior to the commencement of the required Drought Response Measures, a written notice to each Member District; and
  2. Posting notices at public places in the Authority.

Any notice issued shall contain (i) the date the Drought Response Measures will begin, (ii) the date the Drought Response Measures will terminate, if known, (iii) a list of Drought Response Measures to be implemented, and (iv) an explanation of penalties for violations of such Drought Response Measures.

D. Emergency Management Program. The Authority hereby establishes and adopts the following measures (“Drought Response Measures”) for the respective Trigger Conditions. The Drought Response Measures related to each Trigger Condition shall automatically become effective and shall be implemented by the Authority when Trigger conditions occurs.

1. Mild Drought. In the event of Mild Drought Conditions, the following Drought Response Measures shall be taken:

- a. Member Districts will be asked to take actions to voluntarily reduce water use and will be informed of specific steps that can be taken to reduce water use.

2. Moderate Drought. In the event of Moderate Drought Conditions, the following Drought Response Measures shall be taken.

- a. The Drought Response Measures established for Mild Drought Conditions shall continue to be implemented.
- b. The Authority shall recommend that the following water use by any customers of its Member Districts not essential for public health and safety be curtailed:

- (1) Street washing;
- (2) Fire hydrant flushing; and
- (3) Filling of swimming pools.

3. Severe Drought. In the event of Severe Drought Conditions, the following Drought Response Measures shall be taken:

- a. The Drought Response Measures established for Mild Drought Conditions and Moderate Drought Conditions shall continue to be implemented.
- b. Consistent with the City of Houston’s Drought Contingency measures, the Authority is authorized to ration water to Member Districts.

- E. Termination of Trigger Conditions Notification. When a Trigger Condition occurs, the Authority shall enforce the Drought Response Measures applicable to such Trigger Conditions for a minimum of five (5) days after the last day the demand on the Authority's water supply facilities reaches or exceeds the limits of such Trigger Conditions. After such five (5) day period, the Drought Response Measures prescribed may, in the discretion of the Board, be continued for an additional five (5) day period. After the expiration of ten (10) days, and assuming no other Trigger Conditions have occurred, the Drought Response Measures prescribed shall terminate and the Authority shall cease implementation and enforcement of such measures. The Authority will notify Member Districts of the termination of the particular Drought Response Measures and may utilize the same manner of notification used to inform Member Districts of the Occurrence of the Trigger Condition and implementation of the Drought Response Measures.

Section 6: Emergency Contingency Plan. In the event of a fire, flood hurricane, lighting strike, tornado, windstorm, or any other act of God, riot, terrorist act, or any other act of civil disobedience, or any other similar occurrence which results in the inability of the Authority to provide potable water to Member Districts (or the likelihood thereof), the Board, in its discretion, may, without prior notice, invoke all or any of the Drought Response Measures set forth in this Plan as "Emergency Response Measures". The Board may establish any of the penalties set forth in Section 8 for violations of the Emergency Response Measures.

Section 7: Implementation. Without limitation to specific actions stated in this Plan to be taken by the Authority's operator, the Authority's operator will administer and enforce this Plan, and will oversee and be responsible for the execution and implementation of all elements of this Plan. The operator shall keep adequate records for plan verification. The Authority's operator shall report to the Board of the Authority, at meetings of the Board, regarding actions taken and which need to be taken under this Plan. Without limiting the foregoing, the Authority's operator shall advise the President of the Board (or if the President is unavailable to receive notification, another member of the Board) as soon as reasonably practicable when a particular Trigger Condition has been reached under this Plan and when a particular drought condition no longer exists.

Section 8: Variances.

- A. Policy: The Authority may, in writing, grant a temporary variance to rationing or pro rata water allocation policies adopted pursuant to this Plan, or a temporary variance to a provision in the Plan, if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the public health, welfare, or safety and if one or more of the following conditions are met:

1. Compliance with this Plan cannot be technically accomplished during the duration of water supply shortage or other condition for which the Plan is in effect.
  2. Alternative methods can be implemented which will achieve the same level of reduction in water use.
- B. Petition: Persons requesting an exemption from the provisions of this plan shall file a petition for variance with the Authority within 5 days allocation has been invoked. All petitions for variances shall be reviewed by the Authority and shall include the following:
1. Name and address of the petitioner(s).
  2. For Authority residents and other users of water within the Authority, a detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioners complies with this Plan or rationing of water adopted by the Authority pursuant to this Plan.
  3. For wholesale water customers, if any, a detailed statement with supporting data and information as to how the pro rata allocation of water under the policies and procedures established in the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this plan.
  4. Description of the relief requested.
  5. Period of time for which the variance is sought.
  6. Alternative measures the petitioner is taking or proposes to take to meet the intent of this Plan and compliance date.
  7. Other pertinent information.
- C. Conditions: Variances granted by the Authority shall be subject to the following conditions unless waived or modified by the Authority or its designee:
1. Variances granted shall include a timetable for compliance.
  2. Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No Variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Section 10: Remedies Cumulative. All rights, remedies, sanctions, penalties and enforcement procedures provided for in this Order are cumulative. In addition, the Authority shall have and may exercise and enforce any and all rights and remedies provided by law or in equity.

Section 11: Notice to TCEQ. The Authority shall notify the executive director of the TCEQ within five (5) business days of the implementation of any mandatory provisions of this Plan.

Section 12: Rate Order Provisions. The rate order to be adopted by the Authority shall be included a provision that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code, Section 11.039.

## **APPENDIX B**

### **WATER CONSERVATION AND DROUGHT** **CONTINGENCY PLAN ADOPTION**

RESOLUTION REGARDING REVIEW  
WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

WHEREAS, the Central Harris County Regional Water Authority ("Authority") adopted its Water Conservation and Drought Contingency Plan, dated May 7, 2008 (the "Plan") pursuant to Chapter 288, Texas Administrative Code; and

WHEREAS, Chapter 288, Texas Administrative Code, requires the District to perform a review of the Plan on an established five (5) year schedule, and a review is required on or before May 1, 2014; and

WHEREAS, the Authority has, on the date hereof, performed said review;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the Central Harris County Regional Water Authority that the policies, procedures, and provisions set forth in the Plan are hereby amended pursuant to the attached Water Conservation and Drought Contingency Plan which shall remain in effect until amended by further action of the District and the Plan is hereby revoked effective as of the effective date of this Resolution.

PASSED AND ADOPTED ON THIS 7th day of May, 2014 to be effective as of the 1<sup>st</sup> day of May, 2014.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

ATTEST:

By: /s/ Judge Caston  
Secretary  
Board of Directors

By: /s/ Margaret Cox  
President  
Board of Directors



CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS    §  
                                   §  
 COUNTY OF HARRIS    §

I, the undersigned officer of the Board of Directors of the Central Harris County Regional Water Authority, do hereby certify as follows:

1. The Board of Directors of the Central Harris County Regional Water Authority convened in regular session on the 7<sup>th</sup> day of May, 2014, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Margaret L. Cox	President
Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

and all of said persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
 CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
 ADOPTION OF WATER CONSERVATION PLANS BY MEMBER  
 DISTRICTS OF THE  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 7<sup>th</sup> day of May, 2014.



*Judge Caston*  
Secretary, Board of Directors

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS    §  
   §  
 COUNTY OF HARRIS    §

I, the undersigned officer of the Board of Directors of the Central Harris County Regional Water Authority, do hereby certify as follows:

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Julian F. Boddy	Vice President
Judge Caston	Secretary
Tom Gower	Assistant Secretary
Richard C. Meek	Assistant Secretary

and all of said persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
 CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
 ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS  
 OF THE  
 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the

public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 7<sup>th</sup> day of May, 2008.



*Judge Caston*  
Secretary, Board of Directors

192687

RESOLUTION ADOPTING WATER CONSERVATION AND DROUGHT  
CONTINGENCY PLAN, AND REGULATIONS PERTAINING TO THE  
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS  
OF THE  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

\* \* \*

WHEREAS, the Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Code" and with all references thereto being made to the codification; and

WHEREAS, the Authority was created to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); and

WHEREAS, the Code authorizes the Authority to acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and to otherwise administer and enforce the Act; and

WHEREAS, the Authority has contracted to purchase certain rights to capacity in treated surface water production and transmission facilities constructed by the City of Houston, Texas, under that certain Water Supply Contract, dated December 5, 2003, by and among Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston (the "City of Houston Contract"), and by the North Harris County Regional Water

Authority under that certain Agreement For Joint Financing, Design, Construction, Operation And Maintenance Of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority; and

WHEREAS, the Authority is in the process of the sale, issuance and delivery of its revenue bonds to the Texas Water Development Board ("TWDB Bonds") in order to finance the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, which system is deemed necessary and convenient to achieve the objectives of the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District; and

WHEREAS, the City of Houston Contract provides that, as a condition to the delivery of water pursuant to the terms and provisions set forth therein, the Authority shall adopt and implement a water conservation program consistent with the applicable requirements of the Texas Commission on Environmental Quality ("TCEQ") set forth in Subchapter A of Chapter 288, Title 30, Texas Administrative Code ("30 TAC § 288"), as amended from time to time; and

WHEREAS, as a condition to the acceptance of delivery of the TWDB Bonds by the Texas Water Development Board ("TWDB"), the rules of the TWDB in Chapter 363 of Title 30, Texas Administrative Code, as amended, provide that the Authority shall adopt and implement a water conservation program, which may be satisfied through the adoption of a water conservation program meeting the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time; and

WHEREAS, in order to conserve the available water supply and protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage or other water supply emergency conditions, has additionally considered the adoption of a drought contingency plan consistent with the applicable requirements of the TCEQ set forth in Subchapter B of 30 TAC § 288, as amended from time to time; and

WHEREAS, the Board of Directors of the Authority ("Board") wishes to adopt (a) a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time, (b) a drought

contingency plan consistent with the requirements of the TCEQ set forth in Subchapter B of 30 TAC § 288, and (c) regulations providing that each Member District of the Authority shall similarly adopt and implement a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time;

NOW THEREFORE, BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY THAT:

ARTICLE I.  
FINDINGS; AUTHORIZATION

Section 1.01: Findings. Each of the recitals stated in this Resolution Adopting Groundwater Conservation and Drought Contingency Plan, and Setting Forth Regulations Pertaining to the Adoption of Water Conservation Plans by Member Districts of the Central Harris County Regional Water Authority ("Resolution") are hereby adopted as findings of the Board. All statutory requirements and conditions have been met for the adoption of this Resolution by the Board, including but not limited to the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended.

Section 1.02: Authorization. The adoption of this Resolution is authorized by Sections 8815.102 and 8815.108 of the Code.

ARTICLE II.  
DEFINITIONS

Section 2.01: Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein, shall apply with equal force herein and in any amendment or supplement hereto:

Member Districts.

The term "Member Districts" shall have the meaning set forth in § 8815.001(8) of the Code.

Water Conservation Plan.

The term "Water Conservation Plan" shall mean a plan setting forth a water conservation program consistent with the applicable requirements of the TCEQ set forth in Subchapter A of 30 TAC § 288, as amended from time to time.

ARTICLE III.  
ADOPTION OF AUTHORITY WATER CONSERVATION  
AND DROUGHT CONTINGENCY PLAN;  
ADOPTION OF WATER CONSERVATION PLANS BY MEMBER DISTRICTS

Section 3.01: Authority Plan. The Authority hereby adopts that certain Water Conservation and Drought Contingency Plan of even date herewith, prepared by Pate Engineers, Inc. (the "Authority Plan"). In particular, and without limiting the foregoing, the Authority adopts the Drought Contingency Plan set forth in Appendix A to the Authority Plan as if same was set forth fully herein.

Section 3.02: Member District Plans. Not later than December 31, 2009, each Member District shall adopt and implement a Water Conservation Plan. To the extent that a Member District provides wholesale water service within or without the Authority, and water so provided is comprised in whole or in part of treated surface water derived from the Authority's water distribution system, such Member District shall require its wholesale customer, to the greatest extent practicable, to implement the water conservation measures adopted in such Member District's Water Conservation Plan.

Section 3.03: Incorporation of Resolution in Authority Plan. A certified copy of this Resolution shall be included as Appendix B to the Authority Plan.

ARTICLE IV  
CIVIL PENALTIES; INJUNCTION

Section 4.01: Civil Penalty. A person or entity that violates a rule or order of the Authority is subject to a civil penalty of not more than \$5,000, as determined by the Board, for each violation or each day of a continuing violation. The Board may set the penalty based on the severity of the offense; whether such violation was willful, knowing, reckless or inadvertent; the history of offenses by such person or entity; and the damages sustained by the Authority. The Authority may bring an action to recover the penalty in a district court in Harris County, Texas. The penalty shall be paid to the Authority.

Section 4.02: Injunction. The Authority may bring an action for injunctive relief in a district court in Harris County, Texas. The Authority may bring an action for a civil penalty and injunctive relief in the same proceeding.

PASSED AND ADOPTED this the 7<sup>th</sup> day of May, 2008.

CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY

By: /s/ Margaret L. Cox  
President, Board of Directors

ATTEST:

By: /s/ Judge Caston  
Secretary, Board of Directors

(SEAL)

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## **APPENDIX C**

### **AUTHORITY MAP**



## HARRIS COUNTY ANALYSIS OF TAX BASE BY YEAR

	2014	2013	2012	2011	2010
Residential	\$172,969,634,044	\$150,824,399,577	\$143,255,129,230	\$141,661,638,693	\$141,343,036,140
Commercial	\$92,661,189,504	\$81,844,140,651	\$86,500,679,008	\$65,502,525,993	\$62,999,653,104
Industrial	<u>\$84,795,425,203</u>	<u>\$80,748,669,300</u>	<u>\$57,552,809,034</u>	<u>\$66,997,145,601</u>	<u>\$66,165,357,819</u>
Total	\$350,426,248,751	\$313,417,209,528	\$287,308,617,272	\$274,161,310,287	\$270,508,047,063

## CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

2015 Projected Annual Cash Flow Analysis, with 2015 - 2020 TWDB SMWFT Bonds Assuming NO Annual Increases in Total Water Usage

With \$0.70 Rate Increase in 2015; \$0.60 Rate Increase in 2018; and \$0.40 Rate Increase in 2020 (1 Penny Equals \$16,650 of Revenue Per Year)

2015CashFlowForSMWFTBondApplicationWith30YearBondsWithRateIncrease(b)ForCNG-23-2015  
6/23/2015

Year	Surplus Fund		Interest Earnings (b)	Annual Operating Revenue (c)	Annual Operating Expenditures (d)	Non-Bonded Debt Service Cost (e)	Net Revenues	Bonded Debt Service (f)		Surplus Fund Balance	Debt Service Coverage
	Beginning Balance (a)	Ending Balance									
2015	\$3,108,619	\$11,304	\$3,586,974	\$1,490,000	\$0	\$1,894,224	\$1,410,870	\$3,591,973	1.34		
2016	\$3,591,973	\$12,512	\$4,169,724	\$1,490,000	\$0	\$2,692,236	\$1,168,259	\$5,632,296	2.30		
2017	\$5,632,296	\$17,879	\$4,169,724	\$1,490,000	\$0	\$2,697,603	\$1,395,910	\$8,121,485	1.93		
2018	\$8,121,485	\$25,659	\$5,168,724	\$1,490,000	\$110,000	\$3,594,383	\$2,682,974	\$9,860,904	1.34		
2019	\$9,860,904	\$31,162	\$5,168,724	\$1,490,000	\$110,000	\$3,599,886	\$3,442,719	\$10,371,781	1.05		
2020	\$10,371,781	\$33,246	\$5,834,724	\$1,490,000	\$110,000	\$4,267,970	\$3,791,628	\$11,155,333	1.13		
2021	\$11,155,333	\$35,452	\$5,834,724	\$1,490,000	\$110,000	\$4,270,176	\$4,124,879	\$11,410,990	1.04		
2022	\$11,410,990	\$36,091	\$5,834,724	\$1,490,000	\$110,000	\$4,270,815	\$4,228,279	\$11,453,526	1.01		
2023	\$11,453,526	\$36,198	\$5,834,724	\$1,490,000	\$110,000	\$4,270,922	\$4,234,317	\$11,490,130	1.01		
2024	\$11,490,130	\$36,289	\$5,834,724	\$1,490,000	\$110,000	\$4,271,013	\$4,233,058	\$11,528,085	1.01		
2025	\$11,528,085	\$36,384	\$5,834,724	\$1,490,000	\$110,000	\$4,271,108	\$4,234,853	\$11,564,340	1.01		
2026	\$11,564,340	\$36,475	\$5,834,724	\$1,490,000	\$110,000	\$4,271,199	\$4,234,725	\$11,600,813	1.01		
2027	\$11,600,813	\$36,566	\$5,834,724	\$1,490,000	\$110,000	\$4,271,290	\$4,227,363	\$11,644,740	1.01		
2028	\$11,644,740	\$36,676	\$5,834,724	\$1,490,000	\$110,000	\$4,271,400	\$4,232,972	\$11,683,168	1.01		
2029	\$11,683,168	\$36,772	\$5,834,724	\$1,490,000	\$110,000	\$4,271,496	\$4,231,082	\$11,723,581	1.01		
2030	\$11,723,581	\$36,873	\$5,834,724	\$1,490,000	\$110,000	\$4,271,597	\$2,821,929	\$13,173,249	1.51		
2031	\$13,173,249	\$40,497	\$5,834,724	\$1,490,000	\$110,000	\$4,275,221	\$2,822,165	\$14,626,304	1.51		
2032	\$14,626,304	\$44,130	\$5,834,724	\$1,490,000	\$110,000	\$4,278,854	\$2,816,834	\$16,088,324	1.52		
2033	\$16,088,324	\$47,785	\$5,834,724	\$1,490,000	\$110,000	\$4,282,509	\$2,821,215	\$17,549,617	1.52		
2034	\$17,549,617	\$51,438	\$5,834,724	\$1,490,000	\$110,000	\$4,286,162	\$2,820,040	\$19,015,739	1.52		
2035	\$19,015,739	\$55,103	\$5,834,724	\$1,490,000	\$110,000	\$4,289,827	\$2,818,451	\$20,487,115	1.52		
2036	\$20,487,115	\$58,782	\$5,834,724	\$1,490,000	\$110,000	\$4,293,506	\$2,821,483	\$21,959,137	1.52		
2037	\$21,959,137	\$62,462	\$5,834,724	\$1,490,000	\$110,000	\$4,297,186	\$2,818,773	\$23,437,549	1.52		
2038	\$23,437,549	\$66,158	\$5,834,724	\$1,490,000	\$110,000	\$4,300,882	\$2,815,711	\$24,922,720	1.53		
2039	\$24,922,720	\$69,871	\$5,834,724	\$1,490,000	\$110,000	\$4,304,595	\$2,822,338	\$26,404,976	1.53		
2040	\$26,404,976	\$73,576	\$5,834,724	\$1,490,000	\$110,000	\$4,308,300	\$2,818,343	\$27,894,933	1.53		
2041	\$27,894,933	\$77,301	\$5,834,724	\$1,490,000	\$110,000	\$4,312,025	\$2,824,037	\$29,382,921	1.53		
2042	\$29,382,921	\$81,021	\$5,834,724	\$1,490,000	\$110,000	\$4,315,745	\$2,817,957	\$30,880,709	1.53		
2043	\$30,880,709	\$84,766	\$5,834,724	\$1,490,000	\$110,000	\$4,319,490	\$2,821,493	\$32,378,706	1.53		
2044	\$32,378,706	\$88,511	\$5,834,724	\$1,490,000	\$110,000	\$4,323,235	\$2,819,306	\$33,882,634	1.53		
2045	\$33,882,634	\$92,271	\$5,834,724	\$1,490,000	\$110,000	\$4,326,995	\$2,826,508	\$35,383,120	1.53		
2046	\$35,383,120	\$96,022	\$5,834,724	\$1,490,000	\$110,000	\$4,330,746	\$1,932,523	\$37,781,343	2.24		
2047	\$37,781,343	\$102,017	\$5,834,724	\$1,490,000	\$110,000	\$4,336,741	\$790,002	\$41,328,082	5.49		
2048	\$41,328,082	\$110,884	\$5,834,724	\$1,490,000	\$110,000	\$4,345,608	\$522,974	\$45,150,717	8.31		
2049	\$45,150,717	\$120,441	\$5,834,724	\$1,490,000	\$110,000	\$4,355,165	\$187,870	\$49,318,012	23.18		

(a) Reflects approximate 1/1/2015 cash balance per audited financial statements.  
 (b) Projected at 1/4 of 1.0%  
 (c) Per 2014 audited results and 2015 budget numbers plus \$0.70 rate increase during 2015; \$0.60 rate increase at the beginning of 2018; and \$0.40 rate increase at the beginning of 2020.  
 (d) Reflects 2015 General Fund budgeted figure; NO GROWTH ASSUMED.  
 (e) Reflects Authority's share of Luce Bayou capital costs estimated at \$2 million per COH 9/30/2011 letter.  
 (f) Reflects sale of Series 2008 Bonds to TWDB and assumes sale of 2015 - 2020 Bonds to TWDB at 3.01%-3.10% amortized over 30 years - see attached schedule.

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**Projected Debt Service With 2015-2020 TWDB Swift Bond Financings**

6/23/2015

OutlineForSwiftBond2015-2020ForCN

<u>Year</u>	<u>Series</u>		<u>Series</u>		<u>Series</u>		<u>Series</u>		<u>2016-2020</u>	<u>Capitalized</u>	<u>Out-of-Pocket</u>
	<u>2008</u>	<u>2015A</u>	<u>2015B</u>	<u>2015C</u>	<u>2015B</u>	<u>2015C</u>	<u>Bonds</u>	<u>Interest (a)</u>			
2015	\$1,410,870	\$5,510,000	\$3,625,000	\$1,670,000	\$0	\$0	\$0	\$0	\$1,410,870	\$1,410,870	
2016	\$1,410,278	\$98,433	\$64,702	\$29,856	\$81,335	\$81,335	\$81,335	\$516,346	\$1,168,259	\$1,168,259	
2017	\$1,412,948	\$287,649	\$187,053	\$84,784	\$610,972	\$610,972	\$610,972	\$1,187,496	\$1,395,910	\$1,395,910	
2018	\$1,413,741	\$286,683	\$191,432	\$84,508	\$1,534,620	\$1,534,620	\$1,534,620	\$828,010	\$2,682,974	\$2,682,974	
2019	\$1,412,806	\$285,325	\$190,511	\$89,120	\$1,818,667	\$1,818,667	\$1,818,667	\$353,710	\$3,442,719	\$3,442,719	
2020	\$1,415,196	\$288,687	\$189,399	\$88,594	\$2,116,962	\$2,116,962	\$2,116,962	\$307,210	\$3,791,628	\$3,791,628	
2021	\$1,414,514	\$286,744	\$188,126	\$87,991	\$2,257,864	\$2,257,864	\$2,257,864	\$110,360	\$4,124,879	\$4,124,879	
2022	\$1,411,886	\$284,540	\$186,682	\$87,307	\$2,257,864	\$2,257,864	\$2,257,864		\$4,228,279	\$4,228,279	
2023	\$1,412,683	\$287,119	\$190,096	\$86,555	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,317	\$4,234,317	
2024	\$1,411,822	\$289,374	\$188,266	\$85,732	\$2,257,864	\$2,257,864	\$2,257,864		\$4,233,058	\$4,233,058	
2025	\$1,414,437	\$286,367	\$191,326	\$84,859	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,853	\$4,234,853	
2026	\$1,410,502	\$288,220	\$189,194	\$88,945	\$2,257,864	\$2,257,864	\$2,257,864		\$4,234,725	\$4,234,725	
2027	\$1,410,259	\$284,604	\$186,821	\$87,815	\$2,257,864	\$2,257,864	\$2,257,864		\$4,227,363	\$4,227,363	
2028	\$1,413,585	\$285,684	\$189,249	\$86,590	\$2,257,864	\$2,257,864	\$2,257,864		\$4,232,972	\$4,232,972	
2029	\$1,415,177	\$286,378	\$186,378	\$85,285	\$2,257,864	\$2,257,864	\$2,257,864		\$4,231,082	\$4,231,082	
2030		\$286,754	\$188,386	\$88,925	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,929	\$2,821,929	
2031		\$286,801	\$190,131	\$87,369	\$2,257,864	\$2,257,864	\$2,257,864		\$2,822,165	\$2,822,165	
2032		\$286,563	\$186,639	\$85,768	\$2,257,864	\$2,257,864	\$2,257,864		\$2,816,834	\$2,816,834	
2033		\$286,106	\$188,099	\$89,146	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,215	\$2,821,215	
2034		\$285,444	\$189,374	\$87,358	\$2,257,864	\$2,257,864	\$2,257,864		\$2,820,040	\$2,820,040	
2035		\$284,574	\$190,461	\$85,552	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,451	\$2,818,451	
2036		\$288,514	\$186,371	\$88,734	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,483	\$2,821,483	
2037		\$287,004	\$187,186	\$86,719	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,773	\$2,818,773	
2038		\$285,318	\$187,832	\$84,697	\$2,257,864	\$2,257,864	\$2,257,864		\$2,815,711	\$2,815,711	
2039		\$288,476	\$188,322	\$87,676	\$2,257,864	\$2,257,864	\$2,257,864		\$2,822,338	\$2,822,338	
2040		\$286,323	\$188,657	\$85,499	\$2,257,864	\$2,257,864	\$2,257,864		\$2,818,343	\$2,818,343	
2041		\$289,014	\$188,837	\$88,322	\$2,257,864	\$2,257,864	\$2,257,864		\$2,824,037	\$2,824,037	
2042		\$285,807	\$188,477	\$85,809	\$2,257,864	\$2,257,864	\$2,257,864		\$2,817,957	\$2,817,957	
2043		\$287,407	\$187,933	\$88,289	\$2,257,864	\$2,257,864	\$2,257,864		\$2,821,493	\$2,821,493	
2044		\$288,645	\$187,204	\$85,593	\$2,257,864	\$2,257,864	\$2,257,864		\$2,819,306	\$2,819,306	
2045		\$289,492	\$191,271	\$87,881	\$2,257,864	\$2,257,864	\$2,257,864		\$2,826,508	\$2,826,508	
2046				\$1,932,523	\$1,932,523	\$1,932,523	\$1,932,523		\$1,932,523	\$1,932,523	
2047				\$790,002	\$790,002	\$790,002	\$790,002		\$790,002	\$790,002	
2048				\$522,974	\$522,974	\$522,974	\$522,974		\$522,974	\$522,974	
2049				\$187,870	\$187,870	\$187,870	\$187,870		\$187,870	\$187,870	
<b>Total</b>	\$21,190,704	\$8,418,049	\$5,534,415	\$2,551,278	\$51,319,843	\$51,319,843	\$51,319,843	\$3,303,131	\$82,891,177	\$82,891,177	

(a) Assumes 2 years of capitalized interest for each Bond issue.

**NOTE:** The 2016 - 2020 Bonds include Bonds for the internal lines that are in the process of being incorporated into the Region H Plan and then the Statewide Water Plan; such bonds have not been approved for TWDB funding yet.

## CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY - TWDB SWIFT BONDS BY YEAR

	2015	2016	2017	2018	2019	2020	Total All Bonds
Northeast Plant Expansion	\$5,510,000		\$16,200,000			\$945,000	\$22,655,000
Phase I 2D Source Line	\$3,625,000			\$1,685,000	\$1,535,000	\$2,615,000	\$9,460,000
Phase II 2D Source Line	\$1,670,000	\$2,395,000	\$5,450,000				\$9,515,000
CHCRWA Internal Lines		\$3,770,000 (a)		\$3,375,000	\$4,815,000		\$11,960,000
<b>Total Bonds</b>	<b>\$10,805,000</b>	<b>\$6,165,000</b>	<b>\$21,650,000</b>	<b>\$5,060,000</b>	<b>\$6,350,000</b>	<b>\$3,560,000</b>	<b>\$53,590,000</b>

(a) Bonds for this project are in the process of being incorporated into the Region H Plan and the Statewide Water Plan

SwiftBondsByYear2015-2020

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015A  
SWIFT PROGRAM - BONDS FOR NORTHEAST PLANT PARTICIPATION

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Debt Service Schedule

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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			24,608.25	24,608.25	
8/ 1/16			73,824.75	73,824.75	98,433.00
2/ 1/17			73,824.75	73,824.75	
8/ 1/17	140,000.00	0.690000	73,824.75	213,824.75	287,649.50
2/ 1/18			73,341.75	73,341.75	
8/ 1/18	140,000.00	0.970000	73,341.75	213,341.75	286,683.50
2/ 1/19			72,662.75	72,662.75	
8/ 1/19	140,000.00	1.170000	72,662.75	212,662.75	285,325.50
2/ 1/20			71,843.75	71,843.75	
8/ 1/20	145,000.00	1.340000	71,843.75	216,843.75	288,687.50
2/ 1/21			70,872.25	70,872.25	
8/ 1/21	145,000.00	1.520000	70,872.25	215,872.25	286,744.50
2/ 1/22			69,770.25	69,770.25	
8/ 1/22	145,000.00	1.670000	69,770.25	214,770.25	284,540.50
2/ 1/23			68,559.50	68,559.50	
8/ 1/23	150,000.00	1.830000	68,559.50	218,559.50	287,119.00
2/ 1/24			67,187.00	67,187.00	
8/ 1/24	155,000.00	1.940000	67,187.00	222,187.00	289,374.00
2/ 1/25			65,683.50	65,683.50	
8/ 1/25	155,000.00	2.030000	65,683.50	220,683.50	286,367.00
2/ 1/26			64,110.25	64,110.25	
8/ 1/26	160,000.00	2.260000	64,110.25	224,110.25	288,220.50
2/ 1/27			62,302.25	62,302.25	
8/ 1/27	160,000.00	2.450000	62,302.25	222,302.25	284,604.50
2/ 1/28			60,342.25	60,342.25	
8/ 1/28	165,000.00	2.610000	60,342.25	225,342.25	285,684.50
2/ 1/29			58,189.00	58,189.00	
8/ 1/29	170,000.00	2.720000	58,189.00	228,189.00	286,378.00
2/ 1/30			55,877.00	55,877.00	
8/ 1/30	175,000.00	2.830000	55,877.00	230,877.00	286,754.00
2/ 1/31			53,400.75	53,400.75	
8/ 1/31	180,000.00	2.910000	53,400.75	233,400.75	286,801.50
2/ 1/32			50,781.75	50,781.75	
8/ 1/32	185,000.00	2.950000	50,781.75	235,781.75	286,563.50
2/ 1/33			48,053.00	48,053.00	
8/ 1/33	190,000.00	2.980000	48,053.00	238,053.00	286,106.00
2/ 1/34			45,222.00	45,222.00	
8/ 1/34	195,000.00	3.010000	45,222.00	240,222.00	285,444.00
2/ 1/35			42,287.25	42,287.25	
8/ 1/35	200,000.00	3.030000	42,287.25	242,287.25	284,574.50
2/ 1/36			39,257.25	39,257.25	
8/ 1/36	210,000.00	3.100000	39,257.25	249,257.25	288,514.50
2/ 1/37			36,002.25	36,002.25	
8/ 1/37	215,000.00	3.110000	36,002.25	251,002.25	287,004.50
2/ 1/38			32,659.00	32,659.00	
8/ 1/38	220,000.00	3.110000	32,659.00	252,659.00	285,318.00
2/ 1/39			29,238.00	29,238.00	
8/ 1/39	230,000.00	3.110000	29,238.00	259,238.00	288,476.00
2/ 1/40			25,661.50	25,661.50	
8/ 1/40	235,000.00	3.110000	25,661.50	260,661.50	286,323.00
2/ 1/41			22,007.25	22,007.25	

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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015A  
 SWIFT PROGRAM - BONDS FOR NORTHEAST PLANT PARTICIPATION

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Debt Service Schedule

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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	245,000.00	3.350000	22,007.25	267,007.25	289,014.50
2/ 1/42			17,903.50	17,903.50	
8/ 1/42	250,000.00	3.360000	17,903.50	267,903.50	285,807.00
2/ 1/43			13,703.50	13,703.50	
8/ 1/43	260,000.00	3.370000	13,703.50	273,703.50	287,407.00
2/ 1/44			9,322.50	9,322.50	
8/ 1/44	270,000.00	3.390000	9,322.50	279,322.50	288,645.00
2/ 1/45			4,746.00	4,746.00	
8/ 1/45	280,000.00	3.390000	4,746.00	284,746.00	289,492.00
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	5,510,000.00		2,908,056.50	8,418,056.50	
ACCRUED					
	5,510,000.00		2,908,056.50	8,418,056.50	
	=====		=====	=====	

Dated 12/ 1/15 with Delivery of 12/ 1/15

Bond Years 96,383.333  
 Average Coupon 3.017178  
 Average Life 17.492438  
 N I C % 3.017178 % Using 100.0000000

Weighted Bond Years 96,383.333  
 Weighted Average Life 17.492438  
 Weighted N I C % 3.017178 % Using 100.0000000  
 T I C % 2.975325 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:08:45 Filename: CHCRWA Key: 2015A

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015B  
SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE I

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Debt Service Schedule

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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			16,175.58	16,175.58	
8/ 1/16			48,526.75	48,526.75	64,702.33
2/ 1/17			48,526.75	48,526.75	
8/ 1/17	90,000.00	0.690000	48,526.75	138,526.75	187,053.50
2/ 1/18			48,216.25	48,216.25	
8/ 1/18	95,000.00	0.970000	48,216.25	143,216.25	191,432.50
2/ 1/19			47,755.50	47,755.50	
8/ 1/19	95,000.00	1.170000	47,755.50	142,755.50	190,511.00
2/ 1/20			47,199.75	47,199.75	
8/ 1/20	95,000.00	1.340000	47,199.75	142,199.75	189,399.50
2/ 1/21			46,563.25	46,563.25	
8/ 1/21	95,000.00	1.520000	46,563.25	141,563.25	188,126.50
2/ 1/22			45,841.25	45,841.25	
8/ 1/22	95,000.00	1.670000	45,841.25	140,841.25	186,682.50
2/ 1/23			45,048.00	45,048.00	
8/ 1/23	100,000.00	1.830000	45,048.00	145,048.00	190,096.00
2/ 1/24			44,133.00	44,133.00	
8/ 1/24	100,000.00	1.940000	44,133.00	144,133.00	188,266.00
2/ 1/25			43,163.00	43,163.00	
8/ 1/25	105,000.00	2.030000	43,163.00	148,163.00	191,326.00
2/ 1/26			42,097.25	42,097.25	
8/ 1/26	105,000.00	2.260000	42,097.25	147,097.25	189,194.50
2/ 1/27			40,910.75	40,910.75	
8/ 1/27	105,000.00	2.450000	40,910.75	145,910.75	186,821.50
2/ 1/28			39,624.50	39,624.50	
8/ 1/28	110,000.00	2.610000	39,624.50	149,624.50	189,249.00
2/ 1/29			38,189.00	38,189.00	
8/ 1/29	110,000.00	2.720000	38,189.00	148,189.00	186,378.00
2/ 1/30			36,693.00	36,693.00	
8/ 1/30	115,000.00	2.830000	36,693.00	151,693.00	188,386.00
2/ 1/31			35,065.75	35,065.75	
8/ 1/31	120,000.00	2.910000	35,065.75	155,065.75	190,131.50
2/ 1/32			33,319.75	33,319.75	
8/ 1/32	120,000.00	2.950000	33,319.75	153,319.75	186,639.50
2/ 1/33			31,549.75	31,549.75	
8/ 1/33	125,000.00	2.980000	31,549.75	156,549.75	188,099.50
2/ 1/34			29,687.25	29,687.25	
8/ 1/34	130,000.00	3.010000	29,687.25	159,687.25	189,374.50
2/ 1/35			27,730.75	27,730.75	
8/ 1/35	135,000.00	3.030000	27,730.75	162,730.75	190,461.50
2/ 1/36			25,685.50	25,685.50	
8/ 1/36	135,000.00	3.100000	25,685.50	160,685.50	186,371.00
2/ 1/37			23,593.00	23,593.00	
8/ 1/37	140,000.00	3.110000	23,593.00	163,593.00	187,186.00
2/ 1/38			21,416.00	21,416.00	
8/ 1/38	145,000.00	3.110000	21,416.00	166,416.00	187,832.00
2/ 1/39			19,161.25	19,161.25	
8/ 1/39	150,000.00	3.110000	19,161.25	169,161.25	188,322.50
2/ 1/40			16,828.75	16,828.75	
8/ 1/40	155,000.00	3.110000	16,828.75	171,828.75	188,657.50
2/ 1/41			14,418.50	14,418.50	

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015B  
 SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE I

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Debt Service Schedule

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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	160,000.00	3.350000	14,418.50	174,418.50	188,837.00
2/ 1/42			11,738.50	11,738.50	
8/ 1/42	165,000.00	3.360000	11,738.50	176,738.50	188,477.00
2/ 1/43			8,966.50	8,966.50	
8/ 1/43	170,000.00	3.370000	8,966.50	178,966.50	187,933.00
2/ 1/44			6,102.00	6,102.00	
8/ 1/44	175,000.00	3.390000	6,102.00	181,102.00	187,204.00
2/ 1/45			3,135.75	3,135.75	
8/ 1/45	185,000.00	3.390000	3,135.75	188,135.75	191,271.50
	-----		-----	-----	
	3,625,000.00		1,909,422.83	5,534,422.83	
ACCRUED					
	3,625,000.00		1,909,422.83	5,534,422.83	
	=====		=====	=====	

Dated 12/ 1/15 with Delivery of 12/ 1/15

Bond Years 63,311.667  
 Average Coupon 3.015910  
 Average Life 17.465287  
 N I C % 3.015910 % Using 100.0000000

Weighted Bond Years 63,311.667  
 Weighted Average Life 17.465287  
 Weighted N I C % 3.015910 % Using 100.0000000  
 T I C % 2.973932 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:24:04 Filename: CHCRWA Key: 2015B

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2015C  
SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE II

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Debt Service Schedule

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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/16			7,464.08	7,464.08	
8/ 1/16			22,392.25	22,392.25	29,856.33
2/ 1/17			22,392.25	22,392.25	
8/ 1/17	40,000.00	0.690000	22,392.25	62,392.25	84,784.50
2/ 1/18			22,254.25	22,254.25	
8/ 1/18	40,000.00	0.970000	22,254.25	62,254.25	84,508.50
2/ 1/19			22,060.25	22,060.25	
8/ 1/19	45,000.00	1.170000	22,060.25	67,060.25	89,120.50
2/ 1/20			21,797.00	21,797.00	
8/ 1/20	45,000.00	1.340000	21,797.00	66,797.00	88,594.00
2/ 1/21			21,495.50	21,495.50	
8/ 1/21	45,000.00	1.520000	21,495.50	66,495.50	87,991.00
2/ 1/22			21,153.50	21,153.50	
8/ 1/22	45,000.00	1.670000	21,153.50	66,153.50	87,307.00
2/ 1/23			20,777.75	20,777.75	
8/ 1/23	45,000.00	1.830000	20,777.75	65,777.75	86,555.50
2/ 1/24			20,366.00	20,366.00	
8/ 1/24	45,000.00	1.940000	20,366.00	65,366.00	85,732.00
2/ 1/25			19,929.50	19,929.50	
8/ 1/25	45,000.00	2.030000	19,929.50	64,929.50	84,859.00
2/ 1/26			19,472.75	19,472.75	
8/ 1/26	50,000.00	2.260000	19,472.75	69,472.75	88,945.50
2/ 1/27			18,907.75	18,907.75	
8/ 1/27	50,000.00	2.450000	18,907.75	68,907.75	87,815.50
2/ 1/28			18,295.25	18,295.25	
8/ 1/28	50,000.00	2.610000	18,295.25	68,295.25	86,590.50
2/ 1/29			17,642.75	17,642.75	
8/ 1/29	50,000.00	2.720000	17,642.75	67,642.75	85,285.50
2/ 1/30			16,962.75	16,962.75	
8/ 1/30	55,000.00	2.830000	16,962.75	71,962.75	88,925.50
2/ 1/31			16,184.50	16,184.50	
8/ 1/31	55,000.00	2.910000	16,184.50	71,184.50	87,369.00
2/ 1/32			15,384.25	15,384.25	
8/ 1/32	55,000.00	2.950000	15,384.25	70,384.25	85,768.50
2/ 1/33			14,573.00	14,573.00	
8/ 1/33	60,000.00	2.980000	14,573.00	74,573.00	89,146.00
2/ 1/34			13,679.00	13,679.00	
8/ 1/34	60,000.00	3.010000	13,679.00	73,679.00	87,358.00
2/ 1/35			12,776.00	12,776.00	
8/ 1/35	60,000.00	3.030000	12,776.00	72,776.00	85,552.00
2/ 1/36			11,867.00	11,867.00	
8/ 1/36	65,000.00	3.100000	11,867.00	76,867.00	88,734.00
2/ 1/37			10,859.50	10,859.50	
8/ 1/37	65,000.00	3.110000	10,859.50	75,859.50	86,719.00
2/ 1/38			9,848.75	9,848.75	
8/ 1/38	65,000.00	3.110000	9,848.75	74,848.75	84,697.50
2/ 1/39			8,838.00	8,838.00	
8/ 1/39	70,000.00	3.110000	8,838.00	78,838.00	87,676.00
2/ 1/40			7,749.50	7,749.50	
8/ 1/40	70,000.00	3.110000	7,749.50	77,749.50	85,499.00
2/ 1/41			6,661.00	6,661.00	

Micro-Muni Debt Date: 05-18-2015 @ 16:27:26 Filename: CHCRWA Key: 2015C

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS, SERIES 2015C  
 SWIFT PROGRAM - BONDS FOR 2ND SOURCE LINE PHASE II

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 Debt Service Schedule  
 =====

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
8/ 1/41	75,000.00	3.350000	6,661.00	81,661.00	88,322.00
2/ 1/42			5,404.75	5,404.75	
8/ 1/42	75,000.00	3.360000	5,404.75	80,404.75	85,809.50
2/ 1/43			4,144.75	4,144.75	
8/ 1/43	80,000.00	3.370000	4,144.75	84,144.75	88,289.50
2/ 1/44			2,796.75	2,796.75	
8/ 1/44	80,000.00	3.390000	2,796.75	82,796.75	85,593.50
2/ 1/45			1,440.75	1,440.75	
8/ 1/45	85,000.00	3.390000	1,440.75	86,440.75	87,881.50
	-----		-----	-----	
	1,670,000.00		881,285.83	2,551,285.83	
ACCRUED					
	1,670,000.00		881,285.83	2,551,285.83	
	=====		=====	=====	

Dated 12/ 1/15 with Delivery of 12/ 1/15  
 Bond Years 29,213.333  
 Average Coupon 3.016725  
 Average Life 17.493014  
 N I C % 3.016725 % Using 100.0000000

Weighted Bond Years 29,213.333  
 Weighted Average Life 17.493014  
 Weighted N I C % 3.016725 % Using 100.0000000  
 T I C % 2.974929 % From Delivery Date

Micro-Muni Debt Date: 05-18-2015 @ 16:27:26 Filename: CHCRWA Key: 2015C



**Central Harris County Regional Water Authority**  
**Projected Rate Increases Assuming No Growth in Water Usage (a)**  
 All Rates per 1,000 Gallons of Water Usage

	Current Rates	2015 (a)	2018 (b)	2020 (c)
Surface Water	\$1.95	\$2.65	\$3.25	\$3.65
Groundwater	\$1.61	\$2.31	\$2.91	\$3.31

(a) The Cash Flow on the following page assumes no growth in water usage. The figures above represent the water rate increases that would be necessary assuming the sale of all of the Bonds necessary between 2015 through and including 2020.

(b) Reflects CHCROWA \$0.70 rate increase that will go into effect July 1, 2015

(c) \$0.60 rate increase assumed to go into effect January 1, 2018

(d) \$0.40 rate increase assumed to go into effect January 1, 2020

ProjectedRateIncreasesAssumingNoGrowthInWaterUsage

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

2015 Projected Annual Cash Flow Analysis, with 2015 - 2020 TWDB SWIFT Bonds Showing "Adjusted" Additional Bonds Test Assuming NO Annual Increases in Total Water Usage  
 With \$0.70 Rate Increase in 2015; \$0.60 Rate Increase in 2018; and \$0.40 Rate Increase in 2020 (1 Penny Equals \$16,650 of Revenue Per Year)

Year	Surplus Fund Beginning Balance (a)	Annual Operating Revenue (c)	Annual Operating Expenditures (d)	Non-Bonded Debt Service Cost (e)	Net Revenues	Capitalized Interest (f)	Bonded Debt Service (g)	Surplus Fund Balance	Surplus Funds Reserve Balance (h)	Funds Available for Additional Bonds Test (i)	Rate Covenant Test	Additional Bonds Test (j)	Accumulated DSRF Deposit	All Funds Reserve Balance	Bonds Funded DSRF	Calendar Year Bonds Sold
2015	\$3,108,819	\$3,586,974	\$1,490,000	\$0	\$1,834,224	\$1,410,870	\$1,410,870	\$3,591,873	113%	\$4,483,453	1.34	3.00	\$1,412,972	156%	\$0	\$10,805,000
2016	\$3,591,873	\$4,169,724	\$1,490,000	\$0	\$2,699,724	\$1,694,504	\$1,694,504	\$5,115,956	126%	\$5,486,197	1.60	2.34	\$1,412,972	160%	\$106,484	\$6,165,000
2017	\$5,115,956	\$4,169,724	\$1,490,000	\$0	\$2,699,724	\$1,877,436	\$2,583,406	\$4,416,353	128%	\$7,498,187	1.04	3.31	\$1,412,972	158%	\$625,469	\$21,650,000
2018	\$6,416,353	\$5,168,724	\$1,490,000	\$110,000	\$3,989,724	\$928,010	\$3,510,984	\$7,323,499	148%	\$9,112,565	1.02	3.85	\$2,141,935	175%	\$402,000	\$5,060,000
2019	\$7,323,499	\$5,168,724	\$1,490,000	\$110,000	\$3,583,724	\$353,710	\$3,796,429	\$7,474,323	131%	\$10,915,619	0.95	4.22	\$2,603,935	177%	\$322,658	\$6,350,000
2020	\$7,474,323	\$5,834,724	\$1,490,000	\$110,000	\$4,260,724	\$97,210	\$4,098,638	\$7,943,421	136%	\$11,087,866	1.04	4.22	\$2,926,593	188%	\$99,000	\$3,550,000
2021	\$7,943,421	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,380	\$4,235,239	\$8,086,888	139%	\$11,260,146	1.01		\$3,025,593	191%		
2022	\$8,086,888	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,114,898	139%	\$11,437,425	1.01		\$3,025,593	191%		
2023	\$8,114,898	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,143,156	140%	\$11,614,704	1.01		\$3,025,593	192%		
2024	\$8,143,156	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,172,744	140%	\$11,792,510	1.01		\$3,025,593	192%		
2025	\$8,172,744	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,202,610	141%	\$11,971,314	1.01		\$3,025,593	192%		
2026	\$8,202,610	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,232,874	141%	\$12,151,118	1.01		\$3,025,593	193%		
2027	\$8,232,874	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,263,593	142%	\$12,331,922	1.01		\$3,025,593	194%		
2028	\$8,263,593	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,294,312	142%	\$12,513,726	1.01		\$3,025,593	194%		
2029	\$8,294,312	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,325,031	142%	\$12,696,530	1.01		\$3,025,593	195%		
2030	\$8,325,031	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,355,750	142%	\$12,880,334	1.01		\$3,025,593	195%		
2031	\$8,355,750	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,386,469	142%	\$13,065,138	1.01		\$3,025,593	196%		
2032	\$8,386,469	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,417,188	142%	\$13,251,942	1.01		\$3,025,593	196%		
2033	\$8,417,188	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,447,907	142%	\$13,438,746	1.01		\$3,025,593	197%		
2034	\$8,447,907	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,478,626	142%	\$13,626,550	1.01		\$3,025,593	197%		
2035	\$8,478,626	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,509,345	142%	\$13,815,354	1.01		\$3,025,593	198%		
2036	\$8,509,345	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,540,064	142%	\$14,005,158	1.01		\$3,025,593	198%		
2037	\$8,540,064	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,570,783	142%	\$14,196,962	1.01		\$3,025,593	199%		
2038	\$8,570,783	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,601,502	142%	\$14,389,766	1.01		\$3,025,593	199%		
2039	\$8,601,502	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,632,221	142%	\$14,583,570	1.01		\$3,025,593	200%		
2040	\$8,632,221	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,662,940	142%	\$14,778,374	1.01		\$3,025,593	200%		
2041	\$8,662,940	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,693,659	142%	\$14,974,178	1.01		\$3,025,593	200%		
2042	\$8,693,659	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,724,378	142%	\$15,171,982	1.01		\$3,025,593	200%		
2043	\$8,724,378	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,755,097	142%	\$15,370,786	1.01		\$3,025,593	200%		
2044	\$8,755,097	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,785,816	142%	\$15,570,590	1.01		\$3,025,593	200%		
2045	\$8,785,816	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,816,535	142%	\$15,771,394	1.01		\$3,025,593	200%		
2046	\$8,816,535	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,847,254	142%	\$15,973,198	1.01		\$3,025,593	200%		
2047	\$8,847,254	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,877,973	142%	\$16,176,002	1.01		\$3,025,593	200%		
2048	\$8,877,973	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,908,692	142%	\$16,380,806	1.01		\$3,025,593	200%		
2049	\$8,908,692	\$5,834,724	\$1,490,000	\$110,000	\$4,262,724	\$110,000	\$4,226,279	\$8,939,411	142%	\$16,586,610	1.01		\$3,025,593	200%		

(a) Reflects approximate 1/1/2015 cash balance per audited financial statements.  
 (b) Projected at 1/1/4 of 1.0%  
 (c) Per 2014 audited results and 2015 budget numbers plus \$0.70 rate increase during 2015; \$0.60 rate increase at the beginning of 2018; and \$0.40 rate increase at the beginning of 2020.  
 (d) Reflects 2015 General Fund budgeted figures; NO GROWTH ASSUMED.  
 (e) Reflects Authority's share of Luce Bayou capital costs estimated at \$2 million per COH 9/30/2011 letter.  
 (f) Reflects sale of Series 2008 Bonds to TWDB and assumes sale of 2015 - 2020 Bonds to TWDB at 3.01%-3.10% amortized over 30 years - see attached schedule.  
 (g) Capitalized interest funded with each Series of Bonds. Dollar amounts reflected in years in which dollars will be actually used for debt service.  
 (h) Equals General Fund plus Surplus Fund Balance divided by the subsequent year's total cash outflow for operating costs plus non bond debt service plus bonded debt service.  
 (i) Adjusted additional Bond test.  
 (j) Must be at least 1.25 times

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF CASH TRANSACTIONS**  
**FOR THE PERIOD APRIL 1, 2015 - MAY 6, 2015**  
(Unaudited)

	GENERAL FUND	SURPLUS REVENUE FUND	DEBT SERVICE FUND	DEBT SERVICE RESERVE FUND	CAPITAL PROJECTS FUND
	=====	=====	=====	=====	=====
<b>BALANCE, MARCH 31, 2015</b>	<b>\$224,111.96</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
RECEIPTS	153,931.85	0.00	0.00	0.00	0.00
DISBURSEMENTS	(127,303.73)	0.00	0.00	0.00	0.00
INVEST PROCEEDS	0.00	0.00	0.00	0.00	0.00
INVEST PURCHASES	0.00	0.00	(117,572.56)	0.00	0.00
TRANSFERS	(117,572.56)	0.00	117,572.56	0.00	0.00
<b>BALANCE, APRIL 30, 2015</b>	<b>133,167.52</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
CURRENT MONTHS ACTIVITY:					
RECEIPTS	115,392.98	0.00	0.00	0.00	0.00
DISBURSEMENTS	(139,186.78)	0.00	0.00	0.00	(1,379.88)
INVEST PROCEEDS	0.00	0.00	0.00	0.00	1,379.88
INVEST PURCHASES	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0.00	0.00	0.00	0.00	0.00
<b>CURRENT CASH BALANCE</b>	<b>\$109,373.72</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>CURRENT INVESTMENTS</b>	<b>0.00</b>	<b>2,293,827.12</b>	<b>846,583.40</b>	<b>1,413,262.59</b>	<b>1,285,974.08</b>
<b>CASH BALANCES, MAY 6, 2015</b>	<b>\$109,373.72</b>	<b>\$2,293,827.12</b>	<b>\$846,583.40</b>	<b>\$1,413,262.59</b>	<b>\$1,285,974.08</b>
	=====	=====	=====	=====	=====

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE MONTH ENDED APRIL 30, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
4/1/15	2806	JULIAN F. BODDY	DIR FEE 3/4		138.52
4/1/15	2807	JUDGE CASTON	DIR FEE 3/4		138.52
4/1/15	2808	MARGARET L. COX	DIR FEE 3/4		138.52
4/1/15	2809	THOMAS C. GOWER	DIR FEE/EXP 3/4		118.88
4/1/15	2810	RICHARD C. MEEK	DIR FEE/EXP 3/4		145.42
4/1/15	2811	ASSOCIATION OF WATER BOARD DIR	JUNE (COX)		355.00
4/1/15	2812	AT&T	SERVICE: 3/19-4/18		118.53
4/1/15	2813	CITY OF HOUSTON	FEB - 50,229,000 GALS@1.4435		72,505.56
4/1/15	2814	CITY OF HOUSTON	PREVIOUSLY INCURRED COSTS		27,888.06
4/1/15	2815	CJ PARHAM TREDWAY	APRIL 2015		2,500.00
4/1/15	2816	F MATUSKA INC	MARCH 2015		956.05
4/1/15	2817	IDS ENGINEERING GROUP	DIST ADMIN THRU 2/25		17,129.91
4/1/15	2818	MUNICIPAL OPERATIONS & CONSULT	MARCH 2015		3,959.46
4/1/15	2819	UNITED STATES TREASURY	FORM 941 1ST QTR 2015		976.30
4/1/15	2820	WATER UTILITY SERVICES INC	#22881		217.00
3/2/15	J3-4	COMPASS INTEREST		12.90	
3/16/15	J3-5	COMPASS SC			18.00
4/2/15	R4-1	DEP HCMUD150 2/2015 SW		42,794.70	
4/21/15	R4-2	DEP HCMUD33 3/2015		26,404.00	
4/23/15	R4-3	DEP TML EQUITY RETURN		64.00	
4/27/15	R4-4	DEP RANKIN RD W 3/2015 SW		6,928.35	
4/27/15	R4-5	DEP HCMUD150 3/2015 SW		41,720.25	
4/27/15	R4-6	DEP HCMUD215 3/2015		5,995.64	
4/27/15	R4-7	DEP FALLBROOK 3/2015		30,012.01	
<b>TOTALS - GENERAL FUND</b>				<b>153,931.85</b>	<b>127,303.73</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>0.00</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE PERIOD ENDED MAY 6, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
5/6/15	2821	JULIAN F. BODDY	DIR FEES 4/1;5/4		277.05
5/6/15	2822	JUDGE CASTON	DIR FEE 4/1		138.52
5/6/15	2823	MARGARET L. COX	DIR FEE 4/1		138.52
5/6/15	2824	THOMAS C. GOWER	DIR FEES/EXP 4/1;4/6;5/4		420.08
5/6/15	2825	RICHARD C. MEEK	DIR FEES/EXP 4/1;4/17		297.75
5/6/15	2826	ASSOCIATION OF WATER BOARD DIR	JUNE (CASTON); APRIL (MEEK)		430.00
5/6/15	2827	AT&T	SERVICE: 4/19-5/18		118.58
5/6/15	2828	BKD LLP	INTERIM BILLING 12/31/14 AUDIT		16,300.00
5/6/15	2829	CITY OF HOUSTON	MAR - 55,951,000 GALS @ 1.4435		80,765.27
5/6/15	2830	CJ PARHAM TREDWAY	MAY 2015		2,500.00
5/6/15	2831	F MATUSKA INC	APRIL 2015		952.83
5/6/15	2832	FRESE AND NICHOLS	REGION H RWP AMENDMENT		2,190.00
5/6/15	2833	HARRIS-GALVESTON SUBSIDENCE	PERMIT RENEWAL 6/1/15-5/31/16		24,000.00
5/6/15	2834	IDS ENGINEERING GROUP	DIST ADMIN THRU 3/25		5,730.02
5/6/15	2835	MUNICIPAL OPERATIONS & CONSULT	APRIL 2015		4,711.16
5/6/15	2836	WATER UTILITY SERVICES INC	#23280		217.00
5/4/15	R5-1	DEP HCUUD16 3/2015		16,663.50	
5/4/15	R5-2	DEP HCMUD200 3/2015		20,847.89	
5/4/15	R5-3	DEP HCMUD200 3/2015 SW		49,461.75	
5/4/15	R5-4	DEP HCMUD217 3/2015 SW		9,640.80	
5/4/15	R5-5	DEP HCMUD304 3/2015		18,779.04	
<b>TOTALS - GENERAL FUND</b>				<b>115,392.98</b>	<b>139,186.78</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
5/7/15	WT05-01-15	CITY OF HOUSTON	LUCE BAYOU-ANNUAL DS (FY15)		1,379.88
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>1,379.88</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF INVESTMENTS**  
**MAY 6, 2015**  
(Unaudited)

BANK	ACCT #	RATE	PURCHASE DATE	MATURITY DATE	AMOUNT
<b>GENERAL FUND</b>					
<b>TOTAL GENERAL FUND INVESTMENTS</b>					<b>\$0.00</b>
<b>SURPLUS REVENUE FUND</b>					
COMPASS BANK	2530959174	0.1500%			2,293,827.12
<b>TOTAL SURPLUS REVENUE FUND INVESTMENTS</b>					<b>\$2,293,827.12</b>
<b>DEBT SERVICE FUND</b>					
TEXPOOL	7891600003	0.0524%			846,583.40
<b>TOTAL DEBT SERVICE FUND INVESTMENTS</b>					<b>\$846,583.40</b>
<b>DEBT SERVICE RESERVE FUND</b>					
(AVERAGE ANNUAL DEBT SERVICE PAYMENT: 1,412,714.02)					
TEXPOOL	7891600004	0.0524%			1,413,262.59
<b>TOTAL DEBT SERVICE RESERVE FUND INVESTMENTS</b>					<b>\$1,413,262.59</b>
<b>CAPITAL PROJECTS FUND</b>					
COMPASS BANK	83659	0.1500%			1,285,974.08
<b>TOTAL CAPITAL PROJECTS FUND INVESTMENTS</b>					<b>\$1,285,974.08</b>

**SCHEDULE OF DEBT SERVICE PAYMENTS**

	PAID					
	1-Feb-2015	1-Aug-2015	1-Feb-2016	1-Aug-2016	1-Feb-2017	1-Aug-2017
SERIES 2008(WELLS FARGO)						
PRINCIPAL		985,000.00		1,000,000.00		1,020,000.00
INTEREST	212,935.33	212,935.33	205,139.05	205,139.05	196,474.05	196,474.05
	212,935.33	1,197,935.33	205,139.05	1,205,139.05	196,474.05	1,216,474.05
ANNUAL REQUIREMENT	2015	1,410,870.66	2016	1,410,278.10	2017	1,412,948.10

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**FOR THE ONE AND THREE MONTHS ENDED MARCH 31, 2015**  
**(UNAUDITED)**

	Current Period			Year-to-Date			Annual	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Variance
<b>REVENUES</b>								
PUMPAGE FEES	118,702.08	164,545.00	(45,842.92)	334,696.46	493,625.00	(158,928.54)	1,974,504.00	(1,639,807.54)
SURFACE WATER FEES	107,751.15	85,410.00	22,341.15	316,697.55	256,230.00	60,467.55	1,024,920.00	(708,222.45)
INTEREST	276.82	400.00	(123.18)	885.16	1,200.00	(314.84)	4,800.00	(3,914.84)
<b>TOTAL REVENUES</b>	<b>226,730.05</b>	<b>250,355.00</b>	<b>(23,624.95)</b>	<b>652,279.17</b>	<b>751,055.00</b>	<b>(98,775.83)</b>	<b>3,004,224.00</b>	<b>(2,351,944.83)</b>
<b>EXPENDITURES</b>								
ENGINEERING FEES-GENERAL	5,730.02	6,000.00	269.98	32,498.00	18,000.00	(14,498.00)	72,000.00	39,502.00
LEGAL FEES-GENERAL MATTERS	0.00	10,000.00	10,000.00	22,333.45	30,000.00	7,666.55	120,000.00	97,666.55
FINANCIAL ADVISOR-OPERATING MATTERS	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
CITY OF HOUSTON-WATER	80,765.27	63,225.00	(17,540.27)	235,319.37	189,675.00	(45,644.37)	758,704.00	523,384.63
CITY OF HOUSTON TRUE-UP	0.00	5,420.00	5,420.00	0.00	16,250.00	16,250.00	65,000.00	65,000.00
OPERATIONS/METER TEST/R&M	4,176.46	7,720.00	3,543.54	9,942.72	23,150.00	13,207.28	92,600.00	82,657.28
NHCRWA JOINT FACILITIES OPER/R&M	0.00	17,500.00	17,500.00	0.00	52,500.00	52,500.00	210,000.00	210,000.00
TELEPHONE	118.53	120.00	1.47	353.31	350.00	(3.31)	1,400.00	1,046.69
PERMIT FEES	0.00	0.00	0.00	100.00	0.00	(100.00)	26,000.00	25,900.00
DIRECTOR FEES	1,650.00	750.00	(900.00)	5,400.00	4,050.00	(1,350.00)	13,500.00	8,100.00
TRAVEL & EXPENSES	86.60	50.00	(36.60)	4,710.08	6,100.00	1,389.92	12,000.00	7,289.92
PAYROLL TAXES	126.24	60.00	(66.24)	413.15	305.00	(108.15)	1,050.00	636.85
LOBBYIST	2,500.00	2,500.00	0.00	7,500.00	7,500.00	0.00	30,000.00	22,500.00
BOOKKEEPING	825.00	1,100.00	275.00	3,165.00	3,300.00	135.00	13,200.00	10,035.00
AUDITOR	16,300.00	16,000.00	(300.00)	16,300.00	16,000.00	(300.00)	17,500.00	1,200.00
INSURANCE	4,733.00	5,000.00	267.00	4,733.00	5,000.00	267.00	5,000.00	267.00
LEGAL NOTICES	0.00	170.00	170.00	0.00	500.00	500.00	2,000.00	2,000.00
PRINTING & OFFICE SUPPLIES	167.05	150.00	(17.05)	465.44	450.00	(15.44)	1,800.00	1,334.56
DUES	0.00	0.00	0.00	565.00	565.00	0.00	565.00	0.00
WATERSMART	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00	2,000.00
MISCELLANEOUS EXPENSE	0.00	420.00	420.00	0.00	1,250.00	1,250.00	5,000.00	5,000.00
TRANSFER TO DEBT SERVICE	117,572.56	117,575.00	2.44	352,717.68	352,720.00	2.32	1,410,870.00	1,058,152.32
<b>TOTAL EXPENDITURES</b>	<b>234,750.73</b>	<b>253,760.00</b>	<b>19,009.27</b>	<b>696,516.20</b>	<b>727,665.00</b>	<b>31,148.80</b>	<b>2,870,189.00</b>	<b>2,173,672.80</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(8,020.68)</b>	<b>(3,405.00)</b>	<b>(4,615.68)</b>	<b>(44,237.03)</b>	<b>23,390.00</b>	<b>(67,627.03)</b>	<b>134,035.00</b>	<b>(178,272.03)</b>

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
PUMPAGE FEES PAID

	JAN 2015	FEB 2015	MAR 2015	APRIL 2015	MAY 2015	JUNE 2015	JULY 2015	AUG 2015	SEPT 2015	OCT 2015	NOV 2015	DEC 2015
FALLBROOK UD	30,675.33	26,798.45	30,012.01									
HARRIS CO MUD 150	43,457.42	42,794.70	41,720.25									
HARRIS CO MUD 200	69,890.86	63,586.10	70,309.64									
HARRIS CO MUD 205												
HARRIS CO MUD 215	7,813.33	2,996.21	5,995.64									
HARRIS CO MUD 217	1,396.20	4,563.00	9,640.80									
HARRIS CO MUD 304	19,284.58	16,705.36	18,779.04									
HARRIS CO MUD 399												
HARRIS CO MUD 33	23,989.00	21,615.86	26,404.00									
HARRIS CO UD 16	19,373.13	14,771.75	16,663.50									
RANKIN ROAD WEST MUD	7,491.90	7,737.60	6,928.36									
	<b>223,371.75</b>	<b>201,569.03</b>	<b>226,453.23</b>	<b>0.00</b>								

PUMPAGE REPORTED THRU HCMUD200

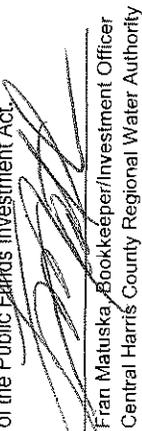
PUMPAGE REPORTED THRU HCMUD200

Effective 7/1/2013 pumpage fee 1.56/1000 gallons; surface water fee 1.90/1000 gallons  
 Effective 7/1/2014 pumpage fee 1.61/1000 gallons; surface water fee 1.95/1000 gallons

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**QUARTERLY INVESTMENT REPORT**  
**MARCH 31, 2015**

BANK/ TYPE OF SECURITY	ID #	RATE	MARKET VALUE		PURCHASE/		TRANSACTIONS		TRANSACTIONS		MARKET VALUE 31-Mar-2015	PAR AMOUNT	ACCRUED INTEREST THRU 31-Mar-2015
			31-Dec-2014	31-Dec-2014	BOOK VALUE 31-Dec-2014	BOOK VALUE 31-Mar-2015	IN	OUT	31-Mar-2015	31-Mar-2015			
<b>GENERAL FUND</b>													
GENERAL FUND TOTALS			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>SURPLUS REVENUE FUND</b>													
BBVA COMPASS BANK	2530959174	0.1500%	2,293,032.91	2,293,032.91	2,293,032.91	2,293,032.91	848.21	(54.00)			2,293,827.12	2,293,827.12	0.00
SURPLUS REVENUE FUND TOTALS			2,293,032.91	2,293,032.91	2,293,032.91	2,293,032.91	848.21	(54.00)			2,293,827.12	2,293,827.12	0.00
<b>DEBT SERVICE FUND</b>													
TEXPOOL	7891600003	0.0480%	589,655.55	589,655.55	589,655.55	589,655.55	352,790.64	(213,435.35)			729,010.84	729,010.84	0.00
DEBT SERVICE FUND TOTALS			589,655.55	589,655.55	589,655.55	589,655.55	352,790.64	(213,435.35)			729,010.84	729,010.84	0.00
<b>DEBT SERVICE RESERVE FUND</b>													
TEXPOOL	7891600004	0.0480%	1,413,101.41	1,413,101.41	1,413,101.41	1,413,101.41	161.18	0.00			1,413,262.59	1,413,262.59	0.00
DEBT SERVICE RESERVE FUND TOTALS			1,413,101.41	1,413,101.41	1,413,101.41	1,413,101.41	161.18	0.00			1,413,262.59	1,413,262.59	0.00
<b>CAPITAL PROJECTS FUND</b>													
BBVA COMPASS BANK	83659	0.1500%	1,288,117.73	1,288,117.73	1,288,117.73	1,288,117.73	476.23	(1,240.00)			1,287,353.96	1,287,353.96	0.00
CAPITAL PROJECTS FUND TOTALS			1,288,117.73	1,288,117.73	1,288,117.73	1,288,117.73	476.23	(1,240.00)			1,287,353.96	1,287,353.96	0.00
TOTALS			5,583,907.60	5,583,907.60	5,583,907.60	5,583,907.60	354,276.26	(214,729.35)			5,723,454.51	5,723,454.51	0.00

To the best of my knowledge and belief, the above investments set out in this report constitute all invested funds of the District and comply with the investment strategy for each of the funds reported, with the District's Investment Policy, and with the applicable terms of the Public Funds Investment Act.

  
 Fran Matuska, Bookkeeper/Investment Officer  
 Central Harris County Regional Water Authority

May 5, 2015

PFA Training, 4 Hrs

18-Oct-14

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 COMPARISON OF COSTS TO TWDB W/F PROJECT #21607  
 SERIES 2008  
 ACTIVITY THROUGH MAY 6, 2015

TWDB Funds Approved		Pate Allocation of Funds	Total Paid To Date	Variations (Over) Under
12,500	Basic Engineering Fees			
350,300	6402-4 Planning	55,000	0	55,000
35,000	6404-4 Design	432,400	498,179	(65,779)
	6406-4 Construction	45,000	75,050	(30,050)
55,000	Special Engineering Fees			
131,000	6418-4 Environmental Assessment	35,000	35,000	0
50,000	6420-4 Surveying	161,600	37,417	124,183
45,000	6424-4 Geotechnical	51,000	45,741	5,259
225,000	6429-4 Testing	45,000	26,030	18,970
55,000	6423-4 Inspection	225,000	249,548	(24,548)
7,500	6300-4 Phase I & II ESA	0	0	0
4,000	6302-4 USACE Permit	0	0	0
12,500	6304-4 Cultural Pedestrian Survey	0	0	0
	6306-4 Corrosion Protection Analysis	0	0	0
720,000	6700-4 Contingency	1,278,394	23,980	1,254,414
4,780,000	6600-4 Construction	4,668,670	2,904,991	1,763,679
196,700	6417-4 Easements/Land Acquisition	308,500	553,006	(244,506)
225,000	6315-4 Fiscal Fees(F/A)	225,000	225,000	0
395,000	6320-4 Legal Fees	395,000	395,000	0
17,250	6359-4 Bond Issuance	17,250	14,075	3,175
12,000,000	6800-4 Capacity Buy-In	13,351,900	12,823,224	528,676
1,433,250	6336-4 Other (Capitalized Interest)	475,286	475,286	0
1,300,000	6500-4 Capitalizable Previous Incurred Expense	280,000	289,077	(9,077)
0	6900-4 Chloramination Conversion(Surplus)	0	2,574,334	(2,574,334)
0	5391-4 Interest Earned	0	(480,912)	480,912
22,050,000	TOTAL COSTS	22,050,000	20,764,026	1,285,974

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 COMPARISON OF COSTS TO TWDB WIF PROJECT #21607  
 SERIES 2008  
 ACTIVITY THROUGH MAY 6, 2015

Code	Description	Start Date	End Date	Activity	Quantity	Unit	Rate	Total
6402-4	Basic Engineering Fees							0.00
6402-4	Planning							
6404-4	Design							498,178.93
6404-4	ENGINEERING-WATER SYS MODELING	10/1/2007		PATE ENGINEERS	0099995	PJ		1,493.71
6404-4	ENGINEERING-WATER SYS MODELING	12/1/2007		PATE ENGINEERS	0100996	PJ		608.44
6404-4	ENGINEERING-DESIGN PHASE	9/1/08		PATE ENGINEERS	0104803	CPJ		29,804.69
6404-4	ENGINEERING-DESIGN PHASE	9/30/08		RECLASS PER TASK DETAIL	J9-11	GENJ		168,280.50
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	2/1/08		PATE ENGINEERS	0102438	PJ		37,503.00
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	3/1/08		PATE ENGINEERS	0102876	PJ		26,247.00
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	4/1/08		PATE ENGINEERS	0103468	PJ		35,893.65
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	5/1/08		PATE ENGINEERS	0104108	PJ		17,306.85
6404-4	ENGINEERING-SURVEY/GEOTECH/ROW	6/1/08		PATE ENGINEERS	0104439	PJ		51,330.00
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ		21,896.00
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0105424-A	PJ		14,160.15
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ		1,942.00
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0105424-A	PJ		1,942.00
6404-4	ENGINEERING-DESIGN PHASE	10/31/08		RECLASS PER TWDB BUDGET	J10-9	GENJ		885.59
6404-4	ENGINEERING-DESIGN PHASE	10/1/08		RECLASS PER TWDB BUDGET	0101618	PJ		885.59
6404-4	ENGINEERING-WATER SYS MODELING	1/1/08		PATE ENGINEERS	0106123-A	PJ		38,830.19
6404-4	ENGINEERING-DESIGN PHASE	11/1/08		PATE ENGINEERS	10031491	PJ		1,420.60
6404-4	ENGINEERING-DESIGN PHASE	12/1/08		TCB	0106370	PJ		53,842.70
6404-4	ENGINEERING-DESIGN PHASE	12/31/08		PATE ENGINEERS	J12-5	GENJ		32,232.75
6404-4	ENGINEERING-DESIGN PHASE	12/31/08		AP CPF PATE	J12-16	GENJ		26,190.87
6404-4	ENGINEERING-DESIGN PHASE	3/3/09		PATE ENGINEERS	0107626	PJ		28,799.50
6404-4	ENGINEERING-DESIGN PHASE	4/1/09		PATE ENGINEERS	0108059	PJ		6,243.75
6404-4	ENGINEERING-DESIGN PHASE	6/1/09		PATE ENGINEERS	0108860	PJ		624.54
6404-4	ENGINEERING-DESIGN PHASE	7/1/09		PATE ENGINEERS	0109332	PJ		7,604.82
6404-4	ENGINEERING-DESIGN PHASE	10/1/09		PATE ENGINEERS	0110135	PJ		7,757.23
6404-4	ENGINEERING-DESIGN PHASE	12/1/09		PATE ENGINEERS	0110987	PJ		9,224.50
6404-4	CONTINGENCIES-CONSTRUCTION	10/21/08		TSFR CPF TO GOF	J10-2	GENJ		10,654.50
6404-4	ENGINEERING-METERING STATION	5/1/08		TCB	10029354	PJ		7,103.00
6404-4	ENGINEERING-METERING STATION	6/1/08		TCB	10029964	PJ		3,551.50
6404-4	CONTINGENCIES-CONSTRUCTION	10/21/08		TSFR CPF TO GOF	J10-2	GENJ		24,300.00
6404-4	ENGINEERING-PROJ 17 SEGMENT 3	2/1/08		DANNENBAUM ENGINEERING C	440901/01	PJ		12,636.00
6404-4	ENGINEERING-PROJ 17 SEGMENT 3	3/1/08		DANNENBAUM ENGINEERING C	440901/02	PJ		11,664.00
6404-4	CONTINGENCIES-CONSTRUCTION	7/1/09		AECOM USA INC	60043195	PJ		3,040.25
6404-4	ENGINEERING-DESIGN PHASE	4/1/10		AECOM USA INC	7063123	F PJ		2,130.90
6404-4	ENGINEERING-DESIGN PHASE	6/1/10		AECOM USA INC	7077744F	PJ		6,210.75
6406-4	Construction							75,049.68
6406-4	CONSTRUCTION	5/1/09		PATE ENGINEERS	0108671	PJ		1,828.04
6406-4	CONSTRUCTION	6/1/09		PATE ENGINEERS	0108860	PJ		2,000.00
6406-4	BASIC ENGINEERING-CONSTRUCTION	7/1/09		PATE ENGINEERS	0109332	PJ		2,375.00
6406-4	BASIC ENGINEERING-CONSTRUCTION	8/1/09		PATE ENGINEERS	0109718	PJ		1,625.00
6406-4	BASIC ENGINEERING-CONSTRUCTION	9/1/09		PATE ENGINEERS	0110055	PJ		1,250.00

498,178.93

6406-4	BASIC ENGINEERING-CONSTRUCTION	10/1/09	0110135	PJ	PATE ENGINEERS	3,750.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	11/1/09	0110471	PJ	PATE ENGINEERS	2,500.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	2,500.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/09	J12-6	GENJ	CPF-A/P-PATE	2,110.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	1/1/10	3014T09	PJ	AT&T	4,221.64		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/09	J12-17	GENJ	CPF-A/P-PATE	3,400.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	3/2/10	0111925	PJ	PATE ENGINEERS	1,770.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	4/1/10	0112237	PJ	PATE ENGINEERS	8,670.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	5/4/10	0112620	PJ	PATE ENGINEERS	4,995.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	6/1/10	0112996	PJ	PATE ENGINEERS	5,585.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	7/1/10	0113279	PJ	PATE ENGINEERS	5,100.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	8/1/10	0113605	PJ	PATE ENGINEERS	6,250.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	9/1/10	0114027	PJ	PATE ENGINEERS - CAPITAL PROJECTS FUNI	2,775.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	10/1/10	0114279	PJ	PATE ENGINEERS	4,070.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	11/2/10	0114524	PJ	PATE ENGINEERS	2,275.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/1/10	0114872	PJ	PATE ENGINEERS	2,275.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/10	J12-4	GENJ	CPF AP PATE	2,765.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	12/31/10	J12-13	GENJ	AP CPF PATE	480.00		
6406-4	BASIC ENGINEERING-CONSTRUCTION	3/1/11	0115795	PJ	PATE ENGINEERS	480.00		
							75,049.68	
							=====	
<b>Special Engineering Fees</b>								
6418-4	Environmental Assessment						35,000.00	
6418-4	ENVIRONMENTAL ASSESSMENT	9/1/08	2008-6905	PJ	BERG-OLIVER ASSOCIATES INC	8,750.00		
6418-4	ENVIRONMENTAL ASSESSMENT	9/30/08	J9-4	GENJ	TSFR CPF TO GOF	17,500.00		
6418-4	ENVIRONMENTAL SERVICES	5/1/08	2008-6905	PJ	BERG-OLIVER ASSOCIATES INC	17,500.00		
6418-4	ENVIRONMENTAL ASSESSMENT	5/1/09	2009-6905	PJ	BERG-OLIVER ASSOCIATES INC	8,750.00		
							35,000.00	
							=====	
6420-4	Surveying						37,417.23	
6420-4	SURVEYING	9/1/08	0104903	C PJ	PATE ENGINEERS	7,135.00		
6420-4	SURVEYING	9/30/08	J9-11	GENJ	RECLASS PER TASK DETAIL	2,100.00		
6420-4	ENGINEERING-SURVEY/GEOTECH/ROM	3/1/08	12008200	PJ	SURVCON INC	1,882.94		
6420-4	ENGINEERING-SURVEY/GEOTECH/ROM	4/1/08	12008246	PJ	SURVCON INC	217.06		
6420-4	SURVEYING	10/1/08	0105424-A	PJ	PATE ENGINEERS - CAPITAL PROJECTS FUNI	23,507.23		
6420-4	SURVEYING	11/1/08	0106129-A	PJ	PATE ENGINEERS	2,175.00		
6420-4	SURVEYING	12/31/08	J12-5	GENJ	A/P CPF PATE	2,500.00		
							37,417.23	
							=====	
6424-4	Geotechnical						45,740.70	
6424-4	GEOTECHNICAL	9/1/08	08-8170	PJ	TOLUNAY-WONG ENGINEERS INC	20,329.20		
6424-4	GEOTECHNICAL	9/30/08	J9-11	GENJ	RECLASS PER TASK DETAIL	25,411.50		
6424-4	ENGINEERING-SURVEY/GEOTECH/ROM	4/1/08	08-4176	PJ	TOLUNAY-WONG ENGINEERS INC	25,411.50		
							45,740.70	
							=====	
6429-4	Testing						26,030.25	
6429-4	TESTING	9/1/09	23186	PJ	HTS INC CONSULTANTS	2,348.50		
6429-4	TESTING	9/1/09	23274	PJ	HTS INC CONSULTANTS	1,256.25		

6429-4	TESTING	11/1/09	23366	PJ	HTS INC CONSULTANTS	305.00
6429-4	TESTING	11/1/09	23444	PJ	HTS INC CONSULTANTS	285.50
6429-4	SPECIAL ENGR FEES-TESTING	12/31/09	J12-5	GENJ	CPF-AP-HTS	1,061.50
6429-4	SPECIAL ENGR FEES-TESTING	12/31/09	J12-16	GENJ	CPF-AP-HTS	1,290.00
6429-4	SPECIAL ENGR FEES-TESTING	4/1/10	23937	PJ	CPF-AP-HTS	394.50
6429-4	SPECIAL ENGR FEES-TESTING	6/1/10	24041	PJ	HTS INC CONSULTANTS	2,948.75
6429-4	SPECIAL ENGR FEES-TESTING	6/1/10	24151	PJ	HTS INC CONSULTANTS	5,592.00
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24260	PJ	HTS INC CONSULTANTS	766.00
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24376	PJ	HTS INC CONSULTANTS	4,012.50
6429-4	SPECIAL ENGR FEES-TESTING	8/1/10	24401	PJ	HTS INC CONSULTANTS	551.50
6429-4	SPECIAL ENGR FEES-TESTING	9/1/10	24525	PJ	HTS INC CONSULTANTS	1,809.50
6429-4	SPECIAL ENGR FEES-TESTING	10/1/10	24620	PJ	HTS INC CONSULTANTS	2,619.75
						789.00
						26,030.25

249,547.59

6423-4	Inspection	8/1/09	0109718	PJ	PATE ENGINEERS	3,806.40
6423-4	BASIC ENGINEERING-CONSTRUCTION	9/1/09	0110055	PJ	PATE ENGINEERS	7,109.76
6423-4	BASIC ENGINEERING-CONSTRUCTION	10/1/09	0110135	PJ	PATE ENGINEERS	2,369.92
6423-4	BASIC ENGINEERING-CONSTRUCTION	11/1/09	0110471	PJ	PATE ENGINEERS	6,208.12
6423-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	5,273.67
6423-4	CONTINGENCIES-CONSTRUCTION	1/1/09	CONST S1	PJ	NORTH HARRIS COUNTY RWA	78,671.83
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/09	J12-6	GENJ	CPF-AP-PATE	6,544.63
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/09	J12-17	GENJ	CPF-AP-PATE	3,278.84
6423-4	SPECIAL ENGR FEES-INSPECTION	3/2/10	0111925	PJ	PATE ENGINEERS	5,491.82
6423-4	SPECIAL ENGR FEES-INSPECTION	4/1/10	0112237	PJ	PATE ENGINEERS	12,069.18
6423-4	SPECIAL ENGR FEES-INSPECTION	5/4/10	0112620	PJ	PATE ENGINEERS	12,302.73
6423-4	SPECIAL ENGR FEES-INSPECTION	6/1/10	0112996	PJ	PATE ENGINEERS	17,561.72
6423-4	SPECIAL ENGR FEES-INSPECTION	7/1/10	0113279	PJ	PATE ENGINEERS	21,317.18
6423-4	SPECIAL ENGR FEES-INSPECTION	8/1/10	0113605	PJ	PATE ENGINEERS	19,986.61
6423-4	SPECIAL ENGR FEES-INSPECTION	9/1/10	0114027	PJ	PATE ENGINEERS	17,109.24
6423-4	SPECIAL ENGR FEES-INSPECTION	10/1/10	0114279	PJ	PATE ENGINEERS	17,882.25
6423-4	SPECIAL ENGR FEES-INSPECTION	11/2/10	0114524	PJ	PATE ENGINEERS	6,763.24
6423-4	SPECIAL ENGR FEES-INSPECTION	12/1/10	0114872	PJ	PATE ENGINEERS	4,837.05
6423-4	SPECIAL ENGR FEES-INSPECTION	12/31/10	J12-4	GENJ	CPF AP PATE	382.17
6423-4	SPECIAL ENGR FEES-INSPECTION	3/1/11	0115795	PJ	PATE ENGINEERS	319.63
6423-4	SPECIAL ENGR FEES-INSPECTION	12/1/11	0118445	PJ	PATE ENGINEERS	461.60
6300-4	Phase I & II ESA					0.00
6302-4	USACE Permit					0.00
6304-4	Cultural Pedestrian Survey					0.00
6306-4	Corrosion Protection Analysis					0.00
6700-4	Contingency	12/31/08	J12-7	GENJ	A/P CPF SPH	354.30
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/09	33473	PJ	SCHWARTZ PAGE & HARDING LLP	386.20
6700-4	CONTINGENCIES-CONSTRUCTION	3/3/09	33750	PJ	SCHWARTZ PAGE & HARDING LLP	257.50
6700-4	CONTINGENCIES-CONSTRUCTION	3/3/09	33752	PJ	SCHWARTZ PAGE & HARDING LLP	495.50
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/09	34042	PJ	SCHWARTZ PAGE & HARDING LLP	238.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/09	34316	PJ	SCHWARTZ PAGE & HARDING LLP	975.00
						23,980.49

249,547.59

6700-4	CONTINGENCIES-CONSTRUCTION	5/1/09	34318	PJ	SCHWARTZ PAGE & HARDING LLP	968.00
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	10086119	PJ	DAILY COURT REVIEW	847.44
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	10086120	PJ	DAILY COURT REVIEW	881.10
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/09	34563	PJ	SCHWARTZ PAGE & HARDING LLP	799.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/09	34865	PJ	SCHWARTZ PAGE & HARDING LLP	97.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/09	34867	PJ	SCHWARTZ PAGE & HARDING LLP	670.80
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/09	35427	PJ	SCHWARTZ PAGE & HARDING LLP	429.00
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/09	35429	PJ	SCHWARTZ PAGE & HARDING LLP	195.00
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/09	35723	PJ	SCHWARTZ PAGE & HARDING LLP	682.50
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/09	35725	PJ	SCHWARTZ PAGE & HARDING LLP	99.30
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/09	35962	PJ	SCHWARTZ PAGE & HARDING LLP	136.50
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/09	35964	PJ	SCHWARTZ PAGE & HARDING LLP	650.10
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/09	36216	PJ	SCHWARTZ PAGE & HARDING LLP	1,231.15
6700-4	BASIC ENGINEERING-CONSTRUCTION	8/1/09	0109718	PJ	PATE ENGINEERS	2,887.94
6700-4	BASIC ENGINEERING-CONSTRUCTION	12/1/09	0110987	PJ	PATE ENGINEERS	-3,537.39
6700-4	CONTINGENCIES-CONSTRUCTION	12/31/09	J12-6	GENJ	CPF-AP-PATE	198.20
6700-4	CONTINGENCIES-CONSTRUCTION	12/31/09	J12-7	GENJ	CPF-AP-SPH	1,056.37
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/10	36809	PJ	SCHWARTZ PAGE & HARDING LLP	1,982.03
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/10	37083	PJ	SCHWARTZ PAGE & HARDING LLP	164.40
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/10	37325	PJ	SCHWARTZ PAGE & HARDING LLP	246.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/4/10	37599	PJ	SCHWARTZ PAGE & HARDING LLP	307.50
6700-4	CONTINGENCIES-CONSTRUCTION	5/4/10	37601	PJ	SCHWARTZ PAGE & HARDING LLP	931.10
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/10	37844	PJ	SCHWARTZ PAGE & HARDING LLP	718.70
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/10	37846	PJ	SCHWARTZ PAGE & HARDING LLP	535.40
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/10	38129	PJ	SCHWARTZ PAGE & HARDING LLP	1,045.50
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/10	38131	PJ	SCHWARTZ PAGE & HARDING LLP	246.00
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/10	38374	PJ	SCHWARTZ PAGE & HARDING LLP	924.90
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/10	J8-3	GENJ	APPLY SPH MATTER 12000	-11,195.95
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/10	38639	PJ	SCHWARTZ PAGE & HARDING LLP	102.50
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/10	38931	PJ	SCHWARTZ PAGE & HARDING LLP	110.30
6700-4	CONTINGENCIES-CONSTRUCTION	11/2/10	39191	PJ	SCHWARTZ PAGE & HARDING LLP	164.00
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/10	39497	PJ	SCHWARTZ PAGE & HARDING LLP	315.50
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/11	40036	PJ	SCHWARTZ PAGE & HARDING LLP	103.50
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/11	40548	PJ	SCHWARTZ PAGE & HARDING LLP	106.25
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/11	40793	PJ	SCHWARTZ PAGE & HARDING LLP	109.25
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/11	41042	PJ	SCHWARTZ PAGE & HARDING LLP	63.75
6700-4	CONTINGENCIES-CONSTRUCTION	8/2/11	41546	PJ	SCHWARTZ PAGE & HARDING LLP	420.25
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/12	43277	PJ	SCHWARTZ PAGE & HARDING LLP	558.85
6700-4	CONTINGENCIES-CONSTRUCTION	4/3/12	43457	PJ	SCHWARTZ PAGE & HARDING LLP	3,698.70
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/12	43680	PJ	SCHWARTZ PAGE & HARDING LLP	579.30
6700-4	CONTINGENCIES-CONSTRUCTION	6/5/12	43913	PJ	SCHWARTZ PAGE & HARDING LLP	1,582.95
6700-4	CONTINGENCIES-CONSTRUCTION	7/9/12	44201	PJ	SCHWARTZ PAGE & HARDING LLP	1,081.90
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/12	44408	PJ	SCHWARTZ PAGE & HARDING LLP	452.00
6700-4	CONTINGENCIES-CONSTRUCTION	10/1/12	44910	PJ	SCHWARTZ PAGE & HARDING LLP	111.65
6700-4	CONTINGENCIES-CONSTRUCTION	11/1/12	45197	PJ	SCHWARTZ PAGE & HARDING LLP	224.90
6700-4	CONTINGENCIES-CONSTRUCTION	12/1/12	45446	PJ	SCHWARTZ PAGE & HARDING LLP	111.25
6700-4	CONTINGENCIES-CONSTRUCTION	2/1/13	45986	PJ	SCHWARTZ PAGE & HARDING LLP	690.00
6700-4	CONTINGENCIES-CONSTRUCTION	3/1/13	46371	PJ	SCHWARTZ PAGE & HARDING LLP	1,361.40
6700-4	CONTINGENCIES-CONSTRUCTION	4/2/13	46527	PJ	SCHWARTZ PAGE & HARDING LLP	185.80
6700-4	CONTINGENCIES-CONSTRUCTION	6/1/13	47084	PJ	SCHWARTZ PAGE & HARDING LLP	577.80
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/13	47424	PJ	SCHWARTZ PAGE & HARDING LLP	626.60
6700-4	CONTINGENCIES-CONSTRUCTION	8/1/13	47645	PJ	SCHWARTZ PAGE & HARDING LLP	785.80
6700-4	CONTINGENCIES-CONSTRUCTION	9/1/13	47876	PJ	SCHWARTZ PAGE & HARDING LLP	230.00
6700-4	CONTINGENCIES-CONSTRUCTION	4/1/14	49820	PJ	SCHWARTZ PAGE & HARDING LLP	1,748.00
6700-4	CONTINGENCIES-CONSTRUCTION	5/1/14	50178	PJ	SCHWARTZ PAGE & HARDING LLP	752.55
6700-4	CONTINGENCIES-CONSTRUCTION	7/1/14	50760	PJ	SCHWARTZ PAGE & HARDING LLP	220.65

23,980.49

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2,904,990.69

553,006.43

Account Number	Description	Date	Estimate	Account	Company	Amount
6600-4	Construction			J10-2	GENU	
6600-4	CONSTRUCTION-PROJ 17 SEGMENT 3	10/21/08		WT06-01	CDU	475,665.79
6600-4	CONSTRUCTION	6/20/08		J10-2	GENU	
6600-4	CONSTRUCTION-METERING STATION	10/21/08		WT06-01	CDU	129,502.12
6600-4	CONSTRUCTION	6/20/08		EST#1	PJ	150,035.20
2140-4	RETAINAGE PAYABLE	8/1/09		EST#1	PJ	-7,502.01
6600-4	CONSTRUCTION	8/1/09		PAYMENT PJ		144,464.50
2140-4	RETAINAGE PAYABLE	9/1/09		EST#3	PJ	-7,222.98
6600-4	CONSTRUCTION	9/1/09		EST#4	PJ	137,425.40
6600-4	CONSTRUCTION	11/1/09		EST#4	PJ	183,732.20
2140-4	RETAINAGE PAYABLE	11/1/09		EST#5	PJ	-6,871.27
6600-4	CONSTRUCTION	11/1/09		EST#5	PJ	-9,186.61
2140-4	RETAINAGE PAYABLE	12/1/09		J12-8	GENU	407,545.90
6600-4	CONSTRUCTION	12/31/09		J12-8	GENU	-20,377.29
2140-4	RETAINAGE PAYABLE	12/31/09		EST #7	PJ	96,849.50
6600-4	CONSTRUCTION	3/2/10		EST #7	PJ	-4,842.48
2140-4	RETAINAGE PAYABLE	3/2/10		EST #7	PJ	7,735.00
6600-4	CONSTRUCTION	4/1/10		EST#1 LIN PJ		-386.75
2140-4	RETAINAGE PAYABLE	4/1/10		EST#1 LIN PJ		147,489.00
6600-4	CONSTRUCTION	4/1/10		EST #2	PJ	-7,374.45
2140-4	RETAINAGE PAYABLE	5/4/10		EST #2	PJ	296,589.40
6600-4	CONSTRUCTION	5/4/10		EST#1 LIN PJ		-14,829.47
2140-4	RETAINAGE PAYABLE	7/1/10		EST#1 LIN PJ		63,536.63
6600-4	CONSTRUCTION	7/1/10		EST#3	PJ	-5,627.45
2140-4	RETAINAGE PAYABLE	8/1/10		EST#2	PJ	271,830.20
6600-4	CONSTRUCTION	8/1/10		EST#3	PJ	143,064.37
2140-4	RETAINAGE PAYABLE	8/1/10		EST#2	PJ	-13,591.51
6600-4	CONSTRUCTION	8/1/10		EST#2	PJ	-15,032.55
2140-4	RETAINAGE PAYABLE	10/1/10		EST#4 LIN PJ		142,200.00
6600-4	CONSTRUCTION	10/1/10		EST#3 LIN PJ		14,409.30
2140-4	RETAINAGE PAYABLE	10/1/10		EST#4 LIN PJ		-7,110.00
6600-4	CONSTRUCTION	10/1/10		EST#3 LIN PJ		-1,440.93
2140-4	RETAINAGE PAYABLE	11/2/10		#4 FINAL PJ		6,698.00
6600-4	CONSTRUCTION	11/2/10		EST#8/FIN PJ		22,100.93
2140-4	RETAINAGE PAYABLE	11/1/10		EST#5	PJ	56,389.39
6600-4	CONSTRUCTION	12/1/10		EST#5	PJ	68,904.00
2140-4	RETAINAGE PAYABLE	12/1/10		PAYMENT PJ		-3,445.20
6600-4	CONSTRUCTION	5/1/11		PAYMENT PJ		17,315.18
2140-4	RETAINAGE PAYABLE	5/1/11				46,350.63

2,904,990.69

553,006.43

Easements/Land Acquisition

Account Number	Description	Date	Estimate	Account	Company	Amount
6417-4	EASEMENT/LAND ACQUISITION	9/1/08		TRACT 1-1 PJ		
6417-4	EASEMENT/LAND ACQUISITION	9/30/08		J9-4	GENU	2,647.93
6417-4	EASEMENT PURCHASE	7/1/08		EASEMEN PJ		10,000.00
6417-4	EASEMENT/LAND ACQUISITION	9/30/08		J9-11	GENU	10,000.00
6417-4	ENGINEERING-SURVEY/GEOTECH/ROW	5/1/08		0104108	PJ	9,500.00
6417-4	ENGINEERING-SURVEY/GEOTECH/ROW	6/1/08		0104439	PJ	9,500.00
6417-4	EASEMENT/LAND ACQUISITION	10/21/08		J10-2	GENU	2,848.89
6417-4	EASEMENT PURCHASE	8/1/08		TRACT 1-1 PJ		
6417-4	EASEMENT/LAND ACQUISITION	10/31/08		J10-9	GENU	40,698.23
2140-4	ROW ACQUISITION SERVICES	9/1/08		009024-20 PJ		3,330.90
2140-4	ROW ACQUISITION SERVICES	9/1/08		34103	PJ	603.03
2140-4	ROW ACQUISITION SERVICES	2/1/08		008973-20 PJ		10,408.55
2140-4	ROW ACQUISITION SERVICES	3/1/08		008983-20 PJ		6,578.10

6417-4	ROW ACQUISITION SERVICES	4/1/08	008993-20 PJ	POSTLE PROPERTY SERVICES	5,920.85	25,360.32
	ROW ACQUISITION SERVICES	5/1/08	008998-20 PJ	POSTLE PROPERTY SERVICES	3,574.35	
	ROW ACQUISITION SERVICES	6/1/08	009008-20 PJ	POSTLE PROPERTY SERVICES	2,372.85	
	ROW ACQUISITION SERVICES	7/1/08	009016-20 PJ	POSTLE PROPERTY SERVICES	4,556.95	
	ROW ACQUISITION SERVICES	10/1/08	009029-20 PJ	POSTLE PROPERTY SERVICES	3,352.65	
	LEGAL FEES-EASEMENT/ROW	10/31/08	J10-9 GENJ	RECLASS PER TWDB BUDGET		
	LEGAL FEES-EASEMENT/ROW	9/30/08	J9-4 GENJ	SCHWARTZ PAGE & HARDING L	3,872.82	
	LEGAL FEES-EASEMENT/ROW	10/1/08	J9-4 GENJ	TSFR CPF TO GOF	15,236.50	
	LEGAL FEES-EASEMENT/ROW	10/1/08	32301 PJ	SCHWARTZ PAGE & HARDING L	6,251.00	
6417-4	ENGINEERING-WL EASEMENTS	10/31/08	J10-9 GENJ	RECLASS PER TWDB BUDGET	2,500.00	
	ENGINEERING-WL EASEMENTS	10/1/08	0105424-A PJ	PATE ENGINEERS	2,500.00	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	0106129-A PJ	PATE ENGINEERS	2,150.00	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	0090036-20 PJ	POSTLE PROPERTY SERVICES INC	1,226.95	
6417-4	EASEMENT/LAND ACQUISITION	11/1/08	32572 PJ	SCHWARTZ PAGE & HARDING LLP	2,182.75	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	10427767 PJ	ANDREWS KURTH LLP	1,826.55	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	TRACT 2- PJ	HARRIS COUNTY	1,500.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	TRACT 2- PJ	HARRIS COUNTY FLOOD CONTROL DI	1,500.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	0106370 PJ	PATE ENGINEERS	6,450.00	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	009045-20 PJ	POSTLE PROPERTY SERVICES INC	2,787.55	
6417-4	EASEMENT/LAND ACQUISITION	12/1/08	32855 PJ	SCHWARTZ PAGE & HARDING LLP	414.55	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-4 GENJ	AP CPF ANDREWS KURTH	12,160.73	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-5 GENJ	AP CPF PATE	12,550.00	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-6 GENJ	AP CPF POSTLE	2,376.47	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-7 GENJ	AP CPF SPH	1,216.85	
6417-4	EASEMENT/LAND ACQUISITION	12/31/08	J12-16 GENJ	AP CPF PATE	6,100.00	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	33475 PJ	SCHWARTZ PAGE & HARDING LLP	2,075.00	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	009057-20 PJ	POSTLE PROPERTY SERVICES INC	4,130.51	
6417-4	EASEMENT/LAND ACQUISITION	2/1/09	TRACT 1- PJ	BRUCETON LTD	3,257.00	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	10439952 PJ	ANDREWS KURTH LLP	9,746.28	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	TRACTS 2 PJ	HARRIS COUNTY FLOOD CONTROL DI	12,020.00	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	2-1 EASEN PJ	HARRIS COUNTY TREASURER	10,149.00	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	FEB 2009 PJ	POSTLE PROPERTY SERVICES INC	3,026.75	
6417-4	EASEMENT/LAND ACQUISITION	3/3/09	33754 PJ	SCHWARTZ PAGE & HARDING LLP	3,760.20	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	009074-20 PJ	POSTLE PROPERTY SERVICES INC	2,068.30	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	34044 PJ	SCHWARTZ PAGE & HARDING LLP	3,718.10	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	TRACT 1- PJ	BEVERLY KAUFMAN, HARRIS COUNTY	10,000.00	
6417-4	EASEMENT/LAND ACQUISITION	4/1/09	TRACT 1- PJ	BEVERLY KAUFMAN, HARRIS COUNTY	4,287.00	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10443513 PJ	ANDREWS KURTH LLP	10,464.26	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	009087-20 PJ	POSTLE PROPERTY SERVICES INC	3,500.90	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	34320 PJ	SCHWARTZ PAGE & HARDING LLP	5,617.90	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447160 PJ	ANDREWS KURTH LLP	8,247.73	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447159 PJ	ANDREWS KURTH LLP	1,881.55	
6417-4	EASEMENT/LAND ACQUISITION	5/1/09	10447158 PJ	ANDREWS KURTH LLP	3,080.54	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	TRACT 2- PJ	HARRIS COUNTY FLOOD CONTROL DI	696.00	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	0108860 PJ	PATE ENGINEERS	2,500.00	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	009035-20 PJ	POSTLE PROPERTY SERVICES INC	334.50	
6417-4	EASEMENT/LAND ACQUISITION	6/1/09	34565 PJ	SCHWARTZ PAGE & HARDING LLP	5,906.30	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450430 PJ	ANDREWS KURTH LLP	16,695.60	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450431 PJ	ANDREWS KURTH LLP	14,381.75	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	10450432 PJ	ANDREWS KURTH LLP	8,928.03	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	34869 PJ	SCHWARTZ PAGE & HARDING LLP	3,044.00	
6417-4	EASEMENT/LAND ACQUISITION	7/1/09	009107-20 PJ	POSTLE PROPERTY SERVICES INC	2,946.78	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10453586 PJ	ANDREWS KURTH LLP	5,315.34	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456956 PJ	ANDREWS KURTH LLP	1,813.20	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456957 PJ	ANDREWS KURTH LLP	1,315.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	10456958 PJ	ANDREWS KURTH LLP	1,090.91	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	TCE 2-3 & PJ	HARRIS COUNTY FLOOD CONTROL DI	1,219.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	TCE 2-1 PJ	HARRIS COUNTY TREASURER	1,009.00	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	009118-20 PJ	POSTLE PROPERTY SERVICES INC	2,469.30	
6417-4	EASEMENT/LAND ACQUISITION	8/1/09	35151 PJ	SCHWARTZ PAGE & HARDING LLP	4,575.20	

6417-4	EASEMENT/LAND ACQUISITION	9/1/09	2-7 EASEM PJ	JFCSL PROPERTIES LTD - CAPITAL PROJECT	3,246.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	2-6 EASEM PJ	LARRY STRICKLAND	2,259.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	AUGUST 2 PJ	POSTLE PROPERTY SERVICES INC	3,324.74
6417-4	EASEMENT/LAND ACQUISITION	9/1/09	35431 PJ	SCHWARTZ PAGE & HARDING LLP	3,816.00
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460473 PJ	ANDREWS KURTH LLP	2,167.62
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460474 PJ	ANDREWS KURTH LLP	1,098.10
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10460475 PJ	ANDREWS KURTH LLP	490.05
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	10464003 PJ	ANDREWS KURTH LLP	1,388.25
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	35726 PJ	SCHWARTZ PAGE & HARDING LLP	4,987.10
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	PARCEL 3 PJ	MELISSA TAN	14,966.00
6417-4	EASEMENT/LAND ACQUISITION	10/1/09	PARCEL 3 PJ	S A CRANBROOK LTD	23,391.00
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467739 PJ	ANDREWS KURTH LLP	1,960.20
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467743 PJ	ANDREWS KURTH LLP	7,518.20
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	10467740 PJ	ANDREWS KURTH LLP	2,363.65
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	009143-20 PJ	POSTLE PROPERTY SERVICES INC	1,928.66
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	35965 PJ	SCHWARTZ PAGE & HARDING LLP	4,271.93
6417-4	EASEMENT/LAND ACQUISITION	11/1/09	PARCEL 1 PJ	ROY RICHARD BROCK	20,000.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	10470861 PJ	ANDREWS KURTH LLP	2,088.41
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	0186146 PJ	ANDREWS KURTH LLP	1,868.58
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	10470860 PJ	ANDREWS KURTH LLP	867.52
6417-4	EASEMENT/LAND ACQUISITION	12/1/09	36218 PJ	SCHWARTZ PAGE & HARDING LLP	2,361.40
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-4 GENJ	CPF-A/P-ANDREWS & KURTH	829.80
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-4 GENJ	CPF-A/P-ANDREWS & KURTH	1,835.25
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-7 GENJ	CPF-A/P-SPH	997.50
6417-4	EASEMENT/LAND ACQUISITION	12/31/09	J12-15 GENJ	CPF-A/P-ANDREWS KURTH-LINE 1	3,329.75
6417-4	EASEMENT/LAND ACQUISITION	2/1/10	HENDRICH PJ	BEVERLY KAUEMAN, HARRIS COUNTY	34,000.00
6417-4	EASEMENT/LAND ACQUISITION	2/1/10	36811 PJ	SCHWARTZ PAGE & HARDING LLP	1,050.40
6417-4	EASEMENT/LAND ACQUISITION	3/1/10	10480300 PJ	ANDREWS KURTH LLP	4,629.51
6417-4	EASEMENT/LAND ACQUISITION	3/2/10	27072 PJ	EOX HUNT LAND RESEARCH SERVICE	50.00
6417-4	EASEMENT/LAND ACQUISITION	3/1/10	37085 PJ	SCHWARTZ PAGE & HARDING LLP	370.50
6417-4	EASEMENT/LAND ACQUISITION	7/1/10	10491154 PJ	ANDREWS KURTH LLP	6,625.40
6417-4	EASEMENT/LAND ACQUISITION	8/1/10	38375 PJ	SCHWARTZ PAGE & HARDING LLP	2,015.50
6417-4	EASEMENT/LAND ACQUISITION	8/13/10	RR-8 GENJ	DEPQSIT HARRIS CO CLERK-POLK FINAL JUC	-4,946.35
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	0114027 PJ	PATE ENGINEERS	2,150.00
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	38641 PJ	SCHWARTZ PAGE & HARDING LLP	943.50
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	10500549 PJ	ANDREWS KURTH LLP	527.60
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	10500548 PJ	ANDREWS KURTH LLP	7,126.61
6417-4	EASEMENT/LAND ACQUISITION	9/1/10	AUG 2010 PJ	POSTLE PROPERTY SERVICES INC	2,003.80
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	10503917 PJ	ANDREWS KURTH LLP	242.19
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	10503918 PJ	ANDREWS KURTH LLP	4,114.81
6417-4	EASEMENT/LAND ACQUISITION	10/1/10	38933 PJ	SCHWARTZ PAGE & HARDING LLP	2,498.80
6417-4	EASEMENT/LAND ACQUISITION	11/2/10	10506338 PJ	ANDREWS KURTH LLP	775.58
6417-4	EASEMENT/LAND ACQUISITION	11/2/10	39193 PJ	SCHWARTZ PAGE & HARDING LLP	106.70
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	28574 PJ	EOX HUNT LAND RESEARCH SERVICE	50.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	0114872 PJ	PATE ENGINEERS	3,500.00
6417-4	EASEMENT/LAND ACQUISITION	12/1/10	39489 PJ	SCHWARTZ PAGE & HARDING LLP	102.50
6417-4	EASEMENT/LAND ACQUISITION	12/31/10	J12-5 GENJ	CPF A/P SPH	205.00
6417-4	EASEMENT/LAND ACQUISITION	2/1/11	40038 PJ	SCHWARTZ PAGE & HARDING LLP	1,107.45
6417-4	EASEMENT/LAND ACQUISITION	3/1/11	40303 PJ	SCHWARTZ PAGE & HARDING LLP	127.50
6417-4	EASEMENT/LAND ACQUISITION	4/1/11	40548 PJ	SCHWARTZ PAGE & HARDING LLP	106.25
6417-4	EASEMENT/LAND ACQUISITION	4/5/11	10523038 PJ	ANDREWS KURTH LLP	1,069.20
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	28392 PJ	FOX HUNT LAND RESEARCH SERVICE	200.00
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	009299-20 PJ	POSTLE PROPERTY SERVICES INC	568.99
6417-4	EASEMENT/LAND ACQUISITION	5/1/11	40795 PJ	SCHWARTZ PAGE & HARDING LLP	561.90
6417-4	EASEMENT/LAND ACQUISITION	6/1/11	10528653 PJ	ANDREWS KURTH LLP	5,398.30
6417-4	EASEMENT/LAND ACQUISITION	6/1/11	41044 PJ	SCHWARTZ PAGE & HARDING LLP	504.75
6417-4	EASEMENT/LAND ACQUISITION	7/1/11	41310 PJ	SCHWARTZ PAGE & HARDING LLP	311.50
6417-4	EASEMENT/LAND ACQUISITION	8/2/11	7/29/11 PJ	CLINTON H HENDRICKS TRUSTEE	17,500.00
6417-4	EASEMENT/LAND ACQUISITION	8/2/11	0189774 PJ	COTTON SURVEYING COMPANY	5,717.32
6417-4	EASEMENT/LAND ACQUISITION	9/7/11	41795 PJ	SCHWARTZ PAGE & HARDING LLP	281.65

6417-4	EASEMENT/LAND ACQUISITION	11/1/11	10544569 PJ	ANDREWS KURTH LLP	4,963.11
6417-4	EASEMENT/LAND ACQUISITION	11/1/11	42265 PJ	SCHWARTZ PAGE & HARDING LLP	110.25
6417-4	EASEMENT/LAND ACQUISITION	6/1/14	5/30/14 PJ	ANDREWS KURTH LLP	212.80
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553,006.43					
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6315-4	Fiscal Fees(F/A)				225,000.00
6315-4	FINANCIAL ADVISOR-GENERAL	8/1/08	SER 2008 PJ	THE GMS GROUP LLC - CAPITAL PROJECTS F	225,000.00
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225,000.00					
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6320-4	Legal Fees				395,000.00
6320-4	BOND COUNSEL FEE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP - CAPITAL	395,000.00
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395,000.00					
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6359-4	Bond Issuance				14,075.03
6359-4	COST OF ISSUANCE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP	679.90
6359-4	COST OF ISSUANCE	9/30/08	J9-4 GENU	TSFR CPF TO GOF	9,915.00
	ISSUANCE EXPENSES	6/1/08	SER 08 PJ	ATTORNEY GENERAL OF TEXAS	9,500.00
	ISSUANCE EXPENSES	6/1/08	34817282 PJ	STANDARD & POOR'S	415.00
6359-4	COST OF ISSUANCE	10/1/08	32299 PJ	SCHWARTZ PAGE & HARDING LLP	777.13
6359-4	COST OF ISSUANCE	10/31/08	J10-7 GENU	COMPASS INT & SC	10.00
6359-4	PRINTING & OFFICE SUPPLIES	8/21/08	J8-4 GENU	TSB INT & SC	10.00
6359-4	BOND COUNSEL FEE	7/22/08	910000-30 PJ	SCHWARTZ PAGE & HARDING LLP - CAPITAL	500.00
6359-4	COST OF ISSUANCE	11/17/08	J11-8 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/15/08	J12-13 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/31/08	J12-3 GENU	AP CPF BOOKBINDERY	958.00
6359-4	COST OF ISSUANCE	1/16/09	J1-10 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/16/09	J2-9 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/16/09	J3-10 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/09	J4-10 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/09	J5-10 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/15/09	J6-14 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/1/09	9900.064 PJ	MCCALL PARKHURST & HORTON LLP	450.00
6359-4	COST OF ISSUANCE	7/20/09	J7-6 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/17/09	J8-8 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/15/09	J9-10 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/09	J10-10 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/30/09	J11-10 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/15/09	J12-14 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/15/10	J1-10 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/16/10	J2-9 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/10	J3-8 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/10	J4-9 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/17/10	J5-9 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/15/10	J6-7 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/10	J7-11 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/16/10	J8-12 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/15/10	J9-9 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/29/10	J10-8 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/10	J11-7 GENU	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/15/10	J12-12 GENU	COMPASS SC	10.00

6359-4	COST OF ISSUANCE	1/18/11	J1-9	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/11	J2-9	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/11	J3-8	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/11	J4-9	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/16/11	J5-21	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/15/11	J6-8	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/11	J7-9	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/11	J8-10	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/15/11	J9-12	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/17/11	J10-12	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/11	J11-5	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/15/11	J12-7	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/17/12	J1-9	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/12	J2-10	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/12	J3-10	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/16/12	J4-6	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/12	J5-9	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/12	J10-6	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/12	J11-9	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/17/12	J12-8	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/15/13	J1-10	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/15/13	J2-10	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/15/13	J3-8	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/13	J4-6	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/13	J5-8	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/17/13	J6-4	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/13	J7-8	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/13	J8-7	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/16/13	J9-8	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/13	J10-5	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	11/15/13	J11-7	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	12/16/13	J12-12	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	1/15/14	J1-10	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	2/18/14	J2-5	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	3/17/14	J3-6	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	4/15/14	J4-7	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	5/15/14	J5-7	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	6/16/14	J6-5	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	7/15/14	J7-7	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	8/15/14	J8-7	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	9/15/14	J9-5	GENJ	COMPASS SC	10.00
6359-4	COST OF ISSUANCE	10/15/14	J10-7	GENJ	COMPASS SC	15.00
6359-4	COST OF ISSUANCE	11/17/14	J11-7	GENJ	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	12/15/14	J12-7	GENJ	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	1/15/15	J1-11	GENJ	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	2/17/15	J2-7	GENJ	COMPASS SC	18.00
6359-4	COST OF ISSUANCE	3/16/15	J3-5	GENJ	COMPASS SC	18.00

14,075.03  
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12,823,224.22

6800-4	Capacity Buy-in					
6800-4	CAPACITY BUY-IN	10/1/08	55476	PJ	CITY OF HOUSTON	3,521,445.00
6800-4	CAPACITY BUY-IN	2/1/09	CWA 1/31/PJ		CITY OF HOUSTON - CAPITAL PROJECTS FUP	2,273.00
6800-4	CAPACITY BUY-IN	6/1/09	6/15/09	PJ	CITY OF HOUSTON	63,000.00
6800-4	CAPACITY BUY-IN	12/1/09	12/7/09	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	1,490,806.09
6800-4	CAPACITY BUY-IN	6/1/10	6/15/10	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	31,500.00
6800-4	CAPACITY BUY-IN	5/1/12	4/11/2012	PJ	CITY OF HOUSTON	31,500.00
6800-4	CAPACITY BUY-IN	3/1/13	3/14/13	PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUP	2,200.41

6800-4	CAPACITY BUY-IN	12/1/13	EXHIBIT C PJ	NORTH HARRIS COUNTY RWA - CAPITAL PRC	7,679,119.84	
6800-4	CAPACITY BUY-IN	5/7/15	5/7/2015 PJ	CITY OF HOUSTON - CAPITAL PROJECTS FUN	1,379.88	
					12,823,224.22	
6336-4	Other (Capitalized Interest)					475,286.00
	SALE OF BONDS	8/8/08	J8-5	BOND SALE	475,286.00	
					475,286.00	
6500-4	Capitalizable Previous Incurred Expense					289,077.05
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET	6,546.25	
	LEGAL FEES-JOINT SURFACE WL	2/1/08	30279	SCHWARTZ PAGE & HARDING L	5,786.25	
	LEGAL FEES-JOINT SURFACE WL	3/1/08	30546	SCHWARTZ PAGE & HARDING L	572.50	
	LEGAL FEES-JOINT SURFACE WL	4/1/08	30843	SCHWARTZ PAGE & HARDING L	93.75	
	LEGAL FEES-JOINT SURFACE WL	5/1/08	31150	SCHWARTZ PAGE & HARDING L	93.75	
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET	179,593.70	
	COH INTEREST PAYMENT	1/1/08	1/1/2008	CITY OF HOUSTON	179,593.70	
6500-4	CAPITALIZABLE PREV INCURRED EX	10/31/08	J10-9	RECLASS PER TWDB BUDGET	2,937.10	
	LEGAL FEES-CONSTRUCTION	1/1/08	29924	SCHWARTZ PAGE & HARDING L	2,339.35	
	LEGAL FEES-CONSTRUCTION	2/1/08	30280	SCHWARTZ PAGE & HARDING L	597.75	
	1 year only + \$100,000. (COH)			1 year only + \$100,000. (COH)	100,000.00	
					289,077.05	
6900-4	Chloramination Conversion					2,574,334.00
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 150	974,074.00	
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 217	329,985.00	
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	HARRIS COUNTY MUD 200	844,849.00	
6900-4	CHLORAMINATION CONVERSION	3/1/12	CONVERS PJ	RANKIN RD WEST MUD	265,008.00	
6900-4	CHLORAMINATION CONVERSION	8/1/13	7/26/13 PJ	FALLBROOK UTILITY DISTRICT	160,418.00	
					2,574,334.00	
5391-4	Interest Earned					(480,912.37)
5391-4	INTEREST ON INVESTMENTS	8/21/08	J8-4	TSB INT & SC	3,997.83	
5391-4	INTEREST ON INVESTMENTS	8/29/08	J8-10	COMPASS INTEREST	7,243.77	
5391-4	INTEREST ON INVESTMENTS	8/31/08	J8-11	WELLS FARGO ESCROW INTEREST	13,594.54	
5391-4	INTEREST ON INVESTMENTS	9/30/08	J9-8	COMPASS INTEREST	28,827.05	
5391-4	INTEREST ON INVESTMENTS	9/30/08	J9-9	WELLS FARGO ESCROW INTEREST	10,786.70	
5391-4	INTEREST ON INVESTMENTS	10/31/08	J10-7	COMPASS INT & SC	31,897.20	
5391-4	INTEREST ON INVESTMENTS	10/31/08	J10-8	WELLS FARGO ESCROW INTEREST	7,438.50	
5391-4	INTEREST ON INVESTMENTS	11/28/08	J11-7	COMPASS INTEREST	20,821.44	
5391-4	INTEREST ON INVESTMENTS	11/30/08	J11-9	WELLS FARGO ESCROW INTEREST	5,482.41	
5391-4	INTEREST ON INVESTMENTS	12/31/08	J12-12	COMPASS INTEREST	24,321.12	
5391-4	INTEREST ON INVESTMENTS	12/31/08	J12-14	WELLS FARGO ESCROW INTEREST	4,012.62	
5391-4	INTEREST ON INVESTMENTS	1/31/09	J1-9	COMPASS INTEREST	20,734.32	
5391-4	INTEREST ON INVESTMENTS	1/31/09	J1-11	WELLS FARGO ESC INT	2,923.00	
5391-4	INTEREST ON INVESTMENTS	2/28/09	J2-8	COMPASS INTEREST	9,710.59	
5391-4	INTEREST ON INVESTMENTS	2/28/09	J2-10	WELLS FARGO ESCROW INTEREST	1,836.91	
5391-4	INTEREST ON INVESTMENTS	3/31/09	J3-9	COMPASS INTEREST	9,852.86	
5391-4	INTEREST ON INVESTMENTS	3/31/09	J3-11	WELLS FARGO ESCROW INTEREST	1,445.17	

5391-4	INTEREST ON INVESTMENTS	4/30/09	J4-9	GENJ	COMPASS INTEREST	9,110.49
5391-4	INTEREST ON INVESTMENTS	4/30/09	J4-11	GENJ	WELLS FARGO ESCROW INTEREST	893.80
5391-4	INTEREST ON INVESTMENTS	5/29/09	J5-9	GENJ	COMPASS INTEREST	8,794.59
5391-4	INTEREST ON INVESTMENTS	5/31/09	J5-11	GENJ	WELLS FARGO ESCROW INTEREST	784.20
5391-4	INTEREST ON INVESTMENTS	6/30/09	J6-13	GENJ	COMPASS INTEREST	11,288.18
5391-4	INTEREST ON INVESTMENTS	7/31/09	J7-5	GENJ	COMPASS INTEREST	11,295.35
5391-4	INTEREST ON INVESTMENTS	8/17/09	R8-10	GENJ	DEP WELLS FARGO INTEREST	51.06
5391-4	INTEREST ON INVESTMENTS	8/31/09	J8-7	GENJ	COMPASS INTEREST	11,199.57
5391-4	INTEREST ON INVESTMENTS	9/30/09	J9-9	GENJ	COMPASS INTEREST	10,721.46
5391-4	INTEREST ON INVESTMENTS	10/30/09	J10-9	GENJ	COMPASS INTEREST	10,687.68
5391-4	INTEREST ON INVESTMENTS	11/30/09	J11-9	GENJ	COMPASS INTEREST	8,373.87
5391-4	INTEREST ON INVESTMENTS	12/31/09	J12-13	GENJ	COMPASS INTEREST	7,993.63
5391-4	INTEREST ON INVESTMENTS	1/29/10	J1-9	GENJ	COMPASS INTEREST	6,704.62
5391-4	INTEREST ON INVESTMENTS	2/26/10	J2-8	GENJ	COMPASS INTEREST	6,445.85
5391-4	INTEREST ON INVESTMENTS	3/31/10	J3-7	GENJ	COMPASS INTEREST	7,585.71
5391-4	INTEREST ON INVESTMENTS	4/30/10	J4-8	GENJ	COMPASS INTEREST	6,321.25
5391-4	INTEREST ON INVESTMENTS	5/28/10	J5-8	GENJ	COMPASS INTEREST	5,755.44
5391-4	INTEREST ON INVESTMENTS	6/30/10	J6-6	GENJ	COMPASS INTEREST	6,725.91
5391-4	INTEREST ON INVESTMENTS	7/31/10	J7-10	GENJ	COMPASS INTEREST	6,079.41
5391-4	INTEREST ON INVESTMENTS	8/31/10	J8-11	GENJ	COMPASS INTEREST	6,289.70
5391-4	INTEREST ON INVESTMENTS	9/30/10	J9-8	GENJ	COMPASS INTEREST	5,851.70
5391-4	INTEREST ON INVESTMENTS	10/29/10	J10-7	GENJ	COMPASS INTEREST	5,596.09
5391-4	INTEREST ON INVESTMENTS	11/30/10	J11-6	GENJ	COMPASS INTEREST	6,117.71
5391-4	INTEREST ON INVESTMENTS	12/31/10	J12-11	GENJ	COMPASS INTEREST	5,884.45
5391-4	INTEREST ON INVESTMENTS	1/31/11	J1-8	GENJ	COMPASS INTEREST	5,884.76
5391-4	INTEREST ON INVESTMENTS	2/28/11	J2-8	GENJ	COMPASS INTEREST	5,317.10
5391-4	INTEREST ON INVESTMENTS	3/31/11	J3-7	GENJ	COMPASS INTEREST	5,888.86
5391-4	INTEREST ON INVESTMENTS	4/29/11	J4-8	GENJ	COMPASS INTEREST	4,598.82
5391-4	INTEREST ON INVESTMENTS	5/31/11	J5-20	GENJ	COMPASS INTEREST	5,051.53
5391-4	INTEREST ON INVESTMENTS	6/30/11	J6-7	GENJ	COMPASS INTEREST	4,732.18
5391-4	INTEREST ON INVESTMENTS	7/29/11	J7-8	GENJ	COMPASS INTEREST	3,659.09
5391-4	INTEREST ON INVESTMENTS	8/31/11	J8-9	GENJ	COMPASS INTEREST	4,158.09
5391-4	INTEREST ON INVESTMENTS	9/30/11	J9-11	GENJ	COMPASS INTEREST	3,779.96
5391-4	INTEREST ON INVESTMENTS	10/31/11	J10-11	GENJ	COMPASS INTEREST	3,907.22
5391-4	INTEREST ON INVESTMENTS	11/30/11	J11-6	GENJ	COMPASS INTEREST	3,780.90
5391-4	INTEREST ON INVESTMENTS	12/30/11	J12-8	GENJ	COMPASS INTEREST	3,782.03
5391-4	INTEREST ON INVESTMENTS	1/31/12	J1-10	GENJ	COMPASS INTEREST	3,792.83
5391-4	INTEREST ON INVESTMENTS	2/29/12	J2-9	GENJ	COMPASS INTEREST	3,200.20
5391-4	INTEREST ON INVESTMENTS	3/30/12	J3-11	GENJ	COMPASS INTEREST	2,762.12
5391-4	INTEREST ON INVESTMENTS	4/30/12	J4-7	GENJ	COMPASS INTEREST	2,618.92
5391-4	INTEREST ON INVESTMENTS	5/31/12	J5-10	GENJ	COMPASS INTEREST	2,326.19
5391-4	INTEREST ON INVESTMENTS	6/29/12	J6-6	GENJ	COMPASS INTEREST	2,176.60
5391-4	INTEREST ON INVESTMENTS	7/31/12	J7-12	GENJ	COMPASS INTEREST	2,395.09
5391-4	INTEREST ON INVESTMENTS	8/31/12	J8-8	GENJ	COMPASS INTEREST	2,319.17
5391-4	INTEREST ON INVESTMENTS	10/1/12	J10-7	GENJ	COMPASS INTEREST	2,763.40
5391-4	INTEREST ON INVESTMENTS	11/1/12	J11-8	GENJ	COMPASS INTEREST	3,086.06
5391-4	INTEREST ON INVESTMENTS	12/3/12	J12-9	GENJ	COMPASS INTEREST	2,987.52
5391-4	INTEREST ON INVESTMENTS	1/2/13	J1-9	GENJ	COMPASS INTEREST	3,088.05
5391-4	INTEREST ON INVESTMENTS	2/1/13	J2-9	GENJ	COMPASS INTEREST	2,693.52
5391-4	INTEREST ON INVESTMENTS	3/1/13	J3-9	GENJ	COMPASS INTEREST	2,098.52
5391-4	INTEREST ON INVESTMENTS	4/1/13	J4-5	GENJ	COMPASS INTEREST	1,549.04
5391-4	INTEREST ON INVESTMENTS	5/1/13	J5-9	GENJ	COMPASS INTEREST	1,499.18
5391-4	INTEREST ON INVESTMENTS	6/3/13	J6-5	GENJ	COMPASS INTEREST	1,549.36
5391-4	INTEREST ON INVESTMENTS	7/1/13	J7-7	GENJ	COMPASS INTEREST	1,439.22
5391-4	INTEREST ON INVESTMENTS	8/1/13	J8-6	GENJ	COMPASS INTEREST	1,549.46
5391-4	INTEREST ON INVESTMENTS	9/3/13	J9-7	GENJ	COMPASS INTEREST	1,528.36
5391-4	INTEREST ON INVESTMENTS	10/1/13	J10-4	GENJ	COMPASS INTEREST	1,473.27
5391-4	INTEREST ON INVESTMENTS	11/1/13	J11-6	GENJ	COMPASS INTEREST	1,522.64

5391-4	INTEREST ON INVESTMENTS	12/2/13	J12-11	GENJ	COMPASS INTEREST	1,473.77
5391-4	INTEREST ON INVESTMENTS	1/2/14	J1-9	GENJ	COMPASS INTEREST	326.29
5391-4	INTEREST ON INVESTMENTS	2/3/14	J2-4	GENJ	COMPASS INTEREST	218.80
5391-4	INTEREST ON INVESTMENTS	3/3/14	J3-5	GENJ	COMPASS INTEREST	197.66
5391-4	INTEREST ON INVESTMENTS	4/1/14	J4-6	GENJ	COMPASS INTEREST	219.87
5391-4	INTEREST ON INVESTMENTS	5/1/14	J5-6	GENJ	COMPASS INTEREST	211.58
5391-4	INTEREST ON INVESTMENTS	6/2/14	J6-4	GENJ	COMPASS INTEREST	218.60
5391-4	INTEREST ON INVESTMENTS	7/1/14	J7-8	GENJ	COMPASS INTEREST	211.58
5391-4	INTEREST ON INVESTMENTS	8/1/14	J8-6	GENJ	COMPASS INTEREST	206.33
5391-4	INTEREST ON INVESTMENTS	9/2/14	J9-4	GENJ	COMPASS INTEREST	164.03
5391-4	INTEREST ON INVESTMENTS	10/1/14	J10-6	GENJ	COMPASS INTEREST	158.76
5391-4	INTEREST ON INVESTMENTS	11/3/14	J11-6	GENJ	COMPASS INTEREST	164.07
5391-4	INTEREST ON INVESTMENTS	12/1/14	J12-6	GENJ	COMPASS INTEREST	158.79
5391-4	INTEREST ON INVESTMENTS	1/2/15	J1-10	GENJ	COMPASS INTEREST	164.10
5391-4	INTEREST ON INVESTMENTS	2/2/15	J2-6	GENJ	COMPASS INTEREST	164.01
5391-4	INTEREST ON INVESTMENTS	3/2/15	J3-4	GENJ	COMPASS INTEREST	148.12
<b>TOTAL COSTS</b>						(480,912.37)
						20,764,025.92
						20,764,025.92

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2014 - December 31, 2010**

	2014	2013	2012	2011	2010
<b>Operating Revenues</b>					
Pumpage fees	\$1,577,942	\$1,670,501	\$1,714,575	\$1,308,338	\$1,922,672
Surface water	<u>\$1,283,329</u>	<u>\$1,031,107</u>	<u>\$820,416</u>	<u>\$1,051,824</u>	<u>-</u>
Total Operating revenues	<u>\$2,861,271</u>	<u>\$2,701,608</u>	<u>\$2,534,991</u>	<u>\$2,360,162</u>	<u>\$1,922,672</u>
<b>Operating Expenses</b>					
Purchased water service	\$1,040,271	\$868,017	\$593,272	\$745,098	\$208,060
Professional fees	\$294,972	\$233,025	\$221,344	\$219,048	\$208,847
Contracted services	\$61,297	\$51,320	\$49,545	\$56,577	\$39,340
Repairs and maintenance	\$2,263	\$218,828	-	-	-
Other expenditures	\$95,134	\$97,356	\$89,141	\$86,787	\$77,144
Depreciation	<u>\$563,275</u>	<u>\$397,271</u>	<u>\$284,285</u>	<u>\$248,385</u>	<u>\$196,474</u>
Total operating expense	<u>\$2,057,212</u>	<u>\$1,865,817</u>	<u>\$1,237,587</u>	<u>\$1,355,895</u>	<u>\$729,865</u>
<b>Operating Income</b>	<u>\$804,059</u>	<u>\$835,791</u>	<u>\$1,297,404</u>	<u>\$1,004,267</u>	<u>\$1,192,807</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	\$7,482	\$29,286	\$41,926	\$80,927	\$94,416
Other income	-	-	\$6,512	-	-
Interest and fees	<u>(\$434,520)</u>	<u>(\$447,639)</u>	<u>(\$484,300)</u>	<u>(\$456,861)</u>	<u>(\$421,019)</u>
Total nonoperating expenses	<u>(\$427,038)</u>	<u>(\$418,353)</u>	<u>(\$435,862)</u>	<u>(\$375,934)</u>	<u>(\$326,603)</u>
<b>Change in Net Position</b>	\$377,021	\$417,438	\$861,542	\$628,333	\$866,204

**Central Harris County Regional Water Authority**

Harris County, Texas

Auditor's Report and Financial Statements

December 31, 2013



# Central Harris County Regional Water Authority

## December 31, 2013

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## Independent Auditor's Report

Board of Directors  
Central Harris County Regional Water Authority  
Harris County, Texas

We have audited the accompanying basic financial statements of Central Harris County Regional Water Authority (the Authority), which are comprised of a statement of net position as of December 31, 2013, and statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors  
Central Harris County Regional Water Authority  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 9 to the financial statements, in 2013, the Authority adopted the new accounting guidance included in Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Houston, Texas  
May 9, 2014

# Central Harris County Regional Water Authority

## Management's Discussion and Analysis

### December 31, 2013

#### **Introduction**

This management's discussion and analysis of the financial performance of Central Harris County Regional Water Authority (the Authority) provides an overview of the Authority's financial activities for the year ended December 31, 2013. It should be read in conjunction with the accompanying financial statements of the Authority.

#### **Using This Annual Report**

The Authority's basic financial statements consist of three statements -- a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors or participating entities. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### **The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position**

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The statement of net position and statement of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The Authority's total net position – the difference between assets and liabilities – is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's service area, changes in legislation and regulations, measures of the quantity and quality of services provided to its participants, and local economic factors should also be considered to assess the overall financial health of the Authority.

#### **The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Financial Analysis of the Authority**

Effective January 1, 2013, the Authority adopted the new accounting and financial reporting guidance included in GASB Statement No. 65 (Statement No. 65), *Items Previously Reported as Assets and Liabilities*.

Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows or inflows of resources and recognizes as expenses or revenues certain items that were previously reported as assets and liabilities. The adjustments required for the Authority's 2012 financial statements, not presented herein, for adoption of Statement No. 65, include reducing other noncurrent assets for previously capitalized deferred debt issuance costs and reducing interest and fees for debt issuance costs amortized during 2012. The Authority's 2012 summarized financial information presented below has been restated to reflect the adoption of Statement No. 65.

**The Authority's Net Position**

The Authority's overall financial position and activities for the past two years are summarized as follows, based on the information included in the financial statements.

**Summary of Assets, Liabilities and Net Position**

	<b>2013</b>	<b>Restated 2012</b>
Current assets	\$ 6,172,369	\$ 14,111,325
Capital assets	18,261,963	10,819,697
Total assets	<u>\$ 24,434,332</u>	<u>\$ 24,931,022</u>
Long-term liabilities	\$ 17,290,000	\$ 18,265,000
Current liabilities	1,367,589	1,306,717
Total liabilities	<u>18,657,589</u>	<u>19,571,717</u>
Net position:		
Net investment in capital assets	623,826	62,543
Restricted	2,004,288	1,786,748
Unrestricted	3,148,629	3,510,014
Total net position	<u>\$ 5,776,743</u>	<u>\$ 5,359,305</u>

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Operating Results and Changes in Net Position**

The total net position of the Authority increased by \$417,438, or about 8 percent, due to pumpage fees and surface water fees received from participants in excess of general expenditures of the Authority.

**Summary of Revenues, Expenses and Change in Net Position**

	<b>2013</b>	<b>Restated 2012</b>
Operating revenues:		
Charges for services	\$ 2,701,608	\$ 2,534,991
Operating expenses:		
Administrative expenses	1,468,546	953,302
Depreciation and amortization	397,271	284,285
Total operating expenses	1,865,817	1,237,587
Operating income	835,791	1,297,404
Nonoperating revenues (expenses):		
Investment income	29,286	41,926
Other income	-	6,512
Interest and fees	(447,639)	(459,240)
Total nonoperating expenses	(418,353)	(410,802)
Change in net position	417,438	886,602
Net position, beginning of year	5,359,305	4,472,703
Net position, end of year	\$ 5,776,743	\$ 5,359,305

**Operating Income**

The first component of the overall change in the Authority's net position is its operating income or loss – generally, the difference between charges to participants and the expenses incurred to perform services.

The primary components of the operating income are related to charges to participants to pay the operating expenses of the Authority.

**Central Harris County Regional Water Authority**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2013**

**Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of investment income and interest expense.

**The Authority's Cash Flows**

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier.

**Capital Assets and Debt Administration**

**Capital Assets**

Capital assets held by the Authority at the end of the current and previous fiscal years are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2013</b>	<b>2012</b>
Land and improvements	\$ 750,725	\$ 750,725
Water facilities	17,511,238	10,068,972
Total capital assets	\$ 18,261,963	\$ 10,819,697

During the current year, additions to capital assets were as follows:

District's share of joint facilities with the North Harris County Regional Water Authority	\$ 7,679,119
Chloramine conversions at Member District Fallbrook Utility District	160,418
Total additions to capital assets	\$ 7,839,537

**Debt**

The changes in the debt position of the Authority during the fiscal year ended December 31, 2013, is summarized as follows:

Long-term debt payable, beginning of year	\$ 19,225,000
Decreases in long-term debt	(960,000)
Long-term debt payable, end of year	\$ 18,265,000

The Authority's Series 2008 bonds are not rated.

**Central Harris County Regional Water Authority**  
**Statement of Net Position**  
**December 31, 2013**

**Assets****Current Assets**

Cash and cash equivalents	\$ 5,892,053
Due from participants	278,956
Prepaid expenses	<u>1,360</u>
Total current assets	<u>6,172,369</u>

**Noncurrent Assets**

## Capital assets (net of accumulated depreciation):

Land and improvements	750,725
Interest in water facilities	<u>17,511,238</u>

Total noncurrent assets	<u>18,261,963</u>
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Total assets	<u>24,434,332</u>
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**Liabilities****Current Liabilities**

Accounts payable	209,321
Accrued interest payable	183,268
Current portion of long-term debt	<u>975,000</u>

Total current liabilities	1,367,589
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**Long-term Debt**

Due after one year	<u>17,290,000</u>
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Total liabilities	<u>18,657,589</u>
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**Net Position**

Net investment in capital assets	623,826
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## Restricted for:

Debt service	1,526,868
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Capital acquisitions	477,420
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Unrestricted	<u>3,148,629</u>
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Total net position	<u>\$ 5,776,743</u>
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**Central Harris County Regional Water Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2013**

<b>Operating Revenues</b>	
Pumpage fees	\$ 1,670,501
Surface water	<u>1,031,107</u>
Total operating revenues	<u>2,701,608</u>
<b>Operating Expenses</b>	
Purchased water service	868,017
Professional fees	233,025
Contracted services	51,320
Repairs and maintenance	218,828
Other expenditures	97,356
Depreciation	<u>397,271</u>
Total operating expenses	<u>1,865,817</u>
<b>Operating Income</b>	<u>835,791</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	29,286
Interest and fees	<u>(447,639)</u>
Total nonoperating expenses	<u>(418,353)</u>
<b>Change in Net Position</b>	417,438
<b>Net Position</b>	
Beginning of year, as previously reported	5,895,270
Adjustment for adoption of new accounting standard (Note 9)	<u>(535,965)</u>
Beginning of year, as restated	<u>5,359,305</u>
End of year	<u>\$ 5,776,743</u>

**Central Harris County Regional Water Authority**  
**Statement of Cash Flows**  
**Year Ended December 31, 2013**

<b>Operating Activities</b>	
Receipts from participants	\$ 2,790,787
Payments for service operations	(1,415,334)
Changes in customer deposits	<u>(2,408)</u>
Net cash provided by operating activities	<u>1,373,045</u>
 <b>Capital and Related Financing Activities</b>	
Principal paid on long-term debt	(960,000)
Interest paid on long-term debt	(452,851)
Purchase of capital assets	<u>(7,839,537)</u>
Net cash used in capital and related financing activities	<u>(9,252,388)</u>
 <b>Investing Activity</b>	
Interest and other income	<u>29,286</u>
Net cash provided by investing activity	<u>29,286</u>
 <b>Decrease in Cash and Cash Equivalents</b>	(7,850,057)
 <b>Cash and Cash Equivalents, Beginning of Year</b>	<u>13,742,110</u>
 <b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,892,053</u>
 <b>Reconciliation of Net Operating Revenues to Net Cash     Provided by Operating Activities</b>	
Operating income	\$ 835,791
Depreciation and amortization	397,271
Changes in:	
Customer deposits	(2,688)
Participant receivables	89,179
Accounts payable and accrued liabilities	<u>53,492</u>
Net cash provided by operating activities	<u>\$ 1,373,045</u>

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

Central Harris County Regional Water Authority (the Authority) was created by House Bill Number 3181 (the Bill) of the 79th Legislature of the State of Texas, Regular Session, effective September 1, 2005 (inception), now codified in Chapter 8815, Texas Special District Local Laws Code. Chapter 8815 authorizes the Authority to purchase, construct or otherwise acquire surface and underground water supplies. The Authority may also enter into contracts with others for the supply and transport of water, but may not impose, levy, assess or collect taxes on property.

The Authority is governed by a Board of Directors (the Board) consisting of five individuals who are appointed by the entities participating in the Authority. The Board sets the policies of the Authority. The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the Authority:

The Authority charges a fee, based on the amount of water pumped from the well, to the owner of wells located within the boundaries of the Authority, unless exempted. These fees enable the Authority to fulfill its purpose and regulatory functions, as set forth in the act. Effective January 1, 2012, the pumpage fee charge was \$1.46 per 1,000 gallons of water pumped from each well or transported into the Authority from outside and the surface water fee increased to \$1.80 per 1,000 gallons of surface water supplied. Effective July 1, 2013, the pumpage or transportation fee was increased to \$1.56 per 1,000 gallons of water pumped from each well and the surface water fee increased to \$1.90 per 1,000 gallons of surface water supplied. These rates are subject to future changes.

***Reporting Entity***

There are no component units that are legally separate entities for which the Authority is considered to be financially accountable. Accountability is defined as the Authority's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the Authority must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the Authority.

***Basis of Accounting and Presentation***

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources management focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB.

***Pension Costs***

The Authority does not participate in a pension plan and, therefore, has no pension costs.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013, cash equivalents consisted primarily of TexPool and certificate of deposit accounts.

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure, are reported in the financial statements. Capital assets are defined by the Authority as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as shown below:

	<b>Years</b>
Interest in water production and distribution facilities	40

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

***Long-term Obligations***

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

***Debt Issuance Costs***

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset since the costs are not applicable to a future period and therefore are recognized as an expense/expenditure in the period incurred.

***Net Position***

Net position of the Authority is classified in three components. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, donors or participants external to the Authority, including amounts held as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable. When both restricted and unrestricted resources are available for use, generally, it is the Authority's policy to use restricted resources first.

The components of invested in capital assets, net of related debt are as follows:

Capital assets, net	\$ 18,261,963
Long-term debt	(18,265,000)
Accrued interest payable on long-term debt	(183,268)
Unexpended bond proceeds for construction	<u>810,131</u>
Total	<u>\$ 623,826</u>

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law and the Authority's investment policy.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At December 31, 2013, none of the Authority's bank balances were exposed to custodial credit risk.

**Investments**

The Authority may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The Authority's investment policy may be more restrictive than the Public Funds Investment Act.

The Authority invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2013, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 2,002,656	\$ 2,002,656	\$ 0	\$ 0	\$ 0

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2013, the Authority's investments in TexPool were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statement of net position as cash and cash equivalents.

**Investment Income**

Investment income of \$29,286 for the year ended December 31, 2013, consisted of interest income.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2013, is presented below:

	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 750,725	\$ -	\$ 750,725
Capital assets, depreciable:			
Water production and distribution facilities	11,315,359	7,839,537	19,154,896
Less accumulated depreciation:			
Water production and distribution facilities	(1,246,387)	(397,271)	(1,643,658)
Total governmental activities, net	<u>\$ 10,819,697</u>	<u>\$ 7,442,266</u>	<u>\$ 18,261,963</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2013, were as follows:

	<b>Balances, Beginning of Year</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:				
Revenue bonds	<u>\$ 19,225,000</u>	<u>\$ 960,000</u>	<u>\$ 18,265,000</u>	<u>\$ 975,000</u>

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Revenue Bonds**

	<b>Series 2008</b>
Amount outstanding, December 31, 2013	\$18,265,000
Interest rates	1.3030% to 2.9220%
Maturity dates, serially beginning/ending	August 1, 2014/2029
Interest payment dates	February 1/August 1
Callable date*	August 1, 2018

\*Or any date thereafter, callable at par plus accrued interest to the date of redemption.

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds outstanding at December 31, 2013.

Year	Principal	Interest	Total
2014	\$ 975,000	\$ 439,842	\$ 1,414,842
2015	985,000	425,871	1,410,871
2016	1,000,000	410,278	1,410,278
2017	1,020,000	392,948	1,412,948
2018	1,040,000	373,741	1,413,741
2019-2023	5,555,000	1,512,088	7,067,088
2024-2028	6,315,000	745,607	7,060,607
2029	1,375,000	40,178	1,415,178
Total	\$ 18,265,000	\$ 4,340,553	\$ 22,605,553

The bonds are payable from and secured by a first lien on and pledge of Pledged Revenues (as defined in the Bond Order) to be received from participants. The bonds are special obligations of the Authority and do not constitute a general obligation of the Authority.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 5: Significant Bond Order and Commission Requirements**

- A. The Bond Order establishes a debt service reserve fund to be maintained as long as the bonds are outstanding. The Authority is to maintain a reserve in the debt service fund equal to the average annual sum payable in respect of the principal and interest scheduled to become due on all bonds outstanding at the time of such computation. At December 31, 2013, the required reserve fund balance is \$1,526,868.
- B. The Bond Order establishes a surplus revenues fund to be maintained as long as the bonds are outstanding. The surplus revenues fund contains any net revenues remaining in or accrued by the general fund at the end of each fiscal year, after payment of operation and maintenance expenses and making required deposits, including deposits to the debt service fund and the debt service reserve fund. The calculation of surplus revenues is based on net revenues of the general fund; including revenues, expenditures, transfers from capital projects fund to reimburse the general fund for capital activities; and transfers to the debt service fund and to the debt service reserve fund. During the year ended December 31, 2013, there were no surplus revenues. Surplus revenues retained at the beginning of 2013 were \$3,934,884.
- C. The Authority has covenanted that it will at all times keep insured such parts of the system that are customarily insured by municipal corporations and political subdivisions in Texas. At December 31, 2013, the Authority has general liability coverage of \$3,000,000 and pollution liability coverage of \$2,000,000.

**Note 6: City of Houston**

On November 25, 2003, Harris County Municipal Utility District No. 33 (District No. 33), as Operating District for the Central Harris County Water Users Consortium (the Consortium), predecessor to the Authority, entered into a Water Supply Contract (the Contract) with the City of Houston (the City) for an initial term of 40 years. Pursuant to the Contract, the Authority purchases potable treated surface water from the City for distribution and use for domestic, commercial and other purposes. The City is responsible for the design, construction, ownership, maintenance and delivery of surface water, pursuant to said Contract. The Authority, in cooperation with the North Harris County Regional Water Authority (the North Authority), is responsible for the design, construction, ownership, maintenance and operation of facilities downstream of the point(s) of delivery. The City will make available to the Authority at the point(s) of delivery the amount of water that equals the Water Demand Allocation described in the Contract, which is 2.12 million gallons per day (mgd), for the period 2010 through 2019. The Authority was obligated to purchase all of the Initial Untreated Water Facilities Demand Allocation in the approximate amount of 2.12 mgd for \$3,521,445, which was paid to the City during a prior year. The Authority also made an additional payment of \$1,490,806 for untreated water facilities to the City during a prior year.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

On January 28, 2009, the Authority and the City executed a first supplement to the water supply contract to provide for the permitting, engineering, surveying and right-of-way acquisition necessary for the Luce Bayou Interbasin Transfer Project and its construction. Under terms of the agreement, the Authority is obligated to fund its share of the project costs in future years.

The Authority is required to reimburse the City on a periodic basis for the expenses incurred by the City in production and treating the water delivered to the Authority. During the year ended December 31, 2013, the Authority purchased \$868,017 of potable treated surface water from the City.

**Note 7: North Harris County Regional Water Authority**

Effective November 3, 2003, District No. 33 entered into an Agreement for Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities with the North Authority (the Financing Agreement). The Financing Agreement provides for the design, financing, construction, operation and maintenance of a 60-inch surface water transmission line from the point of delivery of surface water by the City to the service areas of the Authority and the North Authority. The North Authority holds title to the facilities and the Authority must pay a pro rata share of the costs of right-of-way acquisition, design and construction for the facilities. The Authority has provided funds to the North Authority for each phase of the construction and design. The Authority is also responsible for its pro rata share of operation and maintenance costs of the facilities and, in addition, is required to establish an operations and maintenance reserve based on an annual operating budget adopted by the North Authority.

Under these agreements, the Authority is responsible for paying its pro rata share of the total costs incurred. During a prior year, the Authority funded its share of the Spears Road meter station for \$129,502 and Project 17, Segment 3, for \$475,666. During the current year, the Authority paid the North Authority \$7,679,119 for all of the remaining amounts owed for its share of joint facilities.

**Note 8: Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority participates, along with other entities, in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The Authority has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The Authority has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Central Harris County Regional Water Authority**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 9: Adoption of New Accounting Standard**

Effective January 1, 2013, the Authority adopted the new accounting and financial reporting guidance included in Governmental Accounting Standards Board Statement No. 65 (Statement No. 65), *Items Previously Reported as Assets and Liabilities*.

Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognizes as expenses or revenues certain items that were previously reported as assets and liabilities.

The following table reconciles beginning net position as previously reported to the beginning net position as restated to reflect the accounting changes adopted to conform to the provisions of Statement No. 65. The restatement results from the provisions in Statement No. 65 requiring the expensing of deferred financing costs previously classified as an asset on the Authority's statement of net position.

<b>Statement of Net Position</b>	<b>January 1, 2013, Net Position as Previously Reported</b>	<b>Statement No. 65 Adoption</b>	<b>January 1, 2013, Net Position as Restated</b>
Net position	\$ 5,895,270	\$ (535,965)	\$ 5,359,305

## **Supplementary Information**

**Central Harris County Regional Water Authority**  
**Supplementary Schedules Included Within This Report**  
**December 31, 2013**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 10-18
- Schedule of Services and Rates – Not Applicable
- Schedule of General Fund Expenditures – Not Applicable
- Schedule of Temporary Investments
- Analysis of Taxes Levied and Receivable – Not Applicable
- Schedule of Long-term Debt Service Requirements by Years
- Changes in Long-term Bonded Debt
- Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years – Not Applicable
- Board Members, Key Personnel and Consultants

**Central Harris County Regional Water Authority**  
**Schedule of Temporary Investments**  
**December 31, 2013**

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
TexPool	0.04%	Demand	\$ 589,587	\$ -
TexPool	0.04%	Demand	<u>1,413,069</u>	<u>-</u>
Totals			<u>\$ 2,002,656</u>	<u>\$ 0</u>

**Central Harris County Regional Water Authority**  
**Schedule of Long-term Debt Service Requirement by Years**  
**December 31, 2013**

Due During Fiscal Years Ending December 31,	Series 2008		Total
	Principal Due August 1	Interest Due February 1, August 1	
2014	\$ 975,000	\$ 439,842	\$ 1,414,842
2015	985,000	425,871	1,410,871
2016	1,000,000	410,278	1,410,278
2017	1,020,000	392,948	1,412,948
2018	1,040,000	373,741	1,413,741
2019	1,060,000	352,806	1,412,806
2020	1,085,000	330,197	1,415,197
2021	1,110,000	304,515	1,414,515
2022	1,135,000	276,887	1,411,887
2023	1,165,000	247,683	1,412,683
2024	1,195,000	216,822	1,411,822
2025	1,230,000	184,438	1,414,438
2026	1,260,000	150,502	1,410,502
2027	1,295,000	115,260	1,410,260
2028	1,335,000	78,585	1,413,585
2029	1,375,000	40,178	1,415,178
Totals	<u>\$ 18,265,000</u>	<u>\$ 4,340,553</u>	<u>\$ 22,605,553</u>

**Central Harris County Regional Water Authority**  
**Changes in Long-term Bonded Debt**  
**Year Ended December 31, 2013**

	<b>Bond Issue</b>
	<b>Series 2008</b>
Interest rates	1.3030% to 2.9220%
Dates interest payable	February 1/ August 1
Maturity dates	August 1, 2014/2029
Bonds outstanding, beginning of current year	\$ 19,225,000
Retirements, principal	960,000
Bonds outstanding, end of current year	\$ 18,265,000
Interest paid during current year	\$ 452,351
Paying agent's name and address:	

**Series 2008 - Wells Fargo Bank, N.A., Houston, Texas**

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Bond authority:	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	0	0	0
Amount issued	0	0	0
Remaining to be issued	0	0	0
Debt service fund cash and temporary investment balances as of December 31, 2013:	\$ 2,002,656		
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$ 1,412,847		

**Central Harris County Regional Water Authority**  
**Board Members, Key Personnel and Consultants**  
**Year Ended December 31, 2013**

Complete District mailing address:	Central Harris County Regional Water Authority c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 2, 2012
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Margaret L. Cox	Elected 05/10- 05/14	\$ 3,750	\$ 618	President
Julian F. Boddy	Elected 05/12- 05/16	2,550	379	Vice President
Judge Caston	Elected 05/12- 05/16	2,250	1,005	Secretary
Tom Gower	Elected 05/10- 05/14	5,400	2,000	Assistant Secretary
Richard C. Meek	Elected 05/10- 05/14	2,850	748	Assistant Secretary

\*Fees are the amounts actually paid to a director during the District's fiscal year.

**Central Harris County Regional Water Authority**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended December 31, 2013**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
BKD, LLP	02/07/07	\$ 16,400	Auditor
CJ Parham Treadway	12/06/06	30,000	Lobbyist
FMatuska, Inc.	07/05/06	12,351	Bookkeeper
The GMS Group, L.L.C.	09/14/05	9,855	Financial Advisor
IDS Engineering Group	09/14/05	46,106	Engineer
Municipal Operations & Consulting, Inc.	04/07/10	62,661	Operator
Schwartz, Page & Harding, L.L.P.	09/14/05	167,530	Attorney
<b>Investment Officer</b>			
Fran Matuska	09/14/05	N/A	Bookkeeper

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF CASH TRANSACTIONS**  
**FOR THE PERIOD MAY 1, 2015 - JUNE 3, 2015**  
(Unaudited)

	GENERAL FUND	SURPLUS REVENUE FUND	DEBT SERVICE FUND	DEBT SERVICE RESERVE FUND	CAPITAL PROJECTS FUND
	=====	=====	=====	=====	=====
<b>BALANCE, APRIL 30, 2015</b>	<b>\$133,167.52</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
RECEIPTS	228,863.05	0.00	0.00	0.00	0.00
DISBURSEMENTS	(218,831.25)	0.00	0.00	0.00	(1,379.88)
INVEST PROCEEDS	0.00	80,000.00	0.00	0.00	1,379.88
INVEST PURCHASES	0.00	0.00	(117,572.56)	0.00	0.00
TRANSFERS	(37,572.56)	(80,000.00)	117,572.56	0.00	0.00
<b>BALANCE, MAY 31, 2015</b>	<b>105,626.76</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
CURRENT MONTHS ACTIVITY:					
RECEIPTS	120,566.36	0.00	0.00	0.00	0.00
DISBURSEMENTS	(208,373.04)	0.00	0.00	0.00	0.00
INVEST PROCEEDS	0.00	0.00	0.00	0.00	0.00
INVEST PURCHASES	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0.00	0.00	0.00	0.00	0.00
<b>CURRENT CASH BALANCE</b>	<b>\$17,820.08</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>CURRENT INVESTMENTS</b>	<b>0.00</b>	<b>2,214,101.35</b>	<b>964,187.82</b>	<b>1,413,323.42</b>	<b>1,286,120.09</b>
<b>CASH BALANCES, JUNE 3, 2015</b>	<b>\$17,820.08</b>	<b>\$2,214,101.35</b>	<b>\$964,187.82</b>	<b>\$1,413,323.42</b>	<b>\$1,286,120.09</b>
	=====	=====	=====	=====	=====

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE MONTH ENDED MAY 31, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
5/6/15	2821	JULIAN F. BODDY	DIR FEES 4/1;5/4		277.05
5/6/15	2822	JUDGE CASTON	DIR FEE 4/1		138.52
5/6/15	2823	MARGARET L. COX	DIR FEE 4/1		138.52
5/6/15	2824	THOMAS C. GOWER	DIR FEES/EXP 4/1;4/6;5/4		420.08
5/6/15	2825	RICHARD C. MEEK	DIR FEES/EXP 4/1;4/17		297.75
5/6/15	2826	ASSOCIATION OF WATER BOARD DIR	JUNE (CASTON); APRIL (MEEK)		430.00
5/6/15	2827	AT&T	SERVICE: 4/19-5/18		118.58
5/6/15	2828	BKD LLP	INTERIM BILLING 12/31/14 AUDIT		16,300.00
5/6/15	2829	CITY OF HOUSTON	MAR - 55,951,000 GALS @ 1.4435		80,765.27
5/6/15	2830	CJ PARHAM TREDWAY	MAY 2015		2,500.00
5/6/15	2831	F MATUSKA INC	APRIL 2015		952.83
5/6/15	2832	FRESE AND NICHOLS	REGION H RWP AMENDMENT		2,190.00
5/6/15	2833	HARRIS-GALVESTON SUBSIDENCE	PERMIT RENEWAL 6/1/15-5/31/16		24,000.00
5/6/15	2834	IDS ENGINEERING GROUP	DIST ADMIN THRU 3/25		5,730.02
5/6/15	2835	MUNICIPAL OPERATIONS & CONSULT	APRIL 2015		4,711.16
5/6/15	2836	WATER UTILITY SERVICES INC	#23280		217.00
5/6/15	2837	SCHWARTZ PAGE & HARDING LLP	FEBRUARY-MARCH		79,626.47
4/1/15	J4-4	COMPASS INTEREST		9.62	
4/15/15	J4-5	COMPASS SC			18.00
5/4/15	R5-1	DEP HCUUD16 3/2015		16,663.50	
5/4/15	R5-2	DEP HCMUD200 3/2015		20,847.89	
5/4/15	R5-3	DEP HCMUD200 3/2015 SW		49,461.75	
5/4/15	R5-4	DEP HCMUD217 3/2015 SW		9,640.80	
5/4/15	R5-5	DEP HCMUD304 3/2015		18,779.04	
5/21/15	R5-6	DEP RANKIN RD W 4/2015 SW		12,285.00	
5/28/15	R5-7	DEP HCMUD33 4/2015		26,965.89	
5/28/15	R5-8	DEP FALLBROOK 4/2015		31,042.41	
5/28/15	R5-9	DEP HCMUD150 4/2015 SW		43,167.15	
<b>TOTALS - GENERAL FUND</b>				<b>228,863.05</b>	<b>218,831.25</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
5/7/15	WT05-01-15	CITY OF HOUSTON	CPF-LUCE BAYOU-ANNUAL DS-FY15		1,379.88
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>1,379.88</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
CASH TRANSACTIONS  
----- FOR THE PERIOD ENDED JUNE 3, 2015 -----**

-----Document-----					
Date	Number	Vendor/Customer Name	Description	Receipts	Disbursements
<b>GENERAL FUND</b>					
6/3/15	2838	JULIAN F. BODDY	DIR FEE 5/6		138.52
6/3/15	2839	JUDGE CASTON	DIR FEE 5/6		138.52
6/3/15	2840	MARGARET L. COX	DIR FEE 5/6		138.52
6/3/15	2841	THOMAS C. GOWER	DIR FEES/EXP 5/6,6/1		269.49
6/3/15	2842	RICHARD C. MEEK	DIR FEE/EXP 5/6		145.42
6/3/15	2843	AWBD-WATERSMART	WATERSMART		2,000.00
6/3/15	2844	AT&T	SERVICE: 5/19-6/18		118.56
6/3/15	2845	CITY OF HOUSTON	APR - 57,680,000 GALS @ 1.4435		83,261.08
6/3/15	2846	CJ PARHAM TREDWAY	JUNE 2015		2,500.00
6/3/15	2847	F MATUSKA INC	MAY 2015		972.07
6/3/15	2848	FREESE AND NICHOLS	REGION H RWP AMENDMENT		1,460.00
6/3/15	2849	IDS ENGINEERING GROUP	DIST ADMIN THRU 4/25		6,254.31
6/3/15	2850	MUNICIPAL OPERATIONS & CONSULT	MAY 2015		2,724.73
6/3/15	2851	NORTH HARRIS COUNTY RWA	2013 FY O&M		72,052.58
6/3/15	2852	SCHWARTZ PAGE & HARDING LLP	APRIL-MAY		35,982.24
6/3/15	2853	WATER UTILITY SERVICES INC	#23720		217.00
6/1/15	R6-1	DEP HCMUD200 4/2015		25,590.95	
6/1/15	R6-2	DEP HCMUD200 4/2015 SW		42,118.05	
6/1/15	R6-3	DEP HCMUD215 4/2015		6,043.94	
6/1/15	R6-4	DEP HCUD16 4/2015		22,084.37	
6/1/15	R6-5	DEP HCMUD304 4/2015		14,288.75	
6/1/15	R6-6	DEP HCMUD217 4/2015 SW		10,440.30	
<b>TOTALS - GENERAL FUND</b>				<b>120,566.36</b>	<b>208,373.04</b>
<b>SURPLUS REVENUE FUND</b>					
<b>TOTALS - SURPLUS REVENUE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE FUND</b>					
<b>TOTALS - DEBT SERVICE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>DEBT SERVICE RESERVE FUND</b>					
<b>TOTALS - DEBT SERVICE RESERVE FUND</b>				<b>0.00</b>	<b>0.00</b>
<b>CAPITAL PROJECTS FUND</b>					
<b>TOTALS - CAPITAL PROJECTS FUND</b>				<b>0.00</b>	<b>0.00</b>

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**SUMMARY OF INVESTMENTS**  
**JUNE 3, 2015**  
(Unaudited)

BANK	ACCT #	RATE	PURCHASE DATE	MATURITY DATE	AMOUNT
<b>GENERAL FUND</b>					
<b>TOTAL GENERAL FUND INVESTMENTS</b>					<b>\$0.00</b>
<b>SURPLUS REVENUE FUND</b>					
COMPASS BANK	2530959174	0.1500%			2,214,101.35
<b>TOTAL SURPLUS REVENUE FUND INVESTMENTS</b>					<b>\$2,214,101.35</b>
<b>DEBT SERVICE FUND</b>					
TEXPOOL	7891600003	0.0553%			964,187.82
<b>TOTAL DEBT SERVICE FUND INVESTMENTS</b>					<b>\$964,187.82</b>
<b>DEBT SERVICE RESERVE FUND</b> (AVERAGE ANNUAL DEBT SERVICE PAYMENT: 1,412,714.02)					
TEXPOOL	7891600004	0.0553%			1,413,323.42
<b>TOTAL DEBT SERVICE RESERVE FUND INVESTMENTS</b>					<b>\$1,413,323.42</b>
<b>CAPITAL PROJECTS FUND</b>					
COMPASS BANK	83659	0.1500%			1,286,120.09
<b>TOTAL CAPITAL PROJECTS FUND INVESTMENTS</b>					<b>\$1,286,120.09</b>

**SCHEDULE OF DEBT SERVICE PAYMENTS**

	PAID					
	1-Feb-2015	1-Aug-2015	1-Feb-2016	1-Aug-2016	1-Feb-2017	1-Aug-2017
SERIES 2008(WELLS FARGO)						
PRINCIPAL		985,000.00		1,000,000.00		1,020,000.00
INTEREST	212,935.33	212,935.33	205,139.05	205,139.05	196,474.05	196,474.05
	212,935.33	1,197,935.33	205,139.05	1,205,139.05	196,474.05	1,216,474.05
ANNUAL REQUIREMENT	2015	1,410,870.66	2016	1,410,278.10	2017	1,412,948.10

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**FOR THE ONE AND FOUR MONTHS ENDED APRIL 30, 2015**  
**(UNAUDITED)**

	Current Period			Year-to-Date			Annual	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Variance
<b>REVENUES</b>								
PUMPAGE FEES	126,016.31	164,540.00	(38,523.69)	460,712.77	658,165.00	(197,452.23)	1,974,504.00	(1,513,791.23)
SURFACE WATER FEES	108,010.50	85,410.00	22,600.50	424,708.05	341,640.00	83,068.05	1,024,920.00	(600,211.95)
INTEREST	301.85	400.00	(98.15)	1,187.01	1,600.00	(412.99)	4,800.00	(3,612.99)
<b>TOTAL REVENUES</b>	<b>234,328.66</b>	<b>250,350.00</b>	<b>(16,021.34)</b>	<b>886,607.83</b>	<b>1,001,405.00</b>	<b>(114,797.17)</b>	<b>3,004,224.00</b>	<b>(2,117,618.17)</b>
<b>EXPENDITURES</b>								
ENGINEERING FEES-GENERAL	9,904.31	6,000.00	(3,904.31)	42,402.31	24,000.00	(18,402.31)	72,000.00	29,597.69
LEGAL FEES-GENERAL MATTERS	0.00	10,000.00	10,000.00	101,959.92	40,000.00	(61,959.92)	120,000.00	18,040.08
FINANCIAL ADVISOR-OPERATING MATTERS	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
CITY OF HOUSTON-WATER	83,261.08	63,225.00	(20,036.08)	318,580.45	252,900.00	(65,680.45)	758,704.00	440,123.55
CITY OF HOUSTON TRUE-UP	0.00	5,415.00	5,415.00	0.00	21,665.00	21,665.00	65,000.00	65,000.00
OPERATIONS/METER TEST/R&M	4,928.16	7,715.00	2,786.84	14,870.88	30,865.00	15,994.12	92,600.00	77,729.12
NHCRWA JOINT FACILITIES OPER/R&M	0.00	17,500.00	17,500.00	0.00	70,000.00	70,000.00	210,000.00	210,000.00
TELEPHONE	118.58	115.00	(3.58)	471.89	465.00	(6.89)	1,400.00	928.11
PERMIT FEES	0.00	0.00	0.00	100.00	0.00	(100.00)	26,000.00	25,900.00
DIRECTOR FEES	750.00	750.00	0.00	6,150.00	4,800.00	(1,350.00)	13,500.00	7,350.00
TRAVEL & EXPENSES	112.26	50.00	(62.26)	4,822.34	6,150.00	1,327.66	12,000.00	7,177.66
PAYROLL TAXES	57.40	60.00	2.60	470.55	365.00	(105.55)	1,050.00	579.45
LOBBYIST	2,500.00	2,500.00	0.00	10,000.00	10,000.00	0.00	30,000.00	20,000.00
BOOKKEEPING	855.00	1,100.00	245.00	4,020.00	4,400.00	380.00	13,200.00	9,180.00
AUDITOR	0.00	1,500.00	1,500.00	16,300.00	17,500.00	1,200.00	17,500.00	1,200.00
INSURANCE	(64.00)	0.00	64.00	4,669.00	5,000.00	331.00	5,000.00	331.00
LEGAL NOTICES	0.00	165.00	165.00	0.00	665.00	665.00	2,000.00	2,000.00
PRINTING & OFFICE SUPPLIES	133.83	150.00	16.17	599.27	600.00	0.73	1,800.00	1,200.73
DUES	0.00	0.00	0.00	565.00	565.00	0.00	565.00	0.00
WATERSMART	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00	2,000.00
MISCELLANEOUS EXPENSE	0.00	415.00	415.00	0.00	1,665.00	1,665.00	5,000.00	5,000.00
TRANSFER TO DEBT SERVICE	117,572.56	117,570.00	(2.56)	470,290.24	470,290.00	(0.24)	1,410,870.00	940,579.76
<b>TOTAL EXPENDITURES</b>	<b>220,129.18</b>	<b>234,230.00</b>	<b>14,100.82</b>	<b>996,271.85</b>	<b>961,895.00</b>	<b>(34,376.85)</b>	<b>2,870,189.00</b>	<b>1,873,917.15</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>14,199.48</b>	<b>16,120.00</b>	<b>(1,920.52)</b>	<b>(109,664.02)</b>	<b>39,510.00</b>	<b>(149,174.02)</b>	<b>134,035.00</b>	<b>(243,699.02)</b>



Board of Directors  
 Central Harris County Regional Water Authority  
 Harris County, Texas

In planning and performing our audit of the financial statements of Central Harris County Regional Water Authority (the Authority) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Authority's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be material weaknesses.

### Material Weaknesses

The Authority's management consists of an elected Board of Directors (the Board). Day-to-day operations are performed by private entities (consultants) under contract with the Authority. The Board supervises the performance of the consultants; however, although consultants can be part of the Authority's system of internal control, the consultants are not members of management. Per auditing standards, management is responsible for design and implementation of the Authority's system of internal controls.

Board of Directors  
Central Harris County Regional Water Authority  
Page 2

Per auditing standards, one of the primary controls within the system of internal controls is related to the preparation of the financial statements. Management of the Authority is responsible for either preparing the financial statements or having the knowledge to determine whether the financial statements have been properly prepared and are free from potential misstatement. The absence of this expertise within management, or a consultant of the Authority hired to perform this service, is considered by auditing standards to be a material weakness in internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to correct and present the financial statements on the government-wide basis of accounting. Additionally, we noted adjustments to various accounts, such as capital assets and depreciation and long-term debt, which were necessary in order for the fund financial statements to be in conformity with generally accepted accounting principles. The inability of management (or a consultant of the Authority hired to perform this service) to detect these necessary adjustments is considered by auditing standards to be a material weakness in internal control over financial reporting.

Finally, management, or a consultant of the Authority, does not prepare the capital asset and depreciation register or post adjustments related to the presentation of the capital assets in the government-wide financial statements. As management is not preparing or reviewing and does not have the expertise to prevent, detect and correct related significant potential misstatements, this is considered by auditing standards to be a material weakness.

The material weaknesses noted above, if not corrected, could result in a material misstatement or omission of a required disclosure in the financial statements.

### **Management's Response**

The Authority responds that the auditor's Management Letter, and the material weaknesses identified therein, are prepared in response to Statement on Auditing Standards No. 115 (SAS 115) and are not prompted by any other circumstances identified during the course of the audit and disclosed to the Authority's Board.

As you know, the Board has, since the inception of the Authority, engaged the auditor to perform the Authority's audit and to prepare the financial statements and depreciation schedules upon which the audit is based. It is our understanding that this is the usual and customary practice for smaller special districts in Texas, such as the Authority, as it is more cost effective to engage consultants to perform such services than to employ persons (who would constitute district management) to perform same. It is also the Board's understanding that, under the requirements of SAS 115, the engagement of the auditor to perform these services resulted in the Management Letter because (1) the Board members are not able to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements, and (2) the Board has not implemented controls to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements, such as the hiring of an employee or the engagement of another consultant to prepare the Authority's financial statements.

With respect to item (1) identified above, the Board responds that its members are appointed or elected in accordance with the requirements set forth in the Texas Water Code, and that such members do not necessarily have the ability to prevent, detect and correct a misstatement in the preparation of the Authority's financial statements.

Board of Directors  
Central Harris County Regional Water Authority  
Page 3

With respect to item (2) identified above, the Board responds that it is a small government unit and that it engages the auditor based upon the auditor's professional qualifications, and in light of such qualifications, does not feel that the addition at this time of an employee or the engagement of a consultant to prepare the Authority's financial statements (as a form of control) would be cost effective. Additionally, the Board adds that the Authority does not have any employees, but rather engages consultants who possess industry knowledge and expertise to provide financial services, including its bookkeeper, auditor and financial advisor, as well as consultants that provide legal, engineering, and operation and maintenance services. In particular, the Authority's bookkeeper presents periodic financial information (unaudited) to the Board for review, which information generally reflects income, disbursements, adjustments and the status of investments relative to the Authority's various accounts.

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors and the Texas Commission on Environmental Quality, and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

May 9, 2014

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS, SERIES 2008  
WIF PROGRAM BONDS SOLD TO THE TWDB

=====

Debt Service Schedule

=====

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
2/ 1/15			212,935.33	212,935.33	
8/ 1/15	985,000.00	1.583000	212,935.33	1,197,935.33	1,410,870.65
2/ 1/16			205,139.05	205,139.05	
8/ 1/16	1,000,000.00	1.733000	205,139.05	1,205,139.05	1,410,278.10
2/ 1/17			196,474.05	196,474.05	
8/ 1/17	1,020,000.00	1.883000	196,474.05	1,216,474.05	1,412,948.10
2/ 1/18			186,870.75	186,870.75	
8/ 1/18	1,040,000.00	2.013000	186,870.75	1,226,870.75	1,413,741.50
2/ 1/19			176,403.15	176,403.15	
8/ 1/19	1,060,000.00	2.133000	176,403.15	1,236,403.15	1,412,806.30
2/ 1/20			165,098.25	165,098.25	
8/ 1/20	1,085,000.00	2.367000	165,098.25	1,250,098.25	1,415,196.50
2/ 1/21			152,257.28	152,257.28	
8/ 1/21	1,110,000.00	2.489000	152,257.28	1,262,257.28	1,414,514.55
2/ 1/22			138,443.33	138,443.33	
8/ 1/22	1,135,000.00	2.573000	138,443.33	1,273,443.33	1,411,886.65
2/ 1/23			123,841.55	123,841.55	
8/ 1/23	1,165,000.00	2.649000	123,841.55	1,288,841.55	1,412,683.10
2/ 1/24			108,411.13	108,411.13	
8/ 1/24	1,195,000.00	2.710000	108,411.13	1,303,411.13	1,411,822.25
2/ 1/25			92,218.88	92,218.88	
8/ 1/25	1,230,000.00	2.759000	92,218.88	1,322,218.88	1,414,437.75
2/ 1/26			75,251.03	75,251.03	
8/ 1/26	1,260,000.00	2.797000	75,251.03	1,335,251.03	1,410,502.05
2/ 1/27			57,629.93	57,629.93	
8/ 1/27	1,295,000.00	2.832000	57,629.93	1,352,629.93	1,410,259.85
2/ 1/28			39,292.73	39,292.73	
8/ 1/28	1,335,000.00	2.877000	39,292.73	1,374,292.73	1,413,585.45
2/ 1/29			20,088.75	20,088.75	
8/ 1/29	1,375,000.00	2.922000	20,088.75	1,395,088.75	1,415,177.50
	17,290,000.00		3,900,710.30	21,190,710.30	
ACCRUED	17,290,000.00		3,900,710.30	21,190,710.30	

Dated 8/ 1/14 with Delivery of 8/ 1/14

Bond Years 146,100.000

Average Coupon 2.669891

Average Life 8.449971

N I C % 2.669891 % Using 100.000000

Weighted Bond Years 146,100.000

Weighted Average Life 8.449971

Weighted N I C % 2.669891 % Using 100.000000

T I C % 2.657375 % From Delivery Date

Micro-Muni Debt Date: 06-03-2015 @ 13:10:24 Filename: CHCRWA Key: 2008



**CENTRAL HARRIS COUNTY REG. WATER AUTHORITY**

Water Demand Projects as of January 2013

<b>Year</b>	<b>Total Water (MGD)</b>	<b>Surface Water (MGD)</b>	<b>Peak (MGD)</b>	<b>Population Served</b>
2010	5.28	1.58	1.8	28,341
2011	5.43	1.63	1.84	
2012	5.58	1.67	1.89	
2013	5.73	1.72	1.93	
2014	5.88	1.77	1.97	
2015	6.03	1.81	2.01	32,400
2016	6.18	1.86	2.06	
2017	6.33	1.90	2.10	
2018	6.48	1.95	2.14	
2019	6.63	2.00	2.19	
2020	6.78	2.04	2.23	36,400
2021	6.93	2.09	2.27	
2022	7.08	2.14	2.31	
2023	7.23	2.18	2.36	
2024	7.42	2.23	2.4	
2025	7.45	2.47	2.64	40,000
2026	7.47	2.70	2.88	
2027	7.50	2.94	3.12	
2028	7.52	3.18	3.36	
2029	7.55	3.42	3.60	
2030	7.58	3.65	3.84	40,700
2031	7.60	3.89	4.08	
2032	7.63	4.13	4.32	
2033	7.65	4.36	4.56	
2034	7.68	4.6	4.8	
2035	7.88	6.3	6.9	42,300
<b>maximum build out reached</b>				

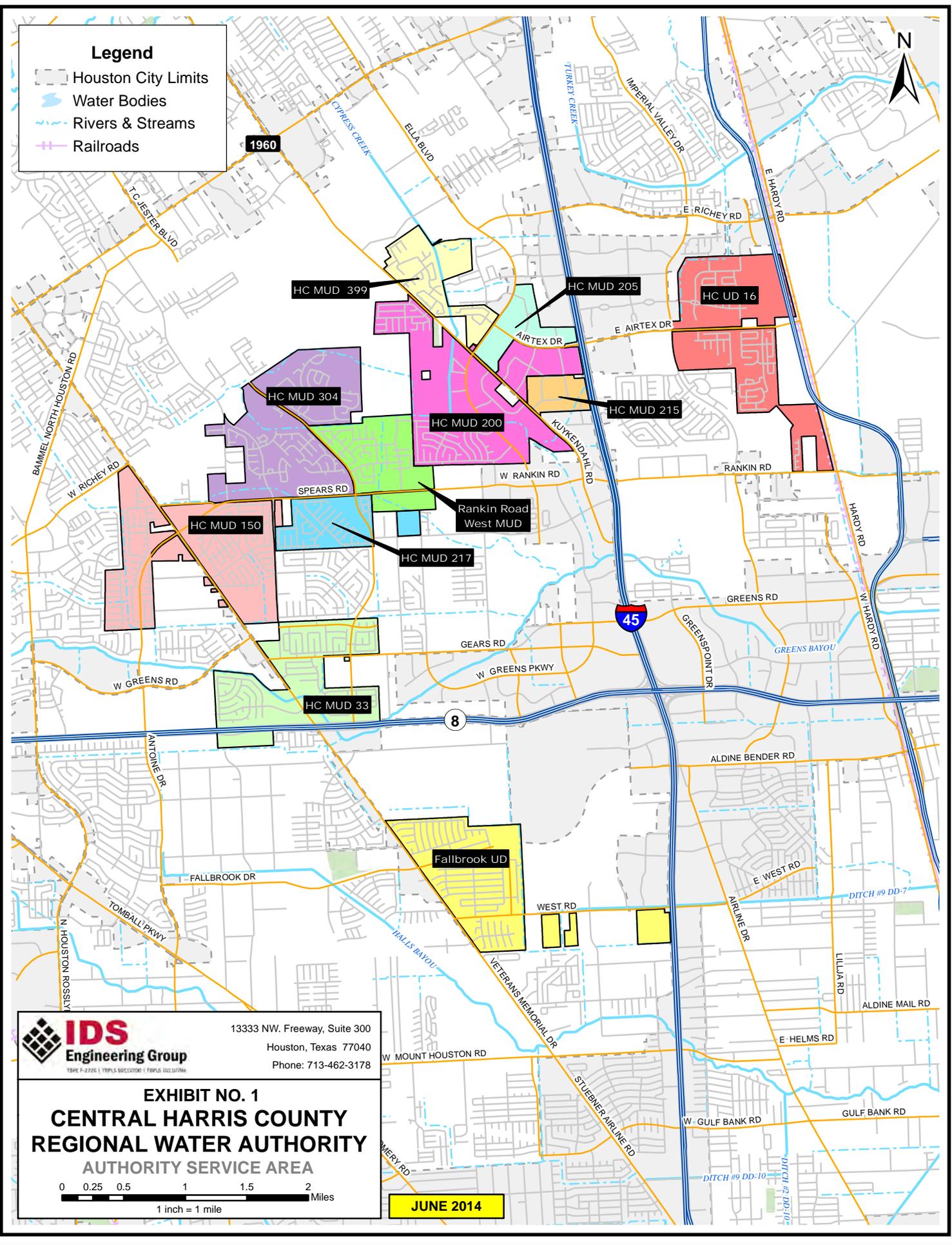
\\Nt03\jobs\1000\102900000 CHCRWA\102900500 CHCRWA SW Conversion\Conversion Alternatives\[Copy of Demand projections as of 01.01.13\_revMK.xlsx]Sheet1

PROJECT BUDGET - Second Source Phase II						
<p>Note: The North Harris County Regional Water Authority Transmission (NHCRA) 2020 (aka Second Source Line Phase II) project is being managed by the NHCRA. As such, the Central Harris County Regional Water Authority does not have an itemized cost estimate, only total estimated costs. The Authority estimates that Project costs are 85% of the total cost, and that the cost of issuance, capitalized interest and debt service fund requirements are the remaining 15% of the total cost.</p>						
Uses	TWDB Funds Series 1 (2015)	TWDB Funds Series 2 (2016)	TWDB Funds Series 3 (2017)	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>						
Construction	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Construction</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Basic Engineering Fees</b>						
Planning +	\$0	\$0	\$0	\$0	\$0	\$0
Design	\$0	\$0	\$0	\$0	\$0	\$0
Construction Engineering	\$0	\$0	\$0	\$0	\$0	\$0
<b>Basic Engineering Other</b>						
**	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Basic Engineering Fees</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Special Services</b>						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other</b>						
**	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Special Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other</b>						
Administration	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements	\$0	\$0	\$0	\$0	\$0	\$0
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Project Costs</b>	<b>\$1,419,500</b>	<b>\$2,035,750</b>	<b>\$4,632,500</b>	<b>\$8,087,750</b>	<b>\$0</b>	<b>\$8,087,750</b>
<b>Fiscal Services</b>						
Financial Advisor	\$0	\$0	\$0	\$0	\$0	\$0
Bond Counsel	\$0	\$0	\$0	\$0	\$0	\$0
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Fiscal Services</b>	<b>\$250,500</b>	<b>\$359,250</b>	<b>\$817,500</b>	<b>\$1,427,250</b>	<b>\$0</b>	<b>\$1,427,250</b>
<b>Contingency</b>						
Contingency	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Contingency</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL COSTS</b>	<b>\$1,670,000</b>	<b>\$2,395,000</b>	<b>\$5,450,000</b>	<b>\$9,515,000</b>	<b>\$0</b>	<b>\$9,515,000</b>
<b>Other ** description must be entered</b>						

Texas Water Development Board Water Project Information							
A. Project Name NHCRWA Transmission 2020		B. Project No.		C. County		D. Regional Planning Group (A-P)	
E. Program(s)		F. Loan <input type="checkbox"/> / Grant <input type="checkbox"/> Amount:		G. Loan Term:			
H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc) The project consists of a 84" transmission pipeline jointly shared by the CHCRWA and the NHCRWA. The transmission pipeline continues the 108" transmission pipeline from the NEWPP, west from IH-45 to the NHCRWA 249 pump station.							
<b>Attach map of service area affected by Project or other documentation.</b>							
I. Is an Inter Basin Transfer potentially involved? Yes <input type="checkbox"/> No <input type="checkbox"/>				J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> No <input type="checkbox"/>			
K. Projected Population from application for at least a 20 year period. Attach justification and list service area populations if different from Planning Area.	Year	Reference Year	2010	2020	2030	2040	
	Population Projection						
Project Design Year				Design Population			
L. Is the proposed project included in a current Regional Water Plan? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: _____)							
M. What type of water source is associated directly with the proposed project? Surface Water <input type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? _____ Acre-Feet/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location		Source County		Annual Volume and Unit	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location:		Source County		Annual Volume and Unit	
R. Consulting Engineer Name			Telephone No.		E-mail address		
S. Applicant Contact Name, Title			Telephone No.		E-mail address		

**Legend**

-  Houston City Limits
-  Water Bodies
-  Rivers & Streams
-  Railroads



**IDS Engineering Group**  
 13333 NW. Freeway, Suite 300  
 Houston, Texas 77040  
 Phone: 713-462-3178

**EXHIBIT NO. 1**  
**CENTRAL HARRIS COUNTY**  
**REGIONAL WATER AUTHORITY**  
**AUTHORITY SERVICE AREA**

0 0.25 0.5 1 1.5 2 Miles  
 1 inch = 1 mile

**JUNE 2014**

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY - TWDB SWIFT BONDS BY YEAR**

The Table Below Indicates the Multi-Year Funding Requests that the CHCRWA will be making to the TWDB  
The CHCRWA will be Requesting Closings as early as possible (given the TWDB's Schedule) in each Year Noted Below  
The CHCRWA Understands that the 2015 Closing will be in November or December 2015

	2015	2016	2017	2018	2019	2020	Total All Bonds
Northeast Plant Expansion	\$5,510,000		\$16,200,000			\$945,000	\$22,655,000
Phase I 2D Source Line	\$3,625,000			\$1,685,000	\$1,535,000	\$2,615,000	\$9,460,000
Phase II 2D Source Line	\$1,670,000	\$2,395,000	\$5,450,000				\$9,515,000
CHCRWA Internal Lines		\$3,770,000 (a)		\$3,375,000	\$4,815,000		\$11,960,000
<b>Total Bonds</b>	<b>\$10,805,000</b>	<b>\$6,165,000</b>	<b>\$21,650,000</b>	<b>\$5,060,000</b>	<b>\$6,350,000</b>	<b>\$3,560,000</b>	<b>\$53,590,000</b>

(a) Bonds for this project are in the process of being incorporated into the Region H Plan and the Statewide Water Plan

RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

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RESOLUTION AUTHORIZING ISSUANCE OF  
\$22,050,000  
CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BONDS  
SERIES 2008

\* \* \*

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: THE AUTHORITY. The Central Harris County Regional Water Authority (the "Authority") is a regional water authority located within Harris County, Texas, a body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79th Texas Legislature, Regular Session, 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, such being hereinafter referred to as the "Act".

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act, Chapter 49 of the Texas Water Code, as amended, and the general laws of the State of Texas to provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan, in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution, and facilitate compliance with rules, orders, regulations, or requirements of the Harris-Galveston Subsidence District ("Subsidence District"); acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority, conserve, store, transport, treat, purify, distribute, sell, and deliver water to or among persons inside and outside the boundaries of the Authority, and allocate water among persons participating in the Authority's groundwater reduction plan whether they are located inside or outside the Authority's boundaries; enter into contracts with persons inside or outside the Authority on terms and conditions the board considers desirable, fair, and advantageous for the performance of the rights, powers, and authority conferred under the Act; coordinate water services provided inside, outside, or into the Authority; and administer and enforce the Act.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State to issue

its negotiable revenue bonds, as herein provided, for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority.

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and security for repayment set forth and provided in this Resolution;
- (c) the Authority is duly authorized and empowered to sell and deliver such bonds for the price and upon the terms hereinafter set forth and contained in this Resolution; and
- (d) the issuance by the Authority of its revenue bonds for purposes of financing, constructing, acquiring and improving the Project (as hereinafter defined) has been duly authorized by all actions required to be taken by the Authority on its part.

(End of Article One)

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following definitions, together with any supplemental definitions contained herein or in any exhibit hereto, shall apply with equal force herein and in any amendment or supplement hereto, and the scope and meaning of terms used in Exhibits "A" and "B" hereto, whether or not defined therein, shall be determined by reference to this Article:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Bonds.

The term "Additional Bonds" shall mean and refer to such additional bonds as may hereafter be authorized and issued by the Authority and secured and made payable by a pledge and lien on Pledged Revenues to the same extent and degree and on a parity with the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds; provided, however, the foregoing shall exclude (a) such refunding bonds or other obligations as may hereafter be authorized by the Authority to defease any outstanding bonds or other obligations of the Authority pursuant to Chapter 1207, Texas Government Code, and (b) such bonds or other obligations as may hereafter be authorized by the Authority that are secured or made payable, in whole or in part, by a pledge and lien on Pledged Revenues that is subordinate or inferior to the pledge and lien on Pledged Revenues specified in this Resolution in respect of the Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof, and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors or governing body of the Authority, or any successor municipal corporation, public body or public agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended,

provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$22,050,000 Central Harris County Regional Water Authority Revenue Bonds, Series 2008, initially dated as of July 1, 2008, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" or "Business Days" shall mean any calendar day or days which fall on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

City of Houston Contract.

The term "City of Houston Contract" shall mean that certain Water Supply Contract, dated December 5, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the City of Houston, as may be amended or supplemented from time to time.

Construction Fund.

The term "Construction Fund" shall mean the fund created and established pursuant to Section 7.01(b) hereof.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund created and established pursuant to Section 7.01(c) hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund created and established pursuant to Section 7.01(d) hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB upon payment of the purchase price therefor, as printed, stamped or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of costs for the Project which have not been determined by the TWDB to be ineligible for financial assistance from the Water Infrastructure Fund administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and Wells Fargo Bank, N.A., Austin, Texas, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority from January 1 through December 31, or such other annual fiscal period as may hereafter be established by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund referred to in Section 7.01(a) hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all Pumpage Fees, Service Fees, and other revenues, income and receipts in respect of the System, including any investment earnings thereon, hereafter derived or received by the Authority and deposited into the General Fund. Gross Revenues shall not include any (a) grants from, or payments by, or capital contribution from any federal, state or local governmental agency or authority or any other entity or Person, the use of which is restricted by law or by the terms of the grant or payment or contribution agreement as a capital expenditures of or for the System, (b) capital assets from a conservation and reclamation district or other public or private water system acquired or otherwise assumed by the Authority, or (c) any interest earned on (a) or (b) above. If and whenever the Authority determines to grant credits of any nature to any Member District or other regulated groundwater user subject to Pumpage Fees, Gross Revenues shall be reduced accordingly.

Holder.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, substantially in the form prescribed in Section 5.03 hereof, has been placed.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority, the Registrar and DTC, as same may be amended or supplemented from time to time.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Member District.

The term "Member District" shall have the meaning assigned to such term in the Act, and shall also include any other district created under Sections 52(b)(1) and (2), Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation, which may be annexed into the boundaries of the Authority pursuant to applicable provisions of the Act.

Net Revenues.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting Operation and Maintenance Expenses.

North Authority Contract.

The term "North Authority Contract" shall mean that certain Agreement For Joint Financing, Design, Construction, Operation and Maintenance of Surface Water Transmission Facilities, dated November 3, 2003, by and among the Authority (as successor to the Central Harris County Water Users Consortium) and the North Harris County Regional Water Authority, as same may be amended and supplemented from time to time.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including (a) all services, salaries, labor, materials, repairs and extensions necessary to accomplish the purposes of the Act and to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to accomplish the purposes of the Authority, keep the System in operation and render adequate service to the customers of the Authority); (b) all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas, including, without limitation, the City of Houston, Texas, and the North Harris County Regional Water Authority) under contracts for the impoundment, conveyance, treatment or supply of water which are entered into by the Authority in order to render efficient service throughout the territory of the Authority and to customers of the System, including but not limited to the City of Houston Contract and the North Authority Contract, and the treatment of such payments as Operation and Maintenance Expenses shall not be affected in any way if, subsequent to the entering into such

contracts, the Authority acquires as a part of the System title to or a beneficial interest in any properties or facilities used to impound, convey or treat water under such contracts, or if the Authority contracts to acquire title to such properties or facilities as a part of the System; and (c) all other administrative expenses of the Authority.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.06 of this Resolution.

Person.

The term "Person" shall mean any, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof, including but not limited to any Member District.

Pledged Revenues.

The term "Pledged Revenues" means and includes all Net Revenues of the Authority including all amounts from time to time on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund, and investments, interest and investment earnings on or belonging or attributable thereto, and any insurance and/or condemnation proceeds received by the Authority in respect of the Project, as provided in Section 6.04 of this Resolution, but excluding any amount declared to constitute Surplus Revenues and any amount on deposit in or to the credit of the Surplus Revenue Fund, including any investment earnings thereon.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Principal Payment Date.

The term "Principal Payment Date" shall mean the date upon which the principal of any then outstanding Bond shall become due and payable, in whole or in part, whether at the Maturity Date or any earlier Redemption Date.

Project.

The term "Project" shall mean the works, facilities, improvements and additions to the System, initially consisting of (a) the purchase of certain rights to capacity in treated surface water production and transmission facilities constructed by (i) the City of Houston, Texas under the City of Houston Contract, and (ii) the North Harris County Regional Water Authority under the North Authority Contract; and (b) the design and construction of, and acquisition of real property rights needed for, the first phase of the Authority's treated surface water distribution system, all as deemed necessary and convenient by the Authority to satisfy the Authority's ground water reduction plan relative to the supply of treated surface water to certain Member Districts on or before January 1, 2010, in accordance with the requirements of the Subsidence District.

Project Costs.

The term "Project Costs" shall mean and include all costs of acquiring, constructing and equipping all or any part of the Project, preparing plans and specifications and acquiring other necessary licenses or permits or amendments thereto; costs and expenses of acquiring sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering and materials-testing costs and expenses; and all other costs and expenses directly relating to the foregoing, together with an amount for contingencies of not more than fifteen percent (15%) of the foregoing. In addition, the term "Project Costs" shall include any payments made or to be made for capital improvements of or for the System under the City of Houston Contract, the North Authority Contract, or any similar water supply contract.

Pumpage Fees.

The term "Pumpage Fees" shall mean the fees charged by the Authority on water (a) pumped from wells located in the Authority's boundaries (except for any wells that are exempt from payment of such fees by the Act, other law, the rules of the Authority, or the Subsidence District), or (b) produced outside of the Authority's boundaries and transported into the Authority's boundaries.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a Business Day.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.05 of this Resolution.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in respect of the principal and interest scheduled to become due on the Bonds and any Additional Bonds remaining outstanding at the time of such computation.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Service Fees.

The term "Service Fees" shall mean the fees charged by the Authority to its customers for water supply services provided by the System.

Special Project.

The term "Special Project" shall mean any project acquired, constructed or installed by the Authority, the financing for which is provided from the proceeds of Special Project Bonds or any source of funds other than the Pledged Revenues.

Special Project Bonds.

The terms "Special Project Bonds" shall mean and refer to such bonds as may hereafter be authorized and issued by the Authority and secured by a pledge of and lien on a source of funds other than the Pledged Revenues.

Surplus Revenues.

The term "Surplus Revenues" shall mean such portion of the Net Revenues as shall be declared to be surplus and transferred to the Surplus Revenue Fund pursuant to Section 7.06 hereof.

Surplus Revenue Fund.

The term "Surplus Revenue Fund" shall mean the fund created and established pursuant to Section 7.01(e) hereof.

System.

The term "System" shall mean all works, plants, properties, facilities, improvements, equipment, interests, appliances, contract rights or other rights and powers constituting the Authority's network of pipelines, conduits, conveyances, pumping stations, metering stations, treatment plants, and any other construction, device, or related appurtenance used to treat or transport water (be it ground water or surface water), and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including, all those heretofore or hereafter acquired from the Member Districts or any other public, private or non-profit entities. The Authority's rights to certain capital improvements under the City of Houston Contract, the North Authority Contract, or any similar contract, shall constitute part of the System.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the Water Infrastructure Fund Financial Assistance Program and, where appropriate, means the Executive Administrator, Fund Manager, or

other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the lien and charge on and pledge of the Pledged Revenues in payment thereof. Unless a time period specified for the performance of any action under this Order is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREEAUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as the "Central Harris County Regional Water Authority Revenue Bonds, Series 2008", shall be issued in the aggregate principal amount of \$22,050,000 for the purpose or purposes of paying or making provision for the payment of the Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act..

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, shall be initially dated as of July 1, 2008, and shall include thereon the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond. Each Bond registered and delivered by the Registrar upon transfer or in replacement of, or in exchange for, any one or more Initial Bonds shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. Bonds in the aggregate principal amount of \$22,050,000 shall be issued as serial bonds, shall bear interest from the later of the Delivery Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rates set forth in the following schedule, and shall mature and become payable, subject to prior optional redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>PRINCIPAL AMOUNT</u>	<u>YEAR OF MATURITY</u>	<u>INTEREST RATES</u>
935,000	2010	0.623%
940,000	2011	0.933%
950,000	2012	1.153%
960,000	2013	1.303%
975,000	2014	1.433%
985,000	2015	1.583%
1,000,000	2016	1.733%
1,020,000	2017	1.883%
1,040,000	2018	2.013%
1,060,000	2019	2.133%
1,085,000	2020	2.367%
1,110,000	2021	2.489%
1,135,000	2022	2.573%
1,165,000	2023	2.649%
1,195,000	2024	2.710%
1,230,000	2025	2.759%
1,260,000	2026	2.797%
1,295,000	2027	2.832%
1,335,000	2028	2.877%
1,375,000	2029	2.922%

SECTION 3.04: INTEREST PAYMENT DATES. Interest on the Bonds shall be payable on February 1, 2009, and semi-annually thereafter on February 1 and August 1 of each year until payment of the principal thereof has been made or duly provided for. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not later than ten (10) days before each Interest Payment Date, the Paying Agent shall compute the amount of interest to be due and payable on such Interest Payment Date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such Interest Payment Date.

The interest so payable on any Interest Payment Date will be paid to the person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.05: MEDIUM AND PLACE OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or

collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates or Principal Payment Dates, is legal tender for the payment of debts due the United States of America. The principal of the Bonds shall be payable only upon their presentation and surrender, as they become due at their respective Maturity Dates or Redemption Dates, at the principal trust office of the Paying Agent. Principal and interest payments on, and mandatory redemption payments, if any, in respect of, each Bond (a) may be payable, at the option and expense of the Authority, by check or draft mailed by the Paying Agent to the Holder at the address shown on the Register or by wire transfer to such Holder, or (b) may be payable by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of such Holder. If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, or disposed of by the Authority, such Bonds, nevertheless, may be authenticated and delivered or disposed of as though the Person who signed such Bonds had not ceased to be such officer of the Authority; and, any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not effect the validity or enforceability of such Bond, if same has been duly authenticated by the Registrar or registered by the Comptroller of Public Accounts of the State of Texas, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each year of maturity specified in Section 3.03 hereof, representing the entire principal amount scheduled to mature in each of such years of maturity, and shall be made payable to Cede & Co., as nominee of DTC, the designee of the TWDB. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's

Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar for safekeeping and thereafter be (a) dated by the Registrar as of the Delivery Date, and (b) registered on the Register in the name of Cede & Co., as nominee of DTC, and delivered to the TWDB as the initial purchaser, but only upon payment by the TWDB at the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bonds to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bonds are to be transferred and the principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) Business Days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of registration substantially in the form required by Section 5.03 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond either the aforementioned certificate of registration or a Certificate of Registrar substantially in the form provided in Section 5.02 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Either such certificate of registration upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been so certified or registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes,

whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effectual and shall discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration, transfer, exchange and replacement of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) Business Days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name(s) of the transferee(s) one or more exchange Bonds in a like aggregate principal amount(s), and having the same maturity date and bearing interest at the same rate(s), and shall deliver or mail same to the transferee(s) by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, being in any authorized denomination, and being in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) Business Days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each Bond transferred or exchanged and duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such transferred or exchanged Bond is delivered. No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption of Bonds prior to maturity, nor shall the Registrar be required to transfer or exchange any Bond selected for redemption in whole or in part when such Redemption Date is scheduled to occur within thirty (30) calendar days.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall authenticate and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed, and the Registrar shall authenticate and deliver, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered, or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost

or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Authority and the Paying Agent, with the concurrence of the Registrar and the Authority, which concurrence may be given or withheld, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. Notwithstanding any provisions contained in this Resolution relating to the payment, transfer, exchange or replacement of the Bonds, the Authority hereby approves and authorizes the use of the "Book-Entry Only" securities clearance, settlement and transfer system provided by DTC. The Initial Bonds and all subsequent Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, except as provided in Section 3.12 hereof.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in

this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Order. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Order with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and the premium, if any, and interest on such Bond, and all notices with respect to such Bond, shall be made and given, respectively, in the manner provided in the Letter of Representation. The execution and delivery of said Letter of Representation is hereby approved along with any other instrument deemed necessary and convenient to carry out the purposes set forth in this Section 3.11, and the President and Secretary of the Board of Directors of the Authority are hereby authorized and directed to execute and deliver same on behalf of the Authority.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, upon receipt of proper proof of the beneficial ownerships of the DTC Participants, and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or

exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated, registered and delivered in accordance with Section 3.09 or Section 3.10 of this Resolution, shall be cancelled and destroyed, upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of destruction of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOURREDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: MANDATORY REDEMPTION OF BONDS. To the extent of any excess funds remaining on deposit in the Construction Fund and the Escrow Fund following completion of the Project, as provided in Section 7.08 of this Resolution and in the Escrow Agreement, and unless the use of such excess funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB, the Bonds shall be subject to mandatory redemption by the Authority, at a price equal to the principal amount thereof, plus accrued interest on the Bonds called for redemption to the Redemption Date, in inverse order of their scheduled maturities, on any date within sixty (60) days following the filing with and the approval by the TWDB of such final accounting, to the maximum extent possible out of such excess funds, rounded to the next lowest integral multiple of \$5,000. The Authority shall, at least forty-five (45) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of the Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not

previously been called for redemption, by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.03: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.04: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions, the respective principal amounts of the Bonds to be redeemed, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 of this Resolution and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.05: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for

redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds or portions thereof so called for redemption shall be terminated.

(End of Article Four)

ARTICLE FIVEFORM OF BONDS AND CERTIFICATES

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Order, including the registration certificate of the Comptroller of Public Accounts of the State of Texas or Registrar, as applicable, and form of assignment shall be in substantially the forms specified in Exhibits "A" and "B" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Order.

SECTION 5.02: CERTIFICATE OF REGISTRAR. The form of Certificate of Registrar specified in Exhibit "B" attached hereto shall be printed on each of the Bonds authenticated, registered and delivered subsequent to the Initial Bonds.

SECTION 5.03: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. In lieu of the Certificate of Registrar specified in Section 5.02 hereof, the registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the form specified in Exhibit "A" attached hereto.

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in Exhibits "A" and "B" attached hereto shall be printed at the back of each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau of Standard & Poors Rating Services, a division of The McGraw-Hill Companies, Inc., New York, New York.

SECTION 5.06: LEGAL OPINION. The approving opinion of the Authority's Bond Counsel may be printed on the Bonds over the certification of the Secretary of the Board of Directors, which may be executed in facsimile or, with respect to Bonds registered in the name of Cede & Co., as nominee of DTC, in accordance with Section 3.11 of this Order, an original of said opinion may be delivered to the TWDB as the initial purchaser of the Bonds.

(End of Article Five)

ARTICLE SIXSECURITY FOR THE BONDS AND RELATED COVENANTS

SECTION 6.01: SECURITY FOR THE BONDS. The Pledged Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds, to the same extent and degree and on a parity with the pledge thereof to secure payment of any Additional Bonds hereafter issued in conformity with the provisions of this Resolution. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall remain in full force and effect until the Bonds and any Additional Bonds have been paid in full, as to both principal and interest at their scheduled maturities or upon their earlier redemption or by reason of their defeasance and discharge. The Bonds shall not be payable from, and the Holders of the Bonds shall have no right, claim, interest or entitlement to, any amounts on hand in any debt service fund, sinking fund or reserve fund established by the Authority for the benefit of the holders of any Special Project bonds.

SECTION 6.02: ASSESSMENT OF PUMPAGE FEES AND SERVICE FEES. The Authority will at all times use due diligence to generate Gross Revenues sufficient to pay or provide for timely payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, from time to time, there shall be fixed, assessed, levied, maintained, charged and billed Pumpage Fees and Service Fees in such amounts as will be sufficient, when any credits then offered by the Authority pursuant to its rules and regulations are taken into consideration, to (i) make payment of Operation and Maintenance Expenses in order to provide for the adequate operation and maintenance of the System, including any portion thereof comprising the Project, (ii) pay or provide for payment of all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, (iii) make all deposits to the Debt Service Reserve Fund or any similar reserve funds created in respect of the Bonds and any Additional Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, and (iv) fulfill the terms, agreements and covenants made with the Holders of the Bonds and any Additional Bonds issued in conformity with this Resolution and/or with any other Persons on their behalf. Such Pumpage Fees and Service Fees shall be timely assessed, levied, charged and billed and shall become payable at such times and in such monthly

amounts as required to pay promptly or provide for the prompt payment of all of the foregoing items, without regard to whether the Authority has initiated, completed or commenced operations of the Project. Such Pumpage Fees and Service Fees shall be adopted in accordance with the Act and any other applicable laws or regulations of any agency of the United States of America or the State of Texas, and shall be subject to the exercise of lawful jurisdiction by any such agency related to the fixing, assessment, levy, charge or billing of the Pumpage Fees or Service Fees.

SECTION 6.03: COLLECTION OF PUMPAGE FEES AND SERVICE FEES. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will use reasonable diligence and will take all actions and measures as may be deemed appropriate under the circumstances to timely and fully enforce and collect Pumpage Fees and Service Fees, to make all payments therefrom into the Debt Service Fund and the Debt Service Reserve Fund required hereunder and to preserve and protect the existence and priority of the pledge and lien of the Pledged Revenues including, but not limited to, where deemed appropriate, the institution of arbitration proceedings and/or suits for collection of delinquent Pumpage Fees and Service Fees; provided, however, that so long as the Authority shall have made all payments and deposits required hereunder, the failure or inability of the Authority to receive and collect all or any portion of such Pumpage Fees and Service Fees, as assessed, levied, billed and charged, shall not, under any circumstances, be deemed to be a default in payment or performance of the Authority hereunder.

SECTION 6.04: INSURANCE AND CONDEMNATION. So long as any of the Bonds shall remain outstanding, the Authority covenants and agrees that it will at all times keep insured such portions of the System as are customarily insured by municipal corporations and political subdivisions in the State of Texas operating like properties in similar locations under similar circumstances with a responsible insurance company or companies against risks, accidents or casualties against and in an amount which is customarily carried by such municipal corporations and political subdivisions, but for so long as the TWDB is a Holder or beneficial owner of the Bonds, such amount shall be at least in an amount sufficient to protect the TWDB's interest in the Project; provided, however, that at any time while any contractor engaged in construction work relating to all or any portion of the improvements to be made to the Project shall be fully responsible therefor, the Authority shall not be required to secure and maintain such insurance. All such policies of insurance shall be open to inspection by the Holders or their representatives at all reasonable times.

In the event of any loss or damage to the improvements to be made to the Project, the Authority covenants that it will apply any proceeds of such insurance policies covering such loss or damage to

the reconstruction or repair of the such improvements, and any excess insurance proceeds remaining after the completion of such improvements shall promptly be deposited into the Debt Service Fund.

To the extent that the Project or any portion thereof shall be taken by condemnation or eminent domain proceedings, any awards or compensation received representing damages for the portion of the improvements so taken shall, upon receipt by the Authority, be promptly deposited to the credit of the Debt Service Fund, less any amount determined by the Authority to represent the pro rata share of damages attributable to any portion of such improvements that were acquired or otherwise assumed by the Authority from a conservation and reclamation district or other public or private water system.

SECTION 6.05: LIMITED OBLIGATIONS. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues.

(End of Article Six)

ARTICLE SEVENREVENUES AND APPLICATION THEREOF

SECTION 7.01: CREATION OF FUNDS. The creation, establishment and continuation of the following funds are hereby approved and adopted:

- (a) Central Harris County Regional Water Authority General Fund;
- (b) Central Harris County Regional Water Authority Construction Fund;
- (c) Central Harris County Regional Water Authority Debt Service Fund;
- (d) Central Harris County Regional Water Authority Debt Service Reserve Fund; and
- (e) Central Harris County Regional Water Authority Surplus Revenue Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund and shall be used as provided in the Resolution. The Construction Fund shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the benefit of the Holders of the Bonds and any Additional Bonds. Surplus Revenues on deposit in or to the credit of the Surplus Revenue Fund may be used for any lawful purpose of the Authority as provided herein. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all

times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

SECTION 7.04: DEBT SERVICE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the scheduled amount of principal and interest to come due on the Bonds and any Additional Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund.

SECTION 7.05: DEBT SERVICE RESERVE FUND. During each Fiscal Year while any portion of the Bonds remain outstanding, after making the deposit required under Section 7.04 hereof, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected and until the amount on deposit therein equals the Required Debt Service Reserve Fund Amount, out of Net Revenues an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount. If and whenever the balance in the Debt Service Reserve Fund is reduced below the Required Debt Service Reserve Fund Amount, monthly deposits in accordance with the foregoing shall be resumed until the balance in the Debt Service Reserve Fund at least equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the amounts prescribed by this Resolution, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein or in Section 7.09 following shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

The Debt Service Reserve Fund shall be used to pay the principal and interest on the Bonds and any Additional Bonds if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds or any Additional Bonds to mature or be redeemed.

The Authority expressly reserves the right at any time, subject to compliance with Section 9.01 hereof, to satisfy all or any part of the Required Debt Service Reserve Fund Amount by obtaining for the benefit of the Debt Service Reserve Fund one or more surety bonds or policies of municipal bond guaranty insurance. In such case, this Resolution shall be amended by resolution or order of the Authority, and a transcript of proceedings shall be submitted to the Attorney General of the State of Texas for examination and approval.

SECTION 7.06: SURPLUS REVENUE FUND. Any Net Revenues remaining in or accrued by or for the General Fund on the last Business Day of each Fiscal Year, after making the deposits required hereinabove, and after making any deposits or payments as may be required in respect of any bonds of the Authority that are secured, in whole or in part, by a pledge of and lien on Pledged Revenues that is subordinate and inferior to the pledge of and lien on Pledged Revenues provided herein with respect to the Bonds, may be declared by the Authority to constitute Surplus Revenues and may be transferred to the Surplus Revenue Fund and used for any lawful purpose. The Surplus Revenue Fund shall not constitute a trust fund for the benefit of the Holders of the Bonds, nor shall any amount in or on deposit to the credit of the Surplus Revenue Fund or investments belonging to the Surplus Revenue Fund and any earnings thereon constitute Pledged Revenues or be, or remain or become, subject to the pledge and lien on Pledged Revenues created by this Resolution.

SECTION 7.07: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement, and the proceeds of sale of the Bonds, after deduction of the amounts described in Section 8.02 and Section 8.03 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and credited to the Construction Fund. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Fund and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.08: CONSTRUCTION FUND. Moneys on deposit in the Construction Fund, and any investment earnings or profits thereon, shall be used solely to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter. Following completion of the Project, the Authority covenants and agrees that copies of as-built plans for same, along with a final accounting of the Eligible Project Costs shall be provided to the TWDB. If the Project shall

be completed at a total cost less than the aggregate amount of funds available therefor in the Construction Fund and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Construction Fund or the Escrow Fund, then, in such event, unless an authorized representative of the TWDB shall have approved in writing the use of any remaining funds for other Project purposes or similar purposes, the Authority shall, immediately upon filing with and approval by the TWDB of such final accounting, call for the redemption, prior to their scheduled maturities, of such portions of the Bonds, in inverse order of their scheduled maturities, to the next lowest multiple of \$5,000, as may be redeemed with such excess and unused proceeds on deposit in the Construction Fund and in the Escrow Fund. In determining the amount of available funds in the Construction Fund for such purposes, such final accounting shall include all moneys on deposit in the Construction Fund and in the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.09: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. After such sale, the moneys resulting therefrom shall belong to the Fund from which the moneys for such investments were initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHTAPPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: BOND PROCEEDS. The proceeds from the sale of the Bonds shall be disbursed in accordance with this Article.

SECTION 8.02: DEPOSIT TO DEBT SERVICE FUND. Proceeds from the sale and delivery of the Bonds representing capitalized interest in the amount of \$475,286 shall be deposited into the Debt Service Fund.

SECTION 8.03: DEPOSIT TO CONSTRUCTION FUND. Proceeds from the sale and delivery of the Bonds in the amount of \$637,250, representing the estimated costs of issuance of the Bonds, shall be deposited into the Construction Fund. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds and call for the redemption of Bonds as provided in Section 4.02 hereof, unless the use of such funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB.

SECTION 8.04: DEPOSITS TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.05: TAX COVENANTS. The Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investments of the proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code"), and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"), necessary to insure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority hereby covenants as follows:

(a) The Authority has not used and will not use, nor permit to be used, more than ten percent (10%) of the net proceeds of the Bonds in the trade or business of any person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds"). For purposes of this Section 8.05, the term "net proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "person" includes any

individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, means any activity other than an activity carried on by a governmental unit;

(b) The Authority has not used and will not use, nor permit to be used, more than five percent (5%) of the net proceeds of the Bonds in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds, and the amount of private-use proceeds of the Bonds in excess of five percent (5%) of the net proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

(c) Principal and interest on the Bonds will be repaid solely out of the Pledged Revenues, and there will be no other source of funds for such payment;

(d) The Authority has not used and will not use or permit to be used an amount exceeding the lesser of (i) \$5,000,000 or (ii) five percent (5%) of the net proceeds of the Bonds to finance, directly or indirectly, loans to persons other than governmental units;

(e) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the Authority reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond" within the meaning of Section 148 of the Code;

(f) The Authority will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the repayment of the Bonds and will restrict the yield on such investments to the extent required by the Code or the Regulations; without limiting the generality of the foregoing, the Authority will take appropriate steps to restrict the yield on all proceeds of the Bonds on hand on a date that is three (3) years from the date of delivery of the Bonds and on all amounts within the Debt Service Fund not disbursed within thirteen (13) months of the date of deposit therein (using a last-in, first-out accounting conversion) to a yield which is not materially higher than the yield on the Bonds (in both cases calculated in accordance with the Code and Regulations);

(g) The Authority will not cause the Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149(b) of the Code (as same may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code); and

(h) To the extent, if applicable, required by the Code and Regulations, the Authority will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government, and specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the Authority which are allocable to other bond issues of the Authority or moneys which do not represent gross proceeds of any bonds of the Authority, (ii) calculate, at least annually, but not less often than required by the applicable Regulations, the amount of "excess arbitrage profits", if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other date as permitted by the applicable Regulations, all amounts required to be rebated to the federal government; and the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a "prohibited payment" within the meaning of Temp. Treas. Reg. §1.103-15AT.

(i) The Authority will timely comply with the information reporting requirements of Section 149(e) of the Code.

All officers, employees and agents of the Authority are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Authority as of the date the Bonds are delivered. In complying with the foregoing covenants, the Authority may rely from time to time upon an opinion of bond counsel to the effect that any action by the Authority or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 8.06: BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.

The Authority has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2008, as a result of the Bonds, will exceed \$10,000,000.

SECTION 8.07: ALLOCATION OF, AND LIMITATION ON, EXPENDITURES. The Authority covenants to account for the expenditure of the proceeds of the sale of the Bonds and investment earnings to be used for the purposes for which the Bonds are issued on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the facilities to be constructed and/or purchased with the proceeds of the Bonds are completed. The foregoing notwithstanding, the Authority shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. For purposes of determining compliance with this covenant the Authority and its officers, agents and representatives may rely upon an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions or omissions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 8.08: DISPOSITION OF FACILITIES. The Authority covenants that the property constituting the Project will not be sold or otherwise disposed of in a transaction resulting in the receipt by the Authority of cash or other compensation unless the Authority obtains an opinion of nationally recognized bond counsel or tax counsel to the effect that the proposed actions of the District will not adversely affect the excludability for federal income tax purposes from gross income of the interest. For purposes of the foregoing, the portion of the Project comprised of personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation.

(End of Article Eight)

ARTICLE NINEAMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution:

- (i) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of Section 9.02 of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds, or
- (ii) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution.

Otherwise, no such change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding.

SECTION 9.02: ADDITIONAL BONDS. The Authority expressly reserves the right to issue Additional Bonds, in one or more installments, upon such other terms and conditions as the Authority deems advisable, but only upon satisfaction of the following conditions:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority

has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. The Authority further reserves the right to issue subordinate lien bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority further reserves the right to issue its bonds or other obligations for refunding purposes in any manner permitted by law.

SECTION 9.05: SPECIAL PROJECT BONDS. The Authority further reserves the right to issue Special Project Bonds for any lawful purpose.

(End of Article Nine)

ARTICLE TENBONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or the Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Pledged Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect capacity charges, and to the due, proper and timely application of the Pledged Revenues to the intended purposes, and to the performance of its covenants, obligations and duties hereunder and under the Bonds. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVENCONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "NRMSIR" means each person whom the SEC or its staff has determined from time to time to be a nationally recognized municipal securities information repository, within the meaning of the Rule.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12, as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

The term "SID" means any person designated by the State of Texas, or an authorized department, officer or agency thereof as, and determined by the SEC or its staff from time to time to be, a state information depository, within the meaning of the Rule.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to each NRMSIR and any SID, within six (6) months after the end of each Fiscal Year ending in or after 2008, financial information and operating data with respect to the Authority of the general type included in the Authority's final application to the TWDB for financial assistance in connection with the Bonds. Any financial statements to be so provided shall be (i) prepared in accordance with generally accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality (or any successor agency), or such other accounting principles as the Authority may be required to employ from time to time thereafter pursuant to applicable law or regulation, and (ii) audited, if the Authority commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide

such audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02 may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that has theretofore been provided to each NRMSIR and any SID or filed with the SEC. The Authority shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify any SID and either each NRMSIR or MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the applicable provisions of the federal securities laws:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds;
- (h) Calls for redemption of the Bonds;
- (i) Defeasances of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds; or

(k) Rating changes.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS.

(a) The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon any other person. The Authority undertakes to provide only the financial information, operating data financial statements and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, conditions or prospects of the Authority, nor does the Authority undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or to sell Bonds at any future date.

(c) Under no circumstances shall the Authority be liable to the Holder of any Bond or any other person, in contract or in tort, for damages resulting, in whole or in part, from any breach by the Authority, whether negligent or without fault on its part, of any covenant specified in this Article, but every right and remedy of any such person, in contract or in tort, for or on account of any such breach, shall be limited to an action for mandamus or specific performance.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its

discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment, or (B) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders of the Bonds and any beneficial owners or holders of the Bonds within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or if any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but, in either case, only if and to the extent that any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(End of Article Eleven)

ARTICLE TWELVEMISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS. The Authority covenants to pay promptly, but only out of Pledged Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: COMPLIANCE WITH REGULATORY REQUIREMENTS. The Authority covenants and agrees, so long as all or any part of the Bonds are outstanding, that it will (i) develop, implement and maintain a water conservation program relative to the System which is consistent with and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB and (iii) comply with and abide by all other applicable rules, regulations, laws and requirements of the TWDB relative to the Project.

SECTION 12.03: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Pledged Revenues.

SECTION 12.04: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.05: REGISTRAR. The initial Registrar in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The President and the Secretary of the Board of Directors of the Authority are hereby authorized and directed, on behalf of the Authority, to approve, execute and deliver an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate. The Authority will maintain at least one (1) Registrar in the State of Texas, where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly

designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Registrar services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.06: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be Wells Fargo Bank, N.A., Austin, Texas. The Authority will maintain in the City of Houston, Texas, at least one (1) Paying Agent who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any state thereof, each of which with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The President or Vice President of the Board of Directors are hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent services with Wells Fargo Bank, N.A., Austin, Texas, in such form and upon such terms and conditions as may be deemed necessary and appropriate.

SECTION 12.07: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is

not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Principal Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.08: DISCHARGE BY DEPOSIT. The Authority may discharge its obligation to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, V.T.C.A. Government Code §1207.001 et seq., as amended, subject to any limitations or requirements set forth herein.

SECTION 12.09: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.10: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, firm or corporation, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds.

SECTION 12.11: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.12: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.08 hereof, the Authority will keep proper records and accounts regarding the Project and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Pledged

Revenues, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.13: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the President or Vice President and Secretary or Assistant Secretary of the Board of Directors are hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution, including, without limitation, the execution of this Order and other documentation required in connection herewith and with the issuance of the Bonds.

(End of Article Twelve)

ARTICLE THIRTEENSALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds.

SECTION 13.02: TRANSCRIPT OF PROCEEDINGS. The President and Secretary of the Board of Directors and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEENOPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a meeting of the Board of Directors beginning at 6:00 p.m., Houston, Texas, time on June 11, 2008, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at the Authority's administrative office and at a place readily accessible and convenient to the public within the Authority and was timely furnished to the County Clerk of Harris County, Texas, for posting on a bulletin board located at a place convenient to the public in the Harris County Courthouse for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Section 49.063 of the Texas Water Code, as amended, and that this meeting has been open to the public, as required by law, at all times during which this Resolution and the subject matter hereof has been discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage.

PASSED AND ADOPTED this 11<sup>th</sup> day of June, 2008.

/s/ Margaret L. Cox  
 President, Board of Directors  
 Central Harris County Regional  
 Water Authority

ATTEST:

/s/ Judge Caston  
 Secretary, Board of Directors  
 Central Harris County Regional  
 Water Authority

(SEAL)

(End of Article Fourteen)

EXHIBIT "A"

(FORM OF INITIAL BOND)

REGISTERED NUMBER IR-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the "Record Date"). Principal of this Bond is due at maturity or upon

prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the

interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas (or a duly authorized deputy) has been manually executed as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

OFFICE OF THE COMPTROLLER

REGISTER NO. \_\_\_\_\_

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by said Attorney General as required by law, that said Attorney General finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of the Central Harris County Regional Water Authority and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,

\_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_  
the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
(Bank, Trust Company, or Brokerage Firm)

\_\_\_\_\_  
Registered Owner  
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

By: \_\_\_\_\_  
(Authorized Representative)

EXHIBIT "B"

(FORM OF EXCHANGE BOND)

REGISTERED NUMBER R-	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
REVENUE BOND  
SERIES 2008

Interest Maturity Date: Initial Date: Delivery Date: CUSIP NO.:  
Rate:  
\_\_\_\_\_ %      \_\_\_\_\_ 1, \_\_\_\_\_ July 1, 2008      \_\_\_\_\_

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY, a body politic and corporate and a governmental agency and political subdivision created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the due date specified above, the principal sum of

\_\_\_\_\_ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2009, and semi-annually thereafter on February 1 and August 1 (the "Interest Payment Dates") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 11, 2008, (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date (the

"Record Date"). Principal of this Bond is due at maturity or upon prior redemption, upon presentation and surrender of this Bond at the designated office of the agency selected by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest in respect of this Bond (the "Paying Agent"). Principal and interest payments in respect of this Bond shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal and interest payments on, or mandatory redemption payments, if any, in respect of this Bond are payable (a) at the option and expense of the Authority by (i) mailing of a check of the Paying Agent for such interest payable to the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a trust or banking corporation or association selected by the Authority for such purpose (the "Registrar"), or (ii) by wire transfer of the Paying Agent to the registered owner hereof; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., in Austin, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Two Million Fifty Thousand and No/100 Dollars (\$22,050,000), (the "Bonds"), issued for the purpose or purposes of paying or making provision for the payment of the costs of acquiring properties or property rights, works, facilities, improvements, or contract rights necessary or useful, including but not limited to the System, to conserve, store, transport, treat, purify, distribute, sell and deliver water to the customers of the Authority (the "Project"), pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registerable at the designated office of the Registrar by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like interest rate and aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered bonds of other authorized denominations at the same interest rate and in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but

the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith.

THE AUTHORITY RESERVES THE RIGHT TO REDEEM the Bonds maturing on or after August 1, 2019, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities on August 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds of the same interest rate and in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION will be given by mailing same to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE REQUIRED to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither

the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THE BONDS ARE NOT DESIGNATED AS "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b) of the Internal Revenue Code of 1986 in effect on the date of the issuance of the Bonds as the Authority has issued more than \$10,000,000 of tax-exempt obligations (including the Bonds) in the calendar year 2008.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and secured by a lien on and pledge of the Pledged Revenues to be primarily derived from Net Revenues resulting from Service Fees collected from customers served by the System and Pumpage Fees collected from certain ground water users within the Authority; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Reserve Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Pledged Revenues, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Pledged Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same

lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part as hereinabove set forth; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRAR has been manually executed by an authorized representative of Registrar, as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

## CERTIFICATE OF REGISTRAR

This is to certify that this bond is one of the Bonds issued under the provisions of the within-mentioned Bond Resolution, and it is hereby further certified that this bond has been authorized and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the Central Harris County Regional Water Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

\_\_\_\_\_, Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
 (Social Security or other identifying number): \_\_\_\_\_ the  
 within Bond and does hereby irrevocably constitute and appoint  
 \_\_\_\_\_ as attorney to transfer said  
 Bond on the books kept for registration thereof, with full power of  
 substitution in the premises.

Dated: \_\_\_\_\_

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

\_\_\_\_\_  
 (Bank, Trust Company, or  
 Brokerage Firm)

By: \_\_\_\_\_  
 (Authorized Representative)

\_\_\_\_\_  
 Registered Owner

NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

[The legal opinion of Bond Counsel shall also be attached to the Exchange Bonds.]

## PRIVATE PLACEMENT MEMORANDUM DATED \_\_\_\_\_, 20\_\_

## NEW ISSUE BOOK-ENTRY-ONLY

*On the date of initial delivery of the Bonds (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.*

\$ \_\_\_\_\_  
**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY  
 REVENUE BONDS,  
 SERIES 2015 [A][B][C] (the "Bonds")**

**Dated:** \_\_\_\_\_, 2015

**Due:** February 1, as set forth in Appendix A

- Interest Date:** Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2016 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."
- Record Date:** The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such date is a business day.
- Date Interest Accrues:** Interest on the Bonds initially accrues from the Delivery Date (hereinafter defined), and thereafter, from the most recent Interest Payment Date. The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.
- Redemption:** The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.
- Authorized Denominations:** The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.
- Paying Agent/Registrar:** The initial paying agent and registrar for the Bonds is Amegy Bank, National Association ("Paying Agent/Registrar").
- Book-Entry-Only System** Upon initial issuance, the ownership of the Bonds will be registered on the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Houston, Texas as the same become due and payable.
- Issuer:** The Central Harris County Regional Water Authority (the "Authority"), a conservation and reclamation district, is a body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 656, Acts of the 79<sup>th</sup> Texas Legislature, Regular Session 2005 (codified in Chapter 8815, Texas Special District Local Laws Code), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Authority Act").
- Official Action:** The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas including, the Authority Act, and that certain RESOLUTION AUTHORIZING ISSUANCE OF \$ \_\_\_\_\_ CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2015 [A][B][C], passed and adopted by the Board of Directors of the Authority on \_\_\_\_\_, 20\_\_ (the "Bond Resolution").

Purpose: See "APPENDIX B – BOND RESOLUTION."  
Security for the Bonds: See "APPENDIX B – BOND RESOLUTION."  
Ratings: See "OTHER INFORMATION - Ratings"  
Delivery Date: \_\_\_\_\_, 2015 or the actual date of delivery of the Bonds to the initial purchaser thereof.

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**See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, and Initial CUSIP Numbers**

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**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**

**Board of Directors**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Margaret L. Cox	President	May 2018
Julian F. Boddy	Vice President	May 2016
Judge Caston	Secretary	May 2016
Richard C. Meek	Assistant Secretary	May 2018
Tom Gower	Assistant Secretary	May 2018

**Amegy Bank, National Association, Paying Agent/Registrar**

**Consultants to the Authority**

The consultants listed below are relevant to the sale of the Bonds but are not exhaustive of all Authority consultants.

***Bond Counsel*** – Schwartz, Page & Harding, L.L.P., Houston, Texas, serves as Bond Counsel to the Authority, and also represents the Authority on certain other matters of a general legal nature. The fees for Bond Counsel for bond-related services are contingent on the issuance, sale and delivery of the Bonds.

***Disclosure Counsel*** – McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the Authority. The fees for Disclosure Counsel relative to the proposed issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

***Financial Advisor*** – The Authority has employed the firm of The GMS Group, L.L.C. (“Financial Advisor”) as financial advisor to the Authority. Payment to the Financial Advisor by the Authority is contingent upon the issuance, sale and delivery of the Bonds.

***Auditing*** – The firm BKD, LLP, Certified Public Accountants, prepared the annual audit for the Authority for the fiscal year ended December 31, 2014.

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APPENDIX C   FORM OF OPINION OF BOND COUNSEL	

**Private Placement Memorandum  
relating to**

\$ \_\_\_\_\_

**CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY**  
*(A political subdivision of the State of Texas)*  
**REVENUE BONDS**  
**SERIES 2015[A][B][C]**

**INTRODUCTION**

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the above-captioned bonds (the “Bonds”) pursuant to the RESOLUTION AUTHORIZING ISSUANCE OF \$ \_\_\_\_\_ CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, SERIES 2015[A][B][C], passed and adopted by the Board of Directors of the Authority on \_\_\_\_\_, 20\_\_ (the “Bond Resolution”). Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Bond Resolution. See “APPENDIX B – “BOND RESOLUTION” attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Bond Resolution which contains a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

**THE BONDS**

**General Description**

The Bonds are being issued in the aggregate principal amount set forth in “APPENDIX A – MATURITY SCHEDULE” attached to this Private Placement Memorandum. The Bonds mature, and principal in respect of the Bonds is payable, on February 1 of each of the years and in the amounts shown in “APPENDIX A – MATURITY SCHEDULE” attached hereto. Interest on the Bonds will be payable on February 1 and August 1 each year, commencing February 1, 2016 (each an “Interest Payment Date”). The Bonds will have a stated dated date, however, interest on the Bonds initially accrues from the date of delivery of the Bonds to the initial purchaser thereof (the “Delivery Date”), and thereafter, from the most recent Interest Payment Date. The Bonds will bear interest at the rates per annum set forth in “APPENDIX A – MATURITY SCHEDULE” attached hereto. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

The Bonds are issued in fully registered form only in denominations of \$5,000, or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

**Purpose**

See “APPENDIX B – BOND RESOLUTION.”

**Authority for Issuance**

The Bonds are issued pursuant to the general laws and the Constitution of the State of Texas, the Authority Act, and the Bond Resolution.

## **Security for the Bonds**

The Bonds are secured by a pledge of and lien on the Pledged Revenues derived from the Net Revenues of the System, all as described in the Bond Resolution. See “APPENDIX B – BOND RESOLUTION.”

## **Redemption Provisions**

The Authority reserves the right, at its option, to redeem the Bonds maturing on or after February 1, 20\_\_, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on February 1, 20\_\_, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for the redemption (the “Redemption Date”).

Under certain circumstances described in the Bond Resolution, the Bonds may also be subject to mandatory redemption.

By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

See “APPENDIX B – BOND RESOLUTION.”

## **Notice of Redemption; Selection of Bonds to Be Redeemed**

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the Authority in accordance with the Bond Resolution. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of redemption shall be given by the Paying Agent/Registrar in the manner specified in the Bond Resolution. See “APPENDIX B – BOND RESOLUTION.”

## **Book-Entry-Only System**

*The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and deposited with DTC. See APPENDIX B - “BOND RESOLUTION.”

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust &

Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

## **TAX MATTERS**

### **Tax Exemption**

On the Delivery Date, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the Authority, including information and representations contained in the Authority’s federal tax certificate issued in connection with the Bonds, and (b) covenants of the Authority contained in the Bond Resolution relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the Authority to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Bond Counsel will deliver its opinion on the date of delivery of the Bonds substantially in the form as attached in “APPENDIX C – FORM OF OPINION OF BOND COUNSEL.”

### **Not Qualified Tax-Exempt Obligations**

The Authority has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

## **OTHER INFORMATION**

### **Forward Looking Statements**

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer’s expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer’s actual results could differ materially from those in such forward-looking statements.

**Ratings**

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Bonds for ratings or municipal bond insurance, respectively.

**LITIGATION**

With the delivery of the Bonds, the President or Vice President of the Board will, on behalf of the Authority, execute and deliver to the initial purchaser a certificate dated as of the Delivery Date, to the effect that, except as disclosed herein, no litigation of any nature of which the Authority has notice is pending against or, to the knowledge of the Authority's certifying officer, threatened against the Authority, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the Authority or the title of the then present officers and directors of the Board.

**CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to certain other information vendors. SEE APPENDIX B - "BOND RESOLUTION."

**Compliance with Prior Undertakings**

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

**MISCELLANEOUS**

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities as referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

**ADDITIONAL INFORMATION**

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Bond Resolution and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

**APPENDIX A**  
**MATURITY SCHEDULE**

**APPENDIX B**  
**BOND RESOLUTION**

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

378114

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015A**

Maturity Date	Maturity Amount (a)	Coupon (b)	Price	CUSIP No. (c)
02/01/2017	\$140,000		100%	
02/01/2018	\$140,000		100%	
02/01/2019	\$140,000		100%	
02/01/2020	\$145,000		100%	
02/01/2021	\$145,000		100%	
02/01/2022	\$145,000		100%	
02/01/2023	\$150,000		100%	
02/01/2024	\$155,000		100%	
02/01/2025	\$155,000		100%	
02/01/2026	\$160,000		100%	
02/01/2027	\$160,000		100%	
02/01/2028	\$165,000		100%	
02/01/2029	\$170,000		100%	
02/01/2030	\$175,000		100%	
02/01/2031	\$180,000		100%	
02/01/2032	\$185,000		100%	
02/01/2033	\$190,000		100%	
02/01/2034	\$195,000		100%	
02/01/2035	\$200,000		100%	
02/01/2036	\$210,000		100%	
02/01/2037	\$215,000		100%	
02/01/2038	\$220,000		100%	
02/01/2039	\$230,000		100%	
02/01/2040	\$235,000		100%	
02/01/2041	\$245,000		100%	
02/01/2042	\$250,000		100%	
02/01/2043	\$260,000		100%	
02/01/2044	\$270,000		100%	
02/01/2045	\$280,000		100%	
Total	\$5,510,000			

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015B**

Maturity Date	Maturity Amount	(a)	Coupon	(b)	Price	CUSIP No.	(c)
02/01/2017	\$90,000				100%		
02/01/2018	\$95,000				100%		
02/01/2019	\$95,000				100%		
02/01/2020	\$95,000				100%		
02/01/2021	\$95,000				100%		
02/01/2022	\$95,000				100%		
02/01/2023	\$100,000				100%		
02/01/2024	\$100,000				100%		
02/01/2025	\$105,000				100%		
02/01/2026	\$105,000				100%		
02/01/2027	\$105,000				100%		
02/01/2028	\$110,000				100%		
02/01/2029	\$110,000				100%		
02/01/2030	\$115,000				100%		
02/01/2031	\$120,000				100%		
02/01/2032	\$120,000				100%		
02/01/2033	\$125,000				100%		
02/01/2034	\$130,000				100%		
02/01/2035	\$135,000				100%		
02/01/2036	\$135,000				100%		
02/01/2037	\$140,000				100%		
02/01/2038	\$145,000				100%		
02/01/2039	\$150,000				100%		
02/01/2040	\$155,000				100%		
02/01/2041	\$160,000				100%		
02/01/2042	\$165,000				100%		
02/01/2043	\$170,000				100%		
02/01/2044	\$175,000				100%		
02/01/2045	\$185,000				100%		
<b>Total</b>	<b>\$3,625,000</b>						

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.

**Central Harris County Regional Water Authority  
Revenue Bonds Series 2015C**

Maturity Date	Maturity Amount (a)	Coupon (b)	Price	CUSIP No. (c)
02/01/2017	\$40,000		100%	
02/01/2018	\$40,000		100%	
02/01/2019	\$45,000		100%	
02/01/2020	\$45,000		100%	
02/01/2021	\$45,000		100%	
02/01/2022	\$45,000		100%	
02/01/2023	\$45,000		100%	
02/01/2024	\$45,000		100%	
02/01/2025	\$45,000		100%	
02/01/2026	\$50,000		100%	
02/01/2027	\$50,000		100%	
02/01/2028	\$50,000		100%	
02/01/2029	\$50,000		100%	
02/01/2030	\$55,000		100%	
02/01/2031	\$55,000		100%	
02/01/2032	\$55,000		100%	
02/01/2033	\$60,000		100%	
02/01/2034	\$60,000		100%	
02/01/2035	\$60,000		100%	
02/01/2036	\$65,000		100%	
02/01/2037	\$65,000		100%	
02/01/2038	\$65,000		100%	
02/01/2039	\$70,000		100%	
02/01/2040	\$70,000		100%	
02/01/2041	\$75,000		100%	
02/01/2042	\$75,000		100%	
02/01/2043	\$80,000		100%	
02/01/2044	\$80,000		100%	
02/01/2045	\$85,000		100%	
<b>Total</b>	<b>\$1,670,000</b>			

(a) Subject to change pending TWDB final approval.

(b) Coupons will be established approximately 3 weeks prior to closing.

(c) CUSIP numbers will be applied for approximately 1 month before closing.