

MINUTES
NORTH FORT BEND WATER AUTHORITY

January 27, 2016

The Board of Directors (the "Board") of the North Fort Bend Water Authority (the "Authority") met in regular session, open to the public, on the 27th day of January, 2016, at the Willow Fork Country Club, 21055 Westheimer Parkway, Katy, Texas, inside the boundaries of the Authority, and the roll was called of the members of the Board:

Peter Houghton	President
Robert Patton	Vice President
Melony Gay	Secretary
David Spell	Assistant Secretary
Robert Darden	Assistant Vice President
Bruce Fay	Assistant Secretary
Pat Hebert	Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also present for all or part of the meeting were David C. Scholler, Lindsay Kovar, Matthew L. Froehlich, and Janice Hayes of Brown & Gay Engineers, Inc. ("BGE"); Pamela Logsdon of AVANTA Services; Dale Clayton of Severn Trent Services, Inc.; Christina Miller and Justine M. Cherne of Allen Boone Humphries Robinson LLP ("ABHR"); and persons listed on the attached attendance sheets.

APPROVE MINUTES

The Board considered approving the minutes of its regular meeting held on December 17, 2015. After review and discussion, Director Gay moved to approve the minutes as written. Director Hebert seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. There being no public comments, Director Houghton closed the meeting to public comments.

PUBLIC COMMUNICATIONS, WATER CONSERVATION AND REUSE, AND APPLICATION FOR FUNDING

Ms. Kovar presented and reviewed with the Board a Memorandum Regarding Water Conservation and Reuse ("WCR Memo"), a copy of which is attached. She discussed matters related to public communications, water conservation, and effluent reuse, including training opportunities, attendance at municipal utility district and homeowner association meetings, and the number of irrigation evaluations completed per the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys

Program”).

Ms. Kovar reported on the status of the Authority’s application to the Texas Water Development Board (the “TWDB”) for funding from the Clean Water State Revolving Fund for the Grand Lakes Municipal Utility District Nos. 1, 2, and 4 proposed effluent reuse project. She reviewed revisions made to the Authority’s application documents and additional application documents for the funding due to TWDB’s determination that the project is eligible for \$1,632,000 in loan forgiveness grant funding from the TWDB.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts. She reported that Fort Bend County Municipal Utility District No. 151 has submitted an Alternative Water Credit Application to the Authority for an effluent reuse system scheduled to deliver reuse water in March, 2016.

Ms. Kovar reported on the status of well owners’ enrollment submittals for the Authority’s Larry’s Toolbox water conservation program. She stated that 27 enrollment submittals have been received and noted that the deadline is February 1, 2016. She stated that ABHR is drafting participation agreements for the program. Ms. Kovar reported that the following five entities were selected to receive funding of their participation in the program’s initiative for homeowner’s association irrigation system evaluations based on a blind random drawing from 12 requests submitted to the Authority by the January 1, 2016, deadline: Fort Bend County Municipal Utility District Nos. 146, 151, 165, and 185, and Cinco Southwest Municipal Utility District No. 1. Ms. Kovar reported that the Authority had received submissions for funding of homeowner’s association water budgets from ten entities, and due to the number of submissions, all of the entities would receive the requested funding

Ms. Kovar reviewed a proposal from Glass House Strategy for designing and printing bill inserts for distribution to participants in the Authority’s Larry’s Toolbox water conservation program in the amount of \$2,250.00. A copy of the proposal is attached to the WCR Memo.

Ms. Kovar reported on a proposed reservation of the Authority’s water conservation mobile teaching lab for the City of Fulshear’s St. Patrick’s Day event on March 12, 2016.

Ms. Kovar reviewed a proposal from Glass House Strategy for designing and manufacturing 2,500 custom molded stress balls for distribution at Authority events in the amount of \$9,075.00 plus shipping. A copy of the proposal is attached to the WCR Memo.

Director Houghton introduced Janice Hayes as the Authority’s Public Relations Specialist who was recently engaged to become the primary liaison with the well owners located within the Authority.

Following review and discussion, Director Gay moved to authorize: (1) Director Houghton to execute all documents related to the application for the Authority's financial participation in the TWDB's Clean Water State Revolving Fund for the Grand Lakes Municipal Utility District Nos. 1, 2, and 4 proposed effluent reuse project; and (2) approval of the two proposals submitted by Glass House Strategy. Director Hebert seconded the motion, which was approved by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS AND HEARING REGARDING ANY DELINQUENT FEES AND RULE VIOLATIONS

Ms. Logsdon reviewed the written bookkeeper's report, including checks for payment, transfers, monthly receipts, past due accounts, a summary of investments, a schedule of debt service payments, a schedule of the number of inspections completed for the Authority's WISE Guys Program, and the income statement for the Enterprise Fund. A copy of the bookkeeper's report is attached. Following review and discussion, Director Gay moved to approve the bookkeeper's report. Director Hebert seconded the motion, which was approved by unanimous vote.

Ms. Logsdon reported that there were no delinquent fees or rule violations for consideration.

AUTHORIZED DEPOSITORY INSTITUTIONS

Ms. Miller distributed correspondence from the District's financial advisor, First Southwest Company, regarding the company's change in name to FirstSouthwest, a division of Hilltop Securities, Inc., due to a merger transaction. A copy of the correspondence is attached. Ms. Miller reported that the list of the Authority's depository institutions and qualified broker/dealers has been updated by the Authority's bookkeeper to reflect the name change. Following review and discussion, Director Gay moved to adopt a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the Authority May Engage in Investment Transactions. Director Hebert seconded the motion, which was approved by unanimous vote.

ANNUAL DISCLOSURE STATEMENTS

The Board considered accepting the annual disclosure statements of the District's bookkeeper and Investment Officer. Ms. Miller explained that the annual disclosure statements are intended to disclose relationships of the District's bookkeeper and Investment Officer with entities or individuals who are offering, have offered, or may offer to engage in an investment transaction with the District. After review and discussion, Director Gay moved to accept the annual disclosure statements of the bookkeeper and Investment Officer and direct that the statements be filed with the Texas Ethics Commission and retained in the District's official records. Director Hebert seconded the motion, which passed unanimously.

ANNUAL REPORT REGARDING POST-ISSUANCE COMPLIANCE POLICY

Ms. Miller reported on the District's compliance activities during the prior calendar year related to bond financings. She stated that no corrective action is required at this time.

ARBITRAGE REBATE REPORT FOR SERIES 2010A AND 2010B BONDS

Ms. Miller reviewed with the Board previously distributed arbitrage rebate reports on the Authority's Series 2010A and 2010B Bonds prepared by OmniCap Group LLC reflecting that no arbitrage rebate payments are owed to the Internal Revenue Service.

OPERATION OF AUTHORITY FACILITIES

Mr. Yentzen presented and reviewed with the Board the operator's report and reported on the operations of the Authority's facilities, including inspections, maintenance, repairs, joint facility expenses, and water accountability. A copy of the operator's report is attached. Mr. Yentzen reported that a malfunctioning gate key pad was replaced at the Authority's Bellaire Pump Station due to damage caused by fire ants. He discussed investigation into appropriate ant control measures to be taken at the facility. Following review and discussion, Director Gay moved to approve the operator's report. Director Hebert seconded the motion, which was approved by unanimous vote.

REGULATORY MATTERS

SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AUTHORITY'S GROUNDWATER REDUCTION PLAN ("GRP"), AND RELATED AGREEMENTS

Mr. Froehlich presented and reviewed with the Board the engineer's report. A copy of the engineers report is attached.

Mr. Froehlich reported on matters related to the Authority's GRP, including monthly groundwater and surface water use by municipal utility districts receiving surface water from the Authority and permitting matters. He reported that the Authority has accrued approximately 13.0 billion gallons of early conversion credits equal to approximately 37 months of credits. Mr. Froehlich reported that applications for over-conversion credits and rebate of overpaid permit fees have been submitted to the Fort Bend Subsidence District and the Harris-Galveston Subsidence District.

Mr. Froehlich reported on BGE's coordination with Cinco Municipal Utility District No. 1 ("Cinco 1") on the installation of the extensometer for the Authority's joint brackish groundwater study of a production well in the Jasper aquifer with Cinco 1.

ENGINEERING MATTERS

ROUTING ANALYSES, DESIGN AND CONSTRUCTION PROJECTS

Mr. Froehlich updated the Board on construction of Main Segments 10A and 10B and the surface water delivery schedule for the water lines. He stated that the water lines are complete and surface water is being delivered to Grand Lakes Municipal Utility District's water plants.

Mr. Froehlich updated the Board on the status of design of the surface water line connection for Grand Mission Municipal Utility District's water plant no. 3 and construction of the surface water line connection for Fort Bend County Municipal Utility District No. 134A's water plant no. 2. He requested authorization to advertise for bids for the construction of the surface water line connection for Grand Mission Municipal Utility District's water plant no. 3.

Mr. Froehlich reported on the schedule for warranty inspections for Main Segments 13A and 16A.

FACILITIES, PROJECTS, AND COMMUNICATION SYSTEMS

Mr. Froehlich reported that the Authority's contract with BL Technology, Inc. for the Meter Station Communication Upgrades project is ready for execution. He stated that Notice to Proceed will be issued to BL Technology, Inc. on February 1, 2016.

Mr. Froehlich reported that no major concerns were identified during an annual inspection of the ground storage tanks located at the Authority's Bellaire Pump Station.

REGIONAL PLANNING MATTERS

JOINT PROJECTS, WATER SUPPLY CONTRACT, AND PROJECTS AND FUNDING

Mr. Froehlich and Ms. Miller reported on a letter received from the West Harris County Regional Water Authority ("WHCRWA") regarding its determination that parcels 6A and 6B acquired in fee from Exxon Corp. for the Surface Water Supply Project are surplus property and not needed for the efficient operation of the Joint Facilities, as defined by the Joint Facilities Agreement for Segments 0 & 1A, Bellaire Pump Station, and Second Source Waterline/Pump Stations, as amended (the "Joint Facilities Agreement"). Ms. Miller stated that the WHCRWA intends to enter into a Purchase and Sale Agreement for the parcels with the highest bidder. She stated that the proceeds from the sale will be handled in accordance with the Joint Facilities Agreement. She stated that the WHCRWA requests that the Authority consent to WHCRWA's determination of surplus property as required under the Joint Facilities Agreement.

Mr. Froehlich reported on City of Houston ("COH") water supply matters. He discussed the status of the Coastal Water Authority's Luce Bayou project, including the

construction schedules for the Capers Ridge pump station and three miles of parallel 96-inch water lines. He reported that BGE was chosen to design the parallel 96-inch water lines. He reported on the status of the COH's Northeast Water Purification Plant Expansion project per its Design-Build Agreement with CH2M Hill, Inc.

Mr. Froehlich reported on BGE's review of COH's O&M True-up calculations for fiscal year 2015.

Mr. Froehlich discussed regional water planning issues, including the Region H Water Planning Group's meeting schedule.

Following review and discussion, Director Gay moved to approve the engineer's report, including the following actions: (i) authorize Director Houghton to sign a letter consenting to WHCRWA's determination that parcels 6A and 6B acquired in fee from Exxon Corp. for the Surface Water Supply Project are surplus property and not needed for the efficient operation of the Joint Facilities; and (ii) authorize BGE to advertise for bids for construction of the surface water line connection for Grand Mission Municipal Utility District's water plant no. 3. Director Hebert seconded the motion, which was approved by unanimous vote.

IMPLEMENTATION OF HOUSE BILL 1295

Ms. Miller presented and reviewed a memorandum from ABHR regarding implementation of House Bill 1295 that was passed by the Texas Legislature during the 84th Legislative Session, which enacted Section 2252.908, Government Code, imposing new requirements for any new, amended, extended or renewed contracts entered into by governmental entities on or after January 1, 2016. A copy of the memorandum is attached. Ms. Miller stated that business entities must file a FORM 1295 with the Texas Ethics Commission and disclose certain interested parties, intermediaries, and controlling interests when seeking any contract that is in excess of \$1 million or requires an action or vote by the governing body before a governmental entity may enter into a contract. She discussed FORM 1295 promulgated by the Texas Ethics Commission for a business entity to complete, execute and notarize, and provide to the governmental entity at or in advance of the meeting at which the related contract may be considered.

CONTRACTS FOR SERVICES

There were no contracts for services presented for consideration.

REALTY INTEREST ACQUISITION

Ms. Miller presented and reviewed with the Board a Water Line Easement and Consent with CenterPoint Energy Houston Electric, LLC for Main Segment 5 as listed on the attached Realty Interests Chart. Following review and discussion, Director Gay moved to authorize execution of the Water Line Easement and Consent. Director Spell seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 6:53 p.m., pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with the Authority's attorney.

RECONVENE IN OPEN SESSION

At 7:06 p.m., the Board reconvened in open session. Following discussion, the Board concurred to authorize Mr. Scholler to notify the COH that the Authority consents to submit payment for Cash Call 2B to the COH, per the Authority's Second Supplement to Water Supply Contract with the COH, by March 7, 2016.

There being no further business to come before the Board, the meeting was adjourned.

(SEAL)




Secretary, Board of Directors

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