

MINUTES
NORTH FORT BEND WATER AUTHORITY
October 26, 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 26th day of October, 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, except Director Hebert, thus constituting a quorum.

Also present for all or part of the meeting were Lindsay Kovar, Matthew L. Froehlich, Fred Bauhof, and Janice Hayes of Brown & Gay Engineers, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Dale Clayton of Severn Trent Services, Inc. ("STSI"); 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 meetings held September 28, and October 5, 2016. After review and discussion, Director Gay moved to approve the minutes as written. Director Fay 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.

MEETING SCHEDULE

Ms. Miller reminded the Board and the meeting attendees that the Authority has rescheduled its November 23, 2016, and December 28, 2016, meeting dates to Thursday, November 17, 2016, and Wednesday, December 14, 2016, respectively. She stated that the November 2, 2016, special meeting of the Board has been rescheduled to Monday, November 7, 2016.

PUBLIC COMMUNICATIONS, WATER CONSERVATION, AND REUSE MATTERS

Ms. Kovar presented and reviewed with the Board a Memorandum Regarding Water Conservation and Reuse, a copy of which is attached. She discussed matters related to public communications, water conservation, and effluent reuse, including training opportunities.

Ms. Kovar reported that 36 essays were received from Hodges Bend, James Bowie, and David Crockett Middle Schools for the Authority's First Annual Essay Contest held October 3 - 23, 2016, "Subsidence - what is it, how are we impacted, and how can we control it?"

Ms. Kovar discussed rescheduling a Girl Scouts water conservation badge workshop event. She reported that the Authority's Communication, Conservation, and Reuse Committee recommended authorizing the purchase of materials for badges and mini rain barrels for the event in the amount of \$390.00. She requested authorization for the expenditure pending confirmation of the new date.

Ms. Kovar discussed participation in scheduled homeowners association ("HOA") outreach activities, including the fall festival events for the Westheimer Lakes HOA on October 22, 2016, and the Seven Meadows HOA on October 29, 2016.

Ms. Kovar reported that 188 irrigation evaluations were completed in September, 2016, through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"). She stated that a fall bill insert will be distributed next month to municipal utility districts participating in the WISE Guys Program.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts.

Ms. Kovar reported on implementation of the Authority's 2017 Larry's Toolbox water conservation program. She stated that enrollment forms were distributed on September 29, 2016, and are due for submission to the Authority by December 31, 2016.

Ms. Kovar reported on implementation of the Authority's 2016 Larry's Toolbox water conservation program. She reported that the Authority's Communication, Conservation, and Reuse Committee recommended authorizing payment for three invoices from Masuen for services related to the program's initiatives.

Ms. Kovar reported on Glass House Strategy's activities, including development of a plan to transition to the Authority's new logo, development of a new tagline for the Authority, and review of a draft newsletter for distribution by the Authority.

Following review and discussion, Director Gay moved to authorize the following:

- (1) Purchase of materials for badges and mini rain barrels for the Girl Scouts water conservation badge workshop event in the amount of \$390.00; and
- (2) Payment of invoices submitted by Masuen for services related to the Authority's 2016 Larry's Toolbox water conservation program's initiatives for Fort Bend County Municipal Utility District No. 146 in the amount of \$5,557.25, Cinco Municipal Utility District No. 1 in the amount of \$863.50, and Fort Bend County Municipal Utility District No. 30 in the amount of \$1,540.00.

Director Patton seconded the motion, which was approved by unanimous vote.

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

Ms. Lightbody presented and reviewed with the Board a schedule for the distribution of proceeds from the Authority's \$11,025,000 Water System Junior Lien Revenue Bonds, Series 2016B ("Series 2016B Bonds"), a copy of which is attached.

Ms. Lightbody presented and reviewed with the Board the 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, a quarterly investment report, 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 and authorize disbursement of proceeds from the Series 2016B Bonds. Director Fay seconded the motion, which was approved by unanimous vote.

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

ANNUAL REVIEW OF INVESTMENT POLICY AND DEPOSITORY INSTITUTIONS

The Board conducted an annual review of the Authority's Investment Policy. Ms. Miller stated there were no recommended changes to the policy. She reported that the list of the Authority's depository institutions and qualified broker/dealers has been updated by the Authority's bookkeeper. Following review and discussion, Director Gay moved to adopt a Resolution Regarding Annual Review of Investment Policy and a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the Authority May Engage in Investment Transactions. Director Patton seconded the motion, which was approved by unanimous vote.

OPERATION OF AUTHORITY FACILITIES

Mr. Clayton 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. Clayton reported that cost estimates for repairing or replacing the motor for the Bellaire Pump Station's booster pump no. 5 have been received from Burke's Mechanical Services, Inc. and cost estimates are being solicited from two additional contractors. He reviewed STSI's quote for televising a section of Main Segment 7A to investigate the cause of a depression in the area in the amount of \$7,500.00. He reported that the Authority's Capital Planning and Design Committee recommended approval of STSI's quote for performing maintenance and survey services for the Authority's fire hydrants in the amount of \$3,720.00.

Mr. Clayton reported on additional research being conducted to determine the source of the operational error causing water to be lost from the Authority's connection line for Fort Bend County Municipal Utility District No. 206.

Mr. Clayton reviewed correspondence from Fort Bend County Municipal Utility District No. 37 ("FB 37") requesting a credit in the amount of \$12,945.89 for 4,707,596 gallons of over-reported water production during the period of March through June, 2016, due to a defective air relief valve causing the flow meter to over-register. He reviewed the efforts made by the operator of FB 37 to determine the cause of unusual water use during the period and repair the valve. Mr. Froehlich reported that he confirmed and concurred with the calculation used to determine the amount of over-reported water. He stated that the Authority's Capital Planning and Design Committee recommended approval of FB 37's credit request.

Following review and discussion, Director Gay moved to approve the operator's report, including FB 37's credit request and STSI's quotes for televising a section of Main Segment 7A and performing maintenance and survey services for the Authority's fire hydrants. Director Patton seconded the motion, which carried unanimously.

AUTHORITY INFRASTRUCTURE PRESENTATION

Ms. Kovar gave a presentation on the Authority's existing and future infrastructure. Director Houghton noted that the Authority is supporting conservation efforts and programs to lower possible additional future capital improvement costs by decreasing the need to construct additional infrastructure.

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 which 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.

Mr. Froehlich reported on the development of a connection line reimbursement policy under review by the Authority's Capital Planning and Design Committee.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION PROJECTS

Mr. Froehlich reported on property acquisition matters for Main Segment 11 and the proposed site for a potential second pump station to treat and re-pressurize surface water received from the West Harris County Regional Water Authority (the "WHCRWA") via the Surface Water Supply Project.

Mr. Froehlich reported on a meeting held with representatives of Harris-Fort Bend Counties Municipal Utility District No. 3 ("HFB 3") to discuss HFB 3's concerns regarding the Authority's proposed construction of a 60-inch water line and the associated easement located in a portion of HFB 3's lift station site in Parcel 19.05. He stated that the meeting was productive, and he anticipates that the easement will be finalized soon.

Mr. Froehlich reported that the Authority's contract with Hurtado Construction Company for construction of Main Segment 10B will be finalized pending receipt of a final report on testing of the cathodic protection system.

Mr. Froehlich reported that Fort Bend County Municipal Utility District No. 134A has completed construction of a surface water line connection to its Water Plant No. 2. He stated the construction contract will be finalized when the plant receives electricity in approximately 60 days.

Mr. Froehlich reported on the status of the Authority's project to construct a surface water line connection to Grand Mission Municipal Utility District No. 1's Water Plant No. 3. He reported that the Authority's Capital Planning and Design Committee recommended that the Board authorize payment of Pay Estimate No. 2 submitted by Principal Services Ltd. in the amount of \$59,359.05.

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND COMMUNICATION SYSTEMS

Mr. Froehlich reported on the status of BGE's design of a surface water line connection to Fort Bend County Improvement District No. 24. He stated that advertisement for bids for the construction contract is pending easement acquisition.

Mr. Froehlich reported on the status of Jones & Carter, Inc.'s preparation of design plans for the Authority's project to construct a surface water line connection to Fort Bend County Municipal Utility District No. 30's Water Plant No. 3.

Mr. Froehlich reported on the status of BGE's Phase I Water Blending Study to determine whether additional chemical feed systems are needed to treat water received from the expanded Northeast Water Purification Plant. He stated that the municipal utility districts within the Authority have been notified that BGE will be contacting their operators to request data needed for the study.

Mr. Froehlich recommended approval of DCS Engineering, LLC's ("DCS") proposal for revising the design plans for the Authority's project to construct the Fort Bend County Municipal Utility District Nos. 146 and 194 effluent reuse system facilities to include an at-grade concrete water storage tank in place of the currently designed buried tank. He reported that the Authority's Capital Planning and Design Committee recommended that the Board approve the proposal.

Mr. Froehlich reported that three proposals were received for communication system upgrades needed for the meter stations of the recently constructed surface water line connections to Fort Bend County Municipal Utility District No. 134A's Water Plant No. 2 and Fort Bend County Municipal Utility District No. 194's Water Plant No. 3. He recommended approving the proposal from the low bidder, STSI, in the amount of \$24,200.00 for each meter site. He reported that the Authority's Capital Planning and Design Committee recommended that the Board approve STSI's proposal.

Mr. Froehlich reported that BGE reviewed Fort Bend County Municipal Utility District No. 134D's revised plans for a meter station to be used to receive water from Pecan Grove Municipal Utility District and issued a no objection letter.

REGIONAL PLANNING MATTERS: JOINT PROJECTS, WATER SUPPLY CONTRACT, AND PROJECTS AND FUNDING

Mr. Froehlich reported on matters related to the Authority's joint facilities with the WHCRWA, including the status of design contracts for the transmission line and two pump stations for the Surface Water Supply Project.

Mr. Froehlich reported on the status of the improvement project for the Bellaire Pump Station's Supervisory Control and Data Advisory system. He stated that STSI is preparing a quote for performing the electrical work identified as a result of field testing and verification.

Mr. Froehlich reported on the status of Precon Corporation's repair of the inlet riser pipe for Ground Storage Tank No. 2 located at the Bellaire Pump Station site.

Mr. Froehlich recommended approval of an Access to Property document and a

Business Service Order Agreement with Comcast, including an installation fee in the amount of \$5,896.00 and a monthly service charge in the amount of \$239.85 for installing a hardwire internet connection and providing internet service to the Bellaire Pump Station that will be faster than the current cellular internet access.

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 schedule for the Capers Ridge pump station and the design schedules for the canal and three miles of parallel 96-inch water lines.

Mr. Bauhof reported on the status of the COH's Northeast Water Purification Plant Expansion Project per its Design-Build Agreement with the Houston Waterworks Team, including development of a revised scope, budget, and schedule for the COH's proposed increase in plant capacity.

Following review and discussion, Director Gay moved to approve the engineer's report and authorize:

- (1) Payment of Pay Estimate No. 2 submitted by Principal Services Ltd. in the amount of \$59,359.05 for the Authority's project to construct a surface water line connection to Grand Mission Municipal Utility District No. 1's Water Plant No. 3;
- (2) Approval of DCS's proposal for revising the design plans for the Authority's project to construct the Fort Bend County Municipal Utility District Nos. 146 and 194 effluent reuse system facilities to include an at-grade concrete water storage tank in place of the currently designed buried tank in the amount of \$35,651.00;
- (3) Approval of STSI's proposal for communication system upgrades needed for the meter stations of the recently constructed surface water line connections to Fort Bend County Municipal Utility District No. 134A's Water Plant No. 2 and Fort Bend County Municipal Utility District No. 194's Water Plant No. 3 in the amount of \$24,200.00 for each meter site; and
- (4) Approval of an Access to Property document and a Business Service Order Agreement with Comcast for an installation fee in the amount of \$5,896.00 and a monthly service charge in the amount of \$239.85 for installing a hardwire internet connection and providing internet service to the Bellaire Pump Station.

Director Patton seconded the motion, which was approved by unanimous vote.

CONTRACTS

Ms. Miller discussed with the Board the upcoming rate study presentation and budget workshop for fiscal year end December 31, 2017, scheduled for the Authority's November 7, 2016, special meeting. She reminded the Board of the Authority's August 26, 2015, engagement of Dan V. Jackson of Willdan Financial Services | Economists.com for preparation of an updated water rate analysis and financial forecast for the Authority. She stated that, due to changes in assumptions for such critical factors as long-term debt issues and forecast volumes over the past year, the level of effort and scope of the terms set forth in the original engagement letter have been exceeded. She reported that the Authority's Finance and Policy Committee recommended approval of a supplemental engagement letter with Willdan Financial Services | Economists.com for the additional scope of work in the amount of \$6,000.00. Following review and discussion, Director Gay moved to authorize execution of the supplemental engagement letter. Director Fay seconded the motion, which was approved by unanimous vote.

LEGAL CONFLICT WAIVERS

Ms. Miller stated that ABHR represents Fort Bend County Municipal Utility District No. 50 and Fort Bend County Municipal Utility District No. 122 in connection with certain matters related to the preparation and review of a proposed Interlocal Agreement for evapotranspiration weather station project and an alternate water supply credit agreement, respectively, discussed the Authority's option to retain independent counsel or to have ABHR represent it in connection with the agreements, and reviewed legal conflicts waivers. Following review and discussion, Director Gay moved to authorize execution of the legal conflicts waivers. Director Patton seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

The Board concurred to defer this agenda item.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 6:52 p.m., to consult with its attorney regarding the Authority's legal rights and obligations under the Second Supplement to the Water Supply Contract with the COH. The Board determined that the attendance in this executive session of Mr. Bauhof, as the representative of the Authority, was necessary in order for the Board to obtain the necessary legal advice from its attorney, and the Board requested his presence in the executive session.

RECONVENE IN OPEN SESSION

At 7:16 p.m., the Board reconvened in open session. The Board took no action.

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

Melony Gay
Secretary, Board of Directors

(SEAL)



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