

MINUTES
NORTH FORT BEND WATER AUTHORITY

November 19, 2015

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 19th day of November, 2015, 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 Directors Patton, Gay, and Hebert, thus constituting a quorum.

Also present for all or part of the meeting were David C. Scholler, Charles Shumate, and Lindsay Kovar of Brown & Gay Engineers, Inc. ("BGE"); Pamela Logsdon of AVANTA Services; Mark Yentzen of Severn Trent Services, Inc.; David Oliver and Justine M. Cherne of Allen Boone Humphries Robinson LLP; and persons listed on the attached attendance sheets.

APPROVE MINUTES

The Board considered approving the minutes of its regular meeting held on October 28, 2015, and special meeting held on November 4, 2015. After review and discussion, Director Fay moved to approve the minutes as written. Director Darden 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

Mr. Oliver reminded the Board and the meeting attendees that the Authority has rescheduled its December 23, 2015, meeting date to December 17, 2015.

ENGAGE ACCOUNTING FIRM

The Board reviewed an engagement letter from McCall Gibson Swedlund Barfoot, PLLC for preparation of the Authority's financial statements for fiscal year ending December 31, 2015, for an estimated fee not to exceed \$30,000. Following review and discussion, Director Fay moved to authorize execution of the engagement letter and direct that the engagement letter be filed appropriately and retained in the Authority's official records. Director Darden seconded the motion, which was approved by unanimous vote.

AUTHORIZE ANNUAL AUDIT

The Board considered authorizing McGrath & Co., PLLC to conduct the Authority's annual audit for fiscal year ending December 31, 2015, for an estimated fee not to exceed \$30,000 per the Authority's current engagement letter. Following review and discussion, Director Fay moved to authorize McGrath & Co., PLLC to conduct the annual audit for fiscal year ending December 31, 2015. Director Darden seconded the motion, which was approved by unanimous vote.

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, a copy of which is attached. She discussed matters related to public communications, water conservation, and effluent reuse, including the number of irrigation evaluations completed per the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"). She reported that the proposed irrigation symposium was cancelled.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts. She reported on the status of an application submitted to the Texas Water Development Board for funding from the Clean Water State Revolving Fund for the Grand Lakes M.U.D. Nos. 1, 2, and 4 proposed effluent reuse project.

Ms. Kovar reported that an offer to sell 92,988,000 of groundwater conservation credits to the Authority was received from Fort Bend County Municipal Utility District No. 42. She recommended denying the offer because the district is not included within the Authority's boundaries and the Board concurred. She reported that the Fort Bend Subsidence District (the "FBSD") is reviewing its groundwater credit policy and recommended that no changes be made to the Authority's Policy for Water Conservation Credit Purchase and Water Wise Program Sponsorship at this time.

Ms. Kovar reported that enrollment forms for the Authority's water conservation program, "Larry's Toolbox," have been distributed to well owners for completion by

January 1, 2016. She discussed the initiatives included in the program and the incentivized water rate to be offered to the participants that successfully complete the program.

Ms. Kovar noted that a draft of the Authority's fall/winter newsletter has been distributed to the Directors for review and comment. She reported that trifold water conservation brochures were sent to North Mission Glen Municipal Utility District per the district's request.

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

Ms. Logsdon presented and reviewed with the Board a report on the distribution of the proceeds from the Authority's \$8,670,000 Water System Junior Lien Revenue Bonds, Series 2015 ("Series 2015 Bonds"). She then presented and reviewed with the Board the bookkeeper's report, including invoices for payment, fund 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. Ms. Logsdon reviewed one additional check for payment to Falcon Point East Homeowners Association, Inc. for right-of-way acquisition of Parcels 19.01 and 19.01A.

Ms. Logsdon reviewed a bank wire transfer prepared in anticipation of paying Cash Call No. 2 for the Authority's portion of the City of Houston's (the "COH") Northeast Water Purification Plant ("NEWPP") Expansion project pursuant to the Authority's Second Supplement to Water Supply Contract with the COH. Mr. Oliver discussed a notice of the cash call previously received in June, 2015 and the procedures and anticipated amount of the cash call.

Following review and discussion, Director Fay moved to approve the bookkeeper's report, including execution of the additional check. Director Darden seconded the motion, which was approved by unanimous vote.

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

NOTICE OF PROPOSED ADOPTION OF AMENDED RATE ORDER

The Board reviewed a draft Notice of Proposed Groundwater Pumpage Fee and Surface Water Fee Increases which states that, at the Authority's December 17, 2015, meeting, the Board intends to consider and adopt an Amended Rate Order implementing a Groundwater Reduction Plan Fee in the amount of \$2.75 per 1,000 gallons of groundwater pumped and a Surface Water Fee in the amount of \$3.10 per 1,000 gallons of water delivered by the Authority, which increase correspondingly

increases the Imported Water Fee, effective January 1, 2016. Discussion ensued regarding the Authority's anticipated costs for its share of the Second Source Water Line and the COH's NEWPP Expansion projects and the Authority's issuance of its Series 2015 Bonds. Additional discussion ensued regarding the local cost savings achieved by passage of Proposition 6 during the November 5, 2013, Texas General Election authorizing the creation of State Water Implementation Revenue Fund for Texas to assist in the financing of priority projects in the State Water Plan. Following review and discussion, Director Fay moved to authorize distribution of the Notice of Proposed Groundwater Pumpage Fee and Surface Water Fee Increases. Director Darden seconded the motion, which was approved by unanimous vote.

2016 DIRECTOR APPOINTMENT PROCESS

Mr. Oliver reported that the terms of offices for the Directors of Precinct Nos. 1, 3, 5, and 7 will expire in May, 2016. He stated that notices will be sent to the utility districts located within the Authority and the City of Fulshear requesting submission of candidate nominations from Precinct Nos. 1, 3, 5, and 7 and 2015 water usage from all districts. He reviewed a Resolution Adopting Rules for 2016 Appointment Process for Directors which states that candidate nominations are due by February 15, 2016, and the deadline for all utility districts to submit their water usage is March 1, 2016. He noted that ballots for precincts with contested appointments will be sent to the utility districts within the applicable precinct by March 15, 2016, and the deadline for the districts to submit completed ballots is April 30, 2016. Following discussion, Director Darden moved to adopt the Resolution Adopting Rules for 2016 Appointment Process for Directors, and direct that the resolution be filed appropriately and retained in the Authority's official records. Director Fay seconded the motion, which was approved by unanimous vote.

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 presented and recommended approval of three proposals for work at the Authority's Bellaire Pump Station, including performance of infrared scanning, surveying, lubrication, and maintenance of the electrical components and load testing of the three generators in the total amount of \$11,600.00. Mr. Scholler stated that BGE reviewed the proposals and concurs with Mr. Yentzen's recommendation. Following review and discussion, Director Fay moved to approve the operator's report, including the three proposals for work at the Authority's Bellaire Pump Station. Director Spell 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. Scholler presented and reviewed with the Board the engineer's report. A copy of the engineers report is attached.

Mr. Scholler 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 10.9 billion gallons of early conversion credits. He stated that an application for over-conversion credits for approximately 2.1 billion gallons of alternative water use that exceeds the 30% conversion requirement for the 2015 permit term will be submitted to the FBSD.

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

Mr. Scholler reported that the terms of the Authority's representatives to the Board of Directors of the FBSD expire on January 1, 2016. He stated that the Authority's current representatives, Robert DeForest and Mark Gehringer, are interested in continuing in their positions

Mr Scholler reported that BGE is preparing an application to the FBSD to obtain a rebate for overpaid permit fees.

ENGINEERING MATTERS

ROUTING ANALYSES, DESIGN AND CONSTRUCTION PROJECTS

Mr. Scholler 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 ready to deliver surface water when the district is ready to receive it. He updated the Board on the design of the surface water line connections for Fort Bend County Municipal Utility District No. 134A's water plant no. 2 and Grand Mission Municipal Utility District's water plant no. 3. He stated that a Water Line Easement with CenterPoint Energy Houston Electric, LLC is ready for execution for the Grand Mission Municipal Utility District's water plant no. 3 project. Mr. Scholler reported that the contractor has completed repair of warranty inspection items for Main Segment 7C.

FACILITIES, PROJECTS, AND COMMUNICATION SYSTEMS

Mr. Scholler reported that bids were received for the installation of a Supervisory Control and Data Acquisition System between the Authority's Bellaire Pump Station and existing and future meter stations at remote water plants receiving surface water. He stated that the bids and BGE's contract award recommendation will be discussed with the Authority's Capital Planning and Design Committee.

Mr. Scholler reviewed a proposal from BGE for the first annual inspection of the three, five-million gallon tanks located at the Authority's Bellaire Pump Station as required by the Texas Commission on Environmental Quality in an amount not to exceed \$3,600.00.

REGIONAL PLANNING MATTERS

JOINT PROJECTS, WATER SUPPLY CONTRACT, AND PROJECTS AND FUNDING

Mr. Scholler reported on COH water supply matters. He discussed the status of the Coastal Water Authority's Luce Bayou project, including the completed design of the Capers Ridge pump station and the schedule for a project to construct three miles of parallel 96-inch water lines. He additionally discussed the estimated amount owed by the Authority for Cash Call No. 2 for the Authority's portion of the COH's NEWPP Expansion project.

Mr. Scholler reported on the schedule for the COH's O&M True-up calculations for fiscal year 2015.

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

Following review and discussion, Director Darden moved to approve the engineer's report, including the following actions:

- (1) adopt a Resolution Appointing Directors to the Board of Directors of the FBSD appointing Robert DeForest and Mark Gehringer; and
- (2) approve a proposal from BGE for inspection of the Bellaire Pump Station tanks in an amount not to exceed \$3,600.00.

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

CONSENSUS VOTE ON COH CONTRACT FOR NEWPP EXPANSION PROJECT

Mr. Oliver and Mr. Scholler reviewed with the Board and meeting attendees a draft presentation on the NEWPP Expansion project given by the COH Department of Public Works and Engineering to the COH Council, Transportation, Technology and Infrastructure Committee on November 12, 2015. A copy of the draft presentation is

attached. They discussed the history and purpose of the project, the procurement process and activities related to selecting a design-build team, and the appropriation plan for design and construction services. They responded to Board members' and meeting attendees' questions regarding the project. Mr. Oliver discussed Mr. Scholler's role as the Authority's Selection Reviewer and Representative for the NEWPP Expansion project. Following review and discussion, Director Fay moved to authorize Mr. Scholler to submit the Authority's consensus vote on the COH's proposed Design-Build Agreement for the NEWPP Expansion project. Director Darden seconded the motion, which was approved by unanimous vote.

Director Spell moved to authorize payment of Cash Call No. 2 for the Authority's portion of the COH's NEWPP Expansion project, subject to: (1) the COH's execution of a Design-Build Agreement for the NEWPP Expansion project; and (2) verification of the payment amount in an amount equal to or less than the amount included in the COH's prior notice by the Authority's bookkeeper and Directors Gay and Darden. Director Darden seconded the motion, which was approved by unanimous vote.

CONTRACTS FOR SERVICES

There were no contracts for services presented for consideration.

REALTY INTEREST ACQUISITION

Mr. Oliver reviewed a Water Line Easement granted by CenterPoint Energy Houston Electric, LLC for the Segment 5, Parcel for Grand Mission Municipal Utility District's water plant no. 3 project and a Water Line Easement granted by Falcon Point East Homeowners Association, Inc. for Parcels 19.01 and 19.01A, as listed on the attached Realty Interests Chart. Following review and discussion, Director Fay moved to authorize execution of the easement documents. Director Darden seconded the motion, which was approved by unanimous vote.

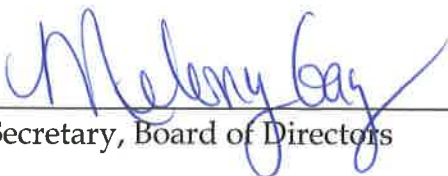
CONVENE IN EXECUTIVE SESSION

The Board did not convene in executive session.

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

(SEAL)




Secretary, Board of Directors

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