

MINUTES
NORTH FORT BEND WATER AUTHORITY

May 27, 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 27th day of May, 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	Director
Pat Hebert	Director

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

Also present for all or part of the meeting were Dave Scholler, Charles Shumate, Shayna Chapman, and Matt Froehlich of Brown & Gay Engineers, Inc. ("BGE"); Pamela Logsdon of AVANTA Services; Mark Yentzen and Dale Clayton of Severn Trent Services, Inc.; David Oliver 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 April 22, 2015, and special meeting held on May 6, 2015. After review and discussion, Director Hebert 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.

PUBLIC COMMUNICATIONS AND WATER CONSERVATION AND REUSE

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

Ms. Chapman reported on presentations given to municipal utility districts regarding the Authority's purpose, goals, and activities. She reviewed a schedule for presentations planned for several municipal utility districts and community associations, as well as during the Association of Water Board Directors ("AWBD") summer conference and an American Waterworks Association lunch scheduled for June 25, 2015.

Ms. Chapman discussed preparation of materials for the Authority's exhibit hall booth at the AWBD summer conference. She presented and recommended approval of proposals from Glass House Strategy, LLC ("GHS") for the design and purchase of three 33-inch-wide retractable banner stands, a table cover, and embroidered polo shirts for booth volunteers in the approximate total amount of \$4,642.00.

Ms. Chapman and Mr. Oliver reported on the status of effluent reuse or alternative water credit projects/contracts for Cinco M.U.D. No. 1, Fort Bend County M.U.D. No. 34, Grand Lakes M.U.D. Nos. 1, 2, and 4, Fort Bend County M.U.D. No. 169, Fort Bend County M.U.D. No. 151, and Fort Bend County M.U.D. No. 146.

Ms. Chapman reported on the status of developing an implementation plan for the water conservation and public outreach initiatives developed by the Authority's Water Conservation Committee.

Ms. Chapman reported on the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"), including distribution of bill inserts providing information on the program. She recommended approval of a proposal from GHS for the preparation of new bill inserts regarding the program in the amount of \$3,695.65.

Ms. Chapman updated the Board on BGE's coordination with GHS on activities related to the Authority's water conservation marketing campaign, including distribution of tri-fold water conservation brochures, preparation of a summer newsletter, installation of a new billboard, and production of a television commercial. She discussed updates made to the Authority's website and recommended launching the website, pending any additional comments.

Ms. Chapman recommended approval of three proposals from GHS for the design and purchase of promotional items, including moisture meters, water guns, and stickers, for distribution during the AWBD summer conference and events during which the Authority's water conservation mobile teaching lab is used in the approximate total amount of \$3,425.00. She reported on the use of the Authority's water conservation mobile teaching lab by three community associations during neighborhood events held in May, 2015.

Ms. Chapman reported on the status of submission of Water Conservation Reports by municipal utility districts within the Authority and submission of the

Authority's annual report on implementation of the Water Conservation Plan to the Texas Water Development Board.

Following review and discussion, Director Patton moved to approve the six proposals from GHS, as recommended, and approve launching of the Authority's updated website, subject to comments. Director Fay seconded the motion, which was approved by unanimous vote.

AMENDED POLICY FOR USE OF WATER CONSERVATION MOBILE TEACHING LAB

Mr. Oliver reviewed an amended policy for use of the Authority's water conservation mobile teaching lab to remove insurance requirements for users of the lab within the Authority's boundaries. He discussed the Authority's current insurance coverage for the mobile teaching lab. Director Patton reported that the Finance and Policy Committee recommends approval of the amended policy. Following review and discussion, Director Hebert moved to adopt a Resolution Adopting Second Amended Policy for Use of Water Conservation Mobile Teaching Lab. 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. Logsdon presented and reviewed with the Board the bookkeeper's report, including invoices 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. Ms. Logsdon reviewed an invoice received from the City of Houston (the "COH") for the Authority's portion of debt service payments for the Luce Bayou project. She noted reimbursement amounts received for the Authority's WISE Guys Program and for construction of a retaining wall to stabilize the Bellaire Pump Station tract due to the impact of the construction of an apartment complex on the adjacent tract. Mr. Oliver discussed the cash call schedule and the status of the Escrow and Pay Agent and Depository Pledge Agreements per the Authority's Second Supplement to Water Supply Contract with the COH. Following review and discussion, Director Hebert moved to approve the bookkeeper's report as presented. Director Patton seconded the motion, which was approved by unanimous vote.

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

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 on notification procedures and repairs undertaken when the Bellaire Pump Station went out of service on May 20, 2015, for a couple of hours due to a tripped breaker and a loose wire on one of the relays. Following review and discussion, Director Patton moved to approve the operator's report. Director Fay seconded the motion, which was approved by unanimous vote.

ANNUAL FILING OF CRITICAL LOAD SPREADSHEET

The Board reviewed the Authority's Critical Load Spreadsheet listing the facilities operated by the Authority that receive electricity. Mr. Oliver stated that the Critical Load Spreadsheet was updated by the Authority's consultants and is required to be filed annually with the appropriate entities, including CenterPoint Energy and Harris and Fort Bend Counties, for emergency purposes. After review and discussion, Director Hebert moved to authorize the annual filing of the Critical Load Spreadsheet. Director Patton seconded the motion, which carried by unanimous vote.

ADOPT AMENDED RATE ORDER

Mr. Oliver discussed the Authority's application of policies related to water supply, import fees, and chloramines conversion reimbursement matters. He reviewed and recommended adoption of an Amended Rate Order clarifying the Authority's policies for those matters. Following review and discussion, Director Hebert moved to adopt an Amended Rate Order. Director Fay seconded the motion, which was approved by unanimous vote.

DISCUSS AUTHORITY COMMITTEE STRUCTURE

The Board and the Authority's consultants reviewed a proposed list of new committees for formation and discussed reorganizing the structure of the Authority's committees for increased efficiency.

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 engineer's 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, permitting and reporting matters, and the schedule for Cinco M.U.D. No. 1's construction of its test well for a joint brackish groundwater study in the Jasper aquifer.

ENGINEERING MATTERS

ROUTING ANALYSES, DESIGN AND CONSTRUCTION PROJECTS, FACILITIES, AND CONTRACTS

Mr. Scholler updated the Board on construction of the surface water line connection for Fort Bend County M.U.D. No. 206, construction of Main Segments 10A and 10B, and the warranty inspection schedules for Main Segments 7C and 9A. He reported that construction of the surface water line connection to Fort Bend County M.U.D. No. 206 is complete and recommended approval of the final pay estimate for the project. He recommended approval of one pay estimate for the project to construct Main Segment 10A.

REPORTS AND STUDIES

Mr. Scholler reviewed a proposal from BGE for professional engineering services for the second of three phases in establishing a Supervisory Control and Data Acquisition ("SCADA") communication system between the Authority's Bellaire Pump Station and existing and future meter stations at remote water plants receiving surface water in the amount of \$80,000.00, a copy of which is attached. He reminded the Board that the Phase 1 SCADA communications study recommended improvements at the Authority's meter stations and recommended cellular as the telecommunications platform. He stated that the proposal includes design, bid, and construction phase services and coordination with Shrader Engineering on technical matters to implement the recommendations from the study.

Mr. Scholler provided recommendations for re-allocating a portion of \$5,000,000 in current reserve funds to two separate major repair reserve fund accounts for certain future maintenance and repairs. He recommended re-allocating \$1,000,000 each to major repair reserve fund accounts for: (i) the Bellaire Pump Station and joint facilities; and (ii) the Authority's water lines and water plant facilities. He recommended annually funding the accounts in the amounts of an additional \$100,000 and \$275,000, respectively. He additionally recommended re-allocating the remaining \$3,000,000 of current reserve funds to the Authority's Capital Improvement Plan.

REGIONAL PLANNING MATTERS

JOINT PROJECTS AND WATER SUPPLY CONTRACT AND PROJECTS

Mr. Scholler reported on the status of the Northeast Water Purification Plant Expansion project and stated that the design-build team proposals for the project are due October 27, 2015.

Mr. Scholler reported that the Authority received a credit for the fiscal year 2012 O&M True-up per the Authority's Water Supply Contract with the COH. He discussed the status of finalizing the COH's O&M True-up calculations for fiscal years 2013 and 2014, including submission of comments to the COH and documentation needed from the COH.

Mr. Scholler discussed BGE's coordination with the Authority's consultants on the preparation of an application for potential financing from the State Water Implementation Fund for Texas for the Authority's portions of the COH's Northeast Water Purification Plant Expansion and Second Source Water Line projects, due for submission to the Texas Water Development Board by June 5, 2015.

Mr. Scholler discussed the regional water planning process, including the Region H Water Planning Group's schedule for public comments and hearings on the draft 2016 Water Plan.

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

- (1) approve the following pay estimates for construction projects:

Main Segment 10A, Pay Estimate No. 3 in the amount of \$197,347.89, and

Surface water line connection for Fort Bend County M.U.D. No. 206, Pay Estimate No. 3 and Final in the amount of \$45,776.50, including approve final acceptance of the project;
- (2) approve proposal from BGE for design, bid, and construction phase services for the SCADA communication system project in the amount of \$80,000.00; and
- (3) authorize re-allocating the current reserve funds and annual funding of two major repair reserve fund accounts for: (i) the Bellaire Pump Station and joint facilities, and (ii) the Authority's water lines and water plant facilities, subject to concurrence by ABHR and the Authority's financial advisor.

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

CONTRACTS FOR SERVICES

Mr. Oliver reviewed with the Board a proposed engagement letter with ABHR for legal and bond counsel services to replace the Authority's current engagement letter with ABHR and reviewed a proposed fee schedule for services as bond counsel.

Discussion ensued regarding preparing public communications related to 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 Fund for Texas funding to assist in the financing of priority projects in the State Water Plan. Ms. Chapman stated that a bill insert is being prepared to communicate the local cost savings.

Mr. Oliver discussed potential contracts regarding water supply matters related to Pecan Grove M.U.D. supplying surface water to Fort Bend County M.U.D. Nos. 134 D and E. He stated that ABHR represents Pecan Grove M.U.D. in connection with certain matters related to the preparation and review of the proposed contracts related to the water supply matters, discussed the Authority's option to retain independent counsel or ABHR to represent it in connection with the agreement, and reviewed a legal conflicts waiver.

Following review and discussion, Director Patton moved to authorize execution of the engagement letter with ABHR and the legal conflicts waiver. Director Hebert seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

There was no discussion regarding realty interest acquisition matters.

LEGISLATIVE MATTERS

Mr. Oliver updated the Board on matters related to the 84th Regular Session of the Texas Legislature.

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)



Melony Gay
Secretary, Board of Directors

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