

MINUTES
NORTH FORT BEND WATER AUTHORITY

August 26, 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 26th day of August, 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 Directors Spell and Fay, thus constituting a quorum.

Also present for all or part of the meeting were David C. Scholler, Lindsay Kovar, and Matthew Froehlich of Brown & Gay Engineers, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Mark Yentzen of Severn Trent Services, Inc.; David Oliver, Christina Miller, 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 July 22, 2015 and special meeting held on August 5, 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 AND WATER CONSERVATION AND REUSE

Ms. Kovar 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, including the Authority's coordination with the Texas A&M AgriLife Extension Service on a workshop on water conservation for irrigation professionals

scheduled for November 13, 2015.

Ms. Kovar reported on the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"), including distribution of bill inserts and business-sized cards providing information on the program. She recommended approval of a reimbursement to a resident of the Authority in the amount of \$62.75 for excess water use caused by the irrigation professional's failure to turn off the controller for the sprinkler system after completing a WISE Guys Program evaluation. She stated that the amount will be deducted from Vepo, LLC's invoice to the Authority for the program.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts and responded to Board members' questions. She reported that the Texas Water Development Board (the "TWDB") has included the Grand Lakes M.U.D. Nos. 1, 2, and 4 proposed effluent reuse project in its final Intended Use Plan for the Clean Water State Revolving Fund and discussed funding the application process for funding.

Ms. Kovar reported on an inquiry made by the Galveston Bay Foundation regarding a potential partnership with the Authority to expand the Lone Star Groundwater Conservation District's evapotranspiration network into Fort Bend County and the Authority's "Larry" marketing campaign into Montgomery County. Discussion ensued regarding the proposed expansion of the Authority's "Larry" marketing campaign into Montgomery County.

Ms. Kovar reported on a meeting scheduled with the Authority's volunteer Water Conservation Committee to address the committee's comments regarding an implementation plan that includes a "toolbox" for water conservation and public outreach initiatives. She reported that Director Patton authorized the purchase of invitations requesting representatives of municipal utility districts and homeowners associations to attend one of three meetings scheduled for October 13, October 21, and October 22, 2015, during which the water conservation initiative, "Larry's Toolbox," will be presented to the public. She stated that a lunch meeting will be scheduled to present Larry's Toolbox to consultants for municipal utility districts.

Ms. Kovar reported on the scheduled use of the Authority's water conservation mobile teaching lab at the Seven Meadows Community Association's National Night Out Event and the Fort Bend County Fair.

Following review and discussion, Director Gay moved to authorize approval of a reimbursement to a resident of the Authority in the amount of \$62.75 for excess water use caused by a WISE Guys Program evaluation and to authorize filing of an application for the Authority's financial participation in the TWDB's Clean Water State Revolving Fund for the Grand Lakes M.U.D. Nos. 1, 2, and 4 proposed effluent reuse project and execution of any related documents. Director Hebert seconded the motion, which was approved by unanimous vote.

PROPOSAL FOR ADDITIONAL INSURANCE COVERAGE

Mr. Oliver discussed proposed insurance coverage for cyber liability and stated that information regarding the proposed coverage is included on the Authority's electronic document sharing website for the Board members' review.

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

Ms. Lightbody 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. Following review and discussion, Director Gay moved to approve the bookkeeper's report as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

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

NOTICE OF PRELIMINARY 2016 FEES

Mr. Oliver noted that the Authority normally distributes a preliminary notice of the anticipated Groundwater Reduction Plan ("GRP") Fee and Surface Water Fee for the next calendar year prior to the end of September to assist municipal utility districts located within the Authority in developing their budgets for the next fiscal year. He reviewed a proposed notice that states that the Board anticipates increasing the GRP Fee to \$2.75 per 1,000 gallons of water pumped and the Surface Water Fee to \$3.10 per 1,000 gallons of surface water received, which increase correspondingly increases the Imported Water Fee, effective January 1, 2016. Discussion ensued regarding a proposal for studying the Authority's rates for consideration later during the meeting, the cost of anticipated TWDB funding, and the Authority's water supply contract with the City of Houston. Following discussion, Director Gay moved to authorize the consultants to distribute the notice of the Authority's preliminary 2016 fees as prepared. Director Hebert seconded the motion, which carried unanimously.

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. He presented and reviewed with the Board a cost estimate for annual surveying and exercising of the Authority's valves in the amount of \$20,000.00. Following review and discussion, Director Gay moved to approve the operator's report, including the cost estimate as presented. Director Hebert seconded

the motion, which was approved by unanimous vote.

REGULATORY MATTERS

SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AUTHORITY'S 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, permitting and reporting matters, and the construction and permit application schedules for Cinco Municipal Utility District No. 1's test well for a joint brackish groundwater study in the Jasper aquifer. 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 alternative water use that exceeds the 30% conversion requirement will be submitted to the Fort Bend Subsidence District (the "FBSD") after the end of the current permit period.

ENGINEERING MATTERS

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

Mr. Froehlich updated the Board on construction of Main Segments 10A and 10B, 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, and the warranty inspection of Main Segment 7C. He recommended approval of one pay estimate for the Main Segment 10A construction project.

REPORTS AND STUDIES

Mr. Froehlich reported on the status of the design of a Supervisory Control and Data Acquisition System ("SCADA System") between the Authority's Bellaire Pump Station and existing and future meter stations at remote water plants receiving surface water and requested authorization to advertise for bids for the project.

REGIONAL PLANNING MATTERS

JOINT PROJECTS AND WATER SUPPLY CONTRACT AND PROJECTS

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 design of the Capers Ridge pump station and the schedule for publication of a Request for Qualifications for a project to construct three miles of parallel 96-inch water lines.

Mr. Froehlich reported on the status of the Northeast Water Purification Plant Expansion project and stated that the design-build team proposals for the plant expansion project are due October 27, 2015. He reported on negotiations related to a draft agreement with the COH and the participating Water Authorities for the Segment 1 water line and discussed the meetings held and scheduled between the parties.

Mr. Froehlich discussed the status of finalizing the COH's O&M True-up calculations for fiscal years 2013 and 2014, including review of additional documentation received from the COH.

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

Mr. Oliver reviewed and recommended approval of a draft Financing Agreement between the Authority and the TWDB for financing of the Authority's portions of the COH's Northeast Water Purification Plant Expansion and Second Source Water Line projects from the State Water Implementation Revenue Fund for Texas ("SWIRFT"). He stated that the agreement will be finalized in coordination with the Authority's engineers and financial advisor, Terrell Palmer. He discussed the TWDB SWIRFT financing process, including the proposed schedule for the Authority's issuance of bonds.

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

- (1) approve Pay Estimate No. 6 for the Main Segment 10A construction project in the amount of \$528,109.48;
- (2) authorize advertisement for bids for implementation of a SCADA System between the Authority's Bellaire Pump Station and existing and future meter stations at remote water plants receiving surface water; and
- (3) authorize execution of a Financing Agreement with the TWDB for financing of the Authority's portions of the COH's Northeast Water Purification Plant Expansion and Second Source Water Line projects from the SWIRFT, subject to final review by the Board and the Authority's consultants.

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

CONTRACTS FOR SERVICES

Mr. Oliver reviewed with the Board a Catering Contract with the Willow Fork Country Club for meeting space and food service for the Authority's regular monthly meetings to be held in 2016, including the proposed meeting dates of Thursday, November 17, 2016, and Wednesday, December 14, 2015.

Mr. Oliver reviewed with the Board a proposal from Willdan |Economists.com for preparing an updated water rate analysis and financial forecast for the Authority in an amount not to exceed \$25,000.00.

Following discussion, Director Gay moved to authorize execution of a Catering Contract with the Willow Fork Country Club for meeting space and food service for the Authority's regular monthly meetings to be held in 2016 and a proposal from Willdan |Economists.com for preparing an updated water rate analysis and financial forecast for the Authority. Director Hebert seconded the motion, which carried unanimously.

REALTY INTEREST ACQUISITION

There was no discussion regarding realty interest acquisition matters.


CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 6:58 p.m., pursuant to Section 551.072, Texas Government Code, to deliberate the purchase, exchange, lease, or value of real property.

RECONVENE IN OPEN SESSION

At 7:12 p.m., the Board reconvened in open session. Director Gay moved to authorize the Authority's consultants to submit a counteroffer for Parcel Nos. 19.01 and 19.01A, as discussed. Director Hebert seconded the motion, which was approved by unanimous vote.

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


Secretary, Board of Directors

(SEAL)



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