

MINUTES
NORTH FORT BEND WATER AUTHORITY

September 23, 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 23rd day of September, 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:

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| 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 David C. Scholler, Charles Shumate, Lindsay Kovar, and Shayna Chapman of Brown & Gay Engineers, Inc. ("BGE"); Pamela Logsdon of AVANTA Services; Dale Clayton 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 August 26, 2015. 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.

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, 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 W.I.S.E. Guys Irrigation System

Evaluation Program ("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 Patton seconded the motion, which was approved by unanimous vote.

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

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 training opportunities and matters related to public communications, water conservation, and effluent reuse.

Ms. Kovar reported on the Authority's WISE Guys Program, including distribution of bill inserts providing information on 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 BGE submitted an application to the Texas Water Development Board (the "TWDB") 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. She discussed the application process, schedule, rates, and Federal funding requirements related to professional services and project facilities. Mr. Oliver reported on preparation of the Authority's agreement with Grand Lakes M.U.D. No. 1 and a preliminary budget for the project.

Ms. Kovar reported on the status of the Galveston Bay Foundation's grant application for funding for 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" water conservation campaign into Montgomery County.

Ms. Kovar reported that invitations have been sent to the municipal utility districts and homeowners associations located within the Authority requesting attendance at 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. She stated that a lunch meeting to present Larry's Toolbox to consultants for municipal utility districts has been scheduled for October 26, 2015. She reported that Director Patton approved the design and production of an infographic for distribution during the meetings in the amount of \$2,450.00 for 500 single-sided pages.

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

Association's National Night Out Event.

Ms. Kovar recommended approval of a proposal from Glass House Strategy for a fall radio water conservation campaign in the amount of \$4,875.00. Following review and discussion, Director Gay moved to approve the proposal from Glass House Strategy for a fall radio water conservation campaign in the amount of \$4,875.00. Director Patton seconded the motion, which was approved by unanimous vote.

AUDITS OF CONSTRUCTION COSTS FOR JOINT FACILITIES

Mr. Oliver reported that the Finance and Policy Committee reviewed and recommended that the Board approve Independent Accountant's Reports on Applying Agreed-Upon Procedures for engineering and construction costs related to the Authority's Water Trunkline Financing Agreement with Fort Bend County Municipal Utility District No. 58 and Water Distribution Line Financing Agreement with Fort Bend County Municipal Utility District No. 142 (collectively, the "Financing Agreements"). Mr. Oliver also reported that the Finance and Policy Committee reviewed the Independent Accountant's Report on Applying Agreed-Upon Procedures for engineering and construction costs related to the Authority's Joint Facilities Agreement with the West Harris County Regional Water Authority (the "WHCRWA") and recommended approval, subject to the incorporation of comments made by the Authority's engineer and attorney. He noted that copies of the reports and underlying agreements are included on the Authority's electronic document sharing site. Following review and discussion, Director Gay moved to approve the Independent Accountant's Reports on Applying Agreed-Upon Procedures for engineering and construction costs related to: (1) the Authority's Joint Facilities Agreement with the WHCRWA, subject to incorporation of the comments provided by the Authority's engineer and attorney, including forwarding an invoice to the WHCRWA for amounts due to the Authority as reflected in the revised report; and (2) the Authority's Financing Agreements with Fort Bend County Municipal Utility District Nos. 58 and 142, including checks for reimbursement of \$12,335.00 to Fort Bend County Municipal Utility District No. 58 and \$35,542.00 to Fort Bend County Municipal Utility District No. 142, subject to execution of receipts. Director Fay 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. He responded to Board members' questions regarding mowing maintenance of the Authority's easements. Following review and discussion, Director Gay moved to approve the operator's report. Director Fay 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, 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. Scholler 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.

Mr. Scholler recommended approval of the Authority's updated Critical Load Spreadsheet listing the facilities operated by the Authority that receive electricity.

REPORTS AND STUDIES

Mr. Scholler reported on the status of the design 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 and stated that the project will be advertised for bids soon.

REGIONAL PLANNING MATTERS

JOINT PROJECTS AND WATER SUPPLY CONTRACT AND PROJECTS

Mr. Scholler 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 delayed schedule for a project to construct three miles of parallel 96-inch water lines.

Mr. Scholler 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. He stated that the final form of the agreement is critical to closing on funding from the TWDB's State Water Implementation Revenue Fund for Texas ("SWIRFT") for the participating Water Authorities' portions of costs for the projects.

Mr. Scholler reported on BGE's review of the COH's O&M True-up calculations for fiscal years 2013 and 2014, including review of additional documentation received from the COH. He stated that BGE concurs with the final revised estimates of the amounts due from the COH to the Authority for O&M True-ups of \$366,909.00 for fiscal year 2013 and \$6,102,130.81 for fiscal year 2014. He stated that the estimates were reviewed with the Capital Planning and Design Committee and the committee concurred to recommend that the Board accept the estimates. Mr. Oliver explained that the large amounts owed to the Authority were due to delayed capital projects that will be constructed in the future. He discussed meeting with the COH to determine whether outstanding credits could be applied to future amounts due to the COH.

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

Mr. Scholler discussed procedures for financing of the Authority's portions of the COH's Northeast Water Purification Plant Expansion and Second Source Water Line projects from the TWDB SWIRFT. He stated a special Board meeting is scheduled for October 14, 2015, to issue the Authority's \$8,670,000 Water System Junior Lien Revenue Bonds, Series 2015. He reported that the TWDB announced that the application process for the second round of SWIRFT funding will begin December 1, 2015.

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

- (1) approve Pay Estimate No. 7 for the Main Segment 10A construction project in the amount of \$341,550.22;
- (2) authorize filing of the Authority's updated Critical Load Spreadsheet with the appropriate entities, including CenterPoint Energy and Harris and Fort Bend Counties; and
- (3) accept estimates of the amounts due from the COH to the Authority for

O&M True-ups of \$366,909.00 for fiscal year 2013 and \$6,102,130.81 for fiscal year 2014 and authorize BGE to communicate the Authority's acceptance to the COH.

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

CONTRACTS FOR SERVICES

There were no services contracts submitted for the Board's consideration.

CONFLICT OF INTEREST DISCLOSURE

Mr. Oliver presented and reviewed with the Board a Memorandum from ABHR regarding conflict of interest disclosure required under Chapter 176 of the Texas Local Government Code and disclosure forms adopted by the Texas Ethics Commission, a copy of which is attached. The Board additionally reviewed a List of Local Government Officers that the Authority is required to maintain pursuant to Chapter 176 of the Texas Local Government Code. After review and discussion, Director Gay moved to approve and authorize execution of the List of Local Government Officers and direct that the list be filed appropriately and retained in the Authority's official records. Director Darden seconded the motion, which passed by unanimous vote.

REALTY INTEREST ACQUISITION

There was no discussion regarding realty interest acquisition matters.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:03 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 7:23 p.m., the Board reconvened in open session. No action was taken by the Board.

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

(SEAL)




Secretary, Board of Directors

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