

MINUTES
NORTH FORT BEND WATER AUTHORITY

September 7, 2016

The Board of Directors (the "Board") of the North Fort Bend Water Authority (the "Authority") met in special session, open to the public, on the 7th day of September, 2016, at the offices of Brown & Gay Engineers Inc. ("BGE"), 10777 Westheimer, 3rd Floor, Lubbock Conference Room Houston, Texas, outside 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 Directors Patton, Spell, and Darden, thus constituting a quorum.

Also present for all or part of the meeting were Terrell Palmer of FirstSouthwest, a Division of Hilltop Securities; Dave Scholler, Lindsey Kovar, Shayna Chapman, and Janice Hayes of BGE; Pamela Logsdon and Pam E. Lightbody of AVANTA Services; Dale Clayton of Severn Trent Services, Inc.; and David Oliver, Christina Miller, and Justine M. Cherne of Allen Boone Humphries Robinson LLP.

RATE PLANNING AND NOTICE OF 2017 PRELIMINARY FEES

Mr. Palmer gave a presentation on the Authority's Potential Fees and Rates Update and responded to Board members' questions. Discussion ensued regarding the Authority's anticipated operating and capital costs, including costs associated with maintaining a long term surface water supply from the City of Houston (the "COH") and continued implementation of its Groundwater Reduction Plan ("GRP").

Mr. Oliver noted that the Authority normally distributes a preliminary notice of the anticipated 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 based upon Mr. Palmer's recommendation, states that the Board anticipates increasing the GRP Fee to \$3.05 per 1,000 gallons of water pumped and the Surface Water Fee to \$3.40 per 1,000 gallons of surface water received, which increase correspondingly increases the Imported Water Fee, effective January 1, 2017. Following discussion, Director Gay moved to authorize distribution of the notice of the Authority's

preliminary 2017 fees as prepared. Director Hebert seconded the motion, which carried unanimously.

NORTHEAST WATER PURIFICATION PLANT PROJECT, INCLUDING CASH CALL NOS. 4 AND 4A, AUTHORIZATION OF PAYMENT, AND ISSUES RELATED TO PROJECT FUNDING AND USE OF TEXAS WATER DEVELOPMENT BOARD FUNDS

Ms. Miller reported that the Texas Water Development Board (the "TWDB") requires the Authority to separately allocate use of the bond proceeds obtained from the State Water Implementation Revenue Fund for Texas ("SWIRFT") and held in escrow between the two projects included in the SWIRFT financing, including: payment of the Authority's portions of the costs for: (i) the COH's Northeast Water Purification Plant Expansion project; and (ii) the joint Surface Water Supply project with the West Harris County Regional Water Authority (the "WHCRWA"). She stated that, currently, there is an insufficient allocation of bond proceeds for payment of the Authority's portions of the COH's Cash Call Nos. 4 and 4A for the Northeast Water Purification Plant Expansion project per the Authority's Second Supplement to Water Supply Contract with the COH. She discussed the TWDB's procedures and schedule for approving the Authority's requests for transfer and use of escrowed bond proceeds between the two projects. She recommended that the Authority pay the COH's Cash Call Nos. 4 and 4A from the Authority's Improvement Fund and reimburse the fund from the proceeds of the Authority's \$8,670,000 Water System Junior Lien Revenue Bonds, Series 2015 ("Series 2015 Bonds"), upon receipt of the TWDB's approval for transfer and use of the escrowed bond proceeds. Ms. Kovar indicated that documentation has been prepared in the event that the Board would like to request reallocation of bond proceeds from the TWDB. Following discussion, Director Gay moved to authorize: (i) submission of a request to the TWDB for permission to reallocate use of the bond proceeds held in escrow from the joint Surface Water Supply project with the WHCRWA to the COH's Northeast Water Purification Plant Expansion project; (ii) payment of the COH's Cash Call Nos. 4 and 4A per the Authority's Second Supplement to Water Supply Contract with the COH from the Authority's Improvement Fund; and (iii) adoption of a Resolution Expressing Intent to Reimburse the Authority's Improvement Fund from proceeds from the Authority's Series 2015 Bonds upon receipt of the TWDB's approval for transfer and use of the escrowed bond proceeds. Director Hebert seconded the motion, which was approved by unanimous vote.

PUBLIC COMMUNICATION MATTERS

The Board concurred to table this item.

IMPLEMENTATION OF WATER CONSERVATION MARKETING PLAN AND EDUCATIONAL PROGRAMS

Ms. Chapman reported that 1,400 bill insert brochures providing water conservation information related to rain barrels will be provided to Harris-Fort Bend

Counties No. 5 per request.

Ms. Miller reviewed a Resolution Adopting Third Amended Policy for Use of Water Conservation Mobile Teaching Lab. She stated that the Authority's Communication, Conservation, and Reuse Committee recommended that the Board adopt the resolution at the September 28, 2016, regular Board meeting.

Ms. Chapman discussed the status of implementing the Authority's 2016 Larry's Toolbox water conservation program's Homeowners Association ("HOA") Irrigation Water Budget and HOA Golf Course Irrigation System Evaluations initiatives. Ms. Miller reported that a Consulting Service Agreement with Fort Bend County Municipal Utility District No. 151 and Masuen Consulting, LLC will be ready for the Board's execution during the September 28, 2016, regular Board meeting.

Ms. Chapman discussed the status of implementing the Authority's 2017 Larry's Toolbox water conservation program, including a planned presentation on the program during an information session scheduled for September 8, 2016. Ms. Miller reported on coordination between the Authority's consultants to finalize the Resolution Establishing the 2017 Larry's Toolbox Waters Conservation Program and the Guide Document for the program for the Board's consideration during the September 28, 2016, regular meeting. Ms. Kovar discussed changes made to the program requiring 2017 program participants to provide implementation data on a quarterly basis and submit alternate initiative choices with the application. She stated that rebate checks for the program will be provided quarterly.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 6:45 p.m., pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with the Authority's attorney.

RECONVENE IN OPEN SESSION

At 7:12 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