

MINUTES  
NORTH FORT BEND WATER AUTHORITY

January 25, 2017

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 25th day of January, 2017, 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 Director Spell, thus constituting a quorum.

Also present for all or part of the meeting were David C. Scholler, Lindsay Kovar, Fred Bauhof, Matthew L. Froehlich, and Janice Hayes of BGE, Inc. ("BGE"); Pamela Logsdon of AVANTA Services; Dale Clayton of Severn Trent Services, Inc. ("STSI"); David Oliver, Christina Miller, 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 the regular meeting held December 14, 2016. After review and discussion, Director Gay moved to approve the minutes as presented. Director Patton 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, WATER CONSERVATION, AND REUSE MATTERS

Ms. Kovar presented and reviewed with the Board a Memorandum Regarding Water Conservation and Reuse, a copy of which is attached.

Ms. Kovar reported on planned presentations of the Authority's mini rain barrel

water conservation program to Hubenak Elementary School in the Lamar Consolidated Independent School District and discussed the Authority's participation in the Katy Home and Garden Show on January 28 and 29, 2017.

Ms. Kovar discussed training opportunities.

Ms. Kovar reported that 207 irrigation evaluations were completed in December, 2016, through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"). She reported that there were 1,507 irrigation evaluations completed during 2016 which was 86% more than the number of evaluations completed in 2015.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts. She recommended authorizing execution of the 210 Permit Application for submission to the Texas Commission on Environmental Quality (the "TCEQ") for the Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194") effluent reuse system facilities project.

Ms. Kovar reported on implementation of the Authority's 2017 Larry's Toolbox water conservation program. She reported that enrollment forms were received from 45 municipal utility districts and the City of Fulshear. She stated that all of the participants of the 2016 Larry's Toolbox water conservation program are participating in the 2017 program.

Ms. Kovar reported on implementation of the Authority's 2016 Larry's Toolbox water conservation program. She stated that notifications of the total number of points earned by participants in the 2016 program and whether participants achieved the required points necessary to receive a \$0.10 per 1,000 gallons pumped rebate from the Authority will be distributed soon to the participants in the program. She reported that the Authority's Communication, Conservation, and Reuse Committee recommended that the Board approve payment of six final invoices from Masuen Consulting, LLC ("Masuen") in the total amount of \$25,024.23 for implementation of the Authority's 2016 Larry's Toolbox water conservation program's Homeowners Association ("HOA") Irrigation Water Budget and HOA Irrigation System Evaluations initiatives for Cinco Municipal Utility District No. 1, Cinco Southwest Municipal Utility District No. 1, and Fort Bend County Municipal Utility District Nos. 30, 143, 146, and 151.

Ms. Kovar reported on Glass House Strategy's activities, including development of a new tagline for the Authority. She discussed the status of transitioning to the Authority's new logo and the recent distribution of the Authority's newsletter.

Following review and discussion, Director Gay moved to:

- (1) Authorize presentations of the mini rain barrel water conservation programs to Hubenak Elementary School;

- (2) Authorize execution of the 210 Permit Application for submission to the TCEQ for the FB 146 and FB 194 effluent reuse system facilities project; and
- (3) Authorize payment of invoices submitted by Masuen for services related to the Authority's 2016 Larry's Toolbox water conservation program's HOA irrigation system water evaluation/water budget initiatives for:
  - i. Cinco Municipal Utility District No. 1 in the amount of \$1,000.00;
  - ii. Cinco Southwest Municipal Utility District No. 1 in the amount of \$8,874.80;
  - iii. Fort Bend County Municipal Utility District No. 30 in the amount of \$1,000.00;
  - iv. Fort Bend County Municipal Utility District No. 143 for irrigation system water budget services in the amount of \$1,660.04;
  - v. Fort Bend County Municipal Utility District No. 146 in the amount of \$3,001.69; and
  - vi. Fort Bend County Municipal Utility District No. 151 for irrigation system water budget services in the amount of \$9,487.70.

Director Hebert 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 checks for payment, transfers, monthly receipts, a summary of investments, schedules of debt service payments, water conservation credits, past due accounts, number of inspections completed for the Authority's WISE Guys Program, and statement of revenues and expenditures 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. Director Hebert seconded the motion, which was approved by unanimous vote.

Ms. Logsdon reviewed a request for waiver of late penalty and interest fees for August, 2016 from Myrtle Cruz, Inc., the bookkeeper for Fort Bend County Municipal Utility District No. 57 ("FB 57"). She stated that the request explains Myrtle Cruz, Inc. incorrectly sent the payment to North Harris County Regional Water Authority ("NHCRWA") instead of the Authority. She reported that the Authority's Finance and Policy Committee recommended that the Board grant a one-time waiver of the late penalty and interest fees requested for FB 57 because of the district's good faith effort to make timely payment. Following review and discussion, Director Fay moved to grant a

one-time waiver of the late penalty and interest fees requested for FB 57 because of the district's good faith effort to make timely payment. Director Patton seconded the motion, which was approved by unanimous vote. The Board directed that the response letter to Myrtle Cruz, Inc. request implementation of internal controls to prevent future errors.

#### ANNUAL DISCLOSURE STATEMENTS

The Board considered accepting the annual disclosure statements of the Authority's bookkeeper and Investment Officer. Mr. Oliver explained that the annual disclosure statements are intended to disclose relationships of the Authority's bookkeeper and Investment Officer with entities or individuals who are offering, have offered, or may offer to engage in an investment transaction with the Authority. After review and discussion, Director Gay moved to accept the annual disclosure statements of the bookkeeper and Investment Officer and direct that the statements be filed with the Texas Ethics Commission and retained in the Authority's official records. Director Hebert seconded the motion, which passed unanimously.

#### ANNUAL REPORT REGARDING POST-ISSUANCE COMPLIANCE POLICY

Mr. Oliver reported on the Authority's compliance activities during the prior calendar year related to bond financings. He stated that no corrective action is required at this time.

#### LIST OF LOCAL GOVERNMENT OFFICERS

The Board 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 retained in the Authority's official records. Director Darden seconded the motion, which passed by unanimous vote.

#### ARBITRAGE REBATE REPORT FOR SERIES 2011 BONDS

Mr. Oliver reviewed with the Board an arbitrage rebate report regarding the Authority's Series 2011 Bonds prepared by OmniCap Group LLC reflecting that no arbitrage rebate payments are owed to the Internal Revenue Service.

#### 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.

Ms. Miller reported that a meeting between representatives from the Authority and Fort Bend County Municipal Utility District No. 206 ("FB 206") is being re-scheduled to discuss amending the Authority's surface water supply letter agreement with FB 206 for STSI's performance of additional metered flushing of the Authority's connection line for FB 206. She reported that the Authority's Capital Planning and System Operations and Finance and Policy Committees recommended that the Board authorize a waiver of the Authority's fees and accept payment in the amount of \$4,813.50 (which includes the City of Houston (the "COH") contract rate and applicable Authority operating costs) for the loss of approximately five million gallons of water through the flushing valve for the Authority's surface water connection line for FB 206 due to operational error to be allocated equally between FB 206's operator and STSI.

Following review and discussion, Director Gay moved to approve the operator's report, including approval of a waiver of the Authority's fees and payment in the amount of \$4,813.50 for lost water from the Authority's surface water connection line for FB 206 to be allocated equally between FB 206's operator and STSI. Director Hebert 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. Froehlich presented and reviewed with the Board the engineer's report, a copy of which 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 and permitting matters.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Mr. Froehlich reported on property acquisition matters for Main Segments 11 and 18.

Mr. Froehlich reported that the Authority's contract with Hurtado Construction Company for construction of Main Segment 10B will be finalized pending receipt of a final report on testing of the cathodic protection system.

Mr. Froehlich reported that Fort Bend County Municipal Utility District No. 134A's contract for construction of a surface water line connection for its Water Plant No. 2 will be finalized when the plant receives electricity.

Mr. Froehlich reported on the status of the Authority's project to construct a surface water line connection for Grand Mission Municipal Utility District No. 1's Water Plant No. 3.

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND COMMUNICATION SYSTEMS

Mr. Froehlich reported on the status of a surface water line connection of Fort Bend County Improvement District No. 24. He stated that a recommendation for award of the construction contract for the project is anticipated to be presented at the Board's February 22, 2017, meeting.

Mr. Froehlich reported on the status of Jones & Carter, Inc.'s preparation of design plans for the Authority's project to construct a surface water line connection for Fort Bend County Municipal Utility District No. 30's Water Plant No. 3. He stated that 90% plan submittal to reviewing agencies is on hold pending receipt of the 90% water plant plans from Jones & Carter, Inc.

Mr. Froehlich reported on the status of BGE's Phase I Water Blending Study to determine whether additional chemical feed systems are needed to treat water to be received from the expanded Northeast Water Purification Plant. He stated that BGE is reviewing data received from the COH and the municipal utility districts within the Authority for the study.

Mr. Froehlich reported on the status of DCS Engineering, LLC's preparation of design plans for the Authority's project to construct the FB 146 and FB 194 effluent reuse system facilities to include an at-grade concrete water storage tank in place of the previously designed buried tank. He stated that BGE is currently reviewing the 90% design plan submittal.

Mr. Froehlich reported on STSI's schedule for performing communication system upgrades for the meter stations for the Authority's surface water line connections for Fort Bend County Municipal Utility District No. 134A's Water Plant No. 2 and Fort Bend County Municipal Utility District No. 194's Water Plant No. 3. He stated that equipment for the upgrade project is anticipated to be delivered soon.

Mr. Froehlich reported that BGE reviewed a televised inspection of the water line located under a crossing at Baldwin Elm Street in Main Segment 7A and stated the water line is in good condition. He reported that BGE is preparing plans and specifications for subgrade repair and paving at the location.

Mr. Froehlich stated that he is coordinating with STSI to investigate options for installing an isolation valve at the Main Segment 4A connection to decrease the amount of water needed to flush the Authority's connection line for FB 206.

Mr. Froehlich recommended approval of Professional Design Consulting Agreements with Costello, Inc. for the effluent reuse facilities project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4 for design of the following facilities: 1) the wastewater plant reclaimed water improvements; and 2) the reclaimed water

distribution system.

Mr. Froehlich reported on BGE's annual monitoring and evaluation of the Authority's cathodic protection system for 2016 and stated that minor items will be addressed. He stated that BGE will prepare a proposal for 2017 monitoring and evaluation services for the Authority's cathodic protection system for Board review.

REGIONAL PLANNING MATTERS: JOINT PROJECTS, WATER SUPPLY CONTRACT, AND PROJECT FUNDING

Mr. Froehlich reported on matters related to the Authority's joint facilities with the West Harris County Regional Water Authority (the "WHCRWA"), including BGE's review of design plans for Segment C of the transmission line for the Surface Water Supply Project. He reported that a Joint Facilities Committee meeting between the Authority and the WHCRWA is scheduled for January 27, 2017.

Mr. Froehlich reported on the status of the improvement project for the Bellaire Pump Station's Supervisory Control and Data Advisory system. He stated that final adjustments and testing of the programming are being completed and operator training will be conducted at the end of January, 2017.

Mr. Froehlich reported that repair of Ground Storage Tank No. 2 located at the Bellaire Pump Station is complete and the tank is back online.

Mr. Froehlich reported on coordination with Comcast on the installation of a hardwired internet connection to provide internet service to the Bellaire Pump Station that will be faster than the current cellular internet access.

Mr. Froehlich reported that the Authority's storm water quality permit for the Bellaire Pump Station has been renewed and expires November 21, 2017.

Mr. Froehlich reported on COH water supply matters. He discussed the status of the Coastal Water Authority's Luce Bayou Interbasin Transfer Project, including the schedules for construction of the Capers Ridge pump station, award of construction contracts for the canal construction projects, and design of three miles of parallel 96-inch water lines.

Mr. Bauhof reported on the status of the COH's Northeast Water Purification Plant Expansion Project per its Design-Build Agreement with the Houston Waterworks Team ("HWT"). He stated that the COH has issued a Notice to Proceed for Component 2A (bridge funding) design services, and HWT is mobilizing. He stated that the purchase of stream bank mitigation credits in the amount of \$600,000 needed for a Section 404 Permit for the project is moving forward. He stated that the Authority's share of the costs for the purchase of the stream bank mitigation credits is \$128,000.00 as

requested in Cash Call 5A. He reported that the amended Final Basis of Design Report containing a modular layout for 320 million gallons per day will be submitted on February 22, 2017.

Ms. Kovar reported on the Texas Water Development Board's (the "TWDB") seminar regarding State Water Implementation Fund for Texas ("SWIFT") funding for conservation projects. She stated that the Authority's current education projects are not eligible for SWIFT funding because the funding is for infrastructure projects.

Ms. Kovar reported on BGE's review of the Authority's Capital Improvement Plan and SWIFT funding available through the TWBD for items other than conservation projects.

Mr. Oliver reported that ABHR anticipates negotiation of an amendment to the Authority's Joint Facilities Agreement for Segments 0 & 1A, Bellaire Pump Station, and Second Source Waterline/Pump Stations ("Joint Facilities Agreement") with the WHCRWA. He reminded the Board that ABHR is counsel for the WHCRWA and discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with any proposed amendment to the Joint Facilities Agreement. He presented a legal conflict waiver for ABHR's preparation of an amendment to the Joint Facilities Agreement for the Board's consideration.

Following review and discussion, Director Gay moved to approve the engineer's report, including: 1) authorize execution of Professional Design Consulting Agreements with Costello, Inc. for the effluent reuse facilities project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4; and 2) authorize execution of a legal conflict waiver for ABHR's preparation of an amendment to the Authority's Joint Facilities Agreement with the WHCRWA. Director Hebert seconded the motion, which was approved by unanimous vote.

## CONTRACTS

Ms. Miller reviewed a Proposal for Phase I Environmental Site Assessment services from Berg-Oliver Associates, Inc. for the proposed site for a potential second pump station to treat and re-pressurize surface water to be received from the WHCRWA via the Surface Water Supply Project in the amount of \$2,475.00.

Ms. Miller reported that the Authority's Finance and Policy Committee recommended that the Board authorize execution of a Software License and Maintenance Agreement with TruePoint Solutions, LLC for implementing an updated pumpage reporting system for the Authority's constituents in the approximate amount of \$145,000.00.

Following review and discussion, Director Gay moved to: 1) authorize execution of a Proposal for Phase I Environmental Site Assessment services from Berg-Oliver



Associates, Inc.; and 2) authorize execution of a Software License and Maintenance Agreement with TruePoint Solutions, LLC. Director Hebert seconded the motion, which was approved by unanimous vote.

Mr. Oliver reported that ABHR is counsel for Fort Bend County Municipal Utility District No. 123 ("FB 123") and Fort Bend County Municipal Utility District No. 156 ("FB 156") and discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with a proposed Alternative Water Supply Credit Agreement with FB 123 and a proposed Irrigation System Evaluations Cost Sharing Agreement with FB 156. He presented a legal conflict waiver for ABHR's preparation of the agreements for Board consideration. Following discussion, Director Gay moved to authorize execution of legal conflict waivers for ABHR's preparation of the following documents: 1) an Alternative Water Supply Credit Agreement with FB 123; and 2) an Irrigation System Evaluations Cost Sharing Agreement with FB 156. Director Hebert seconded the motion, which was approved by unanimous vote.

Mr. Oliver reported that the Authority's Finance and Policy Committee recommended that the Board authorize execution of a supplemental engagement letter with ABHR for legislative services. After review and discussion, Director Gay move to authorize execution of the supplemental engagement letter. Director Hebert seconded the motion, which was approved by unanimous vote.

#### REALTY INTEREST ACQUISITION

Mr. Oliver presented and reviewed with the Board a Water Line Easement for Cinco Southwest Municipal Utility District No. 14 for four parcels located in Main Segment 13, as listed on the attached Realty Interests Chart. Following review and discussion, Director Gay moved to authorize execution of the Water Line Easement. Director Patton seconded the motion, which was approved by unanimous vote.

Mr. Oliver reported that ABHR is counsel for Cinco Southwest Municipal Utility District No. 1 ("CSW 1"), Fort Bend County Municipal Utility District No. 30 ("FB 30"), and Fort Bend County Municipal Utility District No. 146 ("FB 146") and discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with proposed documents related to realty interest acquisition from the three municipal utility districts as listed on the attached Realty Interests Chart. He presented legal conflict waivers for ABHR's preparation of the proposed documents related to realty interest acquisition for the Board's consideration. Following review and discussion, Director Gay moved to authorize execution of legal conflict waivers for ABHR's preparation of proposed documents related to realty interest acquisition from CSW 1, FB 30, and FB 146. Director Patton seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 6:55 p.m., to consult with its attorney regarding the Authority's purchase, exchange, lease, or value of real property pursuant to Section 551.072, Texas Government Code. The Board determined that the attendance in this executive session of Mr. Froehlich, as the representative of the Authority, was necessary in order for the Board to obtain the necessary legal advice from its attorney, and the Board requested his presence in the executive session.

RECONVENE IN OPEN SESSION

At 7:13 p.m., the Board reconvened in open session. Director Gay moved to: 1) authorize Director Houghton to enter into a settlement agreement for acquisition of Parcel 8.09 as the Authority's delegated representative to the mediation to be held on February 8, 2017; and 2) authorize execution of a Purchase and Sale Agreement for two tracts for a potential second pump station to treat and re-pressurize surface water to be received from the WHCRWA via the Surface Water Supply Project, subject to finalization and release of earnest money. Director Hebert seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:15 p.m., to consult with its attorney regarding the Authority's legal rights and obligations under the Second Supplement to the Water Supply Contract with the COH. The Board determined that the attendance in this executive session of Mr. Scholler and Mr. Bauhof, as the representatives of the Authority, were necessary in order for the Board to obtain the necessary legal advice from its attorney, and the Board requested their presence in the executive session.

RECONVENE IN OPEN SESSION

At 7:27 p.m., the Board reconvened in open session. Director Gay moved to authorize submission of an escrow release application to the TWDB for payment of the Authority's portion of Cash Call 5A to the COH prior to the revised due date. 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.

(SEAL)



*Melony Gay*  
Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

|   | Minutes     |
|---|-------------|
|   | <u>Page</u> |
| Attendance Sheets.....                                  | 1           |
| Memorandum Regarding Water Conservation and Reuse ..... | 1           |
| Bookkeeper's report.....                                | 3           |
| Operator's report.....                                  | 4           |
| Engineer's report.....                                  | 5           |
| Realty Interests Chart.....                             | 9           |