

MINUTES  
NORTH FORT BEND WATER AUTHORITY

October 26, 2011

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 October, 2011, at the Golf Club at Cinco Ranch, 23030 Cinco Ranch Boulevard, 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, thus constituting a quorum.

Also present for all or part of the meeting were Melinda Silva, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Pam E. Lightbody of AVANTA Services; Brian Bare of SWWC Services, Inc. ("SWWC"); Terrell Palmer of First Southwest Company; Steve Bonjonia of Property Acquisition 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 the regular meeting held on September 28, 2011. 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. Jim Noravsky, a resident of Cinco Ranch, addressed the Board to request clarification of the Authority's jurisdiction over Cornerstone M.U.D.'s proposed location of a second water well to be constructed. Anna Agnew, a Director of Cinco M.U.D. No. 7, addressed the Board to ask whether the Authority is considering reducing Groundwater Reduction Plan Fees.

MEETING SCHEDULE

The Board reminded the meeting attendees that the Authority's regular monthly meetings will be held at the Willow Fork Country Club beginning in November, 2011,

and that the November and December, 2011, meetings have been rescheduled to Wednesday, November 30, 2011, and Thursday, December 22, 2011, due to the holidays. The Board additionally reminded the meeting attendees that a Public Forum regarding water supply topics will be held at 6:00 p.m. on October 27, 2011, at the Willow Fork Country Club.

### PUBLIC COMMUNICATIONS

Directors Fay and Patton updated the Board on public communication activities, including the actions undertaken to notify the Authority's constituents of the upcoming Public Forum. Director Patton discussed proposed additional communication activities to increase participation for the W.I.S.E. Guys irrigation system evaluation program. Following discussion, Director Patton moved to authorize additional communication activities for the W.I.S.E. Guys irrigation system evaluation program in the amount of \$5,000. Director Gay seconded the motion, which was approved by unanimous vote.

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

Ms. Lightbody reviewed the written bookkeeper's report, including checks for payment, transfers, monthly receipts, past due accounts, the income statement for the enterprise fund, and a schedule of debt service payments. 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.

The Board conducted a hearing on delinquent fees and rule violations. Ms. Lightbody reported on discussions that she had with the President of Avalon at Seven Meadows Homeowners Association (the "HOA") regarding a request for a waiver of the penalty and interest to be assessed by the Authority for the failure of the HOA to timely remit payment of monthly groundwater pumpage fees for August 2011. She stated that news accounts confirm the President's statement that the HOA's management company stole approximately \$120,000 of the HOA's funds and left approximately \$20,000 in the HOA's bank account. She reported on the actions undertaken by the HOA to obtain funds for the August pumpage fees as soon as possible, including requesting early payment of 2012 assessments from their residents, establishing a new bank account, obtaining a line of credit, and filing a criminal complaint. She noted that this matter was discussed during the October Finance Committee meeting. She stated that payment of the HOA's monthly groundwater pumpage fees for August 2011 was received 11 days after the due date. Following discussion, Director Patton moved to grant the waiver requested by the HOA due to the exigent circumstances and advance communication of the circumstances to the Authority by the HOA. Director Fay seconded the motion, which was approved by unanimous vote.

## CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY

The Board conducted an annual review of the Authority's Investment Policy. Mr. Oliver reviewed recommended changes to the policy. Following review and discussion, Director Gay moved to adopt a Resolution Regarding Annual Review of Investment Policy and Adoption of Amended Investment Policy. Director Hebert seconded the motion, which was approved by unanimous vote.

## DEPOSITORY INSTITUTIONS

Mr. Oliver reviewed an updated list of the Authority's depository institutions and qualified broker/dealers. Following review and discussion, Director Gay moved to adopt an updated Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers With Whom the Authority May Engage in Investment Transactions. Director Hebert seconded the motion, which was approved by unanimous vote.

## ISSUANCE OF SERIES 2011 BONDS

Mr. Palmer reviewed a summary of pricing, yields, interest rate analyses, and sources and uses of funds, and discussed the negotiated bond issuance process, rating reports, and the proforma pledge revenues test related to the issuance of the Authority's Water System Revenue Bonds, Series 2011 (the "Series 2011 Bonds"). A copy of the summary is attached. Mr. Palmer discussed the covenant requirements of the Series 2011 Bonds and the previous bonds issued by the Authority and stated that the Authority is required to maintain fees at rates that provide a net revenue amount that is equal to a minimum of one times the amount of the annual debt service requirements. He stated that the Authority's current Groundwater Reduction Plan Fee and Surface Water Fees, as well as the Authority's anticipated adoption of future fees in amounts that increase annually over the next three years by increments of \$0.30 per 1,000 gallons of water pumped, sold or imported, are projected to minimally satisfy the covenant requirements. Following review and discussion, Mr. Palmer and Mr. Oliver recommended that the Board approve the issuance of the bonds and the related documents. Director Gay moved to adopt the Resolution Authorizing the Issuance, Sale, and Delivery of the North Fort Bend Water Authority Water System Revenue Bonds, Series 2011; Approving the Form and Substance and Authorizing the Execution of a Master Indenture and Third Supplemental Indenture of Trust Relating to Such Bonds; Approving a Bond Purchase Agreement; Approving the Purchase of Bond Insurance and Related Matters; Authorizing and Ratifying Other Actions of the Authority; Making Certain Findings and Containing Other Provisions Relating to the Subject. Director Hebert seconded the motion, which was approved by unanimous vote.

## PAYING AGENT

Mr. Oliver stated that there is no need to enter into a Paying Agent/Registrar Agreement because Regions Bank, as the Authority's Trustee, handles Paying Agent and Registrar functions as a part of its agreement with the Authority under the Master Indenture of Trust.

## APPROVE OFFICIAL STATEMENT

Mr. Oliver stated that the Preliminary Official Statement will be updated to reflect the sale of the Series 2011 Bonds. Following review and discussion, Director Hebert moved to approve the Official Statement. Director Patton seconded the motion, which was approved by unanimous vote.

## AUTHORIZE SIGNATURES

Mr. Oliver next reviewed the schedule and discussed the documents and actions related to the issuance and closing of the Series 2011 Bonds. Following review and discussion, Director Darden moved to authorize the Board of Directors to sign all documents relating to the bond sale and authorize the Authority's attorney and financial advisor to take all necessary actions to deliver the Series 2011 Bonds to the purchaser. Director Spell seconded the motion, which was approved by unanimous vote.

## OPERATION OF AUTHORITY FACILITIES

Mr. Bare reported on operations of the Authority's facilities. A copy of the operations report is attached.

## ENGINEERING MATTERS

### WATER SUPPLY CONTRACT AND LUCE BAYOU PROJECT

Ms. Silva presented the engineer's report, including the monthly pumpage report and the status of new wells located within the Authority. She reviewed a list of recent and upcoming events and reported on activities related to the status of the Luce Bayou Project, the proposed second source transmission line, and evaluation of the D-158 Water Plant offsite wells. A copy of the engineer's report is attached.

## DESIGN AND CONSTRUCTION PROJECTS, AND SERVICES CONTRACTS

Ms. Silva reported on the status of design, contract documentation, right-of-way acquisition, and construction, as appropriate, for several main line segments, related district connection water lines, and the pump station. Spreadsheets summarizing the status of design and construction projects are attached to the engineer's report. Additionally, Ms. Silva reported on the status of the Vulnerability Assessment Report,

preparation of a winterization package to protect various meter stations, coordination with the City of Houston on a supply shut-down related to maintenance and the Main Segment 0 Tie-ins and D-158 Water Plant Modifications Project, and B&G's population and water demand update project for the Authority's long-range planning.

Ms. Silva reported on the design of Main Segment 9A and requested authorization to advertise for bids for construction of the project.

Ms. Silva reported that eleven bids were opened on October 4, 2011, for the contract for the construction of Main Segment 6 and recommended that the Board award a contract in the amount of \$1,431,153.55 to the lowest qualified bidder, Gonzalez Construction Enterprise, Inc. Following review and discussion, the Board concurred with the engineer's judgment that Gonzalez Construction Enterprise, Inc. was a responsible bidder whose bid would result in the best and most economical completion of the project.

Ms. Silva reported that five bids were opened on October 18, 2011, for the contract for the construction of the Fort Bend County M.U.D. No. 118 connection water line and recommended that the Board award a contract in the amount of \$877,550 to the lowest qualified bidder, Hurtado Construction Company. Following review and discussion, the Board concurred with the engineer's judgment that Hurtado Construction Company was a responsible bidder whose bid would result in the best and most economical completion of the project.

Ms. Silva reported that eleven bids were opened on October 20, 2011, for the contract for the construction of Main Segment 7A and recommended that the Board award a contract in the amount of \$3,619,590 to the lowest qualified bidder, Texas Sterling Construction Company. Following review and discussion, the Board concurred with the engineer's judgment that Texas Sterling Construction Company was a responsible bidder whose bid would result in the best and most economical completion of the project.

Ms. Silva reported that five bids were opened on October 20, 2011, for the contract for the construction of the Main Segment 0 Tie-ins and the D-158 Water Plant Modifications Project and recommended that the Board award a contract in the amount of \$569,900 to the lowest qualified bidder, Metro City Construction, L.P. Following review and discussion, the Board concurred with the engineer's judgment that Metro City Construction, L.P. was a responsible bidder whose bid would result in the best and most economical completion of the project.

Ms. Silva updated the Board on the construction of Main Segments 0, 1A, 1B, 2, 3, 4A, 4B, 5, 12A, 12B, and 12D, the connection water lines for Fort Bend County M.U.D. Nos. 30 and 122, North Mission Glen M.U.D., Kingsbridge M.U.D., Big Oaks M.U.D., and Grand Mission M.U.D. No. 1. She recommended approval of fourteen pay

estimates for the Main Segments and connection water lines. She additionally recommended approval of change orders to the contracts for the construction of Main Segments 1A and 1B for credits resulting from additional testing of the electrically shorted casings in the cathodic protection system and for the construction of the Big Oaks M.U.D. connection water line for a credit resulting from the purchase of software to load on future programmable logic controllers.

Ms. Silva requested approval to solicit proposals from Environmental Allies, Inc. for storm water pollution prevention services for the Main Segment 0 Tie-ins and the D-158 Water Plant Modifications Project.

Mr. Oliver reviewed a First Amendment to Professional Engineering Services Agreement with B&G to add provisions required per the Joint Facilities Agreement with the West Harris County Regional Water Authority and other necessary provisions related to the Authority's right-of-way crossing agreements with CenterPoint Energy.

#### ROUTING ANALYSES

Ms. Silva did not provide an update on the progress of route evaluations for the Authority's 2025 distribution system.

#### GRP, CHLORAMINES CONVERSION, AND FBSD REGULATIONS

Ms. Silva updated the Board on the status of chloramine conversion projects. A spreadsheet summarizing the status of chloramine conversion projects is attached to the engineer's report.

Ms. Silva reported on activities related to a request from Fort Bend County M.U.D. No. 141 to participate in the Authority's Groundwater Reduction Plan ("GRP") by contract. She reported on activities related to requests from Fort Bend County M.U.D. No. 142 for a water supply contract and early conversion to surface water, a request for early conversion to surface water from Fort Bend County M.U.D. No. 58, and a request from Grand Mission M.U.D. No. 1 for a water supply contract. She stated that B&G is preparing minimum well capacity requirements for inclusion in water supply contracts.

Ms. Silva reported that the Authority's aggregate well permit application for the October 1, 2011, through September 30, 2012, term was approved by the Fort Bend Subsidence District (the "FBSD"). She stated that the amendment submitted to the FBSD for the Authority's well permit for the current term is pending.

Ms. Silva reported that B&G is coordinating with the Lake Management Company for the Cross Creek Homeowners Association ("Cross Creek") on an application for submission to the FBSD for over conversion credits that Cross Creek has earned from utilizing rainwater to irrigate green space.

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

- (1) authorize B&G to advertise for bids for the construction of Main Segment 9A;
- (2) approve the award and execution of a contract in the amount of \$1,431,153.55 with Gonzalez Construction Enterprise, Inc. for the construction of Main Segment 6;
- (3) approve the award and execution of a contract in the amount of \$3,619,590 with Texas Sterling Construction Company for the construction of Main Segment 7A;
- (4) approve the award and execution of a contract in the amount of \$877,550 with Hurtado Construction Company for the construction of the Fort Bend County M.U.D. No. 118 connection water line;
- (5) approve the award and execution of a contract in the amount of \$569,900 with Metro City Construction, L.P. for the construction of the Main Segment 0 Tie-ins and the D-158 Water Plant Modifications Project;
- (6) approve the following pay estimates:
  - Main Segment 0, Pay Estimate No. 18 in the amount of \$0,
  - Main Segment 1A, Pay Estimate No. 19 in the amount of \$0,
  - Main Segment 1B, Pay Estimate No. 19 in the amount of \$186,044.08,
  - Main Segment 2, Pay Estimate No. 13 in the amount of \$0,
  - Main Segment 3, Pay Estimate No. 7 in the amount of \$127,643.90,
  - Main Segment 4A, Pay Estimate No. 11 in the amount of \$0,
  - Main Segment 4B, Pay Estimate No. 5 in the amount of \$525,207.15,
  - Main Segment 5, Pay Estimate No. 10 in the amount of \$19,228.00,
  - Main Segment 12A, Pay Estimate No. 1 in the amount of \$0,
  - Main Segment 12D, Pay Estimate No. 1 in the amount of \$0,
  - Kingsbridge M.U.D. connection water line, Pay Estimate No. 12 in the amount of \$0,
  - Big Oaks M.U.D. connection water line, Pay Estimate No. 5 in the amount of \$3,179.03,
  - Grand Mission M.U.D. No. 1 connection water line, Pay Estimate No. 4 in the amount of \$23,936.20, and
  - Fort Bend County M.U.D. No. 30 connection water line, Pay Estimate No. 1 in the amount of \$0;

- (7) approve the following change orders to construction contracts:  
Main Segment 1A, Change Order No. 2 in the amount of (\$3,224.16),  
Main Segment 1B, Change Order No. 6 in the amount of (\$3,224.16), and  
Big Oaks M.U.D. connection water line, Change Order No. 2 in the amount of (\$1,500);
- (8) authorize B&G to solicit proposals from Environmental Allies, Inc. for storm water pollution prevention services for the Main Segment 0 Tie-ins and the D-158 Water Plant Modifications Project; and
- (9) authorize execution of the First Amendment to Professional Engineering Services Agreement with B&G.

Director Fay seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the discussion or vote.

### JOINT PROJECTS

Mr. Oliver reported that, as discussed during the October Design Committee meeting, the West Harris County Regional Water Authority (the "WHCRWA") has requested that the Authority authorize a representative to participate in the conference calls of the Real Estate Committee per the Joint Facilities Agreement with the WHCRWA for Main Segments 0 and 1A, the Bellaire Pump Station, and the Second Source Waterline and related pump stations. Following discussion, Director Hebert moved to authorize Director Spell to participate in the conference calls. Director Fay seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the discussion or the vote.

### WATER CONSERVATION AND REUSE

Director Patton provided an update on the Water Conservation Advisory Committee's activities, water conservation education programs, and Cross Creek Ranch's New Development Water Conservation Comparative Study. Mr. Oliver reported that executed Irrigation Evaluation Systems Cost Sharing Agreements were received from Cinco MUD Nos. 6 and 8.

### CONTRACTS

Mr. Oliver reviewed a First Amendment to Professional Services Contract with SWWC to add provisions required per the Joint Facilities Agreement with the WHCRWA and other necessary provisions related to the Authority's right-of-way crossing agreements with CenterPoint Energy. Following review and discussion, Director Darden moved to approve the amendment. Director Spell seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the discussion or the vote, and Director Hebert who abstained from the vote.



REALTY INTEREST ACQUISITION


Mr. Oliver recommended acceptance of six Water Line Easements for the parcels and from the Grantors listed on the attached Realty Interests Chart for Main Segments 2, 6, and 8. Following review and discussion, Director Hebert moved to accept the easements. Director Fay seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the discussion or the vote.

EXECUTIVE SESSION

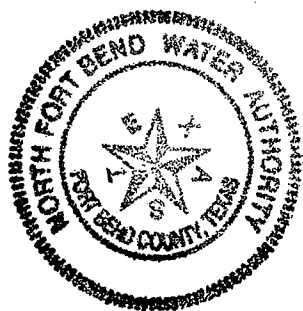
The Board convened in executive session at 7:25 p.m., to deliberate the purchase, exchange, lease, or value of real property.

At 7:37 p.m., the Board reconvened in open session. Following review and discussion regarding right-of-way acquisition, Director Hebert moved to accept the counteroffers for Parcels 07c.09R, 07c.10R, and 08.01. Director Patton seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the discussion or the vote.

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

  
Secretary, Board of Directors

(SEAL)



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