

MINUTES OF REGULAR MEETING
OF
NORTH FORT BEND WATER AUTHORITY

December 18, 2006

THE STATE OF TEXAS §
 §
COUNTIES OF FORT BEND AND HARRIS §

The Board of Directors of the North Fort Bend Water Authority (the "Authority") met in regular session, open to the public, on the 18th day of December, 2006, at the Golf Club at Cinco Ranch, 23030 Cinco Ranch Boulevard, Katy, Texas 77450, inside the boundaries of the Authority, and the roll was called of the duly appointed members of the Board, to-wit:

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: David C. Scholler, P.E. and Charles Shumate, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Mike Reedy of TCB; Pam E. Lightbody of AVANTA Services; Mark McGrath of Null-Lairson, P.C.; Debbie Gibson of McCall, Gibson & Company, PLLC; Joe B. Allen and Justine M. Cherne of Allen Boone Humphries Robinson LLP ("ABHR"); and persons listed on the attached attendance sheets.

APPROVE MINUTES

The Board first considered approving the minutes of the November 27, 2006, meeting. After discussion, Director Spell moved that the Board approve the minutes as written. Director Fay seconded the motion, which carried unanimously.

RECEIVE COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. Mr. Buhner addressed the Board and suggested that the Board ask for volunteers from the member

utility district boards to form a committee to provide comments to the Authority's upcoming activities. No action was taken by the Board.

ENGAGE AUDITOR

The Board next reviewed proposals and received presentations for auditing services from McCall, Gibson & Company, PLLC and Null-Lairson, PC., copies of which are attached. Following review and discussion, Director Gay moved that the Board accept the proposal from Null-Lairson, P.C. Director Fay seconded the motion, which was approved by unanimous vote.

BOOKKEEPER'S REPORT

Ms. Lightbody reviewed a bookkeeper's report, including a summary of investments, monthly receipts, and past due accounts, a copy of which is attached. Following review and discussion, Director Gay moved that the Board approve the bookkeeper's report and payment of the bills. Director Hebert seconded the motion, which was approved by unanimous vote.

ADOPT POLICY ON WATER CONSERVATION KITS AND PURCHASE OF CREDITS

The Board next discussed adopting a policy on the purchase of Fort Bend Subsidence District ("FBSD") Water Wise Program conservation kits for the schools and the purchase of water conservation credits from the utility districts located within the Authority. Mr. Allen reviewed with the Board correspondence received from Fort Bend County MUD No. 2 regarding the Authority's proposed participation in the Water Wise Program, a copy of which is attached. He discussed a proposed policy under which: 1) utility districts would have the first choice of whether to participate or not in the Water Wise Program for schools within their respective districts; and 2) an offer to purchase water conservation credits from utility districts which have participated or will continue to participate in the Water Wise Program at the current amount of approximately \$33.00 per conservation kit. Discussion ensued regarding the unknown number of water conservation credits available for purchase and the Authority's budget. Following discussion, Director Hebert moved that the Board authorize ABHR to draft and distribute a questionnaire to the utility districts located within the Authority to determine for each district: 1) whether the district has participated in the Water Wise Program in the past; 2) whether the district will continue to participate in the Water Wise Program; and 3) whether the district has any interest in selling water conservation credits to the Authority. Director Patton seconded the motion, which was approved by unanimous vote.

ADOPT BUDGET

The Board next reviewed a draft budget for fiscal year ending December 31, 2007. Following review and discussion, Director Gay moved that the Board adopt the budget

for fiscal year ending December 31, 2007, as presented. Director Fay seconded the motion, which was approved by unanimous vote. A copy of the adopted budget is attached.

ENGINEER'S REPORT

Mr. Scholler next presented the engineer's report, including the monthly pumpage report, a list of wells located within the Authority that are not currently in service, a summary of activities and meetings, and upcoming events. A copy of the written engineer's report is attached.

ALTERNATIVE ANALYSIS

Mr. Scholler next updated the Board on the status of the Alternative Analysis for Surface Water Conversion ("Alternative Analysis") which includes development of detailed 2013 and 2025 population and water demand projections, development of a GIS/database system, and facilities planning. He stated that the analysis containing an evaluation of only the Authority has been prioritized after completion of two additional preliminary evaluations of proposed participants in the Authority's Groundwater Reduction Plan ("GRP"): the first of which integrates the Cities of Richmond and Rosenberg and their extraterritorial jurisdictions, and includes Pecan Grove MUD, and the second of which also integrates Fort Bend County MUD No. 25, Plantation MUD, and the George Ranch into the current analysis. He stated that the first preliminary evaluation has been finalized and will be distributed.

Mr. Scholler reported that a letter which includes a January 31, 2007, deadline for determining whether any additional entities will be included in the Authority's GRP has been sent to the proposed participants. He reported that Fort Bend County MUD No. 25 has responded that it is not interested in participating in the Authority's GRP and the George Ranch expects to respond by the deadline. He stated that additional inquiries for participation have been received from Lake Management Services on behalf of two homeowners associations located within the City of Richmond's extraterritorial jurisdiction. He stated that once the participants are identified, the facilities planning portions of the Alternative Analysis will move towards finalization. Following discussion, the Board authorized ABHR to forward a letter to the two homeowner associations which outlines the general guidelines for the terms of long-term contracts for participation in the Authority's GRP, and provides a deadline of January 31, 2007, for consideration of including any additional participants in the Authority's GRP, due to the FBSD's 2008 deadline.

EFFLUENT REUSE

Mr. Scholler next made a presentation on six reuse incentive options for encouraging the reuse of treated effluent within the Authority, a draft of which is

attached. The incentive options reviewed were: value of FBSD conservation kits; operations and maintenance cost of a groundwater well; difference between reclaimed water and future groundwater pumpage fee; difference between reclaimed water and future surface water rate; difference between reclaimed water and groundwater pumpage fee (variable); and fixed incentive (rebate) per project. He reviewed the cost to implement reuse projects for existing and new/future development, assumptions, and a “do nothing” scenario. Mr. Scholler and Mr. Allen responded to questions and comments from the meeting attendees. Following review and discussion, the Board authorized distribution of the draft study and concurred to consider taking action on reuse incentive options at next month’s meeting.

Following review and discussion, Director Patton moved that the Board approve the engineer’s report as presented. Director Darden seconded the motion, which carried unanimously.

PUBLIC COMMUNICATIONS

There was no public communications report.

APPROVE ATTORNEY CONFLICTS WAIVER AND SUPPLEMENT TO ATTORNEY ENGAGEMENT LETTER

The Board considered a legal conflicts waiver regarding ABHR’s representation of the West Harris County Regional Water Authority (the “WHCRWA”), and discussed the matter with Mr. Allen. Following review and discussion, Director Gay moved that the Board approve the legal conflicts waiver as presented. Director Hebert seconded the motion, which carried unanimously. A copy of the legal conflicts waiver is attached.

The Board next considered a supplement to the engagement letter with ABHR for legislative services. Following review and discussion, Director Gay moved that the Board approve the supplement to the engagement letter with ABHR for Legislative Services as presented. Director Hebert seconded the motion, which carried unanimously, except for Director Spell who was not present for the vote. A copy of the supplement to the engagement letter with ABHR for legislative services is attached.

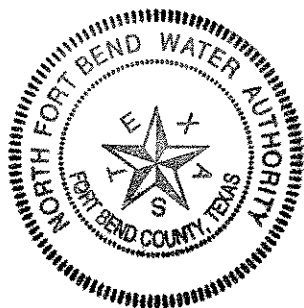
REPORTS FROM DIRECTORS AND CONSULTANTS

Directors Houghton and Darden reported on meetings they’ve attended with the WHCRWA, the North Harris County Regional Water Authority, and the City of Houston. Mr. Allen reported that the WHCRWA has acquired a 45-mile easement for installation of surface water line facilities. No action was taken by the Board.

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


Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

	Minutes <u>Page</u>
attendance sheets	1
proposals and received presentations for auditing services from McCall, Gibson & Company, PLLC and Null-Lairson, PC.....	2
bookkeeper's report.....	2
correspondence from FBCMUD 2	2
engineer's report	3
presentation on Reuse Incentive Options.....	3
legal conflicts waiver	4
supplement to the engagement letter with ABHR for legislative services.....	4