

MINUTES
NORTH FORT BEND WATER AUTHORITY
December 20, 2018

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 20th day of December, 2018, 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 Darden, thus constituting a quorum.

Also present for all or part of the meeting were Lindsay Kovar and Whitney Milberger of BGE, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Dale Clayton of Inframark, LLC; Terrell Palmer of Post Oak Municipal Advisors LLC; David Oliver, Christina Miller, Heather Trachtenberg, Harry Thompson, 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 meeting held November 28, 2018. After review and discussion, Director Gay moved to approve the minutes as presented. Director Hebert seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC, INCLUDING PROPOSED 2019 FEES

Director Houghton opened the meeting to receive public comments. There being no public comments, Director Houghton closed the meeting to public comments.

PUBLIC COMMUNICATION, WATER CONSERVATION, AND REUSE MATTERS, AND LARRY'S TOOLBOX WATER CONSERVATION PROGRAM

Ms. Kovar presented a Memorandum Regarding Water Conservation and Reuse matters, a copy of which is attached. Ms. Kovar reported on educational programs and stated that the Authority's Communication, Conservation, and Reuse Committee ("CCR

Committee”) recommended that the Board authorize sponsorship of the Water for Texas 2019 Conference scheduled for January 23 - 25, 2019, in the amount of \$2,000.00.

Mr. Kovar reported on community outreach and training opportunities. She discussed Ms. Milberger’s attendance at municipal utility district meetings within the Authority’s boundaries to provide information regarding the Authority’s water conservation and outreach programs and other available water conservation resources.

Ms. Kovar reported that the Authority’s CCR Committee recommended that the Board authorize execution of a Fourth Amendment to Consulting Agreement with Glass House Strategy to update the services to be provided and the related task budget for 2019 in the amount of \$300,000.00.

Ms. Kovar reported that the Authority’s CCR Committee recommended that the Board authorize printing 10,000 Larry the Talking Sprinkler informational brochures in the amount of \$1,183.00. She stated the cost is included in the budget for communication, public outreach, and conservation matters.

Ms. Kovar reported that the Authority’s CCR Committee recommended that the Board authorize purchasing outreach items in an amount not to exceed \$9,850.00. She stated the cost is included in the budget for communication, public outreach, and conservation matters.

Ms. Kovar reported that 192 irrigation system evaluations were completed through the Authority’s W.I.S.E. Guys Irrigation System Evaluation Program (“WISE Guys Program”) during November, 2018. She stated a letter has been sent to the participants in the program to notify them of the Authority’s implementation of a monthly water conservation prize drawing to replace the current \$15.00 rebate for the WISE Guys Program for evaluations completed after January 1, 2019. Ms. Kovar reported that the Authority’s CCR Committee recommended that the Board authorize execution of an Amended and Restated W.I.S.E. Guys Irrigation System Evaluation Agreement with Vepo, LLC. Ms. Miller explained that the agreement clarifies evaluation procedures.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts.

Ms. Kovar discussed BGE’s review and tracking of invoices and services related to the 2017 Larry’s Toolbox water conservation program’s Authority funded Homeowners Association (“HOA”) Irrigation Water Budget and HOA Irrigation System Evaluations initiative. She reported that the Authority’s CCR Committee recommended that the Board approve payment of the following final invoices from Masuen Consulting, LLC (“Masuen”) for implementation of the 2017 initiative:

- (1) Cinco Municipal Utility District Nos. 1 and 8 in the amount of \$1,500.00 each,

for 12-month follow-up reports; and

- (2) Fort Bend County Municipal Utility District Nos. 50 and 151 in the amount of \$2,500.00 each, for 12-month follow-up reports.

Ms. Kovar reported that the Authority's CCR Committee recommended that the Board approve third quarter water rate rebate payments to 45 participants in the Authority's 2017 Larry's Toolbox water conservation program that earned the required seven points necessary to receive a reduced 2018 water rate in the total amount of \$372,382.30.

Ms. Kovar reported that, pursuant to the 2018 Program Guide, all required data from participants in the 2018 Larry's Toolbox water conservation program must be received by December 31, 2018. She stated late data will not be accepted.

Ms. Kovar discussed implementation of the 2019 Larry's Toolbox water conservation program and stated that all participants are encouraged to sign up prior to the December 31, 2018, deadline for more than the minimum number of points.

Following review and discussion, Director Gay moved to:

- (1) authorize sponsorship of the Water for Texas 2019 Conference in the amount of \$2,000.00;
- (2) authorize execution of a Fourth Amendment to Consulting Agreement with Glass House Strategy in the amount of \$300,000.00;
- (3) authorize printing 10,000 Larry the Talking Sprinkler informational brochures in the amount of \$1,183.00;
- (4) authorize purchasing outreach items in an amount not to exceed \$9,850.00;
- (5) authorize execution of an Amended and Restated W.I.S.E. Guys Irrigation System Evaluation Agreement with Vepo, LLC;
- (6) approve payment of four final invoices from Masuen for the Authority's 2017 Larry's Toolbox water conservation programs' Authority funded HOA Irrigation System Evaluations initiative in the total amount of \$46,605.00; and
- (7) approve third quarter water rate rebate payments to 45 participants in the Authority's 2017 Larry's Toolbox water conservation program that earned the required seven points necessary to receive a reduced 2018 water rate in the total amount of \$372,382.30.

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

TRAVEL REIMBURSEMENT GUIDELINES

The Board reviewed the Authority's Travel Reimbursement Guidelines and a schedule of conferences for 2019.

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

Ms. Lightbody presented the bookkeeper's report, including checks for payment, fund and wire 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 a statement of revenues and expenditures for the Enterprise Fund. A copy of the bookkeeper's report is attached. Ms. Lightbody reported on a voided check and an upcoming wire transfer. 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. Lightbody reviewed the following action items recommended for approval by the Authority's Finance and Policy Committee:

- (1) Continued maintenance of an O&M Reserve in the amount of two months of budgeted Operating Expenditures;
- (2) Payment of an estimated amount of \$1,949,942.00 from the Authority's Improvement Fund for the capital rehabilitation portion of the City of Houston's ("COH") monthly water invoice for fiscal year 2019;
- (3) Payment from the Authority's Improvement Fund for the Authority's portions of principal, interest, and fees related to the WHCRWA's Series 2012 Bonds, the Coastal Water Authority's ("CWA") Luce Bayou Bonds, and the Authority's Revenue Note;
- (4) Payment of expenditures for land, easements, engineering, and construction from the Authority's Revenue Note Funds, as necessary;
- (5) Transfer of interest earned in the Debt Service Reserve Fund to the Debt Service Fund;
- (6) Continued maintenance of an Improvement Fund Reserve for Revenue Fluctuations in the amount of \$10,000,000; and
- (7) Continued maintenance of an Improvement Fund Reserve for Major Repairs and Rehabilitation in the amount of \$1,200,000.

Following review and discussion, Director Gay moved to approve the seven action items listed above as recommended. Director Hebert seconded the motion, which was approved by unanimous vote.

Ms. Lightbody reviewed a draft budget for the Authority's Enterprise Fund for fiscal year end December 31, 2019, a copy of which is attached. Following review and discussion, Director Gay moved to adopt the budget for the Enterprise Fund for fiscal year end December 31, 2019, as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

ADOPT AMENDED RATE ORDER AND AUTHORITY FINANCING PLAN

Mr. Oliver reviewed an Amended Rate Order implementing increases in the Authority's Groundwater Reduction Plan ("GRP") Fee to \$3.65 per 1,000 gallons of groundwater pumped and Surface Water Fee to \$4.00 per 1,000 gallons of surface water delivered by the Authority, which correspondingly increases the Imported Water Fee, effective January 1, 2019. Mr. Palmer discussed the Authority's financing plan for funding the cost of constructing, operating, and maintaining the Authority's current surface water supply system, as well as the capital costs associated with constructing the additional large-scale infrastructure projects needed to meet the Fort Bend Subsidence District's (the "FBSD") 2025 groundwater reduction requirements, including projected fee increases. Ms. Miller discussed changes to the Amended Rate Order regarding annual meter calibrations and the amount of interest charged for late penalties. Following review and discussion, Director Gay moved to adopt the Amended Rate Order and authorize distributing a notice of adoption of the Amended Rate Order to the Authority's GRP participants. Director Hebert seconded the motion, which was approved by unanimous vote.

OPERATION OF AUTHORITY FACILITIES

Mr. Clayton presented 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.

Mr. Clayton requested approval for an increase in the amount of a work order for replacing the conduit and wiring for the exhaust fan and heater in the booster pump room from \$6,000.00 to \$8,000.00.

Mr. Clayton stated that, as reported to the Capital Planning and Design Committee, the previously authorized repairs for the joint seals for 89 manholes and depressions for 70 manholes in the amount of \$56,335.00, were subsequently required to be performed by a subcontractor for an additional 10% fee. He stated the manhole repairs have been completed.

Mr. Clayton reported on his efforts to collect a payment from Aspen Utilities for a back charge for damage to the Authority's surface water line connection for Fort Bend County Municipal Utility District No. 122 in the amount of \$20,145.00.

Following review and discussion, Director Gay moved to approve the operator's report, including the price adjustments noted by Mr. Clayton. Director Hebert seconded the motion, which was approved by unanimous vote.

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND AUTHORITY'S GRP

Ms. Kovar presented the engineer's report, a copy of which is attached. Ms. Kovar reported that the FBSD issued a waiver from the FBSD's Rule 8.1 meter requirements for three municipal utility districts that have portions of their boundaries located outside of the Authority.

Ms. Kovar reported on BGE's attendance at a stakeholder meeting held December 12, 2018, related to the Harris-Galveston Subsidence District's evaluation of whether to change its permit from a one-year term to a rolling three-year term.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Ms. Kovar reviewed a chart indicating the status of property acquisition matters, including for the Authority's joint reclaimed water system project with Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194"). She reported on BGE's attendance at a meeting of the Grand Lakes Community Association to provide an update on the Authority's joint reclaimed water system project with Grand Lakes Municipal Utility District Nos. 1, 2, and 4, and the associated license agreement required for the project.

Ms. Kovar reported on the status of construction of the Authority's Phase 1 portion of the joint reclaimed water system project with FB 146 and FB 194. She recommended approval of Pay Estimate No. 15 in the amount of \$36,372.65 submitted by C4 Partners, LLC for the project.

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND STUDIES

Ms. Kovar reported on the schedule for the construction of the Authority's surface water line connection facilities for Fort Bend County Municipal Utility District No. 190. She stated that completion is anticipated in March or April, 2019.

Ms. Kovar reported on planned coordination with COH regarding comments on the design specifications 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.

Ms. Kovar reported that agency submittals of Costello, Inc.'s design of the reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4, consisting of (i) the wastewater plant reclaimed water improvements; and (ii) the reclaimed water

distribution system are pending acquisition of the necessary property rights. Ms. Kovar stated bids for construction of the project are scheduled to be opened on January 8, 2019.

Ms. Kovar reported on the status of Costello, Inc.'s design of the Authority's Phase 2 portion of the joint reclaimed water system project with FB 146 and FB 194 consisting of the Authority's distribution lines for the reclaimed water system.

REGIONAL PLANNING MATTERS: JOINT PROJECTS AND WATER SUPPLY

Ms. Kovar reported on matters related to the Authority's joint facilities with the West Harris County Regional Water Authority ("WHCRWA"). She reported that BGE gave a presentation summarizing significant findings from BGE's comprehensive inspection and review of the Bellaire Pump Station to the Capital Planning and Design Committee. She stated that BGE's report regarding the results of its comprehensive inspection and review of the Bellaire Pump Station, including recommendations and cost estimates to address any outstanding issues, will be presented at the January 14, 2019, meeting of the Capital Planning and Design Committee.

Ms. Kovar updated the Board on the status of the Authority's joint Surface Water Supply Project ("SWSP") with the WHCRWA. She requested authorization to prepare and submit an escrow release request to the Texas Water Development Board (the "TWDB") for use of Series 2017 Bond proceeds for payment of a cash call from the WHCRWA for first quarter 2019 SWSP expenses in the amount of \$8,875,383.00.

Ms. Kovar reported on the status of design and easement acquisition for Segments A, B, and C, and the design of the Re-Pump Station and the Central Pump Station for the SWSP. She reported on a risk management workshop focused on the long tunnel portion of Segment B held November 29, 2018, and attended by Director Darden. She stated that a system hydraulic model test for the Central Pump Station is scheduled for January, 2019. She reported that BGE reviewed and provided comments on the WHCRWA's draft guidelines for the proposed contractor pre-qualification process for open-cut pipeline contractors. She stated the WHCRWA has scheduled a second contractor outreach workshop for January 31, 2019, that will be focused on updates related to the pipeline projects.

Ms. Kovar reported that, at its December 12, 2018, regular meeting, the WHCRWA entered into contracts with (1) six consulting firms for design services for six of the seven sub-segments for SWSP's Kinder Morgan Segment in the total amount of \$4,458,323.22; and (2) six consulting firms for design services for the six sub-segments for SWSP's Segment 3 in the total amount of \$6,046,653.50.

Ms. Kovar reported on the status of the CWA's Luce Bayou Interbasin Transfer Project, including the construction schedules for the Capers Ridge pump station, canal projects, and the dual 96-inch raw water lines. She stated that the construction schedule

for the Capers Ridge Pump Station continues to be delayed due to flooding of the site. She reported that Statements of Qualifications for a study of the impacts of projects in and around Lake Houston on water quality were received by CWA on November 16, 2018.

Mr. Bauhof reported on the status of COH's Northeast Water Purification Plant ("NEWPP") Expansion Project per its Design-Build Agreement (the "Design-Build Agreement") with the Houston Waterworks Team ("HWT"). He reported that COH City Council approved Consensus Item 17B, Amendment No. 7 to the Design-Build Agreement related to HWT's completion of Early Work Package No. 6. He stated the NEWPP participants' Project Management Team has completed a preliminary review of the Balance of Plant Guaranteed Maximum Price and requested additional information to validate and negotiate the submittal. He updated the Board on the status of construction related to site clearing, earthwork, drainage, and roadways, and excavations for the raw water pipeline, the tunnel shaft, and the west filter/transfer pump station.

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

- (1) approve Pay Estimate No. 15 submitted by C4 Partners, LLC for the Authority's Phase 1 portion of the joint reclaimed water system project with FB 146 and FB 194 in the amount of \$36,372.65; and
- (2) authorize BGE to prepare and submit a request to the TWDB for release of escrow funds from the Authority's Series 2017 Bonds for payment of a cash call from the WHCRWA for first quarter 2019 SWSP expenses in the amount of \$8,875,383.00, and payment of the cash call upon TWDB's approval of the request.

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

CONTRACTS

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.

Mr. Oliver reported that the Authority's Finance and Policy Committee recommended that the Board authorize execution of an engagement letter with Jeanne H. McDonald, P.C. for legal services related to the Authority's negotiations and entry into an Amended and Restated Joint Facilities Agreement with the WHCRWA.

After review and discussion, the Director Gay moved to authorize execution of (1) a supplemental engagement letter with ABHR for legislative services; and (2) an engagement

letter with Jeanne H. McDonald, P.C. for legal services related to the Authority's negotiations and entry into an Amended and Restated Joint Facilities Agreement with the WHCRWA. Director Hebert seconded the motion, which was approved by unanimous vote.

EMINENT DOMAIN REPORT

Mr. Oliver reported on the Authority's filing requirements related to eminent domain authority. Following discussion, Director Gay moved to authorize filing of the Authority's Eminent Domain Authority Annual Report with the Comptroller of the State of Texas as required. Director Hebert seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

The Board concurred to defer this item.

CONVENE EXECUTIVE SESSION

The Board convened in executive session at 6:48 p.m. to discuss the 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 Ms. Kovar was necessary in order for the Board to obtain the necessary legal advice from its attorney, and the Board requested her presence in the executive session.

RECONVENE IN OPEN SESSION

At 6:57 p.m., the Board reconvened in open session. Director Gay moved to authorize the submission of a final offer for the acquisition of the middle tract for the potential second pump station site as discussed. 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.


Secretary, Board of Directors

(SEAL)



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