MINUTES
NORTH FORT BEND WATER AUTHORITY
December 14, 2016

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 14th day of December, 2016, 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”); Pam E. Lightbody 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 November 17, 2016. After review and discussion, Director Fay moved to approve the minutes as presented. Director Hebert 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. Hayes reported that some of the students who participated in the Authority’s First Annual Essay Contest held October 3 – 23, 2016, on the topic of “Subsidence – what is it, how are we impacted, and how can we control it?” were in attendance with their parents. She stated that some of the administrators, teachers, and
judges involved in the contest were also in attendance. Director Houghton reported that 36 students from Hodges Bend and James Bowie Middle Schools participated in the contest. He stated that awards for essays that were judged to have placed 1st, 2nd, and 3rd in each of the grade levels were distributed to students at both schools. Director Houghton acknowledged the students’ participation in the contest and thanked the teachers and the administrators for partnering with the Authority, the parents for their encouragement and support of the students, and the contest judges for their volunteer work. Photographs of the participants, parents, administrators, teachers, judges, and Board members in attendance were taken.

Ms. Hayes reported on planned presentations of the Authority’s mini rain barrel water conservation program to elementary schools in the Lamar Consolidated Independent School District. She reported that the Authority’s Communication, Conservation, and Reuse Committee recommended that the Board approve the purchase of materials for the mini rain barrel water conservation program, including water conservation badges, in the amount of $2,000.00. She stated that the purchase is included in the 2017 Communication, Public Outreach, and Conservation Budget.

Ms. Hayes discussed the Authority’s participation in prior and future community outreach events and distribution of water conservation informational and promotional items during the events. She reported that, beginning in March, 2016, the Authority participated in a combination of 66 meetings and/or community events. She reported that the Authority is participating in the following events: (i) Cinco Southwest Municipal Utility District No. 2’s Family Festival on December 17, 2016; and (ii) the Katy Home and Garden Show on January 28 and 29, 2017. She stated that the Authority’s Communication, Conservation, and Reuse Committee recommended that the Board approve payment of discounted fees for the Authority’s participation in the Katy Home and Garden Show in the amount of $475.00. She requested approval for the purchase of new water conservation informational and promotional items for 2017 events in the amount of $20,000.00. She stated that the costs for participating in the Katy Home and Garden Show and purchasing new water conservation informational and promotional items are included in the 2017 Communication, Public Outreach, and Conservation Budget.

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

Ms. Kovar reported that the Authority’s Communication, Conservation, and Reuse Committee recommended that the Board approve the payment of sponsorship fees for the 2017 Gulf Coast Water Conservation Symposium in the amount of $250.00.

Ms. Kovar reported that 157 irrigation evaluations were completed in November, 2016, through the Authority’s W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program").
Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts.

Ms. Kovar reported on implementation of the Authority’s 2017 Larry’s Toolbox water conservation program. She stated that enrollment forms were distributed on September 29, 2016, and they are due for submission to the Authority by December 31, 2016.

Ms. Kovar reported on implementation of the Authority’s 2016 Larry’s Toolbox water conservation program. She reported that the Authority’s Communication, Conservation, and Reuse Committee recommended that the Board approve payment of four invoices from Masuen Consulting, LLC (“Masuen”) for services related to the program’s Homeowners Association (“HOA”) irrigation system water evaluation/water budget initiatives in the total amount of $52,704.35 for implementation of the initiatives for Cinco Southwest Municipal Utility District No. 1 and Fort Bend County Municipal Utility District Nos. 143 and 151.

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

Following review and discussion, Director Gay moved to authorize the following:

1. Purchase of materials for the mini rain barrel water conservation program in the amount of $2,000.00;

2. Payment of fees for the Authority’s participation in the Katy Home and Garden Show in the amount of $475.00;

3. Payment of sponsorship fees for the 2017 Gulf Coast Water Conservation Symposium in the amount of $250.00;

4. Purchase of new water conservation informational and promotional items for 2017 events in the amount of $20,000.00; and

5. 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:
   - Cinco Southwest Municipal Utility District No. 1 for irrigation system water evaluation services in the amount of $15,603.00;
   - Cinco Southwest Municipal Utility District No. 1 for irrigation system water budget services in the amount of $34,707.20;
   - Fort Bend County Municipal Utility District No. 143 for irrigation system water budget services in the amount of $889.35; and
iv. Fort Bend County Municipal Utility District No. 151 for irrigation system water budget services in the amount of $1,504.80.

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 2017.

FINANCIAL AND BOOKKEEPING MATTERS, ADOPT BUDGET, AND HEARING REGARDING ANY DELINQUENT FEES AND RULE VIOLATIONS

Ms. Lightbody 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.

Ms. Lightbody requested approval of the following items:

(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 $793,000 from bond proceeds for the capital rehabilitation portion of the City of Houston’s (“COH”) monthly water invoice for fiscal year 2017;
(3) Payment of an estimated amount of $125,000 from bond proceeds for the purchase of Fort Bend Subsidence District Water Wise credits for fiscal year 2017;
(4) Transfer of interest earned in the Debt Service Reserve Fund in the approximate amount of $105,000 to the Debt Service Fund;
(5) Continued maintenance of an Improvement Fund Reserve for Revenue Fluctuations in the amount of $10,000,000; and
(6) Continued maintenance of an Improvement Fund Reserve for Major Repairs and Rehabilitation in the amount of $1,200,000.

Ms. Lightbody reviewed a proposed budget for the Enterprise Fund for fiscal year end December 31, 2017, including a revision to the 2017 Communication, Public Outreach, and Conservation Budget, a copy of which is attached.

Following review and discussion, Director Gay moved to approve the
bookkeeper's report, including the six items listed above, and adopt the budget as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

Ms. Lightbody reported that there were no delinquent fees or rule violations for consideration.

**ADOPT AMENDED RATE ORDER AND DISTRIBUTE NOTICE**

Mr. Oliver reviewed an Amended Rate Order implementing increases in the Authority's pumpage and surface water fees to $3.05 per 1,000 gallons of groundwater pumped and $3.40 per 1,000 gallons of surface water delivered by the Authority, effective January 1, 2017. Following review and discussion, Director Gay moved to adopt the Amended Rate Order and authorize distribution of a notice of adoption of the Amended Rate Order. Director Hebert seconded the motion, which was approved by unanimous vote.

**CONTRACT FOR ELECTRICITY**

Ms. Miller reported that the Authority's electricity consultant, Mike Harrington of American Enerpower, reviewed an analysis of electricity rates from seven retail electricity providers with the Authority's Finance and Policy Committee. She stated that he recommended executing an Electric Supply Agreement with Constellation New Energy, Inc. ("Constellation") for a rate of $0.05185 per kilowatt hour for a term of 60 months to begin on June 4, 2018. She stated that the Authority's Finance and Policy Committee recommended that the Board consider entering into a new electricity contract to begin at the expiration of the current electricity contract contingent upon favorable updated pricing. She reported that Constellation provided a current indicative price for electricity in the amount of $0.03674 per kilowatt hour for 60 months. Following review and discussion, Director Gay moved to authorize execution of a contract with Constellation for a five-year term beginning on the expiration date of the Authority's current electricity contract, June 1, 2018, contingent upon pricing remaining favorable. Director Hebert seconded the motion, which was approved by unanimous vote.

In response to Director Patton's inquiry, Ms. Miller explained that the Authority's Finance and Policy Committee concurred with Mr. Harrington's recommendation that he coordinate with the Authority's operator and engineer to determine whether the Authority's participation in demand response program(s) for the Bellaire Pump Station facility would be beneficial for the Authority. She stated that a meeting is scheduled between the Authority's consultants and Mr. Harrington and updates on the matter will be provided at the Authority's January, 2017 committee meetings.
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.

Mr. Clayton reported that a meeting between representatives from the Authority and Fort Bend County Municipal Utility District No. 206 (“FB 206”) is being scheduled during the first week of January, 2017 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. He stated that results from sampling of the Authority’s water supply after flushing the FB 206 connection line indicated that the amount of water used for flushing was required to be increased from 10,000 gallons to approximately 50,000 or 60,000 gallons due to nitrification of the water in the line.

Following review and discussion, Director Gay moved to approve the operator’s report. 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 and the proposed site for a potential second pump station to treat and repressurize surface water to be received from the West Harris County Regional Water Authority (the “WHCRWA”) via the Surface Water Supply Project.

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 BGE’s design of a surface water line connection for Fort Bend County Improvement District No. 24. He stated that advertisement for bids for the construction contract is pending easement acquisition.

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.

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 coordinating with the COH and the municipal utility districts within the Authority to collect data 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.

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 FB 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. He reported that the required SIM cards for the cellular modems will be ordered from Verizon.

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

Mr. Froehlich reported on matters related to the Authority’s joint facilities with the WHCRWA, including the status of design contracts for the transmission line and two pump stations for the Surface Water Supply Project.

Mr. Froehlich reported on the status of the improvement project for the Bellaire Pump Station’s Supervisory Control and Data Advisory system. He stated the majority of the new equipment is installed and functional and that the plant is anticipated to be operating completely on the new system at the end of December, 2016. He stated that
power usage is being monitored to identify ways to optimize the system.

Mr. Froehlich reported that Precon Corporation is fabricating the new inlet riser pipe for installation at Ground Storage Tank No. 2 located at the Bellaire Pump Station.

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 application to the COH for renewal of the storm water quality permit for the Bellaire Pump Station expiring November 21, 2016, was submitted in advance of the expiration date.

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, construction contract advertisement and award 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. He stated that negotiations for Component 2 of the project are ongoing and discussed the schedules for Component 2A and Early Work Package design in Preliminary Services, and issuing a Notice to Proceed for the Basis of Design Report Addenda. In response to Director Houghton’s inquiry regarding construction cost estimates, Mr. Bauhof stated that the estimates will be more precise after more design is completed sometime between the middle of 2017 and the middle of 2018.

In response to meeting attendees’ inquiries, Mr. Froehlich stated that the surface water percentage included in the engineer’s report was for the month of October, 2016, and discussed the location of 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.

Following review and discussion, Director Gay moved to approve the engineer’s report. Director Hebert seconded the motion, which was approved by unanimous vote.

CONTRACTS

Ms. Miller reviewed with the Board a Second Amendment to Consulting Agreement with Glass House Strategy. She explained that the amendment updates the services to be provided and the related task budget for 2017, as recommended by the Authority’s Communication, Conservation, and Reuse and Finance and Policy Committees. Following review and discussion, Director Gay moved to authorize
execution of the amendment. Director Hebert seconded the motion, which was approved by unanimous vote.

EMINENT DOMAIN REPORT

Mr. Oliver reported on annual filing requirements related to the Authority’s eminent domain authority pursuant to Senate Bill 1812. Following discussion, Director Gay moved to authorize ABHR to file the Authority’s Eminent Domain Annual Report with the Comptroller of the State of Texas. Director Hebert seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

Ms. Miller presented and reviewed with the Board one Water Line Easement and a side letter with Fort Bend County Municipal Utility District No. 142 for two 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 and side letter. Director Hebert seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

The Board did not convene in executive session.

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

(SEAL)

[Signature]
Secretary, Board of Directors
# LIST OF ATTACHMENTS TO MINUTES

<table>
<thead>
<tr>
<th>Minutes</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance Sheets</td>
<td>1</td>
</tr>
<tr>
<td>Memorandum Regarding Water Conservation and Reuse</td>
<td>2</td>
</tr>
<tr>
<td>Bookkeeper's report</td>
<td>4</td>
</tr>
<tr>
<td>Budget for Fiscal Year End December 31, 2017</td>
<td>4</td>
</tr>
<tr>
<td>Operator's report</td>
<td>6</td>
</tr>
<tr>
<td>Engineer's report</td>
<td>6</td>
</tr>
<tr>
<td>Realty Interests Chart</td>
<td>9</td>
</tr>
</tbody>
</table>