

MINUTES
NORTH FORT BEND WATER AUTHORITY

February 22, 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 22nd day of February, 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 Houghton, thus constituting a quorum.

Also present for all or part of the meeting were David C. Scholler, Lindsay Kovar, 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, Heather Trachtenburg, 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 January 25, 2017. After review and discussion, Director Hebert moved to approve the minutes as presented. Director Fay seconded the motion, which carried unanimously, except for Director Gay who was not present for the discussion or the vote.

COMMENTS FROM THE PUBLIC

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

PUBLIC COMMUNICATIONS, WATER CONSERVATION, AND REUSE MATTERS

Ms. Hayes updated the Board on presentation of the Authority's mini rain barrel water conservation program at Hubenak Elementary School in the Lamar Consolidated Independent School District ("Lamar CISD"). She reported that more than 125

kindergarten students recently participated in the program. She stated that some of the kindergarten students who participated in the program were in attendance with their parents and teachers. She introduced the science coordinator for Lamar CISD, October Smith. Ms. Smith addressed the Board to express appreciation for the Authority's contribution to the Lamar CISD students' science curriculum. The students in attendance presented mini rain barrels to the Directors. Director Patton acknowledged the students' participation in the program and thanked Ms. Smith for partnering with the Authority. Director Patton randomly chose a name from submissions made by meeting attendees and announced the winner of a full-sized rain barrel. Photographs were taken of the Board members with the prize drawing winner and participants in the Authority's mini rain barrel water conservation program, including the parents, administrators, and teachers.

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

Ms. Kovar reported that 183 irrigation evaluations were completed in January, 2017, 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. She recommended that the Authority submit an application to the Texas Water Development Board (the "TWDB") for inclusion in the Clean Water State Revolving Funds ("CWSRF") Intended Use Plan ("IUP") for possible funding for the reclaimed water distribution lines related to the Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194") effluent reuse system facilities project. She stated that the Authority must first be included in the IUP prior to applying for funds from the CWSRF. She stated that a recommendation has not yet been made by the Authority's financial advisor whether to use funds from the CWSRF for the project. She stated that the project consists of two parts: (1) wastewater plant reclaimed water improvements; and (2) a reclaimed water distribution system.

Ms. Kovar reported that the Authority's Communication, Conservation, and Reuse Committee (the "CCR Committee") recommended that the Board authorize execution of Alternative Water Supply Credit Agreements with Fort Bend County Municipal Utility District Nos. 122 and 123 and Fort Bend County Municipal Utility District No. 151.

Ms. Kovar reported on implementation of the Authority's 2017 Larry's Toolbox water conservation program. She stated that participants who are implementing the Conservation Information initiative were provided all of the conservation messages for inclusion in their 2017 utility bills.

Ms. Kovar reported that Fort Bend County Municipal Utility District Nos. 35, 122, and 123 submitted enrollment forms for the 2017 Larry's Toolbox water conservation program prior to the December 31, 2016, deadline but there was miscommunication regarding the initiatives. She stated that the CCR Committee recommended that the Board approve requests from the three municipal utility districts for Authority funding for participation in the Homeowners Association ("HOA") Irrigation Water Budget initiative. She stated that approval of the requests will increase the number of participants in the HOA Irrigation Water Budget initiative funded by the Authority to eight, and the Authority's budget included funding for ten participants.

Ms. Kovar reported that the Authority's "Larry the Talking Sprinkler" water conservation marketing and educational campaign has won the American Water Works Association Watermark Award for the third year in a row.

Ms. Kovar reported on Glass House Strategy's ("GHS") activities related to the Authority's water conservation marketing and educational campaign, including development of a new tagline for the Authority and updates to the Authority's water conservation mobile teaching lab. She reviewed a task order from GHS for final graphic design of the interior and exterior of the mobile teaching lab, including two sets of revisions, in the amount of \$5,000.00. She stated that the task order amount is included in GHS' 2017 services budget.

Ms. Kovar reviewed task orders from GHS for services related to the Authority's water conservation marketing and educational campaign for media production in the amount of \$30,000.00, and media buy in the amount of \$91,500.00, including cable television, Pandora video and audio, preroll, radio, and online/digital display advertisement. She stated that the amounts are included in GHS' 2017 services budget.

Following review and discussion, Director Hebert moved to:

- (1) Authorize submission of an application to the TWDB for inclusion in the CWSRF IUP for possible funding of the reclaimed water distribution lines related to the FB 146 and FB 194 effluent reuse system facilities project;
- (2) Authorize execution of Alternative Water Supply Credit Agreements with:
 - i. Fort Bend County Municipal Utility District Nos. 122 and 123; and
 - ii. Fort Bend County Municipal Utility District No. 151;
- (3) Authorize Authority funding of the HOA Irrigation Water Budget initiative for Fort Bend County Municipal Utility District Nos. 35, 122, and 123; and
- (4) Authorize GHS' task orders for services related to the Authority's 2017

water conservation marketing and educational campaign for:

- i. final graphic design of the interior and exterior of the mobile teaching lab, including two sets of revisions, in the amount of \$5,000.00;
- ii. media production in the amount of \$30,000.00; and
- iii. media buy in the amount of \$91,500.00.

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

FINANCIAL AND BOOKKEEPING MATTERS 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.

Mr. Oliver reported that, per action taken by the Board at the January 25, 2017, meeting, ABHR sent a letter to the bookkeeper for Fort Bend County Municipal Utility District No. 57 and spoke with a representative of the North Harris County Regional Water Authority regarding implementation of procedures to prevent future erroneous payments.

Following review and discussion, Director Hebert moved to approve the bookkeeper's report. 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.

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, and joint facility expenses, and responded to Board members' questions. A copy of the operator's report is attached. Mr. Clayton explained that the reported water accountability of 103.52% is due to the timing of scheduled meter readings.

Mr. Clayton reported on the repair of a depression around a manhole located along Main Segment 12B in the approximate amount of \$5,860.00. He stated the depression was caused by infiltration and noted there is another location with the same issue. He reported that the Authority's Capital Planning and Design Committee (the "CPD Committee") recommended authorizing performance of a survey of the Authority's manholes in the

approximate amount of \$10,000.00 to determine whether additional manholes need repair due to aging.

Mr. Clayton reported that the Authority's generator no. 1 was inspected by the distributor, Cummins Southern Plains, LLC ("Cummins"), because it powered off after displaying a misfire alarm. He stated that Cummins is repairing the generator per a cost estimate in the approximate amount of \$7,500.00 for replacing three gallons of coolant and three components: a control screen, block heater, and adapter. He stated that the generator is no longer under warranty and discussed manifold block repairs previously made to the generator.

Mr. Clayton reported that the Authority's generator no. 3 became inoperable earlier in the day due to a manifold intake issue and stated that a request for inspection of the generator has been made to Cummins. Discussion ensued regarding the on-going issues with the Authority's generators. Ms. Kovar reported that a meeting is being scheduled with management-level representatives of Cummins to determine why the Authority's generators are requiring a disproportionate number of repairs compared to the number of run-time hours.

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")

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. He reported on a Fort Bend Subsidence District stakeholder meeting held February 9, 2017, at the City of Sugar Land's surface water plant.

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 that nine bids were received for the Authority's project to construct a surface water line connection for Fort Bend County Improvement District No. 24. He recommended award of a contract for the project to the low bidder, Gonzalez Construction Enterprise, Inc., in the amount of \$547,094.48. Following review and discussion, the Board concurred that in its judgment, Gonzalez Construction Enterprise, Inc. was a responsible bidder who would be most advantageous to the Authority and would result in the best and most economical completion of the project.

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.

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 reviewed and provided comments on the 90% design plan submittal.

Mr. Froehlich reported that STSI is installing 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.

Mr. Froehlich reported that BGE has prepared plans and specifications to replace the damaged subgrade and pavement at a crossing of Main Segment 7A at Baldwin Elm Street, and price quotes are being solicited for review by the CPD Committee.

Mr. Froehlich reported that BGE recommends installing an isolation gate valve at the Main Segment 4A connection line for Fort Bend County Municipal Utility District No. 206 ("FB 206") as soon as possible to significantly decrease the amount of water

needed for flushing. He stated that cost estimates for installing the valve are in the amounts of either \$8,300.00 or \$14,300.00, depending on field conditions encountered during excavation of the water line.

Mr. Froehlich reported that a Notice to Proceed has been issued to Costello, Inc. for design of the effluent reuse facilities project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4, comprised of: 1) the wastewater plant reclaimed water improvements; and 2) the reclaimed water distribution system.

Mr. Froehlich presented and reviewed a proposal from BGE for 2017 monitoring and evaluation services for the Authority's cathodic protection system in the amount of \$70,000.00.

REGIONAL PLANNING MATTERS: JOINT PROJECTS, WATER SUPPLY MATTERS, 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 the improvement project for the Bellaire Pump Station's Supervisory Control and Data Advisory system. He stated that operator training was conducted and operations will migrate to the new operation programming soon.

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 discussed the Authority's option to reserve an additional allocation of 7 million gallons per day (MGD) of capacity in certain oversized facilities related to the Northeast Water Purification Plant Expansion Project (the "NEWPP Expansion Project") pursuant to the Authority's water supply contract with the City of Houston (the "COH"). He reported that the WHCRWA sent a letter to the Authority for signature to memorialize understandings between the two Authorities regarding future design modifications for the Central Pump Station for the Surface Water Supply Project to preserve the Authority's 7 MGD reservation option with the COH. He stated that the CPD Committee recommended authorizing execution of the letter from the WHCRWA.

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 and the canal projects, and advertisement for bids for construction contracts for three miles of parallel 96-inch water lines.

Mr. Bauhof reported on the status of the COH's NEWPP Expansion Project per its Design-Build Agreement with the Houston Waterworks Team, including progress on the Basis of Design Report Addendum and the early work packages. He stated that

the amended Final Basis of Design Report for a 320 MGD modular layout was scheduled to be submitted on February 22, 2017.

Mr. Bauhof reported that a Notice of Upcoming Cash Call No. 6 has been received from the COH for the NEWPP Expansion Project in the amount of \$27,411,300.00. He discussed the work projects included in the notice. Mr. Scholler and Mr. Oliver explained the procedures for Cash Calls pursuant to the Authority's water supply contract with the COH. Discussion ensued regarding the schedule of payments made by the Authority for prior Cash Calls from the COH.

Ms. Kovar reported that BGE submitted the Authority's confirmation to utilize TWDB's financial commitment for State Water Implementation Fund for Texas funding for the 2017 funding cycle on February 1, 2017.

Ms. Kovar reported that a meeting of the Region H Water Planning Group is scheduled at 10:00 a.m. on February 28, 2017, at the San Jacinto River Authority's office in Conroe, Texas.

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

(1) Award and authorize execution of a contract for the Authority's project to construct a surface water line connection for Fort Bend County Improvement District No. 24 to Gonzalez Construction Enterprise, Inc., in the amount of \$547,094.48;

(2) Authorize installation of an isolation gate valve at the Main Segment 4A connection line for FB 206;

(3) Approve a proposal from BGE for 2017 monitoring and evaluation services for the Authority's cathodic protection system in the amount of \$70,000.00; and

(4) Authorize execution of the letter from the WHCRWA regarding future design modifications for the Central Pump Station for the Surface Water Supply Project.

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

CONTRACTS

Mr. Oliver reported that the Authority's Finance and Policy Committee recommended execution of a proposal from Willdan | Economists.com for developing and giving a PowerPoint presentation regarding the Authority's Rate Study in an amount not to exceed \$2,350.00. He stated that the presentation is proposed to be given at the beginning of the Authority's April 20, 2017, Board meeting.

Mr. Oliver reported that the CPD Committee recommended execution of an engagement letter with McGrath & Co., PLLC for services related to assisting with the review of financial information provided by the COH for the NEWPP Expansion Project at Mr. Bauhof's direction throughout the duration of the lengthy project. He noted that the engagement letter is terminable upon 30 days notice with or without cause.

Following review and discussion, Director Gay moved to: 1) authorize execution of a proposal from Willdan | Economists.com for developing and giving a PowerPoint presentation regarding the Authority's Rate Study in an amount not to exceed \$2,350.00; and 2) authorize execution of an engagement letter with McGrath & Co., PLLC for additional services as discussed. Director Hebert seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

Mr. Oliver reported that ABHR is counsel for Willow Fork Drainage District and discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with a proposed Water Line Easement for three parcels located in Main Segment 11. He presented a legal conflict waiver for ABHR's preparation of the proposed Water Line Easement for the Board's consideration. Following review and discussion, Director Gay moved to authorize execution of a legal conflict waiver for ABHR's preparation of the proposed Water Line Easement from Willow Fork Drainage District. Director Hebert seconded the motion, which was approved by unanimous vote.

Mr. Oliver presented and reviewed Water Line and Meter Easements from FB 146 and Grand Lakes Municipal Utility District No. 4 and a Water Line Easement from Willow Fork Drainage District for nine parcels located in Main Segments 7, 10, and 11, as listed on the attached Realty Interests Chart. Following review and discussion, Director Gay moved to authorize execution of the easements as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:03 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 7:08 p.m., the Board reconvened in open session. Director Gay moved to authorize execution of a proposal from JLL Valuation & Advisory Services, LLC for

appraisal services for Parcel 8.09, subject to final review by ABHR. 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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