

MINUTES  
NORTH FORT BEND WATER AUTHORITY

February 23, 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 23rd day of February, 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, except Director Gay, 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"); Kevin Krahn, P.E. of AECOM; Pam E. Lightbody of AVANTA Services; Brian Bare of SWWC Services, Inc. ("SWWC"); Barbara Payne of Payne Communications; Steve Bonjonia of Property Acquisition Services, Inc.; David Oliver 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 special meetings held on January 10, and February 2, 2011, and the regular meeting held on January 26, 2011. After review and discussion, Director Patton moved to approve the minutes as written. Director Fay seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. There were no public comments.

PUBLIC COMMUNICATIONS, CONFERENCES

Ms. Payne updated the Board on public communication activities, including updates to the elementary school water conservation education programs and the scheduled distribution of a newsletter to residents of the Authority within the next

couple of weeks. She additionally reported on requests for use of the Authority's water conservation education trailer by schools located inside and outside of the Authority's boundaries. She noted that a policy is being developed to ensure that the Authority recovers the cost for providing the trailer for use outside of the Authority's boundaries.

Director Patton reported on the presentation given by the Water Conservation Advisory Committee at the special meeting held on February 2, 2011. He stated that the Water Conservation Advisory Committee's recommendations to the Board will be placed onto the Authority's website.

#### ASSOCIATION OF WATER BOARD DIRECTORS

The Directors discussed the Association of Water Board Directors ("AWBD") winter conference. Following discussion, Director Fay moved to approve reimbursement of eligible expenses and authorize interested Directors to attend the AWBD summer conference. Director Patton seconded the motion, which was approved by unanimous vote.

#### FINANCIAL AND BOOKKEEPING MATTERS

Ms. Lightbody reviewed a 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. She reviewed an Annual Utility Services Consumption Report and stated that the report is required to be posted on the Authority's website.

Ms. Lightbody reported that when the Authority's Trustee, Regions Bank, performed the annual waterfall transfer of funds, the required balance in the Authority's Coverage Fund had a shortfall in the amount of \$334,511.00, and the required balance in the Authority's Operations and Maintenance Reserve Fund had a shortfall in the amount of \$229,150.00. She stated that the Authority's bookkeepers, financial advisor, and attorney agree that it is necessary to transfer funds from the Authority's Improvement Funds to cover the shortfalls. Following review and discussion, Director Hebert moved to approve the bookkeeper's report and the transfer of funds from the Authority's Improvement Funds to cover the shortfalls in the Authority's Coverage and Operations and Maintenance Reserve Funds. Director Fay seconded the motion, which was approved by unanimous vote.

#### HEARING REGARDING ANY DELINQUENT FEES AND RULE VIOLATIONS

The Board conducted a hearing on delinquent fees and rule violations. Mr. Oliver reported that a request was received from Harris-Fort Bend Counties M.U.D. No. 5 ("HFBC 5") for waiver of the penalty assessed by the Authority for the failure of HFBC 5 to timely remit payment of monthly groundwater pumpage fees for the month

of August 2010. A copy of the request is attached. He stated that the Finance Committee reviewed the request at their last meeting and concurred to recommend denial of the request, due to HFBC 5's prior penalty for October 2009 pumpage fees, the fact that no evidence had been presented showing extraordinary circumstances for the untimely payment, and the fact that other districts in similar circumstances have paid penalties and have not been granted variances. He stated that the Finance Committee concurred that the denial was consistent with the Authority's policy relating to its Groundwater Reduction Plan Fee. Mr. Oliver reviewed the Authority's policy requiring payment of monthly groundwater pumpage fees by the last day of the month following the month for which pumpage was calculated and requiring the payment to be postmarked by the United States Postal Service by the 10<sup>th</sup> day after the due date in order for the payment to be considered timely. Ms. Lightbody responded to a representative from HFBC 5 in the audience regarding the previously assessed penalty for October 2009 pumpage fees and stated that she will provide copies of the documentation for the penalty to the representative. Following review and discussion, Director Darden moved to deny the request for waiver. Director Hebert seconded the motion, which was approved by unanimous vote.

#### FORM 8039-CP PROPOSALS

Mr. Oliver reported that the Finance Committee reviewed proposals from Omnicap Group LLC and Regions Bank for Filing Agent services to prepare and file Form 8039-CP for receipt of the federal subsidy payments on the Authority's Series 2010-B Bonds. He stated that the form is required to be filed with the United States Treasury, Internal Revenue Service, between the 45<sup>th</sup> and 90<sup>th</sup> days prior to each June 15 and December 15, beginning 2011, through 2035. After confirming that the fee on the proposal from Omnicap Group LLC had not been revised, he stated that the Authority's Financial Advisor recommended that the Board accept the proposal from Regions Bank in the amount of \$250.00 per filing for a total amount of \$500.00 per year. Following review and discussion, Director Hebert moved to accept the proposal from Regions Bank as presented and authorize execution of the Filing Agent Agreement. Director Patton seconded the motion, which was approved by unanimous vote.

#### WATER RATE ANALYSIS PROPOSAL

Mr. Oliver reported that, per the Authority's financial advisor's recommendation, the Finance Committee reviewed a proposal from Economists.com for water rate analysis, financial forecasting, and rate challenge representation before the Texas Commission on Environmental Quality (the "TCEQ"). He stated that engaging an independent consultant for water rate analysis will also satisfy the Authority's bond covenant requirements for such analysis. Following review and discussion, Director Fay moved to approve the proposal as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

## ADOPT RATE ORDER

Mr. Oliver noted that the Finance Committee has reviewed a proposed Rate Order during the prior two months. He reviewed recent revisions made to the Rate Order at the request of the TCEQ and stated that the revisions were not substantial. Following review and discussion, Director Hebert moved to adopt the Rate Order as presented. Director Spell seconded the motion, which was approved by unanimous vote.

## OPERATOR'S REPORT

Mr. Bare reported that required testing has been performed on the waterline connection for Fort Bend County M.U.D. No. 2 and that water will begin to circulate to the district during the first week of next month.

## ENGINEERING MATTERS

### WATER SUPPLY CONTRACT, LUCE BAYOU PROJECT, JOINT FACILITIES

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, the City of Houston's ("COH") Lake Houston Water Quality Study, and the negotiations for a Joint Facilities Contract with the West Harris County Water Authority (the "WHCRWA"). A copy of the written engineer's report is attached.

### DESIGN AND CONSTRUCTION PROJECTS, 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 and related district connection lines. Spreadsheets summarizing the status of design and constructions projects are attached to the engineer's report.

Ms. Silva presented eleven bids to the Board for the construction of the Main Segment 4B waterline and recommended that the Board award a contract in the amount of \$2,970,661.50 to the lowest 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 stated that the contract for the construction of Main Segment 12B is ready to be advertised.

Ms. Silva reported that Notices to Proceed were issued for the contracts for

construction of the Fort Bend County M.U.D. No. 41 connection water line and for Main Segment 3.

Ms. Silva reported a second meeting was held in the field with representatives of Fort Bend County M.U.D. No. 2 to discuss start-up operations. She estimated that surface water delivery to Fort Bend County M.U.D. No. 2 would begin during the week of March 7, 2011.

Ms. Silva updated the Board on the construction of Main Segments 0, 1A, 1B, 2, 4A, and 5, the connection waterlines for Fort Bend County M.U.D. No. 2, Fort Bend County M.U.D. No. 119, North Mission Glen M.U.D. and Kingsbridge M.U.D., and the D-158 water plant modifications project. She noted that the Authority has installed approximately 14.4 miles of waterline to date. She recommended approval of eleven pay estimates for the Main Segments, connection waterlines, and the D-158 water plant modifications project.

Ms. Silva clarified that Change Order No. 1 to the construction contract for Main Segment 4A approved during last month's regular Board meeting did not include a net change to the contract amount.

Ms. Silva recommended execution of contracts as set forth in her report for materials testing services for Main Segment 4B, and the connection waterlines for Fort Bend County M.U.D. No. 41, Big Oaks M.U.D., Grand Mission M.U.D., and Fort Bend County M.U.D. No. 122.

### ROUTING ANALYSES

Ms. Silva updated the Board on the progress of route evaluations for the Authority's 2025 distribution system. She stated that B&G is attending Board of Directors meetings to inform municipal utility districts of the proposed future routes. She stated that, to date, B&G has attended the Board of Directors meetings of Cinco M.U.D. No. 9, Fort Bend County M.U.D. No. 130, Cornerstones M.U.D., Cinco M.U.D. No. 10, Grand Lakes M.U.D. 2, and Cinco M.U.D. No. 12.

### GROUNDWATER REDUCTION PLAN, CHLORAMINES CONVERSION

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 updated the Board on activities related to evaluating requests from Fort Bend County M.U.D. No. 141 and the Brazos Lakes subdivision to participate in the Authority's Groundwater Reduction Plan ("GRP") and evaluating a request from Fort Bend County M.U.D. No. 142 for a water supply contract and early conversion to surface water. She reported that a meeting was held with representatives of the Brazos

Lakes Property Owners Association (the "POA"), currently a contract participant in the Authority's GRP, to evaluate the POA's request to be excluded from the Authority's GRP.

Ms. Silva reported that the purchase of Cross Creek Ranch's over-conversion credits continues to be considered in coordination with development of an over-conversion credit policy.

Mr. Oliver reported that a letter was distributed to Fort Bend County entities identified as potentially needing surface water delivery for the 2025 conversion requirements to determine whether they require capacity in the proposed second source water transmission line. He stated that the City of Richmond responded that it is interested in being considered for inclusion in the capacity requirements. Mr. Oliver responded to questions from Board members regarding GRP Participation Contracts.

#### WELL PERMITTING, EFFLUENT REUSE STUDY, PROPOSED WATER USE REDUCTION CREDITS POLICY

Ms. Silva reported that the Authority's year-end annual pumpage report has been submitted to the Fort Bend Subsidence District.

Ms. Silva stated that B&G is working to finalize the report on their Wastewater Reuse Study.

Ms. Silva reported that a meeting is scheduled to be held on Thursday, February 24, 2011, with the Fort Bend Subsidence District to discuss the Authority's previous submittal of a proposal for a water use reduction credit policy.

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

- 1) approval of the award and execution of a contract in the amount of \$2,970,661.50 with Hurtado Construction Company for construction of the Main Segment 4B waterline;
- 2) authorize advertisement for bids for the contract for the construction of Main Segment 12B;
- 3) approval of Change Order No. 1 to the construction contract for Main Segment 4A in the corrected amount of \$0;
- 4) approval of a contract in an amount not to exceed \$11,000.00 with Terracon Consultants, Inc. for the connection waterline for Fort Bend County M.U.D. No. 41;
- 5) approval of a contract in an amount not to exceed \$15,000.00 with Terracon Consultants, Inc. for the connection waterline for Big Oaks

M.U.D.;

- 6) approval of a contract in an amount not to exceed \$140,000.00 with Fugro Consultants, Inc. for Main Segment 4B;
- 7) approval of a contract in an amount not to exceed \$55,000.00 with HVJ Associates, Inc. for the connection waterline for Grand Mission M.U.D.;
- 8) approval of a contract in an amount not to exceed \$30,000.00 with HVJ Associates, Inc. for the connection waterline for Fort Bend County M.U.D. No. 122; and
- 9) approval of the following pay estimates:
  - Main Segment 0, Pay Estimate No. 10 in the amount of \$0,
  - Main Segment 1A, Pay Estimate No. 11 in the amount of \$89,003.13,
  - Main Segment 1B, Pay Estimate No. 11 in the amount of \$257,242.66,
  - Main Segment 2, Pay Estimate No. 5 in the amount of \$427,882.77,
  - Main Segment 4A, Pay Estimate No. 3 in the amount of \$232,959.26,
  - Main Segment 5, Pay Estimate No. 2 in the amount of \$141,264.90,
  - Fort Bend County M.U.D. No. 2 connection line, Pay Estimate No. 6 in the amount of \$0,
  - Kingsbridge M.U.D. connection line, Pay Estimate No. 4 in the amount of \$113,613.70,
  - North Mission Glen MUD connection line, Pay Estimate No. 1 in the amount of \$329,495.98,
  - Fort Bend County MUD No. 119, Pay Estimate No. 1 in the amount of \$105,872.40, and
  - D-158 water plant modifications project, Pay Estimate No. 4 in the amount of \$0.

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

#### REALTY INTEREST ACQUISITION

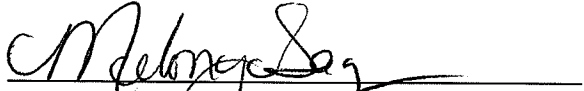
Mr. Oliver recommended acceptance of three Water Line Easements and one Water Line and Meter Easement for the parcels and from the Grantors listed on the attached Realty Interests Chart. He reviewed with the Board a legal conflict waiver for Joyce, McFarland + McFarland LLP for realty interest matters related to tracts owned by William B. Harrison in Main Segments 7C and 8A. Following review and discussion, Director Patton moved to accept the easements and approve execution of the legal conflict waiver as recommended. Director Hebert seconded the motion, which was

approved by unanimous vote.

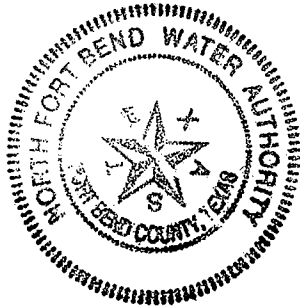
EXECUTIVE SESSION

The Board did not convene in executive session.

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

  
Secretary, Board of Directors

(SEAL)





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