

MINUTES
NORTH FORT BEND WATER AUTHORITY
July 26, 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 26th day of July, 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 Gay, thus constituting a quorum.

Also present for all or part of the meeting were Lindsay Kovar, Matthew L. Froehlich, and Janice Hayes of BGE, Inc. ("BGE"); Pamela Logsdon of AVANTA Services; Dale Clayton of Severn Trent Services, Inc. ("STSI"); David Oliver, Christina Miller, Heather Trachtenberg, 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 June 28, 2017. After review and discussion, Director Hebert moved to approve the minutes as presented. Director Patton 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, REUSE MATTERS, AND INTERLOCAL AGREEMENT WITH THE FORT BEND SUBSIDENCE DISTRICT (THE "FBSD")

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

Ms. Kovar discussed an Interlocal Agreement received from the FBSD for the

Authority's sponsorship of students for the Learning to be Water Wise Program ("Water Wise Program"). She reported that the Interlocal Agreement limits the Authority's sponsorship in the Water Wise Program to students of schools located within the Authority's boundaries per the Authority's Conservation, Communication, and Reuse Committee's ("CCR Committee") recommendation. She stated that the CCR Committee recommends that the Board authorize execution of the Interlocal Agreement with the FBSD.

Ms. Kovar reported on a Water Efficiency Network meeting scheduled July 27, 2017.

Ms. Kovar reported that June, 2017, was the most successful month for the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"), during which 256 irrigation system evaluations were performed.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts and reported on BGE's evaluation of the feasibility of the Authority's participation in Pecan Grove Municipal Utility District's ("PG MUD") reclaimed water system project. She stated that based on an evaluation of whether the Authority could effectively use all or a portion of the remaining effluent, BGE does not recommend that the Authority participate in PG MUD's reclaimed water system project. She reported that the Authority's Capital Planning and Design Committee ("CPD Committee") concurred with BGE's recommendation.

Ms. Kovar reported that the pre-construction meeting for the Authority's joint project with Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194") consisting of: (1) FB 146 and FB 194's wastewater treatment plant expansion; and (2) the Authority's effluent reuse system facilities was held July 10, 2017. She reported that the Texas Water Development Board (the "TWDB") has classified the project as a green project eligible for grant funding.

Ms. Kovar reported on BGE's coordination with the Texas A&M AgriLife Extension regarding the purchase, installation, and operation of the Authority's evapotranspiration weather station and participation in the Harris-Galveston Subsidence District's (the "HGSD") "Water My Yard" program. She reported that a related Interlocal Agreement between the Authority and the HGSD will be ready for the Board's consideration at a future meeting following completion of discussions with the HGSD.

Ms. Kovar reported that the Authority's volunteer Constituent Conservation Committee met on July 19, 2017, to discuss implementing proposed new initiatives and proposed changes to existing initiatives for the Authority's Larry's Toolbox water conservation program beginning in 2018. She stated that the Program Guide is anticipated to be ready for distribution to municipal utility districts within the

Authority in September, 2017.

Ms. Miller reported that ABHR is counsel for Cinco Municipal Utility District No. 1 ("Cinco 1"), and discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with a proposed Consulting Services Agreement with Cinco 1 and Masuen Consulting, LLC ("Masuen"). She presented a legal conflict waiver for ABHR's preparation of the agreement for Board consideration. Following discussion, Director Hebert moved to authorize execution of the legal conflict waiver for ABHR's preparation of the Consulting Services Agreement with Cinco 1 and Masuen. Director Patton seconded the motion, which was approved by unanimous vote.

Ms. Kovar reported that the CCR Committee recommended that the Board approve proposals from Masuen in the amounts of \$9,205.00 and \$8,150.00 for implementing the Homeowners Association Irrigation System Evaluation initiative for the 2017 Larry's Toolbox water conservation program for Cinco 1 and Cinco Municipal Utility District No. 8 ("Cinco 8"), respectively, and entering into Consulting Service Agreements with Masuen and each of the participating municipal utility districts.

Ms. Kovar updated the Board on the Authority's May, 2017, digital water conservation marketing and education campaign on YouTube and other digital display outlets.

Ms. Kovar stated that improvements to the Authority's water conservation mobile teaching lab will begin soon and will be completed in six to eight weeks.

Following review and discussion, Director Hebert moved to:

- (1) Authorize execution of an Interlocal Agreement with the FBSD for the Authority's sponsorship of students for the Water Wise Program; and
- (2) Approve proposals from Masuen in the amounts of \$9,205.00 and \$8,150.00 for implementing the Homeowners Association Irrigation System Evaluation initiative for the 2017 Larry's Toolbox water conservation program for Cinco 1 and Cinco 8, respectively, and execution of Consulting Service Agreements with Masuen and each of the participating municipal utility districts.

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

RENEWAL OF AUTHORITY'S INSURANCE POLICIES

Ms. Miller reviewed a proposal for renewal of the Authority's insurance policies scheduled to expire on August 2, 2017, in the amount of \$175,719.00. Following review and discussion, Director Hebert moved to approve the insurance renewal proposal in the amount of \$175,719.00. Director Darden seconded the motion, which was approved

by unanimous vote.

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

Ms. Logsdon 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, statement of revenues and expenditures for the Enterprise Fund, and a quarterly investment report. A copy of the bookkeeper's report is attached. Following review and discussion, Director Darden moved to approve the bookkeeper's report. Director Fay seconded the motion, which was approved by unanimous 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, joint facility expenses, and water accountability, and responded to Board members' questions. A copy of the operator's report is attached.

Mr. Clayton distributed a letter from the CEO of Severn Trent North America, a copy of which is attached. He stated that the letter explains that STSI's United Kingdom parent company has sold its North American business operations to a group led by the company's current United States ("US") management team backed by US investors in the infrastructure and industrial space markets. He stated that STSI will be a standalone American company exclusively focused on US infrastructure. He stated that while a contract assignment may be necessary at a future date, there will be no change in the Authority's current contract terms with STSI, and there will be no changes to STSI's current management, leadership, or account teams.

Following review and discussion, Director Hebert moved to approve the operator's report. Director Fay seconded the motion, which was approved by unanimous vote.

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND 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 FBSD matters, including the FBSD's updates to its Annual Groundwater Report and Brackish study.

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.

Mr. Froehlich reported on coordination with Lake Management Services, LP to include eight amenity lake wells in the Authority's GRP. He explained that the wells were previously exempt from the FBSD's permitting regulations until the FBSD changed certain rules regarding single-owner wells containing diameters of five-inches or less.

Mr. Froehlich reported on BGE's review of a reimbursement request from Fort Bend County Municipal Utility District No. 134A ("FB 134A") for the cost of additional infrastructure constructed for the Authority's surface water connection line and meter station at FB 134A's Water Plant No. 2, pursuant to a water supply letter agreement between FB 134A and the Authority. He recommended acquiring a permanent easement for the meter station prior to providing reimbursement for the facilities.

Mr. Froehlich reported on BGE's evaluation of a request from Southwest Environmental Resource for the purchase of 3,800,000 gallons of the Authority's Over-Conversion Credits. He reported that the Authority's CPD Committee recommended that the Board authorize selling 3,800,000 gallons of the Authority's Over-Conversion Credits to Southwest Environmental Resource for \$4.30 per 1,000 gallons for a total of \$16,340.00.

Mr. Froehlich reported on discussions with the engineers for Fort Bend County Municipal Utility District Nos. 132 and 190 regarding surface water supply in Main Segments 8 and 6, respectively.

Mr. Froehlich reported on BGE's review of a request from FB 134A for an increase in the existing commitment contained in the Authority's water supply letter agreement with FB 134A from 466,667 to 713,000 gallons per day. He recommended acquiring a permanent easement for the meter station prior to amending the water supply letter agreement.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Mr. Froehlich reviewed a chart indicating the status of property acquisition matters and discussed coordination with Fort Bend County on right-of-way needed for its Roesner Road project and the Authority's proposed easements in Main Segments 18 and 19.

Mr. Froehlich reported that the Authority's contract with Hurtado Construction Company for construction of Main Segment 10B will be finalized pending completion of punch list items for the cathodic protection system.

Mr. Froehlich reported that construction is complete for FB 134A's Water Plant

No. 2 and the plant is receiving surface water.

Mr. Froehlich reported that the Authority's CPD Committee recommended that the Board approve Pay Estimate No. 5 submitted by Principal Services, Ltd., for construction of the connection water line for Grand Mission Municipal Utility District No. 1's ("GM 1") Water Plant No. 3 in the amount of \$4,950.00. He reported that BGE is coordinating with the Authority's bookkeeper on an invoice for approximately 720,000 gallons of unmetered surface water used by GM 1 for testing required for the recently constructed facilities.

Mr. Froehlich reported that the Authority's CPD Committee recommended that the Board approve Pay Estimate No. 3 submitted by Gonzalez Construction Enterprise, Inc. for construction of the connection water line for Fort Bend County Improvement District No. 24 ("FB ID 24") in the amount of \$50,095.22.

Mr. Froehlich reported that a Notice to Proceed was issued on July 10, 2017, to Texas Pride Utilities for the Authority's project to replace the damaged subgrade and pavement at a crossing of Main Segment 7A at Baldwin Elm Street. He reported on preparation of a change order for the project for additional excavation and subgrade stabilization.

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND STUDIES

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.

Mr. Froehlich reported on the status of Costello, Inc.'s design of the effluent reuse facilities project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4, consisting of: 1) the wastewater plant reclaimed water improvements; and 2) the reclaimed water distribution system.

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 City of Houston's (the "COH") expanded Northeast Water Purification Plant ("NEWPP").

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"). He reported on the status of design and easement acquisition for the Authority's joint Surface Water Supply Project with 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 award of construction contracts for construction of three miles of parallel 96-inch water lines and a maintenance facility.

Mr. Froehlich reported on the status of the COH's NEWPP Expansion Project per its Design-Build Agreement with the Houston Waterworks Team, including the schedule and budgets for design of early work packages and the balance of plant work.

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

- (1) approve adding eight amenity lake wells managed by Lake Management Services, LP to the Authority's groundwater permit and GRP accounting;
- (2) authorize selling 3,800,000 gallons of the Authority's Over-Conversion Credits to Southwest Environmental Resource for \$4.30 per 1,000 gallons for a total of \$16,340.00;
- (3) approve Pay Estimate No. 5 submitted by Principal Services, Ltd. for construction of the connection water line for GM1's Water Plant No. 3 in the amount of \$4,950.00; and
- (4) approve Pay Estimate No. 3 submitted by Gonzalez Construction Enterprise, Inc. in the amount of \$50,095.22 for construction of the connection water line for FB 24.

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

CONTRACTS

There were no additional contracts for Board consideration.

REALTY INTEREST ACQUISITION

Mr. Oliver reviewed a Water Line Easement with Katy Independent School District for Parcels 11.04 and 11.05, as listed on the attached Realty Interests Chart. Following review and discussion, Director Hebert moved to authorize execution of the Water Line Easement. Director Patton seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 6:51 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 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 7:04 p.m., the Board reconvened in open session. Director Hebert moved to: 1) refuse the settlement offer for the condemnation proceedings and authorize a final settlement counteroffer for Parcel 8.09; and 2) accept the counteroffers for Parcels 11.01 and 11.09. Director Patton seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:05 p.m., to consult with its attorney regarding the Authority's legal rights and obligations under the Second Supplement to the Water Supply Contract with the COH. 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 7:25 p.m., the Board reconvened in open session. Director Darden moved to delegate Directors Gay or Darden to authorize payment of Cash Call Nos. 5D, 5E, and 6A in the anticipated amounts of \$431,759.02, \$3,853,080.00, and \$4,356,393.28, respectively, from the COH for the COH's NEWPP Expansion Project pursuant to the Authority's water supply contract with the COH, contingent upon receipt of the cash calls and the availability of funding. Director Fay seconded the motion, which was approved by unanimous vote.

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

(SEAL)




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Attendance Sheets	1
Memorandum Regarding Water Conservation and Reuse	1
Bookkeeper's report.....	4
Operator's report.....	4
Letter from the CEO of Severn Trent North America	4
Engineer's report.....	4
Realty Interests Chart	7