

MINUTES
NORTH FORT BEND WATER AUTHORITY

April 24, 2013

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 24th day of April, 2013, 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	Director
Pat Hebert	Director

and all of the above were present, except Director Fay, thus constituting a quorum.

Also present for all or part of the meeting were Melinda Silva, P.E., Charles Shumate, P.E., and Chris Jacob, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Pam E. Lightbody of AVANTA Services; Mark Yentzen of Severn Trent Services, Inc. ("STS"); Barbara Payne of Payne Communications; Andrew S. "Drew" Miller of Kemp Smith LLP; David Oliver, Christina Miller, and Justine M. Cherne of Allen Boone Humphries Robinson LLP; and persons listed on the attached attendance sheets.

APPROVE MINUTES

The Board considered approving the minutes of the regular meeting held on March 27, 2013, and the special meeting held on April 3, 2013. After review and discussion, Director Gay moved to approve the minutes as written. Director Hebert seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. In response to a meeting attendee's request for an update on the stakeholder process, Mr. Oliver stated that additional stakeholder meetings are scheduled next week and an update will be available at the May Board meeting.

PUBLIC COMMUNICATIONS

The Board discussed public communication and water conservation education activities. Ms. Payne reported on the schedule for use of the Authority's water

conservation mobile teaching lab. She discussed making modifications to the Authority's water conservation mobile teaching lab to concentrate on science education and to the West Harris County Regional Water Authority's (the "West Authority") water conservation mobile teaching lab to concentrate on social studies education so that both Authorities can use the other's mobile teaching lab. She stated that she will obtain a cost proposal for the proposed modifications to the Authority's mobile teaching lab for the Board's review.

Ms. Payne discussed the schedule for water conservation education workshops for teachers.

Ms. Payne reported that the Texas A&M AgriLife Extension has asked the Authority to place an announcement for the Texas Water Star Conference scheduled for May 17, 2013, on the Authority's website.

In response to Director Houghton's question, Ms. Payne stated that the advertisements for the Authority's W.I.S.E. Guys Irrigation System Evaluation Program placed into homeowners association newsletters have not increased participation in the program. She stated that she will discuss marketing options for the program with Vepo, LLC and report back to the Board.

Following discussion, Director Gay moved to accept Ms. Payne's public communications report and authorize placing an announcement for the Texas Water Star Conference on the Authority's website. Director Hebert seconded the motion, which was approved by unanimous vote.

WATER CONSERVATION AND REUSE

Mr. Oliver updated the Board on the proposed process for the development of landscape irrigation requirements and discussed the schedule for additional stakeholder meetings scheduled for April 30, 2013.

Mr. Oliver stated that data received from the Water Conservation Plan Annual Reports submitted by the Authority's constituents will be available for discussion at the May committee and Board meetings.

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

Ms. Lightbody reviewed the written bookkeeper's report, including checks for payment, transfers, monthly receipts, past due accounts, the income statement for the Enterprise Fund, a summary of investments, a schedule of debt service payments, and quarterly investment report. A copy of the bookkeeper's report is attached.

Ms. Lightbody reviewed one blank check for completion upon confirmation of

the deposit amount needed for the Authority's contested case hearing before the State Office of Administrative Hearings in connection with the applications of Electro Purification, LLC to the Bluebonnet Groundwater Conservation District for authorization to drill, operate, and aggregate ten new wells for the production of groundwater.

Ms. Lightbody reviewed one blank check for possible completion upon Ms. Silva's review of the City of Houston's invoice for the 2011 Fiscal Year True-up.

Ms. Lightbody reviewed one additional check for payment to CenterPoint Energy for installation of a gas line to the Bellaire Pump Station generators. She stated that Ms. Silva will discuss the details of the additional check during the engineer's report.

Ms. Lightbody reviewed an updated schedule of the waterfall transfer of funds and discussed Regions Bank's responsibilities and activities under the Authority's Trust Indenture. She recommended that the Authority continue to pay principal and/or interest on any Bonds, notes, or obligations as they become due and payable in the manner the Authority has historically from the Debt Service Fund and Improvement Fund, which is consistent with the terms of the Authority's Trust Indenture. She reviewed a proposed letter to Regions Bank to request that it continue to maintain this process and not to use the Coverage Fund, unless Regions Bank is otherwise directed by the Authority.

Following review and discussion, Director Gay moved to approve the bookkeeper's report, including the two blank checks and one additional check, and authorize sending a letter to Regions Bank as discussed. Director Hebert seconded the motion, which was approved by unanimous vote.

OPERATION OF AUTHORITY FACILITIES

Mr. Yentzen reported on the operations of the Authority's facilities, including maintenance and repairs and an update on staking activities. A copy of the operations report is attached.

Mr. Yentzen discussed a pilot program being performed on two remote sites to improve pump and energy efficiency at the D-158 Water Plant.

Mr. Yentzen reported on a schedule for inspection and testing of water quality at municipal utility district take-points. He stated that the take-point for Fort Bend County M.U.D. No. 118 ("MUD 118") is currently being tested daily until there is 100% surface water delivery.

Mr. Yentzen stated that the phone number included on the Authority's pipeline markers will be replaced with a phone number in STS' call center dedicated solely to the

Authority and will be transferable to any future location requested by the Authority, if necessary.

Following review and discussion, Director Spell moved to approve the operator's report. Director Darden seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the vote.

ENGINEERING MATTERS

WATER SUPPLY CONTRACT AND LUCE BAYOU PROJECT

Ms. Silva presented the engineer's report, including the monthly pumpage report and the status of new wells located within the Authority. A copy of the engineer's report is attached.

Ms. Silva reviewed a list of recent and upcoming events and conferences, and discussed matters related to preparation of the Environmental Impact Statement and archeological work for the Luce Bayou Project.

Ms. Silva reported on outstanding information needed from the City of Houston to analyze the Fiscal Year 2011 True-up. Ms. Silva and Mr. Oliver discussed the Fiscal Year 2014 O&M Rate received from the City of Houston.

Ms. Silva discussed the Authority's projected alternate water conversion requirements based on projected population and water demand estimates as discussed during the April committee meetings, as well as the possible request for an additional surface water reservation from the City of Houston. Ms. Silva recommended and indicated that the committees concurred to recommend that the Authority submit an additional surface water reservation to the City of Houston in the amount of 15 million gallons per day. Ms. Silva indicated that she understood that the West Authority was also considering submitting an additional surface water reservation to the City of Houston in the amount of 5 million gallons per day, and she had no objection to the West Authority's possible additional surface water reservation request. Mr. Oliver noted that pursuant to the terms of the Joint Facilities Agreement for Segments 0 & 1A, Bellaire Pump Station, and Second Source Waterline/Pump Stations (the "Joint Facilities Agreement"), both Authorities are required to provide 45 days notice to the other Authority prior to submitting an additional water reservation request to the City of Houston, unless such requirement is waived. Mr. Oliver recommended that should the Board decide to make an additional surface water reservation request to the City of Houston, the Authority should request a waiver of the notice period from the West Authority, as well as grant a waiver of the notice period to the West Authority, if such waiver is requested.

DESIGN AND CONSTRUCTION PROJECTS, AND SERVICES CONTRACTS

Ms. Silva updated the Board on the design of Main Segments 10A, 10B, 13A, and 16A. She recommended that the design of Main Segments 13A and 16A be combined into one design project and presented a proposal from B&G for adding the design of Main Segment 13A to the previously approved design proposal for Main Segment 16A.

Ms. Silva recommended approval of proposals for geotechnical design services submitted by Fugro Consultants, Inc. for Main Segments 10A and 10B and Terracon Consultants, Inc. for Main Segments 13A and 16A.

Ms. Silva updated the Board on the construction of Main Segments 7A, 7B, 7C, 8A, 8B, 9A, 9B, 12A, 12B, and 12D, the connection water line for Fort Bend County M.U.D. No. 118, and the Bellaire Pump Station project, and reported on warranty inspections, and coordination with the City of Houston on the delivery of pumps from the completed D-158 Water Plant Well Inspection Project. A spreadsheet summarizing the status of construction projects is attached to the engineer's report. She recommended approval of twelve pay estimates for the construction projects and final acceptance of the construction of Main Segment 12A. She additionally recommended approval of change orders to the Authority's contracts for the construction of Main Segment 7C for replacement of pipe material and the D-158 Water Plant Well Inspection Project to adjust contract quantities and items.

Ms. Silva recommended increasing the size of the gas lines for installation by CenterPoint Energy for the Bellaire Pump Station generators to meet the anticipated needs of the Authority. She stated that the cost for the increase is \$5,200.00.

Ms. Silva recommended approval of change orders for additional construction material testing services submitted by Geotest Engineering, Inc. for Main Segments 7A and 7B and Main Segments 8A and 8B, and HTS, Inc. Consultants for the Bellaire Pump Station project.

Ms. Silva recommended approval of storm water permit renewals for twelve current construction projects and storm water permit terminations for fourteen completed construction projects.

ROUTING ANALYSES

Ms. Silva updated the Board on the status of revising the routing alignments for Main Segment 13 and a portion of Main Segment 14.

GROUNDWATER REDUCTION PLAN, CHLORAMINES CONVERSION, AND SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING

Ms. Silva reported that MUD 118's operator refused to take surface water

delivery as scheduled for April 16, 2013, and is beginning to take approximately 20% of MUD 118's total water demand as surface water. She stated that MUD 118 plans to gradually increase the amount of surface water it will take over the next few weeks. She reviewed the anticipated effects of MUD 118's refusal to take 100% of its water demand as surface water on water quality and costs. She stated that a letter will be sent to MUD 118 to explain these matters and request that it immediately begin taking the minimum daily amount of 95% of MUD 118's water use per the requirements of the Authority's Amended Rate Order.

Ms. Silva reported that notifications of revised conversion schedules will be sent to the affected municipal utility districts and posted onto the Authority's website.

Ms. Silva stated that a request for over conversion credits was submitted to the Fort Bend Subsidence District (the "FBSD") on behalf of the Authority for permit year ending September 30, 2012, and is being processed by the FBSD.

Ms. Silva reported that a well permit adding Fort Bend County M.U.D. No. 141 per the amendment to the Authority's Groundwater Reduction Plan has been received.

Ms. Silva reported that a new well application has been received from Willowpoint M.U.D., which is moving forward with development after being previously inactive.

REPORTS AND STUDIES

Ms. Silva reported on the status of B&G's evaluation of preliminary brackish groundwater well site locations.

ANNUAL REPORT ON IMPLEMENTATION OF WATER CONSERVATION PLAN

Ms. Silva reviewed an annual report on implementation of the Authority's Water Conservation Plan.

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

- (1) authorize B&G to send a request for an additional surface water reservation in the amount of 15 million gallons per day to the City of Houston;
- (2) authorize B&G to send a request to the West Authority to waive the surface water reservation notice requirement contained in the Joint Facilities Agreement for the Authority's additional surface water reservation in the amount of 15 million gallons per day to the City of Houston;

- (3) upon the West Authority's request, waive the surface water reservation notice requirement contained in the Joint Facilities Agreement for the West Authority's possible additional surface water reservation in the amount of 5 million gallons per day to the City of Houston;
- (4) approve proposal from B&G for adding the design of Main Segment 13A to the design proposal for Main Segment 16A in the amount of \$167,302.00;
- (5) approve proposals for geotechnical design services from Fugro Consultants, Inc. for Main Segments 10A and 10B in the amount of \$39,600.00 and Terracon Consultants, Inc. for Main Segments 13A and 16A in the amount of \$35,106.50;
- (6) approve the following pay estimates:
 - Main Segment 7A, Pay Estimate No. 13 in the amount of \$611,492.81,
 - Main Segment 7B, Pay Estimate No. 13 in the amount of \$314,535.91,
 - Main Segment 7C, Pay Estimate No. 4 in the amount of \$776,402.33,
 - Main Segment 8A, Pay Estimate No. 8 in the amount of \$130,549.00,
 - Main Segment 8B, Pay Estimate No. 9 in the amount of \$174,033.05,
 - Main Segment 9A, Pay Estimate No. 7 in the amount of \$0,
 - Main Segment 9B, Pay Estimate No. 10 in the amount of \$13,500.00,
 - Main Segment 12A, Pay Estimate No. 19 and Final in the amount of \$86,553.35,
 - Main Segment 12B, Pay Estimate No. 18 in the amount of \$0,
 - Main Segment 12D, Pay Estimate No. 19 in the amount of \$0,
 - Fort Bend County M.U.D. No. 118 connection water line, Pay Estimate No. 10 in the amount of \$2,042.50, and
 - Bellaire Pump Station project, Pay Estimate No. 11 in the amount of \$668,588.69;
- (7) approve final acceptance of Main Segment 12A;
- (8) approve the following change orders:
 - Main Segment 7C, Change Order No. 1 in the amount of \$52,304.00, and
 - the D-158 Water Plant Well Inspection project, Change Order No. 1 in the amount of \$0;
- (9) approve payment to CenterPoint Energy in the amount of \$5,200.00 for installation of larger gas lines for the Bellaire Pump Station generators;
- (10) approve change orders for additional construction material testing

services from Geotest Engineering, Inc. for Main Segments 7A and 7B in an amount not to exceed \$30,000.00 and Main Segments 8A and 8B in an amount not to exceed \$7,188.00, and HTS, Inc. Consultants for the Bellaire Pump Station project in the amount of \$60,000;

- (11) approve storm water permit renewals and terminations as recommended; and
- (12) approve the Authority's Water Conservation Plan Annual Report.

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

JOINT PROJECTS

Mr. Oliver reported that a meeting of the Joint Facilities Committee is scheduled for May 10, 2013.

CONTRACTS

Mr. Oliver reviewed an engagement letter with Economists.com for a water rate analysis and financial consulting services in an amount not to exceed \$15,000.00. Following review and discussion, Director Gay moved to authorize execution of the engagement letter. Director Patton seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

There was no discussion on this item.

EXECUTIVE SESSION

The Board convened in executive session at 7:25 p.m., to conduct a private consultation with the Authority's attorney to discuss pending or contemplated litigation, or a settlement offer and to deliberate the purchase, exchange, lease, or value of real property.

RECONVENE IN OPEN SESSION

At 8:23 p.m., the Board reconvened in open session. No action was taken.

LEGISLATIVE MATTERS

Mr. Oliver updated the Board on legislative matters.

SUPPLEMENTAL STATEMENTS OF QUALIFICATIONS AND PROPOSALS FOR OPERATING SERVICES

The Board concurred to defer this item.

NEGOTIATION OF OPERATION AND MAINTENANCE SERVICE CONTRACT

The Board concurred to defer this item.

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

[SIGNATURE PAGE FOR THE MINUTES OF THE APRIL 24, 2013, BOARD MEETING]

(SEAL)



Daniel H. Geel
Asst. Secretary, Board of Directors

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