

MINUTES

NORTH FORT BEND WATER AUTHORITY

July 25, 2018

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 25th day of July, 2018, 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, thus constituting a quorum.

Also present for all or part of the meeting were Lindsay Kovar, Fred Bauhof, Matthew Froehlich, Ian Pietz, and Whitney Milberger of BGE, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Dale Clayton of Inframark, LLC; Terrell Palmer of Post Oak Municipal Advisors LLC; 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 meetings held June 27, and July 13, 2018. After review and discussion, Director Gay moved to approve the minutes as presented. Director Hebert seconded the motion, which carried unanimously, except for Director Houghton who was not present for the discussion or the vote.

COMMENTS FROM THE PUBLIC

Director Patton opened the meeting to receive public comments. Steve Talecki of Cornerstones Municipal Utility District addressed the Board to request a tour of the City of Houston's (the "COH") Northeast Water Purification Plant ("NEWPP") Expansion Project and an update on Cinco Municipal Utility District No. 1's brackish well.

The Board conducted a public hearing on the Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194") Reclaimed Water System draft

Environmental Information Document (the "EI Document") at 6:22 p.m. There being no public comments regarding the EI Document, the Board concurred to close the public hearing at 6:26 p.m.

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

PUBLIC COMMUNICATION, WATER CONSERVATION, AND REUSE MATTERS,  
AND LARRY'S TOOLBOX WATER CONSERVATION PROGRAM

Ms. Kovar highlighted the construction progress included in a slide show of the construction sites of the COH NEWPP Expansion Project that was playing during the Board meeting. She stated the slide show will be updated and presented during future regular meetings of the Authority's Board.

Ms. Kovar presented a Memorandum Regarding Water Conservation and Reuse matters, a copy of which is attached, and discussed the topic for the Water Efficiency Network's upcoming monthly meeting.

Ms. Kovar reported on the Authority's public outreach program. She stated that Whitney Milberger of BGE continues to attend municipal utility district meetings within the Authority's boundaries to provide information regarding the Authority's water conservation and outreach programs and other available water conservation resources.

Ms. Kovar reported on the preparation of a water conservation presentation to be given at the Texas A&M AgriLife Extension Service's three-day composter specialist event scheduled December 5 - 7, 2018.

Ms. Kovar reported that 110 irrigation evaluations were completed in June, 2018, 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 approval of an Alternative Water Supply Credit Agreement with Fort Bend County Municipal Utility District No. 118.

Ms. Kovar discussed the status of the Authority's evapotranspiration weather station installed in Fort Bend County Municipal Utility District No. 50 ("FB 50") and implementation of a program to provide weekly watering recommendations through the Texas A&M AgriLife Extension Service's Water My Yard website to the Authority's residents. She reported that the Authority's Communication, Conservation, and Reuse ("CCR") Committee recommended execution of an Interlocal Agreement with the Harris-Galveston Subsidence District ("HGSD") that incorporates an amendment to the Authority's Trademark License Agreement with the HGSD and implementation of fees related to the evapotranspiration weather station and implementation of the weekly

watering recommendation program through the Water My Yard website.

Ms. Kovar updated the Board on implementation of the Authority's 2017 and 2018 Larry's Toolbox water conservation programs. She reported that second quarter water rate rebate payments will be provided to eligible 2017 participants at the Authority's September meeting and mid-year performance reports will be distributed to 2018 participants soon.

Ms. Kovar reported that the Authority's CCR Committee recommended approval of an invoice from Masuen Consulting, LLC ("Masuen") for preparation of a six-month follow-up report on the Authority's 2017 Larry's Toolbox water conservation program's Authority funded Homeowners Association ("HOA") Irrigation System Evaluations initiative for Cinco Municipal Utility District No. 8 in the amount of \$1,320.00.

Ms. Kovar reported that the Authority's CCR Committee recommended approval of two invoices from WaterLogic for implementation of the Authority's 2016 Larry's Toolbox water conservation program's Authority funded HOA Irrigation Water Budget and HOA Irrigation System Evaluations initiatives for: (1) Fort Bend County Municipal Utility District No. 185 in the amount of \$10,230.00; and (2) Cinco Municipal Utility District No. 14 in the amount of \$4,749.00.

Following review and discussion, Director Gay moved to:

- (1) authorize execution of an Alternative Water Supply Credit Agreement with Fort Bend County Municipal Utility District No. 118;
- (2) authorize execution of an Interlocal Agreement with HGSD;
- (3) approve payment of an invoice from Masuen for preparation of the six-month follow-up report on the Authority's 2017 Larry's Toolbox water conservation program's Authority funded HOA Irrigation System Evaluations initiative for Cinco Municipal Utility District No. 8 in the amount of \$1,320.00; and
- (4) approve payment of two invoices from WaterLogic for implementation of the Authority's 2016 Larry's Toolbox water conservation program's Authority funded HOA Irrigation Water Budget and HOA Irrigation System Evaluations initiatives for: (1) Fort Bend County Municipal Utility District No. 185 in the amount of \$10,230.00; and (2) Cinco Municipal Utility District No. 14 in the amount of \$4,749.00.

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

## RENEWAL OF AUTHORITY'S INSURANCE POLICIES

Mr. Oliver reported that the Authority's Finance and Policy and Capital Planning and Design Committees recommended approval of a proposal for renewal of the Authority's insurance policies scheduled to expire on August 2, 2018, in the amount of \$211,040.00. Following review and discussion, Director Gay moved to approve the insurance renewal proposal. Director Hebert seconded the motion, which was approved by unanimous vote, except for Director Houghton 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 the bookkeeper's report, including checks for payment, fund and wire 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, a statement of revenues and expenditures for the Enterprise Fund, and a quarterly investment report. A copy of the bookkeeper's report is attached. Ms. Lightbody reported that three checks issued by the Authority were voided and included in the 2017 escheat to the Texas State Comptroller's Office. She presented one additional check for payment to the Texas Attorney General for review of the transcript for the Authority's \$2,070,000 Water System Junior Lien Revenue Bonds, Series 2018A ("Series 2018A Bonds") in the amount of \$2,070.00. Following review and discussion, Director Gay moved to approve the bookkeeper's report, including execution of one additional check as presented. Director Hebert seconded the motion, which was approved by unanimous vote, except for Director Houghton who was not present for the discussion or the vote.

## OPERATION OF AUTHORITY FACILITIES

Mr. Clayton presented 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 recommended installing three shunt trip devices at the Bellaire Pump Station to safely trip the breakers for the generators during Electric Reliability Council of Texas' electricity curtailment events in the amount of \$4,650.00.

Following review and discussion, Director Gay moved to approve the operator's report, including approval of the installation of three shunt trip devices at the Bellaire Pump Station in the amount of \$4,650.00. Director Hebert seconded the motion, which was approved by unanimous vote, except for Director Houghton who was not present for the discussion or the vote.

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND AUTHORITY'S GROUNDWATER REDUCTION PLAN ("GRP")

Mr. Froehlich presented 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 the Fort Bend Subsidence District's (the "FBSD") issuance of a waiver from the FBSD Rule 8.1 meter requirements for three municipal utility districts that have portions of their boundaries located outside of the Authority remains pending. In respond to Director Patton's inquiry, Ms. Kovar explained that the Authority submitted a request for a waiver from the FBSD's meter requirements for three municipal utility districts that have portions of their boundaries located outside of the Authority: Willowcreek Farms Municipal Utility District and Fulshear Municipal Utility District Nos. 3A and 3B. She discussed the costs of installing additional meters if the waiver is not received.

Mr. Froehlich reported that the Authority's Capital Planning and Design Committee recommended approval of a revised Water Supply Commitment Letter Agreement with Fort Bend County Municipal Utility District No. 190 ("FB 190").

Mr. Froehlich reported on BGE's review of a request for participation in the Authority's GRP received from KB Home for Deer Run Meadows, a single-family development to be constructed on the northwest corner of FM 359 and FM 723. He reported that ABHR is drafting a GRP Participation Agreement with Aqua Texas, Inc., the company that will construct the water distribution facilities pursuant to a Certificate of Convenience and Necessity issued by the Public Utility Commission of Texas, for Board review.

Mr. Froehlich reported that BGE is gathering additional information to assist with its review of a request for participation in the Authority's GRP from the engineer for Fort Bend County Municipal Utility District No. 157.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Mr. Froehlich reviewed a chart indicating the status of property acquisition matters and stated that current property acquisition efforts are focused on the reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4, and the distribution system for the FB 146 and FB 194 Reclaimed Water System.

Mr. Froehlich reported on his site visit with representatives of Harris-Fort Bend Municipal Utility District No. 1 and two homeowner associations to discuss their concerns related to the Authority's water line easement request.

Mr. Froehlich recommended that the Board approve Pay Estimate No. 10 in the amount of \$58,399.87 submitted by C4 Partners, LLC for the Authority's Phase 1 portion

of the joint reclaimed water system project with FB 146 and FB 194.

Mr. Froehlich reported that warranty inspections were held for the Main Segment 7 Baldwin Elm Street Repair and Grand Mission Municipal Utility District No. 1 Water Plant No. 3 Connection Projects.

#### ENGINEERING MATTERS: FACILITIES, PROJECTS, AND STUDIES

Mr. Froehlich reported that advertisement for bids 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 is pending agency approvals of the plans and specifications.

Mr. Froehlich reported on the status of Costello, Inc.'s design of the reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4, consisting of (i) the wastewater plant reclaimed water improvements; and (ii) the reclaimed water distribution system. He stated agency submittals are pending easement acquisition.

Mr. Froehlich reported on the status of Costello, Inc.'s design of the Authority's Phase 2 portion of the joint reclaimed water system project with FB 146 and FB 194 consisting of the Authority's distribution lines for the reclaimed water system. He reported that the Authority's Capital Planning and Design Committee recommended submitting a permit application to the Texas Commission on Environmental Quality (the "TCEQ") pursuant to Title 30, Texas Administrative Code, Chapter 210, for authorization for re-use of domestic reclaimed water for the project.

#### REGIONAL PLANNING MATTERS: JOINT PROJECTS AND WATER SUPPLY

Mr. Froehlich reported on matters related to the Authority's joint facilities with the West Harris County Regional Water Authority (the "WHCRWA"). He reported that BGE is preparing a report on the results of its comprehensive inspection and review of the Bellaire Pump Station and recommendations to address any outstanding issues.

Mr. Froehlich reported on BGE's ongoing coordination of Cummins Southern Plains, LLC's ("Cummins") analysis of the Authority's three generators located at the Bellaire Pump Station. He stated that BGE is compiling documentation regarding Cummins' recent recommendations included in a proposal for modifying the generators to meet the needs of the Bellaire Pump Station in the approximate amount of \$30,000.00.

Mr. Froehlich reported that BGE is reviewing a cash call from the WHCRWA in the amount of \$2,344,749.39, to cover fourth quarter expenses for the joint Surface Water Supply Project.

Mr. Froehlich reported on the status of design and easement acquisition for Segments A, B, and C, and design of the Re-Pump Station and the Central Pump Station for the Authority's joint Surface Water Supply Project ("SWSP") with the WHCRWA.

He discussed the schedule for a value engineering study on the pump stations. He reported on a contractor outreach meeting held for the project on June 29, 2018.

Mr. Froehlich reported on a presentation of a scale model of the SWSP Re-Pump Station held June 12, 2018. He stated a similar presentation for the SWSP Central Pump Station will be conducted at a later date.

Mr. Froehlich reported on the status of the Coastal Water Authority's Luce Bayou Interbasin Transfer Project, including the construction schedules for the Capers Ridge pump station, canal projects, and the dual 96-inch raw 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. Mr. Bauhof reported that Carollo Engineers, the Project Advisor/Technical Consultant, gave a project briefing to the Boards of the Authority and the WHCRWA on July 13, 2018. He reported on the anticipated schedules for design, value engineering, and associated cost models for Phase 1 of the project. He stated that negotiations are continuing for the anticipated costs for Early Work Package No. 6 and indirect items associated with the Balance of Plant Guaranteed Maximum Price. He updated the Board on the status of construction related to site clearing, earthwork, drainage, and roadways, and excavations for raw water pipeline, the tunnel shaft, and the west filter/transfer pump station.

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

- (1) approve Pay Estimate No. 10 submitted by C4 Partners, LLC for the Authority's Phase 1 portion of the joint reclaimed water system project with FB 146 and FB 194 in the amount of \$58,399.87;
- (2) authorize execution of a revised Water Supply Commitment Letter Agreement with FB 190; and
- (3) authorize execution and submittal of a permit application to the TCEQ pursuant to Title 30, Texas Administrative Code, Chapter 210, for authorization for re-use of domestic reclaimed water for the Authority's Phase 2 portion of the joint reclaimed water system project with FB 146 and FB 194 consisting of the Authority's distribution lines for the reclaimed water system.

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

#### SERIES 2018A BONDS

Mr. Oliver reviewed the procedures for issuance of the Authority's Series 2018A

Bonds pursuant to funding from the Texas Water Development Board (the "TWDB") through its Clean Water State Revolving Fund for the Authority's Phase 2 portion of the joint reclaimed water system project with FB 146 and FB 194 consisting of the Authority's distribution lines for the reclaimed water system. He stated that the Authority is required to have a pledged revenue analysis performed and recommended engaging McGrath & Co., PLLC, to perform the required pledged revenue securities analysis. He stated that the closing date for the Authority's Series 2018A Bonds is scheduled for August 23, 2018.

Following review and discussion, Director Gay moved to: (1) adopt a Resolution Authorizing the Issuance, Sale, and Delivery of the North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Series 2018A; Approving the Form and Substance and Authorizing the Execution of a Eighth Supplemental Indenture of Trust Relating to Such Bonds; Authorizing and Ratifying Other Actions of the Authority; Making Certain Findings and Containing Other Provisions Relating to the Subject; (2) authorize the Board of Directors to sign all documents relating to the bond sale and authorize the attorney and financial advisor to take all necessary action in connection with the issuance of the Authority's Series 2018A Bonds; (3) authorize execution of a Certificate Regarding Provision of Financial Advice; (4) engage McGrath & Co., PLLC to perform a pledged revenue analysis; and (5) approve issuing a check to the Attorney General for bond issue transcript review. Director Hebert seconded the motion, which was approved by unanimous vote.

#### PRINCIPAL FORGIVENESS AGREEMENT

Mr. Oliver presented and reviewed a Loan Forgiveness Agreement and related Escrow Agreement with the TWDB. He stated the Authority will receive loan forgiveness in the amount of \$351,800. Following review and discussion, Director Gay moved to: (1) authorize execution of the Loan Forgiveness and Escrow Agreements with the TWDB; (2) authorize the Board of Directors to sign all documents relating to the Loan Forgiveness and Escrow Agreements; and (3) authorize the Authority's attorney and financial advisor to take all necessary action in connection with the Loan Forgiveness and Escrow Agreement. Director Hebert seconded the motion, which was approved by unanimous vote.

#### AUTHORITY FINANCING PLAN

Mr. Palmer reported on coordination with the TWDB on classification of the bonds anticipated to be issued by the Authority in 2018 pursuant to funding from the TWDB through its State Water Implementation Revenue Fund for Texas program for the Authority's share of costs associated with the joint SWSP with the WHCRWA and the COH's NEWPP Expansion Project.

Mr. Oliver reported that the Authority's Water System Revenue Note, Series A issued to JPMorgan Chase Bank in the amount of \$30,000,000, matures on August 14,



2018. He reported that the Authority's Finance and Policy and Capital Planning and Design Committees recommended approval a Notice of Continuation to extend the maturity date to August 13, 2019. Following discussion, Director Gay moved to authorize execution of the Notice of Continuation. Director Hebert seconded the motion, which was approved by unanimous vote.

CONTRACTS

Ms. Miller reported that ABHR is counsel for Fort Bend County Municipal Utility District No. 157 ("FB 157"), and discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with the preparation of a proposed GRP Participation Agreement with FB 157. Following discussion, Director Gay moved to authorize execution of a legal conflict waiver for ABHR's preparation of the proposed GRP Participation Agreement with FB 157. Director Hebert seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

There was no discussion regarding this item.

CONVENE 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)



  
Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

	<u>Minutes</u>
	<u>Page</u>
Attendance Sheets .....	1
Memorandum Regarding Water Conservation and Reuse .....	2
Bookkeeper's report.....	4
Operator's report.....	4
Engineer's report.....	5