

MINUTES OF ORGANIZATIONAL MEETING  
OF  
NORTH FORT BEND WATER AUTHORITY

August 2, 2005

THE STATE OF TEXAS           §  
  §  
COUNTY OF FORT BEND       §

The Board of Directors of the North Fort Bend Water Authority (the "Authority") met in organizational session, open to the public, on the 2nd day of August, 2005, at the Cinco Ranch Golf Clubhouse, 23030 Cinco Ranch Boulevard, Katy, Texas, inside the boundaries of the Authority, and the roll was called of the duly appointed members of the Board, to-wit:

David Spell, Precinct 1	Robert Patton, Precinct 5
Robert Darden, Precinct 2	Peter Houghton, Precinct 6
Bruce Fay, Precinct 3	Pat Hebert, Precinct 7
Melony Gay, Precinct 4	

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

Also present at the meeting were: Paul Banks and Jasper Bittick of Cinco M.U.D. No. 2; John Sauter and Baldemar Garza of Fort Bend County Municipal Utility District No. 2; David M. Krukewitt of Jones & Carter; Warren Davis and Cathy Dominguez of the Brazos River Authority; Dave Scholler of Brown & Gay Engineers, Inc. ("B&G"); Mike Reedy of Turner Collie & Braden, Inc. ("TCB"); Pamela Logsdon and Pam Lightbody of AVANTA Accounting Services; Julie Peak and Terrell Palmer of First Southwest Company; and Joe B. Allen, Alex Garcia and Patti Hopper of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES OF STEERING COMMITTEE

The Board first considered approving the Minutes of the December 9, 2004, Steering Committee meeting. After review and discussion, Director Patton moved that the Board approve the Minutes as submitted. Director Gay seconded the motion, which carried unanimously.

APPROVE SWORN STATEMENTS, OFFICIAL BONDS AND OATHS OF OFFICE FOR DIRECTORS

The Sworn Statements, Official Bonds and Oaths of Office for all of the directors appointed by the Texas Legislature were presented to the Board for review. Mr. Allen stated that each director must execute an individual Sworn Statement, Official Bond and Oath of Office that states that he/she will execute the duties of director and will, to

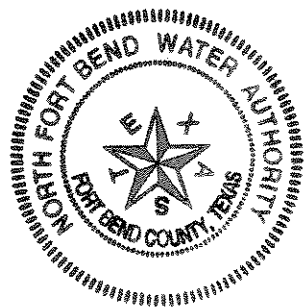
the best of his/her ability, preserve, protect, and defend the Constitution and laws of the United States, and that he/she has not been paid to serve on the Board. After discussion, Director Spell moved that the Board of Directors approve the directors' Sworn Statements, Official Bonds and Oaths of Office, and direct that they be filed and retained in the Authority's official records and that the Oaths of Office be filed with the Secretary of State of the State of Texas. The motion was seconded by Director Patton, which carried unanimously.

#### ORGANIZE THE BOARD OF DIRECTORS AND AUTHORIZE EXECUTION OF THE REGISTRATION FORM

Director Patton moved that the Board appoint Director Houghton to be President. Director Spell seconded the motion, which passed by unanimous vote. Director Houghton moved that the Board appoint Director Patton to be Vice President. Director Gay seconded the motion, which carried unanimously. Director Darden moved that the Board appoint Director Gay to be Secretary. Director Spell seconded the motion, which carried unanimously. Director Gay moved that the Board appoint Director Spell to be Assistant Secretary. Director Darden seconded the motion, which carried unanimously. Director Gay then moved that the Board appoint Directors Hebert, Darden and Fay to be Directors. Director Spell seconded the motion, which carried unanimously. Director Darden then moved that the Board authorize execution and filing of the Registration Form. Director Gay seconded the motion, which passed by unanimous vote.

#### ADOPT OFFICIAL SEAL FOR THE AUTHORITY

Mr. Allen stated that the Board must adopt an official seal for the Authority. After discussion, Director Gay moved that this seal be adopted as the official seal of the Authority in accordance with the Texas Water Code. Director Patton seconded the motion, which was approved by unanimous vote.



#### ENGAGE AN ATTORNEY FOR THE AUTHORITY

The Board next considered selecting an attorney to represent the Authority. Mr. Allen presented an engagement letter from ABHR to the Board. After discussion, Director Gay moved that the Board engage ABHR as the Authority's attorney and that

the Board authorize the President and Secretary to execute the engagement letter. Director Hebert seconded the motion, which was unanimously approved.

#### AGREEMENT WITH ENGINEER

The Board next considered selecting an engineer for the Authority. Mr. Scholler presented a contract with B&G, Inc. to the Board. Director Gay stated that she is not related to Dick Gay of B&G. After discussion, Director Gay moved that the Board authorize execution of a contract with B&G for engineering services. Director Spell seconded the motion, which was unanimously approved.

#### AGREEMENT FOR BOOKKEEPING SERVICES

The Board next considered selecting a bookkeeper for the Authority. Ms. Logsdon presented an agreement with AVANTA Accounting Services. After discussion, Director Patton moved that the Board authorize execution of a contract with AVANTA Accounting Services. Director Gay seconded the motion, which was unanimously approved.

#### AGREEMENT WITH FINANCIAL ADVISOR

The Board next considered selecting a financial advisor for the Authority. Mr. Palmer presented a contract with First Southwest Company for financial advisory services. After discussion, Director Gay moved that the Board authorize execution of a contract with First Southwest Company for financial advisory services. Director Spell seconded the motion, which was unanimously approved.

#### ACCEPT PROPOSALS FOR DIRECTORS AND OFFICERS LIABILITY INSURANCE, GENERAL LIABILITY INSURANCE, PUBLIC EMPLOYEE BLANKET BOND, AND DIRECTORS BOND

The Board considered purchasing directors' and officers' liability insurance, general liability insurance, auto liability insurance, public employee blanket bond, and directors bond. Following review and discussion, Director Hebert moved that the Board accept the proposals for directors' and officers' liability, general liability, insurance policies, public employee blanket bond, and directors' bond from Anco-Wessendorff Insurance. Director Gay seconded the motion, which was approved by unanimous vote.

#### ADOPT RESOLUTION ESTABLISHING OFFICES AND REGULAR MEETING PLACE OF THE BOARD OF DIRECTORS INSIDE AND OUTSIDE THE BOUNDARIES OF THE AUTHORITY

The Board next considered adopting a Resolution Establishing Offices and Regular Meeting Place of the Board of Directors of the Authority. After discussion, the Board determined to hold its regular meetings on the first Friday of the month at 11:30 a.m. at the offices of ABHR, outside the boundaries of the Authority, to establish the official office of the Authority at the offices of ABHR, and to designate the engineer's

office as an Authority office for purposes of receiving bids and administering construction contracts. After discussion, Director Hebert moved that the Board adopt the Resolution Establishing Offices and Meeting Place of the Board of Directors of the Authority. Director Gay seconded the motion, which was approved by unanimous vote. Mr. Allen stated that a notice of the out-of-Authority meeting places would be published in a newspaper of general circulation, prior to the next Board of Directors meeting. A copy of the Resolution is attached.

#### RESOLUTION ESTABLISHING POSTING PLACE FOR NOTICE OF BOARD OF DIRECTORS MEETINGS

The Board considered adopting a Resolution Establishing Posting Place for Notice of Board of Directors Meetings which provides that meeting notices will be posted inside the Authority at the Fort Bend County Library - Cinco Ranch Branch. Upon a motion made by Director Hebert and seconded by Director Spell, the Board voted unanimously to adopt the Resolution Establishing Posting Place for Notice of Board of Directors Meetings. A copy of the Resolution is attached.

#### ASSOCIATION OF WATER BOARD DIRECTORS

The Board next considered joining the Association of Water Board Directors. After discussion, Director Gay moved that the Board join the Association of Water Directors. Director Spell seconded the motion, which carried unanimously.

#### STATUS UPDATES TO DISTRICTS

The Board next discussed the procedure for informing the districts within the Authority regarding Authority meetings and pumpage fee notifications. After discussion, Director Gay moved that the Board authorize the attorney to notify the attorneys for the districts of all Authority meetings and to send notifications regarding establishment of Authority pumpage fees to the districts' attorneys and Board presidents. Director Spell seconded the motion, which carried unanimously.

#### BUDGET

Mr. Allen next reviewed a timeline of the actions necessary to meet the Fort Bend Subsidence District deadlines and requested authorization for the Authority's consultants to prepare a budget. After discussion, Director Hebert moved that the Board authorize the Authority's consultants to prepare a budget. Director Patton seconded the motion, which carried unanimously.

#### RESOLUTION ESTABLISHING FISCAL YEAR END

The Board next considered adopting a Resolution Establishing Fiscal Year End for the Authority. Mr. Allen recommended that the Authority adopt December 31 as the fiscal year end, with the first year ending December 31, 2006. After discussion, Director Gay moved that the Board adopt December 31 as the Authority's fiscal year

end with the first year end as December 31, 2006. Director Spell seconded the motion, which carried unanimously. A copy of the Resolution is attached.

REQUEST TO CITY OF HOUSTON, CITY OF FULSHEAR AND CITY OF ORCHARD FOR ORDINANCES CONSENTING TO THE CREATION OF THE AUTHORITY

Mr. Allen stated it is necessary to receive consent from the City of Houston, City of Fulshear, and City of Orchard for the creation of the Authority. He stated it has been determined since the Steering Committee last met that a portion of the City of Orchard's extra-territorial jurisdiction is also within the Authority boundaries. He stated that City of Orchard will be given the option of removing its territory from the Authority, leaving the territory in the Authority, or adding the City of Orchard, in its entirety, to the Authority. He then reviewed the process for obtaining the City consents, to the creation of the Authority. After discussion, Director Hebert moved that the Board authorize the Authority's attorney to work with the Cities of Houston, Fulshear, and Orchard, if Orchard desires to have some or all of its territory with the Authority, to obtain ordinances consenting to the creation of the Authority. Director Spell seconded the motion, which carried unanimously.

STUDY REGARDING FEE/RATE STRUCTURE, WATER SOURCES AND GROUNDWATER REDUCTION PLAN

Mr. Scholler requested authorization to prepare the pumpage fee calculation for the Authority's initial fiscal year ending December 31, 2006. He stated the other studies will be prepared in the future. After discussion, Director Gay moved that the Board authorize the engineer, attorney, bookkeeper, and financial advisor to prepare the pumpage fee calculation for the Authority's initial fiscal year. Director Darden seconded the motion, which carried unanimously.

AUTHORIZE DISTRIBUTION OF WRITTEN NOTICE REGARDING DATE, TIME, AND LOCATION OF MEETING TO ADOPT PROPOSED GROUNDWATER REDUCTION PLAN PUMPAGE FEES

The Board deferred action on this matter.

REQUEST FROM BRAZOS RIVER AUTHORITY FOR PARTICIPATION IN WEST FORT BEND COUNTY REGIONAL WATER TREATMENT FACILITY AND SITE EVALUATION FEASIBILITY STUDY

Ms. Dominguez requested the Authority to participate in a study for the West Fort Bend County surface water treatment facility and site evaluation feasibility study. She stated the Brazos River Authority would provide the Authority with all findings. In response to a question from Mr. Allen, Ms. Dominguez stated the total cost to participate is \$4,256. After discussion, Director Gay moved that the Authority participate in the study at a cost not to exceed \$4,256. Director Patton seconded the motion, which carried unanimously.

REPORTS FROM DIRECTORS AND CONSULTANTS

Mr. Scholler requested authorization to attend a surface water forum being hosted by the Association of Water Board Directors. After discussion, Director Gay moved that the Board authorize Mr. Scholler to attend the surface water forum. Director Patton seconded the motion, which carried unanimously.

There being no further business to come before the Board, the Board concurred to adjourn the meeting.

  
Asst. Secretary, Board of Directors

(SEAL)

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