

MINUTES

NORTH FORT BEND WATER AUTHORITY

August 22, 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 22nd day of August, 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, except for Director Darden, 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 ("Inframark"); 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 July 25, 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. Wayne Chandler of Fort Bend County Municipal Utility District No. 41 ("FB 41") addressed the Board to request that it reconsider purchasing FB 41's water conservation credits received as part of FB 41's participation in the Fort Bend Subsidence District's ("FBSD") "Learning to be Water Wise" water conservation program ("Program"). Director Patton explained the Board determined that, due to revised population and usage estimates, as well as increased water conservation within the Authority's boundaries, obtaining

additional Program water conservation credits is no longer necessary for the Authority's compliance with FBSD regulations. Director Patton also noted that participation in the Program would still benefit municipal utility districts participating in Larry's Toolbox Water Conservation program.

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 noted that a slide show of photographs of the construction sites for the City of Houston's (the "COH") Northeast Water Purification Plant ("NEWPP") Expansion Project was playing during the Board meeting. She stated that the photographs will be updated and continue to be presented during future regular Board meetings throughout construction of the project.

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 purchase of a print advertisement featuring Larry the Talking Sprinkler scheduled for publication in 13 of Krenek Printing's September, 2018 community newsletters within the Authority.

Ms. Kovar reported that the Authority has been invited to participate in the 2018 Fall Katy Home & Garden Show scheduled September 8-9, 2018, at the Merrell Center & Robinson Pavilion. She recommended that the Authority participate in the event and purchase an 8' x 10' booth for the amount of \$1,245.00.

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

Ms. Kovar reported that the largest number of irrigation system evaluations were completed through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program") during a one-month period with 352 irrigation evaluations completed during July, 2018.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate

water credit projects/contracts.

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 for eligible 2017 participants will be presented at the Authority's September meeting.

Ms. Kovar reported that the Authority's Communication, Conservation, and Reuse Committee recommends approval of a proposal from Glass House Strategy to design a water conservation road sign for all successful Larry's Toolbox participants in the amount of \$500.00.

Ms. Kovar recommended approval of five invoices from Masuen Consulting, LLC ("Masuen") for the Authority's 2018 Larry's Toolbox water conservation program's Authority funded Homeowners Association ("HOA") Irrigation System Evaluations initiative totaling \$28,175.00 for: (1) Cinco Municipal Utility District No. 2 in the amount of \$8,250.00; (2) Cinco Municipal Utility District No. 6 in the amount of \$1,705.00; (3) Cinco Municipal Utility District No. 10 in the amount of \$7,425.00; (4) Fort Bend County Municipal Utility District No. 142 in the amount of \$4,840.00; and (5) Fort Bend County Municipal Utility District No. 194 in the amount of \$5,955.00.

Ms. Kovar reported on the status of finalizing initiatives for the Authority's 2019 Larry's Toolbox water conservation program.

Following review and discussion, Director Gay moved to:

- (1) authorize the Authority's participation in the 2018 Fall Katy Home & Garden Show and the purchase of an 8'x10' booth in the amount of \$1,245.00;
- (2) approve the proposal from Glass House Strategy to design a water conservation road sign for all successful Larry's Toolbox participants in the amount of \$500.00; and
- (3) approve payment of five invoices from Masuen for the Authority's 2018 Larry's Toolbox water conservation program's Authority funded HOA Irrigation System Evaluations initiative totaling \$28,175.00.

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.

NOTICE OF 2019 PRELIMINARY FEES

Ms. Miller reminded the Board that the Authority normally distributes a preliminary notice of the anticipated Groundwater Reduction Plan ("GRP") Fee and

Surface Water Fee for the next calendar year prior to the end of September to assist municipal utility districts located within the Authority in developing their budgets for the next fiscal year. She reviewed a proposed notice that states the Board anticipates increasing the GRP Fee to \$3.65 per 1,000 gallons of water pumped and the Surface Water Fee to \$4.00 per 1,000 gallons of surface water received, which correspondingly increases the Imported Water Fee, effective January 1, 2019. Following review and discussion, Director Gay moved to authorize distribution of the notice to all well owners in the Authority and Authority GRP participants. 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

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, and a statement of revenues and expenditures for the Enterprise Fund. A copy of the bookkeeper's report is attached. She presented one additional check for a payment related to easement access in the amount of \$2,500.00. In response to Director Patton's inquiry, Ms. Kovar stated that the Program water conservation credits included in the bookkeeper's report would cover approximately three years of the Authority's surface water conversion requirements.

Ms. Lightbody presented a document outlining the distribution of proceeds from the Authority's Water System Junior Lien Revenue Bonds, Series 2018A ("Series 2018A Bonds"), a copy of which is attached.

Following review and discussion, Director Gay moved to approve the bookkeeper's report, including execution of the additional check as presented and disbursement of bond proceeds. 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.

HEARING REGARDING ANY DELINQUENT FEES AND RULE VIOLATIONS

Ms. Miller reminded the Board of a previously discussed request from Fort Bend County Municipal Utility District No. 37 ("FB 37") for waiver of the Authority's Imported Water Fees charged during the months of February through May, 2017, while FB 37's water plant was undergoing repairs. She stated that FB 37 purchased water from the City of Katy during the repair period and a reconciliation of the amounts paid and owed by FB 37 has been performed. She recommended that the Board grant a partial waiver of the Imported Water Fees in the amount of \$45,884.88 for water supply payments made by FB 37 to the City of Katy. She stated that, taking into consideration the partial waiver and FB 37's previous partial payment of Imported Water Fees, the

remaining amount due and owed to the Authority for Imported Water Fees totals \$17,936.74, plus \$20,831.50 in pumpage fees from May 2017. Following review and discussion, Director Gay moved to grant FB 37 a partial waiver of the Authority's Imported Water Fees as recommended and directed ABHR to send an invoice to FB 37 for the remaining amounts due. Director Hebert seconded the motion, which was approved by unanimous 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 reported on efforts to collect a back charge payment from Aspen Utilities for a water main break in the amount of \$20,000.00.

Mr. Clayton stated that invoices for chemicals for May and June, 2018, were inadvertently included in Inframark's invoices instead of directly invoiced to the Authority. He stated that future invoices for chemicals will be forwarded directly to the Authority's bookkeeper for payment.

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

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND AUTHORITY'S GRP

Mr. Froehlich presented the engineer's report, a copy of which is attached. Mr. Froehlich discussed renewal of the Authority's well permit with the FBSD for the October 2018 to September 2019, permit period. He reported that the Authority's Capital Planning and Design Committee recommended authorizing submittal of a permit application that increases the Authority's permitted amount from 8,960,000,000 to 11,630,000,000 gallons to account for the purchase of over-conversion credits as well as increased demand for water supply.

Ms. Kovar reported that the FBSD's report on its brackish well study in coordination with the Harris-Galveston Subsidence District is anticipated to be posted to the FBSD's website soon.

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.

Mr. Froehlich reported that a GRP Participation Agreement has been sent to Aqua Texas, Inc. for Deer Run Meadows, a single-family development to be constructed

on the northwest corner of FM 359 and FM 723 in Fort Bend County Municipal Utility District No. 200.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Mr. Froehlich reviewed a chart indicating the status of property acquisition matters and stated that legal descriptions have been completed for the easements related to the reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4.

Mr. Froehlich reported that he attended the Board meeting for Harris-Fort Bend Municipal Utility District No. 1 ("HFB 1") to discuss HFB 1's concerns related to the Authority's water line easement request and the Authority's restoration and tree replacement policies.

Mr. Froehlich recommended that the Board approve Pay Estimate No. 11 in the amount of \$60,964.91 submitted by C4 Partners, LLC for the Authority's Phase 1 portion of the joint reclaimed water system project with Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194").

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND STUDIES

Mr. Froehlich reported that the Board of Fort Bend County Municipal Utility District No. 190 awarded a contract for the construction of the Authority's surface water line connection facilities to Persons Service Company, LLC in the amount of \$483,248.32.

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.

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.

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 discussed BGE's ongoing coordination with Cummins Southern Plains, LLC ("Cummins") on Cummins' analysis of the Authority's three generators located at the Bellaire Pump

Station. He stated that BGE continues to research historical documentation to determine the Authority's options related to repair and replacement of the generators.

Mr. Froehlich recommended submitting a request for release of escrowed funds to the Texas Water Development Board (the "TWDB") for payment of a cash call from the WHCRWA for the Authority's share of 2018 fourth quarter expenses for the joint Surface Water Supply Project ("SWSP") with the WHCRWA in the amount of \$2,344,749.39.

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 SWSP. He reported on the preliminary results of a value engineering study on the Re-Pump Station and discussed the schedule for a value engineering study on the Central Pump Station.

Mr. Froehlich reported that the WHCRWA authorized negotiation of contracts with six consulting firms for design services for the six sub-segments for Segment 3 and seven consulting firms for design services for the seven sub-segments for the Kinder Morgan Segment for the SWSP. He stated that estimated construction costs for the two water line segments are \$68,400,000 and \$48,300,000, respectively.

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. 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 the 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) authorize submittal of a permit application to the FBSD for the October 2018 to September 2019, permit period for the amount of 11,630,000,000 gallons;
- (2) approve Pay Estimate No. 11 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 \$60,964.91; and

- (3) authorize submittal of a request for release of escrowed funds to the TWDB and, upon approval, payment of WHCRWA's cash call for 2018 fourth quarter expenses for the SWSP in the amount of \$2,344,749.39.

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

AUTHORITY FINANCING PLAN

Ms. Miller reported on coordination between the Authority's consultants on the preparation of documents and procedures related to the Authority's anticipated issuance of bonds pursuant to funding from the TWDB through its State Water Implementation Revenue Fund for the Authority's share of costs associated with: (1) the SWSP; (2) the COH NEWPP Expansion Project; and (3) internal water distribution lines necessary for the 2025 surface water conversion. She reviewed Financing Agreements with the TWDB for the Authority's \$121,040,000 Water System Junior Lien Revenue Bonds, Series 2018B ("Series 2018B Bonds") and \$68,845,000 Water System Junior Lien Revenue Bonds, Series 2018C ("Series 2018C Bonds").

Ms. Miller discussed the Authority's obligations related to its revenue note placement program for interim financing in an amount not to exceed \$50,000,000 pursuant to its Note Purchase Agreement with JPMorgan Chase Bank, N.A. She reviewed a Certificate of No Default for submission to JPMorgan Chase Bank, N.A. in conjunction with the Authority's submittal of certain required quarterly unaudited financial reports.

Ms. Miller updated the Committee on the Authority's \$2,070,000 Water System Junior Lien Revenue Bonds, Series 2018A ("Series 2018A Bonds") pursuant to funding from the TWDB's Clean Water State Revolving Fund for the Authority's distribution lines for FB 146 and 194's reclaimed water system. She stated that the Series 2018A Bonds are scheduled to close on August 23, 2018.

Following review and discussion, Director Gay moved to authorize: (1) execution of Financing Agreements with the TWDB for the Series 2018B and Series 2018C Bonds; and (2) submission of a Certificate of No Default to JPMorgan Chase Bank, N.A. Director Hebert seconded the motion, which was approved by unanimous vote.

CONTRACTS

Ms. Miller reported that the Authority's Finance and Policy Committee recommended that the Board authorize execution of a Catering Contract with the Willow Fork Country Club for meeting space and food service for the Authority's regular monthly meetings to be held in 2019.

Ms. Miller reviewed an Electricity Supply Agreement with Constellation

NewEnergy, Inc. to add two meters that were inadvertently not included in the previously approved agreement.

Following review and discussion, Director Gay moved to authorize execution of: (1) a Catering Contract with the Willow Fork Country Club for meeting space and food service for the Authority's regular monthly meetings to be held in 2019; and (2) an Electricity Supply Agreement with Constellation NewEnergy, Inc. to add two meters that were inadvertently not included in the previously approved agreement. Director Hebert seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

Ms. Miller reported on a decrease in the costs associated with the review of an easement by the lienholder for parcel 19.03.

CONVENE EXECUTIVE SESSION

The Board convened in executive session at 6:59 p.m. to conduct a private consultation with its attorney regarding the Authority's legal rights and obligations under the Joint Facilities Agreement with the WHCRWA, pursuant to Section 551.071, Texas Government Code. Director Spell was not present for the executive session. The Board determined that the attendance in this executive session of Ms. Kovar, Mr. Froehlich, and Mr. Pietz was necessary in order for the Board to obtain the necessary legal advice from its attorney, and the Board requested their presence in the executive session.

RECONVENE IN OPEN SESSION

At 7:17 p.m., the Board reconvened in open session. No action was taken by the Board.

CONVENE EXECUTIVE SESSION

The Board convened in executive session at 7:18 p.m. to discuss the purchase, exchange, lease, or value of real property pursuant to Section 551.072, Texas Government Code. Director Spell was not present for the executive session. The Board determined that the attendance in this executive session of Ms. Kovar and Mr. Froehlich was necessary in order for the Board to obtain the necessary legal advice from its attorney, and the Board requested their presence in the executive session.

RECONVENE IN OPEN SESSION

At 7:41 p.m., the Board reconvened in open session. Director Gay moved to authorize submission of the Authority's final purchase offer for parcel GLR.37. Director Hebert seconded the motion, which was approved by unanimous vote.

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


Secretary, Board of Directors

(SEAL)



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