

MINUTES  
NORTH FORT BEND WATER AUTHORITY  
August 23, 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 23<sup>rd</sup> day of August, 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 Fay, thus constituting a quorum.

Also present for all or part of the meeting were Lindsay Kovar, Matthew L. Froehlich, Fred Bauhof, and Janice Hayes of BGE, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Dale Clayton of Severn Trent Services, Inc. ("STSI"); David Oliver, Heather Trachtenberg, 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 meetings held July 26, and August 2, 2017. After review and discussion, Director Gay moved to approve the minutes as presented. Director Hebert 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, AND REUSE MATTERS

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

Ms. Kovar reported on the Authority's Second Annual 2017 Water Conservation Essay Contest with the theme, "Subsidence - what is it, how are we impacted, and how

can we control it?" for students in the 6th, 7th, and 8th grades at Hodges Bend, Bowie, and Crockett Middle Schools in the Fort Bend Independent School District. She stated that the contest is scheduled for October 16, 2017, to November 13, 2017. She reported that the Authority's Communication, Conservation, and Reuse Committee recommended that the Board approve a budget in the amount of \$7,000.00 for the contest to include the costs for design and printing, and prizes for 1st, 2nd, and 3rd place winners in each grade at each school. She stated that the prizes will be presented to the winners at the Authority's November 16, 2017, regular Board meeting.

Ms. Kovar reported on the Authority's 2017 Water Conservation Video Contest with the theme, "Outdoor Water Conservation - the New Normal," for students attending Cinco Ranch, Seven Lakes, and Tompkins High Schools in the Katy Independent School District. She stated that the contest is scheduled for September 18, 2017, to October 23, 2017, and prizes will be awarded for 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> place winners at each school and one overall winner.

Ms. Kovar reported that a welcome package containing a brochure providing information regarding the Authority, a welcome letter from the Authority, water conservation information, and a toilet leak detection tab will be provided to new residents within the Authority by operators either digitally or by hard copy, depending on the method used by the resident to obtain new service. She stated that the welcome packages will be additionally provided to the Fort Bend Chamber of Commerce for distribution and the attorneys of municipal utility districts within the Authority for distribution to the directors.

Ms. Kovar reported on a Water Efficiency Network meeting scheduled August 31, 2017.

Ms. Kovar reported that 124 irrigation evaluations were completed in July, 2017, 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 reported that construction of 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, began on July 10, 2017. She discussed procedures related to submitting an application to the Texas Water Development Board's (the "TWDB") Clean Water State Revolving Fund ("CWSRF") for grant funding of the Authority's portion of project by the September 14, 2017, deadline.

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 HGSD's reassessment of program participation procedures.

Ms. Kovar reviewed the proposed schedule for implementing the Authority's 2018 Larry's Toolbox water conservation program. She stated that directors of municipal utility districts in the Authority will be invited to attend an informational meeting on the program, including presentations from smart technology vendors, scheduled for October 11, 2017, at 6:00 p.m., at the Willow Fork Country Club.

Ms. Kovar stated that the improvement project for the Authority's water conservation mobile teaching lab has begun and will be completed in six to eight weeks.

Following review and discussion, Director Gay moved to:

- (1) approve a budget in the amount of \$7,000.00 for the Authority's Second Annual 2017 Water Conservation Essay Contest; and
- (2) adopt a resolution authorizing preparation and submittal of an application to the TWDB's CWSRF for grant funding of the Authority's FB 146 and FB 194 reclaimed system waterlines project by the September 14, 2017, deadline and designating Director Houghton as the Authority's authorized representative in connection with such application.

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

#### NOTICE OF 2018 PRELIMINARY FEES

Mr. Oliver 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. He reviewed a proposed notice that based upon the Authority's Rate Study recommendation, states that the Board anticipates increasing the GRP Fee to \$3.35 per 1,000 gallons of water pumped and the Surface Water Fee to \$3.70 per 1,000 gallons of surface water received, which increase correspondingly increases the Imported Water Fee, effective January 1, 2018. 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.

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

Ms. Lightbody 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, and a statement of revenues and expenditures for the Enterprise Fund. A copy of the bookkeeper's report is attached.

Mr. Oliver reported on the status of implementing a revenue note purchase program with JPMorgan Chase Bank for interim financing in an amount not to exceed \$150,000,000 that will provide the Authority with the flexibility to timely pay cash calls from: i) the City of Houston (the "COH") for the COH's Northeast Water Purification Plant ("NEWPP") Expansion Project; and ii) the WHCRWA for the joint Surface Water Supply Project. He reported that the Authority's Water System Revenue Notes, Series A (the "Series A Notes") closed on August 22, 2017. He reviewed the use of proceeds from the first Series A Note issued to JPMorgan Chase Bank in the amount of \$30,000,000, for reimbursement of the Authority's Improvement Fund for previous payments made for the COH's Cash Call Nos. 3 and 5B, and direct payments made for the COH's Cash Call Nos. 5D, 5E, and 6A. He reviewed a financial tracking calendar outlining funding sources and the corresponding amounts of the Authority's previous and anticipated payments for cash calls.

Following review and discussion, Director Gay moved to approve the bookkeeper's report. Director Hebert 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 reported that STSI's Hurricane Preparedness Plan has been implemented for the Authority's facilities in anticipation of Hurricane Harvey.

Mr. Clayton reported that Grand Mission Municipal Utility District No. 1's ("GM 1") Water Plant No. 3 is receiving surface water from the Authority.

Mr. Clayton reported that the 2016 valve survey was delayed due to equipment failure and weather conditions and is anticipated to be completed in 2017.

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 and reviewed with the Board the engineer's report, a copy of which is attached.

Mr. Froehlich reported on Fort Bend Subsidence District ("FBSD") matters, including the FBSD's groundwater reduction plan participant meeting on August 10, 2017, and public hearing regarding a proposed permit fee rate increase on August 15, 2017. He stated that the Authority's application for renewal of its aggregate well permit has been approved by the FBSD.

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 that the Authority's Capital Planning and Design Committee ("CPD Committee") recommended that the Board approve adding Fort Bend County Municipal Utility District No. 134A's ("FB 134A") Water Plant No. 2 well to the Authority's aggregate well permit and GRP accounting.

Mr. Froehlich reported on BGE's review of a reimbursement request from 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 stated a permanent easement for the meter station was received today and a recommendation for reimbursement for the facilities will be forthcoming.

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 stated a recommendation for amending the water supply letter agreement will be forthcoming.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Mr. Froehlich reported on BGE's review of the completed routing analyses for the Authority's revised 2025 surface water distribution system. He 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 construction of Main Segment 10B per the

Authority's contract with Hurtado Construction Company is complete and the final pay estimate will be presented at the September regular Board meeting.

Mr. Froehlich reported that the Authority's CPD Committee recommended that the Board approve Pay Estimate No. 6 and Final submitted by Principal Services, Ltd. for construction of the connection water line for GM 1's Water Plant No. 3 in the amount of \$3,014.28, and acceptance of the project.

Mr. Froehlich reported that the Authority's CPD Committee recommended that the Board approve Pay Estimate No. 4 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 \$95,996.25.

Mr. Froehlich reported on requests received from the contractor for the Authority's FB 146 and FB 194 reclaimed system waterlines project, C4 Partners, LLC ("C4"), for approval of partial payment of bid items for materials stored on hand and a reduction of retainage from 10% to 5% when the project is deemed 50% complete. He stated that the Authority's CPD Committee recommended that the Board approve the request for partial payment for materials on hand and refrain from committing to any set reduction of retainage at this time.

Mr. Froehlich reported that the Authority's CPD Committee recommended that the Board authorize execution of an Agreement for Professional Materials Engineering Laboratory Services with Tolunay-Wong Engineers, Inc. for the Authority's FB 146 and FB 194 reclaimed system waterlines project in the amount of \$12,544.00.

Mr. Froehlich reported that the Authority's project to replace the damaged subgrade and pavement at a crossing of Main Segment 7A at Baldwin Elm Street is complete. He reviewed and recommended approval of Change Order No. 1 to the contract with Texas Pride Utilities for the project to increase the contract in the amount of \$995.00 for additional excavation and subgrade stabilization. The Board determined that Change Order No. 1 is beneficial to the Authority.

Mr. Froehlich reported that the Authority's CPD Committee recommended that the Board approve Pay Estimate No. 1 and Final submitted by 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 in the amount of \$13,995.00, and acceptance of the project.

#### 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 COH's expanded NEWPP.

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

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 coordination with Cummins Southern Plains, LLC on exploring options for increased preventative maintenance procedures for the Authority's three gas generators located at the Bellaire Pump Station.

Mr. Froehlich 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. He reported that a contract was awarded to Thalle Construction Company, Inc. for construction of three miles of parallel 96-inch water lines in the amount of \$42,391,467.55.

Mr. Bauhof reported on the status of the COH's NEWPP Expansion Project per its Design-Build Agreement with the Houston Waterworks Team ("HWT"), including the schedule and budgets for design of early work packages and the balance of plant work. He reported that HWT is evaluating the four competitively sealed proposals received for Early Work Package 4, raw water transmission lines, which were all below the \$50,000,000 budget for the package.

Mr. Bauhof reported on McGrath & Co., PLLC's review of the COH NEWPP Expansion Project Semi-Annual Cost Recovery Report (CR2017-1) and preparation of an Agreed Upon Procedures report submitted to the COH for review.

Mr. Froehlich reported that BGE is reviewing documentation received from the COH for the Fiscal Year 2016 True-Up for the East Water Purification Plant.

Mr. Froehlich reported that the Region H Water Planning Group has requested updated population and demand projections from water user groups for preparation of the 2021 Region H Water Plan.

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

- (1) approve adding FB 134A's Water Plant No. 2 well to the Authority's aggregate well permit and GRP accounting;
- (2) approve Pay Estimate No. 6 and Final submitted by Principal Services, Ltd. for construction of the connection water line for GM 1's Water Plant No. 3 in the amount of \$3,014.28, and acceptance of the project;
- (3) approve Pay Estimate No. 4 submitted by Gonzalez Construction Enterprise, Inc. for construction of the connection water line for FB ID 24 in the amount of \$95,996.25;
- (4) approve C4's request for partial payment for materials on hand and refrain from committing to any set reduction of retainage at this time for the Authority's FB 146 and FB 194 reclaimed system waterlines project;
- (5) authorize execution of an Agreement for Professional Materials Engineering Laboratory Services with Tolunay-Wong Engineers, Inc. for the Authority's FB 146 and FB 194 reclaimed system waterlines project in the amount of \$12,544.00;
- (6) approve Change Order No. 1 in the amount of \$995.00 as an increase to the contract with 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, based upon the Board's finding that the change order is beneficial to the Authority and the engineer's recommendation;
- (7) approve Pay Estimate No. 1 and Final submitted by 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 in the amount of \$13,995.00, and acceptance of the project; and
- (8) approve McGrath & Co., PLLC's Agreed Upon Procedures report for the COH NEWPP Expansion Project Semi-Annual Cost Recovery Report (CR2017-1).

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

#### AUTHORITY FINANCING PLAN

Mr. Oliver reviewed and recommended approval of a Financing Agreement between the Authority and the TWDB for the Authority's upcoming issuance of its Water System Junior Lien Revenue Bonds, Series 2017 ("Series 2017 Bonds"), through



the TWDB's State Water Implementation Revenue Fund for Texas ("SWIRFT"). He stated the Series 2017 Bond proceeds will be used to pay for the Authority's costs related to: i) the Surface Water Supply Project with the WHCRWA; and ii) the COH's NEWPP Expansion Project. He discussed the previous bonds issued by the Authority through the TWDB's SWIRFT and procedures for issuing the Series 2017 Bonds, including the penalties assessed by the TWDB if the bonds are not sold pursuant to the TWDB's schedule. He stated that closing of the Series 2017 Bonds is scheduled for November 2, 2017. Following review and discussion, Director Hebert moved to authorize execution of the Financing Agreement. Director Patton seconded the motion, which was approved by unanimous vote.

Mr. Oliver noted that he previously updated the Board on the status of implementing a revenue note purchase program with JPMorgan Chase Bank for interim financing.

### CONTRACTS

Mr. Oliver 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 2018.

Mr. Oliver reported that the Authority's Finance and Policy Committee recommended that the Board authorize execution of a revised engagement letter with McGrath & Co., PLLC for services related to assisting with the review of financial information provided by the COH for the NEWPP Expansion Project at Mr. Bauhof's direction. He stated that the revised engagement letter incorporates cost sharing with the North Harris County Regional Water Authority on tasks providing mutual benefit to both Authorities to avoid duplication of work and expense.

Following review and discussion, Director Gay moved to authorize execution of: (1) a Catering Contract with the Willow Fork Country Club; and (2) a revised engagement letter with McGrath & Co., PLLC. Director Hebert seconded the motion, which was approved by unanimous vote.

### REALTY INTEREST ACQUISITION

Mr. Oliver reviewed a Water Line Easement with GM 1 for Segment 5 and a side letter with Prosperity Bank for Parcel 11.08, as listed on the attached Realty Interests Chart. Following review and discussion, Director Gay moved to authorize execution of the Water Line Easement and side letter. Director Hebert seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:00 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 and Ms. Kovar 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 7:04 p.m., the Board reconvened in open session. Director Darden moved to accept the counteroffers for Parcels 18.10, 11.12, 11.13, and 11.15. Director Gay 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 Mr. Bauhof and Ms. Kovar 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 7:25 p.m., the Board reconvened in open session. No action was taken by the Board.

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

(SEAL)



  
Secretary, Board of Directors

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