

MINUTES
NORTH FORT BEND WATER AUTHORITY

August 24, 2011

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 August, 2011, at the Golf Club at Cinco Ranch, 23030 Cinco Ranch Boulevard, 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 Spell, thus constituting a quorum.

Also present for all or part of the meeting were Melinda Silva, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Terrell Palmer of First Southwest Company; Pam E. Lightbody of AVANTA Services; Brian Bare of SWWC Services, Inc.; Steve Bonjonia of Property Acquisition Services, Inc.; Barbara Payne of Payne Communications; 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 regular meeting held on July 27, 2011. After review and discussion, Director Hebert moved to approve the minutes as written. Director Gay 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. There were no public comments.

PUBLIC COMMUNICATIONS AND CONFERENCES

Ms. Payne updated the Board on public communication activities, including water conservation education programs, the W.I.S.E. Guys irrigation system evaluation program, updates to the Authority's Facebook page, and preparation of a newsletter. Following discussion, Director Hebert moved to authorize preparation of a newsletter. Director Gay seconded the motion, which was approved by unanimous vote, except for



Director Houghton who was not present for the discussion or the vote.

Ms. Payne reported that a meeting room at the Willow Fork Country Club has been reserved for the Authority's Town Hall meeting to be held on October 27, 2011, from 6:00 to 7:30 p.m.

Mr. Oliver noted that the list of upcoming state and national conferences on water conservation and reuse topics has been updated to reflect revised Director attendance. Following review and discussion, the Board concurred to authorize Directors to attend the conferences on the list, as updated from time to time.

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

Ms. Lightbody reviewed a written bookkeeper's report, including checks for payment, transfers, monthly receipts, past due accounts, the income statement for the enterprise fund, and a schedule of debt service payments. A copy of the bookkeeper's report is attached. Ms. Lightbody reviewed two additional checks for a payment per a Right of Entry Agreement with CenterPoint Energy and for fees related to the Authority's bank account with Central Bank. She stated that the additional checks will be included on next month's bookkeeper's report. Following review and discussion, Director Hebert moved to approve the bookkeeper's report and the two additional checks. Director Gay seconded the motion, which was approved by unanimous vote.

The Board conducted a hearing on delinquent fees and rule violations. Ms. Lightbody reported that a request was received from Grand Lakes M.U.D. No. 4 ("GL 4") for waiver of the penalty assessed by the Authority for the failure of GL 4 to timely remit payment of monthly groundwater pumpage fees for May 2011. A copy of the request is attached. She stated that the Finance Committee reviewed the request at their last meeting and concurred to recommend denial of the request, due to GL 4's prior two penalties for late payment of pumpage fees, the fact that no evidence had been presented showing extraordinary circumstances for the late payment, and the fact that other districts in similar circumstances have paid penalties and have not been granted variances. Following review and discussion, Director Hebert moved to deny the request for waiver. Director Fay seconded the motion, which was approved by unanimous vote.

ADOPT AMENDED RATE ORDER

The Board reviewed a proposed Amended Rate Order (the "Order"). Mr. Oliver stated that the proposed amendments include a Surface Water Fee of \$1.85 per 1,000 gallons of surface water received and a Groundwater Reduction Plan Fee of \$1.50 per 1,000 gallons of water pumped (which increase correspondingly the Imported Water Fee), effective January 1, 2012. He stated that the current Surface Water Fee of \$1.55 per 1,000 gallons of surface water received and Groundwater Reduction Plan Fee of \$1.20



per 1,000 gallons of water pumped will remain in effect through December 31, 2011. Mr. Oliver stated that the Order also establishes procedures for new water wells and changes in existing water wells and includes a New Well or Activity Status Change Request Form. He stated that the Order also requires all non-exempt well owners within the Authority to adopt a water conservation plan by May 1, 2012. Following review and discussion, Director Hebert moved to adopt the Amended Rate Order. Director Gay seconded the motion, which was approved by unanimous vote.

SERIES 2011 BONDS

Mr. Palmer discussed the procedures and activities to be undertaken to issue the Authority's Water System Revenue Bonds, Series 2011 ("Series 2011 Bonds"). He recommended the selection of an underwriting team to include RBC Capital Markets, Coastal Securities, Inc., The GMS Group, LLC, Southwest Securities, and Morgan Keegan & Company, Inc. He discussed a bond issuance schedule that included the proposed sale of the bonds at next month's regular Board meeting and an October 26, 2011, closing date. He updated the Board on the current bond market and reviewed a Preliminary Official Statement for the Authority's Series 2011 Bonds. He discussed projected ratings of the Authority's bonds by Standard and Poor's Financial Services LLC and Fitch Ratings, Ltd. and actions being undertaken to obtain confirmed ratings. Following review and discussion, Director Gay moved to approve the Preliminary Official Statement, subject to revision by the Authority's consultants, schedule the sale of the Authority's Series 2011 Bonds, and appoint the underwriting team per Mr. Palmer's recommendations. Director Hebert seconded the motion, which was approved by unanimous vote.

Mr. Oliver noted that the Board previously adopted a Capital Advance and Reimbursement Procedure for the Authority's Series 2011 Bonds. He stated that Cinco M.U.D. No. 8 has submitted to the Authority a written notice of intent to fund its share of capital costs. Following review and discussion, Director Gay moved to approve a Resolution Accepting Capital Advance from Cinco M.U.D. No. 8. Director Hebert seconded the motion, which was approved by unanimous vote.

Mr. Oliver reviewed a supplemental engagement letter with ABHR for services as bond counsel in connection with the issuance and sale of the Authority's Series 2011 Bonds. Following review and discussion, Director Gay moved to authorize execution of the supplemental engagement letter with ABHR. Director Hebert seconded the motion, which was approved by unanimous vote.

OPERATION OF AUTHORITY FACILITIES

Mr. Bare reported on operation of the Authority's facilities. A copy of the Operations Report is attached. Following review and discussion, Director Hebert moved to approve the Operator's report. Director Gay seconded the motion, which was approved by unanimous 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. She reviewed a list of recent and upcoming events, and reported on activities related to the status of the Luce Bayou Project and the proposed second source transmission line. A copy of the engineer's report is attached.

Ms. Silva reported that the City of Houston ("COH") is currently in Stage 2 of its Drought Contingency Plan. She stated that the Authority will be subject to water restrictions if the COH reaches Stage 4 of its Drought Contingency Plan.

Ms. Silva reported that the Authority will be utilizing more water than initially planned due to early conversion of municipal utility districts to surface water and the drought currently experienced in the region. She recommended that the Authority make another raw water payment to avoid taking water beyond the amount currently reserved with the COH. She stated that the matter will be further discussed at next month's Committee meetings.

DESIGN AND CONSTRUCTION PROJECTS, AND SERVICES CONTRACTS

Ms. Silva reported on the status of design, contract documentation, right-of-way acquisition, and construction, as appropriate, for several main line segments, related district connection water lines, and the pump station. Spreadsheets summarizing the status of design and construction projects are attached to the engineer's report. Ms. Silva requested approval of fees in the approximate amount of \$50,000.00 to B&G for plan review and code enforcement for the pump station project.

Ms. Silva recommended approval of a change order to the design contract with Jones & Carter, Inc. for Main Segment 7A, due to changes in the water line alignment for Main Segment 7C.

Ms. Silva reported that 13 bids were opened on August 4, 2011, for the contract for the construction of the connection water line for Fort Bend County M.U.D. No. 122 and recommended that the Board award a contract in the amount of \$630,000.00 to the lowest qualified bidder, Hurtado Construction Company. Following review and discussion, the Board concurred with the engineer's judgment that Hurtado Construction Company was a responsible bidder whose bid would result in the best and most economical completion of the project.

Ms. Silva updated the Board on the construction of Main Segments 0, 1A, 1B, 2, 3, 4A, 4B, and 5, the connection water lines for Fort Bend County M.U.D. Nos. 2, 41, and 119, North Mission Glen M.U.D., Kingsbridge M.U.D., Big Oaks M.U.D., and Grand



Mission M.U.D. No. 1, and the D-158 water plant modifications project. She recommended approval of fifteen pay estimates for the Main Segments, connection water lines, and the D-158 water plant modifications project. She noted that the Authority has installed approximately 24.8 miles of water lines to date and discussed the schedule for surface water delivery.

Ms. Silva recommended final acceptance of the projects for the construction of the connection water lines for Fort Bend County M.U.D. Nos. 41 and 119.

Ms. Silva requested approval for B&G to solicit proposals from and negotiate contracts with Environmental Allies, Inc. for storm water pollution prevention services for Main Segments 6, 7A, and 7B, and the connection water line for Fort Bend County M.U.D. No. 118.

Ms. Silva requested approval for B&G to solicit proposals and negotiate contracts for materials testing services with HVJ Associates, Inc. for Main Segment 6, and with Geotest Engineering, Inc. for Main Segments 7A and 7B, and the connection water line for Fort Bend County M.U.D. No. 118.

ROUTING ANALYSES

Ms. Silva updated the Board on the progress of route evaluations for the Authority's 2025 distribution system. She reported that B&G has prepared route evaluations for Main Segments 15 and 17.

GRP, CHLORAMINES CONVERSION, AND FBSD REGULATIONS

Ms. Silva updated the Board on the status of chloramine conversion projects. A spreadsheet summarizing the status of chloramine conversion projects is attached to the engineer's report.

Ms. Silva updated the Board on activities related to the request from Fort Bend County M.U.D. No. 141 to participate in the Authority's Groundwater Reduction Plan ("GRP") by contract. She reported on activities related to requests from Fort Bend County M.U.D. No. 142 for a water supply contract and early conversion to surface water, a request for early conversion to surface water from Fort Bend County M.U.D. No. 58, and a request from Grand Mission M.U.D. No. 1 for a water supply contract.

Ms. Silva reported that, due to the drought experienced in Fort Bend County, the amount of groundwater pumpage within the Authority from October 2010 to June 2011 is 48% over the amount pumped last year. She recommended that the Authority submit to the Fort Bend Subsidence District (the "FBSD") a request to amend the Authority's current aggregate well permit prior to September 30, 2011, to avoid any potential penalties.

Ms. Silva reported on information for the next permit term received from well



owners within the Authority. She recommended submitting to the FBSD an application for the Authority's aggregate well permit for the next term.

Ms. Silva recommended approval of a request from Cross Creek Ranch Community Association to drill an emergency water well to supplement the irrigation of new landscaping.

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

- (1) approve fees for B&G in the approximate amount of \$50,000 for plan review and code enforcement for the pump station project;
- (2) approve a change order to the design contract with Jones & Carter, Inc. for Main Segment 7A in the amount of \$3,150;
- (3) approve the award and execution of a contract in the amount of \$630,000 with Hurtado Construction Company for the construction of the connection water line for Fort Bend County M.U.D No. 122;
- (4) approve the following pay estimates:

Main Segment 0, Pay Estimate No. 16 in the amount of \$0,

Main Segment 1A, Pay Estimate No. 17 in the amount of \$7,786.63,

Main Segment 1B, Pay Estimate No. 17 in the amount of \$10,806.25,

Main Segment 2, Pay Estimate No. 11 in the amount of \$33,643.67,

Main Segment 3, Pay Estimate No. 5 in the amount of \$936,116.56,

Main Segment 4A, Pay Estimate No. 9 in the amount of \$8,455.48,

Main Segment 4B, Pay Estimate No. 3 in the amount of \$343,645.39,

Main Segment 5, Pay Estimate No. 8 in the amount of \$99,158.95,

Kingsbridge M.U.D. connection water line, Pay Estimate No. 10 in the amount of \$0,

North Mission Glen M.U.D. connection water line, Pay Estimate No. 7 in the amount of \$6,175.13,

Fort Bend County M.U.D. No. 119 connection water line, Pay Estimate No. 7 and Final in the amount of \$23,868.05,

Fort Bend County M.U.D. No. 41 connection water line, Pay Estimate No. 5 and Final in the amount of \$20,769.85,

Big Oaks M.U.D. connection water line, Pay Estimate No. 3 in the amount of \$70,020.22,

Grand Mission M.U.D. No. 1 connection water line, Pay Estimate No. 2 in



the amount of \$327,710.70, and

D-158 water plant modifications project, Pay Estimate No. 10 in the amount of \$0;

- (5) approve final acceptance of the projects for the construction of the connection water lines for Fort Bend County M.U.D. Nos. 41 and 119;
- (6) authorize B&G to solicit proposals from and negotiate contracts with Environmental Allies, Inc. for storm water pollution prevention services for Main Segments 6, 7A, and 7B, and the connection water line for Fort Bend County M.U.D. No. 118;
- (7) authorize B&G to solicit proposals from and negotiate contracts with HVJ Associates, Inc. for Main Segment 6, and with Geotest Engineering, Inc. for Main Segments 7A and 7B, and the connection water line for Fort Bend County M.U.D. No. 118;
- (8) authorize B&G to submit to the FBSD a request and the associated fees to amend the Authority's current aggregate well permit;
- (9) authorize B&G to submit to the FBSD an application and the associated fees for the Authority's aggregate well permit for the next term; and
- (10) approve an emergency well request to supplement the irrigation of new landscaping by Cross Creek Ranch Community Association.

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

JOINT PROJECTS

Ms. Silva and Mr. Oliver discussed with the Board invoicing procedures per the Joint Facilities Agreement with the West Harris County Regional Water Authority for Main Segments 0 and 1A, the Bellaire Pump Station, and the Second Source Waterline and related pump stations.

WATER CONSERVATION AND REUSE

Director Patton provided an update on the Water Conservation Advisory Committee's activities. The Board reviewed a letter from the Authority to encourage the Authority's well owners to implement voluntary drought contingency measures. Following review and discussion, Director Hebert moved to authorize sending the letter to all well owners within the Authority. Director Gay seconded the motion, which was approved by unanimous vote.

Mr. Oliver reported that an executed Irrigation Evaluation Systems Cost Sharing Agreement was received from Cinco MUD No. 9.



CONTRACTS

There was no discussion on this item.

REALTY INTEREST ACQUISITION

Mr. Oliver recommended acceptance of two Water Line Easements for the parcels and from the Grantors listed on the attached Realty Interests Chart and a Right of Entry Agreement with CenterPoint Energy for Main Segment 12. Following review and discussion, Director Gay moved to accept the easements and authorize execution of the Right of Entry Agreement. Director Hebert seconded the motion, which was approved by unanimous vote.

EXECUTIVE SESSION

The Board convened in executive session at 7:38 p.m., to deliberate the purchase, exchange, lease, or value of real property.

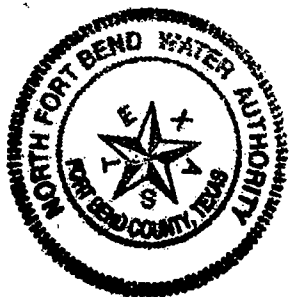
RECONVENE IN OPEN SESSION

At 8:12 p.m., the Board reconvened in open session. Following review and discussion regarding right-of-way acquisition, Director Darden moved to accept 14 Water Line Easements and one Side Letter for the parcels and from the Grantors listed on the attached Realty Interests Chart, and approve counteroffers for Parcels 04.27, 02.L03.03, and 02.L03.04, as discussed. Director Fay seconded the motion, which was approved by unanimous vote, except for Directors Hebert and Gay who were not present for the discussion or the vote.

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


Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Attendance Sheets.....	1
Bookkeeper's Report.....	2
Request for Waiver of Penalty	2
Operations Report.....	3
Engineer's Report.....	4
Realty Interests Chart	8
Realty Interests Chart	8

