

MINUTES
NORTH FORT BEND WATER AUTHORITY

August 28, 2013

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 28th day of August, 2013, 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	Director
Pat Hebert	Director

and all of the above were present, 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"); Pam E. Lightbody of AVANTA Services; Mark Yentzen and David Walker of Severn Trent Services, Inc.; 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 24, 2013, and the special meetings held on July 15, and August 7, 2013. After review and discussion, Director Gay moved to approve the minutes as written. 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 M.U.D. addressed the Board to request additional information regarding the Authority's proposed increase of the Groundwater Reduction Plan ("GRP") fee and the Surface Water fee. Anna Agnew of Cinco M.U.D. No. 7 addressed the Board to request additional information regarding the Authority's budget for fiscal year 2014. Ms. Miller stated that, during the Authority's August 7, 2013, special meeting, the Board approved preparation of a Notice of Preliminary 2014 Fees to assist utility districts with their annual budgeting process. She stated that the proposed notice states that the Board anticipates increasing the GRP Fee to \$2.20 per 1,000 gallons of water pumped and the Surface Water Fee to \$2.55 per 1,000 gallons of surface water received. She

stated that no changes in fees will be adopted by the Board without prior notice of the public meeting during which the Board anticipates adopting an Amended Rate Order. She stated that an opportunity for public comment on any proposed fee changes will be provided at that time. She stated that the Board anticipates considering adopting an Amended Rate Order and the fiscal year 2014 Budget at the November or December, 2013, regular meetings. There being no additional public comments, Director Patton closed the meeting to public comment.

PUBLIC COMMUNICATIONS

Ms. Miller reviewed a report on public communication and water conservation education activities from Barbara Payne of Payne Communications, including an update on the booking of the Authority's Mobile Teaching Lab, delivery of classroom water conservation materials, meetings with education curriculum specialists, preparation and delivery of direct mail and billing insert brochures for the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"), and development of programs for recognizing municipal utility districts' conservation efforts. Ms. Miller reviewed a proposal from the Save Water Texas Coalition for the Authority's participation in a proposed regional educational program related to Senate Joint Resolution 1 that proposes a constitutional amendment providing for the creation of two funds to assist in the financing of priority projects in the state water plan in the amount of \$15,000.00. Following review and discussion, Director Gay moved to approve the proposal. Director Fay seconded the motion, which was approved by unanimous vote, except for Director Houghton who was not present for the discussion or the vote.

WATER CONSERVATION AND REUSE

PROJECT MANAGER REPORT

Ms. Silva reported on activities related to the WISE Guys Program, including follow-up on outstanding constituent Water Conservation Plan Annual Report submittals and evaluation of requests for reuse credit agreements.

AMENDED DROUGHT CONTINGENCY PLAN

Mr. Oliver discussed Governor Perry's Proclamation Extending Drought Emergency and recommended that the Authority revise and implement its Drought Contingency Plan due to continued statewide drought conditions. He discussed statewide drought conditions and methods of encouraging reduced water usage. He reviewed an Order Adopting Amended and Restated Drought Contingency Plan; Providing for Implementation and Enforcement Thereof; Providing Penalties for Violations; and Containing Other Provisions Related to the Subject. He noted that the Authority's Water Conservation Plan continues to be implemented and in effect. Following review and discussion, Director Gay moved to 1) adopt the Order Adopting Amended and Restated Drought Contingency Plan; Providing for Implementation and

Enforcement Thereof; Providing Penalties for Violations; and Containing Other Provisions Related to the Subject; 2) implement the Authority's Drought Contingency Plan by requesting all water users within the Authority to voluntarily reduce water usage; and 3) authorize distribution of a notice stating that the Authority has triggered Stage 1 of its Drought Contingency Plan and requesting all water users to voluntarily reduce their water usage. 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 reviewed the written bookkeeper's report, including checks for payment, transfers, monthly receipts, past due accounts, the income statement for the Enterprise Fund, a summary of investments, and a schedule of debt service payments. A copy of the bookkeeper's report is attached. Harvey Nelson of Cinco M.U.D. No. 9 addressed the Board to request additional information regarding the City of Houston's (the "COH") fee for Major Rehabilitation Costs. Ms. Lightbody stated that the Authority receives a monthly invoice from the COH which includes the Authority's share of the COH's budgeted operating and maintenance costs for treated and untreated water facilities, raw water fees, and Major Rehabilitation costs. Mr. Oliver explained that the Major Rehabilitation costs include actual costs of projects implemented by the COH per its five-year capital improvement plan for facilities through which the Authority receives surface water and discussed procedures for auditing the fees. Discussion ensued regarding the COH's increased fee for Major Rehabilitation costs. Following review and discussion, Director Spell moved to approve the bookkeeper's report. Director Fay seconded the motion, which was approved by unanimous vote, except for Directors Houghton and Gay who were not present for the discussion or the vote.

NOTICE OF PRELIMINARY 2014 FEES

Mr. Oliver noted that the Authority normally distributes a notice of the proposed 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 states that the Board anticipates increasing the GRP Fee to \$2.20 per 1,000 gallons of water pumped and the Surface Water Fee to \$2.55 per 1,000 gallons of surface water received, which increase correspondingly increases the Imported Water Fee, effective January 1, 2014. Mr. Nelson addressed the Board regarding the effect of the preliminary rate on individual municipal utility districts. Ms. Agnew addressed the Board to request information regarding credits or rebates provided to municipal utility districts. Mr. Oliver responded that the rates are preliminary and have not been adopted. He stated that no credits or rebates are currently being provided to municipal utility districts. Following discussion, Director Hebert moved to authorize the consultants to distribute the notice as prepared. Director Fay seconded the motion, which carried unanimously,

except for Directors Houghton and Gay who were not present for the discussion or the vote.

OPERATION OF AUTHORITY FACILITIES

Mr. Yentzen reviewed the Operations report and reported on the operations of the Authority's facilities, including maintenance and repairs, preparation of an asset management program, monitoring of booster pump no. 1 at the D-158 Water Plant, and a flushing and testing schedule for Main Segments 7C and 12D. A copy of the operations report is attached. Mr. Yentzen reviewed a proposal from Water Utility Services, Inc. for total coliform sampling and analysis in the amount of \$25.00 per site. He stated that the proposed amount is a significant cost savings over the current amount charged to the Authority by Accutest Laboratories for the same services. Following review and discussion, Director Darden moved to approve the operator's report, including the proposal from Water Utility Services, Inc. and authorize ABHR to send a letter to terminate current services provided by Accutest Laboratories. Director Spell 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, the status of new wells located within the Authority, and a list of recent and upcoming events and conferences. A copy of the engineer's report is attached. Ms. Silva noted that incorrect meeting dates for the Authority's September Committee meetings are included on the engineer's report and will be corrected.

Ms. Silva reported on a meeting held with the COH on August 21, 2013, during which COH representatives stated that a meeting would be scheduled to address the outstanding information needed by the Authority to analyze the Fiscal Year 2011 True-up and the Fiscal Year 2014 O&M Rate.

Ms. Silva discussed matters related to the preparation of the Environmental Impact Statement and archeological work for the Luce Bayou project.

DESIGN AND CONSTRUCTION PROJECTS, AND SERVICES CONTRACTS

Ms. Silva updated the Board on the design of Main Segments 10A, 10B, 13A, and 16A, and geotechnical field work for the current design projects.

Ms. Silva updated the Board on the construction of Main Segments 7A, 7B, 7C, 8A, 8B, 9A, 9B, 12B, and 12D, and the Bellaire Pump Station project, and reported on warranty inspections. A spreadsheet summarizing the status of construction projects is attached to the engineer's report. She recommended approval of ten pay estimates for the construction projects and final acceptance of the projects for construction of Main Segment 7B and the connection water line for Fort Bend County M.U.D. No. 118, and

the D-158 Water Plant Well Inspection project. She additionally recommended approval of a change order to the Authority's contract with Gonzalez Construction Enterprise, Inc. for the construction of Main Segment 9A for a change in contract quantities.

ROUTING ANALYSES

There was no update on routing analyses.

GROUNDWATER REDUCTION PLAN, CHLORAMINES CONVERSION, AND SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING

Ms. Silva reported on the status of B&G's review of a second revised petition from Fort Bend County M.U.D. No. 25 for the exclusion of an additional 3.8 acres from the Authority's boundaries for a total of approximately 27.8 acres.

Ms. Silva reported on the status of B&G's review of a revised proposal for early surface water conversion of Fort Bend County M.U.D. No. 58.

Ms. Silva reported on the Authority's schedule for surface water delivery and permit renewal matters.

Ms. Silva reported that the Fort Bend Subsidence District revised its regulatory plan, including a revision to the definition of Alternate Water Supply. Mr. Oliver explained the revised definition of Alternate Water Supply adopted by the Fort Bend Subsidence District.

ELECTROPURIFICATION APPLICATIONS

There was no report on the status of Electro Purification, LLC's well permit applications under consideration by the Bluebonnet Groundwater Conservation District.

REPORTS AND STUDIES

There was no discussion regarding engineering reports and studies.

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

- (1) approve the following pay estimates:
 - Main Segment 7A, Pay Estimate No. 17 in the amount of \$0,
 - Main Segment 7B, Pay Estimate No. 17 and Final in the amount of \$157,574.77,
 - Main Segment 7C, Pay Estimate No. 8 in the amount of \$51,165.10,
 - Main Segment 8A, Pay Estimate No. 12 in the amount of \$392.00,

Main Segment 8B, Pay Estimate No. 13 in the amount of \$29,390.69,
Main Segment 9A, Pay Estimate No. 11 in the amount of \$265,402.94,
Main Segment 9B, Pay Estimate No. 14 in the amount of \$384,977.88,
Main Segment 12B, Pay Estimate No. 22 in the amount of \$0,
Main Segment 12D, Pay Estimate No. 23 in the amount of \$0, and
Bellaire Pump Station project, Pay Estimate No. 15 in the amount of \$324,630.94;

- (2) approve final acceptance of the projects for construction of Main Segment 7B, the connection water line for Fort Bend County M.U.D. No. 118, and the D-158 Water Plant Well Inspection project; and
- (3) approve Change Order No. 2 to the Authority's construction contract with Gonzalez Construction Enterprise, Inc. for Main Segment 9A in the amount of \$0.

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

JOINT PROJECTS

Mr. Oliver reported on a meeting of the Joint Facilities Committee.

CONTRACTS

Discussion ensued regarding the COH's response to the letter from the Authority regarding provisions of the Water Supply Contract that pertain to the time period during which the COH is required to provide the Authority with the 15 million gallons per day requested via the Authority's current outstanding reservation request.

Mr. Oliver and Ms. Lightbody discussed the proposed investment of the Authority's debt service reserve funds in school bonds and an engagement letter from the Authority's financial advisor, First Southwest Company, as recommended by the Finance and Policy Committee. Following review and discussion, Director Spell moved to authorize execution of the engagement letter with First Southwest Company. Director Fay seconded the motion, which was approved by unanimous vote, except for Directors Gay and Hebert who were not present for the discussion or the vote.

REALTY INTEREST ACQUISITION

Mr. Oliver reviewed three Water Line Easements and one side letter for Main Segments 13A and 16A as listed on the attached Realty Interests Chart. Following review and discussion, Director Fay moved to authorize execution of the realty interest acquisition documents as recommended. Director Fay seconded the motion, which was approved by unanimous vote, except for Directors Gay and Hebert who were not

present for the discussion or the vote.

EXECUTIVE SESSION

The Board convened in executive session at 7:24 p.m., to conduct a private consultation with the Authority's attorney and to deliberate the purchase, exchange, lease, or value of real property.

RECONVENE IN OPEN SESSION

At 8:18 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.

[SIGNATURE PAGE FOR THE MINUTES OF THE AUGUST 28, 2013, BOARD MEETING]

(SEAL)



Melony Say
Secretary, Board of Directors

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