



## BOOKKEEPER'S REPORT

Ms. Logsdon next reviewed a bookkeeper's report, including a summary of investments, monthly receipts, and past due accounts, a copy of which is attached. Following review and discussion, Director Gay moved that the Board approve the bookkeeper's report and payment of the bills. Director Hebert seconded the motion, which was approved by unanimous vote.

## CONDUCT HEARING

Ms. Logsdon stated that a hearing regarding delinquent fees is not necessary at this time.

## DISCUSS NEW SAS-112 AUDITING STANDARDS

Mr. McGrath discussed with the Board the new SAS-112 auditing standards issued by the Auditing Standards Board of the American Institute of Certified Public Accountants related to management letters and material weaknesses. Discussion ensued regarding the impact of SAS-112 on the Authority and options for consideration in response to the new auditing standard. No action was taken by the Board.

## ENGINEER'S REPORT

Ms. Silva next presented the engineer's report, including the monthly pumpage report, a list of wells located within the Authority that are not currently in service, a summary of activities, and upcoming events. She discussed evaluation of the Luce Bayou Project, development of the Groundwater Reduction Plan (the "GRP"), and preparation of a proposal for analysis of facility siting and transmission line routing. A copy of the written engineer's report is attached. Following review and discussion, Director Spell moved that the Board approve the engineer's report as presented. Director Hebert seconded the motion, which carried unanimously.

## ALTERNATIVE ANALYSIS REPORT

Mr. Scholler next discussed with the Board a previously distributed draft report of the Alternative Analysis for Surface Water Conversion ("Alternative Analysis"), which includes development of detailed 2013 and 2025 population and water demand projections, development of a GIS/database system, and facilities planning. He stated that updated financing schedules and estimates of debt service payments for each water authority for the Luce Bayou Project were presented during the City of Houston Advisory Committee Meeting held on September 21, 2007. In response to Mr. Allen's inquiry, he stated that the cost of purchasing raw water from the City of Houston is approximately \$0.50 per thousand gallons. This cost includes raw water along with raw water storage, facilities to pump the raw water from the storage and transmission system to convey the raw water to the water treatment plants. The cost of purchasing

untreated raw water from the Brazos River Authority is approximately \$0.30 to \$0.32 per thousand gallons and does not include storage, pumping or transmission facilities. He stated that purchasing raw water from the City of Houston will require an initial capital cost for the water treatment plant and distribution lines.

Following review and discussion, Director Gay moved that the Board approve the Alternative Analysis Report. Director Hebert seconded the motion, which was approved by unanimous vote.

#### GRP PARTICIPATION AGREEMENT WITH THE GEORGE FOUNDATION

Mr. Allen reminded the Board that it previously approved a Groundwater Reduction Plan Participation Agreement (“Agreement”) with the George Foundation (“TGF”), subject to final review and approval by the President of the Board. He stated that the Agreement has been executed by TGF and is ready for execution by the Board, subject to the Board’s consideration of a change in the boundaries of the land to be included in the agreement.

Mr. Page addressed the Board and requested that the Board consider adding to the Agreement 300 acres located within the City of Richmond’s extraterritorial jurisdiction. He stated that the Fort Bend Subsidence District has agreed to include the 300 acres within Regulatory Area A. He stated that no change is being requested to the amount of groundwater allocation previously approved by the Board. He reported that the City of Richmond has decided to participate in the Brazos River Authority’s Groundwater Reduction Plan. He said that the City of Richmond plans to consider consenting to TGF’s request to include the 300 acres in the Authority’s GRP during tomorrow night’s council meeting. Following discussion, Director Hebert moved that the Board approve execution of the Agreement with a revised boundary map to include the 300 acres as requested, subject to receipt of written consent from the City of Richmond within 30 days. Director Gay seconded the motion, which was approved by unanimous vote.

#### STATUS OF SURFACE WATER SUPPLY NEGOTIATIONS

Mr. Allen updated the Board on the status of negotiations with the City of Houston and the West Harris County Regional Water Authority (the “WHCRWA”) for supply of surface water and transmission facilities. He reviewed draft term sheets for a proposed Water Supply Contract and a Cost-Sharing Agreement and stated that an agreement for water supply may be ready for review at next month’s meeting. He stated that the proposed Cost-Sharing Agreement provides for pro-rata sharing of existing and future facility costs based on the amount of capacity reserved and of operations and maintenance costs based on the amount of water received from the City of Houston.

Mr. Allen reported on the City of Houston Advisory Committee Meetings and the discussions regarding the Luce Bayou Project. He reviewed some of the issues being discussed and analyzed for the Luce Bayou Project, including whether the project could be delayed past the currently projected year of 2020, the benefits of applying for a ten-year, interest-free loan for the project by January 2008, a comparison of cost allocation of the project based on a year 2040 ultimate system capacity to an allocation based on current capacity, determination of whether execution of a contract would be considered a capacity reservation for the City of Houston's raw water, and whether to move forward with permitting for the project while delaying construction. He stated that additional discussion and analysis is necessary before any recommendations can be made to the Board. No action was taken by the Board.

#### ADOPT ORDER SETTING A PUBLIC HEARING FOR THE EXCLUSION OF CERTAIN LAND

The Board next considered setting a public hearing date for the exclusion of the site for Fort Bend County Municipal Utility District No. 25's ("FBCMUD 25") water well no. 3. Mr. Allen explained that there was an error in the metes and bounds forwarded by FBCMUD 25 for the site previously excluded by the Authority. He reminded the Board that FBCMUD 25 has paid for all previous costs associated with prior exclusions for the district and will pay for all costs associated with the proposed exclusion. Following review and discussion, Director Spell moved that the Board adopt an Order Setting a Public Hearing for the Exclusion of Certain Lands for October 24, 2007, at 6:00 p.m., at the Authority's regular meeting place, at the Golf Club at Cinco Ranch, 23030 Cinco Ranch Boulevard, Katy, Texas 77450. Director Darden seconded the motion, which carried unanimously. A copy of the Order is attached.

#### RECEIVE UPDATE ON POLICY ON EARLY CONSTRUCTION OF SURFACE WATER LINES DUE TO DEVELOPER AND DISTRICT REQUESTS

Mr. Allen noted that a copy of the WHCRWA's policy on early construction of surface water lines due to developer requests was previously distributed to the Board. He stated that such a policy may provide cost savings opportunities for easement acquisition and installation of transmission lines prior to development. Following discussion, the Board concurred to review the policy for discussion at next month's meeting. In response to a meeting attendee's inquiry, Mr. Scholler stated that a general route of the distribution lines may be able to be placed onto the Authority's web site.

#### UPDATE ON CREATION OF ONLINE PUMPAGE REPORTING SYSTEM

Ms. Payne updated the Board on the status of the development of an on-line pumpage reporting system. She stated that implementation of the system and training is delayed by approximately 30 days due to the sudden death of an associate. She

stated that she expects that the system will be fully operational on January 1, 2008. No action was taken by the Board.

#### PUBLIC COMMUNICATIONS

Ms. Payne next updated the Board on the Authority's public communications and updates to the Authority's web site. She reviewed a letter from the Katy Independent School District expressing appreciation for the Authority's sponsorship of the "Water is Life" Program, a copy of which is attached. She reviewed activities undertaken for the program. She next reviewed an informational brochure from a new water conservation organization, "Alliance for Water Efficiency," a copy of which is attached. She stated that she has agreed to become a Charter Member of the organization. No action was taken by the Board.

#### LEGISLATION RELATED TO REGULATION OF IRRIGATION SYSTEMS

Mr. Allen reported that the statutes regarding irrigation are being reviewed and a report will be provided to the Board.

#### REPORTS FROM DIRECTORS AND CONSULTANTS

There were no additional reports.

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

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Secretary, Board of Directors

(SEAL)

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