

MINUTES
NORTH FORT BEND WATER AUTHORITY

April 20, 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 20th day of April, 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 Hebert, thus constituting a quorum.

Also present for all or part of the meeting were Dan Jackson of Willdan|Economists.com; Lindsay Kovar, Fred Bauhof, and Janice Hayes of BGE, Inc. ("BGE"); Pamela Logsdon of AVANTA Services; Dale Clayton of Severn Trent Services, Inc. ("STSI"); 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 March 22, 2017. After review and discussion, Director Gay moved to approve the minutes as presented. Director Patton 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.

RATE STUDY PRESENTATION

Mr. Jackson gave a presentation on a rate study performed for the Authority in late-2016 entitled, "Cost of Service Rate Study and Financial Forecast." He stated that the Authority's debt service costs will increase from the current approximate amount of \$32,000,000 to approximately \$87,000,000 in 2025. He recommended that the Authority increase its water fees by \$0.30 each year until 2020, and then by \$0.05 to \$0.10 every few years. Mr. Jackson noted that while the analysis is based on the best financial

planning information currently available, due to the large-scale nature in which the Authority is participating, he recommends performing an updated analysis on a regular basis to more accurately forecast future rate needs.

PUBLIC COMMUNICATIONS, WATER CONSERVATION, AND REUSE MATTERS

Ms. Kovar reported that, for the fourth year in a row, the Authority has won the American Water Works Association's Texas Water Conservation Reuse Award and the Authority's "Larry the Talking Sprinkler" and Randy Lemmon water conservation marketing and educational campaign has won the American Water Works Association's Watermark Award.

Ms. Kovar presented and reviewed with the Board a Memorandum Regarding Water Conservation and Reuse, a copy of which is attached. She reported that a workshop for municipal utility directors is scheduled from 5:30 to 7:30 p.m. on Tuesday, May 16, 2017, at the Willow Fork Country Club. She stated that the workshop topics include: (1) an overview Authority matters; (2) advanced metering infrastructure and automatic meter reading; (3) smart irrigation controllers; (4) and Texas Water Development Board ("TWDB") funding.

Ms. Kovar reported on development of the Authority's 2017 Water Conservation Video Contest with the theme, "Outdoor Water Conservation - the New Normal," for students attending Seven Lakes, Cinco Ranch, and Tompkins High Schools in the Katy Independent School District.

Ms. Kovar reported that the Authority concluded its mini rain barrel water conservation program held at elementary schools in the Katy Independent School District. She stated that 748 kindergarteners and 202 first graders participated in the program. She reported that the Lamar Consolidated Independent School District has requested that the program be presented to its elementary schools in 2018.

Ms. Kovar reported that the Authority's Conservation, Communication, and Reuse Committee ("CCR Committee") recommended that the Board approve purchasing the following promotional items for distribution during the Authority's community outreach events: (1) 2,000 rulers in the amount of \$1,380.00; (2) 2,000 toilet leak detector tabs in the amount of \$1,650.00; and (3) 2,500 wristbands in the amount of \$620.00. She stated that the expenditures are included in the Authority's 2017 Communication, Public Outreach, and Conservation Budget.

Ms. Kovar reviewed the schedule for the Authority's community outreach activities for April, May, and June, 2017, including Ms. Hayes' attendance at prior and upcoming Board meetings of municipal utility districts located within the Authority, spring festivals, the City of Houston's (the "COH") Water Week event, a Boy Scouts Fair, and the Fulshear Area Chamber of Commerce Living Well Expo. She stated that

the Authority will have an exhibition booth at the Association of Water Board Directors' 2017 Annual Conference. She reported that the Authority's CCR Committee recommended that the Board approve purchasing a rain barrel to provide to the Fulshear Area Chamber of Commerce Living Well Expo for use as a door prize in response to a contribution request.

Ms. Kovar reported that 139 irrigation evaluations were completed in March, 2017, through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"). She reported that an Irrigation System Evaluations Cost Sharing Agreement with Fort Bend County Municipal Utility District No. 134C is ready for execution. She stated that the district is a new participant in the WISE Guys Program as a result of its participation in the Authority's 2017 Larry's Toolbox water conservation program.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts. She stated that, as previously reported, the TWDB has confirmed that the Authority's funding of the reclaimed water distribution lines related to the Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194") effluent reuse system facilities project has been included in the TWDB's Clean Water State Revolving Funds ("CWSRF") program Intended Use Plan ("IUP"). She stated that the Authority must first be included in the IUP prior to applying for funds from the CWSRF program. Following review and discussion, Directors requested that capacity amounts and neighborhoods served be included on the chart.

Ms. Kovar reported on implementation of the Authority's 2016 Larry's Toolbox water conservation program, including procedures for submitting quarterly pumpage data for participants that achieved the seven points required to receive a quarterly rebate check equal to \$0.10 for every 1,000 gallons of water delivered within the municipal utility district's boundaries during 2017. Ms. Kovar reported that quarterly pumpage data (January 1, 2017 - March 31, 2017) is due to the Authority by April 30, 2017. She reported that the CCR Committee recommended that, in response to requests, the Board authorize a task order from Glass House Strategy ("GHS") for preparation of a bill insert advertising the achievement to the municipal utility districts' residents in the amount of \$250.00. She stated that the municipal utility districts would pay for their individual printing costs.

Ms. Kovar updated the Board on efforts to re-convene the Authority's volunteer Constituent Conservation Committee to discuss implementation of the Authority's 2016 and 2017 Larry's Toolbox water conservation programs and develop proposed new initiatives and enhanced implementation procedures for the program beginning in 2018. She stated that a letter has been sent to attorneys for municipal utility districts within the Authority to open committee membership to new members.

Ms. Miller reported that ABHR is counsel for Fort Bend County Municipal Utility

District No. 50 ("FB 50") and discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with a proposed Consulting Services Agreement with FB 50 and Masuen Consulting, LLC ("Masuen"). She presented a legal conflict waiver for ABHR's preparation of the agreement for Board consideration. Following discussion, Director Gay moved to authorize execution of legal conflict waiver for ABHR's preparation of the Consulting Services Agreement with FB 50 and Masuen Consulting. Director Fay seconded the motion, which was approved by unanimous vote.

Ms. Kovar reported that the CCR Committee recommended that the Board approve a proposal from Masuen in the amount of \$19,995.00 for implementing the Homeowners Association ("HOA") Irrigation Water Budget and HOA Irrigation System Evaluations initiatives for FB 50 and authorize execution of a Consulting Service Agreement with FB 50 AND Masuen.

Ms. Kovar reported on price estimates received from the Texas A&M AgriLife Extension related to 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 the CCR Committee recommended that the Board authorize purchase of the weather station, including recommended spare parts, in the amount of \$6,800.00.

Ms. Kovar reported on the CCR Committee's review of a request from an HOA within Cinco Municipal Utility District No. 3 for a contribution from the Authority in the amount of \$20,000.00 for a portion of the cost of a water conservation project for the medians on Westheimer Parkway that includes upgrading the irrigation system and removing some of the trees for a total cost of \$90,000.00. She reported that the CCR Committee recommended that the Board decline participating in the HOA's water conservation project for the medians on Westheimer Parkway.

Ms. Kovar reported on the CCR Committee's review of draft video advertisements filmed with Randy Lemmon for the Authority's 2017, "Larry the Talking Sprinkler" water conservation marketing and education campaign. She reported that the CCR Committee recommended that the Board approve the draft video advertisements, pending implementation of the committee's comments.

Ms. Kovar reported on the CCR Committee's review of GHS's preliminary copy for use in the updated interior and exterior of the Authority's water conservation mobile teaching lab. She reported that the CCR Committee recommended that the Board approve the preliminary copy, pending implementation of the committee's comments.

Ms. Kovar reported on proposed survey questions under development by GHS to determine residents' opinions regarding the Authority's water conservation

programs and discussed distribution options for the survey questions.

Ms. Kovar reported that the CCR Committee recommended that the Board authorize execution of a Trademark License Agreement with the HGSD for the coordinated long-term use of the Authority's "Larry the Talking Sprinkler" image. Ms. Miller reported that the HGSD approved the agreement and is considering using GHS as a media consultant. She explained that the agreement also includes the HGSD's use of the "Larry the Talking Sprinkler" image within the Fort Bend Subsidence District (the "FBSD"), because the HGSD administers and manages the FBSD's water conservation program.

Following review and discussion, Director Gay moved to:

- (1) Approve purchasing promotional items for distribution during the Authority's community outreach events in the amount of \$3,650.00;
- (2) Approve purchasing a rain barrel to provide to the Fulshear Area Chamber of Commerce Living Well Expo for use as a door prize;
- (3) Authorize execution of an Irrigation System Evaluations Cost Sharing Agreement with Fort Bend County Municipal Utility District No. 134C;
- (4) Authorize a task order from GHS for preparation of a bill insert in the amount of \$250.00;
- (5) Approve a proposal from Masuen in the amount of \$19,995.00 for implementing the HOA Irrigation Water Budget and HOA Irrigation System Evaluations initiatives for FB 50 and authorize execution of a Consulting Service Agreement with FB 50 and Masuen;
- (6) Authorize purchase of an evapotranspiration weather station, including recommended spare parts, in the amount of \$6,800.00;
- (7) Decline participating in a water conservation project for the medians on Westheimer Parkway;
- (8) Approve the draft video advertisements filmed with Randy Lemmon for the Authority's 2017, "Larry the Talking Sprinkler" water conservation marketing and education campaign, pending implementation of comments;
- (9) Approve GHS's preliminary copy for the Authority's water conservation mobile teaching lab, pending implementation of comments; and
- (10) Authorize execution of a Trademark License Agreement with the HGSD for the coordinated long-term use of the Authority's "Larry the Talking Sprinkler" image.

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

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

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

Ms. Miller reported that a cash call has been received from the West Harris County Regional Water Authority (the "WHCRWA") for previously incurred and anticipated Surface Water Supply project costs through December 31, 2017, over and above the amount covered by Water Infrastructure Fund financing. She stated that the cash call in the amount of \$7,898,445.89 is due June 12, 2017, and is being reviewed by BGE.

Following review and discussion, Director Gay moved to approve the bookkeeper's report. Director Patton 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 the Authority's three natural gas generators at the Bellaire Pump Station site are operational.

Ms. Kovar discussed credits the Authority received from BGE, STSI, and Si Environmental, LLC related to the loss of approximately two million gallons of water through the flushing valve for the Authority's surface water connection line for Fort Bend County Municipal Utility District No. 206 ("FB 206"). She reported that an isolation valve was installed at the Main Segment 4A connection line for FB 206 to significantly decrease the amount of water needed for flushing due to nitrification of the water in the line. She stated that BGE will include a credit on its next invoice to pay the mobilization cost and half of the labor fees for the installation because the valve should have been previously installed.

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

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AUTHORITY'S GROUNDWATER REDUCTION PLAN ("GRP")

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

Ms. Kovar 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. She reported that BGE is reviewing recently received reimbursement requests from FB 146 for construction costs for the connection water line and meter station at its Water Plant No. 3 along Main Segment 7C and Grand Lakes Municipal Utility District No. 1 for chloramine conversion costs at its Water Plant Nos. 1 and 2 at the end of Main Segments 10B and 10A, respectively.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Ms. Kovar reviewed a chart indicating the status of property acquisition matters.

Ms. Kovar reported that BGE met with the City of Fulshear's (the "COF") design consultant regarding the COF's master water plan. She stated that BGE is evaluating options for providing surface water to the COF and the associated costs.

Ms. Kovar reported that the Authority's contract with Hurtado Construction Company for construction of Main Segment 10B will be finalized pending completion of punch list items for the cathodic protection system.

Ms. Kovar reported that Fort Bend County Municipal Utility District No. 134A's contract for construction of a surface water line connection for its Water Plant No. 2 will be finalized when the plant receives electricity.

Ms. Kovar reported that start-up of the Authority's surface water line connection for Grand Mission Municipal Utility District No. 1's Water Plant No. 3 is pending establishment of permanent electrical power.

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND COMMUNICATION SYSTEMS

Ms. Kovar reported on the status of the Authority's project to construct a surface water line connection for Fort Bend County Improvement District No. 24 per its contract with Gonzalez Construction Enterprise, Inc.

Ms. Kovar 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. She stated that 90% plan submittal to

reviewing agencies is on hold pending receipt of the 90% water plant plans from Jones & Carter, Inc.

Ms. Kovar 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 Northeast Water Purification Plant ("NEWPP").

Ms. Kovar reported that the communication system for the meter stations for the Authority's surface water line connections for Fort Bend County Municipal Utility District No. 134A's Water Plant No. 2 and FB 194's Water Plant No. 3 is operational.

Ms. Kovar reported on the bid advertising schedule for the Authority's project to construct the FB 146 and FB 194 effluent reuse system facilities. She stated that bids are scheduled for opening on April 26, 2017, and a recommendation for award is scheduled for the Authority's May 3, 2017, special meeting.

Ms. Kovar reported on the schedule for replacing the damaged subgrade and pavement at a crossing of Main Segment 7A at Baldwin Elm Street per the Authority's construction contract with Texas Pride Utilities. She stated that the Authority's Capital Planning and System Operations Committee recommended that the Board authorize execution of an Agreement for Professional Materials Engineering Laboratory Services with Terracon Consultants, Inc., for construction materials testing in the amount of \$2,500.00.

Ms. Kovar 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, comprised of: 1) the wastewater plant reclaimed water improvements; and 2) the reclaimed water distribution system.

REGIONAL PLANNING MATTERS: JOINT PROJECTS, WATER SUPPLY MATTERS, AND PROJECT FUNDING

Ms. Kovar reported on matters related to the Authority's joint facilities with the WHCRWA, including Comcast's installation schedule for a hardwired internet connection to provide internet service to the Bellaire Pump Station.

Ms. Kovar reviewed a letter to the manufacturer of the Authority's three gas generators located at the Bellaire Pump Station site, Cummins Southern Plains, LLC ("Cummins"). She stated that the letter was prepared on behalf of the Board and documents the Authority's dissatisfaction with the recent operational issues with the generators and the service and response provided by Cummins. She stated that the Authority's Capital Planning and System Operations Committee recommended that the Board authorize execution of the letter.

Ms. Kovar reported that BGE reviewed and provided comments on 30% design plans for Segment B and a portion of Segment A of the Authority's joint Surface Water

Supply Project with the WHCRWA.

Ms. Kovar reported on COH water supply matters. She 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, and advertisement for bids for construction contracts for three miles of parallel 96-inch 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 ("HWT"). He stated that the cost model and schedule for the amended Final Basis of Design Report for a 320 MGD modular layout was received and will be the project's baseline schedule and budget going forward. He reported on Cash Calls from the COH pursuant to the Authority's water supply contract with the COH. He recommended payment of Cash Call No. 5B for HWT engineering services in the approximate amount of \$14,200,000, due May 30, 2017, and Cash Call No. 5C for the purchase of wetlands mitigation credits in the approximate amount of \$976,756.00, due June 12, 2017.

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

- (1) Authorize execution of an Agreement for Professional Materials Engineering Laboratory Services with Terracon Consultants, Inc. for construction materials testing 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 \$2,500.00;
- (2) Authorize execution of letter that documents the Authority's dissatisfaction with the recent operational issues with the three gas generators located at the Bellaire Pump Station site and the service and response provided by Cummins;
- (3) Approve payment of the Authority's share of Cash Call Nos. 5B and 5C for the NEWPP Expansion Project pursuant to the Authority's water supply contract with the COH in the amounts of \$14,200,000 and \$976,756.00, respectively.

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

Ms. Miller reported that the COH's True-Up Report for the East Water Purification Plant's operations and maintenance expenditures for the fiscal year ended June 30, 2016, was received and backup information for the report is expected to be received from the COH next week.

RESOLUTION EXPRESSING INTENT

Ms. Miller reported on financing matters and procedures for reimbursing funds from tax-exempt bond or note proceeds. Following discussion, the Board concurred to defer this item.

RENEWL OF LETTER OF CREDIT

Ms. Miller reviewed with the Board a term letter with Central Bank for renewal of the Authority's Letter of Credit in favor of CenterPoint Energy Houston Electric, LLC, for an origination fee in the amount of \$10,000.00. Following review and discussion, Director Gay moved to authorize execution of the term letter. Director Patton seconded the motion, which was approved by unanimous vote.

CONTRACTS

There were no additional contracts for Board consideration.

REALTY INTEREST ACQUISITION

The Board concurred to defer this item.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:06 p.m., to consult with its attorney regarding the Authority's legal rights and obligations under the Water Supply Contract with the COH. The Board determined that the attendance in this executive session of Mr. Scholler, Ms. Kovar, and Mr. Clayton, were 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 7:12 p.m., the Board reconvened in open session. No action was taken by the Board.

CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:13 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. Scholler and Mr. Bauhof, as the representatives of the Authority, were 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 7:27 p.m., the Board reconvened in open session. No action was taken by the Board.


CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:28 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 Ms. Kovar, was necessary in order for the Board to obtain the necessary legal advice from its attorney, and the Board requested her presence in the executive session.

RECONVENE IN OPEN SESSION

At 7:34 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.


Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Attendance Sheets.....	1
Memorandum Regarding Water Conservation and Reuse	2
Bookkeeper's report.....	6
Operator's report.....	6
Engineer's report.....	7