

MINUTES
NORTH FORT BEND WATER AUTHORITY

June 28, 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 28th day of June, 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, thus constituting a quorum.

Also present for all or part of the meeting were Lindsay Kovar, Fred Bauhof, Matthew L. Froehlich, and Janice Hayes of BGE, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Dale Clayton of Severn Trent Services, Inc.; 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 meeting held May 24, 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 development of 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 tentatively scheduled for September 25, 2017, to October 27, 2017. She reported that the Authority's Conservation, Communication, and Reuse Committee ("CCR Committee") recommended that the Board approve an overall budget of \$5,000.00 for the contest, including advertising and gift card fees.

Ms. Kovar reported that the Authority's CCR Committee recommended purchasing a Plinko Game as a promotional item for use during the Authority's community outreach events in the amount of \$415.00, including shipping. She stated that Director Patton authorized purchasing the Plinko Game pursuant to his Board approved authorization allocation so that the game could be received in time to be utilized during the Association of Water Board Directors' 2017 Annual Conference.

Ms. Kovar reviewed a schedule of the Authority's community outreach activities and training opportunities for June, 2017, including Ms. Hayes' attendance at prior Board meetings of municipal utility districts located within the Authority. She discussed the Authority's exhibition booth at the recently held Association of Water Board Directors' 2017 Annual Conference.

Ms. Kovar reported that 167 irrigation evaluations were completed in May, 2017, through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program"). She reported that a bill insert message regarding the Authority's WISE Guys Program was recently distributed.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts and reported that an Alternative Water Credit Application was received from Fort Bend County Municipal Utility District No. 118.

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. Ms. Miller reviewed an Interlocal Agreement between the Authority and Fort Bend County Municipal Utility District No. 50 related to the weather station and the 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 completion of discussions with the HGSD.

Ms. Kovar reported that 34 of the 37 participants in the Authority's 2016 Larry's Toolbox water conservation program earned the required number of seven points necessary to receive a reduced 2017 water rate. She stated that the total amount of the first quarter water rate rebate for payment to the 34 participants is \$120,491.00. She stated that the average amount of the rebate is \$2,000.00 to \$3,000.00 per participant and within the budgeted amount for the program. She gave a presentation containing a list

of the participants receiving first quarter water rate rebates and a summary of the results of the program initiatives implemented by the participants. She asked participant board members and residents in attendance at the meeting to stand and be recognized for their accomplishments, efforts, leadership, and assistance towards the Authority's goal of achieving overall capital improvement savings through water conservation.

Ms. Kovar reported that the Authority's volunteer Constituent Conservation Committee met on June 14, 2017, to discuss developing proposed new initiatives and enhanced implementation procedures for the Authority's Larry's Toolbox water conservation program beginning in 2018. She stated that the next meeting is tentatively scheduled for July 19, 2017.

Ms. Miller reported that ABHR is counsel for Fort Bend County Municipal Utility District No. 151 ("FB 151") 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 151 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 the legal conflict waiver for ABHR's preparation of the Consulting Services Agreement with FB 151 and Masuen. Director Hebert 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 \$23,000.00 for implementing the Homeowners Association ("HOA") Irrigation Water Budget initiative for FB 151, and entering into a Consulting Service Agreement with Masuen and FB 151.

Ms. Kovar updated the Board on Glass House Strategy's activities related to the Authority's water conservation marketing and education campaign, including distribution of the Spring 2017 newsletter, airing of new "Larry the Talking Sprinkler" and Randy Lemmon advertisements through various digital media outlets, design of additional improvements to the Authority's water conservation mobile teaching lab, and updates to the TalkingSprinkler.com website.

Following review and discussion, Director Gay moved to:

- (1) Approve an overall budget of \$5,000.00 for the Authority's 2017 Water Conservation Video Contest for students attending Cinco Ranch, Seven Lakes, and Tompkins High Schools in the Katy Independent School District;
- (2) Approve the purchase of a Plinko Game as a promotional item for use during the Authority's community outreach events in the total amount of \$415.00;

- (3) Authorize execution of an Interlocal Agreement between the Authority and Fort Bend County Municipal Utility District No. 50 related to the Authority's evapotranspiration weather station and participation in the HGSD's "Water My Yard" program;
- (4) Approve first quarter water rate rebate payments to the 34 participants in the Authority's 2016 Larry's Toolbox water conservation program that earned the required number of seven points necessary to receive a reduced 2017 water rate in the amount of \$120,491.00; and
- (5) Approve a proposal from Masuen in the amount of \$23,000.00 for implementing the HOA Irrigation Water Budget initiative for FB 151, and entering into a Consulting Service Agreement with Masuen and FB 151.

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

Ms. Lightbody reported on four checks issued by the Authority that were voided and included in the 2017 escheat to the Texas State Comptroller's Office.

Ms. Lightbody reported on a credit payment received for the Authority's Water System Revenue Bonds, Series 2010B, Direct Subsidy Build America Bonds. She discussed reinvestment of a maturing Certificate of Deposit in a Treasury Bill, transfers made for the remaining amount of escrowed funds from the Authority's Series 2015 and 2016B Bonds, and payment of a cash call to the West Harris County Regional Water Authority (the "WHCRWA") for the joint Surface Water Supply Project in the amount of \$17,591,193.53 pursuant to the terms of the Authority's Joint Facilities Agreement with the WHCRWA.

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

ANNUAL REPORT FILING

Ms. Miller reviewed the Authority's updated financial and operating data included in the Annual Report prepared in accordance with the Authority's Continuing

Disclosure of Information Agreement and as required by SEC Rule 15c2-12. Following review and discussion, Director Gay moved to approve the updated financial and operating data, and direct that the report be filed appropriately and retained in the Authority's official records. Director Hebert seconded the motion, which was approved by unanimous vote.

PROCEDURES FOR CONTINUING DISCLOSURE COMPLIANCE

The Board conducted an annual review of the Authority's Procedures for Continuing Disclosure Compliance and concurred that no action was necessary.

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. 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 GROUNDWATER REDUCTION PLAN ("GRP")

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

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.

Mr. Froehlich reported that BGE is reviewing a reimbursement request from Fort Bend County Municipal Utility District No. 134A ("FBC 134A") for the cost of additional infrastructure constructed for the Authority's surface water connection line and meter station at FBC 134A's Water Plant No. 2, pursuant to a water supply letter agreement between FBC 134A and the Authority.

Mr. Froehlich reported that BGE provided written responses to annexation notices from Fort Bend County Municipal Utility District Nos. 130 and 142 per the City of Houston's (the "COH") recently adopted annexation submission requirement changes.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Mr. Froehlich 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 on BGE's review of a request from FBC 134A for an increase in the existing commitment contained in the Authority's water supply letter agreement with FBC 134A from 466,667 to 713,000 gallons per day. He stated that FBC 134A's request and an inquiry from Fort Bend County Municipal Utility District No. 190 regarding water supply availability are being reviewed in coordination with BGE's overall evaluation of the Authority's water supply policy.

Mr. Froehlich reported that BGE developed conceptual routing and a cost estimate in the amount of \$6,800,000.00 for delivering surface water to the City of Fulshear (the "COF") per the COF's most recent master water plan.

Mr. Froehlich 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.

Mr. Froehlich reported that permanent electrical power has been established for FB 134A's Water Plant No. 2 and Grand Mission Municipal Utility District No. 1's Water Plant No. 3. He stated that testing of the surface water connection lines will be completed prior to bringing the plants online.

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND STUDIES

Mr. Froehlich reported on the status of the Authority's project to construct a surface water line connection for Fort Bend County Improvement District No. 24. He recommended approval of Pay Estimate Nos. 1 and 2 from Gonzalez Construction Enterprise, Inc. in the amounts of \$139,544.75 and \$11,285.64, respectively.

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 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").

Mr. Froehlich discussed the Authority's joint project with Fort Bend County Municipal Utility District No. 146 ("FB 146") and Fort Bend County Municipal Utility District No. 194 ("FB 194") consisting of: (1) FB 146 and FB 194's wastewater treatment plant expansion; and (2) the Authority's effluent reuse system facilities. He reported that FB 146 awarded the contract to C4 Partners, Ltd., and the Notice to Proceed is scheduled to be issued during the week of July 10, 2017.

Mr. Froehlich 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 and stated that the project will begin after permits are issued.

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

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

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 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, and advertisement for bids for construction contracts for three miles of parallel 96-inch water lines and a maintenance facility.

Mr. Bauhof reported on the status of the COH's NEWPP Expansion Project per its Design-Build Agreement with the Houston Waterworks Team, including the resignation of the Project Director, the status of budget matters related to the Final Basis of Design Report Addendum cost model and schedule, and the schedule for bids and budgets for design of early work packages.

Following review and discussion, Director Gay moved to approve the engineer's report, including approval of Pay Estimate Nos. 1 and 2 from Gonzalez Construction Enterprise, Inc. for construction of the Authority's surface water line connection for Fort Bend County Improvement District No. 24 in the amounts of \$139,544.75 and \$11,285.64, respectively. Director Hebert 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 6:48 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, 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

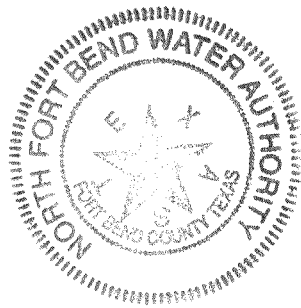
At 6:59 p.m., the Board reconvened in open session. No action was taken by the Board.

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



Secretary, Board of Directors

(SEAL)



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