

MINUTES  
NORTH FORT BEND WATER AUTHORITY

August 27, 2014

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 27th day of August, 2014, 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, except Directors Gay and Fay, thus constituting a quorum.

Also present for all or part of the meeting were David Drake and Anna Agnew, Directors of Cinco M.U.D. No. 7; Dave Scholler, Charles Shumate, Emmanuel De Pau, Lindsay Kovar, and Chris Jacob of Brown & Gay Engineers, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Mark Yentzen of Severn Trent Services, Inc. ("ST"); Steve Bonjonia of PAS Property Acquisition Services, LLC; Jason Klump of Storm Water Solutions, LP; David Oliver and Christina Miller 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 23, 2014, and the special meeting held on August 6, 2014. After review and discussion, Director Hebert moved to approve the minutes as written. Director Darden seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. Mr. Drake addressed the Board and stated that a resolution vehemently opposing the Authority's draft Order Establishing Minimum Standards for Installation of Irrigation Systems was adopted at Cinco M.U.D. No. 7's most recent Board of Directors meeting. Mr. Drake invited others to meet with him and Ms. Agnew after the Authority's Board meeting to discuss and join in the effort against the imposition of the regulations. Director Houghton stated that, although the final comment period closed July 31, 2014, the

Board welcomed additional comments and stated that comments on specific concerns would be the most helpful.

Ms. Agnew expressed her specific concern regarding drip irrigation requirements and stated that Cinco M.U.D. No. 7 will submit written comments regarding the proposed regulations to the Authority.

There being no additional public comments, Director Houghton closed the meeting to public comments.

#### PUBLIC COMMUNICATIONS AND WATER CONSERVATION AND REUSE

Ms. Kovar discussed water conservation and reuse matters. A copy of a Water Conservation and Reuse Memorandum is attached. She reported on the following matters: scheduling of presentations to municipal utility districts on the Authority's past activities and future plans; a meeting scheduled with the Fort Bend Subsidence District (the "FBSD") to present the Authority's current water conservation efforts; upcoming training opportunities; the status of reuse or alternative water credit projects/contracts for Grand Lakes M.U.D., Cinco M.U.D. No. 1, and Fort Bend County M.U.D. Nos. 34 and 35; the Authority's W.I.S.E. Guys Irrigation System Evaluation Program; follow-up on constituent submissions of Annual Water Conservation Reports; water conservation marketing campaign activities; formation of a water conservation committee consisting of representatives from municipal utility districts and homeowners associations to assist with development of a five-year water conservation implementation plan; development of responses to public comments on the proposed order related to the development of proposed landscape irrigation system requirements received during the public comment period; and the availability of brochures regarding landscaping and water efficient systems at no cost to municipal utility districts from the Texas Department of Agriculture.

Ms. Kovar reported on the use of the Authority's water conservation mobile teaching lab at the upcoming Fort Bend County Fair and items for inclusion in a bag of items to be distributed to children attending the event. Following discussion, Director Hebert moved to authorize the purchase of 2,500 rulers in the approximate amount of \$1,800.00 and participation in the purchase of water bottles in the amount of \$250.00 for distribution during the event. Director Patton seconded the motion, which was approved by unanimous 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, a summary of investments, a schedule of debt service payments, a schedule of the number of inspections completed for the Authority's W.I.S.E. Guys Irrigation System Evaluation Program, and the income

statement for the Enterprise Fund. A copy of the bookkeeper's report is attached. Discussion ensued regarding electricity costs and the budget. Following review and discussion, Director Hebert moved to approve the bookkeeper's report as presented. Director Patton seconded the motion, which was approved by unanimous vote.

#### ARBITRAGE REBATE REPORT FOR SERIES 2009 BONDS

Mr. Oliver reviewed an arbitrage rebate report for the Authority's Series 2009 Bonds that states that the Authority does not owe a yield reduction payment to the Internal Revenue Service.

#### OPERATION OF AUTHORITY FACILITIES

Mr. Yentzen reviewed the operator's report and reported on the operations of the Authority's facilities, including maintenance and repairs and water accountability. A copy of the report is attached. He discussed coordination with BGE on returning the D-158 Water Plant to the City of Houston (the "COH") and repairs made to Main Segment 7B under warranty. He reported that the Authority's water conservation mobile teaching lab was delivered to ST for storage and transportation. He discussed disposal of pipes from prior line breaks currently stored at the D-158 Water Plant and the Board concurred with disposal of the pipes. Following review and discussion, Director Hebert moved to approve the operator's report. Director Patton seconded the motion, which was approved by unanimous vote.

#### ENGINEERING MATTERS

##### WATER SUPPLY CONTRACT AND PROJECTS

Mr. Scholler presented the engineer's report and reported on monthly groundwater and surface water use by municipal utility districts receiving surface water from the Authority, projected and actual water use for the current permit year to date, granted and potential early conversion credits, and a list of recent and upcoming events and conferences. A copy of the engineer's report is attached.

Mr. Scholler reported on matters related to the Authority's Water Supply Contract with the COH. He stated that the COH is coordinating a meeting to discuss the Fiscal Year 2012 True-up, the COH's five-year capital improvement plan, and the Fiscal Year 2015 O&M rate. He reported on the COH's adjustments to the Fiscal Year 2011 O&M Expenses True-Up and recommended payment to the COH pursuant to the Authority's Water Supply Contract with the COH, pending receipt and review of the final invoice.

Mr. Scholler discussed matters related to the planned expansion of the Northeast Water Purification Plant and a proposed second supplement to the Authority's Water Supply Contract with the COH, including coordination between the regional water

authorities through a committee scheduled to meet weekly with the COH on such matters.

DESIGN AND CONSTRUCTION PROJECTS, SERVICES CONTRACTS, AND ROUTING ANALYSES

Mr. Scholler updated the Board on the operation of the Bellaire Pump Station and construction of Main Segments 10A and 10B, combined Main Segments 13A and 16A, and the connection water line for Fort Bend County M.U.D. No. 206. He recommended approval of two pay estimates for the construction projects and Change Order No. 1 to the Authority's contract with E.P. Brady, Ltd. for construction of combined Main Segments 13A and 16A for additional demobilization/remobilization due to CenterPoint delaying the contractor's access to the site.

Mr. Scholler reported on a meeting held between BGE, ST, and representatives of the COH to identify the tasks the Authority is to complete prior to the COH accepting the D-158 Pump Station from the Authority pursuant to the Authority's Lease Agreement with the COH.

Mr. Scholler reported on a meeting held with a director of the Texas Water Development Board to discuss potential financing of the Authority's future capital improvement projects, including the Luce Bayou Interbasin Transfer Project, the planned expansion of the Northeast Water Purification Plant, the Second Source Water Line, and future Authority internal water transmission lines. Mr. Oliver discussed proposed comments to the Texas Water Development Board's draft rules for the State Water Implementation Fund for Texas (the "SWIFT Program").

GRP, CHLORAMINES CONVERSION, SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND REPORTS AND STUDIES

Mr. Scholler reported that the Authority's consultants are preparing comments to submit to the FBSD on its proposed Rules changes.

Mr. Scholler reported that the application for renewal of the Authority's well permit for the term October 1, 2014, through September 30, 2015, was submitted to the FBSD in the amount of 14,000,000,000 gallons.

Mr. Scholler did not have an update on proposed legislation for state level regulation of brackish groundwater drafted by the brackish groundwater subcommittee of the Texas Water Conservation Association.

Mr. Scholler reported that a construction contract was awarded and discussed the construction schedule for Cinco M.U.D. No. 1's test well for a joint brackish groundwater study in the Jasper aquifer. He stated that the preliminary cost of the extensometer is approximately \$400,000.00.

Mr. Scholler reported on BGE's development of a Five Year Capital Improvement Plan for the Authority for discussion during the committee meetings.

Mr. Scholler reported on preparation of exhibits for a proposed amendment to the Joint Facilities Agreement between the Authority and the West Harris County Regional Water Authority related to the revised alignment of the Second Source Water Line and current operations of the Bellaire Pump Station.

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

- (1) approve the following pay estimates:  
Main Segment 10B, Pay Estimate No. 2 in the amount of \$192,995.68, and  
Main Segments 13A and 16A, Pay Estimate No. 6 in the amount of \$97,876.22;
- (2) approve Change Order No. 1 to the Authority's contract with E.P. Brady, Ltd. for construction of combined Main Segments 13A and 16A in the amount of \$16,262.63;
- (3) approve payment to the COH in the amount of \$210,765.00 pursuant to the Authority's Water Supply Contract with the COH, pending receipt and review of the final invoice; and
- (4) approve sending comments on draft rules for the SWIFT Program to the Texas Water Development Board.

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

#### JOINT PROJECTS

Mr. Scholler reported that ABHR is working on a proposed amendment to the Joint Facilities Agreement between the Authority and the West Harris County Regional Water Authority related to the revised alignment of the Second Source Water Line and current operations of the Bellaire Pump Station.

#### CONTRACTS

The Board reviewed a Catering Contract with the Willow Fork Country Club for meeting space and food service for the Authority's regular monthly meetings to be held in 2015.

Mr. Oliver reported that a Notice of Material Breach and Intent to Terminate the Authority's Customer Service Agreement was issued to Windstream. He

recommended terminating the Authority's contract with Windstream because 17 remote circuits remain inoperable.

Mr. Oliver noted that, as reported by Mr. Yentzen, the Authority's water conservation mobile teaching lab has been transferred to ST for storage and transportation. He recommended terminating the Authority's Mobile Teaching Lab Trailer Transport Agreement with Texas Operations & Professional Services ("TOPS").

Following review and discussion, Director Darden moved to authorize execution of a Catering Contract with the Willow Fork Country Club and termination of the Authority's contracts with Windstream and TOPS. Director Hebert seconded the motion, which was approved by unanimous vote.

#### REALTY INTEREST ACQUISITION

Mr. Oliver reviewed a Water Line Easement and Temporary Construction Easement Agreement for Parcels 13B.10, 13B.10R, and 13B.10TE, as listed on the attached Realty Interests Chart. Following review and discussion, Director Hebert moved to authorize execution of the easement document. Director Patton seconded the motion, which was approved by unanimous vote.

#### CONVENE IN EXECUTIVE SESSION

The Board convened in executive session at 7:21 p.m., pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with attorney to discuss pending or contemplated litigation, or a settlement offer, and pursuant to Section 551.072, Texas Government Code, to deliberate the purchase, exchange, lease, or value of real property.

#### RECONVENE IN OPEN SESSION

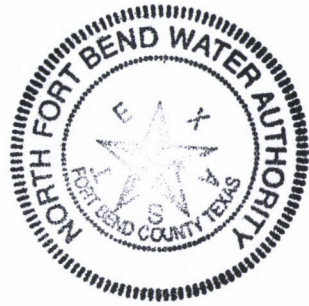
At 7:50 p.m., the Board reconvened in open session. Director Darden moved to authorize a final purchase offer for parcels 10A.02, 10A.03, 10A.08, 10A.09, and 10A.10 as discussed, and to move forward with condemnation proceedings if the offer is not accepted. Director Hebert seconded the motion, which was approved by unanimous vote.

Director Hebert moved to authorize the Authority's attorney to draft a response to draft settlement provisions for the lawsuits filed by the Cities of Rosenberg and Richmond against the FBSD challenging the FBSD's regulatory plan, as amended. Director Darden seconded the motion, which was approved by unanimous vote.

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

[SIGNATURE PAGE FOR THE MINUTES OF THE AUGUST 27, 2014, BOARD MEETING]

(SEAL)



*David Lee*

Asst. Secretary, Board of Directors

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