

MINUTES
NORTH FORT BEND WATER AUTHORITY

November 16, 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 16th day of November, 2017, at the offices of BGE, Inc. ("BGE"), 10777 Westheimer, First Floor Conference Room, Houston, Texas, outside 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 Directors Houghton and Hebert, thus constituting a quorum.

Also present for all or part of the meeting were David C. Scholler, Lindsay Kovar, Fred Bauhof, and Beatrice Handolescu of BGE; Pamela Logsdon of AVANTA Services; Dale Clayton of Severn Trent Services, Inc. ("STSI"); David Oliver, Christina Miller, Heather Trachtenberg, 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 October 25, 2017. After review and discussion, Director Gay moved to approve the minutes as presented. Director Fay seconded the motion, which carried unanimously, except for Director Patton who was not present for the discussion or the vote.

COMMENTS FROM THE PUBLIC

Director Darden opened the meeting to receive public comments. There being no public comments, the Board concurred to close the meeting to public comments.

MEETING SCHEDULE

Ms. Miller reminded the Board of the December 6, 2017, special meeting to discuss redrawing the Authority's director precincts and conduct a workshop on the Authority's budget for fiscal year end December 31, 2018. She also reminded the Board

that the Authority's December 27, 2017, regular meeting date has been rescheduled to Thursday, December 21, 2017.

ENGAGE ACCOUNTING FIRM AND AUTHORIZE AUDITOR

Ms. Miller reported that the Authority's Finance and Policy Committee recommended that the Board authorize McCall Gibson Swedlund Barfoot, PLLC ("MGSB") to prepare the Authority's annual financial statements for the fiscal year ending December 31, 2017, in an amount not to exceed \$34,000.00.

Ms. Miller reported that the Authority's Finance and Policy Committee recommended that the Board authorize McGrath & Co., PLLC ("McGrath") to prepare the Authority's annual audit for the fiscal year ending December 31, 2017, in an amount not to exceed \$34,500.00. She stated that McGrath provided a preliminary fee estimate of \$5,000.00 for preparing the Authority's single audit for financing received from the Texas Water Development Board.

Following review and discussion, Director Gay moved to authorize MGSB to prepare the Authority's annual financial statements and McGrath to prepare the Authority's single audit, as necessary and the Authority's annual audit for the fiscal year ending December 31, 2017. Director Fay seconded the motion, which was approved by unanimous vote, except for Director Patton who was not present for the discussion or the vote.

PUBLIC COMMUNICATION, WATER CONSERVATION, AND REUSE MATTERS, AND 2018 LARRY'S TOOLBOX WATER CONSERVATION PROGRAM

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 the Authority's Second Annual 2017 Water Conservation Essay Contest with the theme, "Subsidence - what is it, how are we impacted, and how can we control it?" for students in the 6th, 7th, and 8th grades at Hodges Bend, Bowie, and Crockett Middle Schools in the Fort Bend Independent School District. She stated that the contest began October 16, 2017, and the deadline to submit essays is November 17, 2017. She stated that prizes for 1st, 2nd, and 3rd place winners in each grade at each school will be presented to the winners at the Authority's December 21, 2017, regular Board meeting.

Ms. Kovar reported on community outreach events attended on behalf of the Authority in Fort Bend County Municipal Utility District Nos. 2 and 133, and Cinco Southwest Municipal Utility District No. 2.

Ms. Kovar reminded the meeting attendees that the Authority will provide tri-fold, color brochures containing information regarding the Authority to the Authority's

constituents free of charge upon request.

Ms. Kovar reported that the Authority's Communication, Conservation, and Reuse Committee ("CCR Committee") recommended that the Board authorize the purchase of polo shirts for Directors and the Authority's consultants to wear when representing the Authority at conferences, community events, and other events in an amount not to exceed \$700.00.

Ms. Kovar reported that the Authority has been invited to give a presentation at the American Water Works Association's Sustainable Water Management Conference scheduled March 25 - 28, 2018.

Ms. Kovar reported that 175 irrigation evaluations were completed in October, 2017, through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program").

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts. She reported that the Authority's CCR Committee recommended that the Board authorize execution of an amendment to the Authority's Wastewater Treatment Plant Effluent Reuse Agreement with Fort Bend County Municipal Utility District No. 34 ("FB 34") to extend the construction commencement deadline to no later than one year after FB 34 receives its Chapter 210 authorization from the Texas Commission on Environmental Quality.

Ms. Kovar updated the Board on implementation of the Authority's 2018 Larry's Toolbox water conservation program. She reported that the Authority's CCR Committee recommended that the Board approve payment of three invoices from Masuen Consulting, LLC ("Masuen") for implementation of the Authority's 2017 Larry's Toolbox water conservation program's Homeowners Association ("HOA") Irrigation Water Budget and/or HOA Irrigation System Evaluations initiatives for: (1) Fort Bend County Municipal Utility District No. 151 in the amount of \$500.00; (2) Fort Bend County Municipal Utility District No. 30 in the amount of \$2,000.00; and (3) Fort Bend County Municipal Utility District No. 50 in the amount of \$1,500.00. She stated that the invoices are within budget.

Ms. Kovar reported that the Authority's CCR Committee recommended that the Board approve a postcard survey for distribution at the Authority's community outreach events to obtain feedback from residents on the Authority's water conservation programs.

Following review and discussion, Director Darden moved to:

- (1) authorize the purchase of polo shirts for Directors and the Authority's consultants to wear when representing the Authority at conferences, community events, and other events in an amount not to exceed \$700.00;

- (2) authorize execution of an amendment to the Authority's Wastewater Treatment Plant Effluent Reuse Agreement with FB 34;
- (3) approve payment of three invoices from Masuen for implementation of the Authority's 2017 Larry's Toolbox water conservation program's Homeowners Association ("HOA") Irrigation Water Budget and/or HOA Irrigation System Evaluations initiatives for: (1) Fort Bend County Municipal Utility District No. 151 in the amount of \$500.00; (2) Fort Bend County Municipal Utility District No. 30 in the amount of \$2,000.00; and (3) Fort Bend County Municipal Utility District No. 50 in the amount of \$1,500.00; and
- (4) approve a postcard survey for distribution at the Authority's community outreach events to obtain feedback from residents on the Authority's water conservation programs.

Director Gay 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, a statement of revenues and expenditures for the Enterprise Fund, and a quarterly investment report. A copy of the bookkeeper's report is attached. Following review and discussion, Director Gay moved to approve the bookkeeper's report. Director Fay seconded the motion, which was approved by unanimous vote.

ANNUAL REVIEW OF INVESTMENT POLICY

The Board conducted an annual review of the Authority's Investment Policy. Mr. Oliver reviewed recommended changes to the Authority's Investment Policy due to several changes to the Public Funds Investment Act, Public Funds Collateral Act, and other laws impacting the investments of governmental entities that were enacted during the 2017 Legislative Session. After review and discussion, Director Gay moved to adopt a Resolution Regarding Annual Review of Investment Policy and Adoption of Amended Investment Policy. Director Patton seconded the motion, which was approved by unanimous vote.

AUTHORIZED DEPOSITORY INSTITUTIONS AND QUALIFIED BROKER/DEALERS

Mr. Oliver reported that the Authority's Finance and Policy Committee recommended that the Board approve the bookkeeper's updated list of authorized depository institutions and qualified broker dealers, which includes all banks where the

Authority maintains deposits and investments. After review and discussion, Director Gay moved to adopt a Resolution Establishing Authorized Depository Institutions and Adopting List of Qualified Broker Dealers with Whom the Authority May Engage in Investment Transactions. Director Fay seconded the motion, which was approved by unanimous vote.

NOTICE OF PROPOSED ADOPTION OF AMENDED RATE ORDER

The Board reviewed a draft Notice of Proposed Groundwater Pumpage Fee and Surface Water Fee Increases which states that, at the Authority's December 21, 2017, meeting, the Board intends to consider adoption of an Amended Rate Order implementing a Groundwater Reduction Plan ("GRP") Fee in the amount of \$3.35 per 1,000 gallons of groundwater pumped and a Surface Water Fee in the amount of \$3.70 per 1,000 gallons of water delivered by the Authority, which correspondingly increases the Imported Water Fee, effective January 1, 2018. Following review and discussion, Director Gay moved to authorize distribution of the Notice of Proposed Groundwater Pumpage Fee and Surface Water Fee Increases. 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. Following review and discussion, Director Fay moved to approve the operator's report. Director Spell seconded the motion, which was approved by unanimous vote.

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND AUTHORITY'S GRP

Ms. Kovar presented and reviewed with the Board the engineer's report, a copy of which is attached. She 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 the Fort Bend Subsidence District is reviewing the Authority's application for over-conversion credits, including two years of Fort Bend County Municipal Utility District No. 169's alternate storm water use.

Mr. Oliver reported that ABHR is counsel for Fort Bend County Municipal Utility District No. 190 ("FB 190"), and discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with preparation of a proposed Water Supply Commitment Letter Agreement with FB 190. He reported that the Authority's Capital Planning and Design Committee ("CPD

Committee”) recommended that the Board approve a legal conflict waiver for ABHR’s preparation of the agreement. Following discussion, Director Gay moved to authorize execution of a legal conflict waiver for ABHR’s preparation of the proposed Water Supply Commitment Letter Agreement with FB 190. Director Spell seconded the motion, which was approved by unanimous vote.

Ms. Kovar reported that the Authority’s CPD Committee recommended that the Board authorize execution of a Water Supply Commitment Letter Agreement with FB 190 for a period commencing on December 1, 2017, in the amount of 305,000 gallons per day and escalating over time to ultimately automatically adjust to 588,000 gallons per day on December 31, 2020. She stated that the agreement has been forwarded to the Board of Directors of FB 190 for execution.

Ms. Kovar reported that the Authority’s Finance and Policy Committee and CPD Committee reviewed correspondence from the operator for Grand Lakes Municipal Utility District No. 1 (“GL 1”) requesting adjustments to the Authority’s GRP fees charged to GL 1 due to GL 1’s adjustments to the water bills of two of its residents for large water leaks caused by Hurricane Harvey. She stated that the Finance and Policy Committee and CPD Committee recommended that the Board approve providing disaster relief adjustments to the GRP fees charged to GL 1 in the total amount of \$699.60 because GL 1 adequately documented that the residents experienced extenuating circumstances.

Ms. Kovar reported on City of Houston (“COH”) water supply matters. She reported that the COH’s planned shutdown of one of its large diameter water lines to complete a project at the Southwest Pump Station for approximately two weeks has been rescheduled to begin December 6, 2017. She stated that the COH may request that the Authority reduce the amount of surface water it takes from the COH from 19.5 MGD to 15.5 MGD during the shutdown. She stated that BGE will coordinate with the COH and STSI before and during the shutdown.

Ms. Kovar reported on BGE’s acknowledgment of Fort Bend County Municipal Utility District No. 58’s notification of its intent to annex 0.6267 acres. She stated that the annexation is not expected to increase water demand within the Authority.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

Ms. Kovar reported on the status of BGE’s updates to routing analyses for the Authority’s revised 2025 surface water distribution system. She reviewed a chart indicating the status of property acquisition matters.

Ms. Kovar reported that construction of Main Segment 10B per the Authority’s contract with Hurtado Construction Company is complete and the final pay estimate is being prepared.

Ms. Kovar reported that construction of the connection water line for Fort Bend County Improvement District No. 24 per the Authority's contract with Gonzalez Construction Enterprise, Inc. is complete and the final pay estimate is being prepared.

Ms. Kovar reported that the Authority's CPD Committee recommended that the Board approve payment of Pay Estimate Nos. 1 and 2 for the Authority's Phase 1 portion of the joint effluent reuse project with Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194") for construction of the Authority's reclaimed water system per its contract with C4 Partners, LLC in the amounts of \$13,572.00 and \$189,107.19, respectively.

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND STUDIES

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.

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, consisting of: (1) the wastewater plant reclaimed water improvements; and (2) the reclaimed water distribution system. She stated the Authority's CPD Committee recommended that the Board authorize execution of a Chapter 210 permit application to the Texas Commission on Environmental Quality for the Authority as a provider of reclaimed water for the project.

Ms. Kovar reported on the status of Costello, Inc.'s design of the Authority's Phase 2 portion of the joint effluent reuse project with FB 146 and FB 194 consisting of the Authority's distribution lines for the effluent reuse system.

REGIONAL PLANNING MATTERS: JOINT PROJECTS AND WATER SUPPLY

Ms. Kovar reported on matters related to the Authority's joint facilities with the West Harris County Regional Water Authority (the "WHCRWA"). She reported on the status of design for Segments A, B, and C, the Re-Pump Station, and the Central Pump Station for the Authority's joint Surface Water Supply Project with the WHCRWA.

Ms. Kovar reported on the status of the Coastal Water Authority's Luce Bayou Interbasin Transfer Project, including the delayed schedule for construction of the Capers Ridge pump station and canal due to the impact of Hurricane Harvey. She reported on the status of construction of the dual 96-inch raw water lines.

Mr. Bauhof reported on the status of the COH's Northeast Water Purification Plant Expansion Project per its Design-Build Agreement with the Houston Waterworks Team, including the anticipated schedules, budgets, and cash calls for early work packages.

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

- (1) approve execution of a Water Supply Commitment Letter Agreement with FB 190 for a period commencing on December 1, 2017, in the amount of 305,000 gallons per day and escalating over time to ultimately automatically adjust to 588,000 gallons per day on December 31, 2020, subject to FB 190's execution;
- (2) approve providing disaster relief adjustments to the GRP fees charged to GL 1 in the total amount of \$699.60 because GL 1 adequately documented that the residents experienced extenuating circumstances;
- (3) approve payment of Pay Estimate Nos. 1 and 2 for the Authority's Phase 1 portion of the joint effluent reuse project with FB 146 and FB 194 for construction of the Authority's reclaimed water system per its contract with C4 Partners, LLC in the amounts of \$13,572.00 and \$189,107.19, respectively; and
- (4) authorize execution of a Chapter 210 permit application to the Texas Commission on Environmental Quality for the Authority as a provider of reclaimed water for the effluent reuse facilities project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4.

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

The Board and meeting attendees watched a video regarding the COH's Northeast Water Purification Plant Expansion Project in which Director Patton makes an appearance.

AUTHORITY FINANCING PLAN

Ms. Miller updated the Board on matters related to the Authority's financing plan. She reported that the Authority's \$87,360,000 Water System Junior Lien Revenue Bonds, Series 2017, closed on November 2, 2017.

CONTRACTS

There were no contracts for consideration.

REALTY INTEREST ACQUISITION

Ms. Miller reviewed two side letters for Parcels 11.05 through 11.13 related to a Water Line Easement and Agreement Regarding Landscape Easement, and 11.06 and 11.07 related to a Water Line Easement, as listed on the attached Realty Interests Chart.

Following review and discussion, Director Gay moved to authorize execution of the side letters as presented. Director Fay seconded the motion, which was approved by unanimous vote.

CONDUCT PUBLIC HEARING TO RECEIVE COMMENTS REGARDING POPULATION GROWTH AND WATER DEMAND UPDATE ANALYSIS AND RECOMMENDATIONS FOR REDRAWING THE AUTHORITY'S DIRECTOR PRECINCTS

Ms. Kovar gave a presentation summarizing the report on BGE's reassessment of population growth and water demand projections and the Authority's Capital Improvement Plan reviewed during the August 2, 2017, special meeting of the Board. She explained that actual water usage is being tracked and provides more accurate data than previously utilized census data. She stated that population growth within the Authority since its inception in 2005 has led to an imbalance in the distribution of water usage between director precincts. She stated that water usage amounts are used to calculate the strength of the vote of each municipal utility district within a director precinct during the director appointment process conducted during even-numbered years.

Ms. Kovar reviewed a graph of population growth and water demand projections through 2070. She reviewed the water demand projections allocated among the current director precincts and stated that the majority of the projected water demand is currently located within precincts 3 and 7.

Ms. Kovar reviewed proposed modifications to director precinct boundaries that allocates water demand in the approximate amount of 14% for each precinct within a 2% variance. She stated that efforts were made to keep the precincts and regional systems in the same geographical area.

Ms. Kovar reminded the Board of the procedures undertaken regarding proposed modifications to the Authority's existing director precinct boundaries to represent a more equitable distribution of water usage between the precincts. She stated that the proposed modifications were undertaken based on BGE's report on reassessed population growth and water demand projections and the Authority's Capital Improvement Plan reviewed during the August 2, 2017, special meeting of the Board. She stated that the procedures included distributing notices to the Authority's constituents, including municipal utility districts and the City of Fulshear, and posting the notices to the Authority's website, to provide an opportunity for written comments on the updated population growth and water demand analysis and proposed director precinct modifications, as well as the opportunity to attend the Board's public hearings on October 25 and November 16, 2017, to provide oral comments and for the Board to review the written comments.

Ms. Kovar discussed BGE's evaluation of comments received to date related to allocating undeveloped area to precincts and correcting boundaries for certain municipal utility districts and discussion ensued.

Mr. Oliver reported that the Authority's CCR Committee, Finance and Policy Committee, and CPD Committee reviewed correspondence from the Board of Directors of Cinco Municipal Utility District No. 7 ("Cinco 7") requesting Director Patton's attendance at its regularly scheduled meeting on November 16, 2017, to discuss the Authority's proposed modification of director precincts. He stated that Cinco 7 additionally requests extension of the Authority's written comment period until December 31, 2017.

Director Patton reported on his attendance at Cinco 7's Board meeting. Discussion ensued regarding the current proposed schedule to consider adoption of the final population growth and water demand analysis, redrawing of the director precincts, and the 2018 director appointment process. Following discussion, Director Darden moved to extend the written comment period on the updated population growth and water demand analysis and proposed director precinct modifications to December 4, 2017. Director Fay seconded the motion, which was approved by unanimous vote. The Board authorized ABHR to distribute notification of the extended written comment period to all of the attorneys of municipal utility districts within the Authority and the City of Fulshear for distribution to their directors/council members and post the notification on the Authority's website.

Director Patton opened the meeting and the Board conducted a public hearing to receive comments regarding the Population Growth and Water Demand Update Analysis and recommendations for redrawing the Authority's director precincts. An attendee asked whether there would be any impact from the proposed director precinct modification process on the quality of water delivered by the Authority. In response, Ms. Kovar indicated that any modifications would not impact the quality of surface water delivered by the Authority. No other comments were provided by the meeting attendees. Upon receiving no additional comments from the public, the Board concurred to close the public hearing.

CONVENE IN EXECUTIVE SESSION

The Board did not convene in executive session.

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

(SEAL)




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Attendance Sheets.....	1
Memorandum Regarding Water Conservation and Reuse	2
Bookkeeper's report.....	4
Operator's report.....	5
Engineer's report.....	5
Realty Interests Chart	8