

MINUTES
NORTH FORT BEND WATER AUTHORITY

October 24, 2007

The Board of Directors of the North Fort Bend Water Authority (the "NFBWA") met in regular session, open to the public, on the 24th day of October, 2007, at the Golf Club at Cinco Ranch, 23030 Cinco Ranch Boulevard, Katy, Texas 77450, inside the boundaries of the NFBWA, and the roll was called of the duly appointed 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 Director Houghton, thus constituting a quorum.

Also present for all or part of the meeting were: Terrie Sechrist of McDonald & Sechrist PC; Roland Adamson of The George Foundation; David C. Scholler, P.E., Charles Shumate, P.E., and Melinda Silva, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Mike Reedy of TCB; Pam E. Lightbody of AVANTA Services; Joe B. Allen, David Oliver, and Justine M. Cherne of Allen Boone Humphries Robinson LLP ("ABHR"); and persons listed on the attached attendance sheets.

APPROVE MINUTES

The Board first considered approving the minutes of the September 26, 2007, meeting. After discussion, Director Hebert moved to approve the minutes as written. Director Gay seconded the motion, which carried unanimously.

RECEIVE COMMENTS FROM THE PUBLIC

Director Patton opened the meeting to receive public comments. No public comments were made.

BOOKKEEPER'S REPORT

Ms. Lightbody next reviewed a bookkeeper's report, including a summary of investments, monthly receipts, and past due accounts, a copy of which is attached. She then reviewed a Quarterly Investment Report, a copy of which is attached. She

reviewed a request for reimbursement for water conservation credits from Fort Bend County MUD No. 2. She reviewed an additional check for ABHR for approval. Ms. Lightbody next reviewed a preliminary budget for fiscal year 2008. Following review and discussion, Director Gay moved to approve the bookkeeper's report and payment of the bills. Director Hebert seconded the motion, which was approved by unanimous vote.

CONDUCT HEARING

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

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY

The Board next conducted an annual review of the District's Investment Policy. No changes to the Investment Policy were recommended by the District's consultants. Ms. Lightbody discussed updates to the District's authorized depository institutions and list of qualified broker/dealers. Following review and discussion, Director Gay moved to adopt a Resolution Regarding Annual Review of Investment Policy without amendment to the District's current Investment Policy and adopt a Resolution Establishing Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers as recommended by the bookkeeper. Director Spell seconded the motion, which was approved by unanimous vote. Copies of the resolutions are attached.

ACCEPT ANNUAL DISCLOSURE STATEMENTS

Ms. Lightbody presented to the Board the annual disclosure statements of the bookkeeper and investment officer. Following review and discussion, Director Fay moved to accept the annual disclosure statements of the bookkeeper and investment officer. Director Hebert seconded the motion, which was approved by unanimous vote. Copies of the annual disclosure statements are attached.

APPROVE PUMPAGE FEE CALCULATION AND NOTICE

Mr. Scholler next requested approval to prepare an analysis of the estimated increase in the pumpage fee to \$0.30 per 1,000 gallons for the year 2008, as discussed at the July 2007, regular meeting. Mr. Allen requested authorization to distribute notification of the Board of Directors' intent to adopt the monthly pumpage fee at next month's regular meeting. Following discussion, Director Fay moved to authorize B&G to complete an analysis of the estimated increase in the pumpage fee and authorize the consultants to distribute notification of the date, time and location of next month's regular meeting of the Board of Directors at which a Groundwater Reduction Plan Fee

of \$0.30 per 1,000 gallons of water pumped effective January 1, 2008, will be adopted. Director Hebert seconded the motion, which carried unanimously.

ENGINEER'S REPORT

Mr. Scholler next presented the engineer's report, including the monthly pumpage report, a list of wells located within the NFBWA that are not currently in service, a summary of activities, and upcoming events. A copy of the written engineer's report is attached.

Mr. Scholler reported on the City of Houston (the "COH") Advisory Committee Meetings and discussions regarding the Luce Bayou Project. He stated that the COH provided financial calculations that quantified a \$34,000,000 benefit to all parties for obtaining Texas Water Development Board (TWDB) Water Improvement Financing ("WIF") when compared to obtaining an open market loan in the manner that the COH would finance such a loan. He stated that the COH also provided water demand flow diagrams that illustrated the need for the Luce Bayou Project by the year 2020. He reviewed the major points of a counter proposal for the Luce Bayou Project which was discussed with the COH at the advisory meeting held on October 19, 2007: 1) the Authorities (the North Harris County Regional Water Authority (the "NHCRWA"), the West Harris County Regional Water Authority (the "WHCRWA"), and the NFBWA) would agree to share costs in the Luce Bayou Project using year 2040 water demand numbers; 2) the project would be a two step process to include the Authorities' commitment to share costs in the amount of \$35,000,000 for initial permitting, engineering, and right-of-way costs, with all parties mutually deciding when to move forward with construction; 3) the Existing Raw Water Facilities Cost payment would be calculated based on $(2040 \text{ reservation} / \text{COH } 2040 \text{ demand}) \times \text{COH } 2015 \text{ debt}$; and 4) the Authorities' participation would be contingent on obtaining a loan through TWDB WIF.

Mr. Allen discussed the COH financial calculations which quantified the benefits of applying for a ten-year, interest-free loan from the TWDB for the project by January 2008. In response to an inquiry from a member of the public, Mr. Allen explained that there have been a series of meetings between the working groups of the NHCRWA, the WHCRWA, and the NFBWA, and that the working groups are in accord with the counter proposal. Following discussion, Director Gay moved to approve the counter proposal as discussed. Director Hebert seconded the motion, which was approved by unanimous vote. Mr. Allen stated that the counter proposal will be forwarded to the COH upon resolution of additional issues related to approval rights of the Authorities' consultants and the Authorities' participation in design.

Mr. Scholler next reported that the Groundwater Reduction Plan (the "GRP") is substantially complete except for the Water Conservation Plan. He stated that a meeting with the Fort Bend Subsidence District (the "FBSD") will be scheduled in

November to discuss the GRP prior to submittal of the draft plan to assist with streamlining the process for certification. He stated that B&G will be working with the FBSD to ensure that the expiration dates for all of the well permit holders are moved to September 30, 2008.

Mr. Scholler reported that B&G was contacted by Lake Pro, Inc. regarding inclusion of two homeowner's association lake wells from the Brazos Lakes subdivision into the NFBWA's GRP. He asked for the Board's opinion regarding the possible inclusion prior to B&G's evaluation of the request. He stated that a payment of pumpage fees for any water pumped beginning in October 2005, would be required if the wells were included in the NFBWA's GRP. He stated that the pumpage amount is small and most likely would not impact the NFBWA's GRP. He stated that it appears that the wells may be within the extraterritorial jurisdiction of the Town of Thompsons and that Lake Pro, Inc. would need to obtain permission from the Town of Thompsons to participate in the NFBWA's GRP. Following review and discussion, the Board concurred to table consideration of the request at this time.

Mr. Scholler next requested approval of a proposal in an amount not to exceed \$677,040 for analysis of transmission line routing alignment and pump station siting. Following review and discussion, Director Hebert moved to approve the proposal as submitted. Director Gay seconded the motion, which was approved by unanimous vote. A copy of the proposal is attached.

Director Patton discussed the importance of addressing water conservation issues within the NFBWA in light of the drought being experienced in the southeastern portion of the country.

Following review and discussion, Director Hebert moved to approve the engineer's report as presented. Director Gay seconded the motion, which carried unanimously.

STATUS OF SURFACE WATER SUPPLY NEGOTIATIONS

Mr. Allen updated the Board on the status of negotiations with the COH and the WHCRWA for supply of surface water and transmission facilities. He reviewed proposed terms for a proposed Water Supply Contract and a Cost-Sharing Agreement and distributed a draft contract for water supply for review. Following discussion, Director Gay moved to authorize Directors Houghton, Spell, and Darden to work with the consultants to finalize the proposed Water Supply Contract and a Cost-Sharing Agreement with the WHCRWA and the COH. Director Hebert seconded the motion, which was approved by unanimous vote.

CONDUCT HEARING ON EXCLUSION OF CERTAIN LANDS

The Board next conducted a public hearing on the exclusion of land from the NFBWA. Ms. Sechrist addressed the Board to request that land owned by Fort Bend County Municipal Utility District No. 25 ("FBCMUD 25") be excluded from the NFBWA to correct the erroneous metes and bounds description of FBCMUD 25's water well no. 3 site previously excluded by the NFBWA. A copy of a letter previously received requesting exclusion of land from the NFBWA is attached. There were no additional comments on or objections to the proposed exclusion of land from the NFBWA.

ADOPT ORDER EXCLUDING CERTAIN LANDS

After hearing the evidence presented at the hearing, the NFBWA's Board of Directors then considered adopting an Order Excluding Certain Lands from the NFBWA. Following discussion, Director Spell moved to adopt the Order. Director Fay seconded the motion, which was approved by majority vote with Director Gay opposed. A copy of the order is attached.

DISCUSS POLICY ON EARLY CONSTRUCTION OF SURFACE WATER LINES DUE TO DEVELOPER AND DISTRICT REQUESTS

Mr. Allen and Mr. Scholler discussed with the Board the proposed development of a policy on early construction of surface water lines due to developer and utility district requests. They stated that such a policy may provide cost savings opportunities for easement acquisition and installation of transmission lines prior to development. Members of the public asked questions and made comments on implementation of such a policy. Mr. Allen stated that it is anticipated that such a policy would provide for Board consideration of proposed projects on an ad hoc basis and in coordination with utility districts and developers. Following discussion, Director Gay moved to authorize ABHR and the engineers to coordinate to develop proposed examples for implementation of such a policy for discussion with utility districts and developers. Director Hebert seconded the motion, which was approved by unanimous vote.

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 NFBWA's public communications and

updates to the NFBWA's web site. No action was taken by the Board.

LEGISLATION RELATED TO REGULATION OF IRRIGATION SYSTEMS

The Board and members of the public discussed 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 when completed.

REPORTS FROM DIRECTORS AND CONSULTANTS

There were no additional reports.

MEETING SCHEDULE

The Board next discussed rescheduling the December meeting due to the Christmas holiday. Following discussion, Director Gay moved to reschedule the December meeting to Wednesday, December 19, 2007, at 6:00 p.m. at the Golf Club at Cinco Ranch. Director Spell seconded the motion, which was approved by unanimous vote.

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

Secretary, Board of Directors

(SEAL)

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