

MINUTES  
NORTH FORT BEND WATER AUTHORITY

October 24, 2012

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 24th day of October, 2012, 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 for Directors Houghton and Hebert, thus constituting a quorum.

Also present for all or part of the meeting were Charles Shumate, P.E., and Chris Jacob, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Pam E. Lightbody of AVANTA Services; Mike Thelen of SWWC Services, Inc. ("SWWC"); 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 considered approving the minutes of the special meeting held on September 12, 2012, and the regular meeting held on September 26, 2012. After review and discussion, Director Gay moved to approve the minutes as written. Director Patton seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Director Patton opened the meeting to receive public comments. There were no public comments.

MEETING SCHEDULE

The Board concurred to reschedule its December 26, 2012, meeting to December 20, 2012.

## PUBLIC COMMUNICATIONS

The Board discussed public communication and water conservation education activities. Director Patton distributed copies of a brochure introducing the Authority's water conservation mobile teaching lab. Mr. Oliver discussed upcoming reservations for use of the Authority's water conservation mobile teaching lab.

## WATER CONSERVATION AND REUSE

Mr. Oliver reported on the status of submission of water conservation plans, interconnect agreements, and regional system agreements per the Authority's requirement that all non-exempt well owners within the Authority adopt a water conservation plan meeting minimum State requirements and submit interconnect and regional system agreements to the Authority. He stated that a summary of the submissions will be prepared for the Board's review.

Mr. Oliver discussed the proposed process for the development of landscape irrigation requirements and the importance of including stakeholders in the process. He reviewed a proposal from Vepo, LLC for providing assistance during a stakeholder process related to the Authority's development of landscape irrigation requirements and stated that the Finance and Policy Committee recommended approval of the proposal. Following review and discussion, Director Gay moved to accept the proposal. Director Spell 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, the income statement for the enterprise fund, a summary of investments, and a schedule of debt service payments. 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.

Ms. Lightbody reviewed a proposed Policy Establishing Improvement Fund Reserve Balance. Director Patton stated that the Finance and Policy Committee reviewed the proposed policy and concurred to recommend adoption of the policy to the Board. Mr. Oliver responded to a meeting attendee's questions regarding the policy. Following review and discussion, Director Gay moved to adopt a Resolution Adopting Policy Establishing Improvement Fund Reserve Balance and direct that the policy be filed appropriately and retained in the Authority's official records. Director Fay seconded the motion, which was approved by unanimous vote.

The Board reviewed a request for waiver of the Authority's import fee from Cornerstones M.U.D. for use of interconnect water lines with Harris County M.U.D. No. 81 ("MUD 81"). Following review and discussion, Director Gay moved to find that Cornerstones M.U.D.'s use of interconnect water lines with MUD 81 qualifies for an exception from the imported water fee pursuant to the Authority's Amended Rate Order, subject to the condition that Cornerstones M.U.D. pay MUD 81 back in kind in full by October 25, 2013, and the requirement that during each month that Cornerstones M.U.D. is supplying water to or receiving water from MUD 81 or any other interconnect partner, Cornerstones M.U.D. must provide the Authority with an accounting of the water used in Cornerstones M.U.D., as well as the amount of water provided to or received from MUD 81 or any other interconnect partner. Director Darden seconded the motion, which was approved by unanimous vote. The Board authorized ABHR to send a letter stating the Board's finding to Cornerstones M.U.D. as a response to its request for a variance on import fees.

#### CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY

The Board conducted an annual review of the Authority's Investment Policy. Mr. Oliver stated there were no recommended changes to the policy. Following review and discussion, Director Gay moved to adopt a Resolution Regarding Annual Review of Investment Policy. Director Spell seconded the motion, which was approved by unanimous vote.

#### DEPOSITORY INSTITUTIONS

Mr. Oliver reviewed an updated list of the Authority's depository institutions and qualified broker/dealers. Following review and discussion, Director Gay moved to adopt a Resolution Establishing the 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.

#### OPERATION OF AUTHORITY FACILITIES

Mr. Thelen reported on the operations of the Authority's facilities, including maintenance and repairs and reading of the Authority's meters for year-end permit reconciliation. A copy of the operations report is attached. Mr. Thelen reported that SWWC is facilitating better communication with the operators of municipal utility districts through a new e-mail address, [NFBWA@swwc.com](mailto:NFBWA@swwc.com), which is designated solely to Authority matters. Following review and discussion, Director Gay moved to approve the operator's report. Director Fay seconded the motion, which was approved by unanimous vote.

## ENGINEERING MATTERS

### WATER SUPPLY CONTRACT AND LUCE BAYOU PROJECT

Mr. Shumate presented the engineer's report, including the monthly pumpage report and the status of new wells located within the Authority. He reviewed a list of recent and upcoming events, reported on information received and outstanding from the City of Houston (the "COH") needed to analyze the Fiscal Year 2011 true-up, discussed the status of the wetlands delineation and funding for the Luce Bayou Project, and reported on a technical meeting held with the COH to discuss the northeast water plant expansion project. Mr. Oliver responded to Board members' questions regarding the COH's request for an early capacity reservation in the northeast water plant. A copy of the engineer's report is attached.

### DESIGN AND CONSTRUCTION PROJECTS, AND SERVICES CONTRACTS

Mr. Shumate reported on the status of design, bid advertisement schedules, contract documentation, and right-of-way acquisition, as appropriate, for several main line segments and related district connection water lines. A spreadsheet summarizing the status of design projects is attached to the engineer's report.

Mr. Shumate reviewed and recommended a change order to the design contract for Main Segment 9B to change the construction method from horizontal directional drilling to open cut.

Mr. Shumate reported that ten bids were opened on October 15, 2012, for the contract for the construction of Main Segment 7C and recommended that the Board award a contract in the amount of \$5,224,019.00 to the lowest bidder, Hurtado Construction Company. Following review and discussion, the Board concurred with the engineer's judgment that Hurtado Construction Company was a responsible bidder whose bid would result in the best and most economical completion of the project.

Mr. Shumate updated the Board on the construction of Main Segments 7A, 7B, 8A, 8B, 9A, 9B, 12A, 12B, and 12D, the connection water line for Fort Bend County M.U.D. No. 118, and the Bellaire Pump Station and D-158 Water Plant Well Inspection projects, and reported on warranty inspections. A spreadsheet summarizing the status of construction projects is attached to the engineer's report. Mr. Shumate recommended approval of eleven pay estimates for the construction projects and change orders to the construction contracts for the Bellaire Pump Station project, the connection water line for Fort Bend County M.U.D. No. 118, and Main Segment 7B.

### ROUTING ANALYSES

There was no update on this item.

GROUNDWATER REDUCTION PLAN, CHLORAMINES CONVERSION, AND  
SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING

Mr. Shumate updated the Board on the status of chloramine conversion projects and evaluation of requests for reimbursement for chloramine conversion. A spreadsheet summarizing the status of chloramine conversion projects and reimbursement is attached to the engineer's report.

Mr. Shumate reported that Cinco Southwest M.U.D. No. 1's Board of Directors and engineer recommended approval of Pay Estimate No. 6 for the chloramine conversion project per the Authority's approved variance with that district.

Mr. Shumate recommended that the Authority move forward with property acquisition and design work to meet early surface water delivery deadlines for Fort Bend County M.U.D. Nos. 142 and 58's early conversion to surface water.

Mr. Shumate recommended that the Authority move forward with property acquisition and design work for Main Segment 10 to increase the Authority's potential for over-conversion credits and to better utilize the Authority's reservation during winter months.

Mr. Shumate reported on B&G's activities related to Fort Bend County M.U.D. No. 141's proposed inclusion as a contract participant in the Authority's Groundwater Reduction Plan.

Mr. Shumate reviewed a chart reflecting surface water versus groundwater usage by the municipal utility districts currently receiving surface water from the Authority.

Mr. Shumate reported on B&G's activities related to reconciling the annual permit well readings and preparing a report for submittal to the Fort Bend Subsidence District and Harris-Galveston Subsidence District (the "Subsidence Districts"). He discussed hearings and meetings scheduled by the Subsidence Districts related to the study of their regulatory plans.

REPORTS AND STUDIES

Mr. Shumate reported on the status of B&G's evaluation of a proposed brackish groundwater project.

Mr. Shumate stated that information requested from the West Harris County Regional Water Authority to analyze the cost impact of the Authority's increased capacity in the Second Source Water Line has not yet been received.

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

report, including:

- (1) approve a change order to the design contract for Main Segment 9B in the amount of \$10,650.00;
- (2) approve the award and execution of a contract with Hurtado Construction Company for the construction of Main Segment 7C in the amount of \$5,224,019.00;
- (3) approve the following pay estimates:
  - Main Segment 7A, Pay Estimate No. 7 in the amount of \$695,324.24,
  - Main Segment 7B, Pay Estimate No. 7 in the amount of \$37,463.49,
  - Main Segment 8A, Pay Estimate No. 2 in the amount of \$402,431.76,
  - Main Segment 8B, Pay Estimate No. 3 in the amount of \$280,442.77,
  - Main Segment 9A, Pay Estimate No. 1 in the amount of \$24,480.00,
  - Main Segment 9B, Pay Estimate No. 4 in the amount of \$0,
  - Main Segment 12A, Pay Estimate No. 13 in the amount of \$0,
  - Main Segment 12B, Pay Estimate No. 12 in the amount of \$0,
  - Main Segment 12D, Pay Estimate No. 13 in the amount of \$0,
  - Fort Bend County M.U.D. No. 118 connection water line, Pay Estimate No. 4 in the amount of \$309,394.34, and
  - Bellaire Pump Station project, Pay Estimate No. 5 in the amount of \$1,489,484.88;
- (4) approve the following change orders to construction contracts:
  - Bellaire Pump Station project, Change Order No. 2, in the amount of \$36,648.53,
  - Fort Bend County M.U.D. No. 118 connection water line, Change Order No. 1 in the amount of \$0, and
  - Main Segment 7B, Change Order No. 1 in the amount of \$227,519.16;
- (5) authorize payment of Pay Estimate No. 6 in the amount of \$9,500.00 for Cinco Southwest M.U.D. No. 1's chloramine conversion project;
- (6) authorize property acquisition and design work related to Fort Bend County M.U.D. Nos. 142 and 58's early conversion to surface water; and
- (7) authorize property acquisition and design work for Main Segment 10.

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

## JOINT PROJECTS

Mr. Oliver reported that payment is due on December 15, 2012, for the Authority's portion of the funding obtained by the West Harris County Regional Water Authority from the Texas Water Development Board's Water Infrastructure Fund for preliminary engineering and real estate acquisition for the Second Source Waterline.

## CONTRACTS

There was no discussion on this item.

## REALTY INTEREST ACQUISITION

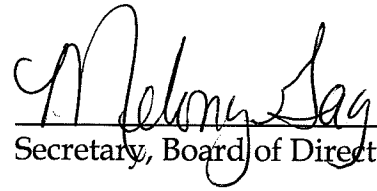
Mr. Oliver recommended acceptance of two Water Line Easements and one side letter for Main Segments 7B and 9A and a revised final version of a Water Line Easement and Consent from CenterPoint Energy Houston Electric, LLC for Main Segments 7A, 7C, 8A, 8B, and 9A as listed on the attached Realty Interests Chart. Following review and discussion, Director Gay moved to accept the realty interest acquisition documents as recommended. Director Darden seconded the motion, which was approved by unanimous vote.

## EXECUTIVE SESSION

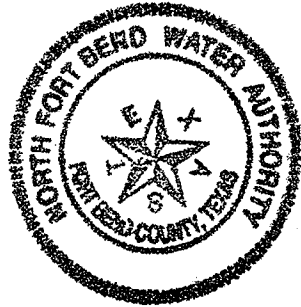
The Board did not convene in executive session.

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

[SIGNATURE PAGE FOR THE MINUTES OF THE OCTOBER 24, 2012, BOARD MEETING]

  
Secretary, Board of Directors

(SEAL)





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