

MINUTES
NORTH FORT BEND WATER AUTHORITY

October 28, 2009

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 October, 2009, at the Golf Club at Cinco Ranch, 23030 Cinco Ranch Boulevard, 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, thus constituting a quorum.

Also present for all or part of the meeting were: Debbie Gibson of McCall Gibson Swedlund Barfoot, PLLC; Mark McGrath of McGrath & Co., PLLC; David C. Scholler, P.E. and Melinda Silva, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Kevin Krahn, P.E. of AECOM; Steve Bonjonia of Property Acquisition Services, Inc.; Pam E. Lightbody of AVANTA Services; 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 meeting held on September 23, 2009. 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 Houghton opened the meeting to receive public comments. There were no public comments.

ENGAGE AUDITOR

The Board next discussed engaging an auditor to conduct the annual audit for fiscal year ending December 31, 2009. Mr. McGrath reviewed with the Board the proposed engagement letter from McGrath & Co., PLLC for auditing services for a fee not to exceed \$22,500.00. He stated that the increased fee is due to increased activity in

the Authority's accounts. Director Patton stated that the Finance Committee reviewed and recommends approval of the engagement letter. Following review and discussion, Director Patton moved to engage McGrath & Co., PLLC to conduct the District's annual audit for the fiscal year ending December 31, 2009, authorize execution of the engagement letter as presented, and direct that the engagement letter be filed appropriately and retained in the District's official records. Director Hebert seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the vote.

ENGAGE ACCOUNTING FIRM

The Board next discussed engaging an accounting firm to prepare the Authority's financial statements for fiscal year ending December 31, 2009, to avoid the possible issuance of a material weakness statement in the annual audit's management letter. Mr. Oliver discussed with the Board the possible effects of the statement on the Authority's credit ratings or bond insurance for future bond issues. Ms. Gibson reviewed the proposed engagement letter from McCall Gibson Swedlund Barfoot, PLLC for preparation of the financial statements for a fee not to exceed \$15,000.00. Following review and discussion, Director Fay moved to engage McCall Gibson Swedlund Barfoot, PLLC to prepare the Authority's financial statements for fiscal year end December 31, 2009, authorize execution of the engagement letter as presented, and direct that the engagement letter be filed appropriately and retained in the District's official records. Director Hebert seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the vote.

PUBLIC COMMUNICATIONS

The Board and the Authority's consultants discussed public communication activities, including the formation of a Water Conservation Advisory Committee, distribution of construction brochures for utility districts, planning for a Groundbreaking Ceremony for the Authority's first construction projects, and preparation of a presentation by Director Houghton to the Fort Bend Chamber of Commerce.

FINANCIAL AND BOOKKEEPING MATTERS, HEARING REGARDING ANY DELINQUENT FEES AND RULE VIOLATIONS

Ms. Lightbody next reviewed a bookkeeper's report, including monthly receipts, past due accounts, and a quarterly investment report, a copy of which is attached. Director Gay moved to approve the bookkeeper's report as presented. Director Spell seconded the motion, which was approved by unanimous vote.

Ms. Lightbody reported that there was no need to conduct a hearing on delinquent fees or rule violations.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY

The Board next conducted an annual review of the District's Investment Policy. Mr. Oliver reviewed changes to the Investment Policy recommended by the District's consultants to allow for increased Federal Deposit Insurance Corporation insurance limits and to apply the policy to the Authority's trustee accounts and the Improvement Fund. Following review and discussion, Director Hebert moved to adopt a Resolution Adopting Amended Investment Policy as recommended and direct that the Amended Investment Policy be filed appropriately and retained in the District's official records. Director Patton seconded the motion, which was approved by unanimous vote.

APPROVE PUMPAGE FEE CALCULATION AND NOTICE

Mr. Oliver distributed a pumpage fee recommendation letter with related schedules from the Authority's Financial Advisor, a copy of which is attached. He requested authorization to distribute notification of the Board of Directors' intent to adopt the monthly pumpage fee of \$0.90 per 1,000 gallons for the year 2009, at the December regular meeting of the Board. Following discussion, Director Fay moved to authorize the consultants to distribute notification of the date, time and location of the December regular meeting of the Board of Directors at which a Groundwater Reduction Plan Fee of \$0.90 per 1,000 gallons of water pumped effective January 1, 2010, will be adopted. Director Spell seconded the motion, which carried unanimously.

ENGINEERING MATTERS

Ms. Silva next presented the engineer's report, including the monthly pumpage report, the status of newer wells located within the Authority, a summary of activities, and a list of upcoming events. A copy of the written engineer's report is attached.

Ms. Silva reported that B&G provided to the City of Houston (the "COH") a contract term sheet and schedule for lease of the D-158 Water Plant on July 31, 2009. She stated that the COH has not yet forwarded a draft lease agreement for review by the Authority's consultants.

Mr. Oliver stated that, as previously reported, a draft cost sharing agreement for joint facilities for the pump station and Main Segments 0 and 1A, has been forwarded to the West Harris County Regional Water Authority (the "WHCRWA").

Ms Silva stated that the design of the pump station is on hold pending the availability of water from the COH and determination of the participation by the WHCRWA in the facility. She reported that B&G and representatives of the WHCRWA met with COH to discuss additional surface water needs as part of coordinating on planning for the joint water supply and transmission facilities. She said that during the meeting, the COH stated that they do not have additional water available at the

proposed take point beyond the already reserved 19.5 mgd without improvements to the COH transmission system. She stated that B&G is working with the WHCRWA to develop options for bringing additional surface water to the Authority's pump station. She reported that B&G has also requested permission for Lockwood Andrews & Newnam, Inc. to review the COH model to further understand the water supply issues. She noted that minutes of the meeting have been attached to the Board members' engineer's reports. Mr. Scholler noted that the COH has an adequate supply of surface water and that the issue is that the COH transmission system is not as robust as previously reported to the Authority. He stated that the Authority's participation in a joint line with the WHCRWA is an option due to the need for a second water supply source by the WHCRWA by year 2020.

Ms. Silva reported that there were 14 bidders for each of the contracts for the construction of Main Segments 0, 1A, and 1B. She recommended awarding the contracts to the low bidders, Texas Sterling Construction Company in the amount of \$4,474,782.00 for Main Segment 0, Lewis Contractors, Inc. in the amount of \$4,942,920.00 for Main Segment 1A, and Cravens Services, Inc. in the amount of \$4,109,342.13 for Main Segment 1B. She noted that the bids were 25% below the engineer's estimates. She stated that the Design Committee reviewed the contract bids and concurred with B&G's recommendation that each of the low bidders were responsible bidders whose bids would result in the best and most economical completion of the projects.

Ms. Silva next reported on the status of design and right-of-way acquisition, as appropriate, for the pump station, Main Segment Nos., 2, 3, 4, 5, 6, 7A, 7B, 7C, 8A, 8B, 12A, 12B, 12C, and 12D, and the related district connection lines. She stated that the plans for the district connection lines for Kingsbridge Municipal Utility District, Fort Bend County Municipal Utility District No. 2, Big Oaks Municipal Utility District, and Grand Mission Municipal Utility District are substantially complete and requested approval of the plans and authorization to advertise for bids for the projects.

Ms. Silva reported that the presentations from the Surface Water Conversion Workshop held on September 2, 2009, and all of the design standard details are available on the Authority's website.

Ms. Silva reported that the first chloramine conversion design submittal has been received from Fort Bend County Municipal Utility District No. 41 for review and a preliminary kickoff meeting was held with Fort Bend County Municipal Utility District No. 118. She stated that several additional submittals are expected in the near-term based on conversations with various engineers. She said that B&G plans to provide a standard bid form for use to allow streamlined review of reimbursable items.

Ms. Silva reported that B&G continues to attend meetings of all of the utility districts included in the 2013 surface water system to receive comments, address

concerns, and answer questions about the surface water conversion program.

Ms. Silva reported that B&G is drafting the Request for Qualifications document for the selection process for an operator for the Authority for review at the next Design Committee meeting.

Ms. Silva recommended approval of a change order in the amount of \$38,570.00 with V&A Consulting Engineers for additional services for cathodic protection for Main Segment Nos. 8A through 12D.

Ms. Silva reported on coordination with Mr. Oliver on the development of an amendment to the Authority's design contracts to include minimum and maximum amounts for engineering fees for discussion at the next Design Committee meeting.

Ms. Silva reported that the preliminary engineering report for the Luce Bayou Interbasin Transfer Project has been received and that B&G will prepare an executive summary for the Board's review. She stated that a Technical Review Committee Meeting has been scheduled for November 19, 2009.

Ms. Silva reported that, per the Board's request, B&G reviewed possible options for obtaining additional water conservation credits for the Authority. She stated that the Fort Bend Subsidence District (the "FBSD") estimates that there are potentially 13,000 to 15,000 kids that are eligible for the program, of which approximately half are not interested in participating. She noted that the Authority currently has an agreement to sponsor 7,246 of the remaining eligible 6,500 to 7,500 students under the current budget. She stated that the FBSD will not be able to fill that number until next year as they give the right of first refusal to others for students outside the Authority's boundaries. She recommended that the Board consider requesting the ability to sponsor students in Harris County.

Ms. Silva reported that a tracking spreadsheet reflecting easement acquisition progress will be distributed for the Board's review.

Following review and discussion, Director Gay moved to accept the engineer's report as presented, including: (1) award and authorize execution of the contracts for the construction of Main Segment 0 in the amount of \$4,474,782.00 to Texas Sterling Construction Company, Main Segment 1A in the amount of \$4,942,920.00 to Lewis Contractors, Inc., and Main Segment 1B in the amount of \$4,109,342.13 to Cravens Services, Inc.; (2) approve the plans and authorize advertisement for bids for the construction of the district connection lines for Kingsbridge Municipal Utility District, Fort Bend County Municipal Utility District No. 2, Big Oaks Municipal Utility District, and Grand Mission Municipal Utility District; and (3) approve a change order in the amount of \$38,570.00 from V&A Consulting Engineers for additional services for cathodic protection for Main Segment Nos. 8A through 12D. Director Fay seconded the

motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

Mr. Oliver recommended acceptance of eight Water Line Easements for Main Segments 1A and 1B from the Grantors listed on the attached chart. Following review and discussion, Director Spell moved to accept the easements as recommended. Director Fay seconded the motion, which was approved by unanimous vote.

CONTRACTS, NOTICES, CHANGE ORDERS, AND ASSIGNMENTS

There was no discussion regarding additional engineering, environmental, surveying, legal, right-of-way acquisition, or appraisal services.

CONVENE IN EXECUTIVE SESSION, RECONVENE IN OPEN SESSION

The Board convened in executive session at 7:10 p.m. pursuant to Chapter 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property.

The Board reconvened in open session at 7:59 p.m. Following review and discussion regarding right-of-way acquisition, Director Gay moved to: (1) approve the counteroffers as discussed for parcels 0.03, 1A.33, 1A.34, 1B.23, 01B.L01.B49 and 04.07; and (2) reject the counteroffers and make offers as discussed for parcels 1B.03, 1B.L01.B01, 4.23, and 6.01. Director Hebert seconded the motion, which was approved by unanimous vote.

MEETING SCHEDULE

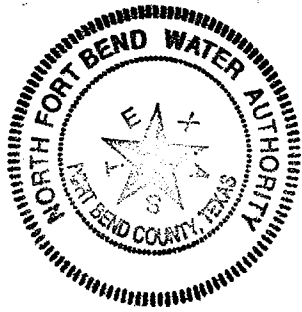
The Board discussed the meeting schedules of the Finance and Design Committees. Following discussion, the Board concurred to hold the Finance Committee meetings at 11:00 a.m. and the Design Committee meetings at 12:30 p.m. on the second Mondays of each month at the offices of B&G.

The Board next discussed rescheduling the November and December regular meetings due to the Thanksgiving and Christmas holidays. Following discussion, the Board concurred to reschedule the November meeting to Monday, November 23, 2009, and to reschedule the December meeting to Monday, December 21, 2009, both at 6:00 p.m. at the Golf Club at Cinco Ranch.

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


Secretary, Board of Directors

(SEAL)



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