

MINUTES OF REGULAR MEETING
OF
NORTH FORT BEND WATER AUTHORITY

November 27, 2006

THE STATE OF TEXAS §
 §
COUNTIES OF FORT BEND AND HARRIS §

The Board of Directors of the North Fort Bend Water Authority (the "Authority") met in regular session, open to the public, on the 27th day of November, 2006, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Room 150A, Houston, Texas, outside the boundaries of the Authority, and the roll was called of the duly appointed members of the Board, to-wit:

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: Ms. Zarate of Pecan Grove MUD; Lisa Barnett of Schwartz, Page & Harding, LLP; Barbara Payne of Payne Communications; David C. Scholler, P.E. and Charles Shumate, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Mike Reedy of TCB; Pamela Logsdon of AVANTA Services; Joe B. Allen, Alex Garcia, 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 October 23, 2006, meeting. After discussion, Director Patton moved that the Board approve the minutes as written. Director Fay seconded the motion, which carried unanimously.

RECEIVE COMMENTS FROM THE PUBLIC

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

ENGAGE AUDITOR

The Board next discussed engaging an auditor to conduct the annual audit for fiscal year ending December 31, 2006. Following review and discussion, Director Hebert moved that the Board request proposals for auditing services from McCall, Gibson & Company, PLLC, Null-Lairson, PC, and BKD, LLP for presentation at the December regular meeting of the Board. Director Gay seconded the motion, which was approved by unanimous vote.

BOOKKEEPER'S REPORT

Ms. Logsdon reviewed registration procedures for the Association of Water Board Directors' conference and a bookkeeper's report, including a summary of investments, monthly receipts, and past due accounts. She next reviewed a draft budget. Following review and discussion, Director Patton moved that the Board approve the bookkeeper's report and payment of the bills. Director Gay seconded the motion, which was approved by unanimous vote.

ENGINEER'S REPORT, TCEQ PROPOSED CHANGES TO PUBLIC DRINKING WATER RULES

Mr. Scholler next presented the engineer's report, including the monthly pumpage report, a list of wells located within the Authority 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 briefly summarized a meeting with Pecan Grove MUD representatives regarding options for participating in the Authority's Groundwater Reduction Plan ("GRP"). Ms. Zarate addressed the Board and stated that Pecan Grove MUD is investigating all of its options and is participating as a stakeholder in the Brazos River Authority's studies of a proposed regional water treatment plant. Mr. Allen stated that the Cities of Richmond, Rosenberg, Sugar Land, and Missouri City previously informed the Board of Directors of the Fort Bend County Surface Water Supply Corporation that the cities will include the utility districts located within their extraterritorial jurisdictions under each respective city's GRP and opted out of participating in a county-wide GRP. He stated that the Authority is amenable to providing GRP service to such utility districts by contract if the city in whose extraterritorial jurisdiction the district is located consents.

Ms. Barnett addressed the Board on behalf of Plantation MUD. She requested that the Board consider including Plantation MUD in the Authority's GRP. She stated that Plantation MUD is willing to pursue obtaining the consent of the City of Sugar Land for entering into a contract with the Authority. Mr. Scholler noted that Plantation MUD is a fairly small user and will be addressed in the additional analysis for surface

water conversion incorporating Fort Bend County MUD No. 25, Plantation MUD, and the George Ranch, as requested last month by the Board.

ALTERNATIVE ANALYSIS

Mr. Scholler next updated the Board on the status of the Alternative Analysis for Surface Water Conversion ("Alternative Analysis") which includes development of detailed 2013 and 2025 population and water demand projections, development of a GIS/database system, and facilities planning. He stated that the analysis of only the Authority has been prioritized after two additional analyses: the first of which integrates the Cities of Richmond and Rosenberg and their extraterritorial jurisdictions including Pecan Grove MUD, and the second of which also integrates Fort Bend County MUD No. 25, Plantation MUD, and the George Ranch into the current analysis. He stated that a deadline needs to be set for determining whether any additional entities will be included in the Authority's GRP because defining the service area and determining the amount of water needed for the service area are crucial factors for the population/water demand projections and facilities planning portions of the Alternative Analysis. He stated that in order to avoid disincentive fees, the Alternative Analysis must be finalized by the end of February 2007 to allow the Authority's consultants sufficient time to complete water supply contract negotiations and to prepare the GRP for certification by the Fort Bend Subsidence District ("FBSD") prior to the 2008 FBSD deadline.

Mr. Scholler discussed the preliminary evaluation of the participation of the Cities of Richmond and Rosenberg and their extraterritorial jurisdictions into the Alternative Analysis. He reminded the Board that nine potential alternatives for providing surface water to meet the FBSD's requirements for surface water conversion were developed, including four surface water take points and combinations of those take points. He stated that the alternatives are based on over-converting areas within the Authority and Pecan Grove MUD, with the Cities of Richmond and Rosenberg potentially never taking surface water. He stated that the range of costs for surface water for the evaluated alternatives has been revised to \$1.45 to \$1.62 per thousand gallons. He stated that projected water rates are estimated to start at approximately \$1.30 per thousand gallons for groundwater and \$1.65 per thousand gallons for surface water beginning in year 2013, and rise to approximately \$2.20 and \$2.55, respectively, by the year 2030, after which they are expected to level off and remain steady. He stated that if the Cities of Richmond and Rosenberg and their extraterritorial jurisdictions participate in the Authority's GRP, there is approximately a 10% reduction of costs. He stated that the potential participants are approximately 20% of the total water demand.

Mr. Scholler responded to Directors' questions and stated that a possible joint venture with the West Harris County Regional Water Authority in the construction of a pump station located in the Bellaire Blvd. area was not included in the Alternative Analysis but discussions regarding the possibility have been held. He stated that the

current analysis leans towards starting with obtaining surface water from the City of Houston which has indicated that there is enough water available to fulfill the Authority's demands through year 2024 and possibly, beyond. He stated that a determination of the most cost effective source of surface water needs to be made before choosing the source(s) of surface water. He stated that if the Brazos River Authority receives a system operations permit, then a re-evaluation of the cost effectiveness of alternate sources will need to be performed. He reviewed the methods for calculating the population projections for the Alternative Analysis.

Mr. Scholler updated the Board on the preliminary evaluation of the participation of the George Foundation, Fort Bend County MUD No. 25, and Plantation MUD into the Alternative Analysis. He stated that of the three participants, the George Foundation has the largest water demand which is similar in size to the water demands of the Richmond/Rosenberg area. He stated that serving the three participants without serving the Richmond/Rosenberg area would require over-converting the Authority and result in approximately the same costs as serving the Cities of Richmond and Rosenberg and their extraterritorial jurisdictions alone. He stated that providing surface water to the three entities and the Cities of Richmond and Rosenberg and their extraterritorial jurisdictions may require building another water treatment plant south of the Brazos River in year 2024. He reviewed the FBSD's conversion credit schedule for early conversion and effluent reuse.

Mr. Allen next discussed developing general guidelines for the terms of long-term contracts with cities or utility districts which desire to participate in the Authority's GRP. He recommended developing general guidelines to include: 1) the Authority would include the contract holder's groundwater pumpage in the Authority's GRP; 2) the Authority would charge fees to contract holders in amounts equal to the fees charged to the participants located within the Authority's boundaries; 3) contract holders would pay a one-time equalization fee equal to \$0.19 for each 1,000 gallons of water pumped from October 1, 2005, to the effective date of the contract; 4) the Authority would reserve the right to convert the contract holders to surface water in the same manner that the Authority has the right to convert participants within its boundaries to surface water; and 5) districts that are within the extraterritorial jurisdiction of cities other than Houston would be required to obtain that city's consent prior to being included in the Authority's GRP.

Mr. Allen stated that part of the certification requirement for the Authority's GRP includes having a contract for surface water in place prior to the 2008 FBSD deadline. He stated that the negotiating process for such a contract takes many months and that time is critical.

Following review and discussion, Director Hebert moved that the Board authorize ABHR to draft a letter for execution by Director Houghton to the Cities of Richmond and Rosenberg, Fort Bend County MUD No. 25, Plantation MUD, Pecan

Grove MUD, and the George Ranch, which outlines the general guidelines for the terms of long-term contracts for participation in the Authority's GRP, and provides a deadline of January 31, 2007, for consideration of including any additional participants in the Authority's GRP, due to the FBSD's 2008 deadline. Director Gay seconded the motion, which was approved by unanimous vote.

EFFLUENT REUSE STUDY, EFFLUENT REUSE PROJECTS

Mr. Scholler next discussed with the Board an Effluent Reuse Study. He reviewed the range of costs for implementing reuse projects in existing and new development. He stated that peak water demand for golf course irrigation, utility district amenity lakes and irrigation, and homeowner association irrigation is approximately 10 million gallons per day, while the reliable supply of treated effluent to meet this demand is approximately 3.4 million gallons per day. He reviewed four potential methods for placing a value on incentives to encourage reuse within the Authority: 1) the cost of FBSD conservation kits for students; 2) the cost to operate and maintain a groundwater well; 3) the difference in cost between reclaimed water and groundwater pumpage fee; and 4) the difference in cost between reclaimed water and surface water. Mr. Allen stated that recommendations for alternatives for placing a value on incentives to encourage reuse within the Authority, along with determining methods for acquiring student conversion kit credits from utility districts which currently have accumulated such credits, will be reviewed with the Board at next month's meeting.

Following review and discussion, Director Patton moved that the Board approve the engineer's report as presented. Director Fay seconded the motion, which carried unanimously.

APPROVE LEGAL CONFLICTS WAIVER

The Board considered a legal conflicts waiver regarding ABHR's representation of the West Harris County Regional Water Authority, and discussed the matter with Mr. Allen. The Board concurred to defer action on the waiver until next month's meeting.

PUBLIC COMMUNICATIONS

Ms. Payne next updated the Board on the Authority's public communications and stated that a map of the Authority, which can be downloaded and has zoom capabilities, has been added to the Authority's website. She reminded the Board that a \$300.00 contribution to the FBSD for the Water Reuse Seminar held earlier this month was approved in April. She stated that the Authority has not yet paid or been invoiced for the contribution. She stated that 125 people attended the seminar instead of the previously estimated 40 attendees. She requested that the Board consider revising the

contribution amount to \$500.00 which is the amount contributed by the other sponsors. Following discussion, Director Hebert moved that the Board approve a revised contribution in the amount of \$500.00 to the FBSD for the Water Reuse Seminar. Director Gay seconded the motion, which was approved by unanimous vote.

Director Gay made a presentation on a proposed water conservation education program for 18 elementary schools located within the Authority. She stated that there are 36 elementary schools, if the Cities of Richmond and Rosenberg, Fort Bend County MUD No. 25, Plantation MUD, and the George Ranch are included in the program. She reviewed the tools for the program, including conservation kits, books, coloring books, computer games, and a variety of different brochures, and a plan for purchase and distribution of the tools. She stated that the estimated costs are \$129,096 for 18 schools and \$258,192 for 36 schools. She stated that conservation credits will accrue to the Authority for the program. Mr. Garcia noted that the draft budget for fiscal year 2007 contains \$45,000 for the Water Wise Program which could be revised to water conservation if the Board so desires. Ms. Payne stated that the Authority may want to seek contributions from sponsors for the water conservation education program as other authorities have done.

DISCUSS DECEMBER MEETING SCHEDULE

The Board next concurred to reschedule the December meeting to Monday, December 18, 2006, at 6:30 p.m. at the Golf Club at Cinco Ranch.

REPORTS FROM DIRECTORS AND CONSULTANTS

There were no additional reports from Directors and consultants.

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
bookkeeper's report	2
engineer's report	2