

MINUTES
NORTH FORT BEND WATER AUTHORITY

February 27, 2008

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 27th day of February, 2008, 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: David C. Scholler, P.E., Melinda Silva, P.E., and Charles Shumate, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Jason Afinowicz of TCB; Pamela Logsdon of AVANTA Services; Barbara Payne of Payne Communications; 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 January 23, 2008, meeting. After discussion, Director Hebert moved to approve the minutes as written. Director Gay seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

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

BOOKKEEPER'S REPORT

Ms. Logsdon next reviewed a bookkeeper's report, including a summary of investments, monthly receipts, and past due accounts, a copy of which is attached. Following review and discussion, Director Spell moved to approve the bookkeeper's

report and payment of the bills. Director Fay seconded the motion, which was approved by unanimous vote.

CONDUCT HEARING

Ms. Logsdon reported that she received a pumpage report from Harrison Interests which indicated zero pumpage. She stated that Ms. Silva subsequently received information from the Fort Bend Subsidence District (the "FBSD") that 33 million gallons had been pumped by Harrison Interests. Mr. Allen reported that Ed Knight, manager for Harrison Interests, stated that the well used by Harrison Interests should be exempt because the well is only used for farming. Mr. Allen stated that he told Mr. Knight that the FBSD determines whether wells are exempt or non-exempt and requested that Mr. Knight contact the FBSD to determine the well's status. He stated that no action is necessary at this time.

ASSOCIATION OF WATER BOARD DIRECTORS

The Directors discussed attendance at the Association of Water Board Directors ("AWBD") summer conference. Following discussion, Director Gay moved to authorize the Directors to attend the AWBD summer conference and approve reimbursement of eligible expenses. Director Darden seconded the motion, which was approved by unanimous vote.

ENGINEER'S REPORT

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 updated the Board on the status of moving all well permittees to the same renewal schedule. He also reported on the status of the Groundwater Reduction Plan (the "GRP") submitted to the FBSD.

Mr. Scholler stated that as previously reported, letters were forwarded to the owners of the 37 wells in Area A that are not included in any GRP to outline their options under the recommended policy for requests for inclusion in the Authority's GRP approved last month. He reported that no formal requests have been received in response to the letter which included a May 1, 2008, deadline for such requests.

Mr. Scholler updated the Board regarding the facility site and transmission line routing analysis. He requested authorization, in an amount not to exceed \$20,000, for Property Acquisition Services to begin work on property issues that may impact route selection.

Mr. Scholler next reviewed surface water conversion information and responded to comments and questions from meeting attendees and Board members. Discussion ensued regarding future deliberation by the Board to possibly develop a reimbursement policy for the utility districts' cost of surface water conversion. He stated that the Authority will coordinate with the individual utility districts on the routing of transmission lines into the water plants.

Mr. Scholler and Mr. Allen reported on the status of and responded to Board members' and meeting attendees' questions regarding the following draft contracts:

1. Water Supply Contract between the City of Houston (the "COH") and the Authority;
2. Contract between the COH and all Water Authorities to address the Luce Bayou Project; and
3. Cost-Sharing Agreement between the West Harris County Regional Water Authority (the "WHCRWA") and the Authority to share joint facilities.

Mr. Scholler reported that as previously reported, the COH, through the Coastal Water Authority ("CWA"), submitted their application for Texas Water Development Board ("TWDB") Water Infrastructure Funding ("WIF") for Phase 1 of the Luce Bayou Project. He stated that it is anticipated that approximately \$29,500,000 in funds may be available from the TWDB to fund the Luce Bayou project, although WIF funds cannot be used for land acquisition. He stated that Phase 2 is estimated to cost \$250,000,000. Mr. Allen stated that, based on year 2040 ultimate surface water needs, the total share of the project for all four of the participant water authorities is estimated at approximately 30%, with the Authority's share at approximately 10%. He stated that the project is essential for obtaining long-term supply of surface water. He stated that the Board's director committee, the engineers, and ABHR are involved in ongoing discussions regarding many issues related to the proposed project, such as financing options, the schedule for constructing the project, environmental permitting, and right-of-way acquisition.

Mr. Scholler next reviewed the communications protocol utilized by B&G and responded to concerns from meeting attendees. He stated that it is essential that changes in contact information be provided to the Authority to ensure that distribution lists are current.

Following review and discussion, Director Hebert moved to approve the engineer's report as presented, including authorization for Property Acquisition Services to begin work on property issues that may impact route selection in an amount not to exceed \$20,000. Director Gay seconded the motion, which carried unanimously.

STATUS OF SURFACE WATER SUPPLY AND FACILITIES NEGOTIATIONS

Mr. Allen additionally reported on the status of and responded to Board members' and meeting attendees' questions regarding the draft contracts previously discussed under the engineer's report.

Mr. Allen stated that the proposed Water Supply Contract with the COH is identical to the water supply contracts entered into by the COH with the North Harris County Regional Water Authority (the "NHCRWA") and the WHCRWA. He stated that ABHR has requested date changes to the proposed contract to reflect the different regulatory scheme to be adhered to by the NFBWA and has requested additional time for when the first payment is due by the Authority. He stated that the date and time changes would allow for a smaller issuance amount for the Authority's first bond issue. Mr. Allen stated that he hopes there will be a final Water Supply Contract with the COH for review at the regular March meeting of the Authority. He stated that the GRP will not be approved by the FBSD until the contract is executed. He stated that the Authority will sell its first bond issue before the end of the year.

Mr. Allen stated that the proposed Contract between the COH and all Water Authorities to address the Luce Bayou Project requires the parties to share costs based on the amount of surface water capacity needed in year 2040. He stated that the proposed contract was submitted three weeks ago to the COH. He stated that the TWDB WIF is interest free loan for ten years.

Mr. Allen stated that the proposed Cost-Sharing Agreement between the WHCRWA and the Authority to share joint facilities was sent approximately two to three months ago to the WHCRWA. He stated that the Board's director committee, the engineers, and ABHR will be attending meetings with the WHCRWA to negotiate terms.

ONLINE PUMPAGE REPORTING SYSTEM

Ms. Payne next discussed with the Board the status of the development of an on-line pumpage reporting system. She reviewed a draft of the orientation manual and discussed the scheduling of orientation and training sessions with the three operating companies operating district utilities within the Authority. Mr. Allen stated that ABHR's offices are available for such training.

PUBLIC COMMUNICATIONS

Ms. Payne next updated the Board on the Authority's public communications and the activities of the mobile teaching lab. She reported that the Texas Water 2008 conference is scheduled for March 25 through March 28, 2008, in San Antonio.

AMENDED COMMUNICATONS CONTRACT

Ms. Payne reviewed with the Board an Amended Communication Services Agreement, a copy of which is attached. She stated that the amendment contains additional services and an increase in monthly fees from \$1,000 to \$1,250. Following review and discussion, Director Gay moved to approve the agreement as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

DIRECTOR APPOINTMENT PROCESS

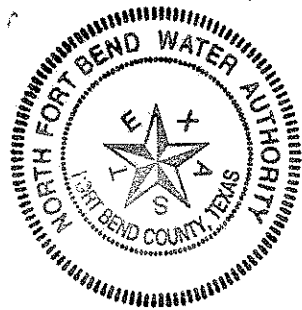
Mr. Oliver updated the Board on the Director appointment process. He stated that the period for nominating candidates for Precincts 1, 3, 5, and 7, has expired and that Precincts 1, 3, and 7 are uncontested. He stated that the deadline for utility districts to submit their water usage is March 1, 2008. He stated that ballots for Precinct 5 need to be distributed by March 15, 2008. He reported that the deadline for the districts to submit completed ballots for the appointment is April 30, 2008. Following discussion, Director Spell moved to cancel the appointment process in the uncontested precincts and to authorize distribution of the appointment materials for Precinct 5. Director Darden seconded the motion, which was approved by unanimous vote.

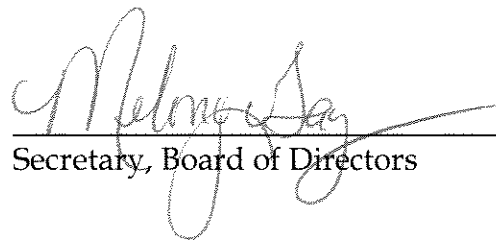
REPORTS FROM DIRECTORS AND CONSULTANTS

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

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