

MINUTES
NORTH FORT BEND WATER AUTHORITY

May 28, 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 28th day of May, 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: Collette Garcia of Null-Lairson, PC; Dave Scholler, P.E., Melinda Silva, P.E., Charles Shumate, P.E., and Jennifer Mayes of Brown & Gay Engineers, Inc. ("B&G"); Jason Afinowicz of TCB; Pam Lightbody of AVANTA Services; Barbara Payne of Payne Communications; 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 April 23, 2008, meeting. After discussion, Director Patton 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.

APPROVE SWORN STATEMENTS, OFFICIAL BONDS, AND OATHS OF OFFICE

The Sworn Statement, Official Bond, and Oath of Office for Bruce Fay were presented to the Board. Director Hebert moved to approve Director Fay's Sworn Statement, Official Bond, and Oath of Office, and direct that they be filed and retained in the Authority's official records, and that the Oaths of Office and Official Bonds be

filed with the Secretary of State of the State of Texas. The motion was seconded by Director Gay, which carried unanimously.

BOOKKEEPER'S REPORT, CONDUCT HEARING

Ms. Lightbody next reviewed a bookkeeper's report, including a summary of investments, monthly receipts, past due accounts, and disputed amounts, a copy of which is attached. Discussion ensued regarding investments. Following discussion, the Board requested that Ms. Lightbody review short-term investment options.

Ms. Lightbody reported that there has been no update on the Harrison Interests account. Mr. Oliver reported that the Authority has provided ample opportunity for Harrison Interests to either request an exemption from the Fort Bend Subsidence District (the "Subsidence District") or pay amounts owed. He requested approval to forward a letter to Harrison Interests to demand payment of amounts owed. Following review and discussion, Director Gay moved to approve the bookkeeper's report, payment of the bills, and forwarding of a demand letter to Harrison Interests by ABHR. Director Darden seconded the motion, which was approved by unanimous vote.

APPROVE AUDIT FOR FISCAL YEAR ENDED DECEMBER 31, 2007

Ms. Garcia next reviewed with the Board new auditing standards related to control deficiencies. The Board requested that modifications to the reference to the new standards be made. Ms. Garcia then reviewed the draft audit for fiscal year ended December 31, 2007, the management representation letter, the SAS-112 statement, and the SAS-114 statement. Following review and discussion, Director Darden moved that the Board approve the audit for fiscal year ended December 31, 2007, subject to final review. Director Hebert seconded the motion, which was approved by unanimous vote.

ENGINEER'S REPORT, REQUESTS FOR INCLUSION IN THE GRP

Ms. Silva 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. She additionally discussed the five-year capital improvement projects, right of way acquisition process, and the Authority's Groundwater Reduction Plan. A copy of the written engineer's report is attached.

Ms. Silva reported on the evaluation of new participants to the Authority's Groundwater Reduction Plan ("GRP"). She reminded the Board that a deadline of May 1, 2008, was established for all potential GRP contract participants to submit a formal request to be included in the Authority's GRP. She noted that a detailed summary for all entities that wish to join the GRP by contract was prepared and previously provided to the Board. She stated that, in general, the Authority would need to convert an

additional 0.7 mgd beyond the required 14.5 mgd for year 2013, and 1.9 mgd beyond the required 53.0 mgd for year 2025 to account for the proposed contract participants. She reviewed the following requirements for joining the Authority's GRP: 1) submittal of a letter of consent from the entity's governing municipality; 2) change of permit expiration dates to September 30, 2008; 3) execution of a contract with the Authority; and 4) payment of back pumpage fees beginning in October 2005.

Ms. Silva next reported that Chemical Lime Company contacted B&G after the deadline to request inclusion in the Authority's GRP. Discussion ensued regarding the Subsidence District's September 30, 2008, deadline for certification of GRP's. Following review and discussion, Director Hebert moved to distribute a Groundwater Reduction Plan Participation Agreement with a letter to notify proposed GRP participants that the deadline for meeting all of the requirements for joining the Authority's GRP is July 15, 2008. Director Gay seconded the motion, which was approved by unanimous vote.

Following additional discussion, Director Gay moved to include Chemical Line Company in the distribution of the Groundwater Reduction Plan Participation Agreement with a letter to notify proposed GRP participants that the deadline for meeting all of the requirements for joining the Authority's GRP is July 15, 2008. Director Fay seconded the motion, which was approved by unanimous vote. Ms. Silva stated that once contracts are executed with the additional participants, B&G will provide a brief amendment to the Authority's GRP to formally add those parties.

Ms. Silva updated the Board on activities related to the facility site and transmission line routing analysis for the Authority's surface water system. She stated that the work is proceeding well. She stated that meetings have been held with most of the utility districts that will be part of the initial surface water conversion in year 2013. She noted that draft reports for two of the initial segments, Segments 0 and 1, have been distributed to the Board for comment. She stated that draft reports for additional segments will be provided to the Board for comment on a regular basis. Mr. Scholler responded to questions from Board members regarding facility site and transmission line routing.

Ms. Silva stated that CenterPoint Energy has not yet provided comments on the redlined maps indicating the preferred placement of proposed pipelines into CenterPoint Energy's corridors. She reported that a second batch of redlined drawings which address the corridors north of FM 1093 will be provided to CenterPoint Energy in the near term.

Ms. Silva stated that a draft recommendation has been prepared for the proposed new pump station site for Board review. She reported that the survey of the site is complete and a formal appraisal should be available this week.

Ms. Silva reported on the status of the installation of the survey monumentation.

Ms. Silva reported that B&G is providing comments and support information for the ongoing contract negotiations for the following 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.

Ms. Silva reported that B&G audited cost information provided by the COH for the exhibits to the proposed Water Supply Contract and on May 7, 2008, forwarded three separate memoranda containing comments and requests for additional documentation related to the potential costs assessed for the Authority's pro-rata share of the transmission lines, the east water purification plant, and the southwest re-pump station. She stated that a formal response has not yet been received from the COH. Ms. Silva responded to comments and questions from Board members.

Ms. Silva reported on meetings and telephone conferences held to discuss the proposed contract to address Luce Bayou issues. She stated that several issues remain unresolved pending information from the Coastal Water Authority (the "CWA"). The Board requested that the consultants not attend any future meetings or telephone conferences on this matter until the Water Supply Contract is finalized.

In response to Board inquiry, Mr. Oliver reported that the Board of Fort Bend County Municipal Utility District No. 25 ("MUD 25") is considering options for addressing the matter of including in MUD 25's GRP, water wells for the Houstonian Golf Club, which are legally located within the Authority's GRP.

Following review and discussion, Director Patton moved to approve the engineer's report as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

STATUS OF SURFACE WATER SUPPLY AND FACILITIES NEGOTIATIONS

Mr. Oliver reported that the draft Cost Sharing Agreement for joint facilities is being revised to focus on the D-158 water plant per comments received from the WHCRWA.

2008 BOND ISSUE AND INTERIM FINANCING OPTIONS

Mr. Oliver and Mr. Scholler next reported that they are coordinating to determine the amount of interim costs to be incurred prior to the Authority's issuance of bonds, and that they will coordinate with the Authority's bookkeeper to update the five-year Capital Improvement Plan. They reported that Mr. Palmer is reviewing options for obtaining short-term financing for the interim costs of property acquisition, and design and construction of preliminary projects.

ONLINE PUMPAGE REPORTING SYSTEM, PUBLIC COMMUNICATIONS

Ms. Payne next discussed with the Board the status of the on-line pumpage reporting system. She stated that the system is operational and well operators have begun inputting their information. She reported that she has received positive feedback on the system from many of the well owners.

Ms. Payne next updated the Board on the Authority's public communications and stated that updates to the Authority's web site are scheduled for the fall. She discussed scheduling a meeting with Director Houghton to discuss the public outreach program.

MONTHLY MEETING EXPENSES

The Board next discussed meeting expenses. Following review and discussion by Board members and meeting attendees, the Board concurred that no action was necessary for this item.

REPORTS FROM DIRECTORS AND CONSULTANTS

Mr. Oliver requested authorization to forward to the Subsidence District a letter, on behalf of the Authority, to request that the Subsidence District explore development of an incentive policy for irrigation conservation measures. Ms. Payne additionally reported on statewide activities related to the area of irrigation as it relates to water conservation. Following discussion, Director Hebert moved to authorize ABHR to forward such a letter to the Subsidence District. Director Gay seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

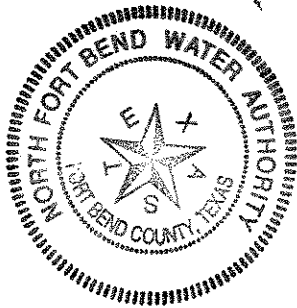
The Board next convened in executive session pursuant to Chapter 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property.

RECONVENE IN OPEN SESSION

The Board reconvened in open session. Director Hebert moved to adopt a Resolution Authorizing Acquisition of Real Property and approve an engagement letter with Vinson & Elkins, LLP for legal services associated with acquiring the proposed pump station site. Director Gay seconded the motion, which was approved by unanimous vote.

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

(SEAL)



David A. Geer
Asst. Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
attendance sheets	1
bookkeeper's report	2
written engineer's report	2