

MINUTES  
NORTH FORT BEND WATER AUTHORITY

June 24, 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 24th day of June, 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: Terrell Palmer of First Southwest Company; David C. Scholler, P.E. and Melinda Silva, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Kevin Krahn, P.E. of AECOM; Pamela Logsdon and 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 May 27, 2009. After discussion, Director Spell 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. There were no public comments.

PUBLIC COMMUNICATIONS

Director Patton stated that he spoke with Barbara Payne of Payne Communications and there is no update on the Authority's public communications. He reported on a water conservation seminar scheduled to be held on July 1, 2009, and briefly reviewed the speakers scheduled for the seminar. He stated that a link for registration for the free seminar is included on the Authority's website.

## ASSOCIATION OF WATER BOARD DIRECTORS CONFERENCES

Director Patton reported on his attendance at the American Waterworks Association Seminar. Following review and discussion, Director Gay moved to approve reimbursement of the eligible expenses for the Association of Water Board Directors summer conference and the American Waterworks Association Seminar, and authorize attendance at the Association of Water Board Directors winter conference. Director Hebert seconded the motion, which was approved by unanimous vote.

## INTERLOCAL AGREEMENT WITH FBSD

The Board reviewed an Interlocal Agreement with the Fort Bend Subsidence District (the "FBSD") for the Authority's sponsorship of students of schools located within and outside of the Authority through the purchase of water conservation kits for a cost of \$34.50 per kit. Following review and discussion, Director Fay moved to authorize execution of the agreement as revised to provide for sponsorship of additional schools as authorized by Director Gay in an amount not to exceed \$250,000.00. Director Hebert seconded the motion, which was approved by unanimous vote. A copy of the Interlocal Agreement is attached.

## RENEWAL OF AUTHORITY'S INSURANCE POLICIES

Mr. Oliver reported that a renewal proposal from Anco-McDonald Waterworks Insurance Service ("Anco") for the Authority's insurance policies will be forwarded for review. He stated that the proposal does not contain an increase in premium and the policies expire on August 2, 2009.

## RESOLUTION ADOPTING GROUNDWATER REDUCTION PLAN

Mr. Oliver next reviewed with the Board the requirement for the Authority to adopt a written resolution adopting the Authority's Groundwater Reduction Plan. Following review and discussion, Director Gay moved to adopt a Resolution Adopting Groundwater Reduction Plan. Director Patton seconded the motion, which was approved by unanimous vote.

## SUPPLEMENTAL ENGAGEMENT LETTER

Mr. Palmer next reviewed a letter requesting that the fee for financial services in connection with the issuance and sale of the Authority's \$142,400,000 Water System Revenue Bonds, Series 2009 ("Series 2009 Bonds"), be determined under Appendix A of the Authority's existing contract with First Southwest Company. Mr. Palmer and Mr. Oliver briefly discussed activities undertaken with rating agencies and the bond insurer to obtain a bond rating and an insurance commitment. Following review and discussion, Director Gay moved to authorize execution of the supplemental

engagement letter with First Southwest Company as presented. Director Patton seconded the motion, which was approved by unanimous vote.

#### ISSUANCE OF SERIES 2009 BONDS

Mr. Palmer and Mr. Oliver next reviewed a Bond Purchase Agreement, an insurance commitment, and the Indenture of Trust and the First Supplemental Indenture of Trust related to the issuance of the Authority's Series 2009 Bonds. Mr. Palmer reviewed the sources and uses of funds and a comparison of interest rates for various financing options. He stated that the open-market issuance of the bonds saves approximately \$6,300,000 in interest costs over the life of the bonds when compared to obtaining a loan from the Texas Water Development Board. He responded to Board members' questions regarding pay-off of the Authority's Bond and Revenue Anticipation Note ("BAN") in the amount of \$10,000,000 to Bank of America. Following review and discussion, Mr. Palmer and Mr. Oliver recommended that the Board approve the issuance of the bonds and the related documents. Director Gay moved to adopt the Resolution Authorizing the Issuance, Sale, and Delivery of the North Fort Bend Water Authority Water System Revenue Bonds, Series 2009; Approving the Form and Substance and Authorizing the Execution of a Master Indenture and First Supplemental Indenture of Trust Relating to Such Bonds; Approving a Bond Purchase Agreement; Approving the Purchase of Bond Insurance and Related Matters; Authorizing and Ratifying Other Actions of the Authority; Making Certain Findings and Containing Other Provisions Relating to the Subject. Director Hebert seconded the motion, which was approved by unanimous vote.

#### PAYING AGENT

Mr. Oliver stated that there is no need to enter into a Paying Agent/Registrar Agreement.

#### APPROVE OFFICIAL STATEMENT, AUTHORIZE PAYMENT AND SIGNATURES

Mr. Oliver next reviewed an official statement and reviewed costs, documents, and actions related to the issuance and closing of the Series 2009 Bonds. Following review and discussion, Director Fay moved to: 1) approve the Official Statement; 2) authorize payment of issuance and closing costs; 3) authorize the Board of Directors to sign all documents relating to the bond sale; and 4) authorize the Authority's attorney and financial advisor to take all necessary action to deliver the bonds to the purchaser. Director Patton seconded the motion, which was approved by unanimous vote.

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

Ms. Logsdon next reviewed with the Board an Investment Memorandum, a copy of which is attached. She reviewed investment recommendations for the construction

account and trust accounts to be established and funded with the proceeds from the Authority's Series 2009 Bonds. Following review and discussion, Director Gay moved to: 1) authorize the Treated Water Facilities payment to the City of Houston due under the Water Supply Contract; 2) approve a Resolution Authorizing the Investment and Transfer of Funds; 3) adopt an updated Resolution Establishing Authorized Depository Institutions as recommended; 4) authorize the opening of construction investment bank accounts as recommended; 5) authorize execution of Depository Pledge Agreements with Central Bank, Wells Fargo Bank, Bank of Houston, and Prosperity Bank; 6) authorize the President and Secretary of the Board to execute bank signature cards, wire transfer authorization, and Depository Pledge Agreements, as necessary, to accomplish the investment and trust account recommendations; 7) authorize a limit on pledged letters of credit of approximately 50% or \$2,500,00 million of deposits in any Authority account; 8) authorize engaging a broker to facilitate the purchase of securities and/or Treasury Bills; and 9) authorize the opening of TexSTAR accounts for each of the trust funds to be established from bond proceeds. Director Hebert seconded the motion, which was approved by unanimous vote.

Mr. Palmer recommended that a review of the Authority's Investment Policy be made to determine whether any revisions are needed per the approved investment recommendations.

Ms. Lightbody next reviewed a bookkeeper's report, including monthly receipts and past due accounts, a copy of which is attached.

Ms. Lightbody reported that there was no need to conduct a hearing on delinquent fees or rule violations. Mr. Oliver reported on activities undertaken to collect delinquent fees. Following review and discussion, Director Gay moved to approve the bookkeeper's report as presented. Director Spell seconded the motion, which was approved by unanimous vote.

#### ENGINEERING MATTERS

Ms. Silva next presented the engineer's report, including the monthly pumpage report, the status of newer wells located within the Authority, including the wells of the contract participants in the Authority's Groundwater Reduction Plan ("GRP"), a summary of activities, and a list of upcoming events. A copy of the written engineer's report is attached.

Ms. Silva reported on the status of negotiations with the West Harris County Regional Water Authority (the "WHCRWA") on a cost sharing agreement for joint facilities. She reported that a meeting was held with WHCRWA's engineer to discuss the technical details related to sharing capacity in Segment 0, Segment 1A, and the Pump Station. She stated that a preliminary term sheet to address those technical issues was developed and forwarded to ABHR for use in preparing the agreements.

Ms. Silva reported that B&G has completed a detailed review of a copy of the Second Source Water Study received from the WHCRWA. She stated that B&G forwarded a letter to the WHCRWA to request negotiations regarding joint participation in the Second Source Study.

Ms. Silva reported that B&G completed the due diligence inspection of the City of Houston's D-158 water plant. She stated that the facility is operational and is serviceable for the Authority's use. She requested authorization to begin negotiations with the City of Houston for a lease agreement to use the D-158 facility.

Ms. Silva next reported that secondary monuments will be set for Main Segments 8 and 12.

Ms. Silva reported on environmental issues related to design. She stated that the Jurisdictional Waters Determination and Wetlands Delineation have been completed and that such information will be forwarded to the affected design consultants.

Ms. Silva reported that each waterline segment will require clearance from the Texas Historical Commission. She recommended approval of an additional \$10,450.00 for the environmental work to be performed by Raba-Kistner Consultants, Inc. ("RK") for obtaining such clearance on Main Segments 2 through 7.

Ms. Silva reported that B&G is preparing a recommendation for additional environmental work required for Main Segments 8, 9, and 12, for presentation to the Authority's Design Committee.

Ms. Silva requested authorization to begin contract negotiations with Tolunay-Wong Engineers, Inc. for additional geotechnical work required for the design of Main Segments 8, 9, and 12, per the Design Committee's recommendation.

Ms. Silva next reported on the status of design, right of way acquisition, and contract negotiations for the design, as appropriate, for the pump station, Main Segments 0, 1A, 1B, 2, 3, 4, 5, and 6, and the related district connection lines.

Ms. Silva reported that design drawings for Main Segment 0 were re-submitted to the Harris County Flood Control District (the "HCFCD") and are under review by the County attorney. She stated that the HCFCD has stipulated that they will not approve the plans until they receive a copy of the interlocal agreement between the Authority and WHCRWA. She stated that the plans for the segment were submitted to Texas Commission on Environmental Quality (the "TCEQ") for approval in June.

Ms. Silva reported that the design team continues to work with CenterPoint Energy to develop an alternate alignment for Main Segment 3.

Ms. Silva reported that the design team for Main Segment 4 has developed an alternate alignment along Westmoor Drive to avoid the identified cemetery and archeological study areas along Aliana Trace Road. She stated that differences in the positions of the developer's Environmental Consultant and the Authority's Environmental Consultant regarding the environmental requirements may result in a realignment of a portion of this segment. She requested additional funding in the amount of \$40,000.00 for B&G to design and survey the realignment of the segment portion along Aliana Trace Road. She stated that the funds will not be used if the realignment is not required.

Ms. Silva additionally reported that a portion of Main Segment 4 goes through a heavily wooded private development and recommended approval of a proposal in the amount of \$6,300.00 from B&G for a Tree Protection Survey and Urban Forestry Consultant Services to be performed by C.N. Koehl Urban Forestry, Inc.

Ms. Silva next reported that the Design Committee has reviewed the Routing Analysis Reports for Main Segments 8 and 12 and recommended design consultants for the segments as included in the engineer's report. She requested authorization to negotiate design contracts with the consultants as recommended.

Ms. Silva next reported that notices were sent to all of the utility districts included in the 2013 surface water system to provide a date by which they should be prepared to receive surface water per the table attached to the engineer's report. She stated that separate notices were sent to the utility districts and their consultants to provide additional technical information regarding the requirements for conversion to chloramine disinfection. She stated that this information will be posted to the Authority's website. She stated that B&G is organizing a surface water conversion workshop and the TCEQ is available to participate on September 2, 2009.

Ms. Silva reported that B&G has prepared a detailed schedule to assist in the easement acquisition process.

Ms. Silva reported on additional engineering matters, including activities related to the preparation of a bond fund drawdown schedule, coordination with the Region H Water Planning Group at their request, and preparation of a Routing Report for Main Segments 9 and 10 for review at the next Design Committee meeting.

Following review and discussion, Director Gay moved to accept the engineer's report as presented, including the following: 1) authorize B&G to negotiate a lease agreement with the City of Houston for the D-158 water plant; 2) approve the proposal from B&G in the amount of \$10,450.00 to obtain clearance from the Texas Historical Commission on Main Segments 2 through 7; 3) authorize B&G to negotiate a contract with Tolunay-Wong Engineers, Inc. for geotechnical services for the design of Main Segments 8, 9, and 12; 4) accept the proposal from B&G in the amount of \$40,000.00 for the re-design of a portion of

Main Segment 4, if necessary; 5) approve the Routing Studies for Main Segments 8 and 12; and 6) authorize B&G to negotiate design contracts with the recommended consultants for Main Segments 8 and 12. Director Fay seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

There was no discussion regarding realty interest acquisition.

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

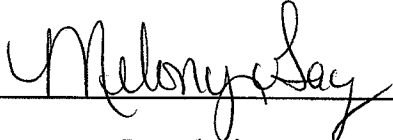
The Board convened in executive session pursuant to Chapter 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property.

The Board reconvened in open session. No action was taken by the Board.

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

(SEAL)



  
Secretary, Board of Directors

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