

MINUTES
NORTH FORT BEND WATER AUTHORITY

June 25, 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 25th day of June, 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 except for Director Gay, 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; Joe B. Allen, David Oliver, and Justine M. Cherne of Allen Boone Humphries Robinson LLP ("ABHR"); and persons listed on the attached attendance sheet.

APPROVE MINUTES

The Board first considered approving the minutes of the meetings held on May 14, and May 28, 2008. After discussion, Director Fay moved to approve the minutes as written. Director Spell seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. Rodrigo Carreon of Fort Bend Fresh Water Supply District No. 1 addressed the Board to discuss preventing potential contamination of future surface water supply by wastewater facilities.

BOOKKEEPER'S REPORT, CONDUCT HEARING

Ms. Logsdon 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. She noted that interest rates for various banks were previously distributed.

Ms. Logsdon and Mr. Scholler reported that there has been no update on the Harrison Interests account. Mr. Oliver reported that a letter has been drafted to forward to Harrison Interests to demand payment of amounts owed.

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

REVIEW TRAVEL REIMBURSEMENT GUIDELINES

The Board next discussed the number of per diems and meals for the Association of Water Board Directors ("AWBD") summer conference per the Authority's Travel Reimbursement Guidelines. Following review and discussion, Director Hebert moved to authorize four per diems and reimbursement for up to eight meals. Director Spell seconded the motion, which was approved by unanimous vote.

ENGINEER'S REPORT

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 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 updated the Board on activities related to the pipeline routing analysis for the Authority's surface water system. She stated that meetings have been held with the currently identified utility districts which will be included in the initial surface water conversion in year 2013. She reported that meetings were held with Willowfork Drainage District and West Keegans Bayou Improvement District to discuss use of their channels. She noted that draft reports have been prepared for Segments 3 through 6. She said that recommendations for Segments 2 and 7 should follow shortly. Following review and discussion, Director Patton moved to approve the reports for Segments 0 and 1 and authorize B&G to prepare a cost proposal for the survey and design work for the segments. Director Fay seconded the motion, which was approved by unanimous vote.

Ms. Silva reported that an offer was made for the proposed pump station site and negotiations are on-going.

Ms. Silva reported on the status of the installation of the survey monumentation. She stated that this work should be essentially complete by next month's meeting.

Ms. Silva reported on B&G's activities related to 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 a satisfactory agreement for the Authority's payments to the COH under the Water Supply Contract was negotiated. She stated that \$16 million in cost savings for the Authority's pro-rata share of the transmission lines, the east water purification plant, and the southwest re-pump station was achieved. She stated that, in general, the Authority will be paying approximately \$1.34 per gallon for capacity reservation from existing facilities. She stated that the WHCRWA paid \$1.12 per gallon for their initial capacity reservation and have since paid \$1.50 per gallon for their latest reservation, and that the North Harris County Regional Water Authority (the "NHCRWA") paid \$1.50 per gallon for their initial reservation.

Ms. Silva reported on telephone conferences held to discuss the proposed contract to address Luce Bayou issues. She stated that contract language requested by the COH regarding direct water reuse is problematic. She stated that, given the complexity of the issue and the late timing of the language, it is B&G's and ABHR's recommendation that the language not be included in the Luce Bayou contract.

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

REQUESTS FOR INCLUSION IN THE GRP

Ms. Silva reported that, as approved last month, letters were sent to the potential participants to the Authority's Groundwater Reduction Plan ("GRP") to notify them of the Board's approval of their inclusion, pending the execution of a contract and the completion of the other requirements. She stated that a deadline was set for the execution of all contracts by close of business on July 21, 2008. Potential participants were advised that they will have to present their monthly pumpage records for October 2005 through June 2008, for use to calculate past pumpage fees due 45 days from the date of contract execution. Participants will begin paying monthly pumpage fees as a member of the Authority with the first payment for July 2008 due August 31, 2008. She stated that once contracts with the additional participants are executed, B&G will formally add those parties in a brief amendment to the Authority's GRP.

Ms. Silva next reported that B&G was contacted by Fort Bend Fresh Water Supply District No. 1 ("FWSD 1") and Fort Bend County Municipal Utility District No.

189 ("MUD 189") to request inclusion in the Authority's GRP. She stated that representatives from both districts are present to address the Board.

Mr. Scholler noted that the Board has approved including the City of Arcola in the Authority's GRP, pending the execution of a contract and the completion of the other requirements. He stated that FWSD 1 is located next to the City of Arcola and has joint agreements with the City of Arcola for water and wastewater interconnections. He stated that MUD 189 is a new utility district located next to Fort Bend County Municipal Utility District No. 131, which the Board has approved including in the Authority's GRP, pending the execution of a contract and the completion of the other requirements.

Mr. Dybala of FWSD 1 addressed the Board to request the inclusion of FWSD 1 in the Authority's GRP. He stated that FWSD 1 has been denied inclusion into the GRP's of the Cities of Missouri City, Pearland, and Houston.

Gary Mensik of LJA Engineering & Surveying, Inc. distributed a map to the Board and requested inclusion of MUD 189 in the Authority's GRP. He stated that MUD 189 has been denied inclusion into the GRP's of the Cities of Pearland and Houston, and has not received a response from the City of Missouri City.

Mr. Scholler stated that preliminary numbers indicate that projected ultimate pumpage by FWSD 1 and MUD 189 would be a minimal percentage of the Authority's overall pumpage. He stated that a recommendation will be prepared for the Board's consideration at next month's meeting. He reviewed new utility districts' options for complying with Fort Bend Subsidence District ("FBSD") regulations. Following review and discussion, Director Hebert moved to consider inclusion of the FWSD 1 and MUD 189 in the Authority's GRP, subject to receiving the required information for such participation. Director Patton seconded the motion, which was approved by unanimous vote.

STATUS OF SURFACE WATER SUPPLY AND FACILITIES NEGOTIATIONS

Mr. Allen reported that a Water Supply Contract with the COH is ready for the Board's approval and execution. He commended B&G for achieving \$16 million of cost savings through their auditing efforts. He stated that the initial amounts owed under the contract are due within 180 days after execution of the contract, which is approximately the middle of January 2009. He stated that the WHCRWA and the NHCRWA were required to pay the initial amounts owed under their water supply contracts with the COH within 90 days. Discussion ensued regarding the length of time and the process undertaken to obtain the water supply contract, and the much higher costs previously estimated for such a contract. Additional discussion ensued regarding issuing bonds for the initial amounts owed under the contract. Mr. Allen stated that approval from the Texas Commission on Environmental Quality ("TCEQ") is not

needed for Authority bond issues. Following review and discussion, Director Hebert moved to approve the Water Supply Agreement with the COH as presented. Director Darden seconded the motion, which was approved by unanimous vote.

Mr. Oliver reported that the WHCRWA is delaying comments to the draft Cost Sharing Agreement for joint facilities, pending information from the COH on surface water supply capacity at COH's Bellaire-Braes Pump Station.

2008 BOND ISSUE AND INTERIM FINANCING OPTIONS

Mr. Allen and Mr. Oliver stated that they will coordinate with the Authority's financial advisor to determine the amount of bonds which need to be issued to pay for the initial amounts owed to the COH under the Water Supply Contract, property acquisition, transmission facilities, and related projects. He stated that the Authority's financial advisor will review the proposed bond issue amount at next month's meeting. Mr. Oliver reported that the Authority's financial advisor is reviewing options for obtaining short-term financing for the interim costs.

RESOLUTION AUTHORIZING CAPITAL ADVANCE AND REIMBURSEMENT PROCEDURE

Mr. Oliver and Mr. Allen next reviewed with the Board the legislative requirement for the Authority to provide to its member districts the option to contribute their share of the cost of an Authority bond issue by making a capital contribution. He stated that a Resolution Authorizing Capital Advance and Reimbursement Procedure will be presented for the Board's consideration at next month's meeting.

PUBLIC COMMUNICATIONS, ONLINE PUMPAGE REPORTING SYSTEM, WORKSHOP

Mr. Oliver reported that the WHCRWA has scheduled a TCEQ Workshop on Chloramine Conversion for July 10, 2008, from 9:00 a.m. to 5:00 p.m. at the Fry Road Municipal Utility District's office building located on Saums Road. A flyer announcing the workshop is attached to the engineer's report. Mr. Ahrens of the WHCRWA stated that Barbara Payne of Payne Communications is preparing a notice of the workshop for distribution to operators and engineers.

INTERLOCAL AGREEMENT WITH FBSD

The Board reviewed an Interlocal Agreement with the FBSD for the Authority's sponsorship of 1,500 students of schools located within the Authority through the purchase of water conservation kits for a cost of \$34.50 per kit. Ms. Cherne reported that the agreement has been reviewed by Director Gay and is ready for execution. She noted that the cost per kit has increased \$1.75 for a total increase of \$2,625.00. Following

review and discussion, Director Hebert moved that the Board authorize execution of the agreement. Director Fay seconded the motion, which was approved by unanimous vote. A copy of the Interlocal Agreement is attached.

REVIEW RENEWAL PROPOSAL FOR INSURANCE POLICIES

The Board next reviewed a renewal proposal from Anco-McDonald Waterworks Insurance Service ("Anco") for the Authority's insurance policies, a copy of which is attached. Following review and discussion, Director Darden moved to renew the Authority's insurance policies with Anco in the amount of \$3,398.00. Director Spell seconded the motion, which was approved by unanimous vote.

REPORTS FROM DIRECTORS AND CONSULTANTS

There were no additional reports from Directors or consultants.

CONVENE IN EXECUTIVE SESSION

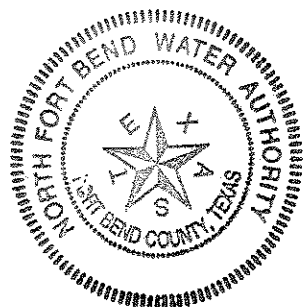
The Board next convened in executive session pursuant to Chapter 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property.

RECONVENE IN OPEN SESSION

The Board reconvened in open session. 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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