

MINUTES  
NORTH FORT BEND WATER AUTHORITY

July 23, 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 23rd day of July, 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"); Mike Reedy of TCB; Barbara Payne of Payne Communications, Inc.; Terrell Palmer of First Southwest Company; Pamela Logsdon and Pam E. Lightbody 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 sheets.

APPROVE MINUTES

The Board first considered approving the minutes of the meeting held on June 25, 2008. 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. Rodrigo Carreon of Fort Bend Fresh Water Supply District No. 1 addressed the Board and discussed groundwater supply.

BOOKKEEPER'S REPORT

Ms. Lightbody next reviewed the bookkeeper's report, including a summary of investments, monthly receipts, past due accounts, and disputed amounts, a copy of which is attached. She updated the Board on pumpage reports, amounts received, and amounts owed for the Harrison Interests account. Mr. Oliver reported that, per Board

approval, a letter explaining reporting and payment responsibilities was forwarded to the Harrison Interests account. He stated that a representative of the Harrison Interests account has been responsive to the letter. Ms. Lightbody next reviewed the Quarterly Investment Report. Following review and discussion, Director Gay moved to approve the bookkeeper's and investment report as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

#### ASSOCIATION OF WATER BOARD DIRECTORS CONFERENCES

Ms. Lightbody reported that the expense receipts received from the six Directors who attended the Association of Water Board Directors summer conference are in compliance with the Authority's Travel Reimbursement Guidelines. Following review and discussion, Director Gay moved to approve reimbursement of the eligible expenses for the Association of Water Board Directors summer conference and authorize attendance at the Association of Water Board Directors winter conference. Director Hebert seconded the motion, which was approved by unanimous vote.

#### DEPOSITORY PLEDGE AGREEMENT

Mr. Oliver reported that Texas State Bank has merged with Compass Bank and soon will only be using the name Compass Bank. He reviewed with the Board a Depository Pledge Agreement and a Letters of Credit Agreement between the Authority and Compass Bank. Mr. Oliver noted that Compass Bank proposes to use Letters of Credit from the Federal Home Loan Bank in Atlanta, Georgia as collateral for the Authority's deposits. Following review and discussion, Director Gay moved to approve the Depository Pledge Agreement and the Letters of Credit Agreement with Compass Bank, direct that such documents be given to the bookkeeper to complete and forward to Compass Bank for execution, and direct that such documents, once completed and fully executed, be filed appropriately and retained in the Authority's official records. Director Darden seconded the motion, which was approved by unanimous vote.

#### AUTHORIZED DEPOSITORY INSTITUTIONS

The Board next reviewed updates to the Authority's authorized depository institutions and list of qualified broker/dealers. Following review and discussion, Director Gay moved to approve the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the Authority May Engage in Investment Transactions as updated. Director Darden seconded the motion, which was approved by unanimous vote.

## CONDUCT HEARING

Ms. Lightbody stated that she is not aware of any rule violations at this time. She reported that B&G performed an annual audit of the pumpage amounts reported to the Authority and to the Fort Bend Subsidence District (the "FBSD"). She stated that letters were sent to 26 well owners whose pumpage amounts were not consistently reported to the Authority and the FBSD. She stated that she will provide an update on the responses received and any corresponding actions at next month's regularly scheduled Board meeting.

## REQUESTS FOR INCLUSION IN THE GRP

Mr. Oliver and Ms. Silva reported on the status of receiving the required information from potential participants in the Authority's Groundwater Reduction Plan ("GRP"). Ms. Silva stated that there are ten potential participants with a total of fifteen wells. Mr. Oliver stated that the contracts will be presented next month for the Board's consideration. Ms. Silva stated that an amendment to the Authority's GRP will be submitted at a later date to add the additional participants.

## 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 a list of upcoming events. She additionally discussed the installation of primary monumentation. A copy of the written engineer's report is attached.

Ms. Silva and Mr. Oliver reported on their schedule for attending meetings of the boards of utility districts which will be included in the Authority's initial surface water conversion by year 2013. They stated that they have attended five board meetings to provide a general update and to answer questions regarding the surface water conversion program, and are scheduled to attend the remaining board meetings next month.

Ms. Silva and Mr. Oliver next reported on a meeting held with the attorney for the Houstonian Golf Club to discuss options related to the Authority's GRP. Mr. Oliver reminded the Board that it was brought to B&G's attention by the FBSD that the water wells for the Houstonian Golf Club were included in Fort Bend County Municipal Utility District No. 25's ("MUD 25") GRP as well as the Authority's GRP, and that MUD 25 is providing reclaimed water to the Houstonian Golf Club. He said that the wells are legally located within the Authority and the Houstonian Golf Club has been paying pumpage fees and, in addition, will report the amount of reclaimed water received subject to import fees. Mr. Scholler stated that the Houstonian Golf Club may request exclusion from the Authority.

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. Joint Facilities Agreement between the West Harris County Regional Water Authority (the "WHCRWA") and the Authority to share joint facilities.

Ms. Silva reported that the Water Supply Contract was approved by the COH City Council and will be submitted to the FBSD as part of the Authority's GRP submittal.

Mr. Allen reported that a revised contract for the Luce Bayou Project with the provision requested by the COH prohibiting water reuse removed has been sent to the COH for consideration. He discussed the various applications and implications of that provision.

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

Ms. Silva updated the Board on activities related to the pipeline routing analysis for the Authority's surface water system. She and Mr. Scholler reviewed a Job Assignment Proposal for design, survey, and property acquisition services for the pump station and Water Line Segments 0, 1A, and 1B. Mr. Allen briefly reviewed the applicable law which applies to such proposals and to the Authority's current contract with B&G. Following review and discussion, the Board concurred to consider the proposal at next month's meeting.

Ms. Silva stated that B&G recommends that the individual utility district engineers design the smaller transmission lines to connect to the larger main transmission lines which will provide surface water to their utility districts. She requested authorization for B&G to negotiate contracts with the engineers of the utility districts to be served by Water Line Segments 1A and 1B.

Ms. Silva requested approval for the previously distributed pipeline routing analysis reports for Water Line Segments 3 through 6, and authorization to prepare a proposal for the design, survey, and acquisition services related to the segments. She reported on the status of the preparation of recommendations for Water Line Segments 2 and 7.

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

Ms. Silva next reviewed a Job Assignment Proposal in an amount not to exceed \$189,000 to develop standards for survey, design, and construction for chloramines conversion. Mr. Allen stated that ABHR will coordinate with B&G to develop a chloramines conversion policy for the Board's consideration.

Ms. Silva reported that B&G has revised the Authority's Five-Year Capital Improvement Plan ("CIP") per the additional information provided in the reports for the water line segments and the conceptual pump station design work.

Mr. Scholler briefly reviewed the anticipated phasing of the projects included in the CIP. He stated that Water Line Segments 0, 1A, and 1B will convey surface water to Fort Bend County Municipal Utility District No. 2 and Kingsbridge Municipal Utility District, possibly within two years, depending on the amount of residual pressure contained in the COH's lines. He stated that the pump station will take several years to design and construct. He stated that Water Line Segments 2 through 7 will deliver surface water to approximately 25 utility districts by 2013. He reviewed the amounts included in the CIP for capital payments due to the COH under the Water Supply Contract for the Authority's initial surface water reservation. He stated that the initial reservation for surface water supply from the COH for the 2013 conversion is 19,500,000 gallons per day. He stated that the Authority is obligated to make a capital payment of \$47,800,000 within 180 days after execution of the Water Supply Contract for its share of the existing treated water facility costs attributable to the initial reservation and additional capital payments for raw water facilities attributable to its initial reservation once the Authority begins taking water from the COH. Director Houghton noted that the Authority has the right to increase the reservation every five years under the contract.

Following review and discussion, Director Darden moved to: 1) authorize B&G to begin to negotiate contracts with the engineers of the utility districts to be served by Water Line Segments 1A and 1B; 2) approve the pipeline routing analysis reports for Water Line Segments 3 through 6, and preparation of cost proposals for the survey and design work for the segments; and 3) approve the Job Assignment Proposal to develop standards for survey design and chloramines conversion as presented. Director Fay seconded the motion, which was approved by unanimous vote.

#### 2008 BOND ISSUE AND INTERIM FINANCING OPTIONS

Mr. Palmer next discussed with the Board a proposed bond issue to pay for the initial amounts owed to the COH per the Water Supply Contract, and for property

acquisition, transmission facilities, and related projects. He discussed uncertainty in the current bond market in light of the recent rating downgrades and the credit watch status of bond insurance companies. He reviewed the market's potential effects on the interest rates of bond issues and interim financing options for the Authority for implementation of the CIP. He stated that he will coordinate with ABHR to determine the best options for obtaining funds for the Authority.

#### 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 utility districts the option to contribute their share of the cost of an Authority bond issue by making a capital contribution. They described the process for notifying the districts of their option. Following review and discussion, Director Gay moved to authorize distribution of a notice to the utility districts as discussed. Director Darden seconded the motion, which was approved by unanimous vote.

Following additional discussion regarding a proposed capital advance and reimbursement procedure, Director Spell moved to adopt a Resolution Authorizing Capital Advance and Reimbursement Procedure for a capital expenditure in the amount of \$116,000,000. Director Gay seconded the motion, which was approved by unanimous vote.

#### PUBLIC COMMUNICATIONS, ONLINE PUMPAGE REPORTING SYSTEM

Ms. Payne next updated the Board on the Authority's public communications, including discussions with Director Houghton regarding the public outreach program, preparation of a newsletter for distribution to homes located within the Authority, plans for distributing water conservation brochures, and the status of the on-line pumpage reporting system.

#### RESOLUTION AUTHORIZING ACQUISITION OF REAL PROPERTY

Mr. Allen and Mr. Oliver next discussed with the Board the right-of-way acquisition process for the Authority's proposed construction projects related to the distribution of surface water to the utility districts located within the Authority. Following review and discussion, Director Hebert moved to adopt a Resolution Authorizing Acquisition of Real Property Interests for Water Line Segments 0, 1A, and 1B. Director Gay seconded the motion, which was approved by unanimous vote.

#### REPORTS FROM DIRECTORS AND CONSULTANTS

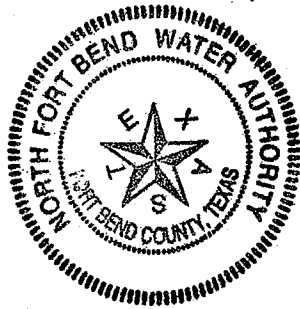
There were no additional reports from Directors or consultants.

CONVENE IN EXECUTIVE SESSION

The Board did not convene in executive session pursuant to Chapter 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property. Mr. Oliver reported that the original offer made for the purchase of the proposed pump station site has not been accepted. He stated that a revised offer will be made and that the Authority will begin condemnation proceedings to acquire the site if not accepted within a response period set by the Authority. He stated that B&G is slightly modifying the exhibits for the site to address issues that have been raised.

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

(SEAL)



*Melony Jay*  
Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

	Minutes <u>Page</u>
attendance sheets .....	1
bookkeeper's report.....	1
written engineer's report .....	3