

MINUTES  
NORTH FORT BEND WATER AUTHORITY

July 25, 2012

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 July, 2012, at the Willow Fork Country Club, 21055 Westheimer Parkway, 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 Director Hebert, thus constituting a quorum.

Also present for all or part of the meeting were Melinda Silva, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Pamela Logsdon of AVANTA Services; Tom Laseter of SWWC Services, Inc. ("SWWC"); Jay Hartley of Vepo, LLC; David Oliver, Christina Miller, and Justine M. Cherne of Allen Boone Humphries Robinson LLP ("ABHR"); and persons listed on the attached attendance sheets.

APPROVE MINUTES

The Board considered approving the minutes of the regular meeting held on June 27, 2012. After review and discussion, Director Gay moved to approve the minutes as written. Director Patton 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

Mr. Hartley reported on the status of the Authority's W.I.S.E. Guys Irrigation System Evaluations Program and development of an outreach campaign for the program by Barbara Payne of Payne Communications.

## WATER CONSERVATION AND REUSE

Mr. Oliver reported that a letter was sent to non-exempt well owners that did not submit a water conservation plan meeting minimum State requirements to remind them of the Authority's requirement to adopt such a plan and provide an extension of the deadline for submission to September 15, 2012, without penalty.

Mr. Oliver reviewed with the Board an Interlocal Agreement with the Fort Bend Subsidence District (the "FBSD") for the Authority's sponsorship of students for the Learning to be Water Wise Program. Following review and discussion, Director Gay moved to authorize execution of the agreement to provide for sponsorship of students in eligible area schools in an amount not to exceed \$125,000.00. Director Patton seconded the motion, which was approved by unanimous vote.

Directors Patton and Fay reported on their attendance at the Texas Water Reuse Conference and discussed current and projected use of effluent and effluent costs and rates within the State of Texas.

Mr. Oliver reported that ABHR has received several request for materials distributed during the Authority's previously held water conservation workshops.

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

Ms. Logsdon reviewed the written bookkeeper's report, including checks for payment, transfers, monthly receipts, past due accounts, the income statement for the enterprise fund, a summary of investments, a schedule of debt service payments, and a quarterly investment report. A copy of the bookkeeper's report is attached. Following review and discussion, Director Gay moved to approve the bookkeeper's report. Director Patton seconded the motion, which was approved by unanimous vote.

Ms. Logsdon reported that there was no need to conduct a hearing on delinquent fees or rule violations.

## NOTICE OF PRELIMINARY 2013 FEES

Mr. Oliver noted that the Authority normally distributes a notice of the proposed Groundwater Reduction Plan ("GRP") Fee and Surface Water Fee for the next calendar year in July to assist municipal utility districts located within the Authority that are developing their budgets for a September 30 fiscal year end. He reviewed a proposed notice that states that the Board anticipates increasing the GRP Fee to \$1.80 per 1,000 gallons of water pumped and the Surface Water Fee to \$2.15 per 1,000 gallons of surface water received, which increase correspondingly increases the Imported Water Fee, effective January 1, 2013. Board members requested revisions to the proposed notice. Following discussion, Director Gay moved to authorize the consultants to distribute the

revise notice as discussed. Director Fay seconded the motion, which carried unanimously.

#### ORDER ADOPTING PROCEDURES FOR POST-ISSUANCE COMPLIANCE

Mr. Oliver stated that bonds issued by the Authority are generally subject to the requirements of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations promulgated thereunder. He added that those provisions require that issuers comply with certain post-issuance requirements (the "Requirements") for their bonds. Mr. Oliver explained that the Board is ultimately responsible for post-issuance compliance for its bonds, with assistance by its consultants. He pointed out that while there is no express requirement that an issuer adopt written compliance procedures, the Internal Revenue Service (the "IRS") views the adoption of written procedures as demonstrating the issuer's intent to comply with the Requirements. Mr. Oliver added that, in order to ensure that the Authority's procedures for post-issuance compliance are well documented, ABHR recommends that such procedures be adopted in writing by the Board. Mr. Oliver reviewed the Order Adopting Procedures for Post-Issuance Compliance with the Board. Following review and discussion, Director Gay moved to adopt the Order Adopting Procedures for Post-Issuance Compliance and direct that the order be filed appropriately and retained in the District's official records. Director Patton seconded the motion, which passed by unanimous vote.

#### RENEWAL OF AUTHORITY'S INSURANCE POLICIES

Mr. Oliver reviewed a renewal proposal in the amount of \$108,314.00 from SIG/McDonald & Wessendorff Insurance for the Authority's insurance policies due to expire on August 2, 2012. Following review and discussion, Director Gay moved to accept the proposal. Director Fay seconded the motion, which was approved by unanimous vote.

#### ADOPT AMENDED RATE ORDER

The Board reviewed an Amended Rate Order (the "Order"). Mr. Oliver stated that the amendments to the Order include clarification of the Imported Water Fee and variance request procedures, and a requirement for non-exempt well owners to submit interconnect agreements, agreements related to regional water system memberships, and any changes in key persons involved in their systems. Mr. Oliver explained the Authority's notification and hearing procedures for a change in rates in response to a meeting attendee's question. Following review and discussion, Director Gay moved to adopt the Order and authorize distribution of a notice of the amendments to the Order. Director Patton seconded the motion, which was approved by unanimous vote.

## OPERATION OF AUTHORITY FACILITIES

Mr. Laseter reported on the operations of the Authority's facilities, including maintenance and repairs, the quantity of requests for staking responded to by SWWC through the One-Call Board of Texas, and the status of installing identification plates on all wells located within the Authority. A copy of the operations report is attached. Following review and discussion, Director Gay moved to approve the operator's report. Director Fay seconded the motion, which was approved by unanimous vote.

## ENGINEERING MATTERS

### WATER SUPPLY CONTRACT AND LUCE BAYOU PROJECT

Ms. Silva presented the engineer's report, including the monthly pumpage report and the status of new wells located within the Authority. She reviewed a list of recent and upcoming events, reported on information received and outstanding from the City of Houston (the "COH") needed to analyze the Fiscal Year 2011 estimated true-up, and discussed the status of the wetlands delineation for the Luce Bayou Project. A copy of the engineer's report is attached.

### DESIGN AND CONSTRUCTION PROJECTS, AND SERVICES CONTRACTS

Ms. Silva reported on the status of design, contract documentation, right-of-way acquisition, and construction, as appropriate, for several main line segments, related district connection water lines, and the inspection and evaluation of the D-158 Water Plant site water wells. A spreadsheet summarizing the status of design projects is attached to the engineer's report. Ms. Silva recommended approval of a change order to the design contract for Main Segment 7B due to the relocation of a CenterPoint Energy gas line.

Ms. Silva updated the Board on the construction of Main Segments 6, 7A, 7B, 8A, 8B, 9A, 9B, 12A, 12B, 12C, and 12D, the connection water lines for Fort Bend County M.U.D. No. 118, the Bellaire Pump Station project, the D-158 tank painting project, and the Main Segment 0 Tie-ins and D-158 Water Plant Modifications project. A spreadsheet summarizing the status of construction projects is attached to the engineer's report. Ms. Silva recommended approval of twelve pay estimates for the construction projects and final acceptance of Main Segment 12C and the Main Segment 0 Tie-ins and D-158 Water Plant Modifications project. She additionally recommended approval of change orders to the construction contracts for Main Segment 7A for traffic control, Main Segment 12A for a 90-day time extension, and the Bellaire Pump Station project for a 42-day time extension.

### ROUTING ANALYSES

Ms. Silva reported that B&G continues to work on the routing analysis for Main

Segment 19.

GRP, CHLORAMINES CONVERSION, AND REGULATIONS

Ms. Silva updated the Board on the status of chloramine conversion projects and evaluation of requests for reimbursement for chloramine conversion. A spreadsheet summarizing the status of chloramine conversion projects and reimbursement is attached to the engineer's report. She reported that Cinco Southwest M.U.D. No. 1's Board of Directors and engineer recommended approval of Pay Estimate No. 3 for the chloramine conversion project per the Authority's approved variance with that district.

Ms. Silva reported on activities related to evaluating requests from Fort Bend County M.U.D. No. 142 for early conversion to surface water, a request for early conversion to surface water from Fort Bend County M.U.D. No. 58, and a request from Grand Mission M.U.D. No. 1 for a water supply contract. Mr. Oliver reported that ABHR is preparing an Early Conversion Agreement and a Water Supply Agreement between the Authority and Fort Bend County M.U.D. No. 58.

Ms. Silva reviewed a chart reflecting surface water versus groundwater usage by the municipal utility districts currently receiving surface water from the Authority. She stated that a form will be posted on the Authority's website for use by municipal utility districts to notify the Authority when they use interconnects.

Ms. Silva reported that B&G is evaluating a revised request from Fort Bend County M.U.D. No. 25 for exclusion of approximately 24,014 acres.

Ms. Silva reported that B&G sent letters notifying the appropriate parties that surface water conversion has been delayed due to various schedule delays.

Ms. Silva reported that B&G is evaluating a revised effluent reuse study received from Fort Bend County M.U.D. No. 34 and a request from Cinco M.U.D. No. 1 for a contract to provide credits for effluent reuse.

Ms. Silva reported that ABHR is coordinating with Cinco M.U.D. No. 1 and the FBSD regarding Cinco M.U.D. No. 1's water well located in Harris County.

Ms. Silva stated that the preparation of a GRP Participation Agreement with Fort Bend County M.U.D. No. 141 is on hold pending completion of B&G's updated population and water demand projections for the Authority.

Ms. Silva reported that B&G has received estimated water usage from approximately 75% of the municipal utility districts located within the Authority. She stated that the Authority's aggregate well permit renewal forms are due to the FBSD by July 30, 2012, and asked whether an extension of the due date should be requested from the FBSD.

## REPORTS AND STUDIES

Ms. Silva reported on B&G's coordination with ABHR to evaluate water conservation plans received from municipal utility districts and other non-exempt well owners located within the Authority.

Ms. Silva reported that the Authority's Drought Contingency plan is on hold pending adoption of a revised Drought Ordinance by the COH. Mr. Oliver reviewed a letter from the COH which states that the Authority's comments to the Drought Ordinance will be taken into consideration.

Ms. Silva stated that B&G is preparing a summary on the benefits and disadvantages of the Authority's participation in the COH's proposed alternate Second Source Water Line.

Ms. Silva reported that B&G notified the FBSD that the Authority concurred with its use of the FBSD's method of calculating gallons per capita per day projections and population projections for regulatory planning purposes.

Ms. Silva responded to Board members' questions regarding surface water tracking and the COH's smart meter program.

Following review and discussion, Director Patton moved to approve the engineer's report, including:

- (1) approve the following pay estimates:

Main Segment 6, Pay Estimate No. 6 in the amount of \$101,733.23,

Main Segment 7A, Pay Estimate No. 4 in the amount of \$354,929.85,

Main Segment 7B, Pay Estimate No. 4 in the amount of \$290,151.77,

Main Segment 9B, Pay Estimate No. 1 in the amount of \$20,493.00,

Main Segment 12A, Pay Estimate No. 10 in the amount of \$68,827.58,

Main Segment 12B, Pay Estimate No. 9 in the amount of \$34,154.10,

Main Segment 12C, Pay Estimate No. 8 and Final in the amount of \$90,137.93,

Main Segment 12D, Pay Estimate No. 10 in the amount of \$0,

Fort Bend County MUD No. 118 connection water line, Pay Estimate No. 1 in the amount of \$0,

Main Segment 0 Tie-ins and D-158 Water Plant Modifications project, Pay Estimate No. 7 and Final in the amount of \$67,892.36,

D-158 Water Plant Tank Painting project, Pay Estimate No. 2 in the

amount of \$162,719.00, and

Bellaire Pump Station project, Pay Estimate No. 3 in the amount of \$960,913.00;

- (2) approve final acceptance of Main Segment 12C and the Main Segment 0 Tie-ins and D-158 Water Plant Modifications project;
- (3) approve the following change orders to construction contracts:  
Main Segment 7A, Change Order No. 1, in the amount of \$0,  
Main Segment 12A, Change Order No. 3 in the amount of \$0, and  
Bellaire Pump Station project, Change Order No. 1 in the amount of \$0;
- (4) approve a change order to the design contract for Main Segment 7B in the amount of \$3,438.00; and
- (5) authorize B&G to request an extension of the deadline for the Authority to submit aggregate well permit renewal forms from the FBSD.

Director Fay seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the discussion or the vote.

#### JOINT PROJECTS

Mr. Oliver reported that, as approved by the Board at its special meeting held on July 17, 2012, ABHR has prepared a letter to send to the West Harris County Regional Water Authority as notice that the Authority will increase its capacity in the Second Source Water Line under the Joint Facilities Agreement by 20%, or 11.8 MGD.

#### CONTRACTS

There was no discussion on this item.

#### REALTY INTEREST ACQUISITION

Mr. Oliver recommended acceptance of one amendment to a Water Line Easement for the parcels and from the Grantor/Party listed on the attached Realty Interests Chart for Main Segment 7B due to the relocation of CenterPoint Energy gas line. Following review and discussion, Director Spell moved to accept the realty interest acquisition document as recommended. Director Patton seconded the motion, which was approved by unanimous vote, except for Director Gay who was not present for the discussion or the vote.

#### EXECUTIVE SESSION

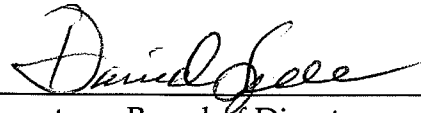
The Board convened in executive session at 7:22 p.m., to deliberate the purchase, exchange, lease, or value of real property.

At 7:33 p.m., 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.

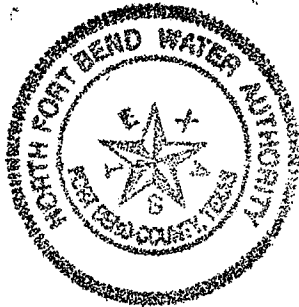


[SIGNATURE PAGE FOR THE MINUTES OF THE JULY 25, 2012, BOARD MEETING]



Asst. Secretary, Board of Directors

(SEAL)



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