

MINUTES
NORTH FORT BEND WATER AUTHORITY

August 22, 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 22nd day of August, 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 Directors Gay and Patton, thus constituting a quorum.

Also present for all or part of the meeting were Charles Shumate, P.E., Jennifer Mays, P.E., Chris Jacob, P.E., and Aaron Hargrove, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Pam E. Lightbody of AVANTA Services; Mike Thelen of SWWC Services, Inc. ("SWWC"); Barbara Payne of Payne Communications; David Oliver, Alia Vinson, 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 July 25, 2012, and the special meeting held on July 17, 2012. After review and discussion, Director Hebert moved to approve the minutes as written. Director Darden 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

Ms. Payne updated the Board on public communication and water conservation activities, including water conservation programs and workshops to be held within the Katy Independent School District. She reported on the distribution of inserts for utility

bills as part of an outreach campaign for the Authority's W.I.S.E. Guys Irrigation System Evaluations Program.

WATER CONSERVATION AND REUSE

Mr. Oliver reported on the status of submission of water conservation plans, interconnect agreements, and regional system agreements per the Authority's requirement that all non-exempt well owners within the Authority adopt a water conservation plan meeting minimum State requirements and submit interconnect and regional system agreements to the Authority.

Mr. Oliver reported on the City of Houston's Water Conservation Task Force ("WCTF") and stated that one representative from each water authority will be included on the WCTF. He stated that the Finance and Policy Committee has appointed Ms. Vinson to represent the Authority at the WCTF meetings. Ms. Vinson reported on topics discussed during the WCTF meetings she has attended.

Mr. Oliver reported that an executed Irrigation Evaluation Systems Cost Sharing Agreement was received from Fort Bend County M.U.D. No. 35.

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

Ms. Lightbody 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, and a schedule of debt service payments. A copy of the bookkeeper's report is attached. Following review and discussion, Director Fay moved to approve the bookkeeper's report. Director Hebert seconded the motion, which was approved by unanimous vote.

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

Ms. Lightbody reviewed late filings of pumpage/surface water billing reports by five municipal utility districts due to their change in operating companies and stated that the matter was discussed during the August Finance and Policy Committee meeting. Following review and discussion, Director Fay moved to waive one month of late fees for late payments for the five municipal utility districts due to changes in operating companies. Director Spell seconded the motion, which was approved by unanimous vote.

ENGINEERING MATTERS

WATER SUPPLY CONTRACT AND LUCE BAYOU PROJECT

Mr. Shumate presented the engineer's report, including the monthly pumpage report and the status of new wells located within the Authority. He 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 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

Mr. Shumate reported on the status of design, bid advertisement schedules, contract documentation, and right-of-way acquisition, 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.

Mr. Shumate updated the Board on the construction of Main Segments 6, 7A, 7B, 8A, 8B, 9A, 9B, 12A, 12B, and 12D, the connection water line for Fort Bend County M.U.D. No. 118, the Bellaire Pump Station project, and the D-158 Water Plant Tank Painting project and reported on warranty inspections. A spreadsheet summarizing the status of construction projects is attached to the engineer's report. Mr. Shumate recommended approval of ten pay estimates for the construction projects and final acceptance of Main Segment 6 and the D-158 Water Plant Tank Painting project. He recommended withholding the pay estimate for the Bellaire Pump Station project until an updated schedule is received. Mr. Shumate requested approval to issue a limited Notice to Proceed for the construction of Main Segment 9A.

ROUTING ANALYSES

Mr. Shumate reviewed and recommended approval of a routing analysis for Main Segment 19.

GRP, CHLORAMINES CONVERSION, AND REGULATIONS

Mr. Shumate 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. He reported that an easement related to the chloramine conversion reimbursement request submitted by Kingsbridge M.U.D. has been obtained and recommended reimbursing Kingsbridge M.U.D. in the amount of \$275,000.

He reported that Cinco Southwest M.U.D. No. 1's Board of Directors and engineer recommended approval of Pay Estimate No. 4 for the chloramine conversion project per the Authority's approved variance with that district.

Mr. Shumate 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.

Mr. Shumate reviewed a chart reflecting surface water versus groundwater usage by the municipal utility districts currently receiving surface water from the Authority.

Mr. Shumate 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.

Mr. Shumate 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.

Mr. Shumate and Mr. Oliver discussed the process for transferring the permit for Cinco M.U.D. No. 1's water well located in Harris County to the Authority. Ms. Vinson reviewed and recommended approval of a letter to the Fort Bend Subsidence District (the "FBSD") requesting an amendment to the Authority's Groundwater Reduction Plan ("GRP") to add Cinco M.U.D. No. 1's water well. She then reviewed and recommended approval of a Well Permitting and Groundwater Reduction Plan Responsibility Agreement between the Authority and Cinco M.U.D. No. 1.

Mr. Shumate 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.

Mr. Shumate recommended submitting the Authority's aggregate well permit renewal forms in the amount of 13,000,000,000 gallons per day to the FBSD.

REPORTS AND STUDIES

Mr. Shumate reviewed a proposal from B&G for a Brackish Groundwater Evaluation for the estimated cost of \$250,000.

Mr. Shumate 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.

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

- (1) approve the following pay estimates:
 - Main Segment 6, Pay Estimate No. 7 and Final in the amount of \$68,100.91,
 - Main Segment 7A, Pay Estimate No. 5 in the amount of \$236,547.45,
 - Main Segment 7B, Pay Estimate No. 5 in the amount of \$373,390.19,
 - Main Segment 8B, Pay Estimate No. 1 in the amount of \$0,
 - Main Segment 9B, Pay Estimate No. 2 in the amount of \$126,900.00,
 - Main Segment 12A, Pay Estimate No. 11 in the amount of \$0,
 - Main Segment 12B, Pay Estimate No. 10 in the amount of \$108,731.53,
 - Main Segment 12D, Pay Estimate No. 11 in the amount of \$0,
 - Fort Bend County MUD No. 118 connection water line, Pay Estimate No. 2 in the amount of \$0,
 - D-158 Water Plant Tank Painting project, Pay Estimate No. 3 and Final in the amount of \$92,379.00, and
 - Bellaire Pump Station project, Pay Estimate No. 4 in the amount of \$726,704.10, subject to receipt of an updated schedule;
- (2) approve final acceptance of Main Segment 6 and the D-158 Water Plant Tank Painting project;
- (3) approve the proposal from B&G for a Brackish Groundwater Evaluation for the estimated cost of \$250,000;
- (4) authorize B&G to submit aggregate well permit renewal forms in the amount of 13,000,000,000 gallons per day to the FBSD;
- (5) authorize an amendment to the Authority's GRP to add Cinco M.U.D. No. 1's water well located in Harris County;
- (6) approve and authorize execution of a Well Permitting and Groundwater Reduction Plan Responsibility Agreement between the Authority and Cinco M.U.D. No. 1; and
- (7) move that the Board of the Authority, in a record vote, adopt a Resolution authorizing the use of the power of eminent domain to acquire certain properties and other property interests at the general locations and along the general routes, as shown on Exhibit A to the resolution for Main Segment 19, for the construction, installation, operation, and maintenance of facilities and appurtenances thereto necessary and convenient for the

transportation and delivery of water, and delegating to the Authority's Chief Administrative Official the authority to supervise such acquisitions and, as necessary, to initiate condemnation proceedings to acquire such properties and property interests. This first record vote applies to all units of property to be condemned.

Director Darden seconded the motion, which was approved by unanimous vote.

OPERATION OF AUTHORITY FACILITIES

Mr. Thelen 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 Program, the status of installing identification plates on all wells located within the Authority, activities related to coordinating operating issues with municipal utility districts to resolve variances experienced with surface water delivery, and performing a valve survey. A copy of the operations report is attached. Following review and discussion, Director Fay moved to approve the operator's report. Director Darden seconded the motion, which was approved by unanimous vote.

JOINT PROJECTS

Mr. Oliver reported that the Joint Facilities Agreement between the Authority and the West Harris County Regional Water Authority requires the Authority to prepare a final report confirming the total, final project costs for the Bellaire Pump Station and Segments 0 and 1A. He stated that the Finance and Policy Committee reviewed an engagement letter with McGrath & Co., PLLC to perform an audit of the invoices and prepare the final report per the Joint Facilities Agreement in an amount up to \$10,000. Following review and discussion, Director Hebert moved to engage McGrath & Co., PLLC to perform an audit of the invoices and prepare the final report per the Joint Facilities Agreement in an amount up to \$10,000. Director Spell seconded the motion, which was approved by unanimous vote.

CONTRACTS

There was no discussion on this item.

REALTY INTEREST ACQUISITION

Mr. Oliver recommended acceptance of one Water Line Easement and related side letter 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, and five Water Line Easement and Consents from CenterPoint Energy Houston Electric, LLC for Main Segments 7A, 7C, 8A, 8B, and 9A. Following review and discussion, Director Spell moved to accept the realty interest acquisition documents as recommended. Director Hebert seconded the motion, which was approved by

unanimous vote.

EXECUTIVE SESSION

The Board convened in executive session at 7:15 p.m., to deliberate the purchase, exchange, lease, or value of real property.

At 7:47 p.m., the Board reconvened in open session. Following review and discussion, Director Spell moved to make an offer for Parcel 07C.14R as discussed and authorize execution of a Temporary Construction Easement for the parcel as listed on the attached Realty Interests Chart for Executive Session. Director Darden seconded the motion, which was approved by unanimous vote.

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

[SIGNATURE PAGE FOR THE MINUTES OF THE AUGUST 22, 2012, BOARD MEETING]


Secretary, Board of Directors

(SEAL)



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