

MINUTES
NORTH FORT BEND WATER AUTHORITY

August 25, 2010

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 August, 2010, 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 Director Darden, thus constituting a quorum.

Also present for all or part of the meeting were: David C. Scholler, P.E. and Melinda Silva, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Kevin Krahn, P.E. of AECOM; Pam E. Lightbody of AVANTA Services; Terrell Palmer of First Southwest Company; Barbara Payne and Linn Smyth of Payne Communications; Steve Bonjonia of Property Acquisition Services; 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 first considered approving the minutes of the regular and special meetings held on July 28, July 30, and August 9, 2010. After review and discussion, Director Gay 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. There were no public comments.

PUBLIC COMMUNICATIONS, CONFERENCES

Ms. Payne updated the Board on public communications activities, including the status of the Authority's Mobile Teaching Lab and the activities and schedule of the Water Conservation Committee. She reported that the Authority's quarterly newsletter

has been distributed to the attorneys, engineers, and operators of the utility districts located within the Authority for distribution to the directors. She stated that a copy of the newsletter will be included on the Authority's website. She reported that Safari Texas Ranch has been reserved for the Authority's Town Hall meeting to be held on September 30, 2010, at 6:30 p.m. She stated that a postcard invitation to the Town Hall meeting will be forwarded to the attorneys of the utility districts located within the Authority.

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

Ms. Lightbody next reviewed a written bookkeeper's report, including checks for payment, transfers, monthly receipts, past due accounts, the income statement for the enterprise fund, and a schedule of debt service payments, a copy of which is attached. She reviewed two additional checks in the total amount of \$30,000.00 for payment of two waterline easement tracts. She stated that the additional checks will be included on next month's bookkeeper's report. Following review and discussion, Director Gay moved to approve the bookkeeper's report, including payment of the two additional checks as presented. 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.

ADOPT FOURTH AMENDED ORDER ESTABLISHING GRP FEE

The Board next considered adopting a Fourth Amended Order Establishing Groundwater Reduction Plan Fee ("GRP") to (i) adopt a Surface Water Fee of \$1.55 per 1,000 gallons of surface water received, effective August 25, 2010; (ii) continue the current Groundwater Reduction Plan Fee of \$0.90 through December 31, 2010; and (iii) adopt a Groundwater Reduction Plan Fee of \$1.20 per 1,000 gallons of water pumped, effective January 1, 2011. Following review and discussion, Director Gay moved to adopt the Fourth Amended Order Establishing Groundwater Reduction Plan Fee as presented, and direct that the order be filed appropriately and retained in the Authority's official records. Director Fay seconded the motion, which carried unanimously.

ENGINEERING MATTERS, WATER SUPPLY CONTRACT, LUCE BAYOU PROJECT

Ms. Silva next presented the engineer's report, including the monthly pumpage report, the status of new wells located within the Authority, and a list of recent and upcoming events. A copy of the written engineer's report is attached. Ms. Silva additionally reported on the status of the Luce Bayou Project.

JOINT FACILITIES

Ms. Silva reported that ABHR is drafting the agreement with the West Harris County Regional Water Authority (the "WHCRWA") for sharing the costs and capacity in the Authority's pump station, the Authority's initial water lines, and the second source water facilities.

Ms. Silva reported that the City of Houston ("COH") continues to study an alternate route for the second source transmission line and is additionally evaluating the use of high pressure transmission lines to minimize capital costs. She stated that a draft of the report is expected to be completed in mid-September, 2010.

LEASE OF WATER PLANT

Ms. Silva reported that an agreement with the COH for the Authority's lease of the D-158 water plant is expected to be considered by the COH City Council within the next couple of weeks.

Ms. Silva stated that a draft report on the Environmental Due Diligence Study for the D-158 water plant modifications project will be presented at the next Design Committee meeting. She stated that the COH has been notified of a leaking fuel line to the diesel generator on the site of the D-158 water plant.

Ms. Silva presented two bids to the Board and recommended that the Board award a contract in the amount of \$993,000.00 for construction of the D-158 water plant modifications project to W.W. Payton Corporation. Following review and discussion, the Board concurred with the engineer's judgment that W.W. Payton Corporation was a responsible bidder whose bid would result in the best and most economical completion of the project.

DESIGN AND CONSTRUCTION PROJECTS, SERVICES CONTRACTS

Ms. Silva next reported on the status of design, contract documentation, right-of-way acquisition, and construction, as appropriate, for several main line segments and related district connection lines.

Ms. Silva presented twelve bids to the Board and recommended that the Board award a contract in the amount of \$1,827,737.90 for construction of the Main Segment 4A waterline to E.P. Brady, Ltd. Following review and discussion, the Board concurred with the engineer's judgment that E.P. Brady, Ltd. was a responsible bidder whose bid would result in the best and most economical completion of the project.

Ms. Silva presented ten bids to the Board and recommended that the Board award a contract in the amount of \$2,280,506.50 for construction of the Main Segment 5 waterline to Lewis Contractors, Inc. Following review and discussion, the Board

concurred with the engineer's judgment that Lewis Contractors, Inc. was a responsible bidder whose bid would result in the best and most economical completion of the project.

Ms. Silva updated the Board on the construction of Main Segments 0, 1A, and 1B. She then recommended approval of Pay Estimate No. 4 in the amount of \$465,798.61 for Segment 0, Pay Estimate No. 5 in the amount of \$462,681.51 for Segment 1A, and Pay Estimate No. 5 in the amount of \$528,941.05 for Segment 1B.

Ms. Silva requested authorization to advertise for bids for the construction of the Fort Bend County M.U.D. No. 122 Connection Line.

Ms. Silva reported that the size of the piping for the Segment 0 meter station needed to be modified. She requested approval of a change order for the revision, subject to Director Houghton's review and approval of the final cost breakdown.

Ms. Silva reported on B&G's development of a Health and Safety Plan for Construction and evaluation of storm water management options.

ROUTING ANALYSES

Ms. Silva updated the Board on the progress of route evaluations for the Authority's 2025 distribution system.

GROUNDWATER REDUCTION PLAN, CHLORAMINES CONVERSION

Ms. Silva stated that no response has been received from Fort Bend County M.U.D. No. 141 regarding its request to participate in the Authority's Groundwater Reduction Plan. She reported that a request for participation in the Authority's GRP from the Brazos Lakes subdivision is being evaluated.

Ms. Silva stated that additional information has been received from Fort Bend County M.U.D. No. 142 on its request for a water supply contract in lieu of drilling a second water well and that B&G is exploring several routing options.

Ms. Silva next reviewed a spreadsheet summarizing the status of chloramine conversion projects and recommended sending a letter to Kingsbridge M.U.D. regarding their anticipated date of completion of their project.

WELL PERMITTING, EFFLUENT REUSE STUDY

Ms. Silva reported that the Fort Bend Subsidence District will consider the aggregation well permit at their September Board meeting.

Ms. Silva stated that several potential regional effluent reuse projects will be

discussed at the next Finance Committee meeting. She stated that the effluent reuse study is ongoing.

Following review and discussion, Director Gay moved to approve the engineer's report, including: 1) approval of the award and execution of a contract in the amount of \$993,000.00 with W.W. Payton Corporation for the construction of the D-158 water plant modifications project, subject to the execution of the lease agreement with COH; 2) approval of the award and execution of a contract in the amount of \$1,827,737.90 with E.P. Brady, Ltd. for the construction of Main Segment No. 4A water line; 3) approval of the award and execution of a contract in the amount of \$2,280,506.50 with Lewis Contractors, Inc. for the construction of Main Segment No. 5 water line; 4) approval of Pay Estimate No. 4 in the amount of \$465,798.61 for Segment 0, Pay Estimate No. 5 in the amount of \$462,681.51 for Segment 1A, and Pay Estimate No. 5 in the amount of \$528,941.05 for Segment 1B; 5) authorize advertisement for bids for the construction of the Fort Bend County M.U.D. No. 122 Connection Line; 6) approval of a change order to the Segment 0 construction contract with Texas Sterling Construction Company, subject to Director Houghton's review and approval of the final cost breakdown; and 7) authorize sending a letter to Kingsbridge M.U.D. regarding the status of its chloramines conversion project. Director Hebert seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

Mr. Oliver next recommended acceptance of eight Water Line Easements for the parcels and from the Grantors listed on the attached Realty Interests Chart, and one Waiver of Conflict Letter with ABHR related to the matter listed on the attached Conflict Waivers Chart. He stated that two of the parcels listed on the attached Realty Interests Chart, 01B.26 and 04.03, would be discussed in executive session. Following review and discussion, Director Gay moved to accept the eight easements as recommended and approve execution of the Waiver of Conflict Letter as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

SERIES 2010 BONDS

Mr. Palmer discussed the procedures and activities to be undertaken to issue the Authority's Water System Revenue Bonds, Series 2010. He recommended the selection of an underwriting team with RBC Capital Markets as the senior manager, and Morgan Keegan & Company, Inc., Coastal Securities, Inc.; Bank of America Merrill Lynch, and The GMS Group, LLC as co-managers. He discussed a bond issuance schedule that included the proposed sale of the bonds at next month's regular Board meeting and an October 26, 2010, closing date. He updated the Board on the current bond market and reviewed a Preliminary Official Statement for the Authority's Water System Revenue Bonds, Series 2010. He discussed projected ratings of the Authority by Standard and Poor's Financial Services LLC and Fitch Ratings, Ltd. and actions being undertaken to

obtain confirmed ratings. Mr. Palmer stated that an analysis of whether to insure the bonds will be performed. Mr. Palmer suggested that the Authority engage Grant Thornton LLP to prepare the certificate for the bond sale. Following review and discussion, Director Gay moved to approve the Preliminary Official Statement, subject to revision by the Authority's consultants, appoint the underwriting team per Mr. Palmer's recommendations, and engage Grant Thornton LLP as recommended. Director Fay seconded the motion, which was approved by unanimous vote.

EXECUTIVE SESSION

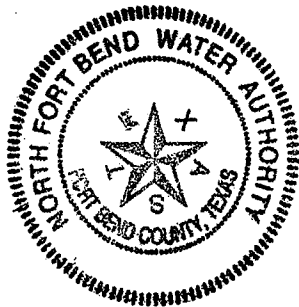
The Board convened in executive session at 7:19 p.m., to deliberate the purchase, exchange, lease, or value of real property.

RECONVENE IN OPEN SESSION

At 7:32 p.m., the Board reconvened in open session. Following review and discussion regarding right-of-way acquisition, Director Hebert moved to: 1) accept the owners' counteroffer for parcel 01B.L01.A01; 2) make offers as discussed for parcels 01B.26 and 04.03; and 3) accept the Water Line Easements for parcels 01B.26 and 04.03, subject to the acceptance of the Authority's offer. Director Gay seconded the motion, which was approved by unanimous vote.

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

(SEAL)




Secretary, Board of Directors

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