

MINUTES  
NORTH FORT BEND WATER AUTHORITY

August 27, 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 27th day of August, 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 Director Hebert, 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"); Mike Reedy of TCB; Terrell Palmer of First Southwest Company; 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

Consideration of the minutes of the meeting held on July 23, 2008, was tabled until the next meeting.

COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. There were no public comments.

BOOKKEEPER'S REPORT, CONDUCT HEARING

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

Ms. Lightbody stated that she is not aware of any rule violations at this time. She

updated the Board on the reconciliation of the pumpage amounts reported by the well owners to the Authority and to the Fort Bend Subsidence District (the "FBSD"). She stated that responses have been received from all but five of the 29 well owners who were sent notification letters regarding their inconsistent pumpage amounts.

### 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, including the wells of the proposed contract participants in the Authority's Groundwater Reduction Plan, a summary of activities, and a list of upcoming events. A copy of the written engineer's report is attached.

Ms. Silva reported that a copy of the executed Water Supply Contract with the City of Houston (the "COH") has been submitted to the FBSD. She stated that the Authority's Groundwater Reduction Plan (the "Authority's GRP") is scheduled for certification at the next regularly scheduled meeting of the FBSD.

Ms. Silva reported on B&G's activities related to the Contract between the COH and all Water Authorities to address the Luce Bayou Project; and the Joint Facilities Agreement between the West Harris County Regional Water Authority (the "WHCRWA") and the Authority.

Ms. Silva reviewed a list summarizing the requirements met by the nine entities seeking to participate in the Authority's GRP by contract. She reported that the total additional surface water conversion amounts required by the Authority are 5.9% in year 2013 and 5.1% in year 2025. She stated that these amounts were conservatively calculated and are within the safety factor of the currently planned system. She stated that an amendment to the Authority's GRP will be submitted at a later date to add the contract participants.

Ms. Silva next reported that copies of the report for the completed installation of the primary monumentation are available for review. She stated that the information will be made available to the surveyors for the Authority and posted on the Authority's web site. She noted that a proposal for installation of secondary monumentation was previously distributed for the Board's consideration.

Ms. Silva reported that, after further negotiations, the pump station site layout was slightly adjusted. She stated that a revised appraisal has been obtained and she requested approval for the previously distributed Job Assignment Proposal for design, survey, and property acquisition services for the pump station.

Ms. Silva updated the Board on activities related to the pipeline routing analysis of the Authority's surface water system. She noted that Job Assignment Proposals were previously distributed for design, survey, and property acquisition services for Water Line Segments 0, 1A, and 1B. Discussion ensued regarding the possibility of achieving economies of scale by combining the projects. Additional discussion ensued regarding the advantages and disadvantages of engaging one engineering firm versus engaging more than one engineering firm to perform such services for the Authority's facilities, and the method of determining equitable engineering fees for such services. Mr. Allen briefly reviewed the applicable law which applies to such proposals and to the Authority's current contract with B&G.

Director Houghton noted that the pump station and the water line segments which connect to the pump station are the Authority's most critical facilities for meeting the Authority's surface water conversion deadlines. He suggested that the Board consider approving the proposals currently presented for these facilities and form a design committee to review and provide recommendations for proceeding with the remaining facilities. Following review and discussion, Director Darden moved to approve the Job Assignment Proposals for the pump station and for Water Line Segments 1, 1A, and 1B as presented. Director Spell seconded the motion, which was approved by unanimous vote.

The Board next formed a design committee consisting of Directors Darden, Gay, and Spell, and Director Fay as an alternate member of the committee, and requested that the design committee establish a policy and criteria for engaging engineering firms for design, survey, and property acquisition services for the Authority's facilities, including the installation of secondary monumentation.

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

#### IMPORT FEE VARIANCE AND EXCLUSION REQUESTS

Mr. Oliver reported that there are no requests for variance related to the Authority's import fee.

Mr. Oliver next reminded the Board that ABHR has been speaking with the Houstonian Golf Club's counsel, Howard Cohen, regarding the inclusion of the golf club's water wells, which are located within the Authority, into the GRP submitted to the FBSD by Fort Bend County Municipal Utility District No. 25 ("MUD 25").

Mr. Cohen addressed the Board and stated that he was engaged in June of this year by the operating entity for the Houston Golf Club, Houstonian Golf Club, Ltd. (the

"Houstonian"), to solve two problems for the Houstonian: the Authority's imposition of an import fee on the water the golf club is receiving from MUD 25 and the inclusion of the golf club's water wells in the GRPs of both MUD 25 and the Authority. Mr. Cohen provided a brief summary of the Houstonian's path which led to the problems. He stated that the Houstonian has been receiving potable water from MUD 25 since 1999. He stated that in year 2003, the Houstonian engaged a consultant to assist with determining its options for complying with mandated groundwater reduction requirements. He stated that it was determined that the best option for the Houstonian was to enter into a contract with MUD 25 for the purchase of effluent. He stated that the Houstonian did not understand the significance of entering into such a contract while being located within the Authority's boundaries.

Mr. Cohen stated that, based on his thorough analysis, the best option for addressing the Houstonian's contractual and economic problems is to achieve exclusion of the golf club site from the Authority's boundaries. He responded to questions from the Directors and consultants. In response to Mr. Allen's inquiry, Mr. Cohen stated that the Houstonian understands that if the Houstonian is excluded from the Authority, the Authority will not be obligated to provide surface water to the Houstonian in the future or include it in its GRP. Mr. Allen recommended that, if the Authority decides to consider exclusion of the Houstonian golf club site, all legal and engineering fees related to the exclusion process should be paid by the Houstonian. Following review and discussion, Director Gay moved to adopt an Order Setting a Public Hearing for the Exclusion of Certain Lands for September 24, 2008, at 6:00 p.m., at the Golf Club at Cinco Ranch, 23030 Cinco Ranch Boulevard, Katy, Texas 77450. Director Fay seconded the motion, which was approved by unanimous vote.

#### REQUESTS FOR INCLUSION IN THE GRP

Mr. Oliver briefly reviewed with the Board its policy for requests for inclusion into the Authority's GRP adopted in January and distributed to those entities which inquired about participation. He recommended approval of Groundwater Reduction Plan Participation Contracts with nine well owners who have satisfied all of the Authority's requirements for such participation. Following review and discussion, Director Gay moved to authorize execution of the Groundwater Reduction Plan Participation Contracts with the following nine well owners as recommended: Brazos Lakes Homeowners' Association, Inc., Chemical Lime Company, Champion Technologies, Inc., the City of Arcola, Texas, Fort Bend County Municipal Utility District No. 131, Kingdom Heights Homeowners' Association, Inc., Royal Valley Utilities, Inc., Fort Bend County Fresh Water Supply District No. 1, and Fort Bend County Municipal Utility District No. 189. Director Fay seconded the motion, which was approved by unanimous vote.

## 2009 PUMPAGE FEE

Mr. Oliver noted that many of the utility districts located within the Authority are developing their budgets for a September 30, 2009, fiscal year end and are inquiring about the Authority's proposed Groundwater Reduction Plan Fee ("GRP Fee") for next year. He briefly reviewed the process and schedule for adopting a proposed GRP Fee for the Authority's December 31 fiscal year end. He recommended determining an unofficial proposed GRP Fee to assist the utility districts with their budgeting procedures.

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 the schedule for distributing to the utility districts located within the Authority a notice regarding their option to contribute their share of the cost of an Authority bond issue by making a capital contribution. He reviewed a proposed schedule for increasing the Authority's GRP Fee to \$1.80 for each 1,000 gallons of water pumped by year 2013, and an additional \$0.35 for each 1,000 gallons of water for those utility districts which receive surface water. 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 Capital Improvement Plan. He responded to questions from Board members and Mr. Allen regarding capitalized interest, and options for long-term and interim financing. Mr. Palmer stated that he will coordinate with ABHR to determine the best options and present a recommendation for interim financing at next month's meeting.

Following review and discussion, Director Gay moved to: 1) authorize distribution of the Board's intention to adopt a \$0.60 GRP Fee for each 1,000 gallons of water pumped for fiscal year 2009, subject to performing the formal GRP Fee adoption process, and 2) distribution of the Board's intention to adopt future GRP Fees in amounts increased annually in increments of \$0.30 for each 1,000 gallons of water pumped, to achieve a GRP Fee in the amount of \$1.80 for each 1,000 gallons of water pumped by year 2013, subject to annual consideration and performance of the formal adoption process. Director Patton seconded the motion, which was approved by unanimous vote.

## PUBLIC COMMUNICATIONS, ONLINE PUMPAGE REPORTING SYSTEM,

Director Houghton reported that he met with Barbara Payne of Payne Communications to discuss the Authority's public communications matters. He updated the Board on Ms. Payne's activities related to the development of a public outreach program, preparation of a newsletter for distribution to homes located within the Authority, and plans for distributing water conservation brochures.

RESOLUTION AUTHORIZING ACQUISITION OF REAL PROPERTY

The Board concurred to table adopting a Resolution Authorizing Acquisition of Real Property Interests for Water Line Segments 3, 4, 5, and 6, pending review of recommendations from the design committee.

REPORTS FROM DIRECTORS AND CONSULTANTS

There were no additional reports from Directors or consultants.

CONVENE IN EXECUTIVE SESSION

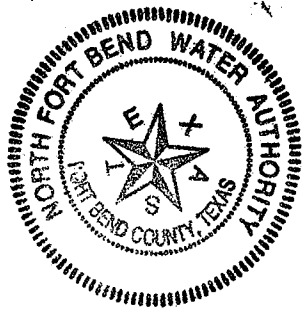
The Board next convened in executive session pursuant to Chapter 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property.


RECONVENE IN OPEN SESSION

The Board reconvened in open session. Director Spell moved to authorize forwarding of a revised purchase offer that is consistent with the revised appraisal for the proposed pump station site. Director Fay 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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