

MINUTES
NORTH FORT BEND WATER AUTHORITY

September 24, 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 24th day of September, 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 Fay, 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 TCB, Inc.; Pam E. Lightbody of AVANTA Services; Barbara Payne of Payne Communications; 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 meetings held on July 23, and August 27, 2008. After discussion, Director Gay 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 next updated the Board on the Authority's public communications, including discussions held with Director Houghton regarding the public outreach program and town hall meetings. She reviewed three water conservation brochures and reported that the cost of printing 10,000 copies of each of the brochures is within the Authority's communication budget. She stated that if printing of the brochures is approved, they will be

included on the Authority's web site and will be provided to the utility districts' operators and/or billing consultants for distribution to their residents. She noted that distribution of the brochures by utility districts will be recognized by the Association of Water Board Directors for those districts that participate in the Water Smart program.

Ms. Payne next reviewed with the Board a draft newsletter planned for distribution to homes located within the Authority. Following discussion and review, the Board concurred to appoint Director Gay to review and provide comments to the draft newsletter. Ms. Payne stated that the draft newsletter will also be forwarded to B&G and ABHR for review. Director Houghton requested that B&G provide a synopsis on the construction process for the Authority's surface water supply system.

Ms. Payne reported that a briefing on the Texas Commission on Environmental Quality's (the "TCEQ") new rules on irrigation is scheduled for December 16, 2008, at the Montgomery County Community College and that all utility districts will be invited.

Discussion ensued regarding presentations and town hall meetings to be scheduled to discuss surface water conversion issues. Director Patton volunteered to attend such presentations and town hall meetings.

Following review and discussion, Director Hebert moved to authorize printing of the three water conservation brochures for distribution as discussed. Director Patton seconded the motion, which was approved by unanimous vote.

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. She noted that a check in the amount of \$20,000 has been received from the Houstonian Golf Club, Ltd. for reimbursement of exclusion costs, including the legal notice listed on the bookkeeper's report. Following review and discussion, Director Spell moved to approve the bookkeeper's report as presented. Director Darden seconded the motion, which was approved by unanimous vote.

CONDUCT HEARING ON EXCLUSION OF CERTAIN LANDS

The Board next conducted a public hearing on the exclusion of land from the Authority. Mr. Oliver stated that the attorney of the operating entity for the Houston Golf Club, Houstonian Golf Club, Ltd. (the "Houstonian"), is present to answer any questions regarding the Houstonian's request for exclusion from the Authority. Mr. Oliver stated 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 Groundwater Reduction Plan ("GRP"). He stated that a \$20,000 check has been received from the Houstonian as a deposit towards all legal and engineering fees

related to the exclusion process. Mr. Scholler stated that the proposed exclusion has neither a positive nor negative effect on the Authority or its GRP. There were no additional comments on or objections to the proposed exclusion of land from the Authority.

ADOPT ORDER EXCLUDING CERTAIN LAND

After hearing the evidence presented at the hearing, the Authority's Board of Directors then considered adopting an Order Excluding Certain Land from the Authority. Following discussion, Director Patton moved to adopt the Order. Director Darden seconded the motion, which was approved by unanimous vote.

DESIGN COMMITTEE RECOMMENDATIONS

Director Gay next reviewed with the Board the recommendations of the Design Committee related to five areas: chloramines conversion, right-of-way acquisition, geotechnical and environmental work, design and construction of water transmission lines, and design and construction of district connection lines.

Director Gay stated that the Design Committee is in the process of developing a formal policy regarding the easement acquisition process to be performed on a system-wide basis under the direction of the Authority's engineer and attorney, B&G and ABHR.

Director Gay stated that the Design Committee recommends that all geotechnical investigation and environmental work be performed on a system-wide basis under the direction of the Authority's engineer, B&G.

Director Gay reviewed provisions recommended by the Design Committee for an Authority policy for the design and construction of district connection lines, including the on-site meter.

Director Gay reviewed the Design Committee's recommendations for design firms for water transmission lines: TCB, Inc. for Main Segment 2, LJA Engineering & Surveying, Inc. ("LJA") for Main Segment 3, B&G for Main Segment 4, Jones & Carter, Inc. for Main Segment 5, and Pate Engineers, Inc. for Main Segment 6.

Members of the Design Committee and Mr. Scholler responded to questions from Board members regarding budgeting of engineering costs, qualifications of design firms, and the content of requests for proposals and design firm contracts. Following review and discussion, Director Hebert moved to accept the Design Committee Recommendations and to approve requests for proposals from design firms as discussed. Director Patton seconded the motion, which was approved by unanimous vote.

CHLORAMINE CONVERSION POLICY

Mr. Oliver reviewed a Resolution Establishing Chloramine Conversion Policy. He stated that the policy provides local utility district control over the design and construction of conversion facilities and sharing of the expense of conversion by all of the Authority's GRP participants. Following review and discussion, Director Gay moved to adopt the Resolution Establishing Chloramine Conversion Policy as presented. Director Spell seconded the motion, which was approved by unanimous vote.

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 contract participants in the Authority's GRP, a summary of activities, and a list of upcoming events. She noted that a meeting will be held with the Texas Water Development Board to discuss financing options. A copy of the written engineer's report is attached.

Ms. Silva reported that B&G is reviewing a copy of the final draft contract between the City of Houston (the "COH") and the Coastal Water Authority regarding the design and construction of the Luce Bayou Project. She stated that a meeting is scheduled on October 17, 2008, to discuss the Authority's outstanding issues related to a joint facilities contract for the project regarding effluent reuse and unresolved financing issues.

Ms. Silva reported that the Authority's GRP was certified by the Fort Bend Subsidence District (the "FBSD") during a special meeting held on September 3, 2008. She stated that an amendment to the Authority's GRP will be submitted to the FBSD next month to add the new contract participants and to exclude the Houstonian.

Ms. Silva reported that no comments have been received to the previously distributed Primary Monumentation Report. She stated that the report will be finalized and posted onto the Authority's web site. She requested approval of B&G's previously provided proposal for secondary monumentation for the Authority's year 2013 surface water system. She stated that secondary monumentation is specific to the individual projects and is used for topographic surveying as well as right-of-way boundary surveying.

Ms. Silva reported that a proposal for design of the distribution lines that will provide surface water to Kingsbridge M.U.D. has not yet been received from Kingsbridge M.U.D.'s engineer.

Ms. Silva next requested approval of B&G's previously distributed proposal for design, survey, and property acquisition services for Main Segment 4.

Ms. Silva next requested approval of B&G's proposal for property acquisition services for the Authority's year 2013 surface water system. She also recommended that the development of Authority policies related to property acquisition be discussed at the next Design Committee meeting. She said that B&G and ABHR have formulated some recommendations for such a policy.

Ms. Silva requested authorization for B&G to solicit proposals for the design of the district connection lines as follows: Main Segment 2: with TCB, Inc. for North Mission Glen M.U.D., with J.A. Costanza & Associates Engineering, Inc for Fort Bend County M.U.D. No. 30, and with Pate Engineers, Inc. for Big Oaks M.U.D.; Main Segment 4: with Jones & Carter, Inc. for Fort Bend County M.U.D. No. 41, with Benchmark Engineering Corp. for Fort Bend County M.U.D. No. 119; and Main Segment 5: with Jones & Carter, Inc. for Grand Mission M.U.D. 1, and with LJA for Fort Bend County M.U.D. No. 122. She additionally requested authorization for B&G to solicit proposals from the design firms recommended by the Design Committee for design, survey, and property acquisition services for Main Segment Nos. 2, 3, 5 and 6.

Ms. Silva next requested approval of the transmission line routing analysis report for Main Segment 2 previously distributed at the July regular meeting of the Board. She stated that the transmission line routing analysis report for Main Segment 7 is provided today for the Board's review and comment. She reported that a meeting will be held with Fort Bend County M.U.D. No. 165 per the district's request to further discuss the route located along Mason Road. She stated that the current recommended route is being presented tonight. She stated that the report can be amended if that route should be changed in the future. She stated that the details of several options evaluated prior to the selection of the recommended route are provided in the report.

Ms. Silva next discussed activities related to conversion and design standards for the Authority's 2013 surface water system. She reviewed a formal notification letter for proposed distribution to all of the currently identified utility districts that are scheduled to receive surface water from the system in year 2013. She reported on a meeting held between Kingsbridge M.U.D., B&G, and ABHR to discuss details related to their conversion to surface water. She stated that efforts are underway to determine whether drilling of an additional water well by Kingsbridge M.U.D. can be eliminated prior to delivery of surface water. She reported that contact with a new utility district, Fort Bend County M.U.D. No. 190, will be made to determine whether drilling of wells can be avoided through surface water conversion.

Ms. Silva reported on the status of the design of the pump station, and Main Segments 0 and 1.

Ms. Silva reported that B&G has received a request for Authority boundary information from Jack Ledbetter with the Regional Columbia Geospatial Service Center (the "RCGSC"), which is affiliated with Stephen F. Austin University. She stated that the RCGSC is under contract with the TCEQ to develop a database of utility district information. She requested permission to release information related to Authority's creation legislation and service area boundary to the RCGSC.

Following review and discussion, Director Gay moved to approve the engineer's report as presented, including the following: (i) approval of the proposal for secondary monumentation from B&G; (ii) approval of the proposal for design phase services for Main Segment 4 from B&G; (iii) approval of the proposal for property acquisition services for the Authority's year 2013 surface water system from B&G; (iv) authorization for B&G to solicit proposals for the design of the district connection lines related to Main Segments 2, 3, 4, 5, and 6; (v) authorization for B&G to solicit proposals for the design of Main Segments 2, 3, 5 and 6; (vi) approval of the transmission line routing analysis report for Main Segment 2; (vii) approval of distribution of the notification letter to all of the currently identified utility districts that are scheduled to receive surface water from the Authority's year 2013 surface water system; and (viii) approval for B&G to release information related to Authority's creation legislation and service area boundary to the RCGSC. Director Darden seconded the motion, which was approved by unanimous vote.

FIRST BOND ISSUE AND INTERIM FINANCING OPTIONS

Mr. Oliver reported on activities related to a proposed bond issue to pay for the initial amounts owed to the COH per the Authority's Water Supply Contract with the COH, and for property acquisition, transmission facilities, and related projects for the first phase of the Authority's 2013 conversion. He stated that ABHR is working with the Authority's financial advisor to determine the best options and present a recommendation for interim financing.

RESOLUTION AUTHORIZING ACQUISITION OF REAL PROPERTY

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 Gay moved to adopt Resolutions Authorizing Acquisition of Real Property Interests for Water Line Segments 3, 4, 5, and 6. Director Hebert 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

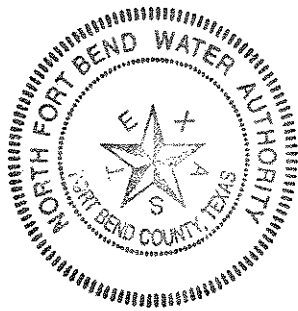
The Board next convened in executive session pursuant to Chapter 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property.

RECONVENE IN OPEN SESSION

The Board reconvened in open session. Discussion ensued regarding cost sharing options with the West Harris County Regional Water Authority (the "WHCRWA") for the COH's D-158 pump station site. Director Gay moved to authorize Director Houghton to contact Dan Sallee of the WHCRWA regarding cost sharing options and reimbursement for the appraisal report for the COH's D-158 pump station. 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.

(SEAL)



Melony Gay
Secretary, Board of Directors

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