

MINUTES
NORTH FORT BEND WATER AUTHORITY

November 28, 2007

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 28th day of November, 2007, 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, thus constituting a quorum.

Also present for all or part of the meeting were Terrell Palmer of First Southwest Company; Mark McGrath of Null-Lairson, PC; David C. Scholler, P.E., Charles Shumate, P.E., and Melinda Silva, P.E. of Brown & Gay Engineers, Inc. ("B&G"); Mike Reedy of TCB; Pamela Logsdon and Pam E. Lightbody of AVANTA Services; Joe B. Allen, David Oliver, and Patti Hopper of Allen Boone Humphries Robinson LLP ("ABHR"); and persons listed on the attached attendance sheets.

REQUEST FOR INCLUSION IN THE AUTHORITY

Mr. Mack requested the Authority to consider including Brazos Lakes in the Authority's Groundwater Reduction Plan. Mr. Scholler stated Kingdom Heights has also requested to be included. Mr. Mack stated he has also approached the City of Richmond, but has not received an answer. Mr. Allen stated there may be many more small developments that may approach the Authority in the future and advised the Board to develop a policy. After discussion, Director Patton made a motion to appoint Directors Hebert, Gay, and Patton to a committee to work with the engineer and attorney to prepare a policy. Director Gay seconded the motion, which carried unanimously.

APPROVE MINUTES

The Board next considered approving the minutes of the October 24, 2007, meeting. After discussion, Director Gay moved to approve the minutes as written.

Director Hebert seconded the motion, which carried unanimously.

ENGAGE AUDITOR

The Board next discussed engaging an auditor to conduct the annual audit for fiscal year ending December 31, 2007. Mr. McGrath reviewed with the Board the proposed engagement letter from Null-Lairson, PC for auditing services for an estimated fee of \$7,500 plus postage, printing, and delivery costs. In response to a question from Mr. Allen, Mr. McGrath stated he does not believe it is necessary to engage a second accounting firm to prepare the financial statements this year because the Authority does not have any assets. Following review and discussion, Director Fay moved to engage Null-Lairson, PC to conduct the District's annual audit for the fiscal year ending December 31, 2007, and authorize execution of the engagement letter as presented. Director Gay seconded the motion, which was approved by unanimous vote.

RECEIVE COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. No public comments were made.

ORDER ESTABLISHING GROUNDWATER REDUCTION PLAN FEE

The Board next considered adopting a Second Amendment to First Amended Order Establishing Groundwater Reduction Plan Fee to adopt a fee equal to \$0.30 per 1,000 gallons of water pumped effective January 1, 2008. Mr. Scholler distributed a memorandum and chart regarding the impact of the new pumpage fee on the Authority's cash reserves. Following discussion, Director Fay moved to adopt the Second Amendment to First Amended Order Establishing Groundwater Reduction Plan Fee as presented. Director Darden seconded the motion, which carried unanimously.

BOOKKEEPER'S REPORT

Ms. Lightbody next reviewed a bookkeeper's report, including a summary of investments, monthly receipts, and past due accounts, a copy of which is attached. Ms. Logsdon next reviewed a budget for fiscal year 2008. Mr. Palmer reviewed with the Board how revenues will be used to fund the Authority's operating, improvement fund, capital projects fund, and debt service. Director Patton made a motion to adopt the budget as discussed. Director Hebert seconded the motion, which carried unanimously. Following review and discussion, Director Spell moved to approve the bookkeeper's report and payment of the bills. Director Hebert seconded the motion, which was approved by unanimous vote.

CONDUCT HEARING

Ms. Lightbody stated that a hearing regarding delinquent fees is not necessary at this time.

ENGINEER'S REPORT

Mr. Scholler next presented the engineer's report, including the monthly pumpage report, a list of wells located within the Authority that are not currently in service, a summary of activities, and upcoming events. A copy of the written engineer's report is attached.

Mr. Scholler stated a meeting was held with the City of Houston (the "City") on November 19, 2007, at which the City responded to the Authority's counter-offer on the Luce Bayou Project. He stated that a meeting is scheduled for the Authority, the North Harris County Regional Water Authority, and the West Harris County Regional Water Authority (the "Authorities") to review the City's proposal. In response to a question from Director Houghton, Mr. Allen stated the biggest impact of the City's proposal is the City wants the Authorities to pay a disproportionate share of the 70/30 split of the costs of the Luce Bayou Project at the onset because the City does not need the facilities until later. He stated that, over the life of the project, the average split would remain 70/30.

Mr. Scholler next reported that the Groundwater Reduction Plan (the "GRP") is substantially complete except for the Water Conservation Plan. He stated that a meeting with the FBSD will be scheduled later to discuss the GRP prior to submittal of the draft plan to assist with streamlining the process for certification. He stated that B&G continues to work towards ensuring that the expiration dates for all of the Fort Bend Subsidence District ("FBSD") well permits renew on September 30, 2008.

Following review and discussion, Director Hebert moved to approve the engineer's report as presented. Director Patton seconded the motion, which carried unanimously.

STATUS OF SURFACE WATER SUPPLY NEGOTIATIONS

Mr. Allen updated the Board on the status of negotiations between the City and the Authority for supply of surface water and transmission facilities. He stated that the Board committee has approved the form of the proposed contracts and recommended forwarding the Cost-Sharing Agreement to the West Harris County Regional Water Authority and the Water Supply Contract to the City. He then reviewed the proposed terms of the agreement and the contract. Following discussion, Director Hebert moved to authorize ABHR to forward the proposed Water Supply Contract to the City and the proposed Cost-Sharing Agreement to the West Harris County Regional Water

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

Mr. Allen then distributed a draft contract with the City and the Authorities for the Luce Bayou Project. After discussion, Director Fay made a motion to authorize ABHR to forward the draft contract to the City. Director Hebert seconded the motion, which carried unanimously.

DISCUSS POLICY ON EARLY CONSTRUCTION OF SURFACE WATER LINES DUE TO DEVELOPER AND DISTRICT REQUESTS

Mr. Scholler discussed with the Board comments received from developers on the proposed development of a policy pertaining to early construction of surface water lines. Director Houghton asked Mr. Scholler to research how the West Harris County Regional Water Authority arrived at the sharing percentages/incentives in its policy. Following discussion, Director Darden moved to authorize ABHR and the engineers to coordinate to develop proposed examples for implementation of such a policy for discussion with utility districts and developers. Director Hebert seconded the motion, which was approved by unanimous vote.

UPDATE ON CREATION OF ONLINE PUMPAGE REPORTING SYSTEM

Ms. Payne updated the Board on the status of the development of an on-line pumpage reporting system.

PUBLIC COMMUNICATIONS

Ms. Payne next updated the Board on the Authority's public communications and updates to the Authority's web site. No action was taken by the Board.

REGULATION OF IRRIGATION SYSTEMS

The Board and members of the public discussed legislation related to regulation of irrigation systems. Mr. Allen reported that, after researching the matter, he believes that municipal utility districts can regulate irrigation systems and require irrigators to use sensor systems. However, he reported that there are no conclusive third-party studies which prove the sensor systems work, and the U.S. Environmental Protection Agency has not certified any systems to date. He recommended that the Board wait until such information is available before considering a policy regarding irrigation systems. The Board then concurred no action was necessary on this item.

DIRECTOR APPOINTMENT PROCESS

Mr. Allen reviewed with the Board the Director appointment process and stated an item will be placed on the next agenda.

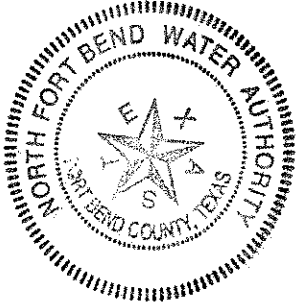
REPORTS FROM DIRECTORS AND CONSULTANTS

There were no additional reports.

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


Secretary, Board of Directors

(SEAL)



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