

Investment Report, a copy of which is attached. Following review and discussion, Director Patton moved that the Board approve the bookkeeper's report and payment of the bills. Director Gay seconded the motion, which was approved by unanimous vote.

APPROVE MINUTES

The Board next considered approving the minutes of the September 25, 2006, meeting. After discussion, Director Hebert moved that the Board approve the minutes as written. Director Gay seconded the motion, which carried unanimously.

ACCEPT ANNUAL DISCLOSURE STATEMENTS OF THE BOOKKEEPER AND INVESTMENT OFFICER

Ms. Logsdon presented to the Board the annual disclosure statements of the bookkeeper and investment officer. Following review and discussion, Director Spell moved that the Board accept the annual disclosure statements of the bookkeeper and investment officer. Director Hebert seconded the motion, which was approved by unanimous vote. Copies of the statements are attached.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY

The Board next conducted an annual review of the Authority's investment policy. No changes to the policy or authorized depository institutions were recommended by the Authority's consultants. Following review and discussion, Director Gay moved that the Board adopt a Resolution Regarding Annual Review of Investment Policy. Director Patton seconded the motion, which was approved by unanimous vote. A copy of the resolution is attached.

BRAZOS RIVER AUTHORITY PRESENTATION/ENGINEER'S REPORT

Mr. Hofmann next made a presentation to the Board on the status of the systems operations permit application submitted to the Texas Commission on Environmental Quality (the "TCEQ") by the BRA and reviewed the BRA's System Management and Drought Protection Plan.

Mr. Hofmann responded to questions from Board members and Mr. Allen regarding the permit application. He stated that the BRA does not want to change the current law on the direct reuse of effluent by municipal utility districts within each district's boundaries. He stated that the BRA currently has 25,000 acre feet of water in inventory available to serve Fort Bend County, which is the maximum amount available if the permit application is not granted. He stated that there are other potential buyers for the water if it is not sold to serve Fort Bend County. He stated that if the permit application submitted to the TCEQ is granted, an additional 250,000 to 300,000 acre feet of water is expected to become available. He stated that the total realistic amount of water available at the Gulf of Mexico would be over 300,000 acre feet, if the permit

application is granted. He stated that the permit application requests an uninterrupted amount of 90,000 acre feet of water. He stated that in addition to the 100,000 acre feet currently permitted, 40,000 acre feet of water would become available after construction of the Allens Creek reservoir. He stated that all of the contract holders on the BRA's system would pay for the construction of the Allens Creek reservoir except for some existing long-term contracts. He stated that raw water rates have increased over the past six years to provide money for critical infrastructure maintenance and that the current take or pay rate is \$52.50 per acre foot.

Mr. Hofmann next responded to questions from Board members and Mr. Allen regarding the next phase of the BRA study for the West Fort Bend County Regional Surface Water System stakeholders. He stated that the next phase will analyze the location and size of a proposed regional water treatment plant, and the transmission system. He stated that it is critical to know exactly who the participants are in the proposed plant to make such an analysis. He stated that the study will not exceed \$100,000 which will be paid for with grant money, and contributions from the participants and the BRA. He stated that the estimated cost for each participant is \$5,600 to \$5,700. He stated that the current participants in the study are the Cities of Richmond and Rosenberg, Fort Bend County MUD No. 25, Pecan Grove MUD, Plantation MUD, and the George Ranch. He stated that if the Authority decides to participate in the next phase of the BRA study, a larger plant and over-conversion scenario will be considered. He stated that an engineer has not yet been selected for the study. He stated that the study is expected to be complete within 180 days after selection of an engineer and before May 1, 2007. Director Darden noted that the first phase of study included the Authority and one of the scenarios contained a take-out point at State Highways 90 and 99 for a cost of \$2.89 per thousand gallons. He stated that the Authority did not participate and was not included in the second phase of study. Mr. Scholler noted that the Authority could not commit to participate in a proposed regional water treatment plant by the BRA's deadline for the second phase of study.

Mr. Scholler next reviewed a draft report of Preliminary Findings of Analysis for Surface Water Conversion which integrates the Cities of Richmond and Rosenberg and their extraterritorial jurisdictions into B&G's current Alternative Analysis for Surface Water Conversion. He reviewed nine potential alternatives for providing surface water to meet the Fort Bend Subsidence District's requirements for surface water conversion, including four surface water take-out points and a combination of those take-out points. He reviewed how sizing of facilities and pipelines, and cost estimates were determined. He stated that the alternatives are based on over-converting areas within the Authority and Pecan Grove MUD, with the Cities of Richmond and Rosenberg never taking surface water. He reviewed an economic analysis which addresses the needs of the Authority through 2055. He stated that the range of costs for surface water for the evaluated alternatives is \$1.30 to \$1.50 per thousand gallons. Based on these

preliminary findings, he recommended that the District not participate in the next phase of the BRA's study. Mr. Scholler stated that he will distribute a draft analysis before next month's meeting.

Following review and discussion, Director Gay moved that the Board authorize B&G to perform an additional analysis for surface water conversion which incorporates Fort Bend County MUD No. 25, Plantation MUD, Pecan Grove MUD, and the George Ranch. Director Hebert seconded the motion, which was approved by unanimous vote.

Director Gay moved that the Board not participate in the next phase of the BRA study based on the engineer's recommendation. Director Patton seconded the motion, which was approved by unanimous vote.

Following review and discussion, Director Darden moved that the Board approve the engineer's report as presented. Director Gay seconded the motion, which carried unanimously. A copy of the written engineer's report is attached.

TCEQ PROPOSED CHANGES TO PUBLIC DRINKING WATER RULES

Mr. Shumate next reported that he is attending stakeholder meetings held by the TCEQ regarding proposed rule changes to Title 30, Texas Administrative Code, Chapter 290, Public Drinking Water. He stated that B&G will update the Board on the meetings. No action was taken by the Board.

PUBLIC COMMUNICATIONS

Ms. Payne next updated the Board on the Authority's public communications and reported that water conservation brochures have been placed onto the Authority's website. Director Gay discussed the Authority's budget and including allocations for educational programs on water conservation in coordination with the school districts located within the Authority. The Board concurred to consider such allocations during budget discussions at next month's meeting. Ms. Payne stated that she will determine the number of municipal utility districts currently participating in the Fort Bend Subsidence District's Water Wise Program.

REPORTS FROM DIRECTORS AND CONSULTANTS

Ms. Logsdon discussed registration procedures for the Association of Water Board Directors winter conference. Following discussion, Director Gay moved that the Board authorize attendance at the Association of Water Board Directors winter conference. Director Patton seconded the motion, which was approved by unanimous vote.

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

Secretary, Board of Directors

(SEAL)

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