

MINUTES

NORTH FORT BEND WATER AUTHORITY

November 21, 2019

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 21st day of November, 2019, at the Willow Fork Country Club, 21055 Westheimer Parkway, 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	Assistant Secretary
Pat Hebert	Assistant Secretary

and all of the above were present except Directors Houghton, Gay, and Spell, thus constituting a quorum.

Also present for all or part of the meeting were Lindsay Kovar, Matt Froehlich, Ian Pietz, and Whitney Milberger of BGE, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Dale Clayton of Inframark, LLC; Christina Miller, Sandra Staine, and Justine M. Cherne of Allen Boone Humphries Robinson LLP ("ABHR"); and persons listed on the attached attendance sheets.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

APPROVE MINUTES

The Board considered approving the minutes of the meeting held October 23, 2019. After review and discussion, Director Hebert moved to approve the minutes as presented. Director Fay seconded the motion, which carried unanimously.

MEETING SCHEDULE

Ms. Miller reminded the Board that the Authority's December 25, 2019, meeting date has been rescheduled to Thursday, December 19, 2019.

PUBLIC COMMUNICATION, WATER CONSERVATION, AND REUSE MATTERS,
AND LARRY'S TOOLBOX WATER CONSERVATION PROGRAM

Ms. Kovar presented a Memorandum Regarding Water Conservation and Reuse matters, a copy of which is attached.

Ms. Kovar reported on previous and scheduled presentations regarding the Authority's large-scale infrastructure projects, surface water delivery plans, and/or water conservation programs, and attendance and utilization of the Authority's water conservation mobile teaching lab and/or booth at multiple conference, community, and municipal utility district events.

Ms. Kovar reported that 155 irrigation system evaluations were completed through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program") during October, 2019. She stated that gift cards in the amount of \$100.00 each from Enchanted Garden were distributed to three winners during October pursuant to the WISE Guys Program Giveaway Incentive Program.

Ms. Kovar reviewed a chart indicating the status of effluent reuse or alternate water credit projects/contracts and a chart tracking reuse usage amounts.

Ms. Milberger discussed BGE's review and tracking of invoices and services related to the Larry's Toolbox water conservation programs' Authority funded Homeowners Association ("HOA") Irrigation Water Budget and HOA Irrigation System Evaluations initiative. She reported that the Authority's Communication, Conservation, and Reuse Committee recommended approval of invoices from Masuen Consulting, LLC ("Masuen") for implementation of the initiative for (1) Cinco Municipal Utility District No. 9 in the amount of \$2,998.00; and (2) Fort Bend County Municipal Utility District No. 118 in the amount of \$12,310.50. Following review and discussion, Director Hebert moved to approve payment of the invoices as submitted by Masuen. Director Fay seconded the motion, which was approved by unanimous vote.

Ms. Milberger gave a presentation regarding implementation of the Authority's 2020 Larry's Toolbox water conservation program.

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

Ms. Lightbody presented the bookkeeper's report, including checks for payment, fund and wire transfers, monthly receipts, a summary of investments, schedules of debt service payments, water conservation credits, past due accounts, number of inspections completed for the Authority's WISE Guys Program, a statement of revenues and

expenditures for the Enterprise Fund, and the quarterly investment report. A copy of the bookkeeper's report is attached. Following review and discussion, Director Hebert moved to approve the bookkeeper's report as presented. Director Fay seconded the motion, which was approved by unanimous vote.

ANNUAL REVIEW OF INVESTMENT POLICY

The Board conducted an annual review of the Authority's Investment Policy. Ms. Miller stated there were no recommended changes to the policy. After review and discussion, Director Hebert moved to adopt a Resolution Regarding Annual Review of Investment Policy. Director Fay seconded the motion, which was approved by unanimous vote.

AUTHORIZED DEPOSITORY INSTITUTIONS AND QUALIFIED BROKER/DEALERS

Ms. Miller reported that the Authority's Finance and Policy Committee recommended that the Board approve the bookkeeper's updated list of authorized depository institutions and qualified broker dealers, which includes all banks where the Authority maintains deposits and investments. After review and discussion, Director Hebert moved to adopt a Resolution Establishing Authorized Depository Institutions and Adopting List of Qualified Broker Dealers with Whom the Authority May Engage in Investment Transactions. Director Fay seconded the motion, which was approved by unanimous vote.

NOTICE OF PROPOSED ADOPTION OF AMENDED RATE ORDER

The Board discussed distribution of a draft Notice of Proposed Groundwater Pumpage Fee and Surface Water Fee Increases which states that, at the Authority's December 19, 2019, meeting, the Board intends to consider adoption of an Amended Rate Order implementing a Groundwater Reduction Plan ("GRP") Fee in the amount of \$3.95 per 1,000 gallons of groundwater pumped and a Surface Water Fee in the amount of \$4.30 per 1,000 gallons of water delivered by the Authority, which correspondingly increases the Imported Water Fee, effective January 1, 2020. Ms. Miller reported on the status of Willdan Financial Services' preparation of an updated water rate analysis and financial forecast for the Authority. Following discussion, Director Hebert moved to authorize distribution of the Notice of Proposed Groundwater Pumpage Fee and Surface Water Fee Increases. Director Fay seconded the motion, which was approved by unanimous vote.

PREPARATION OF FINANCIAL STATEMENTS AND AUDIT FOR FISCAL YEAR
END DECEMBER 31, 2019

Ms. Miller reminded the Board of the procedures previously used for preparing the Authority's annual financial statements and annual audit to address auditing standards related to material weakness. She stated that, in compliance with accounting rules, the Authority's Finance and Policy Committee recommended implementing a more streamlined process for fiscal year end December 31, 2019, comprised of McCall Gibson Swedlund Barfoot PLLC's ("MGSB") performance of agreed upon procedures related to the Authority's audit and supporting documentation prepared by McGrath & Co., PLLC ("McGrath").

Ms. Miller reported that McGrath's estimated fee for preparing the audit and supporting documentation for fiscal year end December 31, 2019, pursuant to its current engagement letter with the Authority, is \$38,000.00 to \$40,000.00. She stated that McGrath's fee related to the Authority's December 31, 2018, audit was \$34,500.00.

Ms. Miller reported that MGSB provided an engagement letter for MGSB's performance of agreed upon procedures of the Authority's audit and supporting documentation prepared by McGrath in the amount of \$10,000.00. She stated that MGSB's fee related to the Authority's December 31, 2018, audit was approximately \$33,000.00.

Following review and discussion, Director Hebert moved to (1) approve implementation of the streamlined procedures for preparing the Authority's annual financial statements and annual audit for fiscal year ending December 31, 2019; (2) authorize McGrath to prepare the Authority's annual audit for the fiscal year end December 31, 2019; and (3) authorize execution of the engagement letter with MGSB to perform agreed upon procedures on the Authority's annual audit and supporting documentation prepared by McGrath for the fiscal year end December 31, 2019, in the amount of \$10,000.00. Director Fay seconded the motion, which was approved by unanimous vote.

2020 DIRECTOR APPOINTMENT PROCESS

Ms. Miller reported that the terms of office for the Directors of Precinct Nos. 1, 3, 5, and 7 will expire in May, 2020. She reviewed a Resolution Adopting Rules for 2020 Appointment Process for Directors which states that candidate nominations are due by February 15, 2020, and the deadline for all utility districts to submit their water usage is March 1, 2020. She stated that notices will be sent to the utility districts located within the Authority and the City of Fulshear requesting submission of candidate nominations

from Precinct Nos. 1, 3, 5, and 7 and 2019 water usage from all districts. She stated that water usage amounts are used to calculate the strength of the vote of each municipal utility district within a director precinct during the director appointment process conducted during even-numbered years. She stated that ballots for precincts with contested appointments will be sent to the utility districts within the applicable precinct by March 15, 2020, and the deadline for the districts to submit completed ballots is April 30, 2020. Following review and discussion, Director Hebert moved to (1) adopt the Resolution Adopting Rules for 2020 Appointment Process for Directors, and direct that the resolution be filed appropriately and retained in the Authority's official records; and (2) authorize distribution of notices to the municipal utility districts located within the Authority and the City of Fulshear requesting submission of candidate nominations from Precinct Nos. 1, 3, 5, and 7 and 2019 water usage from all municipal utility districts. Director Fay seconded the motion, which was approved by unanimous vote.

OPERATION OF AUTHORITY FACILITIES

Mr. Clayton presented the operator's report and reported on the operations of the Authority's facilities, including inspections, maintenance, repairs, joint facility expenses, and water accountability. A copy of the operator's report is attached. Mr. Clayton explained that the 100.91% water accountability rate was the result of meter readings performed outside of a 24-hour period.

Mr. Clayton reported that a previously discussed repair of a leak in Main Water Line Segment 3 cost \$52,855.00.

Mr. Clayton reported that generator no. 3 at the Bellaire Pump Station was offline pending repair of the terminal block. He stated that a quote for the repair is being prepared by Cummins Southern Plains, LLC. In response to Director Darden's inquiry, Ms. Miller stated that, as a project partner in the Bellaire Pump Station, the West Harris County Regional Water Authority (the "WHCRWA") is reviewing the Authority's proposal to contract with Enchanted Rock, LLC for installing, commissioning, and servicing six natural gas generators and associated equipment to provide power for all of the Bellaire Pump Station pumps operating at full capacity in place of the current generators.

Mr. Clayton recommended approval of an invoice from Hayes Automation for installing supervisory control and data acquisition system communication equipment for Fort Bend County Municipal Utility District No. 190's remote well site in the amount of \$12,930.00. A copy of the invoice is attached to the operator's report. Mr. Clayton stated the invoice contains additional charges related to access issues.

Following review and discussion, Director Hebert moved to approve the operator's report as presented, including approval of the invoice from Hayes Automation in the amount of \$12,930.00. Director Fay seconded the motion, which was approved by unanimous vote.

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND AUTHORITY'S GRP

Ms. Miller reported that the terms of the Authority's current representatives to the Board of Directors of the Fort Bend Subsidence District (the "FBSD") expire on January 1, 2020. Following review and discussion, Director Hebert moved to adopt a Resolution Reappointing Directors to the Board of Directors of the FBSD reappointing Robert DeForest and Mark Gehringer to serve until January 1, 2022. Director Fay seconded the motion, which was approved by unanimous vote.

Mr. Froehlich presented the engineer's report, a copy of which is attached. Mr. Froehlich reported on matters related to the Authority's GRP, including monthly groundwater and surface water use by municipal utility districts receiving surface water from the Authority.

Mr. Froehlich reported that BGE issued an acknowledgment letter for an annexation notification from Willow Point Municipal Utility District.

Mr. Froehlich reported on the status of a GRP Participation Agreement with Fort Bend County Municipal Utility District Nos. 23 and 24, to include only the approximately 520 acres of land proposed for annexation by Fort Bend County Municipal Utility District No. 24.

Mr. Froehlich provided an update regarding BGE's review of a request for a GRP Participation Agreement for a tract of land proposed to be annexed into Fort Bend County Municipal Utility District No. 168.

Mr. Froehlich reported on a meeting held with representatives of the City of Fulshear and developers regarding regional water and development planning.

ENGINEERING MATTERS: DESIGN, CONSTRUCTION, AND PROJECTS

Mr. Froehlich reviewed a chart indicating the status of property acquisition matters, including for the Authority's Main Segments 16B and 17.

Mr. Froehlich reported on the status of obtaining the necessary property rights for the reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and

4 (collectively, "Grand Lakes"), consisting of (i) the wastewater plant improvements; and (ii) the reclaimed water distribution system. Mr. Froehlich recommending approval of Pay Estimate No. 2 in the amount of \$275,948.10 submitted by JTR Constructors Inc. for construction of the wastewater plant improvements. Mr. Froehlich stated that agency submittals by Costello, Inc. for the reclaimed water distribution system are pending acquisition of the necessary property rights.

Mr. Froehlich reported on the construction schedule for the Authority's project to construct a surface water line connection for Fort Bend County Municipal Utility District No. 30's Water Plant No. 3 ("FB 30 Water Line Connection Project"). He stated a preconstruction meeting with D.L. Elliott Enterprises, Inc. will be held soon and Notice to Proceed is anticipated to be issued for December 2, 2019.

Mr. Froehlich presented and recommended approval of an Amendment to Agreement for Professional Design Consulting Services with Jones & Carter, Inc. for the Authority's FB 30 Water Line Connection Project to decrease the total contract amount by \$21,629.74, based on construction contract bid results.

Mr. Froehlich reported that the Authority's Capital Planning and Design Committee recommended approval of an Agreement for Professional Materials Engineering Laboratory Services with Terracon Consultants, Inc. for the Authority's FB 30 Water Line Connection Project in an amount not to exceed \$22,300.00.

Mr. Froehlich reported on the status of the Authority's joint reclaimed water system project with Fort Bend County Municipal Utility District Nos. 146 and 194. He stated that submission of plans and specifications for the design and construction of the reclaimed water distribution system is pending acquisition of the necessary property rights.

Mr. Froehlich reported that the Authority's Capital Planning and Design Committee recommended approval of a proposal from BGE for performing an environmental review of the Authority's internal water distribution lines for the 2025 surface water conversion system as required by the Texas Water Development Board (the "TWDB") for funding received by the Authority from the State Water Implementation Revenue Fund for Texas program in an amount not to exceed \$68,000.00.

REGIONAL PLANNING MATTERS: JOINT PROJECTS AND WATER SUPPLY

Mr. Froehlich reported that the Authority's Storm Water Quality Permit for the Bellaire Pump Station has been renewed and expires November 21, 2020.

Mr. Froehlich updated the Board on the status of design and right-of-way acquisition for the Authority's joint Surface Water Supply Project ("SWSP") with the WHCRWA. He stated that the WHCRWA is planning a groundbreaking event for the project. He reported that the WHCRWA awarded a construction contract to the low bidder for Segment 3A-4, Garney Companies, Inc., in the amount of \$6,724,648.88.

Mr. Froehlich and Ms. Miller discussed the status of the Authority's negotiation and entry into an Amended and Restated Joint Facilities Agreement with the WHCRWA.

Mr. Froehlich reported on the status of the Coastal Water Authority's Luce Bayou Interbasin Transfer Project, including the construction schedules for the Capers Ridge Pump Station, canal projects, and the dual 96-inch raw water lines. Mr. Froehlich and Mr. Pietz responded to Director Darden's questions related to a coffer dam for the project.

Mr. Pietz reported on the status of the City of Houston's Northeast Water Purification Plant ("NEWPP") Expansion Project per its Design-Build Agreement with the Houston Waterworks Team. A slide presentation of photographs of the construction site was projected during the meeting. Mr. Pietz reported on the status of construction included in Early Work Package Nos. 1, 2, 4, and 6, and the Balance of Plant package and discussed scheduling a tour of the site for the Directors.

Following review and discussion, Director Hebert moved to approve the engineer's report as presented, including:

- (1) Approve Pay Estimate No. 2 in the amount of \$275,948.10 submitted by JTR Constructors Inc. for construction of the wastewater plant improvements portion of reclaimed water system project for Grand Lakes;
- (2) Authorize execution of an Amendment to Agreement for Professional Design Consulting Services with Jones & Carter, Inc. for the Authority's FB 30 Water Line Connection Project to decrease the total contract amount by \$21,629.74;
- (3) Authorize execution of an Agreement for Professional Materials Engineering Laboratory Services with Terracon Consultants, Inc. for the Authority's FB 30 Water Line Connection Project in an amount not to exceed \$22,300.00; and
- (4) Authorize execution of a proposal from BGE for performing an environmental review of the Authority's internal water distribution lines for the 2025 surface water conversion system in an amount not to exceed \$68,800.00.

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

AUTHORITY FINANCING PLAN MATTERS

Ms. Miller reported that the Authority's \$244,110,000 Water System Junior Lien Revenue Bonds, Series 2019B and \$56,610,000 Water System Revenue Bonds, Series 2019C sold through the TWDB's State Water Implementation Revenue Fund for Texas, to provide funding for the Authority's portions of the joint SWSP and NEWPP Expansion Project, and the Authority's internal water distribution lines for the 2025 surface water conversion system, closed earlier in the day.

Ms. Miller discussed the Authority's obligations related to its revenue note placement program for interim financing in an amount not to exceed \$150,000,000 pursuant to the Note Purchase Agreement with JPMorgan Chase Bank, N.A. She stated that a Certificate of No Default has been prepared for submission to JPMorgan Chase Bank, N.A. in conjunction with the Authority's submittal of certain required quarterly unaudited financial reports. Following discussion, Director Hebert moved to authorize execution of the certificate. Director Fay seconded the motion, which was approved by unanimous vote.

Ms. Miller reported on coordination with the TWDB to amend the Authority's Loan Forgiveness Agreement in connection with the funding received from the TWDB's Clean Water State Revolving Fund for the reclaimed water system project for Fort Bend County Municipal Utility District Nos. 146 and 194 with a revised schedule.

CONTRACTS

The Board concurred to defer this item.

REALTY INTEREST ACQUISITION

Ms. Miller reviewed one Water Line Easement and one side letter for Parcel GLR.37, as listed on the attached Realty Interests Chart. Following review and discussion, Director Hebert moved to authorize execution of the Water Line Easement and side letter as presented. Director Fay seconded the motion, which was approved by unanimous vote.

CONVENE EXECUTIVE SESSION

The Board convened in executive session at 6:46 p.m. to discuss the purchase, exchange, lease, or value of real property pursuant to Section 551.072, Texas Government Code. The Board determined that the attendance in this executive session of Ms. Kovar and Mr. Froehlich was necessary in order for the Board to obtain the

necessary legal advice from its attorney, and the Board requested their presence in the executive session.

RECONVENE IN OPEN SESSION

At 7:00 p.m., the Board reconvened in open session. Director Hebert moved to (1) authorize appraisals for Parcels 146R.23 and 18B.03, as discussed; and (2) authorize settlement offers for the inner tract of the authority's second pump station site, containing approximately 4.323 acres, and Parcel 18.02 as discussed. 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.


Secretary, Board of Directors

(SEAL)



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