

MINUTES

NORTH FORT BEND WATER AUTHORITY

May 22, 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 22nd day of May, 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, thus constituting a quorum.

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

APPROVE MINUTES

The Board considered approving the minutes of the meetings held April 24, and May 1, 2019. After review and discussion, Director Gay moved to approve the minutes as presented. Director Fay seconded the motion, which carried unanimously, except for Director Patton who was not present for the discussion or the vote.

COMMENTS FROM THE PUBLIC

Director Houghton opened the meeting to receive public comments. There being no public comments, Director Houghton closed the meeting to public comments.

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 community and municipal utility district events.

Ms. Kovar stated that the Authority's Communication, Conservation, and Reuse Committee ("CCR Committee") recommended that the Board approve an invoice for an application to reserve a booth at the Katy Fall Home and Garden Show in the amount of \$1,295.00.

Ms. Kovar reported that 72 irrigation system evaluations were completed through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program") during April, 2019. She stated that the Authority's CCR Committee recommended that the Board approve purchasing 20 Rachio Generation 2 Smart Controllers in an amount not to exceed \$3,600.00 to distribute to five winners during each of the months of May through August using random number generator software to determine the winners pursuant to the WISE Guys Program's Giveaway Incentive Program (the "Giveaway Incentive Program").

Ms. Kovar reported that the Authority's CCR Committee recommended that the Board approve purchasing 12 gift certificates from Enchanted Gardens in the total amount of \$1,200.00 to distribute to three winners during each of the months of September through December using random number generator software to determine the winners 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.

Ms. Kovar reported on implementation of the Authority's 2019 Larry's Toolbox water conservation program. She stated that the finalized bill inserts promoting the 2019 Larry's Toolbox water conservation program's WISE Guys Program and Residential Water Conservation Rebate initiatives have been printed and mailed as previously approved.

Ms. Kovar reported that the Authority's CCR Committee recommended that the Board approve a proposal from WaterLogic, Inc. ("WaterLogic") for implementing the 2019 Larry's Toolbox water conservation program's Authority funded Homeowners Association/Golf Course Irrigation System Evaluation and Water Budget initiative for Fort Bend County Municipal Utility District No. 156 in the amount of \$21,360.00.

Ms. Kovar reported that the Authority's CCR Committee recommended that the Board approve a proposal from Masuen Consulting, LLC ("Masuen") for implementing the 2019 Larry's Toolbox water conservation program's Authority funded Homeowners Association/Golf Course Irrigation System Evaluation and Water Budget initiative for Cinco Municipal Utility District No. 9 in the amount of \$29,980.00.

Ms. Kovar reported that the Authority's CCR Committee recommended that the Board approve a Consulting Service Agreement with Fort Bend County Municipal Utility District No. 124 and Water Logic for the previously approved proposal for implementing the 2019 Larry's Toolbox water conservation program's Authority funded Homeowners Association/Golf Course Irrigation System Evaluation and Water Budget initiative in the amount of \$15,576.00.

Following review and discussion, Director Gay moved to:

- (1) approve an invoice for an application to reserve a booth at the Katy Fall Home and Garden Show in the amount of \$1,295.00;
- (2) approve purchasing 20 Rachio Generation 2 Smart Controllers in an amount not to exceed \$3,600.00 to distribute as recommended and pursuant to the WISE Guys Program's Giveaway Incentive Program;
- (3) approve purchasing 12 gift certificates from Enchanted Gardens in the amount of \$1,200.00 to distribute as recommended and pursuant to the WISE Guys Program's Giveaway Incentive Program;
- (4) approve a proposal from WaterLogic for implementing the 2019 Larry's Toolbox water conservation program's Authority funded Homeowners Association/Golf Course Irrigation System Evaluation and Water Budget initiative for Fort Bend County Municipal Utility District No. 156 in the amount of \$21,360.00;
- (5) approve a proposal from Masuen for implementing the 2019 Larry's Toolbox water conservation program's Authority funded Homeowners Association/Golf Course Irrigation System Evaluation and Water Budget initiative for Cinco Municipal Utility District No. 9 in the amount of \$29,980.00; and
- (6) approve a Consulting Service Agreement with Fort Bend County Municipal Utility District No. 124 and Water Logic for the previously approved proposal for implementing the 2019 Larry's Toolbox water conservation program's Authority funded Homeowners Association/Golf Course Irrigation System Evaluation and Water Budget initiative in the amount of \$15,576.00.

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

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

ANNUAL REPORT FILING

Mr. Oliver reported on filing requirements related to the Authority's updated financial, operating, and certain other data included in the Annual Report prepared in accordance with the Authority's Continuing Disclosure of Information Agreement and as required by SEC Rule 15c2-12. Following review and discussion, Director Gay moved to approve the updated Annual Report and direct that the report be filed appropriately and retained in the Authority's official records. Director Hebert seconded the motion, which was approved by unanimous vote.

ORDER ADOPTING AMENDED AND RESTATED PROCEDURES FOR CONTINUING DISCLOSURE COMPLIANCE

Mr. Oliver stated that, when the Authority issues bonds, the Authority enters into a continuing disclosure undertaking for the benefit of the bondholders. Mr. Oliver added that the provisions of that undertaking require that the Authority comply with certain continuing disclosure requirements for its bonds. Mr. Oliver explained that the Board is ultimately responsible for continuing disclosure compliance for its bonds, with assistance by its consultants. Mr. Oliver added that, in order to ensure that the Authority's procedures for continuing disclosure compliance are well documented, the Board has previously adopted such procedures in writing. Mr. Oliver stated that, because the United States Securities and Exchange Commission has amended its Rule 15c2-12, ABHR recommends that the Authority's written procedures be amended by the Board. Mr. Oliver reviewed an Order Adopting Amended and Restated Procedures for Continuing Disclosure Compliance with the Board. Following review and discussion, Director Gay moved to adopt the Order Adopting Amended and Restated Procedures for Continuing Disclosure Compliance and direct that the Order be filed appropriately and retained in the Authority's official records. Director Hebert seconded the motion, which passed 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 reported on Inframark's dedication of a new truck to transport the Authority's water conservation mobile lab to events. Following review and discussion, Director

Gay moved to approve the operator's report as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

ANNUAL FILING OF CRITICAL LOAD SPREADSHEET

The Board reviewed the Authority's Critical Load Spreadsheet listing the facilities operated by the Authority that receive electricity. Mr. Oliver stated that the Critical Load Spreadsheet was updated by the Authority's consultants and is required to be filed annually with the appropriate entities, including CenterPoint Energy and Harris and Fort Bend Counties, for emergency purposes. After review and discussion, Director Gay moved to authorize the annual filing of the Authority's Critical Load Spreadsheet. Director Hebert seconded the motion, which carried by unanimous vote.

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND AUTHORITY'S GROUNDWATER REDUCTION PLAN ("GRP")

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 the Authority's Capital Planning and Design Committee ("CPD Committee") recommended that the Board authorize execution of a water supply commitment letter agreement with Fort Bend County Municipal Utility District No. 50 ("FB 50") for FB 50's water plant no. 2 located on Main Segment 9A.

Mr. Froehlich reported on coordination with ABHR on the preparation of GRP Participation Agreements with (1) Charleston Municipal Utility District; and (2) Fort Bend County Municipal Utility District No. 24 ("FB 24"), to include only the approximately 520 acres of land proposed for annexation by FB 24.

Mr. Froehlich reported on 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.

ENGINEERING MATTERS: ROUTING ANALYSES, DESIGN, AND CONSTRUCTION

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 construction of the Authority's Phase 1 portion of the joint reclaimed water system project with Fort Bend County Municipal Utility District Nos. 146 and 194 ("FB 146 and FB 194"). He stated C4 Partners, LLC is addressing punch list items for the project.

Mr. Froehlich reported on the schedule for the construction of the Authority's surface water line connection facilities for Fort Bend County Municipal Utility District No. 190. He stated that construction is nearing completion and testing will begin soon.

ENGINEERING MATTERS: FACILITIES, PROJECTS, AND STUDIES

Mr. Froehlich reported that Lone Star 811, the Authority's current one-call utility location service provider, is ceasing operations in Texas. He stated that BGE is coordinating with Lone Star 811 and Texas 811 to facilitate the Authority's transfer to Texas 811, the State's only other one-call provider.

Mr. Froehlich reported that Jones & Carter, Inc. is waiting for the City of Houston's (the "COH") final approval of the plans and specifications 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. He reminded the Board that advertisement for bids for the project was previously authorized on October 24, 2018.

Mr. Froehlich reported on the status of the reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4, consisting of (i) the wastewater plant improvements; and (ii) the reclaimed water distribution system. He stated that agency submittals by Costello, Inc. for the Phase 2 reclaimed water distribution system are pending acquisition of the necessary property rights. Mr. Froehlich stated that the Texas Water Development Board (the "TWDB") requested a change order to the Authority's contract with JTR Constructors Inc. for construction of the Phase 1 wastewater plant improvements portion of the project. Mr. Froehlich reviewed and recommended approval of Change Order No. 1 to the contract with JTR Constructors Inc. for construction of the wastewater plant improvements portion of the Authority's reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4. He stated that the change order does not increase or decrease the contract. The Board determined that Change Order No. 1 is beneficial to the Authority.

Mr. Froehlich stated that submission of plans and specifications for the Authority's Phase 2 portion of the joint reclaimed water system project with FB 146 and FB 194 consisting of the Authority's reclaimed water distribution system are pending completion of right-of-way acquisition.

REGIONAL PLANNING MATTERS: JOINT PROJECTS AND WATER SUPPLY

Mr. Froehlich reported on matters related to the Authority's joint facilities with the West Harris County Regional Water Authority (the "WHCRWA"). He reported that the Authority's CPD Committee reviewed an additional quote from Enchanted Rock Solutions, LLC ("Enchanted Rock") to include the number of generators needed to provide power for all of the Bellaire Pump Station pumps operating at full capacity as provided by the current generators in the amount of \$849,000.00. He stated that the

CPD Committee directed BGE and ABHR to expedite the actions required to provide for Enchanted Rock's installation of six natural gas generators at the Bellaire Pump Station in place of the current generators.

Mr. Froehlich updated the Board on the status of the Authority's joint Surface Water Supply Project ("SWSP") with the WHCRWA. He reported on the status of design and easement acquisition for Segments A, B, and C, and the design of the Kinder Morgan Segment, the sub-segments for Segment 3, the Re-Pump Station, and the Central Pump Station for the SWSP. He discussed the schedule for WHCRWA's contractor pre-qualification process for open-cut pipeline contractors. He reported that the WHCRWA's community outreach plan for the SWSP has been placed on the Authority's document sharing site.

Mr. Froehlich reported that the WHCRWA issued a cash call to the Authority for third quarter 2019 expenses for the SWSP in the amount of \$8,539,980.00. He requested that the Board authorize BGE to prepare and submit a request for use of escrowed bond funds to the TWDB for payment of the cash call.

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.

Ms. Kovar reported on the status of design of the COH's Northeast Water Purification Plant ("NEWPP") Expansion Project per its Design-Build Agreement with the Houston Waterworks Team ("HWT"). She stated that the NEWPP participants' Project Management Team's comments to HWT's 90% design for Phases 1 and 2 were submitted on April 19, 2019. She discussed the status of the NEWPP participants' Project Management Team's negotiations with HWT regarding the terms and conditions of the Balance of Plant Guaranteed Maximum Price ("BOP GMP") contract amendment. She reported on the status of construction included in Early Work Package Nos. 1, 2, 4, and 6.

Ms. Kovar reported that a Consensus Vote for the approval of the amendment to the Design-Build Agreement with HWT and Cash Calls 8B and 8C from the COH for funding of an initial portion of the BOP GMP and funding the Project Advisor/Technical Consultant services are anticipated to be received in late May. She stated that BGE did not submit the escrow release application to the TWDB previously approved during the April 24, 2019, Board meeting due to changes in the schedule and cash call amounts. She stated that the revised total amount for Cash Call 8B and 8C is approximately \$79,787,000.00. She requested that the Board authorize BGE to prepare and submit a request for use of escrowed bond funds to the TWDB for payment of the revised cash call amounts. Ms. Kovar reported that the current schedule for the Request for COH Council Action is planned for June 19, 2019, and a Notice to Proceed for the BOP GMP is anticipated to be issued to HWT on June 20, 2019.

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

- (1) authorize execution of a water supply commitment letter agreement with FB 50 for FB 50's water plant no. 2 located on Main Segment 9A;
- (2) approve Change Order No. 1, containing no increase or decrease to the contract with JTR Constructors Inc. for construction of the wastewater plant improvements portion of the Authority's reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4, based upon the Board's finding that the change order is beneficial to the Authority and the engineer's recommendation, and subject to the TWDB's approval of the construction contract;
- (3) authorize BGE to prepare and submit a request for use of escrowed bond funds to the TWDB for payment of a cash call from the WHCRWA for third quarter 2019 expenses for the SWSP in the amount of \$8,539,980.00; and
- (4) authorize BGE to prepare and submit a request for use of escrowed bond funds to the TWDB for payment of Cash Calls 8B and 8C from the COH for the NEWPP Expansion Project in the revised total approximate amount of \$79,787,000.

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

AUTHORITY FINANCING PLAN MATTERS

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 recommended execution of Certificates of No Default for submission to JPMorgan Chase Bank, N.A. in conjunction with the Authority's submittal of certain required quarterly and annual financial reports. Following review and discussion, Director Gay moved to authorize execution of the Certificates of No Default. Director Hebert seconded the motion, which was approved by unanimous vote.

Ms. Miller reported that the Authority's Note Purchase Agreement with JPMorgan Chase Bank, N.A. is scheduled to expire August 15, 2019. She recommended submitting a request for continuation of the Note Purchase Agreement to extend the term until August 15, 2021. Following discussion, Director Gay moved to authorize execution and submission of a Notice of Continuation for Note Purchase Agreement and corresponding Certificate of No Default to JPMorgan Chase Bank, N.A. Director Hebert seconded the motion, which was approved by unanimous vote.

CONTRACTS AND LEGAL CONFLICT WAIVERS

Ms. Miller presented a Proposal and Contract for Services between the Authority

and CBRE, Inc. for right-of-way acquisition valuation and advisory services. Following review and discussion, Director Gay moved to authorize execution of the proposal and contract as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

Ms. Miller reported that ABHR is counsel for Cinco Municipal Utility District Nos. 9 and 12, and Fort Bend County Municipal Utility District Nos. 2, 124, 156, and 133. She discussed with the Board the Authority's option to retain independent counsel or to have ABHR represent it in connection with the preparation of proposed Consulting Service Agreements with Cinco Municipal Utility District Nos. 9 and 12, and Fort Bend County Municipal Utility District Nos. 2, 124, and 156, and an Alternative Water Supply Credit Agreement with Fort Bend County Municipal Utility District No. 133. Following discussion, Director Gay moved to authorize execution of legal conflict waivers for ABHR's preparation of the proposed agreements. Director Hebert seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

The Board concurred to defer this item.

CONVENE EXECUTIVE SESSION

The Board did not convene in executive session.

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


Secretary, Board of Directors

(SEAL)



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