

MINUTES

NORTH FORT BEND WATER AUTHORITY

September 25, 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 25th day of September, 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 Gay, Spell, and Hebert, thus constituting a quorum.

Also present for all or part of the meeting were Lindsay Kovar, Matt Froehlich, Fred Bauhof, Ian Pietz, and Whitney Milberger of BGE, Inc. ("BGE"); Pam E. Lightbody of AVANTA Services; Dale Clayton of Inframark, LLC ("Inframark"); Joel Cleveland of Jeanne H. McDonald, P.C.; David Oliver, Christina Miller, Aaron Carpenter, 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 meeting held August 28, 2019. After review and discussion, Director Fay moved to approve the minutes as presented. Director Darden seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Rich Patrick of Cinco Municipal Utility District No. 5 addressed the Board to invite everyone to attend the Katy Area Economic Development Council's free Safety Seminar scheduled at 6:00 p.m. on September 26, 2019, at the Fry Road Municipal Utility District Facility. He stated that Harris County Emergency Services District No. 48 will give presentations on the safety programs provided to the community. He distributed flyers announcing the event.

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 reported that the Authority's Communication, Conservation, and Reuse Committee ("CCR Committee") recommended that the Board approve purchasing space for water conservation educational messages for publication in 13 community newsletters in November and December, 2019, in the total amount of \$3,630.40. She stated that the proposed amount is included in the Authority's water conservation and community outreach budget.

Ms. Kovar reported that 267 irrigation system evaluations were completed through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program") during August, 2019. She stated that Rachio Generation 2 Smart Controllers were distributed to five winners during August using random number generator software to determine the winners pursuant to the WISE Guys Program's 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. Kovar reported on implementation of the Authority's 2019 Larry's Toolbox water conservation program. She stated that the CCR Committee recommended that the Board approve second quarter water rate rebate payments to the 42 participants in the Authority's 2018 Larry's Toolbox water conservation program that earned the required nine points necessary to receive a reduced 2019 water rate in total the amount of \$215,812.92.

Following review and discussion, Director Patton moved to:

- (1) approve purchasing space for water conservation educational messages for publication in 13 community newsletters in November and December, 2019, in the total amount of \$3,630.40; and
- (2) approve second quarter water rate rebate payments to the 42 participants in the Authority's 2018 Larry's Toolbox water conservation program that

earned the required nine points necessary to receive a reduced 2019 water rate in total the amount of \$215,812.92.

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

RESOLUTION ESTABLISHING THE 2020 LARRY'S TOOLBOX WATER CONSERVATION PROGRAM

Ms. Milberger discussed BGE's recommendations for the implementation of the Authority's 2020 Larry's Toolbox water conservation program. She reported that the Authority's CCR Committee recommended that the Board adopt a Resolution Establishing the 2020 Larry's Toolbox Water Conservation Program, including the Guide Document and Enrollment Form for the program. She stated that the 2020 Larry's Toolbox water conservation program materials will be sent to the designated consultants for the municipal utility districts, cities, and Groundwater Reduction Plan ("GRP") Participants within the Authority's boundaries. She stated that the changes and updates made to the program will be presented during the Authority's October 23, 2019, Board meeting and BGE will be available to answer inquiries on an individual basis. Following review and discussion, Director Darden moved to adopt a Resolution Establishing the 2020 Larry's Toolbox Water Conservation Program, including the Guide Document and Enrollment Form for the program. 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. She reported that the City of Houston's (the "COH") monthly invoice for the purchase of water supply was received today while she was out of the office and will be processed at a later date. Mr. Oliver responded to Director Houghton's questions regarding the allocation of the Authority's anticipated bond proceeds. Following review and discussion, Director Fay moved to approve the bookkeeper's report as presented. Director Patton seconded the motion, which was approved by unanimous vote.

ARBITRAGE REBATE REPORT FOR SERIES 2009 BONDS

Mr. Oliver reported that the Authority is not required to remit payment to the Internal Revenue Service per the previously distributed arbitrage rebate and yield restriction liability report for the Authority's Series 2009 Bonds prepared by OmniCap

Group, LLC.

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 that the leak previously located on a 42-inch water line on Main Segment 3 has been repaired and the water line is operational.

Mr. Clayton updated the Board on maintenance and repair services performed by Cummins Southern Plains, LLC for the current generators at the Bellaire Pump Station. He reported that generator no. 2 at the Bellaire Pump Station is scheduled to be back online on October 3, 2019.

Following review and discussion, Director Patton moved to approve the operator's report as presented. Director Fay seconded the motion, which was approved by unanimous vote.

REGULATORY MATTERS: SUBSIDENCE DISTRICT REGULATIONS AND PERMITTING, AND AUTHORITY'S 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 Fort Bend Subsidence District ("FBSD") plans to clarify the definition of a platted subdivision via a proposed amendment to the FBSD's rules.

Mr. Froehlich reported on coordination with ABHR on the preparation 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.

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 the Authority's joint reclaimed water system project with Fort Bend County Municipal Utility District Nos. 146 and 194, consisting of (i) the wastewater plant improvements; and (ii) the reclaimed water distribution system. Mr. Froehlich recommended (1) approval of Pay Estimate No. 18

and Final in the amount of \$108,477.73, submitted by C4 Partners, LLC, for construction of the wastewater plant improvements; and (2) acceptance of the project. 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 construction of the Authority's surface water line connection facilities for Fort Bend County Municipal Utility District No. 190 is complete and the site is communicating with the Bellaire Pump Station.

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, consisting of (i) the wastewater plant improvements; and (ii) the reclaimed water distribution system. Mr. Froehlich recommended approval of Pay Estimate No. 1 in the amount of \$377,829.00, submitted by JTR Constructors Inc., for construction of the wastewater plant improvements, pending the Texas Water Development Board's (the "TWDB") approval of the outlay package. 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 that bids were received 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 stated that the low bidder was HTI Construction, Inc. ("HTI") in the amount of \$536,584.00 and the second lowest bidder was D.L. Elliott Enterprises, Inc. ("DL Elliott") in the amount of \$709,463.94. He explained that HTI made an error in its bid and withdrew its bid. He reported that the design engineer for the project, Jones & Carter, Inc. ("JCI") recommended that the Board award the contract to DL Elliott in the amount of \$709,463.94. He stated that BGE concurred with JCI's recommendation. The Board concurred that, in its judgment, DL Elliott was a responsible bidder who would be most advantageous to the Authority and would result in the best and most economical completion of the project. In response to Director Patton's question, Mr. Froehlich stated that DL Elliott's bid was below the engineer's estimated cost for the project.

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 discussed the status of BGE's coordination with ABHR on the preparation of a contract with Enchanted Rock, LLC for installing, commissioning, and servicing six natural gas generators and associated equipment to provide auxiliary power for all of the Bellaire Pump Station pumps operating at full capacity in place of the current generators. He stated that BGE is also coordinating with CPower on the compatibility of the Authority's proposed contract with Enchanted Rock, LLC and CPower's Master Load

Response Services Agreement with the Authority for the Emergency Response Service 30 program.

Mr. Froehlich updated the Board on the status of the Authority's joint Surface Water Supply Project ("SWSP") with the WHCRWA. Mr. Froehlich reported that the TWDB authorized the use of escrowed bond funds for payment of WHCRWA's cash call issued to the Authority for fiscal year 2019 fourth quarter expenses for the SWSP in the amount of \$18,509,576.00. He stated that payment is due October 1, 2019, and will be made as authorized at the August 28, 2019, Board meeting.

Mr. Froehlich reported on easement acquisition for the SWSP and the anticipated construction schedule for Segment A. He discussed the status of design for Segments B and C, including the long tunnel portion of Segment B, the Kinder Morgan Segments, the sub-segments for Segment 3, the Re-Pump Station, and the Central Pump Station for the SWSP.

Mr. Froehlich discussed the status of the Authority's negotiation and entry into an Amended and Restated Joint Facilities Agreement with the WHCRWA. He reported that BGE has reviewed and provided comments to a draft construction management plan for the SWSP.

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. Bauhof reported on the status of the COH's Northeast Water Purification Plant ("NEWPP") Expansion Project per its Design-Build Agreement with the Houston Waterworks Team ("HWT"). He reported on the status of construction included in Early Work Package Nos. 1, 2, 4, and 6, and the Balance of Plant package.

Ms. Kovar discussed the Authority's average surface water delivery amounts in response to Director Houghton's inquiry.

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

- (1) approve Pay Estimate No. 18 and Final in the amount of \$108,477.73, submitted by C4 Partners, LLC, for construction of the wastewater plant improvements for the Authority's joint reclaimed water system project with Fort Bend County Municipal Utility District Nos. 146 and 194, and acceptance of the project, including authorization for BGE to notify the Authority's insurance provider of the new facilities;
- (2) approve Pay Estimate No. 1 in the amount of \$377,829.00, submitted by JTR Constructors Inc., for construction of the wastewater plant improvements for

the Authority's reclaimed water system project for Grand Lakes Municipal Utility District Nos. 1, 2, and 4, pending the TWDB's approval of the outlay package; and

- (3) approve award of the contract for construction of a surface water line connection for Fort Bend County Municipal Utility District No. 30's Water Plant No. 3 to DL Elliott in the amount of \$709,463.94, based upon JCI's recommendation and subject to approval of the payment and performance bonds and review of the certificate(s) of insurance and endorsements, if any, provided by the contractor.

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

AMENDED AND RESTATED RESOLUTION DESIGNATING AUTHORITY REPRESENTATIVE RELATED TO THE SECOND SUPPLEMENT TO WATER SUPPLY CONTRACT (THE "SECOND SUPPLEMENT")

Mr. Oliver reported that the Authority's Capital Planning and Design Committee ("CPD Committee") recommended approval of an Amended and Restated Resolution Designating Authority Representative Related to the Second Supplement (the "Resolution"). He stated that the resolution designates Mr. Ian D. Pietz, P.E., of BGE, as the Authority's Representative to act on behalf of the Authority on matters related to the COH's NEWPP per its Design-Build Agreement with HWT in the manner described in the Second Supplement. Ms. Miller stated that the resolution provides that Mr. Pietz may send an alternate BGE employee to observe and participate for discussion purposes on the Authority's behalf. Following discussion, Director Patton moved to adopt the Resolution. Director Darden seconded the motion, which was approved by unanimous vote.

AUTHORITY FINANCING PLAN MATTERS

Mr. Oliver discussed the Authority's financing plan and the anticipated impact of low interest rate borrowing on possibly reducing the Authority's future fees.

Mr. Oliver updated the Board on the Authority's issuance of \$168,625,000 Water System Revenue and Revenue Refunding Bonds, Series 2019A ("Series 2019A Bonds"). Mr. Oliver stated that the Series 2019A Bonds priced on September 4, 2019. He stated the refunding portion of the Authority's Series 2019A Bonds yielded a 16.33% net present value savings of approximately \$16,909,465, providing a tangible impact on the Authority's fees and rates. He stated the Series 2019A Bonds are scheduled to close on October 2, 2019. Ms. Lightbody reviewed a schedule of issuance and closing costs for the Series 2019A Bonds. Following review and discussion, Director Fay moved to authorize payment of related issuance and closing costs for the Series 2019A Bonds. Director Darden seconded the motion, which was approved by unanimous vote.

Mr. Oliver stated that the Financing Agreements related to the Authority's

anticipated issuance of the \$244,110,000 Water System Junior Lien Revenue Bonds, Series 2019B ("Series 2019B Bonds") and \$56,610,000 Water System Revenue Bonds, Series 2019C ("Series 2019C Bonds") pursuant to funding from the TWDB through its State Water Implementation Revenue Fund for Texas were approved by the TWDB. He stated that a special meeting of the Authority's Board is scheduled for October 9, 2019, to consider the Authority's sale of the Series 2019B and Series 2019C Bonds to the TWDB.

Mr. Oliver 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. He stated that the Authority's financial advisor recommends utilizing proceeds from the Series 2019A Bonds to redeem all but \$1,000,000 of the revenue note to provide the Authority with financial flexibility.

Mr. Oliver reported on coordination with the TWDB to amend the Authority's Loan Forgiveness Agreements in connection with the funding received from the TWDB's Clean Water State Revolving Fund for the reclaimed water system projects for Grand Lakes Municipal Utility District Nos. 1, 2, and 4 and Fort Bend County Municipal Utility District Nos. 146 and 194 with revised schedules.

CONTRACTS

Ms. Miller reported that the Authority's CPD Committee recommended approval of an amendment to Inframark's Professional Services Agreement incorporating Inframark's new daily staffing times. Following review and discussion, Director Fay moved to authorize execution of the amendment to Inframark's Professional Services Agreement. Director Darden seconded the motion, which was approved by unanimous vote.

Ms. Miller reported that ABHR is counsel for Fort Bend County Municipal Utility District No. 57. 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 a proposed Alternative Water Supply Credit Agreement with Fort Bend County Municipal Utility District No. 57. Following discussion, Director Patton moved to authorize execution of a legal conflict waiver for ABHR's preparation of the proposed agreement. Director Fay seconded the motion, which was approved by unanimous vote.

REALTY INTEREST ACQUISITION

Ms. Miller reviewed three Water Line Easements and a side letter, as listed on the attached Realty Interests Chart. Following review and discussion, Director Darden moved to authorize execution of the Water Line Easements 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 6:55 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 7:04 p.m., the Board reconvened in open session. Director Darden moved to authorize obtaining appraisals and submitting final offers for Parcels 146R.16 and 146R.32. Director Fay seconded the motion, which was approved by unanimous vote.

CONVENE EXECUTIVE SESSION

The Board convened in executive session at 7:05 p.m. to conduct a private consultation with its attorney regarding the Authority's legal rights and obligations under the Joint Facilities Agreement with the WHCRWA, pursuant to Section 551.071, Texas Government Code. The Board determined that the attendance in this executive session of Ms. Kovar, Mr. Froehlich, and Mr. Pietz 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 8:09 p.m., the Board reconvened in open session. No action was taken by the Board.

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


Secretary, Board of Directors

(SEAL)



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