

MINUTES

NORTH FORT BEND WATER AUTHORITY

July 24, 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 24th day of July, 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 Director Fay, 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"); Francine Stefan of Post Oak Municipal Advisors LLC; 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 meeting held June 26, 2019. After review and discussion, Director Gay moved to approve the minutes as presented. Director Hebert seconded the motion, which carried unanimously.

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 that the Authority's Communication, Conservation, and Reuse Committee ("CCR Committee") recommended that the Board authorize Glass House Strategy to develop two supplemental 90-second educational videos regarding proper irrigation methods for the total amount of \$500.00.

Ms. Kovar reported that the CCR Committee recommended that the Board authorize BGE to solicit proposals for marketing services for the Authority's water conservation education and public communication plan, including digital, radio, and video campaigns, subject to CCR Committee approval of a Request for Qualifications ("RFQ") to be prepared by BGE.

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 196 irrigation system evaluations were completed through the Authority's W.I.S.E. Guys Irrigation System Evaluation Program ("WISE Guys Program") during June, 2019. She stated that Rachio Generation 2 Smart Controllers were distributed to five winners during June 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. She reported that BGE is reviewing the design plans for Fort Bend County Municipal Utility District No. 133's proposed rain water harvesting system.

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 authorize providing the full number of "Water Saving MUD" signs requested by each participant in the program that successfully earned the required number of points necessary to receive reduced water rates free of charge.

Ms. Kovar reported that ABHR has prepared a form Intellectual Property letter agreement for use of the Larry's Toolbox water conservation sign image on the websites and water conservation education print materials of municipal utility districts located within the Authority. Ms. Kovar recommended approval an Intellectual Property letter agreement with Cinco Municipal Utility District No. 8. She requested Board authorization for entry into additional Intellectual Property letter agreements with municipal utility districts located within the Authority, if there are no material deviations from the form.

Ms. Kovar reported that the Authority's CCR Committee recommended that the

Board approve a proposal from Masuen Consulting, LLC ("Masuen") and execution of a Consulting Service Agreement with Masuen and Fort Bend County Municipal Utility District No. 2 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 \$8,000.00.

Following review and discussion, Director Gay moved to:

- (1) authorize Glass House Strategy to develop two supplemental 90-second educational videos regarding proper irrigation methods for the total amount of \$500.00;
- (2) authorize BGE to solicit proposals for marketing services for the Authority's water conservation education and public communication plan, including digital, radio, and video campaigns, subject to CCR Committee approval of an RFQ;
- (3) authorize providing the full number of "Water Saving MUD" signs requested by each participant in the Larry's Toolbox water conservation program who successfully earned the required number of points necessary to receive reduced water rates free of charge;
- (4) authorize execution of an Intellectual Property letter agreement with Cinco Municipal Utility District No. 8 and entry into additional Intellectual Property letter agreements with municipal utility districts located within the Authority, if there are no material deviations from the form; and
- (5) approve a proposal from Masuen and execution of a Consulting Service Agreement with Masuen and Fort Bend County Municipal Utility District No. 2 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 \$8,000.00.

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

RENEWAL OF AUTHORITY'S INSURANCE POLICIES

Ms. Miller reported that the Authority's Finance and Policy and Capital Planning and Design Committees recommended approval of a proposal for renewal of the Authority's insurance policies scheduled to expire on August 2, 2019, in the amount of \$181,497.75.00. She stated that inclusion of pollution coverage in the proposal has been confirmed. Following review and discussion, Director Gay moved to approve the insurance renewal proposal. Director Hebert 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. Ms. Lightbody reported that 26 checks issued by the Authority for the Authority's WISE Guys Program in the total amount of \$390.00 were voided and included in the 2018 escheat submitted to the Texas State Comptroller's Office. 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.

ADOPT AMENDED BUDGET FOR FISCAL YEAR END DECEMBER 31, 2019

Ms. Lightbody presented a proposed amended budget for fiscal year ending December 31, 2019, including a reduced revenue amount due to the impact of increased rainfall to date. Following review and discussion, Director Gay moved to adopt the amended budget for fiscal year ending December 31, 2019, as presented. Director Darden 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 reported that the Authority's 95.94% water accountability rate was due to a leak located on a 42-inch water line on Main Segment 3. He stated the leak has been isolated and bids are being solicited for repair of the line. Following review and discussion, Director Gay moved to (1) approve the operator's report as presented; and (2) appoint Director Houghton as the Authority's designee to authorize repair of the leaking water line by the lowest bidder based on BGE's and Inframark's concurrence. Director Hebert seconded the motion, which was approved 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.

Ms. Kovar reported that the Authority's application for renewal of its well permit was submitted to the Fort Bend Subsidence District (the "FBSD") for the

October, 2019 to September, 2020 permit period. She reported that the permitted amount was decreased from 11,630,000,000 gallons to 10,000,000,000 gallons, and includes the purchase of over-conversion credits. She stated the FBSD's Board's next meeting will be held August 28, 2019.

Mr. Froehlich reported on coordination with ABHR on the preparation of a GRP Participation Agreement with 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.

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. He stated that a final inspection for the Phase 1 wastewater plant improvements was held on June 18, 2019, and C4 Partners, LLC is addressing punch list items. He stated that submission of plans and specifications for the Phase 2 reclaimed water distribution system is pending acquisition of the necessary property rights.

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 an inspection for the project was held on June 18, 2019, and Persons Service Company, LLC is addressing punch list items.

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. 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 Notice to Proceed for construction of the Phase 1 wastewater plant was issued to JTR Constructors Inc., effective July 15, 2019.

Mr. Froehlich requested authorization to submit an application to facilitate the Authority's transfer to Texas 811, the only other one-call utility location service provider in Texas due to Lone Star 811, the Authority's current provider, ceasing operation in Texas on July 31, 2019.

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.

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 ("Enchanted Rock") for the installation, commission, and servicing of 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 reported that representatives of Enchanted Rock visited the pump station site and determined that the automatic transfer switches would need to be replaced for the new generator installation. He stated the switch replacement increases the estimated costs for the project from \$849,000.00 to \$1,180,000.00.

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 the design and easement acquisition for Segments A, B, and C, the Kinder Morgan Segments, the sub-segments for Segment 3, the Re-Pump Station, and the Central Pump Station for the SWSP. Mr. Froehlich reported that the Texas Water Development Board (the "TWDB") approved advertisement for bids for the construction of Segment C. He discussed the schedule for WHCRWA's contractor pre-qualification process for long tunnel contractors.

Mr. Froehlich 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. He stated the construction schedule for the Capers Ridge Pump Station continues to be delayed due to flooding of the site.

Ms. Kovar 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"). She stated that HWT submitted the Issued for Construction final design documents on July 17, 2019. She reported on the status of construction included in Early Work Package Nos. 1, 2, 4, and 6.

Ms. Kovar reported that Cash Call Nos. 8B and 8C for funding of an initial portion of the Balance of Plant Guaranteed Maximum Price and the Project Advisor/Technical Consultant services, are anticipated to be issued by the COH in the revised total amount of \$89,101,724.02. She reminded the Board that the TWDB has approved the Authority's previously submitted request for release of escrowed bond funds for payment of the cash calls in the amount of \$79,786,471.00. She requested

authorization for submission of a revised request for release of escrowed bond funds to the TWDB in the amount of \$89,101,724.02, and payment of revised Cash Call Nos. 8B and 8C, subject to TWDB approval and receipt of the cash calls.

Mr. Froehlich and Ms. Miller responded to Director Patton's inquiry regarding notification sent to the WHCRWA for the increased costs for the proposed installation of auxiliary power at the Bellaire Pump Station.

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

- (1) authorize BGE to submit an application for membership to Texas 811; and
- (2) authorize BGE to submit a revised request for release of escrowed bond funds to the TWDB in the amount of \$89,101,724.02 and payment of the COH's revised Cash Call Nos. 8B and 8C for the NEWPP Expansion Project, subject to approval by the TWDB and receipt of the cash calls.

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

AUTHORITY FINANCING PLAN MATTERS

Ms. Miller reported on coordination with the TWDB on revisions to the Financing Agreements related to the Authority's anticipated issuance of Water System Junior Lien Revenue Bonds, Series 2019B and Water System Revenue Bonds, Series 2019C through the TWDB State Water Implementation Revenue Fund for Texas. She stated the Financing Agreements will be ready for execution by the August regular meeting of the Board.

Ms. Miller stated that, as previously reported, JPMorgan Chase Bank, N.A. has granted a continuation of the maturity date of the Authority's \$30,000,000 Water System Revenue Note, Series A, to August 12, 2020.

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 Grand Lakes Municipal Utility District Nos. 1, 2, and 4 with a revised schedule.

WATER SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2019A ("SERIES 2019A BONDS")

Mr. Oliver discussed the Authority's financing plan, including the schedule for the anticipated issuance of the Authority's Series 2019A Bonds. He discussed a bond issuance schedule that included the proposed pricing of the bonds on September 4, 2019, and a closing date during the first week of October, 2019.

Ms. Stefan discussed the procedures and activities to be undertaken to issue the Authority's Series 2019A Bonds. She updated the Board on the current bond market and reviewed a Preliminary Official Statement for the Authority's Series 2019A Bonds. She discussed projected ratings of the Authority's bonds by Standard and Poor's Financial Services LLC ("S&P") and Fitch Ratings, Ltd. and actions being undertaken to obtain confirmed ratings. She recommended appointing Regions Bank as the Paying Agent/Registrar for the Series 2019A Bonds. Following review and discussion, Director Gay moved to (1) approve the Preliminary Official Statement, subject to revision; (2) engage S&P to perform a credit rating analysis; and (3) appoint Regions Bank as the Paying Agent/Registrar for the Series 2019A Bonds. Director Hebert seconded the motion, which was approved by unanimous vote.

CONTRACTS

Mr. Oliver reviewed a Letter Agreement to Provide Rate Study from Willdan Financial Services for preparing an updated water rate analysis and financial forecast for the Authority in an amount not to exceed \$28,000.00. Following review and discussion, Director Gay moved to authorize execution of the letter agreement. Director Darden seconded the motion, which carried unanimously.

REALTY INTEREST ACQUISITION

Mr. Oliver reviewed one Water Line Easement for Parcel 146R.07 and one Reclaimed Water License Agreement for Parcels GLR.02-14, 16-17, 19-27, 29-36, 39-43, 45-46, and 61-64, as listed on the attached Realty Interests Chart. Following review and discussion, Director Gay moved to authorize execution of the Water Line Easement and Reclaimed Water License Agreement as presented. Director Hebert seconded the motion, which was approved by unanimous vote.

CONVENE EXECUTIVE SESSION

The Board convened in executive session at 6:43 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 6:47 p.m., the Board reconvened in open session. Director Gay moved to authorize the Authority's legal counsel to move forward with condemnation of Parcel 18B.02. Director Hebert seconded the motion, which was approved by unanimous vote.

CONVENE EXECUTIVE SESSION

The Board convened in executive session at 6:48 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 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.

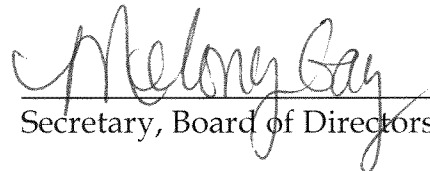
RECONVENE IN OPEN SESSION

At 7:30 p.m., the Board reconvened in open session. No action was taken by the Board.

REPORT REGARDING LEGISLATIVE MATTERS

Ms. Miller distributed ABHR's Capitol Report to the Board for review.

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


Secretary, Board of Directors

(SEAL)



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