

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

January 13, 2010

The Board of Directors of Coastal Water Authority convened its Regular Meeting, open to the public, at the CWA Conference Room, One Allen Center, 500 Dallas Street, Suite 2800, Houston, Texas with the following in attendance:

Directors

Dionel E. Avilés, P. E., President
Kurt F. Metyko, P. E., First Vice-President
Rick Cloutier, P. E., Secretary Treasurer
Tony L. Council, P. E., Second Vice-President

A. R. "Rusty" Senac
Ray Stoesser
Zebulun Nash

CWA Staff

Gary N. Oradat, P. E.
John Baldwin
Jerry Berry
Jackie Leong
Patricia Kingan

City of Houston Staff

Jun Chang, P. E., PW&E
John Liles, Legal Department
Augustus Campbell, Legal Dept.

Legal Counsel

Clark Lord, Vinson & Elkins
Barron Wallace, Vinson & Elkins

Engineering Consultants

Ty Thomas, P. E., Lockwood, Andrews & Newnam, Inc.
J. Anthony Boyd, P. E., Lockwood, Andrews & Newnam, Inc.
Melissa C. Henderson, P. E., Lockwood, Andrews & Newnam, Inc.

Visitors

Jeff Eversberg, P. E., AECOM
Don Ripley, P. E., AECOM
Charles Shumate, P. E., Brown & Gay Engineers, Inc.
Harold Underwood, CH2M-HILL
Wayne Ahrens, P. E., Dannenbaum Engineering
Anne Profflet, EcoLogic, Inc.
David Jackson, P. E., Kellogg, Brown & Root
Jay Lee, Senior, Kincaid High School
Jerry D. Newell, P. E., Klotz & Associates
Rance Buss, McConnell & Jones, LLP
Michelle Brumfield, McConnell & Jones, LLP
Showri Nandagiri, P. E., North Harris County Regional Water Authority
Paul Wallick, P. E., Pate Engineering
Ben W. Bickham, P. E.

I. ITEMS FOR CONSIDERATION:

Mr. Aviles called the meeting to order at 10:08 a.m.

A. Minutes of the December 9, 2009 Board Meeting.

Motion approving the Minutes of the Board Meeting of December 9, 2009.

Motion made by Director Council, Seconded by Director Metyko, Motion Carried Unanimously.

B. Recognition of Guests.

At this time, Mr. Avilés recognized all guests and thanked them for coming to the Meeting.

II. ONGOING ENGINEERING PROJECTS – Gary N. Oradat

A. Luce Bayou

At this time, Mr. Don Ripley, AECOM's Program Director, gave the January Status Report on the Luce Bayou Interbasin Transfer Project.

Mr. Ripley advised that he would give updates on the following items:

- Environmental and Permitting
- Engineering
- ROW Acquisition
- Schedule
- Project Team
- Budget Summary
- HUB/MWDBE Participation
- Stakeholder Communication

Environmental and Permitting

Mr. Ripley stated that AECOM has submitted "Wetlands Delineation Reports" for the Capers Ridge Pump Station property to the United States Army Corps of Engineers.

AECOM issued a "Wetlands Delineation Report" for parcels 12-22, 41, 42, 43, 51 and the agricultural field areas (parcels 23.2, 23.4, 25.2 and 25.6).

AECOM developed the "Wetlands Delineation Report" for parcels 6-8 and parcels 27 - 40.5 (agricultural field areas) for project QA/QC.

The Wetlands delineation field work is 100% complete. Delineation reporting is 85% complete.

The United States Army Corps of Engineers meeting is scheduled for January 20, 2010. Discussions will include the status of the acquisition of the Harrison property, the project schedule, the non-jurisdictional status of the agricultural fields and the preliminary design drawings.

The preliminary design sketches of the Pump Station shoreline protection and discharge area alternatives are under development for discussion with United States Army Corps of Engineers.

Archeological investigations indicate areas of potential prehistoric significance requiring additional delineation in the vicinity of parcels 1, 4, 8, 42 and 52. The field work is 75% complete.

The agricultural field documentation of the non-jurisdictional status under United States Corps of Engineers regulations is under development.

The Phase 1 Environmental Site Assessments efforts are 95% complete. Comments on the draft reports are being addressed by HVJ & Associates, Inc.

Mr. Metyko asked Mr. Ripley what he meant by archeological investigations that indicate areas of potential prehistoric significance.

Mr. Ripley stated it stems from the discovery of a wagon wheel, arrowheads and other Indian artifacts that indicates there was a settlement in the previous century.

Mr. Council asked if any other agencies have raised any issues that could hold up the USACOE permit.

Mr. Ripley said “no” and stated that Ms. Proffitt has done a great job in coordinating with all of the people involved in the process. She has coordinated site visits and showed them the drawings. We have driven up to Temple and talked to the EPA and we have had visits with U.S. Fish & Wildlife, Texas Parks & Wildlife, and the Texas Commission on Environmental Quality.

Ms. Proffitt stated that there should be no issues.

Engineering

The project plan and profile sheets will be revised following completion of boundary surveys and feedback from CWA during the Project Status Meeting.

AECOM is continuing revisions to the preliminary construction cost estimate.

AECOM is continuing the hydraulic impact analysis and refinement of project drainage investigation.

Mr. Oradat stated that with regard to the cost estimate, the number of \$300 million keeps coming up. That amount includes engineering, construction management, residential inspections, mitigation, and land acquisition. The actual construction cost is about \$225 - \$ 230 million and includes \$15 - \$17 million for a primary power feed to be provided by Sam Houston Electric Co-Op as we are in their jurisdiction.

Mr. Ripley stated that AECOM continues to address questions and comments received after the November meeting of the Technical Review Committee. We hope we will get additional feedback following the meeting between the City and the other Stakeholders. Once received, we will schedule another TRC meeting.

Mr. Ripley stated that we refined the final “Sediment Transport and Hydraulic Modeling” Report.

Discussion items included

- Draft PER;
- ROW Acquisition;
- U. S. Army Corps of Engineers Permit Application;
- Project Schedule; and
- Projected water demands for the Stakeholders.

ROW Acquisition

Mr. Ripley advised that parcel 9 has been acquired (6.2 Acres).

Awards of Commissioners deposited for the Harrison Tract (Parcels 3-4.5)

Contract has been executed for purchase of the Pump Station site from the City of Houston.

Mr. Oradat asked if we had closed on that site and Mr. Lord stated that we did not. We should close in the next few weeks.

AECOM has completed the Boundary Surveys for parcels 23.6, 25.2, 25.4, 25.6 and 27-32.

AECOM has completed the Phase 1 "Environmental Site Assessments" for parcels 15 - 46.5.

AECOM has updated the property acquisition database and draft cost estimate.

Mr. Oradat asked Mr. Ripley if he knew what the property acquisition cost would be right now. Mr. Ripley stated that the amount they have is approximately \$15,000,000.

Property Acquisition Status (parcels completed or in progress)

Right of Entry – 58 Completed
Title Report – 58 Completed
Survey- 58 Completed
Phase 1 ESA – 58 Completed
Appraisals – 24 Completed – 5 In Progress - 29 Remaining to Complete
Offer Letters – 20 Completed - 4 In Progress – 35 Remaining to Complete
Condemnations Files – 9 Completed, 3 Remaining
Property in Possession – 9 Completed
Property Acquired 1, In Progress 3, Remaining to Complete,54

Schedule

Mr. Ripley stated that the schedule is unchanged.

Begin tasks in "Work Order No. 7" - March 11, 2009
Resolution of Take Point - Completed June, 2009
Complete property boundary surveying/acquisition – Boundary Surveys
Complete/Property Acquisition in process
Complete environmental field work – February 2010
Complete Preliminary Engineering in support of 404 Submittal – March 31, 2010
Joint Evaluation Meeting – February 2010
Submit 404 Application to USACOE – March 31, 2010
Receive 404 Permit – September 2011 to March 2012

AECOM Team Members

WCW International	Fugro
- Crouch Environmental	Universal Field Services
- J. J. Wagner	-Integra
- Robert McFarlane	John Griffin
- Roger Moore	Baird
- Desco	Espey
- Quadrant	Entech
Isani Group	HVJ
- Adept	
RBI	

Mr. Ripley advised that the AECOM Team members have been unchanged.

HUB/MWDBE Participation (thru December)

Mr. Ripley stated below is the HUB/MWDBE Participation thru December.

<u>FIRM</u>	<u>BILLINGS</u>	<u>% OF AECOM BILLINGS</u>
WCW International	\$ 1,027,475	9.89%
Isani Group – Adept	\$ 783,234	7.50%
RBI	\$ 336,423	3.22%
HVJ	\$ 122,650	1.17%
Entech	\$ 26,207	0.27%
Tolunay-Wong	\$ 10,200	0.10%
Total	\$2,306,189	22.08%

Mr. Oradat stated that the goal for MWDBE participation is 24% and asked Mr. Ripley about the projected progress towards 24%. This is significant since we will submit the permit application in March and there will be a period of approximately 24 months wherein there will be very little work on the project. Mr. Ripley stated that AECOM will continue working on the purchase of the property. There are two MWDBE’s who will be working on those purchases and he feels AECOM should be able to attain 24% participation.

Mr. Ripley stated that the following is the “Work Order” summary:

Work Order Summary

Work Order	Authorized	Expended	Status
Work Order One	\$ 200,000	\$ 200,000	Closed
Work Order Two	\$ 825,000	\$ 599,127	Closed
Work Order Three	\$ 830,000	\$ 546,152	Closed
Work Order Four	\$ 163,000	\$ 163,000	Closed
Work Order Five	\$ 840,000	\$ 801,773	Closed
Work Order Six	\$ 2,000,000	\$ 1,970,978	Closed
Work Order Seven	\$10,105,500	\$ 6,161,190	Ongoing
Totals	\$14,963,500	\$10,442,220	

Mr. Oradat stated that after the permit application is submitted, AECOM would have approximately \$2,000,000–\$2,500,000 remaining in their current authorization.

Mr. Ripley stated that he feels that amount could increase by possibly \$350,000-\$500,000. Mr. Oradat asked if Mr. Ripley thought that AECOM would have sufficient funds to address questions raised by the Corps during their review of the permit application, as well as continue with tasks associated with property acquisition. Mr. Ripley stated that barring any drastic developments in the property acquisition, there would be no need for additional funding.

Mr. Oradat stated that because of all the work by Anne Profilet with the various agencies, he feels their comments should be minor.

Mr. Oradat stated that AECOM’s current authorization is for all activities up to and including the acquisition of the Corps permit. It does not include completion of “Phase II – Final Design”. They will not advertise for bids or compile specifications. There will be a subsequent authorization after we get the permit.

Mr. Cloutier asked about the degree of Final Design which will be needed to support the Permit Application. Ms. Profilet stated that 50% design was needed to determine the project footprint for the intake and outfall structures, pipeline and canal.

Mr. Cloutier then stated that when the Permit application is submitted, the project will essentially be 50% to 60% completed.

Mr. Ripley stated that in some cases when we buy certain properties that are going to go before the Commission, where there will be a lot of impact, drainage, structures, modifications, etc., we have to have the package wherein it will satisfy the Commissioner's Courts and Coastal Water Authority to see that we accurately quantified the cost necessary for the large parcel acquisitions. That effort will probably be a minimum of 60%.

Stakeholder Communication

Mr. Ripley stated that the monthly teleconference was conducted on January 5, 2010. The next teleconference is scheduled for February 2, 2010 and the next Technical Review Committee meeting is scheduled for mid-February 2010. That TRC meeting will focus on a single topic: the projected water demands for the Stakeholders.

Mr. Oradat stated that when we submit the Permit application at the end of March, we will have another teleconference in April. However, there will probably not be a need for monthly teleconferences after the Permit application has been submitted. As a result, further teleconferences will be conducted on an "as needed" basis.

B. Approved "Work Orders" for CWA's Strategic Study.

CWA Strategic Study December, 2009 Status Report

1. Work Order No. 1: Groundwater Conversion

STATUS: To date, no interest shown by agencies in Fort Bend area.

2. Work Order No. 2: Alternative Power Generation

STATUS: FERC application submitted by ETEC. Application shows 24 MW facility. CWA's needs not included.

3. Work Order No. 3: Wastewater Reuse

STATUS: Currently, market does not exist for wastewater from the City's 69th Street and Sims Bayou facilities. If the City's rate structure or policy were to make it more attractive, this project could be re-energized. KBR has performed initial investigations per their contract with the City.

4. Work Order No. 4: Watershed Management Strategies

STATUS: Conducted site visit (in Dallas area) on December 1-2, 2009. Representatives of CWA, LAN, EcoLogic and Alan Plummer & Associates attended. Alan Plummer directed to complete a summary report. Briefing to be scheduled with O&M Oversight Committee.

Mr. Oradat stated that representatives of CWA, LAN, Ecologic and Alan Plummer & Associates went to Dallas and visited some wetlands. He has scheduled an O&M Oversight Committee meeting for February 3, 2010, and wants APA to brief the Committee.

5. Work Order No. 5: Alternative Delivery Options for Luce Bayou

STATUS: LAN reviewed the Luce Bayou PER and provided comments to CWA.

6. Work Order No. 6: Alternative Methods for Funding CWA's Budget

STATUS: This effort is concluded. John Baldwin briefed the Board on September 10, 2008. No alternative methods are feasible at this time.

7. Work Order No. 7: Evaluation of the Red Bluff WTP

STATUS: The evaluation of the Red Bluff WTP has been completed. Capital project to be completed per "Work order No. 17".

8. Work Order No. 8: Supply of Industrial Water to Bigler, LP

STATUS: This effort is concluded pending involvement by Bigler.

9. Work Order No. 9: Proposed Interconnect at the East Water Purification Plant

STATUS: CWA still in conversations with City of Houston.

10. Work Order No. 10: Proposed Improvements to the Red Bluff WTP

STATUS: Improvements being designed per "Work Order No. 17". Clark Lord (V&E) continues discussions with Air Products attorney regarding contract amendments.

11. Work Order No. 11: Source Water Protection Program for Lake Houston

Final report on the radial gate and emergency spillway analysis delivered to CWA on July 24, 2009. CWA delivered one (1) copy to Jun Chang, Houston PWE.

12. Work Order No. 12: Moisture Intrusion at Lake Houston Pump Station

STATUS: No Bids received on December 16, 2009. LAN contacting contractors for information. Project to be re-advertised. LAN confirming constructability.

Mr. Oradat stated that we did not receive any bids on that project and Mr. Berry is working with LAN to re-advertise this project.

Mr. Berry stated that Vinson & Elkins is reviewing some of the language in the documents and making some modifications. We are getting close to finalizing the documents.

Mr. Metyko asked if we received feedback that some of the requirements were too strict.

Mr. Berry advised that he did not receive any feedback.

13. Work Order No. 13: Post-Hurricane Ike Site Assessment of Red Bluff WTP

STATUS: Reimbursement from FEMA is being received.

14. Work Order No. 14: Post-Hurricane Ike Site Assessment of Lake Houston Pump Station

STATUS: Reimbursement from FEMA is being received.

15. Work Order No. 15: Construction Documents for Post-Hurricane Ike Cleanup of Various CWA Facilities

STATUS: Reimbursement from FEMA is being received.

16. Work Order No. 16: Wastewater Reuse Project - Irrigation of the Houston Sports Complex

STATUS: Final PER delivered on July 6. Investigation is completed.

17. Work Order No. 17: Final Design for Red Bluff Water Treatment Plant

STATUS: Bids rejected by CWA Board on December 9. Project to be re-advertised once appropriate correspondence is received from Air Products and PRSI.

Mr. Oradat advised that all bids were rejected. We are in the process of revising the documents to attract additional bidders. However, based on advice from Vinson & Elkins, we have sent letters to Air Products and PRSI requesting their specific approval of the project. Air Products has called and stated they would sign the letter. However, we have yet to receive the letter. We have not heard anything from PRSI.

Mr. Berry stated we are not moving forward on this until the letters are received.

C. SB 361

Mr. Oradat advised that CWA and LAN will meet with the TCEQ on February 1, 2010 to discuss our draft "Emergency Preparedness Plan". LAN has provided some preliminary cost estimates of approximately \$ 35 million for both Trinity River Pump Station and Lynchburg. If we are able to abide by the timeline required by the TCEQ regulations, we will come to the Board in January or February 2011 and request approval of a contract to install the required generators. The City is taking care of the Lake Houston Pump Station.

There is very little impact on our budget this year. Once the "Emergency Preparedness Plan" is approved, we will have to issue a "Notice to Proceed" to LAN to implement the EPP and start designing the project. Preliminary estimates are six months for design. We would probably advertise in November 2010.

Mr. Oradat stated that the annual O&M costs are projected to be approximately \$1,500,000. This amount will be reflected in our proposed 2011 budget for the Trinity River system.

Mr. Oradat stated that a City of Houston representative is welcome to come to the meeting with the TCEQ on February 1, 2010.

Mr. Aviles asked if there is any possibility of running a gas line at Trinity River. Mr. Oradat stated that there is an existing natural gas line across the property. Mr. Berry forwarded the available information to Vinson & Elkins. We are investigating ways to obtain permission from the pipeline owner, Exxon, for us to tap into that gas line. If we are successful, it will make the project much easier at Trinity River. We are hoping that all of these issues will be resolved by the time we submit our "Emergency Preparedness Plan" to the TCEQ.

Mr. Baldwin asked what happens if the financing is not available during that time period. Mr. Oradat stated that one way to obtain an exemption from the TCEQ is to show that compliance would cause a financial hardship on CWA. We have already explained to the TCEQ that we do not have any other source of revenue other than the City of Houston. If the City does not approve the required funding, we will not be able to comply. This issue will need to be

resolved if necessary. Mr. Oradat stated that there is no penalty if you do not comply. If you do not comply, then you need to resubmit your plan the following year.

Mr. Senac asked why we are going to the expense of designing a project if the City is potentially unable to financially support the project. Mr. Oradat stated that we are required to implement our approved plan no later than July 1, 2010.

Mr. Chang stated that the City of Houston does not have the funding to install generators at the East and Southeast Water Plants. However, they have talked to several vendors who will submit proposals for various options. He stated that the City can allow vendors to build on-site generators at the treatment plants. The vendor, in turn, will sell the power back to grid for the City of Houston during an emergency. The City of Houston will have the first option to buy the power. Mr. Chang asked that CWA not submit their Plan until the City comes to a conclusion as to whether or not these options are feasible. If they are feasible, CWA could have these same options.

Mr. Lord stated that CWA can't comply with the law in these types of things as there is a specific section directing CWA to have on-site generators. Mr. Chang stated that CWA would have on-site generators, but would not own them. However, they would be rented during an emergency.

Mr. Oradat stated that we will discuss the timeframe with the TCEQ during the February meeting. CWA does not want to miss the March deadline for submission of its "Emergency Preparedness Plan". Mr. Chang stated that he would let CWA know by the end of March.

Mr. Oradat stated he hopes to meet with the O&M Oversight Committee following the meeting with the TCEQ. At that time, we will have the draft EPP and information from the TCEQ.

Mr. Cloutier stated that he recalled a discussion last year regarding the possible availability of "Community Development Block Grant" recovery funds (Hurricane Ike) to the City to help fund various projects.

Mr. Chang stated that they tried several venues through the State, but were not successful. PWE also worked with the Port of Houston. They apparently have some "stimulus" funds that they cannot use (approximately \$ 41 million). Unfortunately, we were informed that generators at the water treatment plants were not eligible.

Mr. Cloutier stated that there is another round of money coming to Harris County and to the City and some of it is housing. He said it may be work talking about.

Mr. Oradat then stated that the generators identified in the Plan will not run Trinity River and Lynchburg at full capacity. The generators are sized to only provide the amount of water requested by the City of Houston for the East and Southeast Plants. Mr. Berry stated that the generators also have sufficient capacity to provide raw water to the City of Deer Park and the Baytown Area Water Authority.

D. Independence Parkway Project

Mr. Oradat stated that each Director should have the cover letter from Harris County Public Infrastructure Department, wherein they submitted 75% drawings, specifications and cost estimate for the Lynchburg Town Site Cemetery project.

Also, the Board should have an excerpt from CWA's agreement with Harris County wherein it states that CWA would pay \$1,500,000 within 30 days after

the receipt of such 75% drawings and specifications. Although the estimate for our portion is under \$1,000,000, the agreement states that when we get the 75% drawings we would give them \$1,500,000 and whatever money is left over would be returned to Coastal Water Authority when the project is completed.

Mr. Metyko asked if this money is applied to our physical portion of the project and Mr. Lord stated that is correct. Mr. Oradat stated that LAN is reviewing the plans and we should have their comments back by the end of this week.

Mr. Aviles asked if we could have a briefing at the O&M Committee as he felt our portion was small and is on our property. Mr. Lord stated we are waiting to see how our money is allocated. Mr. Cloutier asked why we are sending Harris County \$ 1.5 million if our portion is only \$ 1.0 million. Mr. Oradat stated the agreement requires us to do so.

Mr. Oradat asked if the Board wants to table this until next month, after the O&M Oversight Committee Meeting. Mr. Aviles stated that we made a commitment to the \$1,500,000. Even though our portion may be much smaller, we need to abide by the agreement.

Mr. Oradat stated that CWA will get an accounting of what is spent on CWA property. Mr. Lord stated that the County is required to give a line by line "CWA portion/County portion" analysis and provide a Bid Tabulation reflecting CWA's costs.

MOTION approving a \$ 1,500,000 disbursement from the Special Project Equity Fund to be tendered to Harris County for the Independence Parkway project.

Motion made by Director Cloutier, Seconded by Director Metyko, Motion Carried.

III. LAND AND RIGHT-OF-WAY – Clark Lord

A. Archaeological Study on Battleground Road Property.

Mr. Oradat stated that he spoke with Jan DeVault regarding the progress of the sale and he also sent an e-mail to Bob Christy, with the City of Houston. The "Environmental Assessment" and the appraisal should be done this week. Once we have all the information, we will forward it to Mr. Christy and they will go forward with the sale of the property.

The tract is approximately 25-26 acres and all we are selling is about a 3-4 acre section that has been disturbed and provides access to the waterfront. What CWA is holding back in ownership is the area with all the trees and potentially has some historical significance to San Jacinto Battleground.

Jan DeVault said they would like to come back at some point and do another investigation. If improved technology reveals items of significance, they would like to explore the possibility of the Friends of the San Jacinto Battleground purchasing the land from CWA so they can preserve the property. She was happy that CWA was going to retain ownership.

B. Luce Bayou: - RESOLUTION for the acquisition of Parcels 14, 15, 16, 40, 41, 44, 48 and 49.

Mr. Lord stated that when we get into specific offers, we come back to the Board with contracts or condemnations. This Motion is for tracts 14, 15, 16, 40, 41, 44, 48 and 49. The resolution is in each Directors folder.

MOTION adopting a RESOLUTION making Determinations and Findings as to the Public Necessity of Property for the Luce Bayou Interbasin Transfer Project and Authorizing Actions Relating to the Acquisition, by either Purchase or Condemnation, of Parcels 14, 15, 16, 40, 41, 44, 48 and 49.

Motion made by Director Senac, Seconded by Director Metyko, Motion Carried Unanimously.

C. Authorize appropriate action on a VOPAK Parking Lot Request.

Mr. Oradat stated that years ago, Vopak requested CWA's permission to install a temporary access road across our pipeline easement. We have no record that the request was formally approved. The temporary road was installed and has been in existence for 20 years. Its use has expanded. The Board needs to decide if Vopak can remain on the property. The issue is now complicated by the fact that Vopak has requested permission to expand a contractor parking area over CWA A1, A2 and B Pipelines South of Valve Station #1. They were in the process of constructing the expansion when they were stopped by CWA personnel. Mr. Oradat then stated that this item should be discussed in Executive Session.

IV. MAINTENANCE & OPERATIONS - Jerry Berry

A. Monthly Report

TRINITY RIVER	Water Production		DAILY AVG (MGD)	
	December	31 DAYS (gallons)	INDUSTRIAL & TREATMENT	
Trinity River Pump Station	14.8 billion		Hwy 225 Plants	100
Main Canal	13.8 billion		SEWPP	78
Cedar Point Lateral	981.0 million		EWPP	201
San Jacinto Transfer Station	320.5 million		Deer Park WTP	4
Lynchburg Pump Station	12.8 billion		Bayport Plants	26
Water Treatment Plant	191.8 million		BAWA	12
Bayport Pump Station	817.7 million		CPL	32
			SJRA	<u>10</u>
				463 MGD
SAN JACINTO RIVER				
Lake Houston Pump Station	1.3 billion		Indus. Customers	29
			EWPP	<u>12</u>
		San Jacinto River Total		41 MGD

OPERATIONS

Mr. Berry advised that the average daily production at the Trinity River Pump Station in December was 463 MGD, down from 471 MGD in November. Production is right on our projections for this time of the year. At the Lake Houston Pump Station the average daily production was 41 MGD, same as in November. Production is right on our projections for this time of the year. All other pressures and flows are normal.

Random drug tests continue monthly. All results have been "Negative".

We received notice on January 6, 2010, from the Environmental Protection Agency of a Risk Management Plan (RMP) audit for the Red Bluff Water Treatment Plant on January 14, 2010. An audit was conducted and our RMP was updated by Kellogg Brown and Root in June 2009. Lockwood Andrews & Newnam will assist CWA in the audit.

Pump 104 Status Report

Pepper-Lawson installed Pump 104 on December 15, 2009. Pump performance testing was successfully completed on December 22, 2009. Envibe monitored and conducted a vibration survey during the testing. All measurements at 50%, 75% and

100% speeds were well below 0.1 in/sec. During backspin testing, vibration was at 0.169 in/sec. Pump 104 has been on line since installation and is running smooth. An additional 1-year correction period applies to the corrected work.

Mr. Oradat stated that he spoke with Seth Russell (Vinson & Elkins) about Pump 104. Mr. Russell stated that there isn't any additional action required by CWA. We just need to mark our calendars when the 1-year correction period is about to expire.

Mr. Metyko stated that he appreciated Pepper-Lawson keeping their word on the contract and the issues with Pump 104.

MAINTENANCE

Houma Armature Completed repairs on Motor #6 at Trinity River Pump Station and it was returned to service on December 23, 2009. Motor #5 was completed and returned to service in November. Houma Armature did a good job on repairing the two motors at the price bid.

Product Handling Design, Inc. completed annual bridge crane inspection and testing at Trinity River Pump Station, Canal Maintenance Station, Lynchburg Pump Station, Bayport Pump Station, Lake Houston Pump Station, and Lake Houston Dam

Emerson (ERS) completed the annual electrical sub-station testing at Lynchburg Pump Station. Testing was completed at all other locations in October and November.

A new security fence and gate was installed at the entrance to the Trinity River Pump Station near the Parshall Flume.

Dredging of the sediment basis at Trinity River Pump Station is underway and will continue throughout the winter months.

A seal was replaced on Pump #2 at the San Jacinto River Authority Pump Station.

A compressor was replaced on Air Conditioning Unit #4 on the MCC room at the Lake Houston Pump Station.

Maintenance activities on the West Canal included:

Replacing a prosonic transmitter, a transducer, and modem at the Wallisville Road RTU location,

Replacing a section of security fence between Uvalde and Woodforest Roads.

R. E. Campbell Company delivered the safety racks (bar screens) for the West Canal Siphons.

Position indicators were replaced for both Tainter Gates at the Lake Houston Dam.

R. E. Campbell Company delivered ladder security devices fabricated to prevent unauthorized access to dam facilities from boats.

LPS Maintenance activities included"

Installing and testing heaters, electric valves, chlorine equipment and pressure switches.

Replacing ammonia calibration equipment on the Ammonia tanks and the A 7 C Systems.

Cleaning and repairing chlorinators, evaporators and analyzers.

Treadwell Electric and CWA Staff replaced the automatic transfer switch for the diesel generator at the Lynchburg Pump Station. This required the A, B, and C

pipelines to be combined, the ammonia system to be down for five hours and all pumps operated in local control from the VFD houses.

Routine Canal and Pipeline Maintenance activities included cleaning of screens at siphons, removing vegetation in canals and exercising and flushing Air Vacuum Valves.

Red Bluff Water Treatment Plant Update

Subject to receiving Air Product's and PRSI's written approval, we will begin the process to modify the contract and re-advertise as authorized by the Board at the December Meeting.

Mr. Senac asked if we heard anything from the City of Mont Belvieu. Mr. Berry stated that they submitted a "Request for Proposals" for our comments. We provided that information to our O&M Oversight Committee. We have several calls into Mont Belvieu on several issues, but they have not returned our calls.

Mr. Oradat stated that we have sent Mont Belvieu an e-mail detailing our concerns with some of the verbiage in the RFQ. They have yet to respond.

V. BUSINESS REVIEW – John J. Baldwin

A. Monthly Financial Statements for the previous month.

Mr. Baldwin advised that in each folder is the preliminary year-end financial report the period ending December 31, 2009. All operating funds are doing well with their cash flow and the Trinity River and Lake Houston operations are coming in under budget as of December 31, 2009. Trinity River will be about \$600,000 below budget primarily because of cost savings on repairs and electricity. Lake Houston is coming in at about \$125,000 under budget. Bayport is coming in under budget while the Water Treatment Plant is running a little over budget primarily because of personnel costs, chemical costs and electricity costs. Our Red Bluff Plant operating contract allows a 10% variance either under or over as long as cash flow is covering those expenses. Those increased costs are being incorporated into the 2010 budget which reflects budget increases in those categories. Overall, everything is going very well in the four operating funds.

B. 2009 Coastal Water Authority Pension Plan Audit Report.

Mr. Baldwin advised that the Pension Plan Audit Report is for the Benefit Year ending September 30, 2009. Two representatives from McConnell & Jones, LLP are here this morning, Michelle Brumfield and Rance Buss, to make their presentation. Earlier this morning, they made their presentation to the Pension Plan Committee and the Finance and Audit Committee. Mr. Buss will make the presentation to the Board at this time.

Mr. Buss thanked Mr. Baldwin for having them here today to make this presentation. They completed the Audit for the Pension Plan Benefit Year ending September 30, 2009 and he wanted to summarize a few financial highlights from the Pension Plan. Mr. Buss stated that he provided two items to the Board today, the draft of the Financial Statements for the year ending September 30, 2009 and a three page letter regarding their significant audit findings.

The Audit Letter discussed the various areas of the audit such as Fraud Risk, Qualitative Aspects, Difficulties Encountered and Internal Control matters. Mr. Buss discussed the favorable results of the Audit. The results being reflected in the "clean" or unqualified opinion issued by the Firm.

Mr. Buss stated that the same Audit team worked on this Audit as in the past year and they encountered no significant difficulties in dealing with management in performing our audit. There were no misstatements noted as a result of their audit procedures. They were pleased to report that there were no disagreements with Management during the course of the Audit.

Mr. Buss stated that during the course of the audits, they did not note any control deficiencies that would be considered a significant deficiency or a material weakness. This is the third year we are doing the Audit. The project was on time and we had no disagreements at all to the accounting policies as they were applied.

MOTION accepting the Coastal Water Authority Pension Plan Audit Report for the Benefit Year ending September 30, 2009.

Motion made by Director Cloutier, Seconded by Director Metyko, Motion Carried Unanimously.

C. FEMA Reimbursement for Activities Related to Hurricane Ike.

Mr. Baldwin stated that they are still working with FEMA on the reimbursement of some small claims and have approximately \$20,000-\$25,000 remaining. He hopes to have these completed in the next few months.

D. Refunding of Coastal Water Authority Contract Revenue Bonds, Series 1999.

Mr. Baldwin stated that in each folder is an email regarding the refunding of the subject 1999 Contract Revenue Bonds. The working team had a teleconference call with all of the financial people involved, the City of Houston and Coastal Water Authority, and stated that the market for a refunding is still a viable market, but it is the impact of the availability of Surety Bond Insurance that is creating a significant obstacle. When we refinanced the Bonds in 1999, we purchased a Surety Bond Insurance Policy to fund the Debt Service Reserve Fund. That market is getting riskier and there currently is only one firm that provides this insurance and securing a policy has been determined to carry too much risk. Without that policy we would have to fund \$3.5 to \$4 Million in cash for the Debt Service Reserve Fund. That cash would have to come from the City of Houston, which isn't a feasible option, or from the issuance of an increased amount of Bonds to fund the Reserve requirement with this extra Bond proceeds. That option results in the refinancing not achieving the savings goal that was originally intended.

The question came to us if CWA could use the SEALs Fund to fund the Debt Service Reserve Fund of the 2004 CWA Bonds in case that particular Surety Policy becomes a problem. We passed that request on to Mr. Lord and Mr. Wallace of Vinson & Elkins. Mr. Wallace stated that the City is obligated under the Projects Contract for the Debt Service Reserve Fund and the question is what are their alternatives. They have five years to cash fund this reserve if the Surety Policy becomes a problem, but we should have something shortly as to possible alternatives

Mr. Baldwin stated that as of now, this proposed Bond transaction is on hold until further notice.

E. FY 2010 Budget for the Trinity River Conveyance System.

Mr. Baldwin stated that the Board approved the FY 2010 Budget for the Trinity River Conveyance System in December. This Budget was approved by the New Mayor, Ms. Annise Parker and the Houston City Council on January 6, 2010.

F. FY 2010 Budget for the Lake Houston Facilities Project.

Mr. Baldwin stated that the Board approved the FY 2010 Budget for the Lake Houston Facilities Project in December. This Budget was approved by the New Mayor, Ms. Annise Parker and the Houston City Council on January 6, 2010

G. Adoption of FY 2010 Budget for the Red Bluff Water Treatment Plant.

Mr. Baldwin stated that the Red Bluff Water Treatment Plant Budget needs Board consideration. We have been having some communications with Air Products and Pasadena Refining but haven't received their approval as of today. As stated before, if we do not have approval from the two Companies by December 31, 2009, the Board can act in the best interest of Coastal Water Authority. Mr. Baldwin requested the Board approve the FY 2010 Budget and setting rates for the Red Bluff Water Treatment Plant; and Making Certain Findings in Connection Therewith. The budget has a water treatment rate increase from \$.92 to \$1.025. The contract calls for us to do a semi-annual review of expenditures and revenues, which we will do in June, 2010 to review the validity of that new rate. The other main item on the plant is the construction project that will have to be rebid pending further discussions with the two customers. Mr. Baldwin recommended the Board approve adopting the Budget for the Red Bluff Water Treatment Plant.

Mr. Oradat stated that he sent letters with deadlines and their issue is they thought the O&M rate was supposed to stay constant for six-seven years and the debt service would stay constant until the debt is paid off. He explained to them that the debt service on the construction cost is constant but that the annual M&O would fluctuate (chemicals, personnel, etc). He also was very clear in the letter that if we did not receive a response from them then at this Board Meeting we would request the Board to adopt this Budget as proposed. He stated he has not heard back from them and recommends the Board approve the Budget as it was proposed originally to PRSI and Air Products.

Mr. Cloutier stated that this was addressed in the Audit & Finance Committee and recommends the Board approve the Budget as proposed.

MOTION adopting the FY 2010 Budget and setting rates for the Red Bluff Water Treatment Plant; and Making Certain Findings in Connection Therewith. (See RESOLUTION attached).

Motion made by Director Council, Seconded by Director Cloutier, Motion Carried Unanimously

H. "Notice of Inspection" – U. S. Immigration and Customs Enforcement.

Mr. Baldwin updated the Board on the documents delivered to the U. S. Immigration and Customs Enforcement in November. They were going to get back with CWA within 60 days. He has not received any communications from them as of this date.

I. Holiday Schedule for FY 2010.

Mr. Baldwin advised that in each folder is the proposed Holiday Schedule for FY 2010. This Holiday Schedule is the same as the City of Houston's Holiday Schedule. Mr. Baldwin recommended the Board approve this Holiday Schedule for FY 2010.

MOTION adopting the Holiday Schedule for Fiscal Year 2010 as recommended by the Chief Financial Officer.

Motion made by Director Senac, Seconded by Director Nash, Motion Carried Unanimously

J. Banking Custody Agreement with the Bank of New York.

Mr. Baldwin stated that when Chase Bank split off their Trust and Custodial Services to the Bank of New York (BONY), that action then necessitated CWA working with two different sections of BONY, their Trust Department and their Custodial Services Department. Today's action is to approve a "Banking Custodial Agreement" with the Bank of New York. Mr. Cloutier stated that this was reviewed by the Audit and Finance Committee and he also recommended the Board approve this "Banking Custody Agreement".

MOTION approving a "Banking Custody Agreement" with the Bank of New York Trust Co., N. A.

Motion made by Director Council, Seconded by Director Senac, Motion Carried Unanimously

VI. DISBURSEMENTS

Mr. Avilés advised that there are four disbursements to be approved by the Board; The Construction Fund – Series 2009 (Luce Bayou Project) in the amount of \$ 389,801.43, the Conveyance System Development Fund, in the amount of \$ 6,618.94, the Luce Bayou – Land & Mitigation Fund in the amount of \$ 7,194,906.44 and the Special Project Equity Fund in the amount of \$1,571,723.64.

MOTION approving disbursement of The Construction Fund – Series 2009 (Luce Bayou Project) in the amount of \$ 389,801.43, the Conveyance System Development Fund, in the amount of \$ 6,618.94, the Luce Bayou – Land & Mitigation Fund in the amount of \$ 7,194,906.44 and the Special Project Equity Fund in the amount of \$ 1,571,723.64.

Motion made by Director Metyko, Seconded by Director Cloutier, Motion Carried Unanimously

VII. OLD BUSINESS

There was no Old Business to discuss.

VIII. EXECUTIVE SESSION

ADJOURNMENT TO CLOSED OR EXECUTIVE SESSION PURSUANT TO SECTIONS 551.071, 551.072, 551.074 and 551.076, CHAPTER 551 OF THE TEXAS GOVERNMENT CODE.

IX. RECONVENE – OPEN SESSION

Mr. Avilés advised the Board was now in Open Session. No action was taken in the Executive Session.

X. NEW BUSINESS

There was no New Business to discuss.

XI. ADJOURNMENT

The Meeting was adjourned at 11:45 a.m.