

## **COASTAL WATER AUTHORITY**

### **Minutes of Regular Meeting**

**July 14, 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**

Kurt F. Metyko, P. E. President  
A. R. "Rusty" Senac, First Vice-President  
F. William Othon, P. E., Second Vice-President  
Zebulun Nash, Secretary-Treasurer

Ray Stoesser  
John "Odis" Cobb, P. E.  
Giti Zarinkelk, P. E.

#### **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.  
Kate Bechtold, PW&E

#### **Legal Counsel**

Barron Wallace, Vinson & Elkins  
Jonathan Frels, Vinson & Elkins  
Athea Davis, Vinson & Elkins

#### **Engineering Consultants**

Ty Thomas, P. E., Lockwood, Andrews & Newnam, Inc.  
Tony Boyd, P. E., Lockwood, Andrews & Newnam, Inc.  
Steve Gilbreath, P. E., Lockwood, Andrews & Newnam, Inc.  
Melissa Henderson, P. E., Lockwood, Andrews & Newnam, Inc.

#### **Visitors**

Steve Berckenhoff, P. E., AECOM  
Don Ripley, P. E., AECOM  
John D'Antoni, P. E., Alan Plummer Associates, Inc.  
Melinda Silva, P. E., Brown & Gay Engineers  
Lee Lennard, P. E. Brown & Gay Engineers  
Wayne Ahrens, P. E., Dannenbaum Engineering Corporation  
Anne Profflet, EcoLogic, Inc.  
Chuck Settle, P. E., Espey Consultants  
Ed Shackelford, P. E., Jones & Carter  
Jerry Newell, P. E., Klotz Associates  
David Jackson, P. E., Kellogg Brown & Root  
Eric Hall, P. E., Kellogg Brown & Root  
Ronnie Arp, Liquid Process Technologies  
Trent Slovak, P. E., Malcolm Pirnie  
Showri Nandagiri, P. E., North Harris County Regional Water Authority  
Joe Frankie, III, OP Con Technologies, Inc.  
Paul Wallick, P. E., Pate Engineers  
Bart Adams, Pepper-Lawson  
Atul Raj, Pepper-Lawson  
Art Morales, Ramirez & Company, Inc.  
David F. Eby, P. E., Terracon Engineers

**I. ITEMS FOR CONSIDERATION:**

Mr. Metyko called the Meeting to order at 10:00 am and acknowledged the return of Mr. Jonathan Frels to Vinson & Elkins.

**A. Minutes of the June 9, 2010 Board Meeting.**

Mr. Metyko advised that the first order of business is the approval of the minutes of the Board Meeting of June 9, 2010.

**MOTION approving the Minutes of the Board Meeting of June 9, 2010.**

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

Mr. Metyko advised that in the future if you have any changes that need made in the Minutes, please call Patty (713/658-9020, x-23) and she will have them corrected before the Meeting.

**B. Recognition of Guests.**

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

Mr. Metyko turned the Meeting over to Mr. Oradat. Mr. Oradat welcomed Mr. Frels and stated that Mr. Frels was CWA's attorney prior to Clark Lord. For the past two years, Mr. Frels has been the Deputy Attorney General for the State of Texas. He has returned to private practice as a Partner with Vinson & Elkins.

**II. ONGOING ENGINEERING PROJECTS – Gary N. Oradat**

Mr. Oradat asked Mr. Ripley to give an update on the Luce Bayou Project.

**A. Luce Bayou**

**1. Monthly Status Report**

Mr. Don Ripley, AECOM's Project Manager, gave the Monthly Status Report on the Luce Bayou Interbasin Transfer Project. He stated that he would give updates on the following:

- Environmental and Permitting
- Engineering
- ROW Acquisition
- Schedule
- AECOM Team Members
- Sub-Consultant Participation
- HUB/MWDBE Participation
- "Work Order" Summary
- Stakeholder Communication
- Projected Schedule of Events

### **Environmental and Permitting**

Mr. Ripley stated that the Section 404 Individual Permit Public Notice, under National Environmental Policy Act (NEPA) was issued by Jayson Hudson of the U. S. Army Corps of Engineers (USACOE) on April 19, 2010. The end of the 30-day Public Notice period was May 19, 2010. The comments received were from agencies and individuals that responded to the Public Notice and did not include the USACOE. The Public Notice comments were provided to CWA on June 17, 2010. AECOM met with the USACOE on June 23, 2010 and discussed the comments with Mr. Jayson Hudson.

The following items were discussed:

1. Wetlands mosaic delineation methodology needs to be resolved.
2. The project is apparently attracting significant national attention.
3. An "Environmental Impact Statement" (EIS) may be required, although prior direction from the USACOE was that an "Environmental Assessment" (EA) would be sufficient.

Mr. Ripley stated that he was not sure about Item Number 2 concerning the sources of national attention.

Mr. Hudson brought up the possibility of an EIS that may be required, although prior direction from the USACOE has indicated that an EA would be sufficient. Mr. Ripley stated that we have not received any written comments or any confirmation that this would be the direction the USACOE would take.

Mr. Oradat asked if the EIS is required, how much effort by AECOM would be required and what effect would that have on the schedule?

Mr. Ripley stated that the schedule would be extended, but he did not know how long. However, based on information received to date, the schedule would probably be extended by 24 months. The impact on AECOM's workload is not known as an EIS would involve Agency comments, public hearings, responses, meetings and minor field work. A lot of the comments received could be dismissed. However, for an EIS, we will have to respond to every comment.

Mr. Oradat asked Ms. Profilet if she was aware of any issues. Ms. Profilet stated that we have resolved all issues. In addition, only eight comments were received. Those eight included one from the EPA which mentioned the EIS. The Corps doesn't have to require an EIS at the request of the EPA. However, the EPA does have the authority to veto our 404 Permit. Other than the EIS, it doesn't appear that there are any issues.

Mr. Ripley advised that the Public Notice response letters requested additional studies related to freshwater inflows, in-stream flows, global warming and the need for the project. The USACOE Project Manager advised that the Agency which mentioned the concern about global warming used the name of another project in their comment letter. It was obviously a letter containing boilerplate language.

Mr. Othon asked if there is any way to challenge the need for an EIS. Mr. Ripley stated that it would probably be difficult, if not impossible, to challenge if a decision has all ready been made. However, we don't believe the decision will be made for a few weeks. We have also been working with Vinson & Elkins to determine which, if any, Congressional Offices are aware of the project. The City of Houston is also making inquiries.

### **Harrison Tract**

Mr. Ripley stated that we received permission from the USACOE to replace the culvert and repair the road damage due to recent heavy rain.

### **Antiquities Report**

The draft Antiquities Report was issued to the Texas Historical Commission (THC). Comments were received and the Report has been revised and submitted for further review and comment. This will be the final determination from them on what, if any, additional field work is necessary.

### **Engineering**

Mr. Ripley stated that AECOM continues surveying, estimating and analysis in support of land acquisition with emphasis on agricultural fields, bridge locations and key properties in the FM 2100 area.

AECOM assumes that no significant revisions are expected to be required to the "Preliminary Engineering Report". This was discussed in several TRC meetings. We are awaiting comments from the various Water Authorities. Hopefully those will be received in the next few weeks.

### **Right-of-Way Acquisition**

Mr. Ripley stated that Tract 6 bridge location was finalized and the centerline survey has been completed. They have completed access recommendation for Parcel 43 in response to recent subdividing of the property. They finalized the agricultural field impacts estimate and they developed the scope for additional borings on the Harrison Tract. In order to convey the mitigation property to the Federal government, we have to resolve all outstanding claims on this property. We will be conducting some geotechnical work on some miscellaneous claims over shifts of sand and gravel rights on the property.

Mr. Oradat then stated that the mediation for the Discharge Point parcel went very well. Although CWA already had possession, the issue of price needed to be resolved. The property owners were already awarded a certain amount through the condemnation process. However, they were filing papers for a jury trial. The mediation was an effort to avoid the trial. Although we cannot go into any financial details in an open meeting, the mediation went very well. Mr. Oradat then stated that he wanted to thank Mr. George Murphy of Vinson & Elkins. Mr. Murphy has been our Property Attorney since the inception of the Luce Bayou project. If his performance at the mediation is any indication of his work on other parcels, CWA has been very well represented. The mediation was very contentious and Mr. Murphy performed in a professional and deliberate manner. It was obvious that he was very well prepared.

Listed below is the status of the Right-of-Way acquisition and status of the number of parcels completed or in progress.

Right of Entry: 56 completed  
Title Report: 56 completed  
Survey: 56 completed  
Phase 1 ESA: 55 completed  
Appraisals: 40 completed, 5 in progress, 11 remaining to complete  
Offer Letters: 35 completed, 5 in progress, 16 remaining to complete  
Condemnations Filed: 19 completed  
Property in Possession: 28 completed  
Property Acquired: 18 completed, 12 in progress, 26 remaining to complete

Mr. Ripley stated that the schedule remains unchanged from last month.

**Schedule**

The projected schedule is as follows:

- Begin tasks in "Work Order No. 7" - March 11, 2009
- Resolution of Take Point - Completed June, 2009
- Complete property boundary surveying/acquisition – December 31, 2011
- Complete environmental field work – February 2010
- Joint Evaluation Meeting – February 10, 2010
- Complete Preliminary Engineering in support of 404 Submittal, March 31, 2010
- Submit 404 Permit Application to USACOE – March 31, 2010
- Receive/Respond to Agency Questions and Comments on 404 Application – July 1, 2010 to receipt of permit
- Receive 404 Permit – April 2011 to March 2012
- Complete "Preliminary Engineering Report" for CWA/COH/Co-Participant Approval – May 2010

**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 not changed.

**HUB/MWDBE Participation**

Mr. Ripley stated below is the HUB/MWDBE participation thru July 2010.

<b><u>FIRM</u></b>	<b><u>BILLINGS</u></b>	<b><u>% OF AECOM BILLINGS</u></b>
WCW International	\$ 1,460,232	11.84%
Isani Group – Adept	\$ 987,501	8.01%
RBI	\$ 404,949	3.28%
HVJ	\$ 134,039	1.09%
Entech/Tolunay Wong	\$ 94,950	0.77%
Total	\$ 3,081,671	24.99%

**Sub-Consultant Participation**

<b><u>FIRM</u></b>	<b><u>BILLINGS</u></b>	<b><u>% OF AECOM BILLINGS</u></b>
MBE/HUB	\$ 3,081,671	24.99%
Other	\$ 1,050,000	8.52%
Total	\$ 4,131,671	33.51%

Mr. Oradat asked Mr. Ripley if the MWDBE-HUB usage has gone down because the actual work load is going down. Mr. Ripley agreed. Mr. Oradat asked how many MWDBE-HUB firms are still working on the project. Mr. Ripley stated that AECOM has two MBE FTE's working on the project. They are involved in land acquisition.

**Work Order Summary**

<b><u>WORK ORDER</u></b>	<b><u>AUTHORIZED</u></b>	<b><u>EXPENDED</u></b>	<b><u>STATUS</u></b>
Work Order No. One	\$ 200,000	\$ 200,000	Closed
Work Order No. Two	\$ 825,000	\$ 599,127	Closed
Work Order No. Three	\$ 830,000	\$ 546,152	Closed
Work Order No. Four	\$ 163,000	\$ 163,000	Closed
Work Order No. Five	\$ 840,000	\$ 801,773	Closed
Work Order No. Six	\$ 2,000,000	\$ 1,970,978	Closed
Work Order No. Seven	<u>\$10,105,500</u>	<u>\$ 8,047,432</u>	Ongoing
<b>Totals</b>	\$14,963,500	\$12,328,463	

Mr. Ripley stated that this is the Work Order Summary to date. Mr. Ripley stated that next month there will be redistribution of the money in Work Order No. Three.

Mr. Oradat stated that the funding for the study by Espey Consultants will be accomplished by increasing the amount for "Work Order No. Three" and decreasing the authorized amount for "Work Order No. Seven". The item on today's agenda will accomplish this transfer.

**Stakeholder Communications**

**Conducted Monthly Teleconference on July 6, 2010.**

- Discussed USACOE Meeting of June 23, 2010.
- Discussed City of Houston Public Works and Engineering approval of PER.
- Discussed possible impacts of the Diversion Point resolution on the project construction schedule.
- Discussed "Scope of Work" for Lake Houston evaluation by Espey Consultants.
- Discussed "Work Order" to be issued to Espey Consultants.
- Next teleconference scheduled for August 3, 2010.
- Future teleconferences will be on an "as needed" basis during the USACOE Permit Review.

Mr. Ripley asked Mr. Oradat to speak regarding the Teleconference.

Mr. Oradat stated that the meeting went very well. We discussed all the above listed items. The big issue is to get the PER approved as quickly as possible. There has been a change at the City of Houston Public Works & Engineering Department and Mr. Michael Marcotte is no longer the Director. Mr. Dan Menendez is now the Interim Director. When the position is finalized, we will brief the new Director on the project and the approval of the PER. Approval of the PER is not required for the WIF loan, but it is required before we can begin "Phase II - Final Design".

Mr. Oradat stated that the next item discussed was the relocation of the Diversion Point and its possible impact on the schedule. The relocation of the Diversion Point was resolved last year. The initial information was that we had two years to begin the project and five additional years to complete the project. We may need to work with the TWDB and have the two year requirement extended.

The next item discussed was the study by Espey Consultants. The study will analyze the possible impact of Trinity River raw water being discharged into Lake Houston (via the Luce Bayou project). Will it improve the water quality in Lake Houston? We will also have some analysis of various blending scenarios of Trinity River water and Lake Houston water. Espey will work with Alan Plummer Associates, Inc. and determine projected treatment costs at the

Northeast Water Treatment Plant. This was reviewed by all of the stakeholders and the "Scope of Work" has been agreed upon.

The next Teleconference is scheduled for August 3, 2010. Future teleconferences will be on an "as needed" basis during USACOE permit review.

Ms. Zarinkelk asked if we are sure that an EIS will be required. She also questioned why we were not aware of this before now. Mr. Oradat stated that he does not know if one will be required. It has been suggested by the EPA, but no decision has been made. In addition, all conversations and meetings with the USACOE for the previous three years led us to believe that an EIS would not be required.

Ms. Profilet added that the decision to prepare an EIS is not made until the Public Notice comments are evaluated by USACOE.

Mr. Ripley stated that he had a conversation with the Project Manager and he committed that he would have something no later than a week from Friday.

Mr. Oradat stated that, in summary, we have had no indication for the past three years that an EIS would be required. Now, the issue is being raised.

## **2. WIF #2 Loan**

Mr. Oradat stated that Mr. Baldwin will be giving information on the WIF loan.

## **3. "Supplemental Funding No. 1" to "Work Order No. 3".**

Mr. Oradat advised that the next item is the supplemental funding of "Work Order No. 3" which was previously discussed. The overall budget for the project will not change by moving this money around.

Ms. Zarinkelk asked if we move money from one pot to another, will we need additional funds if an EIS is required.

Mr. Oradat stated that when we met a few Board Meetings ago, the thought was that AECOM was basically done and a balance of approximately \$2.5 million would remain in "Work Order No. 7". The thought was that the funds would be used for (1) additional effort by AECOM to secure the 404 permit; and (2) engineering support for property acquisition. If we have to prepare an EIS, this would require additional funding that we were not contemplating a few months ago. Fortunately, with the closing of WIF #2, we will have an additional \$5.115 million. A portion of those funds will be used for any additional AECOM effort connected with the EIS.

Mr. Oradat recommended approving the MOTION increasing the funding limit of "Work Order No. Three" from \$546,152.00 to \$ 876,152.00, decreasing the funding limit of "Work Order No. 7" from \$10,105,500.00 to \$9,775,500.00, and approving "Supplemental Funding No. 1" to "Work Order No. 3", in the "Not to Exceed" amount of \$ 330,000.

**MOTION increasing the funding limit of "Work Order No. 3" from \$546,152.00 to \$ 876,152.00, decreasing the funding limit of "Work Order No. 7" from \$10,105,500.00 to \$9,775,500.00, and approving "Supplemental Funding No. 1" to "Work Order No. 3", in the "Not to Exceed" amount of \$ 330,000.**

Motion made by Director Senac, Seconded by Director Othon, Motion carried unanimously

**B. Approved “Work Orders” for CWA’s Strategic Study.**

**CWA Strategic Study  
July 2010 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 69<sup>th</sup> 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: Alan Plummer Associates Inc., (“APA”), LAN, AECOM and Espey Consultants met on June 11 to discuss (1) Espey’s proposed “Scope of Work” for the evaluation of water quality in Lake Houston and any impact from the Luce Bayou project; and (2) any interface between Espey’s work and APA’s ongoing evaluation of a possible constructed wetland on the West side of Lake Houston. CWA, Espey and LAN met with COH and Stakeholders on June 15 to discuss “Scope of Work”. Agreement reached and Motion will be presented to CWA Board on July 14, as part of the Luce Bayou project.**

Mr. Oradat stated that he have had some very good meetings on Watershed Management Strategies. John D’Antoni, Alan Plummer Associates, met with the North Harris County Regional Water Authority to brief them on the investigation. We have had some good interaction with the City on what we are doing. We still need some information from PWE on some water quality issues. We are looking at a possible constructed wetland on the west side of Lake Houston to improve water quality. Our study is being funded by the SEAL’s fund and the Espey Study is being funded by the WIF loan under Luce Bayou. This is all dealing with the water quality in Lake Houston.

Mr. Othon asked when these studies are scheduled to be completed. Mr. Oradat stated that the Alan Plummer Associates study will be presented to the O&M Oversight Committee around late September or early October. The study by Espey Consultants should be completed by the end of the year. When the studies are presented to the O&M Oversight Committee, the City and the Stakeholders will be invited.

**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, LP.

**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 copy to Jun Chang, COH, PW&E.

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

**STATUS:** Funding received from COH. "Notice to Proceed" issued to Millsap Waterproofing. Effective date is July 12, 2010. Target date for "Substantial Completion" is December 18, 2010.

The "Notice to Proceed" was issued by Mr. Berry on July 12, 2010. The target date for "Substantial Completion" is December 18, 2010.

**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:** Three bids received on June 30. Engineer's Estimate was approximately \$2.0 million. Bid amounts were all in the \$3.0 million range. CWA to discuss issues with Air Products and PRSI. An amendment to the current agreement may be required.

Mr. Oradat stated that we received bids on the Red Bluff Water Treatment Plant. This was bid previously and we received only one bid, from Industrial TX, for approximately \$3.0 million. The "Engineer's Estimate" was approximately \$2.0 million. The decision was made to rebid the project. Prior to the second bid date, we asked LAN to confirm the estimated construction cost. LAN again submitted an "Engineer's Estimate" of approximately \$2.0 million.

We received three bids. All three bids came in at approximately \$3 million. The apparent low bidder is Pepper-Lawson. Two of their representatives, Atul Raj and Bart Adams, are here today. Both were involved in the Lynchburg project and we have worked well with them in the past. Unfortunately, the low bid is again \$1 million over the "Engineer's Estimate". This is a very big issue as we had to negotiate an Agreement with Air Products and PRSI before the project started. Originally, we anticipated that the project would cost \$2.3 million for construction and engineering fees. It now appears that the overall cost will be in excess of \$3.5 million. We will need to meet with Air Products and PRSI and revise the Agreement.

Mr. Baldwin stated that we have received some information from LAN involving the construction management fee. That, along with a 5% contingency amount on the low bid, increases the total by about \$1.3 million which is significantly more than what we previously discussed with the two plant customers. The agreement was that we increase the water rate to facilitate a 6-year payback on the loan from the SEALs Fund. The payback period started during 2009. There were some initial questions regarding the rate increase, but both customers finally agreed to the increase reflected in the 2009 and 2010 budgets.

Mr. Baldwin stated that he was going to prepare various scenarios amending the financing plan currently in place covering the original \$2.3 million loan. The scenarios will include an option to extend the timeframe of the loan repayment schedule and keep the current monthly payments the same. A second scenario is to keep the original 6-year payback timeframe and calculate the amount of the monthly increase needed to accommodate the increased costs. We will then forward these scenarios to the two customers and confer with them on their preference.

Mr. Nash asked if we have a good explanation for the difference between our estimate and the bid.

Mr. Oradat stated that the major difference appears to be in the electrical work. For one item, LAN's estimate is approximately \$27,000. The low bidder came in at approximately \$322,000.

Mr. Othon asked about the accuracy of the construction drawings.

Atul Raj stated that when he and Mr. Oradat discussed this bid, they went through the subcontractor quotes for all the major trade items and had competitive bids in every category. Pepper-Lawson received bids from three electricians who have worked with CWA before and the difference between the low and second bidder was only \$4,000. The third electrician was within 10% of those bids. The biggest single item on the project was the filters themselves and the bidders were within 1% of each other. These were very competitive bids.

Mr. Oradat stated that he did not have a good answer for Mr. Othon.

Mr. Metyko stated that he is at a loss how we could be 50% off on an "Engineer's Estimate". He stated this has happened twice and is unacceptable. It is embarrassing that we will have to go back to our clients and renegotiate this big of a difference. This has been ongoing for six months and LAN was not able to figure this out; even after the first bid date. Mr. Metyko stated that LAN has a black eye on this.

Mr. Thomas stated that he totally agrees and can understand the Board's reaction. Although LAN did see an increase in bidder activity, there may have been too much emphasis placed on trying to increase the number of bidders and not enough emphasis placed on modifying the work within the contract to really look at the value of the work to be done. He stated that LAN is very embarrassed by this and will try to do what it can to resolve the situation. We have a number of questions at this point and we have not had the opportunity to speak with the contractors; particularly about the electrical work. LAN's engineers have looked at that item a number of times and have a difference of understanding about the scope of work.

Mr. Othon asked if he feels it is a misunderstanding or misinterpretation of the drawings and the required work. Mr. Thomas stated that is what he wants to determine. He stated that there are two bid items relating to filters: a new 4<sup>th</sup> filter and replacing the 3 existing filters. LAN's engineers believe the electrical work for both items is essentially the same. The contractors are obviously viewing it differently as the electrical work for the new 4<sup>th</sup> filter is a small number (\$3,000-\$4,000), but \$300,000 for the replacement filters.

Mr. Metyko stated that it is his understanding that Pepper-Lawson will hold their bid for a little longer than normal. Mr. Raj stated that is correct. Mr. Raj stated that Pepper-Lawson would like to secure a letter from the filter supplier to state they could hold their price for an additional 90 days.

Mr. Oradat stated that we first have to go to Air Products and PRSI and do some serious explaining as to what happened. We will then have to agree on what we can do on the financing. Once we have an agreement with Air Products and PRSI, we will brief the O&M Oversight Committee. We will then come to the full Board to award the contract.

Mr. Oradat stated that he and Mr. Berry will be meeting with LAN management to discuss this situation.

Mr. Berry stated the contract now requires us to issue a "Notice of Award" on, or before, August 28, 2010. Mr. Oradat asked Mr. Raj if he could go three months beyond August 28, 2010. Mr. Raj stated he will secure a letter.

### **C. SB 361**

Mr. Oradat stated with regard to the legislation requiring backup generators, we are waiting for the TCEQ to approve our "Emergency Preparedness Plan" (EPP). Since we submitted our EPP, we have met with one group that actually presented a proposal to the City of Houston. We gave them a tour of all CWA facilities and it went very well. This group deals with big industrial complexes and they were very impressed with what they saw. They related their impression to the Mayor's office.

At this time, we are still proceeding with the expectation that we will be installing generators at the Trinity River and Lynchburg Pump Stations. We do not know the direction that Houston PWE will take. However, once PWE makes their decision, we will attempt to mirror their actions.

Mr. Oradat asked Mr. Chang if he wanted to comment. Mr. Chang stated that they have narrowed the vendors from six to two. PWE will probably make a decision next week as to who will be selected to provide the generators. Unfortunately, the team that toured the CWA facilities is not one of the two remaining teams. The City is also preparing for the next Legislative session to possibly amend SB 361. Mr. Chang stated that he and Mr. Oradat discussed the future course of action and decided to secure a bid from the final two teams for a "package" deal for both the COH and CWA facilities. We should be able to get a better price.

Mr. Oradat stated that he has not received any comments on CWA's Plan from the TCEQ. He is assuming they are reviewing it.

**D. Independence Parkway**

Mr. Oradat stated that he doesn't have anything on Independence Parkway. We continue to review the plans and Mr. Berry and Mr. Lord have had conversations regarding the "Maintenance Agreement" which is a critical piece of the overall project.

He asked Mr. Berry if he had any additional comments. Mr. Berry stated that we have heard from Harris County on the Maintenance Standards. He and Mr. Thomas, LAN, have reviewed them and have no objections. We still have the issue of the wetlands in the area; specifically maintenance.

**III. LAND AND RIGHT-OF-WAY – Barron Wallace**

**A. Battleground Road Property.**

Mr. Oradat advised that he had a conversation with Mr. Bob Christy, City of Houston, and they have received two bids. The City was pleased with the bids they received and they are in discussion to close the sale. There have been some discussions with Mr. Berry about easements across the property: one for access and one for a pipeline that may need to be resolved. That discussion appears to be going well. We have given the potential buyer an option on two different routes for access to the property. Once that is resolved, the City will close the sale. We will retain ownership of about 23 acres of the property. Mr. Oradat also received a telephone call from Jan DeVault, President of the Friends of the San Jacinto Battleground, and she is pleased that we are retaining ownership of the undisturbed acreage and wanted to know the status of the sale.

**B. Harris County and Extension of Genoa Red Bluff Road, Phase 3.**

Mr. Oradat advised that this extension of Genoa Red Bluff Road is an intense negotiation as to how it impacts CWA facilities and future facilities. We are still going through the plans with Harris County.

**C. Harris County and Port Road Improvements from Bay Area Blvd. to SH 146.**

Mr. Berry advised that we are still waiting on Harris County to come to us with a proposal of the cost to relocate our pipeline.

**D. La Porte Hike and Bike Trail Easement**

Vinson & Elkins has reviewed the easement documents provided by the City of LaPorte and have sent comments back to them. We are now awaiting their response regarding either making us an offer or a cost analysis.

Mr. Metyko then stated that Mr. Berry will now be making his presentation. However, he wanted to advise the Board and visitors that since the last Board meeting, Jerry lost his mother. Mr. Metyko wanted to express his and the Board's condolences to Jerry and his family.

Mr. Berry thanked the Board and wanted to express his appreciation to Mr. Metyko, the CWA Board, and the CWA staff for their prayers and condolences at this time.

**IV. MAINTENANCE & OPERATIONS - Jerry Berry**

**Monthly Report**

<b>TRINITY RIVER</b>	<b>Water Production JUNE 30 DAYS (gallons)</b>	<b>DAILY AVG (MGD) INDUSTRIAL &amp; TREATMENT</b>	
Trinity River Pump Station	18.1 billion	Hwy 225 Plants	127
Main Canal	16.4 billion	SEWPP	82
Cedar Point Lateral	1726.5 million	EWPP	252
San Jacinto Transfer Station	306.0 million	Deer Park WTP	4
Lynchburg Pump Station	15.1 billion	Bayport Plants	31
Water Treatment Plant	193.5 million	CPL	58
Bayport Pump Station	929.1 million	SJRA	<u>10</u>
			578 MGD
 <b>SAN JACINTO RIVER</b>			
Lake Houston Pump Station	1.2 billion	Indus. Customers	32
		EWPP	<u>8</u>
		San Jacinto River Total	40 MGD

**Operations**

Mr. Berry advised that the average daily production at the Trinity River Pump Station in June was 578 MGD (538 MGD in May). Peak Production was 648.3 MGD on June 2, 2010. Production is slightly above our projections. At the Lake Houston Pump Station, the average daily production in May was 40 MGD (45 MGD in May). Production is normal for this time of the year and should remain at this level. All other pressures and flows are normal.

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

American Red Cross completed CPR/AED refresher training for CWA field personnel. The downtown office still needs to complete their refresher training.

On June 11, 2010, the San Jacinto River Authority Pump Station was shut down for three hours at the request of the Harris County Sheriff's deputies to accommodate a search in the San Jacinto River Authority canal for a drowning victim. CWA pumps 10 MGD into the San Jacinto River Authority canal which supplies water to Exxon in Baytown.

A contractor working adjacent to the CWA Main Canal destroyed about 700' of barbed wire fence along the canal. Vinson & Elkins is in communication with their attorney and indicated that they are going to replace the fence. It has not been replaced at this time. Mr. Oradat stated that a developer was clearing some property and removed our fence as his information showed that CWA's fence was on his property. Fortunately, our field personnel stopped him. Vinson & Elkins contacted their attorney and the issue has been resolved. They have agreed to replace the fence.

**Maintenance**

Routine maintenance activities include mowing, weed control, application of herbicides, and removal of canal vegetation. Canal siphon bar screens were cleaned, air vacuum valves flushed and valves exercised. Chlorine and ammonia analyzers were cleaned and calibrated at Lynchburg Pump Station, East Water Purification Plant, and Southeast Water Purification Plant. Vibration switches were replaced on Pumps 13, 14, and 17 at Trinity River Pump Station. The gates at Lake Houston Dam were tested and exercised and CWA staff installed safety bar screens at all siphons on the West Canal.

Tar Tob, a contractor from the Dallas Area, completed the coating contract at Lynchburg Pump Station. Mr. Berry stated that they did a very good job.

Rockwell solved a VFD problem with P-207 at Lynchburg Pump Station under our extended service agreement with Pepper-Lawson. Pump 207 was put back into service on June 11, after a transformer was repaired and a control processor was replaced.

Mr. Nash asked how much longer do we have on the extended Service Agreement and Mr. Berry stated it was a 4-year agreement and it was a bid item in LHP-320, the Pepper-Lawson contract. At the end of the contract, there was some controversy with the Vendor and the contractor over the scope. Mr. Berry was pleased to say that Rockwell responded very well.

#### **LHP-120 – Water Intrusion Repairs – Lake Houston Pump Station**

- Funds approved by Council on April 28, 2010
- Funds were received from the City of Houston on June 4, 2010.
- “Notice of Award” was issued on June 7, 2010.
- “Notice to Proceed” was issued on June 30, 2010
- Substantial Completion date is December 18, 2010
- Final Completion Date is January 7, 2011.

#### **Red Bluff Water Treatment Plant**

Three bids were received for Contract WTP 200 (Improvements and Filter Replacements). This was discussed in detail in the Strategic Study Section.

#### **V. BUSINESS REVIEW – John J. Baldwin**

##### **A. Monthly Financial Statements for the previous month.**

Mr. Baldwin advised that in each Director’s folder is the financial report for the first six months ending June 30 of the Budget Year 2010. All four operating funds are doing well and expenditures are under budget year to date. Water volume has increased for the month of June. At the Lynchburg Pump Station, electricity and chemical bills are inching up slightly but he still expects by year end that we will be under budget by 1-2% on the Trinity River Budget and about 2% at Lake Houston. The Bayport System is running at about 96-98% of budget in revenues and water usage. It should be close to 98% by year end. At the Treatment Plant, we are running right at 99% of budget for the first six months.

Mr. Baldwin forecasted that we will be at budget or slightly under budget by the end of the year on all four operating systems. Once we get through the summer months, we will be able to see where the water volume demands are and will be able to fine tune the projected expenditures on the four operating funds.

##### **C. FEMA Reimbursement for Hurricane Ike.**

Mr. Baldwin stated that we had a meeting with a FEMA/STATE OF TEXAS representative about two weeks ago and everything looked well and the representative stated we should be closing this out within the next 30 days. They stated there is about \$51,000 on outstanding claims to be finalized by their office.

Joe Fanelli is our CWA representative working with FEMA and their counterparts at the State Office. Joe has done an excellent job and is very detail oriented. He calls them on a regular basis. By the next Board Meeting, Mr. Baldwin is hoping to report that the check has been received and we can close our files on Hurricane Ike activities.

**C. “Notice of Inspection” – U. S. Immigration and Customs Enforcement.**

Mr. Baldwin stated that two representative from the U.S. Immigration and Customs Enforcement Agency (I.C.E.) came to the Downtown Office on Tuesday, June 29, 2010. The purpose was to release to CWA the (75) original I-9 Immigration Forms delivered to I.C.E. per their request on November 24, 2009. The Special Agent also discussed with CWA staff members the errors that were discovered that had been communicated previously. A warning notice was delivered citing those discrepancies and also stating that no fines were to be levied. The Special Agent stated that CWA files were in better shape than most he had seen and wished for CWA staff members to take the communications and the accompanying handbook for employees as a training event for future reference.

Mr. Baldwin stated that the closing for WIF Loan #2 is July 15, 2010 at 9:00 a.m. This will be done by phone calls, wire transfers, etc. The closing will be held at Vinson & Elkins, with First Southwest, Bates & Coleman, Art Morales with Ramirez and Company in attendance. This loan is for \$5,115,000.

Mr. Oradat expressed his appreciation to the City, and the various Authorities for supporting this WIF Loan. This turned out to be a good stroke of fortune for this project. Mr. Oradat thanked everyone again.

Mr. Wallace stated that there were a lot of issues on this transaction but the City stepped up with a lot of support and numbers they needed. It was a real team effort.

Mr. Oradat stated they are looking forward to closing this loan.

**VI. DISBURSEMENTS**

Mr. Metyko advised that there are three disbursements to be approved by the Board: the Construction Fund – Series 2009 (Luce Bayou Project), in the amount of \$ 186,865.20, the Luce Bayou – Land & Mitigation Fund in the amount of \$ 107,762.51 and the Special Project Equity Fund in the amount of \$ 37,588.37.

**MOTION approving disbursement of the Construction Fund – Series 2009 (Luce Bayou Project) in the amount of \$ 186,865.20, the Luce Bayou – Land & Mitigation Fund in the amount of \$ 107,762.51 and the Special Project Equity Fund in the amount of \$ 37,588.37.**

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

**VII. OLD BUSINESS**

Mr. Metyko asked if there was any Old Business to discuss. Mr. Cobb stated that there was. At the last Board Meeting, Mr. Metyko asked the Board Members to review the Bylaws outlining how the Authority operates. Upon review, he stated that there were several items that possibly needed revision. He circulated these suggested changes to each Board Member, Mr. Oradat and Vinson & Elkins for review. Hopefully, a final recommendation can be made at the August Board Meeting.

Mr. Wallace stated that V&E will review Mr. Cobb’s proposed revisions.

**VIII. EXECUTIVE SESSION**

There was no Executive Session.

**IX. RECONVENE - OPEN SESSION**

**XI. ADJOURNMENT**

The Meeting was adjourned at 12:15 p.m.

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Zebulun Nash, Secretary-Treasurer