

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

June 9, 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
Zebulun Nash, Secretary-Treasurer
F. William Othon, P. E., Second Vice-President

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

Legal Counsel

Clark Lord, Vinson & Elkins
Athea Davis, Vinson & Elkins

Engineering Consultants

Ty Thomas, P. E., Lockwood, Andrews & Newnam, Inc.

Visitors

Steve Berckenhoff, P. E., AECOM
Don Ripley, P. E., AECOM
Melinda Silva, P. E., Brown & Gay Engineers
Wayne Ahrens, P. E., Dannenbaum Engineering Corporation
Anne Profilet, EcoLogic, Inc.
David Bradley, P. E., Kellogg, Brown & Root
Showri Nandagiri, P. E., North Harris County Regional Water Authority
Art Morales, Ramirez & Company, Inc.
Kristin Bacchus, Summer Intern, Vinson & Elkins
Rich Black, John L. Wortham & Son

I. ITEMS FOR CONSIDERATION:

Mr. Metyko called the meeting to order at 10:15 a.m.

A. Minutes of the May 12, 2010 Board Meeting.

Mr. Cobb requested a correction be made to the Minutes on Section 5. Business Review, sixth line down, add a "d" to the word "fun" – fund. This correction was made.

Ms. Zarinkelk had one comment on Section 4, LAN and Alan Plummer – It should be "Alan Plummer Associates, Inc." This correction was made.

MOTION approving the Minutes of the Board Meeting of May 12, 2010.

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

B. Recognition of Guests.

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

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 (2010 – 2011)

Environmental and Permitting

USACOE Permit Application – Mr. Ripley stated that our 404 Permit Application was submitted to the U.S. Army Corps of Engineers (USACOE) on March 31, 2010. The Public Notice was issued by the USACOE on April 19, 2010. The comment period ended May 19, 2010. Mr. Ripley will meet with the USACOE Project Manager, Jason Hudson, within the next few weeks to receive the comments submitted by the public.

Mr. Oradat asked if he had any idea as to the type of comments to be received. Mr. Ripley stated he had received some comments informally through the Corps. Although those comments reflected the caveat, the reports and background documentation had not been reviewed in detail. One item that was discussed was a letter from the EPA that mentioned the possible requirement of an "Environmental Impact Statement" (EIS). He didn't feel it was a concern, but wanted to make everyone aware of it.

Antiquities Report – Mr. Ripley stated that the interim draft of the "Antiquities Report" was issued to the Texas Historical Commission (THC) and the USACOE. They still need to resolve/revise maps depicting identified sites and the scope of additional investigations. They anticipate having the updated report issued to the THC and the USACOE by July 1, 2010.

Mitigation Property – Mr. Ripley stated that the mitigation property he is referring to is the Harrison tract that was purchased for the eventual transfer to the United States Fish & Wildlife Service to satisfy the mitigation component of this project. The ownership signage has been installed in eight locations. Those metal signs identify CWA as the owner of the property prohibiting trespassing and giving contact information for the Coastal Water Authority. Since we have taken ownership of this property, there has been

normal erosion caused by rain to the roadway and culvert. This is a critical issue as this is our sole method to access the eastern half of the property and the pump station site. We have requested authorization from the Corps to repair/replace the culvert. The unofficial response is that repair appears to be within the scope of authorized activities under a Nationwide Permit. We anticipate a response letter from the USACOE by the end of June 2010.

Engineering – Mr. Ripley stated that since we submitted the Preliminary Engineering Report (PER) to Houston Public Works and Engineering (PWE) and to the Stakeholders, engineering has slowed down quite a bit. We are waiting for the final comments to be received from the co-participants. PWE is to coordinate responses from the Stakeholders. The approval of the PER is required for “Phase II – Final Design”. We continue pipeline and utility coordination. We have a minimum of 19 pipelines, 3 roadways, 2 electrical utility crossings and a few local gas lines. This is an ongoing effort.

Right of Way Acquisition – Mr. Ripley stated that he attended the Special Commissioners Hearing for condemnation of Parcel 6. AECOM continues to assist in various aspects of land acquisition. This is for the preparation of the documents and exhibits needed by the condemnation attorneys to support the hearings so we can make demonstration of our case to the Commissioners.

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.

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

Mr. Ripley stated that the AECOM Team Members have not changed, but there may be a small change next month if we continue with Espey Consultants, as they may be bringing another small HUB (MWD BE) to our team.

Mr. Oradat stated that as AECOM's effort decreases, the utilization of MWDBE-HUB firms will also diminish. Mr. Oradat stated that he assumes that the firms so affected are aware that their utilization will eventually be eliminated.

Mr. Ripley stated that is correct. AECOM has made an effort to give a minimum of 30 days' written notice to each of the firms. However, we have given them substantially more notice than that through verbal communication. AECOM wants to ensure that the firms are aware when the Project Schedule is approaching a point where their efforts would begin to ramp down.

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

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

HUB/MWDBE Participation

Mr. Ripley stated below is the HUB/MWDBE Participation thru May 2010.

<u>FIRM</u>	<u>BILLINGS</u>	<u>% OF AECOM BILLINGS</u>
WCW International	\$ 1,416,053	11.66%
Isani Group – Adept	\$ 964,548	7.94%
RBI	\$ 389,867	3.21%
HVJ	\$ 134,039	1.10%
Entech/Tolunay Wong	\$ 94,950	0.78%
Total	\$ 2,999,457	24.69%

Sub-Consultant Participation

<u>FIRM</u>	<u>BILLINGS</u>	<u>% OF AECOM BILLINGS</u>
MBE/HUB	\$ 2,999,457	24.69%
Other	\$ 1,050,000	8.74%
Total	\$ 4,049,457	33.33%

Ms. Zarinkelk inquired about the designation "Other" and Mr. Ripley stated that the term includes non-MWDBE-HUB firms.

Mr. Ripley stated that the following is the "Work Order" summary and we have approximately \$2.5 Million remaining.

Work Order Summary

<u>WORK ORDER</u>	<u>AUTHORIZED</u>	<u>EXPENDED</u>	<u>STATUS</u>
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	\$ 7,867,144	Ongoing
Totals	\$14,963,500	\$12,148,174	

Stakeholder Communications

- Conducted Monthly Teleconference on June 1, 2010.
- Discussed review of PER and Permit Application.
- Discussed application for WIF #2.
- Discussed update of SB 361.
- Discussed “Scope of Work” for Lake Houston evaluation by Espey Consultants.
- Next teleconference scheduled for July 6, 2010.
- Future teleconferences will be on an “as needed” basis during the PER and Permit Review.

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

Mr. Oradat stated that we discussed the PER and the Permit Application. It was stated that we would like to receive all comments, if at all possible, within the next 30-60 days. He is hoping to get the PER approval from Houston PWE by the end of August.

We also discussed the WIF #2 application. There is a MOTION on today’s Agenda, which Mr. Baldwin will discuss, to authorize CWA staff to proceed with closing the \$ 5.115 million loan from the Texas Water Development Board.

We also discussed SB 361.

We also discussed the “Scope of Work” for the Lake Houston water quality evaluation by Espey Consultants. Espey will be doing a continuation of a previous study. The intent is to evaluate the impact of Luce Bayou on the water quality in Lake Houston, and more specifically, whether or not the discharge of raw water from the Trinity River would improve the water quality in Lake Houston. In the previous study, Espey’s recommendation was that we should focus on working with the State and/or Houston PWE to amend the discharge permits for the wastewater treatment plants located on the West side of Lake Houston. This latest study would be the last look on the issue. Mr. Oradat stated that Espey’s work would be performed as a subconsultant to AECOM, and would be funded by the WIF monies. We also discussed any interface between Espey’s study and the work by Alan Plummer Associates, Inc. (as a sub to LAN) regarding a possible constructed wetland on the west side of Lake Houston.

Mr. Oradat advised that the next teleconference is scheduled for July 6, 2010, and he will continue to have the teleconference calls every month until the PER is approved by Public Works and Engineering. We will then have them only as needed until the permit is issued by the USACOE.

Mr. Metyko stated that he wanted to make it clear that there is a difference in the two studies. The SEALs Fund is funding the Alan Plummer study, while the WIF monies will be used for Espey’s work.

Mr. Senac asked Mr. Oradat what makes Trinity River water better than Lake Houston’s water.

Mr. Oradat stated that there is basically more algae and organic material in Lake Houston. It is an issue the City has been dealing with since the Northeast Water Plant was built. The treatment of Lake Houston water requires more attention to taste and odor issues.

Mr. Senac also asked about the projected capacity of Luce Bayou. Mr. Oradat stated that the Luce Bayou pump station will deliver approximately 450 MGD.

Projected Schedule of Events

Mr. Ripley stated that there are no changes in the Schedule of Events from last month.

- Summer 2010 – The final comments received from Houston PWE and Stakeholders on PER. PER approval by Houston PWE Director required before Phase II begins.
- January – June 2011 – USACOE Permit secured and all property is acquired. At this point, AECOM's current authorization is complete. Project is suspended until January 2014.

Mr. Oradat stated that when AECOM was selected, their task was to secure the 404 permit, not to design the project. They have done all of the work necessary to submit the application and supporting information to the USACOE for the permit. However, "Phase II – Final Design" is not part of their current authorization; although some design effort is required to support the permit application. The Corps needs assurance that the project they permit, will be the project which is built.

The TWDB has approximately \$ 12-13 million in escrow for Final Design. The TWDB will not release the funds until the USACOE Permit is secured. Approval of the PER by Houston PWE is not a TWDB requirement for the money in escrow to be released. It is a requirement of the contract between CWA and the City. Because the Stakeholders wish to defer construction until the last possible moment, the project will probably be suspended for 3-4 years.

As we approach June 2013, the Board will need to decide whether or not to continue with AECOM or issue a "Request for Qualifications" to select another firm to finish the project. It is understood that it is difficult to find a firm who is willing to assume responsibility for the work done by another consulting firm. That stated, it is also difficult for any team to be placed in suspension and keep the various firms as part of the team. There are personnel changes, firms are merged, etc. Although the ideal situation would be for the project to continue uninterrupted, that is not CWA's decision to make.

Mr. Metyko asked if the 30-day comment period is over and Mr. Ripley stated that the 30-day period expired on May 19, 2010.

Mr. Cobb asked if the Permit is secured from the USACOE in 2011, is there any reason why you couldn't immediately start "Phase II – Final Design", complete the plans and specifications, and then place the documents on the shelf for a few years until 2016 or so.

Mr. Oradat stated that this wouldn't have any impact on the repayment of the WIF loan for design. The problem is that the plans would probably have to be reviewed and or re-verified after being on the shelf for that length of time. Mr. Oradat stated that his preference is to suspend the project and then re-mobilize in 2014.

Mr. Othon stated that as it stands right now, AECOM's contract will come to an end with no action from us. Mr. Oradat stated that he would probably issue a formal "Notice to Stop Work". Mr. Othon asked if AECOM is aware of this understanding. Mr. Oradat stated that AECOM is aware of the situation.

Ms. Zarinkelk asked if this is what happens, when would be a good time to go out with a "Request for Qualifications". Mr. Oradat stated that we would probably have to start in March or April 2013.

2. WIF #2 Loan

Mr. Oradat referred the Board to a letter from Mr. Mike Marcotte, Houston's PWE Director, requesting that CWA proceed with closing the WIF #2 loan. This documentation was requested by Director Zarinkelk.

3. Bond Resolution Authorizing the Issuance and Sale of CWA Contract Revenue Bonds (Luce Bayou Project).

Mr. Baldwin stated that work began on the issuance and sale of CWA Contract Revenue Bonds on May 12, 2010. The Finance Team consisted of Vinson & Elkins, Bates & Coleman, First Southwest and Samuel A. Ramirez & Company. The Certificate for Resolution is in each folder. We are scheduled for closing this loan on July 15, 2010, and the deadline is July 31, 2010.

Mr. Lord, Vinson & Elkins, stated that the Bond Resolution sets forth all proceedings and authority for the issuance of the Bonds. The basic security for the Bonds is the City of Houston's revenues from the City's Combined Utility System. After all other debt service is paid, and operating costs are paid, what is left over is pledged by our Contract with the City. The Projects Contract for Luce Bayou is pledged to CWA which we pledge to the Bond Holders which in this case is the Texas Water Development Board which provides the funding at a subsidized rate on these Bonds, which is about 200 Basis points below the market average. The Texas Water Development Board (TWDB) special Legislative authorization for the terms of repayment are very attractive. We realized this is the best money out there and is ten years deferred on the repayment schedule. The Water Development Board is buying these Bonds and the portion of these proceeds of these Bonds will be held in Escrow. We will have an Escrow Agreement which will be about \$1.5-1.7 Million. This is the Standard Bond Resolution and the Water Development Board has approved this Resolution.

Mr. Othon asked if the money set aside was \$1 Million or so. Mr. Baldwin stated that for the first WIF Loan we escrowed \$11.5 Million plus \$800,000 contingency designated for final design. This loan we added \$1.5 Million, in case the \$12.3 Million is not enough. We will have \$13.8 Million for Final Design.

Mr. Lord stated that we have comments and after approval we will submit this Resolution along with other documents to the Attorney Generals Office and then have 14 days for approval. They will have comments and we will address their comments and they will issue an Opinion authorizing these Bonds. At that point, we will send the final documents to the Water Development Board and they will create a closing file and make their final request for documents and they will set a closing date. We think July 15 is the closing date but it will be one week after the Water Development Board deems to have all information they need to close their file on these Bonds. We have given ourselves a week or two flex time and we don't feel there will be any problem meeting the deadline. The City of Houston has a general Certificate to sign and he doesn't feel there are any other actions required by the City. Mr. Lord asked Mr. Chang if there was anything. Mr. Chang stated that their Legal Department is doing research as to whether this should go to City Council since it is a Project Contract.

Mr. Lord stated that we have to get the Transcript to the Attorney General before July 15 and must have their opinion in hand one week before closing.

Motion adopting a Resolution styled, “Resolution Authorizing the Issuance and Sale of Coastal Water Authority Contract Revenue Bonds (Luce Bayou Project), Series 2010, in an aggregate principal amount of \$5,115,000; awarding the Sale of said bonds, approving an Escrow Agreement and a Paying Agent/Registrar Agreement; Prescribing the form of said Bonds; Authorizing Co-Bond Counsel and the Financial Advisor to take all actions required to issue said bonds at the direction of the Coastal Water Authority; and enacting other provisions relating thereto”.

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

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

**CWA Strategic Study
May 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 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: APA and LAN met with Houston PWE on April 22 to discuss project scope and objectives. COH staff to provide treatability information on Lake Houston water. COH staff to discuss movement of Diversion Point with COH Legal.

Mr. Oradat stated he will be meeting with Espey Consultants, LAN, Alan Plummer Associates, Inc. and AECOM to discuss Espey’s study and how it relates to the efforts of Alan Plummer.

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: COH City Council approved the appropriation on April 28. Funding to be transferred to CWA. Once funding is received, "Notice to Proceed" will be issued to Millsap Waterproofing.

We have received the funding from the City of Houston. The Award has been issued to Milsap Water Proofing and once they get all the documents in, Mr. Berry will issue the Notice to Proceed to start the construction project.

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: PRSI has signed the revised agreement. Project will be re-advertised on May 21, with bids to be received on June 30. Anticipate July Board meeting for award.

We are still on schedule to receive bids on June 30. Mr. Berry stated that several firms have picked up the plans. There is a great deal of interest shown by the contracting community.

Mr. Berry advised that a pre-bid meeting is scheduled for June 10, 2010. Of the plan holders, 10 are General Contractors.

C. SB 361

Mr. Oradat advised that since we started our efforts to comply with SB 361, the Texas Commission on Environmental Quality (TCEQ) has told us on numerous occasions that the legislation only applied to facilities located in Harris County. The fact that a facility located outside of Harris County, might serve people located in Harris County would not be affected by SB 361.

A few weeks ago, Mr. Oradat received a call from Ms. Reyna Holmes (TCEQ) stating that the TCEQ staff would like to meet and give us an update on SB 361. CWA, LAN and Clark Lord met with the TCEQ on May 24, 2010. At that time, we were given a letter stating that the TCEQ reconsidered the legislation and it is now their position that a facility located outside of Harris County is affected by SB 361 if the facility serves a population located in Harris County.

This means that the Trinity River Pump Station is now covered by SB 361 and must be included in our "Emergency Preparedness Plan" (EPP) which is due to the TCEQ by June 1. And although the Luce Bayou Pump Station is also included, we won't have to do anything until the pump station is close to being placed in service (2019).

We submitted our EPP on May 28, 2010. We also gave hard copies to the O&M Oversight Committee. We are awaiting approval of the EPP by the TCEQ. Once the EPP is approved, we will begin implementation. The estimated cost to implement the EPP at Lynchburg and Trinity River is approximately \$ 32 million. This includes engineering and our best estimate of probable construction costs. We anticipate that we will issue a "Notice to Proceed" to LAN to begin the design in January 2011. As we begin preparing our proposed budget for 2011, we will be in conversations with Houston PWE to discuss funding of the EPP.

Mr. Berry stated that he attended a meeting which the City of Houston had with one of the responders to its "Request for Information" as to how the City would comply with SB 361. There are meetings scheduled with three other responders and either Mr. Berry or Mr. Oradat plan on attending those meetings.

Mr. Oradat stated that we currently plan on implementing the improvements identified in the EPP. If we elect to follow the City's lead in how it will comply with SB 361, we will need to amend our EPP.

Mr. Senac asked if it made any sense for CWA or the City of Houston to submit a request to Attorney General's office and ask for an opinion as to just what SB 361 does and does not cover.

Mr. Lord stated that it is his understanding that SB 361 is based effectively on any entity that supplies water to Harris County. As a result of our meetings with TCEQ staff and attorneys, the TCEQ issued their opinion to us and CWA was not covered. We would have to carefully consider whether or not we would want the Attorney General to join in as there are a lot of other considerations.

Mr. Senac stated that even if we got an opinion from the Attorney General that this does not affect Trinity River Pump Station, new Legislation could be adopted next year which would include Trinity River.

Mr. Oradat stated that when they talked to the TCEQ staff, there is a provision for an entity to claim financial hardship. The TCEQ is using the EPA guidelines which use a 2% increase in water rates as the criteria for hardship.

Mr. Lord stated this is another issue that is undefined in the statute. If you read the statute, there is a good argument for CWA to apply for a financial hardship. It wouldn't have anything to do with the City of Houston. We don't have a source of revenue and if the City declines or cannot fund to build and maintain these facilities, we have a financial hardship.

Mr. Oradat stated that the TCEQ staff is very helpful and understanding. However, their job is to implement regulations passed by the Legislature.

D. Independence Parkway

Mr. Oradat stated that he doesn't have very much on this. We have been reviewing the plans and double checking the metes and bounds descriptions. He received the plans from Harris County. He and Mr. Berry have reviewed them.

Mr. Metyko asked when we can expect to have a final number as to CWA's share of the costs. Mr. Oradat stated that would happen after bids are received. However, at this time, he is not sure of the County's schedule to receive bids.

Mr. Berry stated he and Ty Thomas met with John Saavedra (Commissioner Garcia's office). One of the issues to be resolved is the Maintenance Agreement. Another issue is that there are some items in the project area that we are specifically required by a prior Agreement to maintain. When we dedicated that road to Harris County, they wanted CWA to be responsible for everything except the roadway itself. We have a separate agreement stating that CWA has to maintain the wetlands, the concrete drainage structures, and the piping under the road. He and Mr. Saavedra also discussed whether or not the footprint acreage includes the wetlands and this drainage structure. The issue is whether Harris County is responsible for the maintenance of that footprint or do we have some responsibility. Harris County is in agreement that if they have the footprint, they would take over the maintenance responsibility and we are awaiting their comments.

Mr. Oradat stated that the project is not going forward until the Maintenance Agreement is agreed upon.

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

A. Battleground Road Property.

Mr. Oradat advised that Mr. Christy has all of the information he needs to advertise and receive bids. Potential bidders had a site visit with Mr. Berry.

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

Mr. Lord stated this should be discussed in Executive Session.

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

Mr. Lord stated this should be discussed in Executive Session.

D. Cimarex Energy Company Oil, Gas & Mineral Lease Proposal

Mr. Lord stated that no bids were submitted for the Oil, Gas & Mineral Lease Proposal. No discussion necessary.

E. La Porte Hike and Bike Trail Easement

Mr. Lord stated that this will be discussed in Executive Session.

IV. MAINTENANCE & OPERATIONS - Jerry Berry

Monthly Report

TRINITY RIVER	Water Production	DAILY AVG (MGD)	
	MAY	INDUSTRIAL & TREATMENT	
	31 DAYS (gallons)		
Trinity River Pump Station	17.3 billion	Hwy 225 Plants	122
Main Canal	15.8 billion	SEWPP	82
Cedar Point Lateral	1509.6 million	EWPP	224
San Jacinto Transfer Station	317.2 million	Deer Park WTP	5
Lynchburg Pump Station	14.6 billion	Bayport Plants	30
Water Treatment Plant	185.3 million	BAWA	15
Bayport Pump Station	942.9 million	CPL	49
		SJRA	<u>10</u>
			538 MGD
SAN JACINTO RIVER			
Lake Houston Pump Station	1.2 billion	Indus. Customers	31
		EWPP	<u>14</u>
		San Jacinto River Total	45 MGD

Operations

Mr. Berry stated that an operations briefing and field tour for Ms. Zarinkelk and Mr. Cobb was conducted on May 25, 2010. We have rescheduled Mr. Othon's briefing and tour for Wednesday, June 23, 2010.

Mr. Berry advised that the average daily production at the Trinity River Pump Station in May was 538 MGD (471 MGD in April). Peak Production was 626.5 MGD on May 31. Production is slightly above our projections. At the Lake Houston Pump Station, the average daily production in May was 45 MGD (41 MGD in April). 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".

To maintain consistent canal levels with the increased flow, stop logs were removed from siphons at Goose Creek, Cedar Bayou and I-10. These are seasonal adjustments made 3-4 times a year.

Chlorine awareness training was completed for CWA personnel at the Lynchburg Pump Station and the Red Bluff Water Treatment Plant.

Maintenance

Mr. Berry stated that we are in our summer maintenance cycle of right of way mowing and weed control, right of way application of herbicides, removal of canal vegetation, cleaning siphon bar screens, flushing air vacuum valves, and exercising valves.

CWA Staff replaced a dewatering pump for Well #3 at Trinity River Pump Station, cleaned and calibrated chlorine and ammonia analyzers, and calibrated flow and pressure transmitters for the A, B and C systems.

PM Solutions load tested generators at all locations.

Dashiels performed quarterly inspections and maintenance on variable frequency drives (VFD).

Rockwell is working on a Variable Frequency Drive (VFD) problem with Pump 207 under our extended service agreement. They have replaced a controller and there now appears to be a problem with a transformer.

Lake Houston Water Intrusion

LHP-120 – Water Intrusion Repairs at the Lake Houston Pump Station: Funds were approved by City Council on April 28, 2010 and received from the City of Houston on June 4, 2010. A “Notice of Award” letter was issued to Millsap Waterproofing, Inc., on June 7, 2010. They have to submit some documents at which time we will issue the Notice to Proceed.

Red Bluff Water Treatment Plant

On May 4 and May 5, 2010, we completed a scheduled maintenance shutdown at the Red Bluff Water Treatment Plant. CWA Staff cleaned and repaired the clarifier structure; replaced Rytex bushings on the main shaft; replaced the clarifier bypass valve; and replaced the blow down valve. Air Products was provided with filtered water during the two day shut down and Pasadena Refining Systems, Inc. went to their wells. This repair work was scheduled for two days and was completed in 30 hours.

The Red Bluff Water Treatment Plant “Contract, WTP-200” – Improvements and filter replacements, is now being advertised. The pre-bid conference will be held on June 10, 2010, and bids will be received June 30, 2010. Bids will be presented to the Board for consideration on July 14, 2010.

Mr. Metyko asked if we had analyzers and monitored the chlorine and ammonia at the City of Houston’s East Water Purification Plant and the South East Water Purification Plant. Mr. Berry responded that CWA has chlorine and ammonia analyzers at Lynchburg Pump Station and both City of Houston plants. CWA maintains the chlorine residual and chlorine to ammonia ratios as requested by the City of Houston. The ratios and residuals may change depending on the raw water conditions. The analyzers are cleaned and calibrated weekly by the CWA staff.

Mr. Senac asked about the Variable Frequency Drive (VFD) and the problems we were having. Mr. Berry explained the VFD’s allow us to adjust pump and motor speed similar to an accelerator on a car. The problem on Pump 207 is being repaired by Rockwell under our extended service agreement.

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 five months ending May 31, 2010, of the Budget year 2010. All four operating funds are doing well and expenditures are under budget year to date. Water demands are starting to increase slightly above the monthly estimate but we are estimating that we will be under budget by year end at Trinity River and at Lake Houston by at least 1% on the expenditure side of the budget. Bayport is 2% under budget and the Treatment Plant is at 3%-5% under budget on both the revenue side and expenditure side of the budget estimates through the first five months. Red Bluff will be right at budget or close to budget at year end, while the Bayport System is forecast to be at 2% under budget at year end. He stated he will update these monthly as we go through the summer months which are very critical as to water volumes.

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

Mr. Baldwin advised that on May 12, he reported to the Board that he still had not heard from the U. S. Immigration and Customs Enforcement (I.C.E.) Agents on the package that he delivered to them right before the Thanksgiving Holiday. He stated that they appeared at the Downtown Office on Friday, June 4, with some documents and gave CWA the opportunity to

make some corrections. Addresses were missing on some of the forms and an employment date was missing on a few others. Mr. Baldwin stated that the documents had pre-dated his employment here at CWA and he didn't feel comfortable changing them prior to delivering them to I.C.E. last November. They told him that he was allowed to make the corrections with their consent at this time. He made the changes and had them delivered back to their office last week. Their letter stated there may or may not be any additional communications.

Mr. Senac asked if we got the originals back and Mr. Baldwin stated they had not returned them to CWA as of today.

C. Annual Renewal of CWA Group Medical Benefits Plan

Mr. Baldwin stated that the next item on the agenda is our annual renewal of CWA's Group Medical Benefits Plan. We have had Aetna Insurance for several years and the Plan is on a yearly contract. Rich Black of John L. Wortham & Sons works with us on our insurance needs and started working on the renewal phase several months ago. The original quote from Aetna was reflecting a 9% increase in our insurance premiums for the renewal of the existing program. Mr. Black requested bids from other carriers. Aetna lowered their proposal to a 5% increase. The other bids came in higher than Aetna's proposal. We talked to Aetna about other options, such as an HMO only program and drop the POS option, but their premium cost would only be lowered by about \$4,000 per year. Mr. Black came in this morning and discussed with our Finance and Audit Committee about the package and the options available within the program. Management made a recommendation to the Committee that we renew with Aetna in the dual option program, which is the HMO and QPOS and continue the Aetna Medicare advantage program for our retirees that was started last year. We also recommended adding another retiree Medicare Advantage option with the Kelsey Seybold Health Care System.

Mr. Baldwin advised that Aetna's 5% increase proposal includes some of the ongoing claims from last year that were the primary reason behind large premium increases this past year. Some of these claims are forecasted to continue through the next benefit year. Mr. Baldwin recommended the Board approve the Annual Renewal of CWA Group Medical Benefits Plan as proposed.

Mr. Metyko asked if the Finance and Audit Committee were in favor and Mr. Nash stated they are in favor.

MOTION approving the annual renewal of CWA Group Medical Benefits Plan with the AETNA Insurance Company; adding the KelseyCare option for CWA retirees and approving the monthly employee and retiree contributions as proposed.

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

Mr. Baldwin stated that this issue was well researched and thanked Mr. Black for his efforts. The Board was in agreement.

VI. DISBURSEMENTS

Mr. Metyko advised that there are four disbursements to be approved by the Board: the Construction Fund – Series 2009 (Luce Bayou Project), in the amount of \$ 134,702.68, the Conveyance System Development Fund in the amount of \$ 876.42, the Luce Bayou – Land & Mitigation Fund in the amount of \$ 184,154.34 and the Special Project Equity Fund in the amount of \$ 20,729.40.

MOTION approving disbursement of the Construction Fund – Series 2009 (Luce Bayou Project) in the amount of \$ 134,702.68, the Conveyance System Development Fund in the amount of \$ 876.42, the Luce Bayou – Land & Mitigation Fund in the amount of \$ 184,154.34 and the Special Project Equity Fund in the amount of \$ 20,729.40.

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

X. NEW BUSINESS

CWA Bylaws

Mr. Lord stated that Mr. Metyko had asked months ago whether CWA had Bylaws. Mr. Lord stated that most Government entities will have articles and bylaws set up in accordance with Legislature subject to statutes that govern how we operate, how we invest our funds, contracts, etc. Most entities like this do not have a pure set of bylaws and Mr. Metyko asked him to make sure there wasn't anything out there that did address that. We are allowed to adopt bylaws but most entities as this, do not. However, he stated that one thing that we established in 1997, what he calls bylaws, were a set of procedures that authorize the O&M Committee to meet and take certain actions that empower the Executive Director to act on certain contracts, under a certain amount. In each folder is a copy of that Resolution. Mr. Lord asked Mr. Metyko if he wanted him to go through it and Mr. Metyko asked him to just hit the highlights.

Mr. Lord stated:

Section 1 of the Bylaws establishes the Operations and Maintenance Oversight Committee, and authorizes that Committee to meet in emergency situations to act on behalf of the Board of Directors.

Section 2 authorizes the Executive Director, in emergency situations, to employ professional personnel to handle any emergency operations that he deems necessary.

Section 3 authorizes the Executive Director in non-emergency situations to make routine purchases, award contracts for the maintenance of Authority facilities, or security assistance for the maintenance of the facilities when the cost is less than \$5,000.

Section 4 authorizes the Executive Director to make routine purchases, award contracts for the maintenance of the Authority facilities or secure assistance for the maintenance of Authority facilities when the cost of such purchase is between \$5,000 and \$25,000. The Executive Director is required to get three written proposals.

Section 5 authorizes the Executive Director to award contracts or secure assistance for the maintenance of Authority facilities when the cost of the contract is over \$25,000 only with the concurrence of the Committee or the Board.

Section 6 authorizes in bona fide emergency situations concerning a canal, pipeline, pumping station or related facilities that requires immediate action to avoid serious health hazard, avoid unreasonable economic loss to the Authority, relieve the necessity of the people within the Authority's boundaries or preserve property of the Authority, preserve or protect the public health or safety of the people within the boundaries of the Authority or to correct unforeseen damage to public machinery, equipment or other property, the Executive Director is authorized, after obtaining the concurrence of the Department of Public Works and Engineering of the City of Houston, that a bona fide emergency exists, to take such action as is immediately necessary to cope effectively with the emergency without advertising for or soliciting bids. The Executive Director

shall secure the concurrence of the Committee or the Board concerning such action as soon as possible after the emergency.

Mr. Lord stated that those are the highlights of the bylaws.

Mr. Berry stated that we have received proposals up to \$50,000 but they need to be advertised and anything above \$25,000 still goes before the Board for consideration.

Mr. Metyko requested the Board familiarize themselves with this Certificate of Resolution and if several comments are received, we will appoint a Subcommittee to see if changes need to be made. He asked the Board to do this before the next Board Meeting.

Mr. Nash asked if this is something that should be put on the Agenda every one or two years and Mr. Metyko agreed that it should be put on yearly in the event the Board feels that changes need to be made or updated.

Mr. Senac stated that in some sections we use the word "*bona fide* emergency" as opposed to just emergency. He asked, what is the definition or guideline that constitutes a "*bona fide* emergency?"

Mr. Lord stated that under the Water Code, it is the expression for CWA to determine what type of emergency it is. In other emergencies, you submit it to the TCEQ and they determine what type of emergency it is.

Mr. Oradat stated that a hurricane is considered an emergency.

Mr. Senac stated anything that disrupts service would be considered an emergency. The Mayor or Governor will declare an emergency situation and that will impact what we do.

Mr. Berry stated that the only other emergency declared he can recall was a pipeline rupture in the Ship Channel and there were procedures wherein the Director had to write a letter to the TCEQ and that allowed them to advertise and bring in multiple vendors as we had only a limited time to repair this pipeline.

Mr. Senac asked if we have ever been hindered by any of these bylaws. Mr. Metyko stated no, not that he knew of. Mr. Oradat stated that Mr. Baldwin and Mr. Berry are very familiar with our limits and our practices and the O&M Committee is made aware of just about everything. This is public money and we want to be good stewards and we are very careful about how we spend this money.

Mr. Oradat stated that the last item that he had is an Agenda for an O&M Teleconference held on June 7. This shows what we discussed and know that when the Oversight Committee meets we do not make any decisions. If anything comes out of this Teleconference, it would be a recommendation to present to the full Board and someone from the O&M Oversight Committee would say that the Committee supports this recommendation. We are not meeting behind closed doors making decisions that affect the way we do things.

VII. OLD BUSINESS

There was no Old Business to discuss. Mr. Metyko advised that the Board would now go into Executive Session.

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. Metyko advised that the Board was now in Open Session. No action was taken in the Executive Session.

XI. ADJOURNMENT

The Meeting was adjourned at 12:30 p.m.

Zebulun Nash, Secretary-Treasurer