

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

May 12, 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 - Absent
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
Barron Wallace, Vinson & Elkins
George R. Murphy, Vinson & Elkins

Engineering Consultants

Ty Thomas, P. E., Lockwood, Andrews & Newnam, Inc.
Tony Boyd, P. E., Lockwood, Andrews & Newnam, Inc.
Ben W. Bickham, P. E.

Visitors

Don Ripley, P. E., AECOM
John D'Antoni, P. E., Alan Plummer Associates
Melinda Silva, P. E., Brown & Gay Engineers
Lee Lennard, Brown & Gay Engineers
Wayne Ahrens, P. E., Dannenbaum Engineering Corporation
Anne Profflet, EcoLogic, Inc.
Trey Cash, First Southwest Company
Nick Aschliman, Fugro Consultants
David Jackson, P. E., Kellogg, Brown & Root
Jerry D. Newell, P. E., Klotz Associates
Ron Arp, Liquid Process Technologies
Showri Nandagiri, P. E., North Harris County Regional Water Authority
Joe Frankie III, OpCon Technologies, Inc.
Art Morales, Ramirez & Company, Inc.
David F. Eby, P. E., Terracon

I. ITEMS FOR CONSIDERATION:

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

A. Minutes of the April 14, 2010 Board Meeting.

MOTION approving the Minutes of the Board Meeting of April 14, 2010.

Motion made by Director Nash, 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 report on the update on the Luce Bayou Project.

A. Luce Bayou

1. Monthly Status Report

Mr. Don Ripley, AECOM's Project Manager, gave the April Status Report on the Luce Bayou Interbasin Transfer Project. Mr. Ripley 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
- Remaining Funds vs Remaining Tasks
- Stakeholder Communication
- Projected Schedule of Events

Environmental and Permitting

Mr. Ripley stated that the Section 404 Individual Permit Public Notice under 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 period for public comment is anticipated to remain as May 19, 2010.

Mr. Oradat asked if there was any indication that the cutoff date would be extended. Mr. Ripley stated that he had no information if this date would be extended as the USACOE Project Manager was out of the office.

AECOM submitted the letter request to Jayson Hudson to perform road drainage maintenance on the Harrison tract under the USACOE nationwide permit requirements.

AECOM continued discussions with Jerry Androy, USACOE Cultural Resources, to finalize procedure for coordination with the Texas Historical Commission under Section 106 of the National Historic Preservation Act.

AECOM finalized Bald Eagle monitoring activities for 2010.

AECOM coordinated on the property acquisition schedule to allow archeological field investigations to be completed for all but one of the properties within the Luce Bayou Interbasin Transfer Project (LBITP) alignment.

The archaeological investigations with areas of potential prehistoric significance and additional delineation in the vicinity of Capers Ridge and Parcels 1, 4, 8, 39.4, and 51 have been completed.

The draft Antiquities Report is being finalized. This report is due to the Texas Historical Commission by May 13, 2010. They anticipate the review of the report by the USACOE in the May to June time period.

Mr. Oradat asked if it was necessary for this Report to be submitted with the USACOE Permit Application last month. Mr. Ripley stated that it probably would have been better to have submitted the Report with the Permit application. However, it is doubtful that there would be any negative impact. Mr. Ripley stated that there were three factors which caused the Report to be submitted separately: 1) The archaeologist (Roger Moore) was slow in preparing his report; 2) Mr. Moore stated that he had a sizable number of artifacts to classify in order to get his permit receipt from the Texas Historical Commission; and 3) There were some instances where we were not allowed access to the property in question. Mr. Ripley stated that the schedule reached a point where the application had to be submitted, even if the Antiquities Report was not ready.

Mr. Oradat asked Ms. Profilet if she felt there would be any problems with the Report being submitted separately. Ms. Profilet stated that she would call the THC. It is possible that the Public Notice period could be extended, but she wasn't sure.

Engineering

The Preliminary Engineer Report (PER) is completed and was submitted to the City of Houston on May 7, 2010. The City of Houston will coordinate comments from the Stakeholders. The PER was also submitted to Coastal Water Authority on May 7, 2010, as well as all of the co-participants.

AECOM performed investigation and assistance to the land acquisition team for the agricultural area investigation.

AECOM continued pipeline and utility coordination.

ROW Acquisition

AECOM attended the Special Commissioners Hearing for condemnation of Parcels 14 and 44.

AECOM continued evaluation of operations and improvements across agricultural properties that will be impacted by the project (estimate of "cost-to-cure"). The estimate of "cost to cure" is to assist the appraisal firm, working as a sub to Vinson & Elkins, to accurately quantify what damages would be realized by the property owner due to the construction of our project.

Mr. Oradat asked if this loss of income is because we acquired a piece of the property? Mr. Ripley stated that acquiring a piece of the property can diminish the value of the remaining tract if access is impacted. It could also cause the remaining tract to be an irregular shape. There are a lot of issues that will probably be more accurately addressed by the appraisal firm.

The Right-of-Way acquisition information has been updated and/or reformatted. The number of parcels may go up again because occasionally, the property owners will subdivide their property in the hope that such action will increase the value of their property. As an example, there was an owner who subdivided his parcel into three separate parcels. It did not increase the acreage of land being purchased, just the number of parcels.

Regarding the number of "Phase 1 ESA's" to be prepared, the one remaining ESA is for the Harrison homestead. There is a minimal amount of work to do and we are just waiting to see how that acquisition works out.

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: 26 completed
Property Acquired: 16 completed, 14 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

- 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 April 2010.

<u>FIRM</u>	<u>BILLINGS</u>	<u>% OF AECOM BILLINGS</u>
WCW International	\$ 1,382,649	11.50%
Isani Group - Adept	\$ 949,848	7.90%
RBI	\$ 389,867	3.24%
HVJ	\$ 134,039	1.12%
Entech/Tolunay Wong	\$ 94,950	0.79%
Total	\$ 2,951,353	24.55%

Sub-Consultant Participation

<u>FIRM</u>	<u>BILLINGS</u>	<u>% OF AECOM BILLINGS</u>
MBE/HUB	\$ 2,951,353	24.55%
Other	\$ 1,050,000	8.74%
Total	\$ 4,001,353	33.29%

Mr. Ripley stated that we have over 24% in HUB-MWDBE 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	<u>\$10,105,500</u>	<u>\$ 7,739,438</u>	Ongoing
Totals	\$14,963,500	\$12,020,468	

Stakeholder Communications

- The PER was submitted to Public Works & Engineering on May 7, 2010.
- Public Works & Engineering approval required before Final Design can begin (per contract).
- Conducted Monthly Teleconference on May 4, 2010.
- Confirmed that WIF #2 Loan will be closed.
- Next teleconference scheduled for June 1, 2010.
- Future teleconferences will be on an “as needed” basis during the USACOE permit review.

Mr. Oradat advised that the Stakeholders agreed to go forward and close the WIF #2 Loan. This decision reflects a reassessment of the amount of money that will be needed to acquire the needed land (including an estimation of any “loss of income” for agricultural property), and a reflection of the amount of effort that AECOM, Vinson & Elkins, and the appraisal firm will need to expend in support of acquisition. Although the CWA-COH agreement allows the continued use of the SEALs Fund, there is only so much money in that fund. The acquisition of additional WIF money will allow Mr. Baldwin to have a distinct separation between the “Land and Mitigation Fund” referenced in the CWA-COH agreement (i.e., the SEALs Fund to be used only to purchase dirt) and the WIF money which will be used to fund AECOM, Vinson & Elkins, and the appraisal firm. Mr. Oradat asked Mr. Baldwin if he wanted to discuss this further.

Mr. Baldwin stated that he will set up two new funds: a 2010 Construction Fund and a 2010 Escrow Fund which will have an additional amount for the Final Design Phase.

Mr. Oradat stated the next teleconference will be on June 1. He had hoped one would not be needed in June, but the teleconferences will continue until WIF #2 is closed and the PER is approved by Houston PWE. Once those are accomplished, the teleconferences will be scheduled on an “as needed” basis.

Projected Schedule of Events

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

- Summer – 2010: PER approved by Houston Public Works & Engineering Director (required before Phase II begins).
- Summer - 2011: USACOE Permit secured and all property acquired. AECOM's current authorization complete.
- 1st Quarter 2014: TWDB requested to release escrowed funds for "Phase II – Final Design".
- 1st Quarter 2014: Once TWDB releases funds, issue NTP for "Phase II – Final Design".
- Advertise/Receive Bids/Award Project: January-June 2016.
- NTP issued to Contractor: July 1, 2016.
- "Substantial Completion" July 1, 2019, (as stipulated in CWA-COH contract).

Mr. Oradat stated that once we get the USACOE Permit secured, the project will be on hold and basically shut down for about 2 ½ years.

Mr. Othon asked why the project will be shut down. Mr. Oradat stated that there is a desire on the part of the Stakeholders to delay construction until the last possible moment. This reflects the fact that once construction financing is secured, repayment will need to begin within three (3) years. The Stakeholders prefer that repayment coincide with the use of the additional treated surface water from the Northeast Water Plant. In other words, additional revenues are coming in at the same time the construction financing needs to be repaid. This is a \$220 million project and the construction financing will be significant.

The current schedule reflects construction beginning in July 2016 and reaching "Substantial Completion" by July 1, 2019. We are confident that the project can be constructed in 36 months as there can be multiple projects underway at the same time (i.e., a Pump Station project, a pipeline project, and multiple contracts for the canal).

Mr. Oradat stated that the Stakeholders are gambling, more or less, that their future water demand projections are accurate and they won't need water before January 1, 2020 when the subsidence regulations require 70% surface water and only 30% groundwater. Of course, the Northeast Water Plant will need to be expanded from 80 MGD to 320 MGD in order to treat the raw surface water to be provided by Luce Bayou. That alone is a \$500 million project.

Mr. Baldwin stated that July 1, 2019 is also the starting date for repayment of the WIF loans from the Texas Water Development Board. The stakeholders prefer that repayment coincide with increased revenues.

2. Reconsideration of Application for WIF # 2 and Resolution authorizing preliminary procedures and related activities to the issuance of Contract Revenue Bonds (Luce Bayou Project), Series 2010.

Mr. Oradat stated that we have the issue of the WIF #2 Loan and he is requesting the Board reconsider the Application for WIF # 2 and Resolution authorizing preliminary procedures and related activities to the issuance of Contract Revenue Bonds (Luce Bayou Project), Series 2010 subject to receiving a letter from Mr. Marcotte, Public Works & Engineering, authorizing we reconsider the Application for WIF #2.

MOTION APPROVING A RESOLUTION STYLED, "RESOLUTION OF COASTAL WATER AUTHORITY AUTHORIZING PRELIMINARY PROCEDURES RELATING TO THE ISSUANCE OF CONTRACT REVENUE BONDS (LUCE BAYOU PROJECT), SERIES 2010, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,115,000; AUTHORIZING THE DISTRIBUTION OF THE PRELIMINARY BOND DOCUMENTS; AND AUTHORIZING THE EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER TO ENTER INTO AGREEMENTS WITH FINANCIAL ADVISORS, CO-BOND COUNSEL, PAYING AGENT, ESCROW AGENT, VERIFICATION AGENT, AND OTHER CONSULTANTS; CONTAINING A REPEALER" SUBJECT TO RECEIVING THE LETTER FROM MR. MICHAEL MARCOTTE, DIRECTOR OF PUBLIC WORKS & ENGINEERING, CITY OF HOUSTON.

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

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

**CWA Strategic Study
April 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 advised that LAN & Alan Plummer Associates met with the City of Houston on April 22 to discuss the scope of the Watershed Management Strategies. This is investigating the possibility of Constructed Wetlands on the west side of Lake Houston. The City of Houston staff agreed to provide some information on Lake Houston water quality and they will also discuss (internally) the possible movement of a Diversion Point to capture the return flows from the wastewater treatment plants on the west side of the Lake. It was a very positive meeting and Mr. Oradat appreciated Mr. Chang and his staff for meeting with LAN & Mr. .

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.

Mr. Oradat stated that we have just about abandoned our discussions with Air Products 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.

Mr. Oradat advised that we should receive the funding for the project this week. Once this funding is received, we will issue a "Notice to Proceed" to Millsap Waterproofing to begin the project.

Mr. Metyko asked if Millsap was objecting to the delay. Mr. Berry stated that they are not objecting to the delay as the contract states that the bid is good for 120 days.

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.

PRSI has signed the revised Agreement. Air Products signed the Agreement previously. The project will be advertised next week and we anticipate coming to the Board in July to approve the project for the Red Bluff Water Treatment Plant.

C. SB 361

Mr. Oradat stated that Senate Bill 361 requires backup generators at the Lynchburg Pump Station. Mr. Oradat stated that our 90-day extension is coming to a close and we are ready to submit our "Emergency Preparedness Plan" to the TCEQ. We have been waiting until the City received their proposals for some alternative approach to comply with SB 361. Our current intent is to submit our EPP by June 1, 2010. Our EPP will also state that the Trinity River Pump Station is not affected by Senate Bill 361 as it is located outside of Harris County. Once our EPP is approved, we will implement the plan.

Mr. Oradat asked Mr. Chang if he had any information on the City's approach. Mr. Chang stated they received several proposals last week and the staff is reviewing them. He stated that he should know something by the end of this week and he will get back with Mr. Oradat.

Mr. Metyko asked about the content of the proposals. Mr. Chang stated that the proposals were for the emergency back-up generators at the East and Southeast Water Plants, as well as other selected facilities. When they first approached us, they stated they would not require any investment by PWE to install, operate and maintain the generators. However, while we were waiting for the proposals to be submitted, we heard they were talking about payment.

D. Independence Parkway

Mr. Oradat stated this is the Contract Agreement with Harris County regarding improvements on Independence Parkway, on property owned by CWA and property owned by Harris County. We received the plans and specifications this week and Mr. Berry is in the process of reviewing them. Mr. Oradat stated that we are giving a lot of attention to the metes and bounds descriptions as the amount CWA will contribute to the project will be a pro-rata amount based on acreage. The Board originally approved a commitment up to \$1.5 million from the SEALs Fund. Based on information we received this week, CWA's share will be about \$1.2 million and Harris County's share is approximately \$800,000-\$900,000.

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

A. Battleground Road Property.

Mr. Lord stated that the City has advertised for bids for the property.

Mr. Berry stated that a site visit is scheduled for May 26, 2010 and CWA will grant access. Mr. Bob Christy is handling this for the City of Houston.

Mr. Oradat stated that all proceeds for the sale will go to the City of Houston. CWA will recoup expenses, but the bulk of the proceeds will go to the City of Houston.

Mr. Berry advised that there was another inquiry and it has been referred to Mr. Christy's office.

Mr. Lord stated that this is only a 3-acre strip and we will retain ownership of the remainder of the property.

Mr. Berry stated for the benefit of the new Board Members, when we originally purchased this property it was for a Maintenance Facility south of the Ship Channel when the pipeline was being built. That was before CWA purchased the Bayport facility. As a result, the Battleground Road property was never used for that purpose.

Mr. Othon asked how many acres are on the property. Mr. Lord stated we are selling three acres, but the total acreage is 25 acres. The idea was to sell off the portion that fronted along the ship channel.

Mr. Oradat stated that the rest of the property is basically undisturbed. A metals sweep was done and no artifacts were found. He has had several conversations with Jan DeVault, President of The Friends of the San Jacinto Battleground. She is hopeful that technology will improve and another investigation can be performed.

Mr. Lord stated that they asked CWA to give them the property but we could not do that. They also wanted us to lease it to them and put an easement on it, but we chose to keep the property as they may want us to do something else.

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

Mr. Lord stated that this will be discussed in the Executive Session. At the last Board Meeting, the Board authorized us to negotiate with the County on a form of easement. The County had offered us \$43,000 to purchase an easement that goes across our pipeline. We have come up with some points that we must discuss in Executive Session.

C. Consider appropriate action on the sale of Parcels 28 and 29 for TxDOT Widening of SH 146. – John Liles

Mr. Berry stated that the next two items for discussion and appropriate action on the sale of Parcels 28 and 29 for the TxDOT widening of State Highway 146 North of Mt. Belvieu over our Main Canal. Mr. Berry stated we have been working on this for about five or six years. KBR reviewed the documents earlier and LAN got in on the final changes. TxDOT has met all requirements and he turned it over to Mr. Liles (COH Real Estate).

Mr. Liles stated that it was an interesting negotiation in that TxDOT has O.R. Colan Associates Real Estate Company. They wanted a full warranty deed, but he told them that CWA would not do that and he got them down to a Special Warranty Deed. Mr. Liles made sure that we still have the ability to get to our canals. There are some "access denied" areas, but they are satisfactory. The actual pricing method was reviewed by our Eminent Domain Group and we are satisfied with the procedures and the price.

Mr. Berry recommended accepting the Texas Department of Transportation's offer of \$1,847.00 for Parcel 28, a 0.216 acre tract (9,408 square feet) of land, for the widening of SH 146 and construction of a new bridge across the CWA Main Canal and authorizing the execution by CWA's Board President of a deed conveying the property to the Texas Department of Transportation.

MOTION accepting the Texas Department of Transportation's offer of \$1,847.00 for Parcel 28, a 0.216 acre tract (9,408 square feet) of land, for the widening of SH 146 and construction of a new bridge across the CWA Main Canal and authorizing the execution by CWA's Board President of a deed conveying the property to the Texas Department of Transportation.

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

Mr. Berry recommended accepting the Texas Department of Transportation's offer of \$7,411.00 for Parcel 29, a 1.107 acre (48,211 square feet) tract of land, for the widening of SH 146 and construction of a new bridge across the CWA Main Canal and authorizing the execution by CWA's Board President of a deed conveying the property to the Texas Department of Transportation.

MOTION accepting the Texas Department of Transportation's offer of \$7,411.00 for Parcel 29, a 1.107 acre (48,211 square feet) tract of land, for the widening of SH 146 and construction of a new bridge across the CWA Main Canal and authorizing the execution by CWA's Board President of a deed conveying the property to the Texas Department of Transportation.

Motion Made by Director Senac, Seconded by Director Nash, Motion Carried Unanimously.

D. Consider appropriate action with Harris County on Port Road Improvements from Bay Area Blvd. to SH 146.

Mr. Berry advised that when this was put on the Agenda, we were not sure we had an action item but he wanted to brief the Board on this issue.

Mr. Berry stated that Harris County is widening Port Road between Bay Area Boulevard and State Highway 146. We have a section of pipeline that is attached to one of their bridges that will be torn down and the pipeline needs to be relocated. LAN is negotiating with Harris County and Mr. Lord has looked at the Deed easements and we are located in the Harris County Road Right-of-Way and will have to pay for this relocation. LAN is working with the office of the County Engineer to negotiate an agreement with them to include this relocation in their contract. We will bring this back to the Board for consideration when it is worked out. If we have to pay for this, it will be paid for out of the Bayport Construction Fund.

Mr. Baldwin stated that we have a Bayport Construction Fund which we have been funding over the last several years with the conveyance fee charged to the Bayport Water System Customers.

IV. MAINTENANCE & OPERATIONS - Jerry Berry

Mr. Berry referred the Board to a letter from the North Fort Bend Water Authority thanking Coastal Water Authority for taking the time to give them a presentation and a tour of CWA's Lynchburg and Trinity River Pump Stations. CWA staff spent the day with their Board Members and staff. They were very complimentary regarding CWA's operations and expressed their confidence in CWA's Operations and Maintenance for the future.

A field tour has been scheduled for our three new Board Members on May 25th. We feel this will be very beneficial to them.

A. Monthly Report

TRINITY RIVER	Water Production	
	April	DAILY AVG (MGD)
	30 DAYS (gallons)	INDUSTRIAL & TREATMENT
Trinity River Pump Station	14.3 billion	Hwy 225 Plants 111
Main Canal	13.0 billion	SEWPP 80
Cedar Point Lateral	1295.2 million	EWPP 180
San Jacinto Transfer Station	308.3 million	Deer Park WTP 4
Lynchburg Pump Station	12.3 billion	Bayport Plants 28
Water Treatment Plant	160.0 million	BAWA 14
Bayport Pump Station	836.8 million	CPL 43
		SJRA <u>10</u>
		471 MGD
SAN JACINTO RIVER		
Lake Houston Pump Station	1.2 billion	Indus. Customers 31
		EWPP <u>10</u>
		San Jacinto River Total 41 MGD

Operations

Mr. Berry advised that the average daily production at the Trinity River Pump Station in April was 471 MGD (441 MGD in March). Production is below our projections for this time of the year. At the Lake Houston Pump Station, the average daily production in April was 41 MGD (41 MGD in March). Production is below our projections for this time of the year and should remain at this level until mid year. All other pressures and flows are normal.

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

LHP-120 – Water Intrusion Repairs, Lake Houston Pump Station. Funds were approved by Houston City Council on April 28, 2010. CWA forwarded transmittal instructions Public Works on May 7, 2010. Once funds are received, a "Notice of Award" will be issued to Millsap Waterproofing. A "Notice to Proceed" will be issued separately.

Mr. Othon asked about the purpose of the project. Mr. Berry stated that moisture is coming in the floor, roof and walls. The project will result in a new roof and will also address a considerable number of flashing and maintenance issues on the building. We will show this building on the tour.

Effective June 1, 2010, untreated water rates for agricultural use will increase. This is per new rates approved by Houston City Council. Unless entitled to a different rate authorized under the Ordinance, the new Ordinance requires all general agricultural use to be metered at a rate of \$115.24 per million gallons.

Rice irrigation rate is authorized under the Ordinance as follows:

- First watering increases from \$57.62 to \$115.24 per acre or per million gallons (if metered).
- Each additional watering increases from \$10.48 to \$20.96 per acre or per million gallons (if metered).

The Barbers Hill Canal through the City of Mont Belvieu and Southeast Lateral "A" is being used to supply irrigation water to 400 acres of rice on the C.T. Joseph Farm in Chambers County South of Interstate 10.

Northwest Lateral "E" is used to supply irrigation water to 200 acres of rice on the Nelson Farm.

Northwest Lateral "C" is used to supply metered water to the Frost Farm.

Southwest Lateral "G" is used to supply 75 acres on BS Farms for Crawfish farming (unmetered). This will impact the BS Farms.

Mr. Senac asked if the Speer Crawfish Farm is totally moving from “acreage” to meter. Mr. Berry stated that is correct. They buy their water from the City of Houston and CWA will comply with delivery directions from the City.

Dredging operations at the Trinity River Pump Station sediment basin are complete for the year. Sand is being removed from the dredge ponds to free up space for future dredging.

CWA shut off the water supply to Odfjell Terminals in Bayport at the customer’s request. They will be down for two weeks for internal repairs.

Maintenance

Routine maintenance activities include:

- Repairs to the fire water pump at the Canal Maintenance Station.
- Weekly cleaning of CL2 and NH3 analyzers at the Lynchburg Pump Station, the East Water Purification Plant and the Southeast Water Purification Plant.
- Replacing check valves on chlorine injectors for four “B” System pumps and six “C” System pumps.
- Replacing the “B” System UPS on the Invensys controls.
- Replacing capacitors on Main Breaker #2 in the 138 KV Substation at Lynchburg.
- Replacing two backwash pumps at the Red Bluff Water Treatment Plant.
- CenterPoint Energy shutting off power to Lake Houston Dam on April 22 to replace cross arms and install new power lines to the dam.

Hurricane Preparedness

- Emergency Operation Plans have been reviewed and updated.
- Adjustments have been implemented from “Hurricane Ike” lessons learned.
- Responsibilities of Tier 1 and Tier II staffing have been reviewed.

Mr. Othon asked about CWA’s Tier Classification System.

Mr. Berry advised that Tier I is a designation for emergency responders. When there is a declared emergency (such as a hurricane), they have to respond when called. All Tier employees have signed an Agreement (developed by Vinson & Elkins) which outlines their responsibilities. In addition, the Tier I employees receive an 8% increase in salary. Tier II employees receive a 4% increase in salary. Tier III employees do not receive any salary adjustment.

Tier II employees are first responders in the immediate aftermath of a declared emergency and must report within 24 hours, after notification, to relieve the Tier 1 responders.

Tier III employees do not report until the declared emergency is over. Currently, the majority of the downtown staff is classified as Tier 3 (i.e., the clerical and accounting staff).

Mr. Berry further stated that:

- Communications equipment has been exercised and tested.
- Customer and “emergency contact” information has been updated.
- All generators, pumps and emergency response equipment have been serviced and exercised.
- Switching equipment has been installed at the Red Bluff Water Treatment plant to accommodate a trailer mounted 800 KW generator to be supplied and refueled by PRSI if needed.
- CWA field staff is prepared and readiness is “high”.

Mr. Oradat stated that every year, we have a meeting with the O&M Oversight Committee and go over our Hurricane Preparedness Plan. He stated that he would

like to have the meeting before the June Board of Directors Meeting if at all possible.

B. Contract Amendment for Security Guard Services.

Mr. Berry advised that he had another item on the Agenda which is for the approval of an Amendment to the current Security Guard Services contract. Last year, the Board approved the contract which included a provision for a "cost of living adjustment" (COLA) of 3%.

Mr. Nash asked what about the basis for the 3% COLA. Mr. Berry stated the 3% COLA is a typical amount which has been included in previous security contracts. However, the Board is not obligated to grant this increase. We do have the option to terminate the Agreement rebid the contract. Mr. Othon asked about the number of previous increases. Mr. Berry stated that this is their first increase.

Mr. Berry stated this contract began last year and previous contracts were only for one year at a time. This contract represents the first time we have been able to negotiate a 3-year agreement. However, it does contain the provision for an annual 3% COLA.

Mr. Senac asked about the typical hourly rate and whether or not the guards are armed. Mr. Berry stated these are typical security officers and are not armed. We have 24-hour guard service at Lynchburg, Bayport and Lake Houston. The new rate would be \$14.21 per hour. The only Supervising Officer will be paid \$15.67. Mr. Senac asked if we pay much overtime and Mr. Berry stated that we do not pay overtime. There is an item in the contract that if we need additional guards, there is a higher rate for that specific requirement. Mr. Othon asked how much do we pay per month. Mr. Berry stated that the service is paid \$127,175 per year at each facility. That is for four guards at each site for 24-hour coverage.

Mr. Metyko asked if this is an annual contract that we can renew for three years. Mr. Berry stated that the contract can be renewed annually with the 3% COLA.

Mr. Nash asked if we could negotiate the COLA. Mr. Berry stated that we have and the representative asked for the 3% COLA for his employees.

Mr. Berry stated that although we could cancel the contract, the 3% COLA is reasonable and is included in our budget.

Ms. Zarinkelk stated that for the safety and security this is not much. Mr. Berry stated that the old rate was \$13.80 per hour and we are going to \$14.21.

MOTION approving an amendment to the current Security Guard Services Contract with Weiser Security Services. The amendment includes a 3% increase in the unit prices for services and a one year extension, both to be effective June 1, 2010.

Motion made by Director Senac, Seconded by Director Othon, Motion Carried by 5 Board Members, Mr. Nash voted no.

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 four months ending April 30, of the Budget year 2010. All four operating funds are doing well and expenditures are under budget year to date. Water demands are down for the first four months and we are seeing that not only at the City of Houston but at Bayport and the Water Treatment

Plant. This is not too unusual for the first few months considering the economy.

Mr. Chang stated that they have seen the Water demand going up recently. It has averaged 400 MGD in the last week and we also have the major 66 inch line down so we have been using more ground water instead of surface water and that line will be back in operation next week. This will result in getting back to the normal utilization of the surface water CWA delivers to the East Water Plant. We are also holding off the West Authority's request for more water because of the line being down.

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

B. FEMA Reimbursement for Activities Related to Hurricane Ike.

Mr. Baldwin stated that he had communications with FEMA representatives this week and they are going through their documents and everything seems to be fine. We sent another document that they couldn't find in their file, but they had acknowledged receiving it last year. We still anticipate receiving another \$20,000 or so.

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

Mr. Baldwin advised that he still has not heard from the U. S. Immigration and Customs Enforcement Agents on the documentation we provided them in November 2009.

D. Internal Management Report for Quarter Ending March 31, 2010.

Mr. Baldwin stated that in each folder is the Internal Management Report for the Quarter ending March 31, 2010. This report reflects all of our investment activities on all of our funds during that period. This report is required by the Texas Public Funds Investment Act and is incorporated as a requirement in our Investment Policy. This report was submitted to the Finance and Audit Committee this morning prior to the Board Meeting. Our yield is extremely low but that is reflecting what is going on in the Financial Market. We plan to hold all of our investments to maturity and have done so through this period.

Mr. Baldwin recommended the Board consider a Motion accepting the Internal Management Report for the Quarter ending March 31, 2010.

Mr. Metyko asked if the Finance and Audit Committee recommended accepting the Internal Management Report for the Quarter ending March 31, 2010. Mr. Nash stated they did.

MOTION accepting the Internal Management Report for the Quarter ending March 31, 2010.

Motion made by Director Nash, Seconded by Ms. Zarinkelk, Motion Carried.

E. Trinity River Construction Fund – Series 2004

Mr. Baldwin stated that the Trinity River Construction Fund, Series 2004, was a \$40 Million Bond sale we did in 2004 that funded the expansions and improvements at the Trinity River Pump Station and the Lynchburg Pump Station. We completed that project late last year and all the bills and expenditures have been paid. We still have \$699,743.43 remaining in that fund and there are only two options wherein we can use those remaining

funds - 1) construction on that system or 2) transfer those funds to the debt service fund for those bonds for use on the next debt service payment.

We have had conversations with the City of Houston Public Works & Engineering Department as to how we could use the money for other activities. They didn't feel that would be appropriate and requested the transfer of those funds to the City of Houston for the next debt service payment.

Mr. Baldwin recommended approving the MOTION closing the Trinity River Construction Fund – Series 2004 and transferring the remaining cash balance to the appropriate City of Houston debt service payment fund

MOTION closing the Trinity River Construction Fund – Series 2004 and transferring the remaining cash balance to the appropriate City of Houston debt service payment fund.

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

F. Financial Advisory Agreement with First Southwest Company

Mr. Baldwin stated that the next item on the Agenda is the Financial Advisory Agreement in support of going forward with the WIF #2 Loan. The Financing Group we put together processed the application and closing on WIF #1 and processed the application for WIF #2 with the Texas Water Development Board. The Financial Group consists of Co-Bond Counsel Vinson & Elkins, Bates & Coleman and Co-Financial Advisors, First Southwest and Ramirez & Company. Mr. Baldwin advised that we have a contract with Vinson & Elkins for the activity required on WIF #2, and he is recommending the Board approve the MOTION approving a Financial Advisory Agreement with First Southwest Company for the Luce Bayou Interbasin Project to assist in finalizing the WIF #2 Loan. Mr. Metyko asked if this is subject to the letter from Mr. Marcotte and Mr. Baldwin stated it is.

MOTION approving a Financial Advisory Agreement with First Southwest Company for the Luce Bayou Interbasin Project.

Motion made by Director Zarinkelk, Seconded by Director Nash, Motion carried unanimously.

VI. DISBURSEMENTS

Mr. Metyko advised that there are five disbursements to be approved by the Board: the Construction Fund – Series 2004, CWA SERIES 2004 DEBT SERVICE FUND - Transfer Balance of Closed Construction Fund (To be applied to June 2010 Debt Service Payment Coastal Water Authority Contract Revenue Bonds Series 2004) in the amount of \$699,743.43, the Construction Fund – Series 2009 (Luce Bayou Project) in the amount of \$224,742.68, the Conveyance System Development Fund in the amount of \$8,598.49, the Luce Bayou – Land & Mitigation Fund in the amount of \$ 408,941,71 and the Special Project Equity Fund in the amount of \$ 42,420.04.

MOTION approving disbursement of the Construction Fund – Series 2004, CWA SERIES 2004 DEBT SERVICE FUND - Transfer Balance of Closed Construction Fund (To be applied to June 2010 Debt Service Payment Coastal Water Authority Contract Revenue Bonds Series 2004) in the amount of \$699,743.43, the Construction Fund – Series 2009 (Luce Bayou Project) in the amount of \$ 224,742.68, the Conveyance System Development Fund in the amount of \$8,598.49, the Luce Bayou – Land & Mitigation Fund in the amount of \$ 408,941,71 and the Special Project Equity Fund in the amount of \$ 42,420.04.

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

X. NEW BUSINESS

Mr. Oradat stated that a meeting is scheduled for this Friday at 9:30 a.m. with Director Zarinkelk, Director Metyko and PWE Director Mike Marcotte. Mr. Othon will meet with Mr. Marcotte as his schedule permits.

Mr. Oradat stated that Mr. Metyko and the new Board Members also want to meet with the area Water Authorities. Following the meeting with Mr. Marcotte, he will call the North Authority, the West Authority, the North Fort Bend Authority and the Central Water Authority to arrange meetings for the new Board Members and Mr. Metyko to meet with their representatives.

Lastly, our very own Patty Kingan decided to retire. Over the next few months, we will be posting and hiring someone to assume her duties. Obviously, she cannot be replaced. Hopefully, the new person will show up in the August-September time frame.

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.

Mr. Oradat stated with regard to Genoa Red Bluff, we will continue negotiations with Harris County.

XI. ADJOURNMENT

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

Zebulun Nash, Secretary-Treasurer