

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

November 17, 2009

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

Directors

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

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

CWA Staff

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

City of Houston Staff

Jun Chang, P. E., PW&E
Katheryn Bechtold, PW&E
John Liles, Legal Department

Legal Counsel

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

Engineering Consultants

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

Visitors

Don Ripley, P. E., AECOM
Harold Underwood, CH2MHILL
Bryan Easum, City of Mont Belvieu
Mike Pomykal, City of Mont Belvieu
Robert Randolph, outside counsel representing Mont Belvieu
Wayne Ahrens, P. E., Dannenbaum Engineering
Anne Profflet, Ecologic, Inc.
Samuel K. Eaton, Sr. JNE Enterprises, Inc.
David Jackson, P. E., Kellogg, Brown & Root
Eric Hall, P. E., Kellogg, Brown & Root
Karin Werness, Kipling Jones & Co.
Showri Nandagiri, P. E., North Harris County Regional Water Authority

I. ITEMS FOR CONSIDERATION:

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

A. Minutes of the October 14, 2009 Board Meeting.

Motion approving the Minutes of the Board Meeting of October 14, 2009.

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

B. Recognition of Guests.

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

XI. NEW BUSINESS

Mr. Avilés advised that at this time the City of Mont Belvieu will be making a presentation to the CWA Board

A. Proposed “Letter of Understanding” between the Coastal Water Authority and the City of Mont Belvieu

Mr. Oradat advised that the CWA Staff has discussed this issue with the City of Mont Belvieu and/or their engineers on several occasions. We have also met with Mr. Bob Randolph, an attorney who is representing the City of Mont Belvieu in this effort. They are requesting the approval of the “Letter of Understanding”, a copy of which has been given to each Board Member.

Mr. Oradat then introduced Mr. Bryan Easum, City Administrator for the City of Mont Belvieu who will make a brief presentation at this time.

Mr. Easum gave an overview of Mont Belvieu and their plans for development. Currently, there are several CWA canals in the identified area. The proposed “Letter of Understanding” seeks CWA’s involvement in Mont Belvieu’s efforts to further their development plans while addressing CWA’s needs relative to its canals. No financial participation by CWA is being requested. All expenses in connection with the investigation will be borne by Mont Belvieu. CWA is under no obligation to accept the alternatives. However, CWA will remain part of the process.

Mr. Senac asked if there were any issues that CWA should be aware of. If so, those needed to be discussed at this time.

Mr. Oradat stated that we have had several discussions on this issue and the CWA staff has no objections to the proposed “Letter of Understanding” and he recommended approval.

MOTION approving a “Letter of Understanding” between the Coastal Water Authority and the City of Mont Belvieu.

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

At this time, Mr. Oradat congratulated Mr. Avilés, the President of our Board of Directors, on being named the Houston Hispanic Chamber of Commerce Male Entrepreneur of the Year.

Mr. Oradat advised that at this time the Board would go into Executive Session.

IX. 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.

X. RECONVENE – OPEN SESSION

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

II. ONGOING CONSTRUCTION PROJECTS – Gary N. Oradat

Mr. Oradat stated that we have nothing to report on Ongoing Construction Projects.

III. ONGOING ENGINEERING PROJECTS – Gary N. Oradat

A. Luce Bayou

Mr. Oradat referred the Board to the Agenda for the Monthly Teleconference call held Tuesday, November 10, 2009 at 10:00 AM and the listing of participants.

Mr. Oradat advised that it was a very good conversation. The City of Houston will discuss the Direct Connect to the Northeast Water Purification Plant with the Stakeholders after January 1, 2010.

Regarding the scheduled tour of the Constructed Wetlands in the Dallas area, the site visit was to occur a few weeks ago. However, due to weather conditions in the Dallas area, the visit was cancelled. The site visit is currently scheduled for December 1-2.

The Technical Review Committee will meet on Thursday, November 19 to discuss the “Draft” PER. We have asked all Stakeholders to attend. He extended an invitation to the O&M Oversight Committee and Mr. Metyko stated he could not attend.

At this time, Mr. Oradat advised that Mr. Ripley, AECOM’s Program Director, will give the November Status Report on the Luce Bayou Interbasin Transfer Project.

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

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

Environmental and Permitting

Mr. Ripley stated that AECOM has developed Delineation Reports for the Harrison Tract and Parcels 43-54.

AECOM has obtained a “Right of Entry” for Parcels 41 and 42. DESCO, a HUB firm, is performing wetlands delineation of these forested parcels.

AECOM has evaluated potential wetlands impacts and assisted with project alignment definition along CR 624.

AECOM has collected additional aerial photographs and performed field evaluation of areas logged on the Harrison Tract to make sure it has not negatively impacted our available mitigation property.

AECOM has refined the project alignment in agricultural fields to comply with the “Bald Eagle Protection Act” prior to construction.

The “Wetlands Delineation Report” for the Capers Ridge Pump Station site has been finalized for CWA review.

AECOM has developed a summary of the Environmental Report which is what will be submitted to the Corps of Engineers with the Permit Application.

The “Terrestrial Species and Vegetative Habitat Report” has been issued by Crouch Environmental Services, an MBE firm. The Report will be reformatted for inclusion in the Permit Application.

AECOM has updated the environmental portion of the Luce Bayou Website. A project calendar has been added. The route map will also be updated.

Engineering

AECOM has distributed the “Draft” PER for review by the Technical Review Committee. Comments were received from the City of Houston and CWA.

The PER included chapters on:

- Project Overview
- Trinity River Conditions
- Project Capacity and Operation
- Pump Station Design, and
- Conveyance system Design

The layout and design of the pump station and the conveyance system design were critical so that we accurately quantify what would be impacting in the construction project for which we have to mitigate.

The PER also included exhibits for the preliminary Pump Station design and the entire pipeline and canal right-of-way.

We have completed the first draft of the preliminary engineer’s opinion of probable construction cost. We have sent this to all co-participants.

We have completed the hydraulic and sediment transport models for post-project conditions.

Fugro has completed the preliminary geotechnical report.

We are investigating the design of any drainage siphons and probable crossing locations. We have over 19 crossings between the Harrison Tract and Luce Bayou.

We have refined the preliminary design of the outfall structure.

We have investigated and evaluated methods to control sediment buildup within the project conveyance system.

We have continued preliminary surge and transient analysis for project pipeline.

We have performed additional analysis and developed memorandums regarding revisions to the project alignment.

We are coordinating the design of the project with known TxDOT and Liberty County roadway improvement projects.

ROW Acquisition

Mr. Ripley advised that Commissioners Hearing was completed for condemnation of parcels 3-4.5 (Harrison Tract) and parcel 52:

The Commissioners Hearing dates established for Parcels 50 and 51 will be held November 24, 2009. This is in the vicinity of State Highway 2100.

The awards for parcels 52, 53 and 54 have been deposited. CWA now has possession.

We have completed boundary surveys for parcels 18, 39.4, 39.6, 39.8, 40.5, 48 and 49.

We have completed Phase I "Environmental Site Assessments" for parcels 9-14, 48 and 49.

We have updated the property acquisition database and draft cost estimate.

We continue to acquire a "Right-of-Entry" for all remaining parcels affected by the proposed right-of-way (ROW).

We have condemnation petitions filed for parcels 50 and 51 and a critical hearing date is scheduled for November 3, for parcels 3, 4, and 4.5 (Harrison Tracts).

We have completed boundary surveys for parcels 3.5, 40, and 41 and continued boundary surveying appraisals and Phase 1 environmental work on the remaining priority "B" parcels. AECOM has updated the property acquisition database.

Mr. Ripley advised that he has changed the format for the slide on ROW acquisition:

ROW ACQUISITION

Status (number of parcels completed or in progress)

Right of Entry – 58 Completed
Title Report – 57 Completed
Survey- 27 Completed – 11 In Progress
Phase 1 ESA – 22 Completed – 10 In Progress
Appraisals – 13 Completed – 8 In Progress
Offer Letters – 11 Completed – 2 In Progress
Condemnations Files – 9 Completed
Property Acquired – Remaining to Complete

Schedule

Mr. Ripley stated that the schedule is unchanged

Begin tasks in "Work Order No. 7" - March 11, 2009

Resolution of Take Point - Completed June, 2009

Complete property boundary surveying/acquisition – To Be Determined

Complete environmental field work – December 31, 2009

Complete Preliminary Engineering in support of 404 Submittal – March 31, 2010

Joint Evaluation Meeting – October, 2009

Submit 404 Application to USACOE – March 31, 2010

Receive 404 Permit – September 2011 to March 2012

AECOM Team Members

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

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

HUB/MWDBE Participation (thru October 2009) (Had September –October)

Mr. Ripley stated that our MWDBE percentage is down 2½% since last month and should continue to pick up each month.

<u>FIRM</u>	<u>BILLINGS</u>	<u>% OF AECOM BILLINGS</u>
WCW International	\$ 941,309	9.94%
Isani Group – Adept	\$ 689,361	7.28%
RBI	\$ 300,478	3.17%
HVJ	\$ 90,851	0.96%
Tolunay-Wong	<u>\$ 10,200</u>	<u>0.11%</u>
 Total	 \$2,032,199	 21.46 %

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>\$ 5,186,074</u>	Ongoing
 Totals	 \$14,963,500	 \$ 9,467,104	

Stakeholder Communication

Mr. Ripley reiterated Mr. Oradat’s earlier statements. The next teleconference is scheduled for December 1, 2009.

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

**CWA Strategic Study
 November, 2009 Status Report**

1. Work Order No. 1: Groundwater Conversion

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

2. Work Order No. 2: Alternative Power Generation

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

3. Work Order No. 3: Wastewater Reuse

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

4. Work Order No. 4: Watershed Management Strategies

STATUS: Site visit scheduled for October 28-29 cancelled due to weather. Representatives of CWA, LAN, EcoLogic and Alan Plummer & Associates are scheduling another trip for late November.

The site visit scheduled was cancelled due to bad weather. We will be going to Dallas on December 1-2, 2009.

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

STATUS: This effort is concluded. Letter received from Mike Marcotte, Houston PWE Director, conveying the input from the Stakeholders that the Luce Bayou project be delivered via traditional design-bid-build.

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 bid in late 2009. See "Work Order No. 10" and "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.

We looked at doing something with Bigler, LP and Mr. Metyko was very skeptical about this endeavor. We have learned that Bigler filed for bankruptcy last week.

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

STATUS: COH desires to enter into an agreement with CWA to use the SEALs Fund to proceed with this project. CWA awaiting direction from COH.

CWA continues to discuss with the 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 Mr. Lord is continuing discussions with the attorney for Air Products regarding the contract amendments.

Mr. Lord stated that they have given us some guidelines on what they will accept in the contract amendments. Those guidelines were pretty strict. We will continue working with them.

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

STATUS: CWA directed to defer purchase of equipment to support mechanical algae removal in the West Canal. COH to pursue grant monies for innovative technology.

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: CWA to proceed with advertisement and bidding of project. COH will provide funding once final amount is determined (i.e. bid amount, contingencies and Construction Management.) First advertisement scheduled for November 20, 2009.

This will advertise for the first time on Friday, November 20, 2009. Once we receive bids, the City of Houston will appropriate the needed funding. Once those funds are received, we will issue the "Notice to Proceed".

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: Project advertised. Pre-bid held on October 16. Bids to be received November 20, 2009. Per conversation with ECEQ, there appears to be no impact from SB 361.

Bids will be received November 20, 2009. Regarding any impact by SB 361 (aka, the generator legislation), it appears that an industrial facility will not be impacted.

C. Independence Parkway

Mr. Oradat stated that we are still waiting on input from Harris County regarding Engineering and Construction Management costs.

D. SB 361

Mr. Oradat referred the Board to the correspondence which was required to be submitted by November 1, 2009. The letters only addressed the Lynchburg and Trinity River Pump Stations. The City of Houston will include the Lake Houston Pump Station in their "Emergency Preparedness Plan". Copies were sent to the TCEQ and confirmation has been received. We have scheduled a meeting with LAN to discuss the path forward.

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

A. Archaeological Study on Battleground Road Property.

Mr. Lord stated that LAN is working on the appraisal and environmental assessment on this property before we advertise for bids.

Mr. Avilés asked if we ever got the report and Mr. Lord stated they did. Mr. Oradat stated that he also received the report, but there were no approval signatures. He has placed a call to Ms. Jan DeVault regarding the schedule for the report's approval by the Texas Historical Commission.

B. Resolution(s) making determinations and findings as to the public necessity of property for the Luce Bayou Interbasin Transfer Project and authorizing actions relating to the acquisition of property by purchase or condemnation.

Mr. Lord stated that we adopted a Resolution authorizing us to follow certain procedures to secure all of the property we will need for the Luce Basin Interbasin Transfer Project. This resolution ratifies and permits us to finalize the acquisition of these 13 specific tracts by purchase or condemnation.

MOTION adopting a RESOLUTION styled, "RESOLUTION MAKING DETERMINATIONS AND FINDINGS AS TO THE PUBLIC NECESSITY OF PROPERTY FOR THE LUCE BAYOU INTERBASIN TRANSFER PROJECT; AUTHORIZING ACTIONS RELATING TO THE ACQUISITION OF PROPERTY, BY PURCHASE OR CONDEMNATION, OWNED BY 1) FLOYD PAGE AND GAIL PAGE, APPROXIMATELY 35.025 ACRES (PARCEL NO. 6); 2) BIG THICKET TIMBERLANDS, L.P., HELEN BUCHANAN DAVIS AND HANNAH DAVIS CUTSHALL, CO-INDEPENDENT EXECUTRIXES OF THE ESTATE OF WIRT DAVIS II, DECEASED, CATHERINE B. TAYLOR, BESSEMER TRUST COMPANY, CO-TRUSTEE FOR THE JOAN B. JOHNSON TRUST AND JOAN B. JOHNSON, CO-TRUSTEE OF THE JOAN B. JOHNSON TRUST, VALLEY OAK INVESTMENTS, L.P., CAMILLA R. BLAFFER, CO-TRUSTEE OF THE CAMILLA B. MALLARD TRUST, AND TEXAS GULF BANK, N.A., CO-TRUSTEE OF THE CAMILLA B. MALLARD TRUST, TRACT 1, APPROXIMATELY 61.71 ACRES, TRACT 2, APPROXIMATELY 4.317 ACRES, AND TRACT 3, APPROXIMATELY 13.97 ACRES (PARCEL NO. 7 AND 8); 3) JOE ROLKE, RANDOLPH A. ROLKE, DECEASED, MARSHALL ROLKE, AND HARRY GRIMES, APPROXIMATELY 6.201 ACRES (PARCEL NO. 9); 4) CORE VALUE, L.P., APPROXIMATELY 30.09 ACRES (PARCEL NO. 10); 5) CARL EDWIN AUCOIN, JR., APPROXIMATELY 0.1826 ACRES (PARCEL NO. 11); 6) PURA VIDA TIMBERLANDS, L.L.C., APPROXIMATELY 27.63 ACRES (PARCEL NO. 12 AND 13); 7) NED HOLMES, TRUSTEE, APPROXIMATELY 30.97 ACRES (PARCEL NO. 42); AND 8) RICHARD BUMSTEAD AND SYLVIA BUMSTEAD, APPROXIMATELY 49.97 ACRES (PARCEL NO. 43), NECESSARY FOR THE LUCE BAYOU INTERBASIN TRANSFER PROJECT."

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

V. MAINTENANCE & OPERATIONS - Jerry Berry

A. Monthly Report

TRINITY RIVER	Water Production October 31 DAYS (gallons)	DAILY AVG (MGD) INDUSTRIAL & TREATMENT	
Trinity River Pump Station	16.4 billion	Hwy 225 Plants	111
Main Canal	15.3 billion	SEWPP	76
Cedar Point Lateral	1075.8 million	EWPP	236
San Jacinto Transfer Station	317.2 million	Deer Park WTP	4
Lynchburg Pump Station	14.1 billion	Bayport Plants	29
Water Treatment Plant	193.6 million	BAWA	13
Bayport Pump Station	907.8 million	CPL	35
		SJRA	<u>10</u>
			514 MGD
 SAN JACINTO RIVER			
Lake Houston Pump Station	1.3 billion	Indus. Customers	26.4
		EWPP	<u>14.4</u>
	San Jacinto River Total		41 MGD

Operations

Mr. Berry advised that the average daily production at the Trinity River Pump Station in October was 514 MGD, down from 560 MGD in September. Production is slightly lower than our productions for this time of the year. At the Lake Houston Pump Station the average daily production was 41 MGD, down from 64 MGD in September.

The East Water Purification Plant lost power and had to shut down all three plants for two hours on October 16, 2009. Plants 1 and 2 flooded and the East Water Purification Plant reduced their flow significantly until repairs were made.

All other pressures and flows are normal.

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

Maintenance

Electric Reliability Services (ERS) completed the annual substation testing at Trinity River Pump Station, Bayport Pump Station and Lake Houston Pump Station. Testing at the Lynchburg Pump Station was delayed due to scheduling conflicts with CenterPoint. This has been resolved and is now in progress.

Lynchburg Pump Station Maintenance activities included:

- Load testing the emergency generator
- Replacing a Vibration Switch on Motor 211,
- Replacing a high pressure switch on P-202,
- Replacing a differential pressure switch for gland water backwash on P-212,
- Installing pump bearing temperature RTD's on Pumps 105 and 106.
- Replacing a LED display on P103 transformer,
- Rockwell performed quarterly maintenance on P103,P104 and P207,
- Cleaning and repairing chlorinators, evaporators and analyzers.

Routine Canal and Pipeline Maintenance Activities included:

- Cleaning of screens at canal siphons,
- Vegetation removal in canals,
- Mowing canal and pipeline right of ways,
- Cleaning chlorine analyzers at East Water Purification Plant and South East Water Purification Plant.

Lake Houston Dam

Electrical service to the Lake Houston Dam was lost on October 6, 2009, when a CenterPoint transformer was blown. Transformer, service and Meter were replaced and power was restored on November 3, 2009. CWA used a trailer mounted generator to operate the gates during this period.

During our monthly inspections, the CWA staff found and reported some movement in the relief ports in the hearth slope paving downstream of the dam. On September 29, 2009, LAN and Freese & Nichols inspected these ports. (Their report is in each folder). Four 8-inch diameter drains moved upward from four to eight inches. An expansion joint spall was observed at B-137. These drains and the spall area are normally submerged and are only visible when the tail water is unusually clear. CWA is reviewing the drain and spall repair recommendations to determine if the work can be done in-house. This will be discussed with Public Works and Engineering in our upcoming budget discussions.

Freese and Nichols repeats their recommendations from the Phase 1B report that investigations recommended for Phase 1C be initiated during the coming 2010 fiscal year. A copy of their report has been provided to Public works and Engineering.

Mr. Metyko stated that he read the report and wanted to know if those recommendations would be included in Phase 1C and Mr. Berry stated they would.

Mr. Oradat stated their concerns have always been the "Factor of Safety". The regulations have changed and the dam's "Factor of Safety" is not in conformance with the new guidelines. That does not mean that the dam is in any danger, it just means that the "Factor of Safety" is not what it should be. The project that was recommended has always been to add more dead weight at the dam. Mr. Ron Waters, Freese & Nichols, has always had a concern about the uplift pressures on the dam.

B. Award of a contract for Variable Frequency Drive (VFD) Maintenance.

Mr. Berry advised that the next item on the Agenda is an item for Board consideration. We solicited bids for quarterly and annual maintenance on Variable Frequency Drives at the Lynchburg Pump Station for 2010.

MOTION accepting the bid of \$ 49,923.00 from DASHIELL, LLC to provide quarterly and annual maintenance on Variable Frequency Drives at Lynchburg Pump Station, as the bid that is the most advantageous to the Authority and will result in the best and most economical completion of the Authority's work.

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

VI. BUSINESS REVIEW – John J. Baldwin

A. Monthly Financial Statements for the Previous Month

Mr. Baldwin advised that in each folder are the Financial Statements for the period ending October 31, 2009. He stated that all four operating funds are doing well and within the budget parameters going into the final two months of the year.

Revenues on all four funds are doing well. We are projecting: Trinity River and Lake Houston to come in at 98.0% of budget by year end, Bayport coming in at 97.0% and the Water Treatment Plant coming in at budget, 100.0%.

B. FEMA Reimbursement for Activities Related to Hurricane Ike.

Mr. Baldwin stated that we had another visit from the Auditors from the Governor's Office of Emergency Management on the FEMA Claims. They came in the first week of November to look at debris removal claims and forecasted a four day visit but they got through in one day and were very pleased with the condition of our documents and "back up" files. They thought the check for debris removal, approximately \$260,000, had been released to us two months ago. They found the requisition on a desk in Austin and had the check released. We received it two days ago. We have received approximately \$612,000 out of \$630,000 and still have some small claims outstanding with FEMA and we expect them to be completed within the next two months.

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

At the October Meeting, the Board authorized the working group to process the necessary documents to attempt to achieve the discussed savings of refunding the Revenue Bonds, Series 1999. We had a meeting on October 22, 2009, and worked out a schedule. The City of Houston is also going to the market for financing of the City's water and sewer utility system. They will be going forward with their action prior to the Authority's refunding activity. We will meet again on December 1, 2009, to discuss the schedule of the refunding of CWA Bonds.

D. FY 2010 Budget Update.

The Investment Policy Committee met on November 10 to review the "Draft" budgets for all four of the Operating Funds. The Committee discussed the contents of each of the Budgets for 2010. Trinity River and Lake Houston budgets have been delivered to the City. The Committee also authorized sending out the budgets to the Red Bluff Plant customers, Air Products and Pasadena Refining. All customers on the Bayport System also have received copies of the Draft 2010 Budget. Our goal is to bring all budgets back to the Board in December for approval.

E. Approval of Internal Management Report for the Quarter Ending September 30, 2009.

Mr. Baldwin advised that in each folder is the Internal Management Report for the Quarter ending September 30, 2009 as required by the State Investment Funds Act. This was also reviewed by the Investment Policy Committee this morning. It reflects all activities for all of our funds during that three month period. We held all of our investments to maturity and as you can see by the yields, it is pretty slim out there for short term investments. We are getting about 0.21% on our Funds at TexStar. The other short-term investments are less than that. There are no losses on our investments as all investments have been held to maturity. Mr. Baldwin requested the Board approve the Internal Management Report for the Quarter Ending September 30, 2009.

MOTION accepting the Internal Management Report for the Quarter ending September 30, 2009.

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

F. Approval of Name Change for Investment Policy Committee.

Mr. Baldwin discussed the responsibilities of the Investment Policy Committee. The Committee is responsible for reviewing budgets, financial issues, debt issues, audit reports along with the selection of auditors and financial advisors. These activities are in addition to reviewing the Investment Policy and the Quarterly Reports. He discussed these duties with our Legal Counsel at Vinson and Elkins and requested changing the name of the Investment Policy Committee to the Finance and Audit Committee. Mr. Baldwin believes this suggested "Name" better reflects the all encompassing duties and responsibilities of the Committee. The name, "Investment Policy" seems too confining as to the topics the Committee actually gets involved in.

He is requesting the Board approve the MOTION changing the name of the "Investment Policy Committee" to the "Finance and Audit Committee". setting forth the functions of the Finance and Audit Committee.

MOTION changing the name of the Investment Policy Committee to the Finance and Audit Committee; setting forth the functions of the Finance and Audit Committee to review and make recommendations to the Coastal Water Authority Board of Directors with respect to (1) proposed changes to and implementation of the Investment Policy; (2) annual operating and capital budgets; (3) selection of auditors and financial advisors; (4) reports from auditors and financial advisors; (5) finance and debt issues; and (6) any other financial issues that the Board President shall from time to time set forth; and ratifying all previous actions of the Investment Policy Committee prior to the date hereof.

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

VII. DISBURSEMENTS – John J. Baldwin

Mr. Avilés advised that there are four disbursements to be approved by the Board; the Construction Fund - Series 2009 (Luce Bayou Project) in the amount of \$ 592,951.06, the Conveyance System Development Fund in the amount of \$1,609.62, Luce Bayou – Land & Mitigation Fund in the amount of \$ 319,810.54 and the Special Project Equity Fund in the amount of \$ 56,903.77.

MOTION approving disbursement of the Construction Fund - Series 2009 – (Luce Bayou Project) in the amount of \$, 592,951.06, the Conveyance System Development Fund in the amount of \$ 1,609.62, Luce Bayou – Land & Mitigation Fund in the amount of \$ 319,810.54 and the Special Project Equity Fund in the amount of \$ 56,903.77.

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

VIII. OLD BUSINESS

Mr. Oradat advised that we have an issue with Pump 104. Ruhrpumpen is hesitant about releasing the pump until the issue of who will pay for the repairs is worked out. Pepper-Lawson understands that CWA is not involved in the payment issue. However, as of this morning, Ruhrpumpen was refusing to release the pump back to CWA. Mr. Lord and Mr. Wallace are going to discuss the situation with the various attorneys representing the parties. There is supposed to be a meeting this afternoon with the lawyers from Ruhrpumpen and Pepper-Lawson over the issue of payment.

Mr. Berry stated he visited the shop on several occasions during the assembly process and we were satisfied. In fact, we were impressed by the quality of the shop facilities and the repairs they made to the pump. They corrected the

grease lubrication issues quite well and assembled the pump well. The pump is assembled. Bart Adams, Pepper-Lawson, indicated that there was still an issue and their attorneys had a meeting set for today with Ruhrpumpen to get the pump released. Mr. Russell had placed a call to Pepper-Lawson's attorneys today. Mr. Nash asked if there was an extended warranty on the pump. Mr. Berry stated that there was no extended warranty. The existing warranty expires the 20th of this month.

C. Resolution establishing a Records Management Program and designating a Records Management Officer.

Mr. Lord advised that when we started considering what was the best method to transfer files from KBR to LAN, and look at what we should keep or destroy, we looked at CWA's existing Records Management Program. State Law requires every State Agency to have a Records Management Program and we decided it was time to update our policy in conformance to the State Archives Library that sets these policies on how Agencies should keep their records. That policy is submitted to the State Library and we designate someone to be our official record keeper, and that would be Patty Kingan.

MOTION adopting a RESOLUTION styled, "RESOLUTION ESTABLISHING A RECORDS MANAGEMENT PROGRAM AND DESIGNATING A RECORDS MANAGEMENT OFFICER."

Motion made by Director Council, Seconded by Director Nash, Motion Carried unanimously.

XII. ADJOURNMENT

The Meeting was adjourned at 11:50.

Rick Cloutier, Secretary