

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

November 9, 2011

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

D. Wayne Klotz, P. E., President
Tony L. Council, P. E., First Vice-President
Alan D. Conner, Second Vice-President
Zebulun Nash, Secretary-Treasurer (*Absent*)

John Odis Cobb, P. E.
Douglas E. Walker
Giti Zarinkelk, P. E.

CWA Staff

Donald R. Ripley
John J. Baldwin
Jerry Berry
Mary Caballero
Jackie Leong

City of Houston Staff

Lisa Lattu, PW&E
Augustus Campbell, Legal

Legal Counsel

Jonathan Frels, Vinson & Elkins

Engineering Consultants

Ty Thomas, P. E., Lockwood, Andrews & Newnam, Inc.
Anne Profflet, Ecologic

Visitors

(*See Guest Sign-In Sheet*)

I. CALL TO ORDER – D. Wayne Klotz

- A. Welcome and Introduction of the Board.**
- B. Pledge of Allegiance.**
- C. Salute to the Texas Flag.**
- D. Moment of Silence.**
- E. Recognition of Guests.**

Mr. Klotz recognized all guests and thanked them for their attendance.

A. Minutes of the October 12, 2011 Board Meeting.

Mr. Klotz advised that the first item of business was the approval of the Minutes of the Board Meeting of October 12, 2011.

MOTION approving the Minutes of the Board Meeting of October 12, 2011.

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

III. ONGOING ENGINEERING PROJECTS – Donald R. Ripley

A. Luce Bayou

1. Monthly Status Report.

Mr. Ripley stated to the Board that AECOM prepares weekly EIS progress reports for USACE and that the two most recent reports were attached to each Board Member's handouts. Mr. Ripley stated that these reports are distributed to the City of Houston and to the Luce Bayou co-participants. Mr. Ripley then noted that Ms. Profilet would give a summary of the key EIS items for the Board.

Ms. Profilet stated that CWA and AECOM met with USACE Compliance and Evaluation Sections to discuss the required Approved Jurisdictional Determination (AJD) and wetland delineation methodology on the proposed mitigation property on October 31, 2011. The Least Environmental Damaging Practicable Alternative (LEDPA) deliverable that is scheduled for distribution in mid-November was also discussed at the meeting. Ms. Profilet stated that the Baseline Conditions Report, which looks at the existing conditions of the effected environment, is currently under development. Mr. Ripley stated that the Preliminary Plan would be completed this week and sent to USACE for comments and approval in writing.

2. Mitigation Tract Delineation.

Mr. Ripley stated that the USACE will proceed with the EIS according to the current schedule and that the purpose of AJD is primarily to determine adequate compensation for the environmental damages caused by the project. Thus, the AJD is an appendix to the EIS but it does not impact the preparation of the EIS. Ms. Profilet stated that USACE has agreed with the EIS' Scope of Work and that we will work to use all of the information that we already have to complete the AJD. Mr. Klotz requested that the Board start receiving progress reports on Luce Bayou.

3. Issuance of Work Order No. 8.

Mr. Ripley stated to the Board that he would recuse himself from discussions on Luce Bayou to the extent they involve a decision that would have a special economic effect on AECOM distinguishable from the effect on the Public and referred the item to Mr. Baldwin.

Mr. Baldwin stated that per the Board's approval and direction at last month's meeting a further review of the Work Order proposal from AECOM has been completed. AECOM has resubmitted and amended their previous proposal. The amended proposal was presented to, and reviewed by, the Professional Engineering Services Review Committee on November 1, 2011.

Mr. Council stated to the Board that the cost of \$1,043,921.00 is about \$250,000.000 less than the original proposal submitted by AECOM. Mr. Council thanked Ms. Profilet for her assistance in the review process that has resulted in this lower cost proposal. Mr. Council recommended the Motion as set forth below.

MOTION approving the issuance of the "Amended and Restated Work Order No. 8" to AECOM USA Group, Inc. for a "Not To Exceed" amount of \$1,043,921.00. This amount includes the \$200,000.00 interim funding previously approved. The monies for this "Work Order" are to be provided by the Coastal Water Authority Series 2010 Luce Bayou Fund.

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

IV. LAND AND RIGHT-OF-WAY - Augustus Campbell

A. Chambers County Improvement District No. 3 Utility Easement.

Mr. Berry stated that Chambers County has proposed a new road called Kilgore Parkway. The developer is requesting a 16 inch water line crossing under CWA's Cedar Point Lateral Main Canal. The offer is for the appraised value of the underground easement only.

Mr. Campbell expressed that Mr. Liles recommended the approval of a Motion granting the easement.

MOTION granting an underground utility easement across the Authority's parcel CPL-13 to Chambers County Improvement District #3 for a 16 inch water line crossing under the Cedar Point Lateral Main Canal.

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

V. MAINTENANCE & OPERATIONS - Jerry Berry

A. Monthly Report

TRINITY RIVER	Water Production October 2011 31 DAYS (gallons)	DAILY AVG (MGD) INDUSTRIAL & TREATMENT	
Trinity River Pump Station	19.5 billion	Hwy 225 Plants(Incl. CWA WTP)	109
Main Canal	18.3 billion	SEWPP	109
Cedar Point Lateral	1133.0 million	EWPP	281
San Jacinto Transfer Station	317.0 million	Deer Park WTP	4
Lynchburg Pump Station	16.7 billion	Bayport Plants	32
Water Treatment Plant	136.8 million	BAWA	16
Bayport Pump Station	991.6 million	CPL	37
		SJRA	<u>10</u>
		Trinity River Total	598 MGD

SAN JACINTO RIVER

Lake Houston Pump Station	1.1 billion	Indus. Customers	30
		EWPP	<u>6</u>
		San Jacinto River Total	36 MGD

Operations

Mr. Berry stated that the Trinity River Pump Station (TRPS) pumped 19.5 billion gallons in October which was down from last months' 21.1 billion. The average daily production in October was 598 MGD (674 MGD in September). Peak production was 722.3 MGD on October 6, 2011. Production exceeded 700 MGD for (4) days in October. Lake Houston Pump Station (LHPS) pumped 1.1 billion gallons in October and the average daily production was at 36 MGD (29 MGD in September). The LHPS pool elevation is at 41.4 ft. (msl) which is down from normal pool of 44.5 ft. Lake Conroe is at 193.3 ft., down from normal pool of 201 ft. and releasing 165 MGD. Lake Livingston is 127.14 ft. down from a normal pool of 131 ft. and releasing 1200 cfs (775 MGD). All other pressures and levels are normal.

Maintenance

Routine maintenance activities included mowing canal and pipeline right-of-ways (this will be the last mowing for the year) and removing canal vegetation, repairing leaks on canal laterals. CL2 and NH3 analyzers were cleaned and calibrated. A new flap gate was installed at TRPS Pump #4. Dredge spoil areas were prepared to resume sediment basin dredging. Flow meters were cleaned and both pumps were serviced at the SJRA

Pump Station. Crushed limestone base was placed at various locations on the canal system roads, and minor rip-rap repair was completed at the Lynchburg Reservoir.

Mr. Klotz asked Mr. Berry, with reference to the Lake Houston, if anyone has contacted him to clean up the area with CWA's maintenance dollars. Mr. Berry stated that he had not been contacted.

B. Red Bluff Water Treatment Plant Improvements.

Mr. Berry stated that all new analyzers are now in service at the Red Bluff Water Treatment Plant. There were problems last month with calibrating the analyzers and so Galvanic spent (3) days at the site to confirm operation. CWA laboratory also tested standards and obtained the same results. The analyzers are now providing process control results.

SCADA monitoring and control is at 100 percent. Minor changes were made based on noted issues from CWA staff, and data display is continuing to be improved upon. The (30) day field test will begin on November 9, 2011.

Projected Substantial Completion is expected on November 14, 2011 and Project Final Completion is expected on December 12, 2011.

Mr. Berry stated that the time used has been (299) days (90.9%). The billing to date is at 99.4% of the approved expenditure.

C. NRG Commencement Test of Backup Power at Trinity River Pump Station.

With reference to the Trinity River Pump Station, Mr. Berry reported that construction is essentially complete. CWA expects to receive a notice from NRG later today that all acceptance criteria has been met and a walk through inspection will be scheduled. Remote operation will be tested with a start up time frame of 30 minutes. CWA will then have (5) days to issue a Letter of Acceptance, with or without a punch list, or a Letter of Non-Acceptance.

With reference to the NRG fuel supply questions that were raised last week by the Board, Mr. Berry introduced Mr. Goza, an NRG representative. Mr. Goza stated to the Board that NRG will treat the fuel annually and perform monthly samples. Mr. Walker asked about the issue of gum forming. Mr. Goza stated that gum forming is a natural reaction of the fuel and oxygen but that by keeping the tanks full, you minimize the opportunity for that to happen. At TRPS and the other facilities, fuel will be consumed intermittently during the testing and then they will be topping-off and then treating annually. Should problems occur, remedies will be taken to address the issues accordingly; however, with proper care this should not become a big issue.

There were no further questions from the Board on this issue.

With reference to the question from the Board on coordination with local authorities for access to area after a storm event, Mr. Goza stated that he contacted Liberty County and they do not require any type of permit/application but requested that they be contacted within (72) hours of a storm hitting to obtain a hang tag(s) to be placed on vehicles. With reference to Harris County, Mr. Goza stated that they are well aware of keeping power going at the Lynchburg Pump Station and the Trinity River Pump Station. NRG will be meeting with Harris County on November 17, 2011 to discuss access. Mr. Goza did not anticipate any problems with Harris County access issues.

There were no further questions from the Board.

D. NRG Activities at Lynchburg Pump Station.

Mr. Berry stated that NRG (SpawGlass) activities and schedule for the Lynchburg Pump Station included:

- The installation of (30) generator sets, transformers, and MVSG (all are operational).
- The reservoir road improvement work was complete.
- Load testing was attempted on November 7, 2011.

Mr. Berry noted that there were problems with syncing up with CWA older VFD's and is currently looking into those issues.

Mr. Klotz asked if we had started the Cathodic Protection Study. Mr. Ripley stated that we have not as we are in negotiations with the vendor at this time.

VI. BUSINESS REVIEW - John J. Baldwin

A. Monthly Financial Statements for the previous month.

Mr. Baldwin informed the Board that all four of the operating budgets are doing well for the period ending October 31, 2011. The Trinity River System funding should be able to finish the year slightly under budget at 99%. The Lake Houston Facility budget is also under budgeted expenditures due to the cut back in water pumpage and should finish at about 95% at year end. The Bayport System revenues and expenditures are doing well and the expenditures will be under budget by year end. The Water Treatment Plant revenues are forecasted to be at budget at year end with the expenditures being slightly under budget at the close of the budget year in December. Mr. Baldwin stated that it is anticipated that all four of the operating budgets will come in under budget at year end.

B. Adoption of FY 2012 Budget for the Trinity River Conveyance System.

Mr. Baldwin stated that a Finance and Audit Committee meeting was held to discuss the FY 2012 Budgets of all four of the operating budgets on October 26, 2011. As a result, all of the budgets were approved to be sent to CWA's customers. The operating budgets for the Trinity River Conveyance System (TRCS) and the Lake Houston Facilities Project (LHFP) were sent to Mr. Chang and Ms. Bandy at the City of Houston, Public Works Department. A meeting was then held with Mr. Chang, Ms. Latu, Ms. Bechtold, and Mr. McCoy on November 3, 2011. As a result of the meeting, both the TRCS and the LHFP were forwarded to Mr. Krueger, Director of Public Works and Engineering for his approval. A letter of acceptance has been received indicating the Director's approval of both budgets as submitted.

Mr. Baldwin then recommended the approval of the Final Adoption of the TRCS and the LHFP FY 2012 Budgets.

Mr. Walker asked if the cost reductions from previous years were close to \$475,000.00. Mr. Baldwin stated that from budget year to budget year, yes, but because of the City's increased water demands from the Trinity River System due to the forecasted continuation of drought conditions, the savings will be utilized on the electricity usage to meet the increased water demands. Mr. Walker asked how the City of Houston (COH) felt about the savings. Mr. Baldwin stated that the COH was appreciative of the cost reductions. However, Mr. Chang has stated the COH does not want CWA to cut costs in the preventative maintenance programs impacting the operations of its facilities. Ms. Lattu concurred.

1. MOTION adopting the NRG Contract related line item budgeted amounts on pages B-12, B-12-1, B-13 and B-13-1 of the FY 2012 Budget for the Trinity River Conveyance System.

Motion made by Director Walker, Seconded by Director Zarinkelk. The Motion passed by a vote of 5-0, with Director Klotz abstaining from voting.

2. MOTION adopting the General Engineering Services Contract related line item budgeted amount on page B-9 of the FY 2012 Budget for the Trinity River Conveyance System.

Motion made by Director Conner, Seconded by Director Walker. The Motion passed by a vote of 5-0, with Director Zarinkelk abstaining from voting.

3. MOTION adopting the remaining portion of the FY 2012 Budget for the Trinity River Conveyance System and Authorizing the Chief Financial Officer to submit said Budget to the City of Houston Mayor and City Council for approval.

Motion made by Director Cobb, Seconded by Director Zarinkelk, Motion Carried Unanimously.

C. Adoption of FY 2012 Budget for the Lake Houston Facilities Project.

1. MOTION adopting the General Engineering Services contract related line item budgeted amount on page C-9 of the FY 2012 Budget for the Lake Houston Facilities.

Motion made by Director Conner, Seconded by Director Council. The Motion passed by a vote of 5-0, with Director Zarinkelk abstaining from voting.

2. MOTION adopting the remaining portion of the FY 2012 Budget for the Lake Houston Facilities Project and Authorizing the Chief Financial Officer to submit said Budget to the City of Houston Mayor and City Council for approval.

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

Mr. Baldwin stated that the aforementioned approved budgets will be sent to the COH – Public Works Department and they will prepare the Request for Council Action to have the two budgets approved by the Mayor and City Council. It is anticipated this action to occur in December 2011.

D. Internal Management Report for Quarter ending September 30, 2011.

Mr. Baldwin provided the Board a copy of the Internal Management Report – Quarter Ended September 30, 2011. He stated the Report was prepared in compliance with the Texas Public Funds Investment Act. The Report reflects the investment activity of all CWA funds for that three month period. All investments were held to maturity, the yields are low reflecting current market conditions. This Report was presented to the Finance and Audit Committee this morning. Mr. Conner concurred with the Report.

There were no questions from the Board.

Consider a MOTION approving the Coastal Water Authority Internal Management Report for the Quarter ending September 30, 2011.

Motion made by Director Conner, Seconded by Director Cobb, Motion Carried Unanimously.

VII. DISBURSEMENTS - John J. Baldwin

Mr. Baldwin stated that the disbursements to be approved by the Board included: the Bayport Capital Improvement Fund - in the amount of \$38,650.96, Construction Fund - Series 2009 (Luce Bayou Project) - in the amount of \$55,772.20, Construction Fund - Series 2010 (Luce Bayou Project) - in the amount of \$53,070.58, the Luce Bayou - Land & Mitigation Fund - in the amount of \$152,703.19, the Special Project Equity Fund - in the amount of \$107.62, and the Red Bluff Water Treatment Plant Fund - in the amount of \$10,800.00.

Mr. Klotz stated that in the future the Board receive monthly reports on any property purchased on the Luce Bayou Project. Mr. Conner asked about the taxes on Tarkington ISD, Dayton ISD and Liberty County. Mr. Baldwin stated that they were proration's on the property closing costs CWA is obligated to pay in 2011.

There were no further questions from the Board.

MOTION approving disbursements to be approved by the Board included: the Bayport Capital Improvement Fund - in the amount of \$38,650.96, Construction Fund - Series 2009 (Luce Bayou Project) - in the amount of \$55,772.20, Construction Fund - Series 2010 (Luce Bayou Project) - in the amount of \$53,070.58, the Luce Bayou - Land & Mitigation Fund - in the amount of \$152,703.19, the Special Project Equity Fund - in the amount of \$107.62, and the Red Bluff Water Treatment Plant Fund - in the amount of \$10,800.00.

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

VIII. OLD BUSINESS - Donald R. Ripley

A. Environmental Mitigation of Gillette Street Property.

Mr. Ripley stated that this item would be discussed in Executive Session.

For the benefit of the guests, Mr. Klotz moved Item X. (New Business) out of order.

X. NEW BUSINESS - Donald R. Ripley

Mr. Ripley stated there were no issues to discuss on this item.

IX. EXECUTIVE SESSION

Mr. Klotz stated that the Board would go into Executive Session at 10:43 A.M. and that:

EXECUTIVE SESSION WILL BE HELD PURSUANT TO THE PROVISIONS OF THE TEXAS GOVERNMENT CODE SECTION 551.071, 551.072, 551.074, 551.075 AND 551.076, CONSULTATION WITH ATTORNEY, ACQUISITION OF REAL PROPERTY, PERSONNEL MATTERS OR SECURITY MATTERS (PERSONAL, DEVICES AND/OR AGREEMENTS).

X. RECONVENE - OPEN SESSION

Mr. Klotz stated that no action was taken in Executive Session. Open Session was reconvened at 11:24 A.M.

In connection with the Gillette Street Property, Mr. Frels stated that the Board could entertain a MOTION to authorize the Executive Director to take any necessary action in connection with obtaining an appraisal of and updating the existing remediation cost estimate for the Gillette Street property, with the costs of such items to be payable from the SEALS Fund.

MOTION authorizing the Executive Director to take any necessary action in connection with obtaining an appraisal of and updating the existing remediation cost estimate for the Gillette Street property, with the costs of such items to be payable from the SEALS Fund.

Motion made by Director Zarinkelk and Seconded by Director Council. The Motion passed by a vote of 5 to 1, with Director Conner voting, "NO".

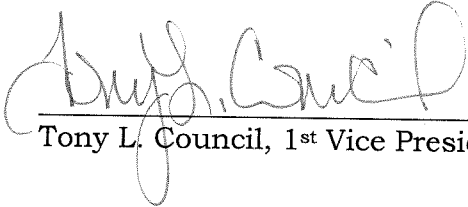
In connection with the Gillette Street Property, Mr. Frels stated that the Board could entertain a MOTION to authorize CWA staff and Vinson & Elkins to conduct diligence in connection with CWA's participation in remediation of the Gillette Street property and to authorize the Executive Director to enter into any agreements regarding access to the property that may be necessary in connection therewith.

MOTION authorizing CWA staff and Vinson & Elkins to conduct diligence in connection with CWA's participation in remediation of the Gillette Street property and to authorize the Executive Director to enter into any agreements regarding access to the property that may be necessary in connection therewith.

Motion made by Director Zarinkelk and Seconded by Director Council. The Motion passed by a vote of 5 to 1, with Director Conner voting, "NO".

XI. ADJORNMENT

The Meeting was adjourned at 11:26 A.M.



Tony L. Council, 1st Vice President