

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

April 13, 2022

The Board of Directors (the “Board”) of Coastal Water Authority (“CWA”) convened its Regular Meeting; open to the public, at the CWA Conference Room, 1801 Main Street, Suite 800, Houston, Texas, with the following in attendance:

Directors

D. Wayne Klotz, P.E., President

Tony L. Council, P.E., First Vice-President

Douglas E. Walker, Second Vice-President

Thomas A. Reiser, Secretary-Treasurer

Jon M. Sjolander

Joseph G. Soliz

Giti Zarinkelk, P.E.

CWA Staff

Don Ripley

John Baldwin

David Miller

Greg Olinger

James Lewis

Mary Caballero

Todd Vu

City of Houston Staff

Yvonne Forrest, Houston Public Works

General Legal Counsel

Barron Wallace, Bracewell LLP

All Members of the Board were present thus constituting a quorum.

I. CALL TO ORDER – Wayne Klotz

A. Welcome.

Director Klotz called the meeting to order at 10:00 A.M. and welcomed all guests to the meeting. (The sign-in sheets for those in attendance at the meeting are attached hereto.)

B. Pledge of Allegiance.

C. Salute to the Texas Flag.

D. Moment of Silence.

II. PUBLIC COMMENTS

There were no public comments.

III. ITEMS FOR CONSIDERATION – Wayne Klotz

At this time Director Klotz introduced and welcomed Mr. Barron Wallace with Bracewell LLP, CWA’s new General Legal Counsel (GLC). Director Klotz stated that CWA went through a formal selection process, including issuing a Request for General Counsel Legal Services. Four proposals were received and considered by the Board. The CWA Board interviewed the four legal firms during open session at the March 9, 2022 Board Meeting and Bracewell LLP was selected by the Board at that Meeting. Mr. Ripley then negotiated a contract with Bracewell, LLP, to provide General Counsel Legal Services for CWA. There were no questions from the Board and Mr. Ripley recommended the motion as presented.

A. CWA General Legal Counsel Services – Contract Execution.

Motion authorizing the Executive Director to execute a contract with Bracewell LLP for CWA General Counsel Legal Services.

Motion made by Director Council, Seconded by Director Zarinkelk. The Motion carried unanimously.

Director Klotz stated that the next item of business was the approval of the Minutes of the Board Meeting of March 9, 2022, as written.

B. Minutes of the March 9, 2022 Board Meeting.

Motion approving the Minutes of the Board Meeting of March 9, 2022.

Motion made by Director Reiser, Seconded by Director Soliz. The Motion carried unanimously.

IV. ONGOING PROJECTS – David Miller

A. Luce Bayou Interbasin Transfer Project.

Mr. Miller stated that on April 8, 2022, Renda-Johnson Brothers JV (RJB), the contractor for the Capers Ridge Pump Station, submitted two claims to CWA. The first claim is a request to be reimbursed for delay expenses due to COVID-19 which will include the periods from Year 2020 through a portion of Year 2021. The second claim is a request for reimbursement of insurance deductibles associated with claims made under the project's Builders Risk Policy. RJB made a total of four Builders Risk Policy claims and is requesting reimbursement for three of those deductibles. Director Klotz asked for the cost of the deductibles. Mr. Miller stated that the deductibles are \$250,000 each for a total of \$750,000. Mr. Miller noted that CWA is currently reviewing the claims and contract documents and will provide an update at the May 11, 2022 Board Meeting.

B. Lynchburg Pump Station – B-System Expansion (P201/P206).

Mr. Miller stated that Lynchburg Pump Station B-System Expansion will add two new 50,000 GPM pumps designated P201 and P206. The design is being performed by CWA's General Engineering Consultant (GEC), BGE, Inc (BGE). Major activities include updating the hydraulic model for the B-System, conducting electrical and structural studies of the existing facility, and preliminary design of the pump systems including pumps, motors and drives. Mr. Miller stated that the PER will be submitted in May 2022. Mr. Miller stated BGE will then submit its proposal for the Final Design Scope and Fee. Mr. Miller stated during the preliminary pump design, BGE has been coordinating with four of the major pump manufacturers that will provide these type of pumps required for this project. These manufactures have all indicated pump lead times are approximately 70-75 weeks, which is longer than the expected construction duration by 20-30 weeks. With these extended lead times, CWA and BGE have decided to develop a separate pump system procurement package that will bid up to 3-4 months in advance of the construction package. Director Klotz asked if Mr. Miller foresees delivery problems with any of the big valves, etc. Mr. Miller stated there are large control valves associated with each of these pumps and there are also concerns with lead times so a pre-purchase may have to occur with these particular valves. Mr. Ripley noted that CWA is coordinating the cash flow funding schedule with the City of Houston (COH) as this project will be funded through the COH's Capital Improvement Plan and CWA is completing this project at the request of the COH. There were no further questions.

C. Lake Houston Dam.

Mr. Miller stated that CWA is waiting on direction from the COH to proceed with completion of the Final Design. CWA is scheduled to meet with the COH and Black and Veatch on April 14, 2022, to discuss the details. There were no questions from the Board.

V. MAINTENANCE & OPERATIONS – Greg Olinger

A. Monthly Operations Report/Project Updates.

The Monthly Operations Report for March 2022 was included in the Board Members' packets.

B. Bayport Waterline Replacement Phase 3 – Request for Bids.

Mr. Olinger stated this item is related to the Bayport Waterline Phase 3 Project. This project was bid out last summer and the bids received far exceeded the engineer's estimate and CWA's budget. CWA has been monitoring the PVC and the HDPE pipe price indexes, which appear to be leveling off, and CWA is ready to bid the project. The scope includes replacement of 6,200 linear feet of an 18-inch waterline located along Port Road and a couple of pipeline interconnections in the ExxonMobile Pipeline Corridor, which will allow abandonments of several segments of transite pipe. IDS Engineering (IDS) has completed an updated bid package and engineer's estimate. IDS will assist with bid and construction phase services and Sowell's Consulting Engineers will perform construction administration and inspection services. A mandatory pre-bid meeting is scheduled for May 3, 2022, and bids would be due on May 24, 2022. This item was briefed to the O&M Oversight Committee on March 31, 2022. Director Klotz asked if all issues had been resolved with the previous contractor. Mr. Ripley confirmed that these issues have been resolved. There were no further questions and Mr. Olinger recommended the motion as presented.

Motion authorizing the Executive Director to issue a Request for Bids for construction services related to the Bayport Waterline Replacement Phase 3 Project.

Motion made by Director Walker, Seconded by Director Council. The Motion carried unanimously.

C. Replacement 50-ft. Long Reach Excavator.

Mr. Olinger stated this item is related to the purchase of a replacement long reach excavator for the Trinity River System. This new purchase would replace a 2006 Volvo with over 8,500 hours. The manufacturer is no longer supporting the electronic computer parts that are needed and supplies from third party vendors are very difficult to acquire which has caused significant downtime. CWA received three bids from local dealers. Mr. Olinger noted that the lowest bid included a \$32,000 trade-in value for the existing excavator. A copy of the bid tab was included in the Board Members' packets. This item was briefed to the O&M Oversight Committee on March 31, 2022. Mr. Olinger recommended the motion as presented.

Motion authorizing the Executive Director to issue a purchase order in the amount of \$295,508.00 to Doggett Equipment for the purchase of a new 50-ft. long reach excavator.

Motion made by Director Zarinkelk, Seconded by Director Walker. The Motion carried unanimously.

E. Luce Bayou Equipment Purchase No. 10.

Mr. Olinger stated this item is related to the purchase of a horizontal dredge for the Capers Ridge sedimentation basin. This is a 172 HP dredge similar in size to the dredge CWA owns at the Trinity River Pump Station. This purchase comes with a 5 year/5,000 hour warranty. Mr. Olinger stated that this purchase is being purchased through Texas Water Development Board (TWDB) funding and the procurement was advertised in accordance with the TWDB Procurement Policy. Mr. Olinger also noted that CWA did complete extensive

manufacturer outreach. One acceptable dredge bid was received on February 18, 2022, from VMI Dredge Company located in Cushing, Oklahoma. The TWDB provided CWA with written acceptance of this bid. CWA's GLC, Mr. Barron Wallace, noted that this single bid was acceptable in this case. This item was briefed to the O&M Oversight Committee on March 31, 2022. Mr. Olinger recommended the motion as presented.

Motion authorizing the Executive Director to issue a purchase order in the amount of \$393,888.00 to VMI, Inc. for a new dredge to use on the Luce Bayou Interbasin Canal System.

Motion made by Director Walker, Seconded by Director Zarinkelk. The Motion carried unanimously.

VI. BUSINESS REVIEW – John Baldwin

A. Monthly Financial Statements for the Previous Month.

Mr. Baldwin stated that this item is the Financial Statements for the month ending March 31, 2022. Mr. Baldwin noted that at the end of the first three months of the budget year CWA is in good shape on all five Operating Funds; and the revenue stream is timely. A copy of the report was included in the Board Members' packets. There were no questions from the Board.

B. 2021 Financial Statements Audit Report.

Mr. Baldwin stated that this item is the CWA 2021 Financial Statements Audit Report for the year ending December 31, 2021, prepared by CWA's Auditors, Weaver and Tidwell, LLP (Weaver). Mr. Baldwin noted that the Auditors presented the report earlier to the Finance and Audit Committee. The report reflects an "unmodified opinion" as to the condition of CWA's financial statements. A copy of the report was included in the Board Members' packets. Mr. Baldwin stated that Ms. Laura Lambert with Weaver was present to make a brief presentation to the Board and answer any questions. At this time, Ms. Lambert gave a brief presentation to the Board. There were no questions from the Board and Mr. Baldwin recommended the Motion as presented.

Motion approving the Coastal Water Authority Audit Report for the Year ending December 31, 2021.

Motion made by Director Sjolander, Seconded by Director Reiser. The Motion carried unanimously.

C. 2020 Arbitrage Liability Report.

Mr. Baldwin stated that this item is the 2021 Arbitrage Liability Report as of December 31, 2021. A rebatable arbitrage and yield restriction analysis is required on CWA's applicable outstanding Contract Revenue Bonds and the State Funding Agreements. The analysis for 2021 was conducted by the financial services firm of First Southwest. The analysis indicated that no rebatable arbitrage exists on any of CWA's applicable Contract Revenue Bonds, Contract Refunding Bonds and the State Participation Funding with the TWDB. As noted in the report, there was no payment required from CWA to the Internal Revenue Service. This report was reviewed by the Finance and Audit Committee earlier. A copy of the report summary was included in the Board Members' packets. There were no questions from the Board and Mr. Baldwin recommended the motion as presented.

Motion accepting the Arbitrage Report for the Coastal Water Authority Contract Revenue Bonds and the Texas Water Development Board Contract Fundings as of December 31, 2021.

Motion made by Director Reiser, Seconded by Director Sjolander. The Motion carried unanimously.

D. Internal Management Report – Quarter ending December 31, 2021.

Mr. Baldwin stated that this item is the Internal Management Report for the quarter ending December 31, 2021. This report details the investment activities on all of CWA's funds as required by the Texas Public Funds Investment Act. The report reflects the investment yields available in the market place during that time frame. All investments were held to maturity and there were no losses on CWA's investments. This report was presented to the Finance and Audit Committee earlier. A copy of the report was included in the Board Members' packets. There were no questions from the Board and Mr. Baldwin recommended the motion as presented.

Motion approving the Coastal Water Authority's Internal Management Report for the Quarter ending December 31, 2020.

Motion made by Director Council, Seconded by Director Reiser. The Motion carried unanimously.

VII. DISBURSEMENTS – John Baldwin

Mr. Baldwin stated that this item is the disbursements for the month on the various construction funds. A copy of the summary of disbursements for the month were included in the Board Members' packets. The disbursements to be approved by the Board included: the Special Project Equity Fund – in the amount of \$283,980.07; the Conveyance System Development Fund – in the amount of \$31,266.00; the Construction Fund – Series 2013 (Luce Bayou Project) – in the amount of \$62,655.00; and the Construction Fund – Series 2017 Loan (Luce Bayou Project) – in the amount of \$534,315.52. There were no questions from the Board and Mr. Baldwin recommended the motion as presented.

Motion approving the Disbursement of Funds as presented.

Motion made by Director Reiser, Seconded by Director Sjolander. The Motion carried unanimously.

VIII. OLD BUSINESS

No items to discuss.

IX. NEW BUSINESS

No items to discuss.

X. EXECUTIVE SESSION – Wayne Klotz

A. HP-410/411 Waterline Extension Property Acquisitions.

Director Klotz noted the time at 10:27 A.M. and stated that the Board would at this time convene in Executive Session. The Executive Session was held pursuant to the provisions of Sections 551.071-551.084 of the Texas Government Code. No action was taken in Executive Session.

XI. RECONVENE – OPEN SESSION

Open session was reconvened at 10:32 A.M. Director Klotz stated that no action was taken in Executive Session.

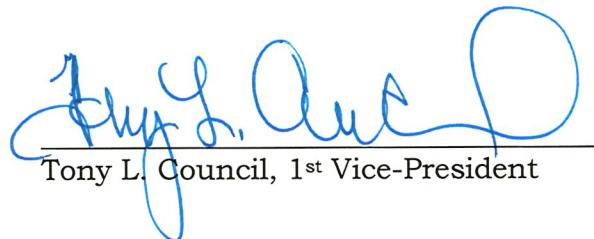
After discussion, in connection with Item X.A., HP-410/411 Waterline Extension Property Acquisition, Mr. Olinger presented the motion as follows.

Motion authorizing the Executive Director to submit initial offer letters to Lucy 7 Equity II, LLC for the purchase of Parcel of DS-250 and to the City of La Porte for the purchase of Parcel DS-249 for the HP-410/411 Pipeline Extension Project.

Motion made by Director Walker, Seconded by Director Sjolander. The Motion carried unanimously.

XII. ADJOURNMENT – Wayne Klotz

The meeting was adjourned at 10:32 A.M.



Tony L. Council, 1st Vice-President