

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

February 9, 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	Jon M. Sjolander
Tony L. Council, P.E., First Vice-President	Joseph G. Soliz
Douglas E. Walker, Second Vice-President	Giti Zarinkelk, P.E.
Thomas A. Reiser, Secretary-Treasurer (<i>Absent</i>)	

CWA Staff

Don Ripley
John Baldwin
David Miller
Greg Olinger
Mary Caballero
Todd Vu

City of Houston Staff

Yvonne Forrest, Houston Public Works

Legal Counsel

Dimitri Millas, Norton Rose Fulbright US LLP
Leslie Bacon, Norton Rose Fulbright US LLP

With the exception of Director Reiser, 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

Director Klotz stated that the first item of business was the approval of the Minutes of the Board Meeting of January 12, 2022, as written.

A. Minutes of the January 12, 2022 Board Meeting.

Motion approving the Minutes of the Board Meeting of January 12, 2022.

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

IV. ONGOING PROJECTS – David Miller

A. Lake Houston Dam Spillway Improvement Project – Phase 2.

Mr. Miller stated that no work was performed in January 2022 as CWA is still awaiting the updated Benefit Cost Ratio which is being prepared by the City of Houston's consultant, Tetra Tech. Director Klotz asked if CWA is keeping in contact with the City of Houston regarding the current hold on this project. Mr. Miller stated, yes. There were no further questions from the Board.

B. Lynchburg Pump Station – B System Improvements.

Mr. Miller stated design work for the Lynchburg Pump Station (LPS) B System improvements is currently underway by CWA's GEC, BGE. This project will add two new 50,000 GPM pumps to the B System to increase capacity and satisfy the demands of the East Water Purification Plant and the Industrial Customers along the Houston Ship Channel. Mr. Miller stated CWA has been meeting monthly with BGE to bring them up to speed on the LPS and specifically the B System. To support the design effort, BGE is currently conducting hydraulic modeling of the pipelines, performing field inspection, and analysis of existing duct bank/conduit, reviewing structural drawings and evaluating CWA's current chemical feed systems. Mr. Miller noted that BGE is scheduled to deliver in May 2022 a Phase 1 Design Package consisting of 30% plans/specs, supporting technical memos and design reports and a construction cost estimate. Afterward, Phase 2 will include Final Design/Bid Documents. Director Klotz asked Ms. Yvonne Forrest, City of Houston/Houston Public Works/Houston Water, if the COH wants to review the designs and be included in project discussions. Ms. Forrest stated, yes. There were no further questions from the Board.

V. MAINTENANCE & OPERATIONS – Greg Olinger

A. Monthly Operations Report/Project Updates.

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

B. Remote Terminal Unit (RTU) Migration to Verizon Private Access.

Mr. Olinger stated this item is related to the migration of CWA's existing Verizon cellular SCADA communications network to a private and more secure Access Point Name (APN) network. Mr. Olinger noted that one of CWA's most important responsibilities is securing CWA networks especially in light of the recent cyber and ransomware attacks targeting Municipal/Government utilities. CWA currently has Remote Terminal Unit (RTU) cellular modems located at 29 remote locations along the canal and pipeline systems. Following a recent cybersecurity review assessment from Tetra Tech and the City of Houston, CWA received a recommendation to upgrade the current existing Virtual Private Network (VPN) to a more secure APN. The APN is configured to avoid convergence of the data with the public internet and instead routes traffic on a separate direct and secured network. Director Klotz asked if this was in CWA's budget. Mr. Olinger stated that this project is being funded through the SEAL's Fund and is a line item in CWA's C.I.P. Director Klotz asked if this was a sole source bid. Mr. Olinger stated that was correct as it is the Verizon provider that performs this upgrade. Mr. Olinger noted that the cost of the upgrade only requires this initial one-time migration cost and that there will be no increase to the monthly service cost with Verizon. Mr. Olinger stated that Verizon's contractor, Industrial Networking Solutions (INS) provided a proposal to provide the upgraded RTU's and also to install and test the upgraded equipment. Mr. Olinger noted that a copy of INS's proposal was included in the Board Members' packets. This item was briefed to the O&M Oversight Committee on February 1, 2022. Director Klotz asked Ms. Forrest if she is aware that CWA is utilizing money from the SEAL's Fund for this project and that the SEAL's Fund is decreasing. Mr. Forrest stated that she is very aware of the status of the SEAL's

Fund. There were no further questions from the Board and Mr. Olinger recommended the motion as presented.

Motion authorizing the Executive Director to issue a purchase order in the amount of \$46,914.00 to Industrial Networking Solutions to convert CWA's Access Point Name (APN) to a private APN with Verizon.

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

At this time, Mr. Olinger stated that this upgrade is part of a much larger effort to harden and fortify CWA's SCADA systems and also to establish a comprehensive operational status feed to the CWA downtown office. CWA's fiber network contractor (PS Lightwave) and the two SCADA contractors (HSQ and Hatch) are currently working together on this upgrade. The common operations supervisory feed will be set up in the CWA downtown office. Once completed, estimated within the next 30-45 days, CWA will take the opportunity to present the Board with a demonstration at either the March 9, 2022 or April 13, 2022 Board meeting.

C. Lake Houston Aquatic Vegetation Control.

Mr. Olinger stated this item is the annual aquatic vegetation control for Lake Houston. The scope includes conducting monthly lake assessments by airboat followed by targeted herbicide spraying of identified invasive species including water hyacinth, water lettuce, Common Salvinia, and Crested Floating Heart. Vegetation control is required in the lake to protect the North East Water Plant and the Lake Houston Pump Station intakes as well as to preserve the water quality in the lake. This is a one year contract with two option years based on contractor performance. Mr. Olinger noted that two bids were received on January 21, 2022 and a copy of the bid tabulation and a history of the previous bids and awards was included in the Board Members' packets. This item was briefed to the O&M Oversight Committee on February 1, 2022. Director Sjolander asked if Mr. Olinger was satisfied with the past control efforts. Mr. Olinger stated yes, the last few years services were good. Mr. Olinger noted that this is the first time Lake Management Services (LMS) came in as the low bidder but they have been a subcontractor to previous incumbent companies that have provided this service to CWA. LMS is very familiar with the lake and its types of vegetation. Director Klotz stated that he recalled a few years back that CWA was looking into CWA staff getting certified and performing this service and asked for the status on that. Mr. Olinger stated that CWA does have a team of certified sprayers that handle more of the near shore areas. The firms providing this service have the necessary equipment such as air boats that do the spraying. There were no further questions from the Board and Mr. Olinger recommended the motion as presented.

Motion authorizing the Executive Director to issue a purchase order in the amount of \$131,606.00 to Lake Management Services for aquatic vegetation control and assessments on Lake Houston.

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

D. 2022 – 2026 Capital Improvement Plan Brief.

Mr. Olinger stated this item would be presented by Mr. Ripley. Mr. Ripley then updated the Board on the overall status of CWA's Capital Improvement Plans. Details were provided on the projects for which funding currently exists and on longer term projects where funding sources have not yet been identified.

VI. BUSINESS REVIEW – John Baldwin

A. Monthly Financial Statements for the Previous Month.

Mr. Baldwin stated that the Final Year-End Financial Statements for the year ending December 31, 2021 were included in the Board Members' packets and noted that these are the Financials that will be provided to CWA's auditors. Mr. Baldwin mentioned as a reminder that all five operating funds came in under

budget by various percentage points. Mr. Baldwin then stated that the Board also received the Financial Statements for the month ending January 31, 2022 in their packets. This is the first month of the new budget year and expenses and revenue are as anticipated and in good shape. There were no questions from the Board on the Financial Statements.

B. 2021 Pension Plan Audit Report.

Mr. Baldwin stated that this item is the Audit Report (Report) on the Authority's Pension Plan for 2021. The Report was prepared by Weaver and Tidwell, L.L.P. (Weaver) and reflects a "clean opinion". The Draft Report was presented to the Finance and Audit Committee on January 27, 2022 by Mr. Rance Buss with Weaver. A copy of the Report was included in the Board Members packets. Mr. Baldwin stated that Ms. Kerri Franz from Weaver was present to give today's presentation and answer any questions from the Board. Ms. Franz then 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 Pension Plan Audit Report for the Benefit Year ending September 30, 2021.

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

C. 2021 Annual Financial Audit Engagement Agreement.

Mr. Baldwin presented to the Board the audit engagement proposal from CWA's Auditors, Weaver and Tidwell, L.L.P. (Weaver) for audit services related to the 2021 Financial Statements. Mr. Baldwin stated that Ms. Laura Lambert from Weaver made a presentation on their proposal to the Finance and Audit Committee on January 27, 2022. A copy of the proposal was included in the Board Members packets. Mr. Baldwin noted that Ms. Lambert will be the lead on this audit and was present at today's meeting to answer any questions from the Board. Director Klotz asked how many years Weaver has been performing this audit. Mr. Baldwin stated that upon approval from the Board this will be their fifth year. There were no further questions from the Board and Mr. Baldwin recommended the motion as presented.

Motion approving the Audit Agreement with Weaver and Tidwell LLP for the Annual Audit of CWA's 2021 Financial Statements.

Motion made by Director Walker, Seconded by Director Sjolander. 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 Bayport Capital Improvement Fund – in the amount of \$1,000.00; the Special Project Equity Fund – in the amount of \$319,134.15; the Conveyance System Development Fund – in the amount of \$15,645.00; the Construction Fund – Series 2013 (Luce Bayou Project) – in the amount of \$97,085.13; and the Construction Fund – Series 2017 Loan (Luce Bayou Project) – in the amount of \$344,420.22. 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 Walker, Seconded by Director Zarinkelk. The Motion carried unanimously.

VIII. OLD BUSINESS

There were no old business items to discuss.

IX. NEW BUSINESS

There were no new business items to discuss.

At this time Mr. Ripley stated that he wanted to take this time to introduce CWA's new electrical engineer Mr. Saad Al Taie to the Board. The Board welcomed Mr. Al Taie to the CWA team.

X. EXECUTIVE SESSION – Wayne Klotz

- A. Luce Bayou Project Insurance Claim.**
- B. Professional Services.**

Director Klotz noted the time at 10:36 A.M. and stated that the Board would at this time convene in Executive Session. The Executive Session is held to provisions of Section 551.071-551.084 of the Texas Government Code. No action would be taken in Executive Session.

XI. RECONVENE – OPEN SESSION

Open session was reconvened at 11:03 A.M. Director Klotz stated that no action was taken in Executive Session.

After discussion, in connection with Item X.B., Professional Services, Director Soliz presented the following motion.

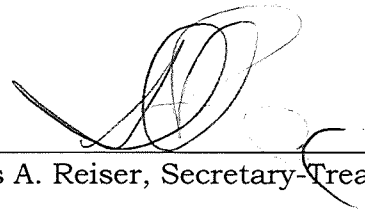
Motion authorizing the Executive Director to solicit Statements of Qualifications from certain law firms to provide legal services to the Coastal Water Authority.

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

XII. ADJOURNMENT – Wayne Klotz

The meeting was adjourned at 11:04 A.M.

[Signature page follows]

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a horizontal line.

Thomas A. Reiser, Secretary-Treasurer