

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

November 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 <i>(Absent)</i>
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

Greg Olinger
John Baldwin
David Miller
Mary Caballero
Todd Vu

City of Houston Staff

Venus Price

General Legal Counsel

Barron Wallace and Mary Buzak, Bracewell LLP

With the exception of Director Sjolander and Director Reiser all Members of the Board were present thus constituting a quorum.

Copies of the agenda materials were included in the Board Members’ packets.

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 October 12, 2022. At Director Klotz’s direction, the October 12, 2022 Meeting Minutes were revised to reflect and describe the moment of silence.

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

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

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

Director Klotz requested the approval of the Finance and Audit Committee 2023 Budget Workshop Meeting of November 9, 2022, as written.

B. Minutes of the October 12, 2022 Finance and Audit Committee 2023 Budget Workshop Meeting.

Motion approving the Minutes of the Finance and Audit Committee 2023 Budget Workshop Meeting.

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

IV. MAINTENANCE & OPERATIONS – Greg Olinger

A. Annual Chemical Contract.

Mr. Olinger stated this item relates to the procurement of the annual aqueous (aqua) ammonia chemical contract for the Lynchburg Pump Station (LPS). After negotiation with the incumbent and the lowest bidder, Airgas Specialty Products (Airgas), CWA proposes to approve a variable rate-based contract that will adjust based on the aqua ammonia market commodity pricing. The price includes a fixed processing and delivery fee in the unit price. As briefed to the Board previously, this price represents a significant increase from previous years. It is a 98% increase over last year. Mr. Olinger noted that CWA will continue discussions with the City of Houston (City) regarding the possibility of joining in its contract for aqua ammonia supply which comes up for renewal in 2026. This item was presented to the O&M Oversight Committee on November 1, 2022. Director Klotz asked if aqua ammonia is used at any of the other places where CWA pumps water. Mr. Olinger responded that the LPS is the only location requiring ammonia. There were no further questions from the Board and Mr. Olinger recommended the motion as presented.

Motion authorizing the Executive Director to issue an extension to Airgas Specialty Products in the amount of \$1,007,028.00 for aqua ammonia.

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

B. C-System Condition Assessment.

Mr. Olinger stated this item is related to an upcoming planned pipeline inspection. This inspection would be conducted on a portion of the C-System pipeline that extends from LPS to the City's East Water Purification Plant. The line is 108 inch and 102 inch pre-stressed concrete cylinder pipe installed in the late 1980s. As briefed to the Board previously, external surface loading over the top of the pipe has created concern about the current condition of the pipe. The inspection would be completed by Pure Technologies and would consist of leak detection inspection using a SmartBall. This would be followed by an electromagnetic inspection to detect any breakage of pre-stressing wires and then followed by a visual and sounding inspection to identify any mortar liner cracking or delamination. At this time, and at the request of Director Klotz, Mr. Dave Kurtz with Pure Technologies gave a brief explanation of its inspection process utilizing the SmartBall/Air Pocket inspection technology. Mr. Olinger noted that CWA has been coordinating closely with the City for short duration shutdowns to accommodate the inspection. Director Klotz asked Mr. Olinger for a time frame of the shutdown. Mr. Olinger responded that the shutdown will last two weeks. Director Klotz asked Mr. Olinger if he anticipates any repairs based on past history of leak inspections. Mr. Olinger stated that there have been a couple of repairs needed on every inspection performed. Director Klotz asked if the repairs have all been completed within the pipe. Mr. Olinger stated yes and that the repairs are done with carbon fiber wrap that is used to return the pipe to its original pressure rating once in place. CWA is also working on proposals from certain suppliers that CWA will bring forward to the Board at next month's Board Meeting for pre-approval of their services so that should there be a need for repairs, they can be executed quickly.

Director Klotz asked for the status on the loading of the pipe from the Port of Houston Authority (the Port). Mr. Olinger stated that after meeting with the Port and its lessee last month, the stored material has been removed from the top of the pipe at a width that is 70 feet across and 35 feet on each side of the pipe. CWA is continuing to monitor the site and the Port is working with CWA as well. Director Council asked if the plan forward is that the area will be kept vacant. Mr. Olinger responded that CWA will perform this inspection to find out the condition of the pipe and then CWA will determine the plan following the inspection. Director Klotz stated that he is not asking for a recommendation today, but asked Mr. Wallace, CWA's general legal counsel, if it is possible to enhance CWA's rights at this site with a new license agreement. Mr. Wallace responded that CWA can request a new agreement with rights beyond the current license. Mr. Olinger noted that the leak detection run is scheduled for December 19, 2022, and the electromagnetic inspection is scheduled for the week of January 9, 2023. Director Klotz asked Mr. Baldwin if CWA has budgeted for this work. Mr. Baldwin stated that there is funding for this work in the budget. 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 to Pure Technologies in the amount of \$490,502.00 for condition assessment of CWA's C-System Pipeline.

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

C. Request for Canal Abandonment – SE Lateral J.

Mr. Olinger stated this is an information item related to a request for canal abandonment of a portion of SE Lateral J located in Baytown, Texas, near the intersection of Grand Parkway and just south of FM 565 in Chambers County, Texas. An aerial photograph of the area showing the abandonment lateral area of 0.73 acres and the planned residential development area was presented to the Board. Mr. Olinger noted that the canal was initially used for rice field operations and has not been used for over 40 years. The owner has completed a survey and appraisal of the value. Director Klotz asked Mr. Wallace if CWA needs to get its own appraisal. Mr. Wallace responded that it would not be a bad idea; Mr. Olinger stated that CWA is currently obtaining an appraisal to compare against the one received. Director Klotz noted that it is the Board's position on these abandonment requests that CWA provides proof that it will never need to use the canal before the land is sold. Mr. Olinger stated that CWA will fully evaluate and will be prepared to come back to the Board with that evaluation at next month's meeting and if there are no objections from the Board to move forward, the process would involve initiation of a 30-day public review period to receive any input from the public and adjacent property owners. Director Klotz asked Mr. Olinger if this was a dry canal. Mr. Olinger confirmed that it is a dry canal and noted that CWA mows it a couple of times a year. This item was presented to the O&M Oversight Committee on November 1, 2022. There were no further questions from the Board.

D. Water Infrastructure Grant and Loan Program Assessment.

Mr. Olinger stated this item is related to the Water Infrastructure Grant and Loan Assessment. As briefed to the Board previously, CWA has requested proposals to identify, evaluate and recommend applicable grant and loan programs to fund CWA's Capital Infrastructure Program Critical Infrastructure Projects. These programs were identified as some of the potential funding sources. Mr. Olinger noted that some are grants with required matching and some are low interest loans. Director Klotz noted that the Infrastructure Investment Act should be reviewed. Mr. Olinger stated that in this effort, CWA received three Statement of Qualifications (SOQs), and following review of the SOQs, the review committee is recommending moving forward with Stantec Consulting Services (Stantec). Stantec has demonstrated proven experience with securing funding for water specific projects. Director Klotz asked if Stantec was aware of CWA's Affirmative Action goals and expectations to meet it. Mr. Olinger stated that Stantec was made aware.

Motion authorizing the Executive Director to begin contract negotiations with Stantec Consulting Services for the assessment of the water infrastructure grant and loan programs.

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

D. 2023 Strategic Plan Update.

Mr. Olinger stated this item is an update on the CWA Strategic Plan for 2023 (the Plan). As briefed last month, CWA has circulated a draft of the Plan for the next five years that includes vision, mission, and values statements and lays out five major strategies and describes the associated goals and objectives that support achievement of the overarching strategies. This will be an important tool to focus CWA's efforts over the next five years. Mr. Olinger noted that he received feedback on the Plan and appreciated the Board Members' comments and insights. Over the next few weeks, CWA staff will work through the comments and will be prepared to issue a draft final Plan next month. Following that, CWA will target the January 11, 2023 Board Meeting to request Board adoption of a final version of the Plan. Director Klotz thanked and complimented Mr. Olinger and CWA staff for taking on this initiative.

V. ONGOING PROJECTS – David Miller

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

Mr. Miller stated during the month of October 2022, BGE, Inc. (BGE), CWA's general engineering consultant and the design engineer on this project, submitted the 60% Design along with the Pump Procurement Package. The design was reviewed by CWA as well as CWA's technical advisor, Black & Veatch. Comments have been provided to BGE and a Design Review Workshop will be scheduled within the next few weeks. As presented in the October Board Meeting, CWA and BGE decided a separate building is necessary for the two new pump variable frequency drives (VFDs) for Pumps 201 and 206. It was also determined components of the Chlorine and Ammonia Feed System need to be upgraded during this B-System expansion. CWA and BGE completed negotiation of scope and fee for an amendment to the design contract during the month of October 2022. This information was reviewed with the Professional Engineering Services Review Committee on November 1, 2022 and they recommended bringing forward for Board consideration. Director Klotz asked for the original contract value. Mr. Miller stated approximately \$1.6 Million. There were no further questions and Mr. Miller recommended the motion as presented.

Motion authorizing the Executive Director to issue a work order amendment to BGE, Inc. in the amount of \$360,069.00 for additional design services as part of the Lynchburg Pump Station B-System Expansion Project.

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

VI. BUSINESS REVIEW – John Baldwin

A. Monthly Financial Statements for the Previous Month.

This item is the Financial Statements for the month ending October 31, 2022. Mr. Baldwin stated that as of the end of the tenth month of the 2022 budget year, CWA is doing well with timely revenue streams. All five of the operating expenditures Operating Funds are within budget. The Trinity River budget is tighter due to the high chemical expenditures. The forecast is that at year-end, Trinity River should come in within 1% under budget and all other funds should come in within 2% - 4% under budget. There were no questions from the Board.

B. Adoption of the 2023 Operating Budgets for the Trinity River Conveyance System, the Lake Houston Facilities and the Luce Bayou Water System Project.

Mr. Baldwin stated that this item is CWA's proposed Fiscal Year 2023 Operating Budgets with the City of Houston for the Trinity River Conveyance System, the Lake Houston Facilities and the Luce Bayou Water System Project (Budgets). Mr. Baldwin noted that there were no changes made to the Budgets from the October 12, 2022 Finance and Audit Committee Budget Workshop. Mr. Olinger reviewed the Budgets with Ms. Yvonne Forrest, City of Houston, Houston Public Works (HPW) and a letter of concurrence for the Budgets was received from Ms. Carol Haddock, Director of HPW. HPW will recommend the Budgets to City Council for approval. There were no questions from the Board and Mr. Baldwin recommended the motion as presented.

Motion adopting the 2023 Operating Budgets for the Trinity River Conveyance System, the Lake Houston Facilities and the Luce Bayou Water System Project and authorizing the Chief Financial Officer to submit said Budgets to the City of Houston Mayor and City Council for their review and approval.

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

C. Adoption of the 2023 Operating Budgets for the Bayport Water System Project and the Red Bluff Water Treatment Plant.

Mr. Baldwin stated that this item is CWA's proposed Fiscal Year 2023 Operating Budgets for the Bayport Water System Project and the Red Bluff Water Treatment Plant and stated that there were no changes made from the Committee Budget Workshop meeting held on October 12, 2022. The proposed budgets were sent and acknowledged from the respective customers with no comments of objections received. There were no questions for the Board and Mr. Baldwin recommended the motion as presented

Motion approving the Resolutions adopting the 2023 Operating Budgets for the Bayport Water System Project and the Red Bluff Water Treatment Plant.

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

D. Investment Policy Renewal.

Mr. Baldwin stated that this item is the annual review of CWA's Investment Policy (Policy). The State of Texas Public Funds Investment Act requires the Board to acknowledge the review of the Policy even if no changes are needed by adopting the continuance of the Policy. There were no changes to the Policy this year. Mr. Baldwin noted that this item was reviewed with the Finance and Audit Committee earlier. There were no questions from the Board and Mr. Baldwin recommended the motion as presented.

Motion approving the Resolutions adopting a Continuance of the Investment Policy, Cash and Investment Management Procedure and List of Qualified Brokers/Dealers of the Coastal Water Authority.

Motion made by Director Council, Seconded by Director Zarinkelk. 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. The disbursements to be approved by the Board included the Bayport Capital Improvement Fund – in the amount of \$417,646.09; the Special Project Equity Fund – in the amount of \$206,493.44; the Construction

Fund – Series 2013 (Luce Bayou Project) – in the amount of \$12,997.74; and the Construction Fund – Series 2017 Loan (Luce Bayou Project) – in the amount of \$828,014.46. 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 Council. The Motion carried unanimously.

VIII. OLD BUSINESS – Greg Olinger

No items to discuss.

IX. NEW BUSINESS – Greg Olinger

No items to discuss.

X. EXECUTIVE SESSION

A. Lynchburg Pump Station Incident Update.

Director Klotz noted the time at 10:38 A.M. and stated that the Board would at this time convene in Executive Session. The Executive Session was held pursuant to provisions of Section 551.071-551.084 of the Texas Government Code. No action was taken in Executive Session.


XI. RECONVENE – OPEN SESSION – Wayne Klotz

Open Session reconvened at 10:59 A.M. Director Klotz stated that no action was taken in Executive Session.

XII. ADJOURNMENT – Wayne Klotz

The meeting was adjourned at 10:59 A.M.

[Signature page follows]



Thomas A. Reiser, Secretary-Treasurer