

# COASTAL WATER AUTHORITY

## Minutes of Regular Meeting

February 8, 2023

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 ( <i>Absent</i> )	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**

Yvonne Forrest

### **General Legal Counsel**

Barron Wallace and Mary Buzak, Bracewell LLP

With the exception of Director Reiser and Director Walker, 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 opened the meeting at 10:01 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 11, 2023.

### **A. Minutes of the January 11, 2023 Board Meeting.**

#### **Motion approving the Minutes of the Board Meeting of January 11, 2023.**

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

**IV. EXECUTIVE DIRECTOR'S REPORT – Greg Olinger**

**A. Operations Summary Report.**

Mr. Olinger stated that this item is the monthly raw water production summary report for CWA's three pump stations which include the Trinity River Pump Station (TRPS), Lake Houston Pump Station (LHPS), and Capers Ridge Pump Station (CRPS). Mr. Olinger presented the Board with a rollup of the previous year's total production and noted that in 2022 CWA pumped a combined total of 272 billion gallons from these pump stations, which is the equivalent of filling the Houston Astrodome 87 times or roughly once every four days. CWA delivered within 1% of the projected 2022 amount.

Mr. Olinger stated that during the month of January 2023, the TRPS pumped 18.1 billion gallons, with a daily average of 585 million gallons per day (MGD), and was 13% above the projected amount due to the East Water Purification Plant requesting an increase on the B and C lines associated with necessary electrical equipment repairs. The LHPS pumped 1.5 billion gallons, an average of 48 MGD, and was 48% less than the projected amount of 2.9 billion gallons due to the East Water Purification Plant requesting a decrease of supply from the LHPS associated with necessary electrical equipment repairs. The CRPS pumped 1.8 billion gallons, an average of 75 MGD, and was 31% below the projected amount of 2.6 billion gallons due to wet weather, dam discharges and gate openings at the Lake Houston Dam, which resulted in the suspension of pumping at CRPS for sixteen days during the month. There were no questions from the Board.

**B. Request for Canal Abandonment – SE Lateral J.**

Mr. Olinger stated this item is related to the request for canal abandonment of a portion of SE Lateral J located in Baytown, Texas, near the intersection of the Grand Parkway and just south of FM 565. Surface Resources, the requestor, is the property owner who is in the process of developing the property for residential use. A vicinity map with the location of the respective area was provided to the Directors showing where Lateral J crosses underneath the Grand Parkway to the east and terminating on the requestor's property. The vicinity map also showed the portion of the canal requested to be abandoned. Mr. Olinger noted that the canal was initially used for rice field irrigation operations and has not been used for over 40 years. CWA completed its assessment of future raw water needs in coordination with the Chambers County Engineer's Office.

CWA has determined that there are no active raw water contracts in the area, there have been no requests for services in the area in over 40 years, the abandonment would not create a gap in the laterals because it is located at the canal termination point, municipal treated water in the area is available and supplied by the Baytown Area Water Authority, and there are no known future needs. Based on these determinations, CWA staff recommends abandonment of this portion of the canal following a 30-day public review period to be published in the Baytown Sun and the Houston Chronicle. After the 30-day review period, CWA staff will present any feedback received to the Board. In response to a question from Director Sjolander, Mr. Olinger stated that CWA will assess the need for a cap of the piping currently located underneath the Grand Parkway. There were no further questions from the Board and Mr. Olinger recommended the motion as presented.

**Motion authorizing the Executive Director to initiate a 30-day public review period related to the proposed abandonment of a portion of SE Lateral J located on Coastal Water Authority's Cedar Point Lateral conveyance system.**

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

**C. Capers Ridge Pump Station Additional Pump Capacity Project Update.**

Mr. Olinger stated this item is a project update on the additional pump capacity at the CRPS. The initial phase of the CRPS included half of the ultimate capacity, which is 240 MGD. Currently four pumps and motors are installed with open slots for four additional pumps. In recent months, CWA has been in discussions with the City of Houston's Houston Public Works (HPW) on the options to move forward with procurement and installation of the four additional pumps to achieve ultimate capacity of 500 MGD. At the request of HPW, CWA is currently updating the cost estimates and will keep the Board informed on any further direction from HPW on this project. In response to a question from Director Klotz, Mr. Olinger stated that CWA expects to have the cost estimate completed next week and will convey that estimate to HPW. Director Klotz thanked Mr. Olinger for the update.

**D. Lynchburg Pump Station Motor 105 Update.**

Mr. Olinger stated this item is a project update on the rehabilitation of A-system Motor 105 at Lynchburg Pump Station (LPS). The scope involved removal of the motor, transport to the motor rehab shop in Alabama, replacement of the bearings and resistance temperature devices, rewinding the rotor coils and reinstallation of the motor at LPS. Photos of the various phases of work performed on the pump were presented to the Board. Mr. Olinger noted that the project was completed on schedule and under budget. Mr. Olinger recognized the efforts of the CWA project team, Rick Warner, Saad Al Taie, Kirk Hardesty, Robert Bush and Jonathon Jung, as well as the contractor, Louis Allis, for successfully completing this important motor rehab project. There were no questions from the Board.

Director Klotz asked about the status of the pump impeller alternate price sourcing for Pump 8 at the TRPS, which was discussed at last month's Board Meeting. Mr. Olinger responded that CWA is currently in discussions with Sulzer, the original pump manufacturer, who has indicated that it can provide the component parts including the cast steel suction bell and the stainless steel impeller. The lead time is one year. CWA is still awaiting the costs, and an update will be provided at next month's Board Meeting.

**V. ONGOING PROJECTS REPORT – David Miller**

**A. Lynchburg Pump Station – B-System Expansion.**

Mr. Miller stated during the month of January 2023, CWA's design engineer, BGE, submitted the 100% Pump Procurement Package and Electrical Systems Study for review by CWA and CWA's technical advisor, Black & Veatch (B&V). The Electrical Systems Study (ES Study) was prepared by BGE's subconsultant, Kalluri Group (Kalluri). The ES Study evaluated the capacity and reliability of the entire LPS electrical system and included a short circuit study, coordination study and load flow analysis. The ES Study confirmed that all of the medium voltage systems are adequately protected in the event of a fault current.

Concurrent with this ES Study, and as part of CWA's on-going electrical safety program review, it was determined that an Arc Flash Study (AF Study) is needed for the electrical systems at the LPS and CWA's other facilities, with the exception of the CRPS, which included an AF Study as part of its original design. The AF Study calculates the arc flash incident energy that can be expected at electrical equipment during a fault event. With the calculation of the incident energy the correct personal protective equipment (PPE) can be established for electrical workers that are working on the equipment. The model developed by Kalluri as part of the ES Study can be used to generate the arc flash analysis. CWA will work with BGE and Kalluri to negotiate a scope and fee for the AF Study, which will be brought to the Board for consideration at next month's Board Meeting. Mr. Miller stated that once the AF Study is complete, the arc flash potential will be known for all equipment and electrical

panels so safety stickers specifying PPE can be placed on the equipment. An AF Study will also be necessary at the TRPS, the Bayport Pump Station and the LHPS and will be addressed after the AF Study for the LPS is complete. In response to a question from Director Klotz, Mr. Miller confirmed that Kalluri has the experience to perform the AF Study. In response to a question from Director Sjolander, Mr. Miller responded that it is advisable to review and update an AF Study every five years as part of CWA's electrical safety program.

Mr. Miller stated that BGE is working on completion of the Pump Procurement Package for advertisement at the end of March 2023. The procurement of the variable frequency drives (VFDs) is still under evaluation. Currently it is included in the Pump Procurement Package; however, CWA is also considering a separate VFD package, and CWA, BGE and B&V will make a final decision within the next few days. Mr. Olinger noted that CWA also reached out to other water authorities and regional water districts to understand their previous experience with packaging and procuring pumps, motors and drives. In response to a question from Director Council, Mr. Miller stated that the premium for including VFDs in the Pump Procurement Package may range from \$750,000 to \$1 million.

The Construction Package Design is expected to be completed in late April 2023. Mr. Miller presented photographs of representative VFDs and a VFD building and explained that VFD equipment will be installed into a pre-fabricated building, wired and tested and then shipped to the site. Mr. Miller also noted that the air conditioning units needed for a VFD building are critical, as the VFDs put off a significant amount of heat during operation. Director Klotz asked if the air conditioning design will match the hot and humid conditions present at the LPS. Mr. Miller responded that BGE has a subconsultant dedicated to performing the HVAC design and has experience with these conditions.

Director Zarinkelk asked why CWA is considering Toshiba as a VFD supplier. Mr. Miller indicated the procurement documents will identify 7-8 acceptable VFDs that were fully evaluated by CWA, BGE and B&V. In response to a question from Director Klotz, Mr. Miller explained that construction will begin 6-7 months prior to arrival of pumps and motors and the construction duration will be approximately one year. Director Klotz asked if Mr. Miller will be requesting approval to advertise the Pump Procurement Package at next month's Board Meeting, and Mr. Miller confirmed. There were no further questions from the Board.

## **VI. BUSINESS REVIEW – John Baldwin**

### **A. Monthly Financial Statements for the Previous Month.**

Mr. Baldwin presented the Board with the Final Draft Year-End Financial Statements for the year ending December 31, 2022, and noted that the Year-End Financials 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 at year-end 2022. Director Klotz complimented Mr. Baldwin's staff on their successful efforts. Mr. Baldwin then presented the Board with the Financial Statements for the month ending January 31, 2023, and stated that at the end of the first month of the new budget year, the expenses and revenue are as anticipated and are in good shape. There were no questions from the Board on the Financial Statements.

### **B. 2022 Pension Plan Audit Report.**

Mr. Baldwin stated that this item is the Audit Report (Report) on CWA's Pension Plan for 2022. CWA's Pension Plan's benefit year ends on September 30 of each year. CWA engaged Weaver and Tidwell, L.L.P. (Weaver) for this endeavor. Mr. Baldwin noted that Weaver has prepared the Report for CWA for the past five years and that CWA will prepare a Request for Qualifications for next year's Report. Mr. Baldwin stated that the Report reflects a "clean opinion". A draft

of the Report was previously presented to the Finance and Audit Committee by Mr. Rance Buss with Weaver. Mr. Baldwin introduced Mr. Buss, who 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's Pension Plan Audit Report for the Benefit Year ending September 30, 2022.**

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

**C. 2022 Arbitrage Liability Rebate Report.**

Mr. Baldwin stated that this item is the 2022 Arbitrage Liability Rebate Report as of December 31, 2022. 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 2022 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 Revenue Refunding Bonds and the State Participation Funding with the Texas Water Development Board (TWDB).

Mr. Baldwin noted that for the most part all of the earlier loans from the TWDB are down to zero, but there are some remaining proceeds from the Series 2013 and Series 2017 loans. CWA's two other loans are Contract Revenue Refunding Bonds, Series 2010 and Series 2014, which are backed by the City. Based on the interest rates of the loans and the bonds, the earnings, and the remaining proceeds, no payment was required from CWA to the Internal Revenue Service. This report was previously reviewed by the Finance and Audit Committee. 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, 2022.**

Motion made by Director Council, 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. The disbursements to be approved by the Board included the Bayport Capital Improvement Fund – in the amount of \$36,830.30; the Special Project Equity Fund – in the amount of \$385,860.43; the Construction Fund – Series 2013 (Luce Bayou Project) – in the amount of \$17,456.38; and the Construction Fund – Series 2017 Loan (Luce Bayou Project) – in the amount of \$353,344.98. 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 Sjolander, 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** – Wayne Klotz

There was no executive session.

**XI. ADJOURNMENT** – Wayne Klotz

The meeting was adjourned at 10:36 A.M.

[Signature page follows]



Tony L. Council, 1<sup>st</sup> Vice President