

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

September 13, 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 (<i>Absent</i>)	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

Greg Olinger
John Baldwin
David Miller
Todd Vu
Mary Caballero

City of Houston Staff

(*Absent*)

General Legal Counsel

Barron Wallace and Mary Buzak, Bracewell LLP

With the exception of Director Klotz 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 – Tony Council

A. Welcome.

Director Council opened the meeting 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 – Tony Council

Director Council stated that the first item of business was the approval of the Minutes of the Board Meeting of August 9, 2023.

A. Minutes of the August 9, 2023 Board Meeting.

Motion approving the Minutes of the Board Meeting of August 9, 2023.

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

IV. EXECUTIVE DIRECTOR'S REPORT – Greg Olinger

A. Operations Summary Report.

Mr. Olinger stated that during the month of August 2023, the very hot and dry weather conditions continue to affect all reservoirs at Lake Houston, Lake Conroe, and Lake Livingston. Lake Houston recorded about a half-inch of rain for the month and is about 0.5 feet below pool. Lake Conroe is two feet below pool, and Lake Livingston is over three feet below pool. Regarding production during the month of August 2023, the Trinity River Pump Station pumped 23.3 billion gallons, with a daily average of 751 million gallons per day (MGD), and was 114% above the projected amount of 20.5 billion gallons. The Lake Houston Pump Station pumped 1.5 billion gallons, with a daily average of 49 MGD, and was at 75% of the projected amount of 2 billion gallons. The Capers Ridge Pump Station (CRPS) pumped 4.7 billion gallons, an average of 152 MGD, and was at 181% of the projected amount of 2.6 billion gallons. Mr. Olinger noted that CWA is continuing to run two pumps at CRPS which is helping to maintain the lake level during these dry conditions.

B. Annual Chemical Contracts.

Mr. Olinger stated this item is the annual chemical contracts for aqua ammonia and liquid chlorine. Bids for both chemical supply contracts were received on August 25, 2023. CWA received four aqua ammonia bids with the low bid of \$138/ton, which represents a 53% decrease from last year. Two liquid chlorine bids were received with the low bid of \$1,427/ton, which represents an 8% decrease from last year. Both chemical supply contracts are for a one-year period starting on October 1, 2023, and both are structured with quarterly market variable pricing due to the remaining high volatility of the chemical supply market. Director Council asked if there has been any progress in joining with the City of Houston (COH) on these contracts. Mr. Olinger reported that CWA had a discussion last month with the COH's Strategic Procurement Division (SPD) regarding this issue. The COH's chlorine contract is targeted for March 2024 and SPD is working to add Lynchburg Pump Station (LPS) as a delivery location to that contract. Mr. Olinger noted that CWA currently intends to include this chemical contract in the 2024 operating budget should there be any issues that transpire with joining the COH's chlorine contract. In response to a question from Director Sjolander, Mr. Olinger stated that the chemical contract amounts could go up or go down and both are based on quarterly index pricing. This process was implemented last year and it appears to have worked out well in addressing the variable pricing. There were no further questions from the Board and Mr. Olinger recommended the motions as presented.

Motion authorizing the Executive Director to issue a purchase order to Airgas Specialty Products in the amount of \$433,554.00 for aqua ammonia.

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

Motion authorizing the Executive Director to issue a purchase order to DXI Industries, Inc. in the amount of \$4,866,070.00 for liquid chlorine.

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

C. Pump P-201 Rehabilitation.

Mr. Olinger stated this item is related to the rehabilitation of Pump P-201 at the LPS. The scope includes removal, repair, and reinstallation of the pump in accordance with the technical specifications outlined in the project manual. Once the pump is removed from LPS to the contractor's facility, the contractor will provide an inspection report identifying recommended necessary work and CWA staff will visit the facility as Pump P-201 is broken down and will inspect the various components. CWA received three bids on August 25, 2023. Considering the time requirements provided by the bidders, it is in the best interest of CWA to select a bid from Alfred Conhagen of Texas, located in La

Marque, Texas, to complete the work within the 90 day contract period. Mr. Olinger noted that the original install of Pump P-201 was in 1975 and it had 209,000 lifetime service hours. In response to a question from Director Council, Mr. Olinger stated that CWA staff will witness the test run after the rebuild. There were no further questions from the Board and Mr. Olinger recommended the motion as presented.

Motion authorizing the Executive Director to accept a bid from Alfred Conhagen of Texas in the amount of \$335,000.00 for the rehabilitation of Lynchburg Pump Station Pump P-201.

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

D. Lynchburg A-System Air Conditioning Units.

Mr. Olinger stated this item is related to the air conditioning units located on CWA's A-System Drive House. Mr. Olinger presented the Board with a picture of the A-3 drive house and stated that it accommodates three Variable Frequency Drives (VFDs) for Pumps 105, 106, and 107. To regulate the temperature within the drive house, three 17.5-ton A/C units are required for interior cooling. The drive house must maintain a minimum cooling level of 70 degrees Fahrenheit to ensure the VFD electronics are functioning properly. Unit 1 was previously replaced due to worn evaporator coils. After checking the other two units, it was discovered that Units 2 and 3 are also showing signs of aging with deteriorating coils; therefore, CWA is requesting to replace those two units as well. Once the new units are delivered, CWA staff will remove and replace the old units in a phased manner to keep the drive house in operation. In response to a question from Director Walker, Mr. Olinger confirmed that a 15 year life is typical and that CWA tries to keep the units going as long as possible. Director Council noted that maintaining adequate cooling for the VFDs is critical. 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 Hunton Distribution in the amount of \$37,909.00 for the Lynchburg A-System Air Conditioning Units 2 and 3.

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

E. Resolution Establishing Director Fees of Office and Reimbursement Policy.

Mr. Olinger stated that this item is a Resolution establishing board of director fees of office and reimbursement for performance of the duties of a director. In this year's Texas legislative session, the maximum daily fees of office were increased from \$150 per day to the per diem set by the Texas Ethics Commission for members of the legislature, which is currently \$221 per day. The annual maximum annual amount for CWA Directors' fees of office has been increased to \$13,260. The change became effective as of June 18, 2023. Payment for fees of office for CWA Directors will be backdated to the effective date. Mr. Olinger thanked CWA's general legal counsel, Bracewell, for its efforts on updating this policy. Mr. Olinger also thanked Director Walker for bringing this item to CWA's attention. There were no questions from the Board and Mr. Olinger recommended the motion as presented.

Motion to adopt a Resolution Establishing Director Fees of Office and Reimbursement Policy.

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

V. BUSINESS REVIEW – John Baldwin

A. Monthly Financial Statements for the Previous Month.

Regarding the Resolution Establishing Director Fees of Office and the Reimbursement Policy, Mr. Baldwin noted that as previously mentioned earlier in today's briefing by Mr. Olinger, the new fees of office became effective on June 18, 2023, and as such, the payment for fees of office will be backdated to June 18, 2023, within the next week or so.

Mr. Baldwin stated that this item is the Financial Statements for the month ending August 31, 2023. All five of the Operating Funds have adequate revenues and timely reimbursements from the COH and CWA's two customers at the Water Treatment Plant and at the Bayport Treatment Plant. The expenditures are running under budget as forecasted on all five Operating Funds. There were no questions from the Board.

B. 2024 Operating Budgets Preparation Schedule.

Mr. Baldwin presented the Board with the 2024 Operating Budgets Schedule and stated that CWA is working on the preliminary 2024 Operating Budgets for all five Operating Funds. Mr. Baldwin noted that a summary briefing will be presented to the Finance and Audit Committee (FAC) on September 28, 2023, and that meeting will be followed by the FAC Budget Workshop occurring immediately after the October 11, 2023 Board Meeting. All of the Board Members are invited to attend the workshop. A copy of the draft 2023 Operating Budgets will be sent to each Board Member ahead of the scheduled FAC Budget Workshop Meeting.

C. Internal Management Quarterly Report – June 30, 2023.

Mr. Baldwin stated that this item is the Internal Management Report for the quarter ending June 30, 2023. This report details the investment activities on all of the 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. Mr. Baldwin noted that CWA is reflecting the current market with the interest rates increasing to between the mid 4% to low 5%. All investments were held to maturity and there were no losses on CWA's investments. 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 June 30, 2023.

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

D. Request for Qualifications – Auditing Services – Update.

Mr. Baldwin stated that this item is an update to the Auditing Services Request for Qualifications (RFQ) for CWA's pension fund and financials. CWA received five proposals on August 25, 2023; the sixth proposal was submitted after the 10:00 AM (CST) deadline time requirement and was not accepted. Mr. Baldwin stated that he and CWA staff are currently reviewing/scoring the five proposals and that those results will be briefed to the FAC later this month. The proposed schedule after the FAC Meeting is to bring the proposed firm selection for the Boards' consideration at the October 11, 2023 Board Meeting, and if approved, the engagement letter for the proposed firm will be presented to the Board for consideration at the November 13, 2023 Board Meeting.

VI. 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 \$767,523.02; the Special Project Equity Fund – in the amount of \$87,697.69; Construction Fund – Series 2013 (Luce Bayou Project) – in the amount of \$29,614.00; Construction Fund – Series 2017 Loan (Luce Bayou Project) – in the amount of \$1,192,810.53; and the Project Fund – in the amount of \$284,468.00. 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 Walker. The Motion carried unanimously.

VII. OLD BUSINESS – Greg Olinger

No items to discuss.

VIII. NEW BUSINESS – Greg Olinger

No items to discuss.

IX. EXECUTIVE SESSION – Tony Council

There was no executive session.

X. ADJOURNMENT – Tony Council

The meeting was adjourned at 10:20 A.M.

[Signature page follows]



Joseph G. Soliz, Assistant Secretary-Treasurer