

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

February 13, 2013

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	John Odis Cobb, P.E.
Tony L. Council, P.E., First Vice-President	Douglas E. Walker
Alan D. Conner, Second Vice-President	Giti Zarinkelk, P.E.
Zebulun Nash, Secretary-Treasurer	

CWA Staff

Donald R. Ripley
John J. Baldwin
Jerry Berry
Greg Olinger
Mary Caballero
Jackie Leong

City of Houston Staff

Yvonne Forrest, Public Utilities, PW&E
John Liles, Legal

Legal Counsel

Neil Thomas, Fulbright & Jaworski L.L.P.

General Engineering Consultant

Ty Thomas, P.E., Lockwood, Andrews & Newnam, Inc.

All members of the board were present, thus constituting a quorum.

I. CALL TO ORDER - D. Wayne Klotz

- A. Welcome and Introduction of the Board.**
- B. Pledge of Allegiance.**
- C. Salute to the Texas Flag.**
- D. Moment of Silence.**

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

II. ITEMS FOR CONSIDERATION - D. Wayne Klotz

A. Minutes of the January 9, 2013 Board Meeting.

Director Klotz stated that the first item of business was the approval of the Minutes of the Board Meeting of January 9, 2013 as written.

MOTION approving the Minutes of the Board Meeting of January 9, 2013.

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

B. Committee Assignments.

Director Klotz stated that CWA Committee Assignments had changed and were as follows:

O & M Oversight Committee: Director Zarinkelk (Chairman), Director Walker, Director Cobb.

Finance & Audit Committee: Director Nash (Chairman), Director Klotz, Director Conner

Pension Committee: Director Nash (Chairman), Director Conner, Director Zarinkelk

Executive Officer Compensation and Review Committee: Director Klotz (Chairman), Director Council, Director Conner

Professional Engineering Services Review Committee: Director Council (Chairman), Director Cobb, Director Walker

There were no objections from the Board members and Mr. Klotz recommended the Motion as presented.

MOTION approving the Coastal Water Authority Committee Assignments as presented.

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

III. ONGOING PROJECTS – Donald R. Ripley

A. Luce Bayou Project EIS.

Mr. Ripley stated that the first phase of Archeological Investigations at seven sites has been completed. The investigation report is in progress by Moore Archeological. One of the sites has been confirmed as eligible for the National Register of Historic Places; a decision on the remaining sites will be made following the Corps of Engineers/Texas Historical Commission review. A Memorandum of Agreement (MOA) with the Indian Nation is required to finalize the Environmental Impact statement (EIS). The USACE is scheduling a conference call with the Indian Nations. CWA has proposed minor route adjustments to facilitate the MOA.

CWA has negotiated with AECOM for services required to finalize the EIS and for the out-of-scope items required in the Draft EIS. The Professional Engineering Services Committee met on January 23, 2013 to review these items. Mr. Ripley recommended the Board of Directors approve the two Motions as they were presented. Director Council stated that the Professional Engineering Services Committee concurred with the recommendation of the Motions as presented.

- 1. MOTION authorizing the Executive Director to issue Work Order No. 11, Supplement No. 1 to AECOM USA Inc., in a "Not-to-Exceed" amount of \$372,500.00 for the Preparation of the Final Environmental Impact Statement for the Luce Bayou Interbasin Transfer Project. Funding Source is the Texas Water Development Board Water Infrastructure Funds.**

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

- 2. MOTION authorizing the Executive Director to issue Work Order No. 8, Change Order No. 1, to AECOM USA Inc., in a "Not-to-Exceed" amount of \$133,000.00 for services associated with the Preparation of the Draft Environmental Impact Statement for the Luce Bayou Interbasin Transfer Project. Funding Source is the Texas Water Development Board Water Infrastructure Funds.**

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

The requirement to update the Zebra Mussel Plan was also addressed at the above mentioned Committee meeting. CWA met with the USACE on February 12, 2013 to review the scope and the TPWD comments. A final plan will be distributed and delivered to the USACE on or before March 6, 2013. Mr. Ripley recommended the Board of Directors approve the Motion as presented. Director Council stated that the Professional Engineering Services Committee concurred with the recommendation of the Motion. Mr. Klotz asked Ms. Forrest if the City of Houston was aware of this Plan. Ms. Forrest stated they were.

3. MOTION authorizing the Executive Director to issue Work Order No. 2013-A, to Lockwood, Andrews & Newnam, Inc., in a "Not-to-Exceed" amount of \$94,166.00 for preparation of a "Zebra Mussel Control Plan" for the Luce Bayou Interbasin Transfer Project. Funding Source is the Texas Water Development Board Water Infrastructure Funds.

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

B. Luce Bayou Technical Advisor.

Mr. Ripley stated that the Request for Qualifications (RFQ) for the Luce Bayou Pump Station Technical Advisor Services for the Capers Ridge Pump Station Project had been developed and was reviewed with the Professional Engineering Services Review Committee. Should the Motion be approved today, the RFQ will be posted on CWA's website. Mr. Ripley then recommended the Motion as presented. Director Council concurred with the recommendation.

MOTION authorizing the Executive Director to Publish a Request for Qualifications pertaining to Technical Advisor Services for the Capers Ridge Pump Station Project.

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

After the above Motion had passed, Mr. Ripley stated for the record that communication with CWA Board members and CWA staff, other than the Executive Director, in reference to the Luce Bayou Technical Advisor RFQ, is prohibited as mentioned in CWA's Procurement Plan (the Procurement Plan is located on CWA's website.)

C. Luce Bayou Project Funding.

Mr. Ripley deferred this Item to Mr. Baldwin. Mr. Baldwin discussed with the Board members the status of the \$28,754,000 loan from the Texas Water Development Board (TWDB) utilizing the State Participation Plan Program. There have been several teleconferences involving the CWA staff, along with CWA's financial advisor and legal counsel, and the staffs of the TWDB and participants from the City of Houston (COH) Public Works and Legal Departments.

The documents are being finalized and the process is on schedule for a loan closing on March 1, 2013. On that day the funds will transfer from the State's account to CWA's two funds, an escrow account and a construction fund.

Mr. Baldwin explained to the Board that the final two Resolutions needing the Board's consideration were the two on the agenda this morning. The first was related to having the Board approve the utilization of implementing a Water Conservation Program for CWA's retail customers. The COH's water system is the only retail customer of CWA's and the TWDB has agreed to accept the City's Water Conservation Program as satisfactorily meeting this requirement of the loan. The City of Houston concurs with this plan.

The second Resolution was to have CWA adopt the Procedures and Guidelines regarding Post-Issuance Compliance with Federal Requirements applicable to tax-exempt bonds. CWA is familiar with these requirements.

Mr. Baldwin recommended the Board of Directors approve the two Resolutions as they were presented.

1. MOTION adopting a RESOLUTION of the Coastal Water Authority Relating to Implementation of a Water Conservation Program by Retail Customer.

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

2. MOTION adopting a RESOLUTION of the Coastal Water Authority Relating to Adoption of Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds.

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

D. Gillette Street Property Remediation.

Mr. Olinger stated that the Municipal Settings Designation (MSD) was submitted to the City of Houston's MSD Program Manager. This MSD is effectively a deed restriction and ordinance that restricts the use of groundwater at the site. The City typically completes the review within a 30 day review period. Following review, a public meeting and comment period will be held. The City's MSD process takes 4-5 months to complete. CWA has received some initial comments from the TCEQ on the submitted Affected Property Assessment Report (APAR). The comments are fairly minor and staff will prepare a response to the comments and begin a revision of the APAR. CWA along with its contractor, Terracon, is preparing the Response Action Plan that will specify the remedial action to be conducted at the site. This plan will be completed in March and will be submitted to the TCEQ for review and approval.

IV. LAND AND RIGHT-OF-WAY - John Liles

Mr. Liles reported that presently there are no outstanding crossing/easement requests.

V. MAINTENANCE & OPERATIONS - Jerry Berry

Mr. Berry referred the Board to the Monthly Operation Report included in their agenda packets.

A. Monthly Report

TRINITY RIVER	Water Production	DAILY AVG (MGD)	
	January 2013	INDUSTRIAL & TREATMENT	
	31 DAYS (gallons)		
Trinity River Pump Station	16.5 billion	Hwy 225 Plants (incl. CWA WTP)	108
Main Canal	15.6 billion	SEWPP	92
Cedar Point Lateral	945.3 million	EWPP	230
San Jacinto Transfer Station	265.1 million	Deer Park WTP	4
Lynchburg Pump Station	14.5 billion	Bayport Plants	27
Water Treatment Plant	137.6million	BAWA	6
Bayport Pump Station	836.6 million	CPL	30
		SJRA	9
		Trinity River Total	505 MGD
 SAN JACINTO RIVER			
Lake Houston Pump Station	1.2 billion	Indus. Customers	24
		EWPP	15
		San Jacinto River Total	39 MGD

Operations

Mr. Berry stated that Lake Houston was at 44.68 ft (msl) and all gates were closed (normal pool is 44.5 ft). Lake Conroe was at 198.26 ft and there were no releases (normal pool is 201 ft). Lake Livingston was at 131.40 ft. and was releasing 1,000 cfs (normal pool is 131 ft). The Trinity River Pump Station (TRPS) January production was 16.5 billion gallons with an average daily production of 505 MGD. The Lake Houston Pump Station (LHPS) January production was 1.2 billion gallons with an average daily production of 40 MGD. At San Jacinto River Authority's request, flow at the SJRA Pump Station was reduced from 10 MGD to 6 MGD. The Bayport Pump Station, normally in stand-by mode, was operated for one day during the NRG Operational Testing at Lynchburg Pump Station (LPS). NRG performed its Annual System Operational Test at the LPS on January 30, 2013. Generator sets and intertie switching failed to operate remotely due to a communication failure. When the test was conducted in local operation, all generator sets started, and the full LPS electrical load was operated on the NRG generators. The modem and antenna was changed out and remotely operated onto the power grid on February 5, 2013. NRG performed its Annual System Test at the Trinity River Pump Station (TRPS) on January 31, 2013. All generators sets started under remote operation. The intertie switch failed to operate remotely due to a logic issue in reference to the CWA main breaker status. NRG is working with CWA technicians to resolve this issue. The test will be rescheduled when the repairs are completed.

Maintenance

Mr. Berry stated that maintenance activities included the cleaning and removing of vegetation from canals and siphon screens, repairing slides at multiple locations on Main Canal. Sediment basin dredging has started and will continue on for several months. Overhead power lines and communication cables were replaced with underground conduit feeds to the RTU building located inside the Enterprise Products Plant. Surge protection at the CPL parshall flume, the CPL overflow structure, and the Bayer RTU building was replaced. Pump #2 was removed at the SJRA Pump Station to replace the impeller. The hydraulic accumulator pressure switches on LPS Pump # 103 was replaced. A versa valve and the rotary cam on LPS Pump 204 ball valve were replaced. Differential pressure switches on LPS Pump 106 were replaced. The LH Dam video computer was replaced. Repair of leaks on the Tainter Gates at LH Dam were completed and both gates are back in service. LPS Tank 2 ammonia conservation valve was replaced and bearings on ammonia sump pump "A" were replaced. Crushed limestone base was placed and graded at various locations in the Bayport System.

Mr. Berry then presented the Board members with slides on the Edgewood Village Development stating that Paskey Construction, under direction of IDS Engineering Group, installed two box storm drains under the West Canal by open-cut method. The Canal was cut on January 28, 2013 and returned to full service on February 7, 2013. There was continuous by-pass pumping of 39 MGD for 10 days with spare pumps on site. Mr. Berry displayed project pictures to which the Board members expressed appreciation. There were no questions from the Board.

B. Professional Service Agreement for Environmental Services with Atkins North America, Inc.

Mr. Berry provided the Board with an overview of services performed by Atkins, North America, Inc for Year 2012 on the Lake Houston Aquatic Vegetation Control Program and with 2013 Cost Projections for the Lake Houston Aquatic Vegetation Control Program. This is an annual service contract. Mr. Ripley added that CWA staff had contacted other vendors to gauge interest in providing these services to CWA, but that they were unwilling to make the certifications to the TCEQ that are required to perform the Aquatic Vegetation control Program. Mr. Ripley stated that because of the licensing and requirements, the contract was a contract for

professional and personal services. Mr. Ripley then recommended the Motion as presented.

MOTION accepting a proposal for Environmental Services from Atkins North America, Inc. in the "Not-to-Exceed" amount of \$90,000.00 for the Lake Houston Aquatic Vegetation Control Program for 2013.

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

VI. BUSINESS REVIEW - John J. Baldwin

A. Monthly Financial Statements for the Previous Month.

Mr. Baldwin presented to the Board the financial statements for the month of January 2013. The first month's expenditures and revenues were as expected. Mr. Baldwin stated he was reviewing the year-end usage at the Red Bluff Treatment Plant and would report to the Board any further action that may be required on that fund.

There were no questions from the Board members.

B. Audit Report of Coastal Water Authority Pension Plan.

Mr. Baldwin presented to the Board the Audit Report of the Authority's Pension Plan (the Plan) for the benefit year ending September 30, 2012. Mr. Baldwin introduced Mr. Rance Buss of the Firm of McConnell & Jones, LLP that conducted the Audit. Mr. Buss made a brief presentation to the Board of the Audit Report. Mr. Buss stated that the report reflects a "clean opinion" as to the status of the financial statements of the Plan. He also commented favorably on the work of the CWA staff and no adjustments or problems were encountered during the Audit Review. Mr. Baldwin also stated that the Report by Mr. Buss had been made at the Pension and the Finance and Audit Committee meetings earlier that morning. Mr. Baldwin recommended the Board accept the Report as presented.

MOTION accepting the Coastal Water Authority Pension Plan Audit Report for the Benefit Year ending September 30, 2012.

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

C. Arbitrage Report - Coastal Water Authority Contract Revenue Bonds.

Mr. Baldwin discussed the Arbitrage Report (the Report) prepared by the Authority's Financial Advisor, FirstSouthwest. The Report is required on all outstanding CWA Bond issues. As the Report indicates there is no Rebutable Arbitrage Liability existing on these four Bond issues as of the reporting period ending December 31, 2012. This report was presented to the Finance & Audit Committee earlier this morning. Mr. Baldwin recommended the Board accept the Report as presented.

MOTION accepting the Arbitrage Report for Coastal Water Authority Revenue Bonds as of December 31, 2012.

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

D. Internal Management Report - December 31, 2012.

Mr. Baldwin presented the Quarterly Internal Management Report (the Report) detailing the investment activities on all of the Authorities' funds for the three month period ending December 31, 2012. The Report reflects the investment yields available in the market place during that time frame. Mr. Baldwin also indicated that all investments were held to maturity and no investment had been broken. The Report was also a topic of discussion in the Finance and Audit Committee meeting held earlier that morning.

MOTION approving the Coastal Water Authority's Internal Management Report for Quarter Ending December 31, 2012.

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

VII. DISBURSEMENTS - John J. Baldwin

Mr. Baldwin stated that the disbursements to be approved by the Board included: the Construction Fund - Series 2009 (Luce Bayou Project) - in the amount of \$21,763.14, the Construction Fund - Series 2010 (Luce Bayou Project) - in the amount of \$148,486.60, the Luce Bayou - Land & Mitigation Fund - in the amount of \$1,157,484.79, the Special Project Equity Fund - in the amount of \$33,749.48.

MOTION to Approve the Disbursements As Presented.

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

VIII. OLD BUSINESS - Donald R. Ripley

Mr. Ripley stated that there were no Old Business items to discuss.

IX. NEW BUSINESS - Donald R. Ripley

A. Request for Qualifications - Replacement of the Variable Frequency Drive for Lynchburg Pumps 208 & 209.

Mr. Ripley stated that on January 23, 2013, the Professional Engineering Services Committee Meeting requested that the Lynchburg Variable Frequency Drive (VFD) engineering be procured by the Request for Qualifications (RFQ) Process. And as such Mr. Ripley recommended the Motion as presented. Director Council concurred. Mr. Ripley stated that with passage of this Motion this RFQ will be posted on CWA's website only.

MOTION authorizing the Executive Director to Publish a Request for Qualifications pertaining to the preparation of a Design Package for Replacement of the Variable Frequency Drive for Lynchburg Pumps 208 & 209.

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

B. Salary Adjustment for the Executive Director and the Chief Financial Officer.

Director Klotz stated that this item was recommended by the Executive Compensation and Review Committee and is in line with the City of Houston's pay increase passed for their FY 2012 Budget. There were no questions from the Board. Mr. Klotz recommended the Motion as presented.

MOTION approving a salary adjustment as recommended by the Executive Officer of the Compensation and Review Committee.

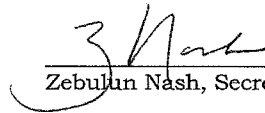
Motion made by Director Nash, Seconded by Director Walker. The Motion carried unanimously.

X. EXECUTIVE SESSION

There was no Executive Session.

XI ADJORNMENT

The Meeting was adjourned at 10:50 A.M.



Zebulun Nash, Secretary-Treasurer