

**COASTAL WATER AUTHORITY**

**Minutes of Regular Meeting**

**January 9, 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**

Jun Chang, P.E., Deputy Director, 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.**
- E. Recognition of Guests.**

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 December 12, 2012 Board Meeting.**

Director Klotz stated that the first item of business was the approval of the Minutes of the Board Meeting of December 12, 2012 as written.

**MOTION approving the Minutes of the Board Meeting of December 12, 2012.**

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

**B. Election of Coastal Water Authority Officers.**

Director Klotz stated that CWA is required to elect officers on an annual basis. The proposal is that the current officers be retained. For the record they are as listed below.

President - D. Wayne Klotz  
1<sup>st</sup> Vice President - Tony L. Council  
2<sup>nd</sup> Vice President - Alan D. Conner  
Secretary- Treasurer - Zebulun Nash

**MOTION approving the Election of Coastal Water Authority Officers as presented.**

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

**III. ONGOING PROJECTS - Donald R. Ripley**

**A. Luce Bayou**

**Monthly Status Report.**

Mr. Ripley presented the Board with a copy of a letter dated, December 21, 2012, from the United States Corp of Engineers, Galveston District (USACE), regarding the comments received during the public comment period associated with the Luce Bayou Interbasin Project Draft Environmental Impact Statement. A response from CWA is due back to the USACE within 30 days from the date of the letter. The Public Hearing Report being prepared by AECOM is due by the end of next week. Mr. Berkenhoff (AECOM) concurred. In response to a question from Director Klotz, Mr. Ripley explained that the Public Hearing Report is a record of the meeting including all of the comments received. This report is a deliverable from AECOM to the USACE. Director Klotz then stated that per USACE's Colonel (Colonel Sallesse), CWA should now start receiving copies of documents pertaining to this project. Mr. Ripley stated that CWA staff will be meeting with the USACE next week. Mr. Ripley then stated that negotiations are currently ongoing with AECOM concerning the preparation of the Final EIS and their previous request for supplements to the prior EIS Work Order. Additional information on the supplement request will be presented to the Professional Engineering Services Review Committee before next month's Board meeting. Director Council concurred. Mr. Ripley stated that the updated schedule for the publication of the Record of Decision is now May 1, 2013 which was a date submitted to the USACE by AECOM. The USACE has not committed to this date but CWA will attempt to secure it at next week's meeting with them. The archeological investigations are ongoing at several sites and certain aspects of those investigations will need to be discussed in Executive Session. Mr. Ripley stated that the archeologist at the USACE stated yesterday morning that working through the archeological issues would not prohibit or interfere with the issuance of the permit. CWA completed the Mitigation Tract Approved Jurisdictional Determination Report (AJD) on the Mitigation Tract Wetland as required by the USACE; the final report was submitted to the USACE in August 2012. The USACE responded to those comments during the last week of December 2012 and now CWA is responding back to their comments. Mr. Ripley stated that a major issue with the EIS at this time is the completion of the archeological work. The scope will not be known until the ongoing investigation is completed and the report is submitted to the USACE. Mr. Ripley reminded the Board that CWA is contracting this work directly with the archeologist. Another major issue involves AJD issues which need to be resolved prior to the issuance of the permit. The response to the DEIS comments is in finalization, and the previously mentioned negotiations with AECOM need to be submitted, finalized and brought to the Board for consideration.

With reference to Luce Bayou Right-of-Way Acquisition, Mr. Ripley stated that CWA closed on Parcels 27 and 42 during the last week of December 2012. The Parcel 39.4 condemnation process will start this month. CWA has closed on 52 of the 57 parcels. Four of those five remaining parcels are owned by the same entity and CWA has obtained confirmation from them in writing of acceptance of our price contract. CWA has received offers to settle from several more of the mineral interests. However, there is a dispute among the heirs regarding who owns what share of the mineral interest; the primary holder is working through that process now. Mr. Ripley then stated that in speaking with CWA's legal counsel, CWA needs to obtain records for the EIS from the United States Department of Agriculture (USDA) on the property CWA owns. However, they will not release those records absent proof that the person(s) asking for those records are entitled to make the request, and secondly, that CWA can provide proof of ownership. Therefore, under the advice of our legal counsel, Mr. Ripley requested the Board to

consider a Resolution authorizing certain persons to have access to property records associated with the Authority.

**MOTION adopting a RESOLUTION authorizing Authority to Obtain and Access Land Records.**

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

**B. Luce Bayou Project Funding.**

Mr. Ripley deferred this Item to Mr. Baldwin. Mr. Baldwin stated that the Texas Water Development Board (TWDB), CWA, the City of Houston (COH) Public Works and Legal Departments, and CWA's legal counsel, all worked together to develop several documents. Mr. Baldwin then referred the Board to Attachment 1, noted below. The Draft Master Agreement with the TWDB and CWA is in substantially final form. The TWDB staff is taking this final draft Master Agreement to their Board on January 31, 2013 for approval to forward it to the Attorney General's office for finalization. Mr. Neil Thomas confirmed that the Attorney General's office does have this document now. The anticipated closing date for this transaction is March 1, 2013. Attachment 2, noted below, is the First Supplement in substantially final form to the current Luce Bayou Projects Contract between the COH and CWA that was approved in January 2009. The above mentioned Draft Master Agreement supporting this loan to CWA requires that CWA amend the Projects Contract through the First Supplement. The First Supplement requires that the COH support this loan agreement between the TWDB and CWA and also commits the COH to repaying the loan from their stream of utility service generated revenues. The loan amount is for \$28,754,000. Both Attachments 1 and 2 may have minor revisions before they become final documents; any substantial changes will be brought before the Board for review and consideration. Mr. Neil Thomas then gave a further summation of Attachments 1 and 2. Mr. Baldwin then recommended a Motion adopting the Resolution as presented in Attachment 3, noted below. Director Nash stated that the Finance and Audit Committee concurred with the recommendation of the Resolution as presented.

**Attachment 1 – Draft Master Agreement (January 7, 2013) between TWDB and CWA.**

**Attachment 2 – First Supplement to Project Contract between COH and CWA.**

**Attachment 3 – Resolution.**

**MOTION adopting a RESOLUTION approving and authorizing execution of a First Supplement to Project Contract between the City of Houston, Texas and the Coastal Water Authority relating to the Luce Bayou Interbasin Transfer Project; approving and authorizing execution of a Master Agreement between Texas Water Development Board and Coastal Water Authority relating to the Luce Bayou Interbasin Transfer Project; and approving certain other matters relating to the foregoing.**

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

In response to a question asked by Director Walker, Mr. Baldwin explained the 80/20 split on the Master Agreement is a State rule for this funding Program and as such, CWA's forecast is for the 80/20 split upon the final funding transaction in several years. Mr. Neil Thomas then added to Mr. Baldwin's statement that it is a 35/65 split now, but it should go up to 80% with additional state funding. Mr. Baldwin stated that this is the first loan of an anticipated three loans between now and the Year 2016. There were no questions from the Board.

**C. Gillette Street Property Remediation.**

Mr. Olinger stated that the Affected Property Assessment Report (APAR) for the entire 10.52 acre site was submitted to the TCEQ in December. The TCEQ has a 45 day review period and CWA staff will be meeting with them next week to check on their progress. Director Klotz asked if the ultimate use of the property affects that. Mr. Olinger stated that it did not as APAR is an investigation report of the environmental assessments that have been conducted on the property and does not really address what the future use of the property is. It does include a residential assessment which is the lowest level for clean-up. Therefore, any future use of the property would be covered under the current APAR. Mr. Olinger stated that CWA is also preparing a Municipal Settings Designation Application (MSD) that will be submitted to the COH later this month. That Application will allow CWA to give notice to any well owners within a five mile radius of the property. This essentially allows CWA to eliminate the groundwater ingestion pathway as a pathway which will allow us to remediate down to the 15 ft. mark. CWA along with Terracon and MidTown Engineers is also working on the design for the Allen Parkway curb cut and slip ramp design which will allow access to the property for the project as well as for future use and will be a permanent slip ramp. The design will be submitted to the COH for their review and approval. In response to a question asked by Mr. Klotz, Mr. Ripley stated that the design of the above mentioned ramp was a part of the original agreement with Mr. Andy Icken (COH). And, in that agreement, Mr. Icken had stated that the COH would work with CWA to make this curb cut. As a result of that agreement, part of Terracon's scope is to work with the COH's Traffic Engineering Department to meet the COH's requirements. Director Klotz stated that he did not realize that CWA had moved from just handling the remediation to actually designing roadways and asked that the Board be kept more apprised of what the scope is. Mr. Olinger responded they would. Mr. Olinger then reported that CWA is on schedule with the Response Action Plan being targeted for March 2013. CWA will then address what action it will take in terms of remediation of the property. CWA still anticipates a remediation contract to be awarded in July 2013 and then a final closure of the property in April of 2014. Director Klotz asked if the Mayor's office received the dates of schedule information as it pertains to State approvals. Mr. Ripley responded yes. Director Klotz then asked if the Affirmative Action goals were still being maintained when the additional work was added. Mr. Olinger responded that they were, and then stated that CWA has set up a meeting with the Mayor's office on the concept of the curb cut and slip ramp ensuring that CWA is being proactive with the COH on this project.

**D. Lake Houston Dam Comprehensive Evaluation.**

Mr. Ripley stated that the final report on the Lake Houston Dam Project from Freese & Nichols (F&N) had been submitted, and a presentation was made to the O & M Oversight Committee. The final report was received and accepted by both CWA and the COH/Department of Public Works and Engineering. Mr. Chang concurred. Mr. John Rutledge with F&N then gave the Board a presentation of the report debriefing on Phase IC - Comprehensive Evaluation of Lake Houston Dam, a copy of which is attached hereto. On behalf of the Board, Director Klotz thanked F&N for their work on this evaluation. Director Klotz stated to Mr. Chang that this concludes CWA's efforts as it pertains to the "safety" of the Lake Houston Dam.

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

Mr. Liles reported that as far as the COH is concerned, 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**

<b>TRINITY RIVER</b>	<b>Water Production</b>	<b>DAILY AVG (MGD)</b>	
	<b>December 2012</b>	<b>INDUSTRIAL &amp; TREATMENT</b>	
	<b>31 DAYS (gallons)</b>		
Trinity River Pump Station	17.2 billion	Hwy 225 Plants (incl. CWA WTP)	110
Main Canal	16.3 billion	SEWPP	92
Cedar Point Lateral	944.3 million	EWPP	242
San Jacinto Transfer Station	315.2 million	Deer Park WTP	4
Lynchburg Pump Station	14.9 billion	Bayport Plants	28
Water Treatment Plant	123.5 million	BAWA	9
Bayport Pump Station	867.9 million	CPL	30
		SJRA	10
		<b>Trinity River Total</b>	<b>526 MGD</b>

**SAN JACINTO RIVER**

Lake Houston Pump Station	1.2 billion	Indus. Customers	24
		EWPP	15
		<b>San Jacinto River Total</b>	<b>39 MGD</b>

**Operations**

Mr. Berry stated that after the recent rainfall Lake Houston was up at 44.4 ft (msl) and all gates were closed (normal pool is 44.4 ft). Lake Conroe was at 197.95 ft and there were no releases (normal pool is 201 ft). Lake Livingston was at 130.75 ft. and was releasing 1,000 cfs (normal pool is 131 ft). The Trinity River Pump Station (TRPS) December production was 17.2 billion gallons with an average daily production of 526 MGD which is on trend with CWA's annual projection for the Year 2012. Mr. Berry pointed out to the Board that the municipal usage was at 65.9% and industrial usage was at 34.1% including the irrigation uses from the Cedar Point Lateral. The Lake Houston Pump Station (LHPS) December production was 1.2 billion gallons with an average daily production of 38 MGD. The March 2012 production was down due to Equistar being shut down for two weeks for maintenance. The San Jacinto River surface water distribution for the Lake Houston East Water Purification Plant was at 38%, and Lake Houston Industrial was at 62%.

**Maintenance**

Mr. Berry stated that maintenance activities included the cleaning and removing of vegetation from canals and siphon screens, installing new pipe fencing across the TRPS entrance at FM 1409, preparing dredge and piping for sediment basin dredging during the winter months, winterizing tractors and equipment, and repairing several air vacuum leaks on C-Line. Mr. Berry reported that CWA staff is now coordinating with NRG for the annual generator "System Operational Test" as required by contract during February of each year at the Trinity River Pump Station (TRPS) and the Lynchburg Pump Station (LPS). This test requires that all CWA equipment be disconnected from the power grid and power to each site supplied by NRG generating equipment. NRG conducts a quarterly "Unit Operational Test" connected to the power grid at the LPS and with the use of load banks at the TRPS. CWA will be scheduling this test during the last part of this month or in the last weeks of February 2013 and will report back to the Board with the results.

Director Council asked about the status on the Variable Frequency Drive (VFD) repair at Lynchburg. Mr. Ripley responded that he is working with Mr. Neil Thomas on a couple of questions regarding the procurement. Mr. Ripley stated that he believes CWA will have a recommendation within (30) days. Mr. Berry added that operation is running good, without any problems.

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

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

Mr. Baldwin referred the Board to the Preliminary Monthly Financial Report in their handouts for the month ending December 31, 2012 which closes out CWA's Fiscal Year 2012. Mr. Baldwin stated that all four of the operating budgets were in good shape coming in under budget on the expenditure side. The revenues for each of the operating funds were in good shape also. It was noted that the Bayport Revenues were up slightly allowing funds to transfer into the Construction Fund. The Red Bluff Treatment Plant ran under budget in revenues and will be reviewed with the two plant customers going into the new 2013 budget year for any possible adjustment to their treatment rates.

**B. Audit Engagement for 2012 Financial Statements.**

Mr. Baldwin provided the Board with a copy of the final proposal from the auditing firm of McConnell & Jones, LLP to conduct the Audit of the 2012 Financial Statements. McConnell & Jones was the selected firm to provide these services resulting from CWA's Request for Qualifications process conducted in October 2012. Mr. Baldwin stated that the fee for these services is \$51,750 which was lower than their original proposal. Director Nash then added that this cost was the same as last year's fee. Mr. Baldwin noted to the Board that the proposal was discussed earlier with the Finance and Audit Committee and recommended the approval of the motion as presented.

**MOTION authorizing a Contract with McConnell & Jones, LLP for the Annual Audit of Coastal Water Authority Financial Statements for 2012.**

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

**VII. DISBURSEMENTS – John J. Baldwin**

Mr. Baldwin stated that the disbursements to be approved by the Board included: the Bayport Capital Improvement Fund – in the amount of \$3,402.28, the Construction Fund – Series 2009 (Luce Bayou Project) – in the amount of \$13,006.93, the Construction Fund – Series 2010 (Luce Bayou Project) – in the amount of \$22,545.00, the Luce Bayou – Land & Mitigation Fund – in the amount of \$829,539.23, the Special Project Equity Fund - in the amount of \$31,058.56.

**MOTION to Approve the Disbursements As Presented.**

Motion made by Director Nash, Seconded by Director Walker. 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**

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

**X. EXECUTIVE SESSION**

Mr. Klotz noted the time at 10:49 A.M. and stated that the Board would at this time convene in Executive Session. The Executive Session is held pursuant to the provisions of Sections 551.071, 551.072, 551.074 and 551.076 of the Texas Government Code.

The item to be discussed in Executive Session would be Ongoing Engineering Projects pertaining to the archeological investigations at the Luce Bayou project site. No Action would be taken in Executive Session.

**XI RECOVENE - OPEN SESSION**

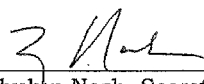
Open Session was reconvened at 11:00 A.M.

Mr. Klotz stated that no action was taken in Executive Session.

**XII. ADJORNMENT**

The Meeting was adjourned at 11:02 A.M.

[Signature Page Follows]

  
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Zebulun Nash, Secretary-Treasurer