

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

September 14, 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
Tony L. Council, P.E., First Vice-President
Douglas E. Walker, Second Vice-President
Thomas A. Reiser, Secretary-Treasurer (*Absent*)

Jon M. Sjolander (*Absent*)
Joseph G. Soliz
Giti Zarinkelk, P.E.

CWA Staff

Greg Olinger
John Baldwin
David Miller
James Lewis
Mary Caballero
Todd Vu

City of Houston Staff

(*Absent*)

General Legal Counsel

Barron Wallace, Bracewell LLP

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

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 August 10, 2022, as written.

A. Minutes of the August 10, 2022 Board Meeting.

Motion approving the Minutes of the Board Meeting of August 10, 2022.

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

IV. MAINTENANCE & OPERATIONS – Greg Olinger

A. Annual Chemical Contracts.

Mr. Olinger stated this item is the annual chemical contracts for ammonia and chlorine. Bids for both chemicals were received on August 19, 2022. The low bid for ammonia is \$280/ton, which represents an 82% increase from 2022. The low bid for chlorine is \$1,543/ton, which represents a 57% increase from 2022. After discussions with both suppliers and the City of Houston, it appears a variable market rate based contract price may offer an opportunity for cost savings over the next year. The motions today are for change orders for both the incumbent ammonia and chlorine suppliers to extend their contracts for the next thirty days to allow CWA time to negotiate a variable rate price for the next year. Director Klotz asked Mr. Olinger to define variable rate. Mr. Olinger stated each chemical is tied into a published market index rate along with the addition of a fixed rate adder for transportation and repackaging. Director Klotz asked if that means CWA will not know the total contract value. Mr. Olinger stated an estimate will be brought to the Board after the negotiation is completed. Director Klotz asked CWA's General Legal Counsel, Mr. Wallace, if CWA needs to do anything in particular with regard to contracts based on a market index rate with an add on. Mr. Wallace stated that this pricing methodology is acceptable as long as the contract terms are clear. Director Klotz asked Mr. Olinger to ensure that Mr. Wallace reviews the contracts. Director Council asked if there has been any progress in joining with the City of Houston (COH) on these contracts and taking advantage of the buying power. Mr. Olinger stated that the COH's chlorine contract expires in March 2023 and CWA has been in discussions with the COH about adding the Lynchburg Pump Station as a delivery point. COH's ammonia contract will not expire until 2025. This item was discussed with the O&M Oversight Committee on September 6, 2022. Copies of the respective bid tabs and CWA's letters of extension to the respective suppliers were included in the Board Members' packets. There were no further questions from the Board and Mr. Olinger recommended the motions as presented.

Motion authorizing the Executive Director to issue a change order to Airgas Specialty Products in the amount of \$215,000.00 for Aqua Ammonia.

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

Motion authorizing the Executive Director to issue a change order to DXI Industries, Inc. in the amount of \$754,527.00 for Liquid Chlorine.

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

B. Lynchburg Pump Station – Motor-105 Rehabilitation.

Mr. Olinger stated this item is for a motor rehabilitation for the A-System Pump 105 at the Lynchburg Pump Station. Meter readings indicate deteriorated insulation resistance connected to the motor, which is driving the need for motor rehabilitation. The scope of work includes removal of the motor from Lynchburg, inspection, replacement of the three bearings and resistance thermometers, rewinding the twelve rotor coils, balancing, final inspection and reinstallation after completion. Two bids were received on August 26, 2022. The low bid was received from Louis Allis, LLC (Louis Allis), located in Birmingham, Alabama. Mr. Olinger noted that Louis Allis has successfully serviced five CWA motors as the low bidder in the last ten years. The contract period is sixty days and includes a one-year warranty upon completion. This item was discussed with the O&M Oversight Committee on September 6, 2022. A copy of the bid tab was included in the Board Members' packets. Director Klotz asked Mr. Olinger to estimate how long this motor rehabilitation would last. Mr. Olinger stated that the average duration for a rehabilitated motor is fifteen to twenty years. Director Klotz asked if there is a limit to the number of times a motor can be rebuilt. Mr. Olinger stated that motors eventually need

to be replaced. 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 in the amount of \$195,915.00 to Louis Allis, LLC for the rehabilitation of the Lynchburg Pump Station A-System Motor P-105.

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

C. Lynchburg Pump Station Overhead Crane Coating.

Mr. Olinger stated this item is a recoating project for the Lynchburg Pump Station overhead crane structure. The scope includes surface cleaning, and preparation then the application of a three coat system consisting of two coats of macropoxy and one coat of hi-solids polyurethane. Three bids were received on August 29, 2022. The low bid was received from Preferred Quality Industrial Specialists (PQIS). Mr. Olinger noted that PQIS has recently completed several successful CWA recoating projects as the low bidder. The contract period is 100 days. This item was discussed with the O&M Oversight Committee on September 6, 2022. A copy of the bid tab was included in the Board Members' packets. Mr. Olinger thanked CWA staff member Felipe Gomez for his diligent work in organizing the bidding process for both the Motor 105 project and this project. There were no questions from the Board and Mr. Olinger recommended the motion as presented.

Motion authorizing the Executive Director to issue a purchase order to Preferred Quality Industrial Specialists in the amount of \$419,200.00 for coating services on the overhead crane structure at CWA's Lynchburg Pump Station.

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

D. Downtown Operations SCADA Feed Update.

Mr. Olinger stated the Board was previously briefed on reestablishing a secure connection to the CWA SCADA System that allows for 24/7 real-time monitoring of CWA facilities from the downtown office. At this time Mr. Olinger presented the Board with various screen shots that demonstrate the typical user interfaces and dashboards that included status of pumps and motors at CWA pump stations, pipeline pressures and flows, and Lake Houston dam gate and reservoir levels. After answering a few questions from the Board regarding the SCADA system, Mr. Olinger thanked CWA staff member Todd Vu for his efforts on this project. Mr. Olinger informed the Board that this system is up and running in the downtown annex operations room for any Board Member who would like a demonstration following today's meeting.

V. ONGOING PROJECTS – David Miller

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

Mr. Miller stated this project was requested by the COH and will add two new 50,000 GPM pumps to the Lynchburg Pump Station B-System. During the month of August 2022, CWA's General Engineering Consultant, BGE, Inc. (BGE), continued preparation of the 60% Design and Pump Procurement Package. Alden Labs, BGE's subcontractor, performed baseline and initial testing on the physical model. The model testing indicated formation of vortices and swirls upstream of the pump inlet. Following baseline testing, modifications were incorporated into the model including flow splitters, fillets and grating. Subsequent testing confirmed all parameters met Hydraulic Institute acceptance values. Director Klotz asked if the existing pumps have this issue. Mr. Miller stated it is likely they do. This particular pump station was designed in 1969 and built in 1970, which was before the hydraulic institute pump station design guidance existed. Mr. Miller stated flow splitters and fillets will need to be added to the other pump bays during future pump

repair/replacement projects. Mr. Miller stated CWA and BGE will visit Alden Labs in early October to witness the final model testing. Mr. Miller noted that as the design team and CWA have worked through the early design stages, a few challenges have arisen due to pump station geometry, limited space for control valves and flow meters, and options for motors and variable frequency drives. To assist CWA with review of the engineering and design documents a Technical Advisor will be contracted for the remainder of the final design phase. CWA requested subject matter expert resumes for pump station design, pump design and motor design from four firms currently working for CWA. Based on review of the resumes, Black & Veatch Inc. (B&V) was determined to be the best match for this project. CWA and B&V completed scope and fee development and negotiations in August 2022 and these were reviewed with the Professional Engineering Services Review Committee (PESRC) on September 6, 2022. The PESRC recommended bringing forward for Board consideration today. A copy of the scope and fee was included in the Board Members' packets. Director Klotz asked about design philosophy for this project and how it impacts the existing pump systems. Mr. Miller stated design decisions related to pumps, motors, VFDs, flow meters and control valves as part of the P201/206 project will be the standard used for future pump/motor/drive replacements on the Lynchburg B and C pump systems. There were no further questions from the Board. Mr. Miller recommended the motion as presented.

Motion authorizing the Executive Director to issue a work order in the amount of \$149,858.00 to Black & Veatch Inc. for Technical Advisor Services for the Lynchburg Pump Station B-System Improvement Project. Motion made by Director Council, Seconded by Director Walker. The Motion carried unanimously.

C. Lake Houston Dam Spillway Improvement Project.

Mr. Miller stated that as presented in the August 14, 2022 Board Meeting, B&V, the engineer of record for the project, provided a Technical Memorandum in late July 2022 that evaluates a gate structure located east of the existing gates. This was a location that was requested to be evaluated by the COH. After the Technical Memo was submitted, CWA, B&V and the COH met to discuss the path forward. The COH requested that its benefit cost analysis consultant, Adkins, provide a new benefits cost ratio (BCR) based on the alternate location. During the month of August 2022, B&V and Adkins conducted coordination meetings and B&V transferred H&H files and cost data to Adkins. Mr. Miller noted that his understanding at this time is that Adkins is still in the process of calculating the new BCR. Director Klotz noted that this means the ball is in Adkins' court, and Mr. Miller affirmed this statement.

VI. BUSINESS REVIEW – John Baldwin

A. Monthly Financial Statements for the Previous Month.

This item is the Financial Statements for the month ending August 31, 2022. Mr. Baldwin stated that as of the end of the eighth month of the budget year, four of the five of the Operating Funds are doing well in expenditures and revenues. At this time, the challenge is with the Trinity River budget due to the high expenditures and high volume of usage on the aqua ammonia and liquid chlorine chemicals. Mr. Baldwin noted that CWA's goal is to stay within the overall budgets on all five Operating Funds. A copy of the report was included in the Board Members' packets. There were no questions from the Board.

B. 2023 Operating Budgets Preparation Schedule.

Mr. Baldwin stated that CWA is preparing the 2023 Operating Budgets and presented the Board with the 2023 Operating Budgets Schedule. Mr. Baldwin noted that a summary briefing will be presented to the Finance and Audit Committee (FAC) on October 4, 2022, and that meeting will be followed by the Finance and Audit Committee Budget Workshop occurring immediately after

the October 12, 2022 Board Meeting. All of the Board Members are invited to attend the workshop.

C. Internal Management Quarterly Report – June 30, 2022.

Mr. Baldwin stated that this item is the Internal Management Report for the quarter ending June 30, 2022. This report details the investment activities on all of the Authorities' 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. All investments were held to maturity and there were no losses on our investments. Mr. Baldwin noted that there were a few months where the interest rates increased slightly as the Federal Reserve adjusted its rates. This report was presented to the FAC earlier. A copy of the report was included in the Board Members' packets. 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, 2022.

Motion made by Director Council, Seconded by Director Walker. 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. A copy of the summary of disbursements for the month were included in the Board Members' packets. The disbursements to be approved by the Board included the Bayport Capital Improvement Fund – in the amount of \$14,715.00; the Special Project Equity Fund – in the amount of \$458,271.90; the Construction Fund – Series 2013 (Luce Bayou Project) – in the amount of \$168,877.93; and the Construction Fund – Series 2017 Loan (Luce Bayou Project) – in the amount of \$3,041,452.24. 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 Council, Seconded by Director Walker. The Motion carried unanimously.

VIII. OLD BUSINESS

No items to discuss.

IX. NEW BUSINESS – Greg Olinger

A. 2023 Strategic Plan.

Mr. Olinger noted that as CWA pivots its focus from the Luce Bayou Interbasin and Capers Ridge Pump Station Projects, it is a very opportune time to review CWA's mission, major strategies, and goals and supporting objectives as a water authority for the next 5-10 years. In order to meet its obligations, it is important for CWA to engage with the Board and key stakeholders to capture the key organizational expectations and formalize these in a 2023 Strategic Plan. In terms of schedule, over the next month, the CWA team will be preparing a draft that will be submitted at the October 2022 Board Meeting with a request for review and input. At the November 2022 Board Meeting, CWA would like to receive feedback and there will be a Board item for any discussion on the draft plan. Received feedback will be incorporated into the plan and a final draft of the plan will be issued at the December 2022 Board Meeting for a final review. Assuming everything goes as planned, a motion will be brought before the Board for consideration requesting the Board adopt the 2023 Strategic Plan. Director Walker stated this is a good approach and Director Klotz stated that he supports the development of a CWA Strategic Plan and appreciates Mr. Olinger taking the lead on it.

X. EXECUTIVE SESSION

A. Port of Houston/Kinder Morgan – C-System Pipeline Update.

Director Klotz noted the time at 10:43 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 11:30 A.M. Director Klotz stated that no action was taken in Executive Session.

XII. ADJOURNMENT – Wayne Klotz

The meeting was adjourned at 11:31 A.M.

[Signature page follows]



Joseph G. Soliz, Assistant Secretary-Treasurer