

MINUTES OF A REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
SAN JACINTO RIVER AUTHORITY

April 24, 2014

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A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 A.M., April 24, 2014, at the San Jacinto River Authority General and Administration Building, 1577 Dam Site Road, Conroe, Texas 77304. The roll was called of the duly constituted members of the Board as follows:

Lloyd B. Tisdale	President
R. Gary Montgomery	Vice President
Mary L. Rummell	Secretary
Joseph L. Stunja	Treasurer
Mike Bleier	Member
Fredrick Koetting	Member
John D. Eckstrum	Member

Present were Lloyd B. Tisdale, Mary L. Rummell, Joseph L. Stunja, Mike Bleier, and John D. Eckstrum thus constituting a quorum. Also present were Jace Houston, General Manager; Ron Kelling, Deputy General Manager; Tom Michel, Director of Financial and Administrative Services; David Parkhill, Director of Raw Water Enterprise; Jodi Chaney, Administrative Services Manager; Ronda Trow, Public Relations Manager; SuEllen Staggs, Woodlands Division Manager; Phil Smith, Surface Water Plant Construction Manager; Doug Haude, Senior Project Manager/Construction Manager; Mitchell Page, Schwartz, Page & Harding, LLP (SPH), General

Counsel and Bond Counsel; Jan Bartholomew with RBC Capital Markets, LLC; and numerous other guests.

Mr. Tisdale called the meeting to order at 8:10 A.M. and announced that notice of the meeting had been posted as required by law, that advance notice of the time, place, and subject matter of the meeting had been sent to all Directors, and that a quorum was present.

Mr. Tisdale requested that Mr. Eckstrum lead the Pledge of Allegiance to the United States flag and the Texas flag.

Mr. Tisdale continued the meeting by inviting comments from the public; there were none.

Mr. Tisdale moved to the next item to receive updates from the Operational Divisions and General & Administration Division related to ongoing projects, staff reports, and items on the consent agenda. Mr. Houston reminded the Board that the deadline to submit personal financial statements with the Texas Ethics Commission for the calendar year ending December 31, 2013, is Wednesday, April 30, 2014. He continued by providing an update of ongoing Public Relations Department projects, including various outreach efforts related to construction of the GRP's waterlines.

Mr. Michel reported that there were no updates on the G & A Division.

Mr. Parkhill reported that there were no updates on the Raw Water Enterprise Program.

Ms. Staggs reported that there were no updates on the Woodlands Division.

Mr. Kelling provided an update on the GRP Division. He presented the Groundwater Reduction Plan Program's Monthly Progress Report and provided a brief overview of ongoing

public relations activities related to the GRP's waterlines. He reported that all items on the agenda were presented and recommended by the GRP Review Committee for approval.

Mr. Phil Smith provided the Groundwater Reduction Plan Program's Monthly Construction Progress Report to the Board. He provided photographs of the work taking place on the Surface Water Facility Project and reported that the project is on schedule and still within budget.

Mr. Doug Haude provided an update on the Surface Water Transmission System Project. He presented photographs depicting all transmission line segments and provided updates and timelines for same.

Mr. Tisdale then continued on to the consent agenda. Motion was made by Ms. Rummell, seconded by Mr. Stunja and unanimously approved, to: (i) approve the minutes of the March 27, 2014, Board of Directors meeting; (ii) approve the unaudited financial statements for the month of March, 2014; (iii) authorize the General Manager to approve additional expenditures for legal representation, including professional appraisal services, for land/easement acquisition with Andrews Kurth, LLP, in the amount of \$200,000.00; and to (iv) declare to be surplus and authorize the disposal by sale of a 0.14 acre tract of surplus real property located in the William C. Clark Survey, A-6, Montgomery, Texas, for the amount of \$33,195.19, and authorize the General Manager to execute all necessary documents to complete the transaction.

Continuing to the regular agenda, motion was made by Mr. Eckstrum, seconded by Ms. Rummell and unanimously approved, to authorize the General Manager to execute Work Order

No. 9 with Freese and Nichols, Inc., in the amount of \$505,463.00, for final design and procurement phase services for the East Canal Transfer Pump Station in the Highlands.

The next item on the agenda, to declare to be surplus and authorize the disposal by sale of a 0.480 acre tract of surplus real property located in Willis, Texas, was tabled.

Shifting the order of the agenda, Mr. Tisdale announced that the Board would take up Item Nos. 9a through 9f. Motion was then made by Mr. Stunja, seconded by Mr. Eckstrum and unanimously approved, to authorize the General Manager to execute Work Order No. 10 with Cobb Fendley & Associates, Inc., in an amount not to exceed \$84,704.00, for final design services by design consultant for preparation of procurement package for Surface Water Transmission System Line, Segment W3D, for the GRP Program.

Mr. Tisdale continued to the next item on the agenda to authorize the General Manager, or his designee, to execute letter(s) of assurance to the Lone Star Groundwater Conservation District (LSGCD), confirming that a GRP participation contract will be executed for applicants that choose to join the Authority's GRP, and to approve the GRP contract(s) as presented and authorize the execution of same by the General Manager. Motion was then made by Ms. Rummell, seconded by Mr. Stunja and unanimously approved, to authorize the General Manager to approve the GRP contracts as presented and authorize the execution of same by the General Manager, for the following applicants: (i) TenarisConroe; (ii) East Montgomery County MUD No. 7; and (iii) Montgomery County MUD No. 137. There were no letters of assurance to consider.

Mr. Tisdale announced that Item Nos. 9c through 9f on the agenda would be discussed and presented together. Mr. Kelling presented each item and addressed questions related to

same. Motion was then made by Mr. Eckstrum, seconded by Mr. Stunja and unanimously approved, to authorize the General Manager to execute: (i) Change Order No. 1 with Texas Sterling Construction, Inc., in the amount of \$91,790.08, for Surface Water Transmission Line, Segment T2, for the GRP Program; (ii) Change Order No. 2 with S.J. Louis Construction of Texas, LTD, in the amount of \$383,975.97, for Surface Water Transmission Line, Segment T3, for the GRP Program; (iii) Change Order No. 1 with Archer Western Construction, LLC, in the amount of \$105,324.55, for Surface Water Receiving Facilities North for the GRP Program; and (iv) Change Order No. 1 with CSA Construction, Inc., in the amount of \$174,983.00, for Surface Water Receiving Facilities South for the GRP Program.

Mr. Tisdale then referred back to agenda Item Nos. 8a through 8j for consideration. Following a brief discussion, motion was made by Mr. Stunja, seconded by Ms. Rummell and unanimously approved, to authorize the General Manager to execute a construction contract with Layne Inliner, LLC, in the amount of \$1,225,115.00, and contract modifications up to \$75,000.00, for sanitary sewer rehabilitation in The Woodlands.

Moving to the next item on the agenda, Ms. Staggs presented information and motion was made by Mr. Eckstrum, seconded by Mr. Stunja and unanimously approved, to authorize the General Manager to execute a construction contract with Alcott, Inc., dba TCH, in the amount of \$2,610,307.00, and contract modifications up to \$75,000.00, for a 16-inch well collection line and 12-inch loop water line in College Park in The Woodlands.

Mr. Tisdale then proceeded to the next item on the agenda and motion was made by Mr. Stunja, seconded by Ms. Rummell and unanimously approved, to authorize the General Manager to execute Work Order No. 11 with Binkley and Barfield, Inc., in the amount of

\$66,590.00, for communications conduit and ground boxes to Wastewater Treatment Plant No. 2 in The Woodlands.

Moving to the next item on the agenda, motion was made by Ms. Rummell, seconded by Mr. Eckstrum and unanimously approved, to authorize the General Manager to execute Work Order No. 3 with AECOM Technical Services, Inc., in an amount not to exceed \$236,414.00, for engineering services related to demolition and replacement of Ground Storage Tank No. 1 at Water Plant No. 1 in The Woodlands.

Mr. Tisdale then announced that Item Nos. 8e and 8f on the agenda would be discussed and presented together. Ms. Staggs discussed policy development efforts regarding operational reserves and the disbursement of excess funds to wholesale customers in The Woodlands and addressed questions related to same. She stated that a formal policy outlining recommended minimum fund balances would be presented to the Board at a later date. Ms. Staggs explained that several projects were not completed as anticipated in FY2013, and that funds necessary to complete these projects were not budgeted in FY2014. She reported that unspent funds from the 2013 projects were included as cash in the FY2013 Audit and discussed excess revenues in the operations reserve. Ms. Staggs recommended the Woodlands Division FY2014 Budget be increased to complete the unfinished projects, and the remaining surplus reserves be refunded to The Woodlands MUD Districts. She stated that the Woodlands Joint Powers Agency (WJPA) Board of Trustees approved the budget increase and disbursement of excess funds at their March 12, 2014, meeting. Motion was then made by Mr. Eckstrum, seconded by Ms. Rummell and unanimously approved, to: (i) review and discuss policy development regarding operational reserves and disbursements of excess funds to wholesale

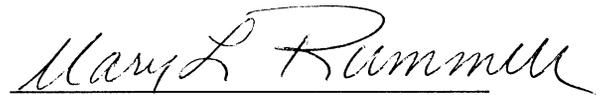
customers in The Woodlands; and to (ii) authorize and amendment to the FY2014 Budget for the Woodlands Division for an increase of \$1,648,934.00, and the disbursement of \$303,131.00 in excess funds to the wholesale customers of The Woodlands. Mr. Michel asked that the record show that a handout was provided to the Board detailing the budget revision and reserve excess fund allocation.

Continuing to the next item on the agenda, Ms. Jan Bartholomew with RBC Capital Markets, LLC, discussed current market conditions, interest rates, and the potential refunding opportunities for the Authority. In order to proceed with the refunding for the Special Project Revenue Refunding Bonds (The Woodlands Water Supply System Project), Series 2014, and Special Project Revenue Refunding Bonds (The Woodlands Waste Disposal System Project), Series 2014, Ms. Bartholomew summarized the proposed refunding opportunities and requested that the Board consider an item for the May meeting.

Ms. Bartholomew stated that Item Nos. 8h through 8j on the agenda are all related to the issuance of the Authority's Special Project Revenue Refunding Bonds (The Woodlands Water Supply System Project), Series 2014, and Special Project Revenue Refunding Bonds (The Woodlands Waste Disposal System Project), Series 2014, and requested that they be considered together. Following a brief discussion, motion was made by Mr. Stunja, seconded by Ms. Rummell and unanimously approved, to: (i) authorize the issuance of a request for proposals for underwriter of the Bonds; (ii) authorize the engagement of Bracewell and Giuliani, LLP, to act as special tax counsel in connection with the Bonds; and (iii) authorize the Authority's management and consultants to begin preparation of documents in connection with the sale, issuance, and delivery of the Bonds.

Mr. Tisdale then announced that the Board would recess into Executive Session. At 9:43 a.m. the Board recessed into Executive Session. With a quorum still present, the Board reconvened at 10:22 a.m.

Mr. Tisdale announced the next Board meeting date of May 22, 2014, at 7:30 a.m. There being no further business to come before the Board, the meeting was adjourned at 10:22 a.m.



Mary L. Rummell

Secretary

San Jacinto River Authority