

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

September 25, 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., September 25, 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, R. Gary Montgomery, Mary L. Rummell, Mike Bleier, Fredrick Koetting, 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; Cynthia Bowman, Administrative Services Manager; Ronda Trow, Public Relations Manager; SuEllen Staggs, Woodlands Division Manager; Mark Smith, GRP Division Manager; Phil Smith, Surface Water Plant Construction Manager; Doug Haude, Senior Project Manager/Construction Manager; Dr. Robert Hill, SCADA 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 8:08 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. Montgomery lead the pledges 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 reported his attendance at several realtor group meetings as well as a speaking engagement to a graduate class at the University of Texas in regards to urban water issues.

Ms. Trow provided an update on ongoing Public Relations Department projects, including the GRP water quality campaign, appearances by Patty Potty, educational booths at local events, and continued public outreach to media. She also stated that she would be participating in a "Public Relations" session at the Texas Water Conservation Association (TWCA) Fall Conference and also stated that Public Relations Specialist Michelle Simpson is participating in an outreach work group with the Houston-Galveston Area Council related to a Cease the Grease Program.

Mr. Michel reported on the quarterly financials.

Mr. Parkhill briefly discussed agenda item no. 5d, stating that SJRA continues to receive requests from property owners along the shores of Lake Conroe to purchase and acquire sliver tracts where bulk heads have been extended. He also reported on the status of repairs to Pump No. 3 at the Lake Houston Pump Station as well as the upcoming preventative maintenance for Pump No. 2.

Ms. Staggs provided an update on the Woodlands Division and extended an invitation to the Board of Directors to attend the yearly tour of the Woodlands Division facilities on October 22, 2014. Mr. Houston added that Ms. Staggs was commended by the WJPA for her efforts with regard to the CIP and reserve funding process.

Mr. Mark Smith presented the GRP Monthly Progress Report for the month of August. He then stated that the item on the agenda was presented to and recommended by the GRP Review Committee for approval. Mr. Smith reported on the status of the water quality outreach program; recruiting efforts for the GRP surface water facility; and the development of the surface water facility start up plan.

Mr. Phil Smith and Mr. Doug Haude provided the Groundwater Reduction Plan Program's Monthly Construction Progress Report to the Board regarding the progress of the Surface Water Facility and the Surface Water Transmission System, respectively. Mr. Kelling spoke specifically to the GRP commissioning and start up processes taking place over the next several months.

Mr. Tisdale then continued on to the consent agenda. A motion was made by Mr. Koetting, seconded by Ms. Rummell and unanimously approved, to: (a) approve the minutes of Board of Directors meeting of August 28, 2014; (b) approve the quarterly investment report for

the quarter ended August 31, 2014; (c) authorize the execution of Amendment No. 1 to Work Order No. 1 with Freese and Nichols, Inc., in an amount not to exceed \$20,853.85, and Amendment No. 1 to Work Order No. 2 with Freese and Nichols, Inc., in the deductive amount of (\$20,853.85), for Lake Conroe Dam Safety Monitoring Program development and implementation; (d) declare to be surplus and authorize the disposal by sale of a 0.027 acre tract of surplus real property located in South Shore Estates in the amount of \$13,712.63, and authorize the General Manager to execute all necessary documents to complete the transaction; and (e) authorize the execution of Amendment No. 1 to Work Order No. 12 with HDR Engineering, Inc., in the amount of \$0.00, for revised scope of services for the GRP Program.

Mr. Tisdale continued on to the regular agenda. Mr. Parkhill presented information regarding items 7a and 7b. Ms. Rummell made a motion, seconded by Mr. Montgomery and unanimously approved, to authorize: (7a) the execution of a Professional Services Agreement and Work Order No. 1 with Halff Associates, Inc., in the amount of \$471,731.00, for main canal system capacity alternative improvements analysis in the Highlands; and (7b) the execution of Work Order No. 2 with Halff Associates, Inc., in the amount of \$370,827.00, for south canal system capacity alternative improvements analysis in the Highlands.

Moving to the next item on the agenda, Mr. Parkhill reported on the proposed rehabilitation of Siphon 37 near Baker Road, which is a high priority because of the future industrial expansion in Baytown. Mr. Eckstrum made a motion, seconded by Mr. Koetting and unanimously approved, to authorize the execution of a Professional Services Agreement and Work Order No. 1 with HDR, Inc., in the amount of \$335,093.50, for preliminary and final design

of improvements to Siphon No. 37 in the Highlands. Mr. Parkhill then went on to present information regarding Items 7d through 7f, stating that a scope of work for the rehabilitation of the existing 72-inch siphon is needed in order to repair all joints on the interior of the pipe. Additional work needed in conjunction with rehabilitation of Siphon No. 6 included construction inspection services, project management, contract administration during the construction of improvements to Siphon No. 6, and construction materials testing. After further discussion, Mr. Montgomery made a motion, seconded by Ms. Rummell and unanimously approved, to authorize: (7d) the execution of Work Change Directive No. 1, and subsequently Change Order No. 2, for up to \$297,408.15, with LECON, Inc., for improvements to Siphon No. 6 in the Highlands; (7e) the execution of Amendment No. 2 to Work Order No. 1 with Freese and Nichols, Inc., in an amount not to exceed \$12,980.00, for additional construction inspection services, project management, and contract administration during construction of improvements to Siphon No. 6 in the Highlands; and (7f) the execution of Amendment No. 1 to Work Order No. 1 with Aviles Engineering Corporation, in an amount not to exceed \$13,482.00, for construction materials testing services for the Siphon No. 6 (Gum Gully) Project for the Highlands System Improvements.

Moving forward to Items 7g through 7i, Ms. Jan Bartholomew presented information regarding the partial financing from the Texas Water Development Board (TWDB) with regard to the 2015-2016 Highlands Capital Improvements Projects (CIP), reporting that the application was made and approved by the TWDB this month. Ms. Bartholomew went on to speak in regard to the East Canal Transfer Pump Station project stating that it could be funded via open market taxable bonds. She went on to explain that the bond market is currently very strong,

and the difference between taxable and non-taxable bonds is not that significant. After discussion, Ms. Rummell made a motion, seconded by Mr. Koetting and approved unanimously, to: (7g) approve amendment to the Financial Advisory Agreement with RBC Capital Markets, LLC, as financial advisor to the Authority, relative to issuance of Water Revenue Bonds for Highlands System Improvements ("Bonds"); (7h) authorize Financial Advisor to issue Request for Proposal for Underwriting Services relative to issuance of Raw Water Enterprise Bonds that are to be sold in the open market; and (7i) authorize Financial Advisor, Bond Counsel and Authority Management, and staff to commence preparation of documents for issuance of Bonds.

Mr. Houston provided information regarding Item 7j, explaining the process of applying for a water right for surface water-based return flows. After discussion, Mr. Eckstrum made a motion, seconded by Ms. Rummell and unanimously approved, to adopt the *Resolution Authorizing the Filing of an Application for a Water Right for Surface Water-Based Return Flows*, attached hereto as Exhibit "A".

Mr. Tisdale continued to item 9a, authorizing the General Manager, or his designee, to execute letter(s) of assurance to Lone Star Groundwater Conservation District, as requested, and approve the GRP Contract(s) as presented and authorize the execution of same by the General Manager. This item was tabled as there were no new participants to consider.

Mr. Tisdale announced the next Board meeting date of October 30, 2014, at 7:30 a.m. There being no further business to come before the Board, the meeting was adjourned at 9:34 a.m.

A handwritten signature in black ink, reading "Mary L. Rummell". The signature is written in a cursive style with a large, prominent "R" and "M".

Mary L. Rummell

Secretary

San Jacinto River Authority

# **Exhibit A**

**RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR  
A WATER RIGHT FOR SURFACE WATER-BASED RETURN FLOWS**

WHEREAS, the San Jacinto River Authority (the "Authority"), a River Authority duly formed by the Texas Legislature, is the owner of Water Use Permit No. 5809 ("Permit No. 5809") and Certificate of Adjudication Nos. 10-4963 and 10-4964; and

WHEREAS, Certificate No. 10-4963 authorizes the Authority to divert and use state water from Lake Conroe in the San Jacinto River Basin for use by its customers; and

WHEREAS, Permit 5809 authorizes the diversion of 14,944 acre-feet of groundwater-based effluent return flows, and any future groundwater-based effluent return flows, from SJRA's three wastewater treatment plants located in Montgomery County in the San Jacinto River Basin; and

WHEREAS, Certificate No. 10-4964 authorizes the diversion of 55,000 acre-feet of water per year from the perimeter of Lake Houston; and

WHEREAS, Montgomery County is in the process of converting from reliance on groundwater sources; and

WHEREAS, the Authority has entered into a contract with the City of Conroe ("Conroe") to provide Conroe with surface water sources pursuant to the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services and a Supplemental Agreement (together, the "GRP Contract"), effective on May 1, 2010; and

WHEREAS, the Authority recognizes that the source of some effluent return flows for Conroe's wastewater treatment plant will include a combination of groundwater-based and surface water-based return flows, including surface water-based return flows originating from Authority supplies; and

WHEREAS, the Authority has the need and desire to divert surface water-based effluent return flows originating from Authority supplies provided to Conroe under the GRP Contract downstream of Conroe's discharge point along the West Fork San Jacinto River to be diverted at any point between Conroe's discharge point and SJRA's diversion point pursuant to Certificate of Adjudication No. 10-4964; and

WHEREAS, it is necessary for the Authority to apply to the Texas Commission on Environmental Quality ("TCEQ") for a water right application in order to authorize the diversion of surface water-based effluent return flows originating as Authority supplies provided to Conroe under the GRP Contract; and

WHEREAS, the Board of Directors further wishes to authorize the General Manager or his designee to prepare, make, execute, file, prosecute, amend, settle and compromise any and all applications to the TCEQ to apply for such surface water-based return flows and to employ the services of such consultants to assist in the prosecution of such applications, as he shall deem to be in the best interest of the Authority.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY:

Section 1. The General Manager or his designee is hereby authorized and directed on behalf of the Authority to prepare, or cause to be prepared, and to make, file, prosecute, amend, settle and compromise any and all applications to the TCEQ in order to authorize the diversion of surface water-based effluent return flows from Conroe's discharges of effluent, as he shall deem necessary and appropriate, and to employ the services of such consultants to assist in the prosecution of such applications, as he shall deem to be in the best interest of the Authority.

Section 2. A certified copy of this resolution shall be provided to the TCEQ and to all persons interested in the subject matter hereof.

ADOPTED AND EFFECTIVE this 25th day of September, 2014.

  
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President

ATTEST:

  
\_\_\_\_\_  
Secretary

(SEAL)

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS           §  
  §  
COUNTY OF MONTGOMERY   §

I, the undersigned General Manager of the San Jacinto River Authority (the "Authority"), hereby certify as follows:

1. That I am the duly qualified and acting General Manager of the Authority, and that as such, I have custody of the minutes and records of the Authority.
  
2. That the Board of Directors of the Authority convened in Regular Session on September 25, 2014, at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board of Directors, to-wit:

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

and all of said persons were present, except Director(s) Joseph L. Stunja, thus constituting a quorum, whereupon, among other business, the following was transacted at such meeting: a written

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR  
A WATER RIGHT FOR SURFACE WATER-BASED RETURN FLOWS

was duly introduced for the consideration of the Board of Directors. It was then duly moved and seconded that such Resolution be adopted and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: 6.  
NOES: 0.

3. That a true and correct copy of such Resolution adopted at such meeting is attached to and follows this certificate; that such Resolution has been duly recorded in the minutes of the Board of Directors for such meeting; that the persons named in the above and foregoing Paragraph 2. were the duly chosen, qualified and acting officers and members of the Board of Directors as indicated therein, that each was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution

would be introduced and considered for adoption at such meeting, and that each consented in advance, to the holding of such meeting for such purpose; that the canvassing of the officers and members of the Board of Directors present at and absent from such meeting and of the votes of each on such motion, as set forth in the above and foregoing Paragraph 2., is true and correct; that such meeting was open to the public as required by law; and that sufficient and timely notice of the hour, date, place and subject of such meeting was given and posted as required by Chapter 551, Texas Government Code, as amended.

SIGNED AND SEALED the 25th day of September, 2014.

  
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Jace A. Houston

(SEAL)