

**BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY
MINUTES OF REGULAR MEETING
JANUARY 28, 2016**

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., January 28, 2016, at the San Jacinto River Authority General and Administration Building, a notice of said meeting was posted as required by law. President Lloyd Tisdale, Secretary Mary Rummell, and Board Members John Eckstrum, Mike Bleier, and Jim Alexander were present. Vice President Fred Koetting and Treasurer Joseph Stunja were absent. General Manager Jace Houston, Deputy General Manager Ron Kelling, Director of Financial and Administrative Services Tom Michel, Director of Raw Water Enterprise David Parkhill, Public Relations Manager Ronda Trow, Woodlands Division Manager SuEllen Staggs, GRP Division Manager Mark Smith, Administrative Services Manager Cynthia Bowman, General Counsel Mitchell Page, and Financial Advisor Ryan Nesmith were in attendance.

1. CALL TO ORDER

The meeting was called to order at 8:07 a.m.

2. PLEDGE OF ALLEGIANCE

The Pledges of Allegiance were led by Ms. Rummell.

3. PUBLIC COMMENTS

There were no public comments.

4. DIVISION UPDATES

a. G & A

Mr. Houston introduced Hector Forestier, Chairman of the Conroe/Lake Conroe Chamber of Commerce. He then discussed the overall goal related to a joint project with the Lake Conroe Association regarding a centralized location for all information related to Lake Conroe water levels to be located within the SJRA website as well as the potential creation of a stakeholder group.

b. G & A

There was no report as it related to the Public Relations Department.

c. G & A

Mr. Michel briefly reviewed the financial items on the Consent agenda and explained the requirement related to the presentation of the energy report required by House Bill 3693.

d. Woodlands

Ms. Staggs reported on SJRA's participation in a national FEMA tabletop exercise that took place at the Woodlands offices on January 27, 2016. Because of the recent news of water

contamination in Flint, Michigan, Ms. Staggs provided information related to The Woodlands water supply and infrastructure, stating they have been proactive for many years in treating and testing the water for corrosivity.

e. GRP

Mr. Smith continued the discussion regarding water quality, reporting that during the GRP pilot program, several tests were conducted and treatment was adjusted to mitigate these types of issues. Mr. Smith reported that the GRP Review Committee met on Monday, January 25, 2016, and recommended approval of all items on the agenda related to the GRP Division. He spoke in regards to the Groundwater Reduction Plan Monthly Operations Report through the month of October, stating that it contained informative statistics related to GRP operations as well as its impact on lake level.

f. Raw Water

Mr. Parkhill reported on the progress of the East Canal Transfer Pump Station stating that construction is now complete and final testing of all equipment will take place mid-February. He went on to introduce the most recent segment of the Watershed Protection Plan – Stormwater Inlet Marking Program (“SwIM”). Lake Conroe Division Manager Bret Raley and Public Relations Specialist Michelle Simpson discussed the details related to the concept of the initial pilot program designed to differentiate between sanitary sewer systems and stormwater sewer systems by placing medallions on the covers of stormwater inlets. Ms. Simpson explained that the program will assist in raising awareness in the San Jacinto watershed communities, encourage citizens to protect their water resources, involve communities in reducing non-point source pollution, and build relationships with city staff, HOA boards, and MUD boards.

5. CONSENT AGENDA

Ms. Rummell moved to approve the consent agenda. The motion was seconded by Mr. Alexander and carried unanimously.

G&A:

a. Approval of Minutes - Regular Meeting of December 10, 2015.

b. Unaudited Financials for the Months of November and December, 2015

Consider approving the unaudited financials for the months of November and December, 2015.

c. Quarterly Investment Report for the Quarter Ended November 30, 2015

Consider approval of Quarterly Investment Report for the quarter ended November 30, 2015.

WOODLANDS:

d. Construction Contract for Wastewater Treatment Plant No. 2 Storage Building

Consider authorizing the General Manager to execute a construction contract with Karonka Construction, Inc., in the amount of \$157,612.47, for Wastewater Treatment Plant No. 2 Storage Building in The Woodlands.

e. Construction Contract for Wastewater Treatment Plant No. 1 Motor Control Center (MCC) 9/9A Replacement

Consider authorizing the General Manager to execute a construction contract with C.F. McDonald, Inc., in the amount of \$188,469, for Wastewater Treatment Plant No. 1 Motor Control Center (MCC) 9/9A Replacement in The Woodlands, and contract modifications up to \$47,000.

f. Work Order No. 3 for Construction Inspection Services During Construction of Wastewater Treatment Plant No. 1 Motor Control Center (MCC) 9/9A Replacement

Consider authorizing the General Manager to execute Work Order No. 3 with Project Surveillance, Inc., in the amount of \$29,295, for construction inspection services during construction of Wastewater Treatment Plant No. 1 Motor Control Center (MCC) 9/9A Replacement in The Woodlands.

g. Construction Contract for Wastewater Treatment Plant No. 2 Filter Rehabilitation

Consider authorizing the General Manager to execute a construction contract with T&C Construction, Ltd., in the amount of \$1,318,000, for Wastewater Treatment Plant No. 2 Filter Rehabilitation in The Woodlands, and contract modifications up to \$75,000.

h. Work Order No. 4 for Construction Inspection Services During Construction of Wastewater Treatment Plant No. 2 Filter Rehabilitation

Consider authorizing the General Manager to execute Work Order No. 4 with Project Surveillance, Inc., in the amount of \$58,766, for construction inspection services during construction of Wastewater Treatment Plant No. 2 Filter Rehabilitation in The Woodlands.

i. Work Order No. 2 for Construction Phase Services During Construction of Wastewater Treatment Plant No. 2 Filter Rehabilitation

Consider authorizing the General Manager to execute Work Order No. 2 with Carollo Engineers, Inc., in the amount of \$50,080.50, for construction phase services during construction of Wastewater Treatment Plant No. 2 Filter Rehabilitation in The Woodlands.

j. Partial Relocation of Water Line Easement Agreements (The Woodlands Mall)

Consider authorizing the General Manager to execute Agreements Regarding Partial Relocation of Water Line Easement (The Woodlands Mall).

GRP:

k. Construction Contract for Surface Water Transmission Line Segment W3C and the MUD 99 Water Receiving Facility

Consider authorizing the General Manager to execute a construction contract with Huff & Mitchell, Inc., in the amount of \$3,088,649.01, for Surface Water Transmission Line Segment W3C and the MUD 99 Water Receiving Facility for the GRP Program.

l. Work Order No. 7 for Construction Phase Services for Surface Water Transmission Line Segment W3C and the MUD 99 Water Receiving Facility

Consider authorizing the General Manager to execute Work Order No. 7 with IDS Engineering Group, Inc., in the amount of \$102,490.25, for construction phase services for Surface Water Transmission Line Segment W3C and the MUD 99 Water Receiving Facility for the GRP Program.

m. Work Order No. 2 for Construction Phase Services for Surface Water Transmission Line Segment W3C and the MUD 99 Water Receiving Facility

Consider authorizing the General Manager to execute Work Order No. 2 with EMA, Inc., in the amount of \$14,434.29, for construction phase services for Surface Water Transmission Line Segment W3C and the MUD 99 Water Receiving Facility for the GRP Program.

n. Amendment No. 5 to Work Order No. 2 for Construction Management and Inspection Services of the Surface Water Transmission System

Consider authorizing the General Manager to execute Amendment No. 5 to Work Order No. 2 with Stantec Consulting Services, Inc., in the amount of \$95,384.29, for construction management and inspection services of the Surface Water Transmission System for the GRP Program.

o. New GRP Participants

Because there were no new participants, this item was not considered.

RAW WATER ENTERPRISE:

p. Law Enforcement Interlocal Agreement with Harris County

Consider authorizing the General Manager to execute a Law Enforcement Interlocal Agreement with Harris County in the amount of \$67,150, for law enforcement services through February 28, 2017, for the Highlands Division.

q. Work Order Nos. 2, 3, 4, 5, and 6 for Survey Services Related to the South Canal in Highlands

Consider authorizing the General Manager to execute Work Order Nos. 2, 3, 4, 5, and 6 with Halff Associates, Inc., in a total combined not to exceed amount of \$174,495 (Work Order No. 2 - \$41,980; Work Order No. 3 - \$66,735; Work Order no. 4 - \$29,460; Work Order No. - \$17,360; Work Order No. 6 - \$18,960) for survey services related to the South Canal in Highlands.

r. Professional Services Agreement and Work Order Nos. 1, 2, 3, and 4 for Geotechnical Services Related to the South Canal in Highlands

Consider authorizing the General Manager to execute Professional Services Agreement and Work Order Nos. 1, 2, 3, and 4 with Aviles Engineering Corporation in a total combined not to exceed amount of \$121,329 (Work Order No. 1 - \$20,912; Work Order No. 2 - \$61,939; Work Order No. 3 - \$24,942; Work Order No. 4 - \$13,536) for geotechnical services related to the South Canal in Highlands.

s. Professional Services Agreement and Work Order No. 1 for Preliminary Design of Main Canal Improvements - Lake Houston Pump Station to Siphon No. 6

Consider authorizing the General Manager to execute Professional Services Agreement and Work Order No. 1 with Halff Associates, Inc., in an amount not to exceed \$220,940, for preliminary design of Main Canal Improvements – Lake Houston Pump Station to Siphon No. 6 in Highlands.

t. Work Order No. 2 for Boundary Survey Services for the Main Canal - Lake Houston Pump Station to Siphon No. 6

Consider authorizing the General Manager to execute Work Order No. 2 with Halff Associates, Inc., in the amount of \$85,933, for boundary survey services for the Main Canal – Lake Houston Pump Station to Siphon No. 6 in Highlands.

u. Work Order No. 3 for Final Design and Procurement Phase Services for Lake Conroe Dam Service Outlet Pond and Channel Improvements

Consider authorizing the General Manager to execute Work Order No. 3 with Freese and Nichols, Inc., in the amount of \$66,610, for final design and procurement phase services for Lake Conroe Dam Service Outlet Pond and Channel Improvements for Raw Water Enterprise.

6. REGULAR AGENDA

a. G&A:

1. Annual Audited Financial Statements, Related Notes, and the Single Audit for the Fiscal Year ended August 31, 2015

Mr. Michel introduced John Knox of Sandersen, Knox and Company, LLP. Mr. Knox expressed that SJRA's Accounting staff did an exceptional job of assembling the Comprehensive Annual Financial Report (CAFR) and that the Finance Committee reviewed and provided suggestions to make the report even better. He explained that there were two restatements this year – one related to overpayments to the City of Houston, and one related to pension accruals and disclosure. Finally, Mr. Knox reported on the Single Audit Report, a compliance report related to the amount of state funds received by SJRA as administrative entity for the Region H Water Planning Group. He stated that he is very confident that the CAFR will receive the GFOAT certificate and commended the SJRA staff and Finance Committee for an exceptional document. On behalf of the Finance Committee, Mr. Bleier reported that they met on January 4, 2016, and recommended approval of the audit and financial statement as well as the single audit report. With no further discussion, Mr. Eckstrum made a motion to approve the annual audited financial statements, related notes, and the single audit for the Fiscal Year ended August 31, 2015. The motion was seconded by Ms. Rummell and carried unanimously.

b. WOODLANDS:

1. Construction Contract for Lead Paint Abatement and Recoating of Various Items at Water Plant No. 1

Ms. Staggs provided information regarding the existence of traces of lead based paint on various equipment at Water Plant No. 1. As a result, she stated that those pieces of equipment need to be remediated prior to the recoating process. With no further discussion,

Mr. Eckstrum moved approval to authorize the General Manager to execute a construction contract with Blastco Texas, Inc., in the amount of \$105,450, for lead paint abatement and recoating of various items at Water Plant No. 1 in The Woodlands. The motion was seconded by Mr. Alexander and carried unanimously.

c. GRP:

1. Presentation and Discussion Regarding City of Willis Cooling Tower Proposal

Mr. Smith provided information regarding the City of Willis cooling tower proposal. He began with a brief summary of events that led up to the proposal. He explained that the City of Willis owns and operates two wells in the Catahoula Aquifer that resulted from an agreement executed with SJRA in 2012. He went on to say that if the wells failed to produce potable water, then SJRA would pay the debt issued by Willis for the cost of wells. To ease the transition to the new water supply, the GRP Review Committee approved waiving the pumpage fees for using Jasper Aquifer water for the purpose of blending with Catahoula water to ease their customers into the aesthetics of the new water supply. He explained the benefits of the agreement, stating that not only would the GRP earn early conversion credits, but it would also serve the purpose of learning more about Catahoula water supply and how it would affect other wells, etc. He went on to explain that in September, 2015, the City proposed that SJRA provide financial assistance to the City for the installation of two cooling towers for the purpose of treating the water from the Catahoula wells. He stated that as the City increased the amount of Catahoula water into their blend, citizens began to complain about the odor of the water. Mr. Smith stated that it was determined that the source of the odor was hydrogen sulfide and methane in the Catahoula water. He then stated that the City hired a consultant to recommend a solution, and the conclusion was the use of two cooling towers which would allow the gases to be removed from the water, improve the odor, and reduce the temperature of the water. He explained that the City projects that once the towers are in place, they will not utilize the Jasper Aquifer for blending and only use Catahoula water. After further explanation, he stated that the City requested the GRP to provide \$1,257,000 for this project, which will further reduce the pumpage from the regulated upper aquifers, as well as assist the GRP in meeting the 2016 goals with the Lone Star Groundwater Conservation District. Mr. Smith explained that over the course of several months, the GRP Review Committee formed a GRP sub-committee to discuss the proposal and make recommendations. He stated that recommendations were presented to the GRP Review Committee at their regular meeting on January 25, 2016. Mr. Smith listed the proposed recommendations:

1. SJRA's GRP Division would provide \$1,257,000 to the City of Willis for the construction of the cooling towers;
2. SJRA would receive a credit in the amount of \$1,365,000 against the financial backing to the City of Willis for the Catahoula wells;
3. All SJRA financial obligations to the City of Willis for the Catahoula wells would end on January 1, 2028;
4. In the meantime, the City of Willis would remain exempt from pumpage fees until the cooling towers are online or fourteen months, whichever comes first; and
5. The SJRA GRP would retain all conversion credits going into the future.

Mr. Smith stated that on January 25, 2016, the GRP Review Committee recommended approval of this proposal and recommended moving forward in preparing an agreement between SJRA and the City of Willis. Mr. Page briefly explained the logistics regarding the original agreement and the proposed agreement. After further discussion, the consensus of

the Board was to direct the General Manager to move forward in the preparation of the agreement between SJRA and the City of Willis for the cooling tower project.

2. Change Orders and Any Other Closeout Documentation for Surface Water Transmission Line Segments T1 and T3

This item was not considered.

d. RAW WATER ENTERPRISE:

There were no items for consideration with regard to Raw Water Enterprise.

7. BRIEFINGS AND PRESENTATIONS

a. Mr. Michel discussed the Annual Energy Report earlier in the meeting under Division Updates.

8. EXECUTIVE SESSION

The meeting was called into executive session at 9:04 a.m., under the provisions of Section 551, Texas Local Government Code, to discuss topics under the authority of Section 551.071, consultation with attorney.

9. RECONVENE IN OPEN SESSION FOR ACTION FOLLOWING EXECUTIVE SESSION

The meeting was called into open session at 10:29 a.m. No action was taken regarding the items discussed in executive session.

10. ANNOUNCEMENTS / FUTURE AGENDA

Mr. Tisdale announced that the next SJRA Board Meeting will take place on February 25, 2016.

11. ADJOURN

Without objection, the meeting was adjourned at 10:30 a.m.


Mary L. Rummell, Secretary
San Jacinto River Authority