

**BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY
MINUTES OF REGULAR MEETING
DECEMBER 8, 2016**

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., December 8, 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, Vice President Fred Koetting, Secretary Gary Renola, Assistant Secretary Jim Alexander, and Board Member Ronnie Anderson were present. Treasurer Mike Bleier was 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, Woodlands Division Manager Chris Meeks, GRP Division Manager Mark Smith, Lake Conroe Division Manager Bret Raley, Highlands Division Manager Kimberly Wright, Public Relations Manager Ronda Trow, Administrative Services Manager Cynthia Bowman, and General Counsel Mitchell Page were in attendance.

1. CALL TO ORDER

The meeting was called to order at 8:09 a.m.

2. PLEDGE OF ALLEGIANCE

The Pledges were led by Mr. Koetting.

3. PUBLIC COMMENTS

Mr. Anderson commented on the Baytown Industrial Expansion Symposium that took place on December 2, 2016.

4. DIVISION UPDATES

a. G & A General Manager:

Mr. Houston commented on the H2O4Texas Statewide tour that took place at the San Jacinto River Authority's facilities on November 16th. He explained that this nonprofit agency hosted several town hall meetings throughout the State of Texas to educate and energize Texans about implementing the state water plan. Mr. Houston stated that Representative Will Metcalf and Texas Water Development Board Member Bech Bruun were in attendance.

b. G & A Public Relations:

Ms. Trow provided no update related to the Public Relations Department.

c. G & A Finance and Administration:

Mr. Michel announced that the Purchasing Department received the Achievement of Excellence in Procurement Award from the National Procurement Institute, of which they have been the recipient for the past five years. Purchasing Manager Joan Finkes accepted the award along with her staff.

d. Woodlands:

Mr. Meeks provided no update related to the Woodlands Division.

e. GRP:

Mr. Smith provided information related to the monthly operations report, highlighting that they are on track to meet mandated goals related to reducing groundwater pumpage.

f. Raw Water:

Mr. Parkhill, Ms. Wright, and Mr. Raley presented the Raw Water Enterprise Quarterly update, providing information related to the Highlands and Lake Conroe Division's management, operations, and maintenance teams as well as various projects related to each division.

5. CONSENT AGENDA

Mr. Koetting made a motion to approve the consent agenda as recommended. The motion was seconded by Mr. Alexander and carried unanimously.

G&A

a. Approval of Minutes - Approve the minutes of the October 27, 2016, Board of Directors meeting.

b. Unaudited Financials for the Months of September and October, 2016

Approve the unaudited financials for the months of September and October, 2016.

c. Appointment of Representative to the Lone Star Groundwater Conservation District Board of Directors

Approve the appointment of Jace Houston to the Lone Star Groundwater Conservation District Board of Directors.

GRP

d. New GRP Participants

Authorize the General Manager, or his designee, to execute letter(s) of assurance to Lone Star Groundwater Conservation District for Peach Creek Water Company, as requested.

e. Additional Expenditures for Legal Representation for Land/Easement Acquisition for the Extension of the GRP Program Delivery System

Authorize the General Manger to approve additional expenditures in the amount of \$50,000, with Andrews Kurth, LLP, to provide legal representation for land/easement acquisition for the extension of the GRP Program Delivery System.

RAW WATER ENTERPRISE

f. Construction Contract for Lake Conroe Dam Service Outlet Pond and Channel Improvements

Authorize the General Manager to execute a construction contract in the amount of \$1,535,209, with Rebel Contractors, Inc., for Lake Conroe Dam Service Outlet Pond and Channel Improvements for the Raw Water Enterprise, and contract modifications up to \$75,000.

g. Work Order No. 4 for Construction Phase Services for Lake Conroe Dam Service Outlet Pond and Channel Improvements

Authorize the General Manager to execute Work Order No. 4 in an amount not to exceed \$48,821, with Freese and Nichols, Inc., for construction phase services for Lake Conroe Dam Service Outlet Pond and Channel Improvements for the Raw Water Enterprise.

h. Change Order No. 1 for Construction of Lake Houston Pump Station Miscellaneous Rehabilitation Project

Authorize the General Manager to execute Change Order No. 1 in the amount of \$131,200 with Boyer, Inc., for Construction of Lake Houston Pump Station Miscellaneous Rehabilitation Project in Highlands.

i. Sale of Surplus Real Property

Declare to be surplus and authorize the disposal by sale of a 0.012 acre tract of surplus real property located near Montgomery, Texas, for \$8,629.50, and authorize the General Manager to execute all necessary documents to complete the transaction.

6. REGULAR AGENDA

a. G&A

1. Resolution Recognizing Board Director

Mr. Koetting made a motion to adopt Resolution No. 2016-R-14, attached hereto as Exhibit "A", recognizing John D. Eckstrum for his service as a member of the Board of Directors of the San Jacinto River Authority. The motion was seconded by Mr. Alexander and carried unanimously.

It was announced that items 6b1 through 6b4 would be considered together as they related to Surface Water Transmission Line Segment W2B.

b. GRP

1. Amendment No. 1 to Work Order No. 1 for Forensic Engineering Consultant Services

Mr. Smith provided an update on the status of the investigation of the W2B line break and stated that CDM Smith was currently under contract investigating the first waterline break and recommend authorizing the General Manager to execute Amendment No. 1 to Work Order No. 1 in the amount of \$135,000 with CDM Smith, Inc., for additional Forensic Engineering Consultant Services for the GRP Division.

2. Ratify Execution of Work Order No. 2 for Design Engineering Services Related to Surface Water Transmission Line Segment W2B

Mr. Smith stated that the design process to repair the line had already begun. Mr. Kelling explained that the process to repair the line prior to April's heavy water demand season necessitated the accelerated execution of this item.

Staff recommended that the board ratify the action taken by the General Manager to execute Work Order No. 2 in an amount not to exceed \$150,000 with CDM Smith, Inc., for design engineering services related to Surface Water Transmission Line Segment W2B for the GRP Division.

3. Work Order No. 3 for Construction Phase Services and Construction Inspection Services Related to Surface Water Transmission Line Segment W2B

Staff recommended that the Board authorize the General Manager to execute Work Order No. 3 in an amount not to exceed \$128,000 with CDM Smith, Inc., for construction phase services and construction inspection services related to Surface Water Transmission Line Segment W2B for the GRP Division.

4. Contract for Pre-Construction, Construction Materials Procurement, and Construction Services Related to Surface Water Transmission Line Segment W2B

Mr. Smith and Mr. Kelling explained that the procurement process was accelerated due to the emergency nature of the project. They further explained the process by which the request for proposals were developed, received, and ranked. Mr. Kelling explained the technical aspects related to the actual construction of the project. Mr. Kelling updated the Board on the forensic study. Mr. Houston pointed out that the forensic analysis will continue as the pipe is being pulled out of the ground during this project. Mr. Page concluded that one aspect of forensic engineering is the assistance in evaluating the existence of a claim relative to the initial construction of the transmission line.

Staff recommended that the Board authorize the General Manager to execute a contract in the amount of \$1,300,800, with Huff & Mitchell, Inc., for pre-construction, construction materials procurement, and construction services related to Surface Water Transmission Line Segment W2B for the GRP Division.

With no further discussion, Mr. Anderson made a motion to approve items 6b1 through 6b4 as recommended by staff. The motion was seconded by Mr. Koetting and passed unanimously.

5. Agreement Regarding Pine Valley Drive

Mr. Smith explained that during the platting process to dedicate the access road to the City of Conroe to become a public street, the City of Conroe indicated that street lights were required. Further, he stated that on October 29, 2015, San Jacinto River Authority ("SJRA") executed a contract in the maximum amount of \$200,000 with Entergy Corporation for the installation of the street lights along said access road. Mr. Smith stated that in April, 2016, the City of Conroe subsequently annexed the land within the proposed right-of-way, whereby discussions with Entergy Corporation, the City of Conroe, Conroe Venture, Ltd., and SJRA, led to the determination that the installation of the street lights be postponed until such time that the land adjoining the road right-of-way is developed. He stated that because of this, the

contract with Entergy Corporation was not executed and work was not implemented, however Entergy Corporation developed the design for the installation of the street lights and the estimated cost was reduced to \$142,000. Mr. Smith stated that this proposed agreement will allow for the right-of-way for the access road to be platted and dedicated to the public and the City of Conroe will assume responsibility for the maintenance of the roadway. Further, he stated that the contract stipulates that SJRA place \$142,000 into escrow with First Financial Bank to be used by Conroe Venture, Ltd., to install the necessary street lights when the adjoining land is developed. Mr. Koetting inquired as to the reasoning for funds being placed in escrow for this project. Mr. Smith explained that the agreement was structured this way in order to close out the Authority's responsibility related to the street lights even though the actual installation may be delayed for years. With no further discussion, Mr. Alexander made a motion to authorize the General Manager to execute the recommended agreement regarding Pine Valley Drive for the GRP Division. The motion was seconded by Mr. Anderson and carried with 4 yeases and one abstention (Mr. Tisdale).

6. Amended Fiscal Year 2017 Operating Budget for the GRP Division

Mr. Smith explained that the GRP Division began Fiscal Year 2017 with a balance in the reserve fund below the targeted amount. He stated that it was anticipated that the 2017 rate increase would assist in rebuilding and replenishing those reserves. He went on to state that the GRP budget will incur expenses related to ongoing litigation with certain GRP participants as well as the waterline break which will exceed the budget in certain categories. He stated that initially, the plan was to deposit \$1,255,188 into reserves, however with these expenses, the proposed amendment provides that \$2,725,000 be taken out of reserves, giving a net reduction in the reserve balance of \$1,469,812. Mr. Smith reviewed the proposed budget adjustments which would add \$975,000 to Professional Fees bringing the revised balance to \$1,931,170; adding \$1,500,000 to Maintenance Repairs, Parts & Rentals bringing the revised balance to \$2,069,400; adding \$250,000 to Other Cash Uses bringing the revised balance to \$13,053,500. Mr. Smith explained that the GRP Review Committee recommended approval of this item with a vote of 2 yeases and 1 nay. After minimal discussion, Mr. Renola made a motion to approve the amended Fiscal Year 2017 Operating Budget for the GRP Division. The motion was seconded by Mr. Koetting and passed unanimously.

c. RAW WATER ENTERPRISE

Mr. Tisdale announced that action on item 6c1 would be deferred until after Executive Session to allow for consultation with attorney.

Mr. Houston recommended that items 6c2 and 6c3 be considered together.

Mr. Houston provided information regarding the contract with the Texas Water Development Board (TWDB) related to the Flood Protection Planning Grant stating that the TWDB approved the application and authorized a grant in the amount of \$460,000 provided that the parties contribute the additional \$460,000, which represents a fifty percent matching contribution to the total cost of the project. He went on to explain that item 6c3, the interlocal agreement, addresses, among other things, the administration of the grant by the Authority, the obligations of the parties to contribute matching funds towards the costs of the project, and other rights and responsibilities of the parties relative to the project. Mr. Houston reiterated that per the terms of the interlocal agreement, the parties shall provide their portion of the funds prior to the execution of the contract with TWDB. Mr. Houston recommended approval of the items as follows:

2. Texas Water Development Board Flood Protection Planning Grant Contract

Authorize the General Manager to negotiate and execute a contract with the Texas Water Development Board for the Flood Protection Grant.

3. Interlocal Agreement with Montgomery County and the City of Conroe for Flood Protection Planning under Texas Water Development Board Grant

Authorize the General Manager to execute an Interlocal Agreement with Montgomery County and the City of Conroe for flood protection planning under Texas Water Development Board Grant.

With minimal discussion, Mr. Alexander made a motion to approve Regular items 6c2 and 6c3 as recommended. The motion was seconded by Mr. Anderson and carried unanimously.

7. EXECUTIVE SESSION

The meeting was called into executive session at 9:29 a.m., under the provision of Section 551, Texas Local Government Code, to discuss topics under the authority of Section 551.071, consultation with attorney.

8. RECONVENE IN OPEN SESSION FOR ACTION FOLLOWING EXECUTIVE SESSION

The meeting was called into open session at 10:29 a.m., and the Board then considered Regular Agenda item 6c1.

First Amendment to Water Supply Contract and First Supplement to Water Supply Contract with Exxon Mobil Corporation

Mr. Koetting made a motion to approve the first amendment to water supply contract and first supplement to water supply contract with Exxon Mobil Corporation, and authorize execution of same by the General Manager. The motion was seconded by Mr. Alexander and carried unanimously.

9. ANNOUNCEMENTS / FUTURE AGENDA

Mr. Tisdale announced that the next SJRA Board Meeting will take place on January 26, 2017.

10. ADJOURN

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



Gary T. Renola

Gary T. Renola, Secretary

Exhibit A

RESOLUTION NO. 2016-R-14

A RESOLUTION RECOGNIZING JOHN D. ECKSTRUM FOR HIS SERVICE AS A MEMBER OF THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY.

WHEREAS, on June 15, 2012, Governor Rick Perry appointed John D. Eckstrum to serve as a member of the Board of Directors of the San Jacinto River Authority; and

WHEREAS, Mr. Eckstrum brought a wealth of business, civic, and political experience, as well as his established relationships in the Montgomery County business community and his well-earned reputation and credibility in the field of real estate development; and

WHEREAS, on April 28, 2016, Mr. Eckstrum was elected by the members of the Board of Directors to serve as Secretary of the Board, a position he held until his resignation on October 3, 2016; and

WHEREAS, during his distinguished tenure and, in no small measure, due to his leadership and counsel, the Authority successfully completed one of the largest and most challenging projects in its operating history of more than seventy-five years, namely the construction and startup of the GRP surface water treatment plant and transmission system; and

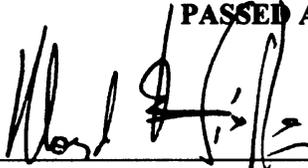
WHEREAS, during his tenure, the Authority benefited from his guidance in the continued improvement and increased efficiency of the Authority's business operations and contracting, procurement, and financial practices; the continued education of the general public, customers, and political leaders regarding the services and resources of the San Jacinto River Authority; and a number of other equally significant accomplishments; and

WHEREAS, Mr. Eckstrum has determined to forego the remainder of his term on the Board, and while his retirement from the Board is well-deserved, his experience, business skills, professionalism, and advice will be long remembered and often missed;

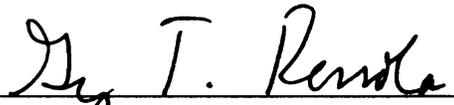
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT:

The San Jacinto River Authority hereby expresses to John D. Eckstrum, its best wishes for continued success in his future endeavors and its profound thanks and appreciation for his dedicated years of service and many valuable contributions to the Authority, for his leadership and advice, and for his efforts in ensuring a successful future for the Authority, its employees, customers, and constituents.

PASSED AND APPROVED this 8th day of December, 2016.



President, Board of Directors



Secretary, Board of Directors