

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

July 24, 2014

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 A.M., July 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; 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; Ryan Nesmith with RBC Capital Markets, LLC; and numerous other guests.

Mr. Tisdale called the meeting to order at 8:05 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 reported that there were no general updates.

Ms. Trow provided an update on ongoing Public Relations Department projects, including various outreach efforts related to construction of the GRP's waterlines and future updates to the Lake Conroe and Highlands Division websites. She stated that discussions with The Woodlands Joint Powers Agency are underway in anticipation of the Woodlands Division's water quality campaign, which is scheduled to begin January 1, 2015. In closing, Ms. Trow reported that as part of the newly formed Water Conservation Committee, the Authority will have an opportunity to provide residential education at an upcoming event at the Agricultural Extension Building.

Mr. Michel provided an update on the G & A Division. He stated that Item No. 5d on the consent agenda to receive a presentation on the FY 2015 Budget, would be moved and

presented during the Briefings and Presentations portion of the agenda, and discussed Item No. 5c on the consent agenda related to refinancing the existing loan on the G & A Building.

Mr. Parkhill provided an update on the Raw Water Enterprise Program. He explained that Item No. 5e on the consent agenda is a shift in the scope of work to allow for management and implementation of the Highlands and Lake Conroe Capital Improvements Projects, and that Item No. 5f is a request for additional expenditures for abstracting and title research for land/easement acquisition in the Highlands. Mr. Parkhill announced that the Texas Parks and Wildlife Department approved the Authority's application for the State Boating Access Program Grant for the construction of improvements to an existing boating facility located on the eastern shore of Lake Conroe. He stated that formal agreements related to acceptance of the grant award will be brought before the Board for consideration during the August or September meeting. Mr. Parkhill continued by discussing Item No. 7a on the regular agenda related to the purchase of raw water pumps for the East Canal Transfer Pump Station, and answered questions related to same.

Ms. Staggs provided an update on the Woodlands Division and discussed the scheduling of a tour of the facility and ongoing emergency/hurricane preparedness efforts.

Mr. Mark Smith 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 to 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.

Dr. Robert Hill provided an update on the SCADA System Programming and Configuration Progress. He presented photographs depicting various equipment and systems that will be used to monitor and control the Surface Water Plant, and explained the configuration and function of each.

Mr. Tisdale then continued on to the consent agenda and announced that the Board would defer Item No. 5d until the Briefings and Presentations portion of the agenda. Motion was made by Ms. Rummell, seconded by Mr. Stunja and unanimously approved, to: (i) approve the minutes of the June 26, 2014, Board of Directors meeting; (ii) approve the unaudited financial statements for the month of June 2014; (iii) approve the refinancing of the G & A Building loan with First Bank in an amount not to exceed \$3,191,757.53, for ten (10) years with a fixed rate of 4.25%; (iv) authorize the General Manager to execute a professional services agreement and Work Order Nos. 1 and 2 with Texas Water Engineering, PLLC, in the amount of \$300,000.00, for Capital Improvements Projects management and implementation for the Highlands and Lake Conroe Divisions; and (v) authorize the General Manager to approve additional expenditures with Postle Property Services, Inc., in the amount of \$20,000.00, for

abstracting and title research for land/easement acquisition in the Highlands. Mr. Tisdale asked that the record reflect that he abstained from voting on Item No. 5c to consider and act upon a proposal to refinance the existing loan on the G & A Building.

Continuing to the regular agenda, motion was made by Mr. Eckstrum, seconded by Ms. Rummell and unanimously approved, to authorize an equipment purchase agreement with Pumps of Houston, Inc., in the amount of \$402,214.00, and contract modifications up to \$75,000.00, for raw water pumps at the East Canal Transfer Pump Station in the Highlands.

Mr. Tisdale then proceeded to the next item on the agenda to receive a presentation on the raw water rate study. Mr. Parkhill introduced Mr. Larry Peart to present an executive summary of the raw water rate study. Mr. Peart discussed key elements of the study, including: revenues, contract demand, revenue requirements, capital improvements, capital funding sources, reserve policies and fund balances, cash flows, proposed rates, and comparative raw water rates. He stated that the Authority currently has sound operations that offer some flexibility in funding options. The Board thanked Mr. Peart for his presentation. No action was required.

Moving to the next item on the agenda, Mr. Mitch Page presented information regarding the creation of reserve funds for the Highlands, Lake Conroe, and General & Administration Divisions. He discussed the establishment of policies and procedures related to the use of such funds, as well as the establishment of policy related to the sufficiency of fees, rates, and charges related to same. No action was required.

Mr. Tisdale then proceeded to the next item on the agenda and motion was made by Mr. Eckstrum, seconded by Ms. Rummell and unanimously approved, to authorize the General

Manager to execute Work Order No. 10 with Freese and Nichols, Inc., in the amount of \$45,000.00, for professional services related to the East Canal System Improvements Project in the Highlands.

Moving to the next item on the agenda, Mr. Mitch Page presented information regarding the creation of an operating reserve, repair and replacement reserve, and emergency reserve for the Woodlands Division. He discussed the establishment of policies and procedures related to the use of such funds, as well as the establishment of policy related to the sufficiency of fees, rates, and charges related to same. No action was required.

Continuing to the next item on the agenda, motion was made by Mr. Eckstrum, seconded by Mr. Stunja and unanimously approved, to authorize the General Manager to execute approval and acknowledgement of assignment of GRP Participation Agreement from 1404 Blaketree, LP, to Bluejack Development Co., LLC.

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 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 approve the GRP contract(s) as presented and authorize the execution of same by the General Manager. The item was tabled as there were none to consider.

Mr. Tisdale then referred back to Item No. 5d on the agenda to receive a presentation on the FY 2015 Budget. Mr. Michel distributed the Proposed Operating Budgets for Fiscal Year 2015 and provided highlights of same. Mr. Michel addressed questions from the Board and

stated that the final FY 2015 budget will be presented at the August 28th meeting for consideration.

Mr. Tisdale then announced that the Board would recess into Executive Session. At 9:48 a.m. the Board recessed into Executive Session. With a quorum still present, the Board reconvened at 10:27 a.m.

Mr. Tisdale announced the next Board meeting date of August 28, 2014, at 7:30 a.m. There being no further business to come before the Board, the meeting was adjourned at 10:28 a.m.



Mary L. Rummell
Secretary
San Jacinto River Authority