

**BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY
MINUTES OF REGULAR MEETING
FEBRUARY 22, 2018**

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., February 22, 2018, 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, Assistant Secretary Jim Alexander, Treasurer Ronnie Anderson, and Board Members Kaaren Cambio, and Michael Micheletti were present. Board Member Ed Boulware 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, GRP Division Manager Mark Smith, Lake Conroe Division Manager Bret Raley, Administrative Services Manager Cynthia Bowman, Financial Advisor Jan Bartholomew, and General Counsel Mitchell Page were in attendance.

1. CALL TO ORDER

The meeting was called to order at 8:04 a.m.

2. PLEDGES OF ALLEGIANCE

The Pledges were led by Mr. Koetting.

3. APPOINTMENT OF DIRECTORS

- a. Announce appointments to the Board of Directors by the Governor of the State of Texas.

Mr. Houston announced that Governor Abbott appointed Ed Boulware, Kaaren Cambio, and Mark Micheletti to the San Jacinto River Authority Board of Directors. Following introductions, Mrs. Cambio and Mr. Micheletti provided a brief overview of their backgrounds and experiences.

- b. Mr. Koetting made a motion to adopt Resolution No. 2018-R-05, commending Dr. Gary T. Renola for his service to the San Jacinto River Authority as a director, attached hereto as "Exhibit A". The motion was seconded by Mr. Anderson and carried unanimously. Mr. Renola then congratulated the new Board Members and expressed his appreciation and gratitude to staff for their stewardship.

4. PUBLIC COMMENTS

There were no public comments.

5. DIVISION UPDATES

- a. **G & A:**

Mr. Houston provided an overview of the recent new board member orientation and upcoming events related to the Raw Water Supply Master Plan.

b. G & A:

Ms. Trow provided an update related to recent meetings and discussions regarding multi-jurisdictional emergency communications.

c. G & A:

Mr. Michel reported on January financials and stated that the Fiscal Year 2019 budget is well underway with 182 days until the Board considers approval in August.

d. Woodlands:

Mr. Kelling provided an update related to the recent E. coli violation at a single sample location within The Woodlands Joint Powers Agency's (WJPA) retail water system. He stated that the State's water quality rules set forth detailed procedures for notifying residents any time a water system receives a positive test for bacteria. Further, the WJPA will follow the required procedures and notify customers in the affected area to boil drinking water until further notice. Mr. Kelling stated that WJPA customer service employees have already initiated an investigation to determine the cause of the failed sample at the location.

e. GRP:

Mr. Mark Smith presented information related to the geological monitoring program along the transmission line system in The Woodlands. He stated that as part of the design effort for the GRP, all consultants completed a geotechnical investigation to determine potential soil conditions for the proposed pipeline. Further, each design engineer conducted a desktop geological study to investigate the potential presence of faults in the vicinity of the pipeline project. Mr. Smith provided a brief overview of the two known faults, the Egypt Fault and the Big Barn Fault. Because of these two faults, the engineers designed the pipeline in the area of the faults with a special saddle vault to accommodate potential movement of the pipeline. Mr. Smith explained that after construction of the projects, SJRA entered into a contract with a survey consultant in October, 2014, to begin monitoring potential movement at the two fault locations. Each of the two systems contain four survey points for monitoring purposes which were installed along the water pipeline. Two additional potential geological points of interest are located on FM 2978 south of intersection with Research Forest Boulevard and further down Research Forest, centered on the intersection with Cat's Cradle Drive. For this area, staff consulted with a professional geologist and made the decision to establish a larger network for geological monitoring and to perform periodic surveys to monitor for any potential movement of the transmission system. Following the geologist's recommendation, approximately twenty ground movement measurement benchmarks were installed at each of the two locations in March, 2015. It is anticipated that vertical movement will be observed well before horizontal movement. Measurements have been taken every six months and will continue through 2019. In summary, Mr. Smith reported that in the 2.5 years of existing measurements, there has been no convincing evidence of fault movement within the study area. This same information has been reported to the The Woodlands Township since residents are concerned that if monitoring ceases, any potential movements will go unnoticed. Mr. Smith reiterated that this monitoring takes place to protect the transmission system and for no other reason. The GRP Review Committee was presented with the same information and has recommended that the current semi-annual monitoring should continue through the length of the contract, in the future the frequency is recommended to be reduced to annual monitoring if no movement is detected.

f. Raw Water:

Mr. Parkhill provided brief details related to two construction projects on the South Canal in the Highlands, stating that both projects are on schedule and within budget.

g. Lake Conroe:

Mr. Raley provided no update relative to the Lake Conroe Division.

h. Highlands:

There was no update provided relative to the Highlands 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.

a. Approval of Minutes

Approve the minutes of the San Jacinto River Authority Board of Directors Regular Meeting of January 25, 2018.

b. Unaudited Financials for the Month of January, 2018

Approve the unaudited financials for the month of January, 2018.

6. BRIEFINGS AND PRESENTATIONS

a. Presentation of Annual Energy Report for Period September 1, 2016 through September 1, 2017

Mr. Michel explained that House Bill 3693 requires information be presented detailing the Authority's use of utilities for the period September 1, 2016 through September 1, 2017.

b. Presentation regarding rights and payment obligations under the Option for Raw Water Supply Contract between the Trinity River Authority and the San Jacinto River Authority, including the possible assumption of such rights and payment obligations by the Raw Water Enterprise, effective September 1, 2018

Mr. Smith presented information related to the Raw Water Supply Contract between the Trinity River Authority (TRA) and the San Jacinto River Authority (SJRA) for an option to purchase 50,000 acre-feet per year of raw water from Lake Livingston. The GRP Review Committee requested in 2013 that this water be set aside for future use exclusively by SJRA GRP participants; consequently, the GRP Division has paid the annual TRA option fee of \$234,500 since that time. The GRP Review Committee no longer feels that it is appropriate to maintain the contracted rights for water which may or may not be needed for decades. On February 20, 2018, the GRP Review Committee voted to no longer pay the TRA option fee with an understanding that SJRA could subsequently terminate the TRA Option Water Agreement and release any rights to the raw water, or SJRA could decide to retain the TRA Option Water Agreement and pay for the annual option fee through the SJRA raw water enterprise and thereby retain the contracted rights to the water. Mr. Smith explained the process for the proposed change stating that, if approved, for budgeting

purposes only, the cost of annual TRA Option Water Fee will be included in the Raw Water Enterprise budget. At subsequent meetings, the Board will need to review the long-range raw water supply strategies the 10-year raw water rate analysis, and will have the option to consider paying for annual TRA Option Fee using revenue generated from raw water sales in the amount of \$234,500.

c. Presentation regarding the GRP Division 10-year Project Plan

Mr. Smith provided information related to the GRP Division's 10-year project plan. He detailed project costs and timeline for each project.

7. EXECUTIVE SESSION

The meeting was called into Executive Session at 9:35 a.m., under the provisions of Section 551.071, Texas Local Government Code, for consultation with the Authority's attorney.

8. RECONVENE IN OPEN SESSION FOR ACTION FOLLOWING EXECUTIVE SESSION, IF NECESSARY

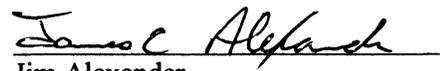
The meeting was reconvened in open session at 10:44 a.m. No action was taken regarding the items discussed in executive session.

9. ANNOUNCEMENTS / FUTURE AGENDA

Mr. Tisdale announced that the next San Jacinto River Authority Board of Directors meeting will take place on March 22, 2018.

10. ADJOURN

Without objection, the meeting was adjourned at 10:46 a.m.



Jim Alexander

Assistant Secretary, Board of Directors



Exhibit A

RESOLUTION NO. 2018-R-05

A RESOLUTION RECOGNIZING GARY T. RENOLA FOR HIS SERVICE AS A MEMBER OF THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY.

WHEREAS, on May 31, 2016, Governor Greg Abbott appointed Gary T. Renola to serve as a member of the Board of Directors of the San Jacinto River Authority; and

WHEREAS, Dr. Renola brought to the Board a wealth of technical, civic, and political experience, as well as his established relationships in the Harris and Galveston county business communities and his well-earned reputation and credibility in the industrial, petrochemical, and refining arenas; and

WHEREAS, on October 27, 2016, Dr. Renola was elected by the members of the Board to serve as Secretary of the Board and the Authority, a position he held until February 5, 2018; and

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

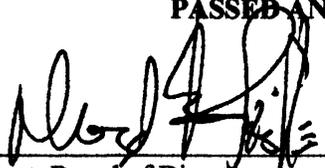
WHEREAS, Dr. Renola provided the other members of the Board and the staff of the Authority with a unique perspective and valuable insights regarding the operations and water demands of the Authority's large industrial customers; and

WHEREAS, Dr. Renola has completed his term on the Board, and his experience, technical skills, professionalism, and advice will be missed;

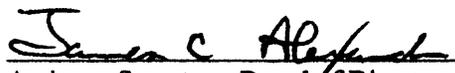
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT:

The San Jacinto River Authority hereby expresses to Gary T. Renola its best wishes for continued success in his future endeavors and its profound thanks and appreciation for his dedicated 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 22nd day of February, 2018.



President, Board of Directors



Assistant Secretary, Board of Directors

