

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

July 31, 2008

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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., July 31, 2008, at the San Jacinto River Authority General Administrative Offices, 1577 Damsite Road, Conroe, Texas 77304. The roll was called of the duly constituted members of the Board as follows:

R. Gary Montgomery	President
Joseph V. Turner	Vice-President
Lloyd B. Tisdale	Secretary
Mary L. Rummell	Treasurer
John H. Stibbs	Member
Joseph L. Stunja	Member
David C. Kleimann	Member

Present were R. Gary Montgomery, Joseph V. Turner, Lloyd B. Tisdale, Mary L. Rummell, Joseph L. Stunja, and David C. Kleimann thus constituting a quorum. Also present were Reed Eichelberger, General Manager; Ron Kelling, Deputy General Manager, Operations; Jace Houston, Deputy General Manager, Administration; Don Sarich, Woodlands Division Manager; Tojuana Cooper, Woodlands Deputy Division Manager; Jennie Almerico, Woodlands Division Engineer; Blake Kellum, Lake Conroe Division Manager; Michael Jackson, Controller; Paulette Sokoya, Accountant; Judy Walker, Accounting Assistant;

Janelle May, Human Resources/Office Manager; Raymond Johnson, Information Technology Manager; Tina Wienecke, Safety and Industrial Relations Officer; Mitchell Page, Schwartz, Page & Harding, LLP, General Counsel; Jan Bartholomew, RBC Dain Rauscher, Inc, Financial Advisor; Dave Scholler, P.E., Brown & Gay Engineering, Program Manager, Montgomery County Alternative Water Supply Program; Texas State Senator Robert Nichols; Luine Hancock, Assistant, Senator Nichols' Office; and numerous other guests.

Mr. Montgomery called the meeting to order at 8:03 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. Montgomery thanked everyone for attending and inquired if there were any public comments. He stated that there would be an executive session later in the meeting. He then introduced Senator Nichols and Luine Hancock, Senator Nichols' Assistant. He thanked Senator Nichols for graciously coming prior to the beginning of the meeting to swear in newly appointment Board Member, David C. Kleimann and reappointed Board Members, Gary Montgomery and Lloyd Tisdale. He then introduced David C. Kleimann as the newest Board Member and asked Mr. Kleimann to give a brief overview of his background. Mr. Kleimann introduced himself and briefly discussed his background.

Mr. Montgomery then proceeded to the minutes of the June 26, 2008 meeting which was before the Board for consideration. Mr. Houston indicated that there was one revision to the minutes regarding Ms. Rummell's status as Treasurer. Upon motion by Mr. Turner, seconded by Mr. Stunja, and unanimously carried, the minutes of the June 26, 2008 board meeting were approved as revised.

Mr. Montgomery then indicated that the next item to review and act upon was the unaudited financial statements for the month of June, 2008. Mr. Jackson briefly discussed the unaudited financial statements with the Board. After discussion, motion was made by Ms. Rummell, seconded by Mr. Tisdale, and unanimously carried to approve the unaudited financial statements for the month of June, 2008 as presented. Mr. Jackson then introduced Paulette Sokoya as the Authority's new Accountant. He also passed out a draft budget to the Board for review prior to the next Board meeting.

Mr. Montgomery then moved to the next items to discuss surface water issues and an update on the status of the Joint WRAP proposal and communications efforts related to the surface water conversion program. He asked if Senator Nichols had any comment on the topic. Senator Nichols stated that he was getting a lot of positive feedback related to the Authority's

communication efforts on the surface water program and that he believed the Authority was headed in a good direction. Mr. Montgomery stated that the Authority sincerely appreciated Senator Nichols' for sharing his time with the Authority. Mr. Eichelberger, Mr. Kelling, and Mr. Houston briefly reported on the status of surface water issues. Mr. Houston reported that staff was continuing to make contact with the entities that had not yet signed up to join the Authority's WRAP. He stated that 181 entities out of 204 had signed up. He introduced Bobbi Branham, Administrative Assistant in the G&A Office, and indicated that she had been very helpful in making contact with the entities. He reminded everyone of the workshop that was scheduled for August 1<sup>st</sup> at the Lone Star Convention Center in the San Jacinto room. Mr. Kelling then introduced Dave Scholler with Brown & Gay Engineers, Inc. as the Authority's Program Manager for the Montgomery County Alternative Water Supply Program and indicated that Mr. Scholler would give a presentation on the current status of the program. Mr. Scholler made a presentation and answered questions.

Mr. Montgomery then moved to the next item to consider and act upon an Environmental Consultant Professional Services Agreement for the Montgomery County Alternative Water Supply Program. Mr. Eichelberger briefly discussed the item with the Board. He indicated that he recommended approval of the environmental consultant services agreement proposal from Halff Associates, Inc. and approval of Work Order No. 1 for an amount not to exceed \$98,400. After

discussion, motion was made by Mr. Tisdale, seconded by Mr. Turner, and unanimously carried to approve the Professional Services Agreement with Halff Associates, Inc. and Work Order No. 1 for an amount not to exceed \$98,400 and an authorization for the General Manager to execute the required documents.

Mr. Montgomery then laid out the next item to consider and act upon (i) a Texas Commission on Environmental Quality (TCEQ) Intergovernmental Cooperative Reimbursement Agreement for the San Jacinto River Basin Literature Review and (ii) a Professional Services Agreement with Espey Consultants for the San Jacinto River Basin Literature Review contingent upon final approval and execution of Intergovernmental Cooperative Reimbursement Agreement for the San Jacinto River Basin Literature Review by the TCEQ. Mr. Eichelberger briefly discussed the items. After discussion, motion was made by Mr. Turner, seconded by Ms. Rummell, and unanimously carried (i) to approve the TCEQ Quality Intergovernmental Cooperative Reimbursement Agreement for the San Jacinto River Basin Literature Review; (ii) to approve the Professional Services Agreement with Espey Consultants for the San Jacinto River Basin Literature Review, for an amount not to exceed \$80,000 reimbursable by the TCEQ, contingent upon final approval and execution of the Intergovernmental Cooperative Reimbursement Agreement; and (iii) to authorize the General Manager to execute the required documents.

Mr. Montgomery introduced the next item to consider and act upon a Rate Consultant Professional Services Agreement. Mr. Eichelberger and Mr. Kelling briefly discussed the agreement with the Board. After discussion, motion was made by Ms. Rummell, seconded by Mr. Stunja, and unanimously carried to approve a Professional Services Agreement with Larry A. Peart for the evaluation, analysis and design of raw water rates, Work Order No. 1 in the amount of \$7,500, and an authorization for the General Manager to execute the required documents.

Mr. Montgomery then noted that the next item was a presentation by LBG-Guyton Associates regarding results of The Woodlands Well Production Study. Mr. Eichelberger introduced John Seifert, P.E. with LBG-Guyton. Mr. Seifert thanked the Board and staff for the opportunity to present the information. He proceeded to present the results of the Woodlands Well Production Study. There was a brief question and answer session after the presentation.

Mr. Montgomery then moved to the next items to (i) consider and act upon a service agreement for the repair of The Woodlands Well No. 1 and (ii) consider and act upon a service agreement for the repair of The Woodlands Well No. 20. Mr. Eichelberger stated that both of these items were for emergency repairs to essential wells to prevent interruption in water delivery to customers, and he requested that his actions in proceeding with the emergency repairs be ratified by

the Board. Mr. Sarich indicated that Weisinger Water Well, Inc. was selected because they already had a rig in place in close proximity to the wells allowing the repairs to be made in a very expedient manner. After a brief discussion, motion was made by Mr. Tisdale, seconded by Ms. Rummell, and unanimously carried to ratify the action taken by the General Manager in the execution of service agreements with Weisinger Water Well, Inc. for (i) emergency repairs to Water Well No. 1 in the amount of \$93,846 and (ii) emergency repairs to Water Well No. 20 in the amount of \$35,900.

Mr. Montgomery then laid out the next item which was discussion regarding a water and wastewater General Services Agreement for The Woodlands. Mr. Eichelberger discussed the need to have annual service agreements with a qualified engineering firm and contractor to assist staff with emergency repairs where delays could pose a possible threat or hazard to the Authority's customers or the public. After discussion, the Board expressed general support for the concept, and staff was instructed to discuss the issue with legal counsel and come back with a recommendation.

Mr. Montgomery then proceeded to the next item to consider and act upon a contract for construction of Panther Creek Drive Sanitary Sewer Rehabilitation in The Woodlands and an authorization for the General Manager to execute such contract and change orders up to \$25,000 thereto, as may be necessary from

time to time. Mr. Eichelberger indicated that the project engineer recommend acceptance of the low bidder Spiniello Companies. After discussion, motion was made by Mr. Turner, seconded by Mr. Tisdale, and unanimously carried to approve the construction contract with Spiniello Companies, in the amount of \$543,706.50, for construction of Panther Creek Drive Sanitary Sewer Rehabilitation in The Woodlands and an authorization for the General Manager to execute such contract and change orders up to \$25,000 thereto, as may be necessary from time to time.

Mr. Montgomery then moved on to the next item to consider and act upon a professional services agreement for Motor Control Center Replacement at Wells 15 and 16 and Wells 21 and 22 in The Woodlands. Mr. Eichelberger recommended acceptance of the professional services agreement with Brown & Gay Engineers, Inc. After a brief discussion, motion was made by Ms. Rummell, seconded by Mr. Turner, and unanimously carried to approve the professional services agreement for Motor Control Center Replacement at Wells 15 and 16 and Wells 21 and 22 in The Woodlands, in the amount of \$84,100, with Brown and Gay Engineers, Inc. and an authorization for the General Manager to execute such agreement.

Mr. Montgomery then indicated the next item to consider and act upon an amendment to the agreement with Brown & Gay Engineers, Inc. related to the

rebidding of electrical upgrades to Water Plant No. 2. Mr. Eichelberger and Mr. Sarich discussed the item with the Board. After discussion, motion was made by Mr. Turner, seconded by Mr. Stunja, and unanimously carried to approve the amendment to the agreement with Brown & Gay Engineers, Inc. related to the rebidding of electrical upgrades to Water Plant No. 2, for a lump sum fee of \$9,300 and an authorization to execute such amendment.

Mr. Montgomery then moved to the next item to consider and act upon (i) an amendment to an agreement with JNS Consulting Engineers, Inc. related to Water Wells No. 31 and 32, (ii) an amendment to an agreement with JNS Consulting Engineers, Inc. related to Water Wells No. 33 and 34, and (iii) an amendment to an agreement with JNS Consulting Engineers, Inc. related to Water Wells No. 35 and 36. Mr. Sarich discussed the items with the Board. Mr. Tisdale inquired into the amount of the original agreement. Discussion ensued. The Board requested that in the future staff have more historical information available on existing agreements for which amendments were being requested. After discussion motion was made by Mr. Turner, seconded by Mr. Tisdale and unanimously carried to approve (i) an amendment to an agreement with JNS Consulting Engineers, Inc. related to Water Wells No. 31 and 32, in the amount of \$20,402.67; (ii) an amendment to an agreement with JNS Consulting Engineers, Inc. related to Water Wells No. 33 and 34, in the amount of \$12,820.67; (iii) an amendment to an agreement with JNS Consulting Engineers, Inc. related to

Water Wells No. 35 and 36, in the amount of \$10,958.00; and (iv) an authorization for the General Manager to execute such amendments.

Mr. Montgomery then moved to the next item to consider and act upon a professional services agreement for actuarial services. Mr. Houston briefly discussed the item with the Board. After discussion, motion was made by Mr. Stunja, seconded by Ms. Rummell, and unanimously carried to approve a professional services agreement with Milliman for actuarial services related to the Authority's Pension Plan.

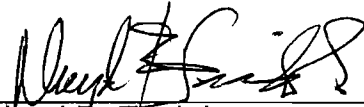
Mr. Montgomery then moved to the next item to consider and act upon a joint-funding agreement with the U.S. Geological Survey, United States Department of the Interior (USGS) for data collection activities during the period of October 1, 2008 through September 30, 2009. Mr. Eichelberger indicated that this was an annual renewal and briefly discussed the item with the Board. After discussion, motion was made by Mr. Tisdale, seconded by Mr. Kleimann, and unanimously carried to approve the joint-funding agreement with the USGS for data collection activities during the period of October 1, 2008 through September 30, 2009, in the amount of \$157,530 and an authorization for the General Manager to execute such agreement.

Mr. Montgomery then proceeded to the next item to consider and act upon a grant contract with Texas Parks and Wildlife Department regarding Aquatic Vegetation Management. Mr. Houston briefly discussed the grant program's requirements with the Board. After discussion, motion was made by Mr. Turner, seconded by Mr. Stunja, and unanimously carried to approve the grant contract with Texas Parks and Wildlife Department regarding Aquatic Vegetation Management for a grant amount of up to \$150,000 and an authorization for the General Manager to execute such contract.

Mr. Montgomery then moved to the next item to consider and act upon an authorization for the General Manager to make changes to the Authority's employee benefit programs. Mr. Eichelberger, Mr. Houston, and Ms. May briefly discussed the item with the Board. After discussion, motion was made by Mr. Kleimann, seconded by Ms. Rummell, and unanimously carried to authorize the General Manager to make changes to the Authority's employee benefits programs that would result in cost savings for the Authority.

At 9:40 a.m., Mr. Montgomery announced that the Board would recess into executive session to consult with the Authority's attorney, pursuant to Texas Government Code 551.071.

The Board reconvened at 10:30 a.m. With no further business to come before the Board the meeting was dismissed at 10:35 a.m.



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Lloyd B. Tisdale  
Secretary  
San Jacinto River Authority