

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

February 19, 2009

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A special meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., February 19, 2009, at the San Jacinto River Authority General Administrative Offices, 1577 Dam Site 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
David C. Kleimann	Member
John H. Stibbs	Member
Joseph L. Stunja	Member

Present were R. Gary Montgomery, Joseph V. Turner, Lloyd B. Tisdale, Mary L. Rummell, John H. Stibbs, 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; Michael Jackson, Controller; Paulette Sokoya, Accountant; Judy

Walker, Accounting Assistant; Raymond Johnson, Information Technology Manager; Janelle May, Human Resource Manager; Kim Wright, Office Manager; Mike 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; Frank D. Perez, SFile LLC; and numerous other guests.

Mr. Montgomery called the meeting to order at 7:50 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. There being none he then proceeded to the minutes of the January 22, 2009, meeting which were before the Board for consideration. Upon motion by Mr. Stibbs, seconded by Ms. Rummell, and unanimously carried, the minutes of the January 22, 2009, board meeting were approved as presented.

Mr. Montgomery then indicated that the Board would take up the item on the agenda to consider and act upon revisions to the Fiscal Year 2009 General Operating Budget. Mr. Jackson discussed the recommended budget revisions with the Board. After discussion, motion was made by Mr. Turner, seconded by Mr. Tisdale, and unanimously carried to approve the revisions to the Fiscal Year 2009 Operating Budget as presented.

Mr. Montgomery then laid out the next item to consider and act upon approval of Amendment No. 8 to an existing Professional Services Agreement with Alan Plummer Associates, Inc., related to NPDES permit support at WWTP No. 1. Mr. Eichelberger and Ms. Cooper discussed the item with the Board. After discussion, motion was made by Mr. Turner, seconded by Ms. Rummell, and unanimously carried to approve Amendment No. 8 to an existing Professional Services Agreement with Alan Plummer Associates, Inc., in the amount of \$75,000 and to authorize the General Manager to execute the required documents.

Mr. Montgomery then moved to the next item to consider and act upon approval of a Professional Services Agreement with Langford Engineering, Inc., related to the replacement of a bar screen at WWTP No. 2. Mr. Eichelberger discussed the item with the Board. After a brief discussion, motion was made by Mr. Tisdale, seconded by Mr. Turner, and unanimously carried to approve a Professional services Agreement with Langford Engineering, Inc. related to the replacement of a bar screen at WWTP No. 2, in the amount of \$36,985 and to authorize the General Manager to execute the required documents.

Mr. Montgomery then proceeded to the next items to consider and act upon approval of (i) Work Order No. 1 with SFile, Inc., for conversion of construction-related files to an electronic image records management system; and (ii) Work Order No. 2 with SFile, Inc., for consulting services to develop best

practices for normalization standards for construction-related documents. Mr. Houston discussed the items and introduced Mr. Perez who briefly continued the discussion. After discussion, motion was made by Mr. Stibbs, seconded by Rummell, and unanimously carried to approve (i) Work Order No. 1 with SFile, Inc., in the amount of \$14,613, and (ii) Work Order No. 2 with SFile, Inc., in the amount of \$16,500, and to authorize the General Manager to execute the required documents.

Mr. Montgomery then moved to the item to consider and act upon a Professional Services Agreement with Klotz Associates, Inc., for the Timberloch Place Sanitary Sewer Rehabilitation and Wild Ridge Drive Force Main Replacement. Mr. Eichelberger briefly discussed the item with the Board. After discussion, motion was made by Mr. Tisdale, seconded by Mr. Turner, and unanimously carried to approve a Professional Services Agreement with Klotz Associates, Inc., for the Timberloch Place Sanitary Sewer Rehabilitation and Wild Ridge Drive Force Main Replacement, in the amount of \$52,100, and to authorize the General Manager to execute the agreement.

Mr. Montgomery then laid out the next item to discuss surface water issues and receive an update on the status of the Joint WRAP. Mr. Houston briefly gave the Board an update on the status of the Joint WRAP.

Mr. Montgomery then proceeded to the next item to receive the preliminary results of raw water rate study. Mr. Kelling introduced Larry Peart who presented the preliminary results of the study.

Mr. Montgomery then laid out the next item to consider and act upon establishment, modification, and dissolution of certain reserve funds. Mr. Kelling discussed each of the proposed reserve funds with the Board. After discussion, motion was made by Ms. Rummell, seconded by Mr. Stibbs, and unanimously carried to:

- (i) approve the establishment of the Operating (Working Capital) Reserve Fund, the Emergency/Contingency Reserve Fund, the Capital Repair and Replacement Reserve Fund, and the Aquatic Plant Management Reserve Fund, each with the purpose, authorizations, target level, initial contribution, and priority recommended by staff;
- (ii) approve the transfer of the current balance of the Devers Transportation Reserve fund to the General Fund, remove any restrictions on the use of those funds, and dissolve the Devers Transportation Reserve Fund, and
- (iii) request the General Manager to keep the Board advised on the status of such funds.

Mr. Montgomery then moved to consider and act upon staff's recommendation to adopt revised raw water rates for Entergy. Mr. Eichelberger introduced Kelly Capero with Entergy. Ms. Capero spoke briefly with the Board. She requested that the Board allow Entergy an additional 30 days to evaluate the consequences of the proposed increases. After a brief discussion, motion was made by Mr. Stibbs, seconded by Mr. Kleimann, and carried to table the item to adopt revised raw water rates for Entergy with the vote as follows:

Mr. Montgomery	Yes
Mr. Turner	Yes
Mr. Tisdale	No
Ms. Rummell	Yes
Mr. Stibbs	Yes
Mr. Kleimann	Yes

Mr. Montgomery then moved to the next item to discuss the Lake Conroe Division fee schedule. Mr. Eichelberger and Mr. Kellum discussed the item with the Board. No action was taken on this item.

Mr. Montgomery then proceeded to the next item to consider authorizing the General Manager to negotiate and execute Work Order No. 3 to the existing Professional Services Agreement for rate consulting. Mr. Eichelberger recommended tabling the item until the next meeting. The item was tabled without objection.

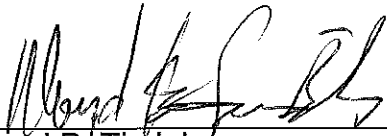
Mr. Montgomery then moved to the next item to consider authorizing the General Manager to negotiate and execute a Professional Services Agreement and Work Order No. 2 related to the design of the General Administration Building. Mr. Eichelberger recommended tabling the item until the next meeting. The item was tabled without objection.

Mr. Montgomery then moved to the item to consider authorizing the General Manager to negotiate and execute Change Order No. 1 to the construction contract for rehabilitation of Lake Conroe Dam. Mr. Eichelberger

briefly discussed the item and introduced Janis Murphy with Freese and Nichols, Inc., to give a presentation regarding the status of repairs to the dam. After the presentation and discussion, motion was made by Mr. Tisdale, seconded by Mr. Kleimann, and unanimously carried to approve Change Order No. 1 to the construction contract for rehabilitation of Lake Conroe Dam, in an amount not to exceed \$150,000 and to authorize the General Manager to execute the required documents.

At 9:35 a.m., Mr. Montgomery announced that the Board would recess into executive session to deliberate regarding real property, pursuant to Texas Government Code 551.072 and to consult with the Authority's attorney, pursuant to Texas Government Code 551.071.

The Board reconvened at 10:27 a.m. With no further business to come before the Board, the meeting was adjourned at 10:30 a.m.

  
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Lloyd B. Tisdale  
Secretary  
San Jacinto River Authority