

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

COPY

December 16, 2010

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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., December 16, 2010, 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:

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, Mary L. Rummell, David C. Kleimann, John H. Stibbs, Joseph L. Stunja, and Lloyd B. Tisdale, thus constituting a quorum. Also present were Reed Eichelberger, General Manager; Ron Kelling, Deputy General Manager, Operations; Jace Houston, Deputy General Manager, Administration; Tojuana Cooper, Woodlands Division Manager; Michael Jackson, Controller; Kimberly Wright, Administrative Services Manager; Dr. Robert Hill, SCADA/I & C Manager; Mr. Mark Smith, GRP Administrator; Michael and Mitchell Page, Schwartz, Page & Harding, LLP (SPH), General Counsel and Bond Counsel; Dave Scholler, P.E., Brown & Gay

Engineering, Program Manager, Montgomery County Alternative Water Supply Program; and numerous other guests.

Mr. Montgomery called the meeting to order at 8:00 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 welcomed everyone to the new General and Administration Building and stated that there would not be an Executive Session.

Mr. Montgomery continued the meeting by inviting comments from the public; there were none. Mr. Montgomery then indicated that the minutes for the Board meeting on November 10, 2010 were before the Board for consideration. Motion was made by Mr. Tisdale, seconded by Mr. Turner and unanimously carried, to approve the minutes for the Board meeting on November 10, 2010.

Mr. Montgomery then directed the Board's attention to the next agenda item to review and act upon the unaudited financial statements for the month of October, 2010. Mr. Jackson presented the financials to the Board and requested consideration and approval of same. Motion was made by Ms. Rummell, seconded by Mr. Stunja and unanimously approved, to approve the unaudited financials for the month of October, 2010.

The next item on the agenda was to discuss the status of the Comprehensive Annual Financial Report for the fiscal year ended August 31, 2010. Mr. Houston discussed the transition from the presentation of a regular audit report to a Comprehensive Annual Financial Report (CAFR). He discussed the process to present a gold standard report and the deadlines for same. Mr. Jackson explained that legal staff would also review the report to ensure compliance with the Groundwater Reduction

Plan (GRP) contract. He discussed the audit process and the areas of the Authority included in the process, including the GRP Division. No action was required.

Mr. Kelling then presented the next item to update the Board on the campus improvements. He stated that the General and Administration Building construction is complete and repairs to the old building have started, which will allow the Lake Conroe Division to relocate. Mr. Montgomery inquired about the status of a new entry way to all the facilities. Mr. Turner requested a budget for the repairs to the old building be presented at the next meeting. Mr. Montgomery thanked the Authority's staff and the Building Committee for their participation in the project. Mr. Eichelberger thanked Mr. Kelling, Mr. Fenney, Mr. Jennings, and Brookstone for their efforts in achieving substantial completion a month early. Mr. Turner supplemented Mr. Eichelberger's comments by also commending Mr. Kelling, Mr. Fenney, and Brookstone.

Mr. Montgomery proceeded to the next item on the agenda to receive a presentation regarding a successful water conservation effort recently implemented by the City of Conroe. Mr. Houston recognized the efforts put forth by the City of Conroe and the Texas Water Foundation as mentioned in the following two agenda items. He began by discussing the efforts by the City of Conroe to replace and install rinse valves in many facilities throughout Conroe, resulting in an estimated annual savings of 11,236,500 gallons of water. Mr. Houston recognized the tremendous success of this program over a short period of time. No action was required.

Mr. Houston then continued by discussing the statewide water conservation media campaign recently launched by the Texas Water Foundation. He referred to a letter received from Texas Water Foundation, expressing appreciation for the Authority's participation in the Water IQ Statewide Media Campaign. Mr. Houston relayed the

message that Ms. Carole Baker wanted to thank the Board for their support. No action was required.

The next items on the agenda were then presented to receive an update on the GRP Program/GRP Division and then an update from the GRP Committee. Mr. Mark Smith began by stating that four members had been appointed for the Review Committee; they include: Arthur Faiello, Director of Public Works in Willis, Texas, representing the cities of Montgomery County outside of Conroe and The Woodlands; Mike Money, Operations Manager for The Woodlands JPA, representing the MUDs forming the Woodlands JPA; Troy Morris, Chief Operations Manager with Mid South/Synergy, representing private well owners in Montgomery County; and Dean Towery, Director of Public Works in Conroe, representing the City of Conroe. Mr. Smith stated that the members appointed would be enough for a quorum for the first meeting of the Review Committee scheduled for January 11, 2011. Mr. Smith continued by discussing the Review Committee's review of the GRP draft document and the submittal of same to the Authority's Board by March, 2011. He discussed other activities and business related to the GRP Program, including the recent Request for Qualifications related to the transmission line projects for the GRP Program. Mr. Smith discussed the timeline for the project, including the Pre-Submittal Meeting, Request for Qualifications, and the submittal of Statement of Qualifications. Mr. Smith stated that the GRP Committee members, Mr. Tisdale, Mr. Turner, and Mr. Kleimann, met and discussed financing and other issues. As discussed, Mr. Stibbs requested that the Board be notified of future tours of the pilot plant. No action was required.

Mr. Montgomery continued to the next item on the agenda to consider authorizing the General Manager to execute an engagement letter with Greenberg

Traurig, P.A. regarding legal representation during the Construction Manager at Risk (CMAR) solicitation and negotiations. Mr. Kelling explained that the GRP Committee met to discuss the option of using CMAR for the GRP Program Facilities (Raw Water Intake and Pump Station, Water Treatment Plant and Finished Water Pump Station). He stated that representatives from the Authority have visited other cities to discuss their experience with this method. He continued by describing the project, the CMAR's role, and the development of the Request for Qualifications, Request for Proposal, and contract negotiations for the selection of the CMAR. Mr. Kelling stated that specialized knowledge of and experience in the entire process is needed to provide a legal review of the above mentioned documents. Mr. Kelling recommended the engagement of the firm Greenberg Traurig, P.A. to assist in these efforts. The legal services requested and the budget for same was discussed. Motion was then made by Mr. Turner, seconded by Mr. Stibbs and unanimously approved, to authorize the General Manager to execute an engagement letter with Greenberg Traurig, P.A. for legal representation during CMAR solicitation and negotiations.

Mr. Montgomery proceeded to Item No. 11 to consider authorizing the General Manager to execute an engagement letter with Andrews Kurth LLP and Item No. 12 to consider authorizing the General Manager to execute an engagement letter with Michael C. Beller regarding legal representation for land/easement acquisitions. Mr. Kelling briefly discussed the number of easements to be acquired within the next two years for the purposes of placing water infrastructure for the GRP Program. Mr. Kelling continued by discussing the need for legal representation in the transactions related to same. Mr. Mitchell Page discussed the two separate engagement letters and the roles for each firm recommended. Mr. Page discussed each firm's experience and their

individual access to resources and contacts. After brief discussion, motion was made by Mr. Stibbs, seconded by Ms. Rummell and unanimously approved, to (i) authorize the General Manager to execute an engagement letter with Andrews Kurth LLP regarding legal representation for land/easement acquisition and (ii) authorize the General Manager to execute an engagement letter with Michael C. Beller regarding legal representation for land/easement acquisition.

The next item on the agenda was to consider the adoption of a resolution expressing support for legislation to create a water quality protection area pilot program on the San Jacinto River. Mr. Houston updated the Board on the lack of regulations to address the impacts on Texas rivers resulting from sand and gravel mining operations. He discussed the negative impacts, including the flow and quality of the river and the impacts on the storage volume of Lake Houston. Mr. Houston discussed SB 800 introduced by Senator Tommy Williams in 2009 and SB 160 recently filed, both filed in an effort to protect the water quality of the San Jacinto River. Mr. Houston introduced Mr. Frank Johnson with Hallet Materials and a member of the Texas Aggregate and Concrete Association (TACA) and Mr. Mark Webb with Texas Parks and Wildlife Department to further discuss support for the proposed legislation. Mr. Kleimann expressed concern regarding the need for such requirements. After discussion, motion was made by Mr. Stibbs, seconded by Mr. Turner and approved, to adopt a Resolution Expressing Support for Legislation Regulating Certain Aggregate Production Operations, attached hereto as "Exhibit A." Mr. Kleimann voted against the motion.

Mr. Kelling proceeded to the next item on the agenda to receive an update on the Highlands Division. He stated that the Bond Program is moving forward.

Mr. Montgomery proceeded to Item Nos. 15–18 on the agenda. Mr. Kelling discussed the various projects and the relocation agreements presented. He stated that Harris County wants to start construction in August. Discussion followed regarding Harris County's portion of the expenses, and Mr. Kelling explained how the percentages were determined. After discussion, motion was made by Mr. Kleimann, seconded by Mr. Stibbs and unanimously approved, to (i) authorize the General Manager to execute Contractual Agreement for Right of Way Utility Adjustments with Harris County for Garth Road, (ii) authorize the General Manager to execute Contractual Agreement for Right of Way Utility Adjustments with Harris County for Wallisville Road, (iii) authorize the General Manager to execute Professional Services Agreement and Work Order No. 1 in the amount of \$70,879.00 with R. G. Miller for design of relocation/reconstruction of Garth Road siphon, and (iv) authorize the General Manager to execute Work Order No. 2 in the amount of \$70,879.00 with R. G. Miller for design of relocation/reconstruction of Wallisville Road siphon.

Continuing to the next item on the agenda, Mr. Kelling explained the need for a study of traffic along FM 1492 to determine impacts to the area and surrounding roadways due to the reconstruction of Siphon 20 in the Highlands. Motion was made by Mr. Tisdale, seconded by Mr. Turner and unanimously approved, to authorize the General Manager to execute Work Order No. 4 in the amount of \$13,000.00 with Freese and Nichols, Inc. for the Traffic Impact Study at FM 1492 and Siphon 20 in the Highlands.

Mr. Montgomery introduced Tojuana Cooper to present the next agenda item. Ms. Cooper discussed the improvement plan to satisfy water demand within the three pressure planes in The Woodlands and the proposed Well Collection Line to be

constructed along Woodlands Parkway and West Branch Crossing Drive beginning at Elevated Storage Tank 5 and leading to Water Plant 4 for distribution. She requested additional engineering fees be considered to design and locate the 20-inch well collection line on the North Side of Woodlands Parkway. Motion was made by Mr. Turner, seconded by Ms. Rummell and unanimously approved, to authorize the General Manager to execute Work Order No. 3 with Lockwood, Andrews & Newnam Inc. in the amount of \$9,970.00 for the 20-inch Well Collection Line from Elevated Storage Tank No. 5 to Water Plant No. 4 in The Woodlands.

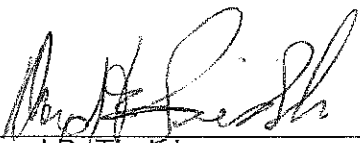
Mr. Houston then announced the next item on the agenda to adopt the Order Declaring the Existence of a Public Necessity and Authorizing the Institution of Condemnation Proceedings for a 0.0914 acre Water Line Easement in The Woodlands needed to be deferred.

Mr. Montgomery continued to the next item on the agenda for consideration to authorize the General Manager to execute Work Order No. 7 for the Programming of Replacement Remote Terminal Units (RTUs) at Water Plant Nos. 1 and 3 in The Woodlands. Dr. Hill described the old SCADA equipment located in The Woodlands and the lack of availability of parts. Dr. Hill discussed previously approved Work Orders related to the system and the need for programming of replacement RTUs at Water Plant Nos. 1 and 3. Mr. Turner requested that in the future, total budgets be provided. Motion was made by Mr. Turner, seconded by Mr. Stibbs and unanimously approved, to authorize the General Manager to execute Work Order No. 7 in the amount of \$49,000.00 with EMA, Inc. for the programming of replacement RTUs at Water Plant Nos. 1 and 3.

Dr. Hill proceeded to the next item on the agenda to request the Board consider authorizing the General Manager to execute Work Order No. 8 with EMA, Inc. for the WWTP No. 1 SCADA System in The Woodlands. Dr. Hill described the project for the automation of WWTP No. 1 and upgrading the existing Woodlands SCADA System. He explained that the improvements will improve performance and efficiency. Mr. Kelling stated that the SCADA Department is a new department within the Authority and that Dr. Hill is staffing up to be able to handle programming and maintenance in the future. After brief discussion, motion was made by Mr. Turner, seconded by Ms. Rummell and unanimously approved, to authorize the General Manager to execute Work Order No. 8 in the amount of \$207,137.00 with EMA, Inc. for Engineering Design Services related to the WWTP No. 1 SCADA System in The Woodlands.

Proceeding to Item No. 24 on the agenda, Mr. Houston offered a status report on the request from Montgomery County MUDs 8 and 9 for terms regarding establishment of a diversion point in Lake Conroe. He stated that attorneys are working diligently to address the areas of interest and negotiate an offer of terms. Mr. Houston stated that all parties recognize that time is an issue. No action was required.

There being no Executive Session, Mr. Montgomery announced the next meeting date, January 27, 2011 at 7:30 A.M. at the Authority's General and Administration Building. There being no further business to come before the Board, the meeting was adjourned at 9:45 A.M.

  
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Lloyd B. Tisdale  
Secretary  
San Jacinto River Authority

RESOLUTION EXPRESSING SUPPORT FOR LEGISLATION REGULATING CERTAIN  
AGGREGATE PRODUCTION OPERATIONS

WHEREAS, sand and gravel mining operations along the San Jacinto River are negatively impacting the flow and quality of the river, and they are also placing at risk the storage volume of Lake Houston, which negatively impacts water rights owned by the City of Houston and the San Jacinto River Authority; and

WHEREAS, in 2006, the San Jacinto River was named one of the United States' most endangered rivers by American Rivers, a national non-profit river conservation group; and

WHEREAS, there is currently no state law or agency regulation that specifically monitors or protects Texas' rivers from impacts resulting from sand and gravel mining operations; and

WHEREAS, in 2009, Senator Tommy Williams introduced SB 800, which would have required the Texas Commission on Environmental Quality to create a pilot program related to sand and gravel quarry operations to protect the water quality of the San Jacinto River by addressing permitting, financial responsibility, inspections, water quality sampling, enforcement, cost recovery, and interagency cooperation with regard to quarries; and

WHEREAS, the enabling legislation of the Authority expressly empowers the Authority to use all practical and legal means to conserve soils against destructive erosion, to forest and reforest areas to prevent soil erosion, and to preserve and conserve natural resources within the San Jacinto River watershed; and

WHEREAS, the Board of Directors of the Authority wishes to express its support for legislation that would protect the water quality and quantity in the San Jacinto River by establishing a program to register and inspect certain sand and gravel mining operations;

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

Section 1. The Board of Directors hereby expresses its support for SB 160 (2011) and encourages the members of the Texas Legislature to grant it favorable consideration.

Section 2. The General Manager is hereby authorized to take any and all action necessary for the implementation of this resolution.

PASSED AND APPROVED this 16<sup>th</sup> day of December, 2010.

A handwritten signature in black ink, appearing to be 'A. K. Smith', written over a horizontal line.

Secretary, Board of Directors

A handwritten signature in black ink, appearing to be 'R. J. Smith', written over a horizontal line.

President, Board of Directors