



Gulf Coast Water Authority

**GULF COAST WATER AUTHORITY
REGULAR BOARD MEETING
MINUTES**

**COUNTY OF GALVESTON §
STATE OF TEXAS §**

The Board of Directors of the Gulf Coast Water Authority convened at 3:00 p.m. on the 20th day of December, 2012 and duly constituted members of said Board, to wit

James McWhorter	President
Eric Wilson	Vice-President
Rosalyn Sue Edrozo	Secretary-Treasurer
Russell C. Jones	Assistant Secretary-Treasurer
James R. Cesarini	Director
Bill Eisen	Director
Ray Holbrook	Director
Shane Hamilton	Director

All members were in attendance with the exception of Eric Wilson, Vice-President. A quorum was present.

Also present were: Ivan Langford, David Sauer, Bob Webb, James Vanderwater, John Martinez, Mack Chapman, George Orum, Bobby Gervais, Renee Dondonay, Rafael Ortega, James Jansen, Rick Gerlach, Tom Linton, Alan Sandersen, Jonathan Frels, Victoria Ozimek, Ron Freeman, Corey Magliolo

Agenda

1. Convene meeting
James McWhorter, Board President, called the meeting to order at 3:00PM.
2. The public shall be allowed to address one or more agenda or non-agenda items. Each person shall be limited to five (5) minutes, regardless of the number of items addressed.
There was no public discussion
3. **Consent Agenda**
 - a. Accept the Minutes of the Board of Directors' Regular Meeting held November 15, 2012.
Bill Eisen was not present at the November 15, 2012 Board Meeting.



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- b. Accept the purchase of a 14 yard Mack Dump truck from HGAC and authorization for the General Manager to sign the pertinent documents.

Russell C Jones seconded Bill Eisen's motion for approval of consent agenda items a & b. The motion carried unanimously.

4. Managers Reports

(a) Thomas Mackev Water Treatment Plant (Fund 06)

1) WTP Update

George Orum reported the Water Treatment Plant ran well this month.

2) WTP Operations

Low Lift Pump P 104 is down for maintenance.

Clarifier #2 is down for maintenance and will be off line for the next several months.

3) WTP Capital Projects Update

Air Scour Project for Filters 1-4 – Air Scours for Filter 4 was resumed December 10th with an expected completion date of January 15, 2013.

After Filter 4 work has been completed, work will begin on Filters 1-3 with an expected completion date between April 15 and May 15, 2013.

Clear Well Pump P551 is in the approval process.

(b) Water Treatment Plant Distribution

1) Capital Projects Update

Causeway – painting has been completed on the mainland side of the causeway they will be starting on the island side next and will also start the spot welding repairs

(c) Canal (Funds 08 & 21)

1) Brazos River Update

2012 Brazos River Reservoir Levels (System Total):

Dec - 79%, Nov - 80%, Oct - 82%, Sept - 83% Aug- 88%, July - 92%, June - 94%, May - 95%, April - 96%, March – 85%, Feb – 78%, Jan – 63%

2) Canal Capital Projects Update

Mustang Bayou 48" Pipe replacement will begin January 2nd, 2013.

Lateral 10 at Mustang Bayou installation has been completed.

Fund 21 – Miller Road Bridge Construction was completed on December 15, 2012. The Juliff and Angleton T connection has been completed. C.B. Y Bridge #4 is 95% completed, Check #5 is 75% completed C.B. West Reservoir #5 check is 95% completed.



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(d) Industrial (Fund 02)

1) Industrial Capital Projects Update

BP Waterline leak – repair of the 12” branch has been completed

Marathon Leak Repair – repair of the 18” leak has been completed but still has some surface dressing left

(e) Administrative

1) Legislative Consultant Update

David Sauer attended the Legislative Luncheon with a few Board Members and reported water is a major topic for the next legislative session.

2) Administrative Update

Ivan Langford thanked everyone for support of the MDA fundraiser. He reviewed the current drought status which is now in Stage 2. Due to the seriousness of the drought, TCEQ is now responding faster to water right calls. With the Stage 2 drought, TCEQ is requiring a 10% reduction in total water diversions from the Brazos River. GCWA has notified its' customers to enact their Drought Contingency Plans beginning December 28, 2012, to assist in making this happen. GCWA will be in a 14 day reporting cycle to notify the state of the water diverted out of the Brazos River. GCWA will also be required to report on what the GCWA customers are doing with the water. At this time GCWA does not meter the industrial customer but is looking to change this. TCEQ rejected the Water Master Program last month and GCWA is working with DOW Freeport to identify strategies to get TCEQ to revisit the program. The Brazos River Coalition has solicited 1,145 Brazos River water rights owners to sign a petition for the Water Master Program. 25 signatures are required to get TCEQ to reopen the case for the Water Master Program (currently 30 signatures have been gathered). In regards to Senior Water Rights, Ivan and David will be meeting with legal counsel on December 31st to rewrite the accounting plan (formal approach a few months ago was rejected). The plan will be presented to DOW to get their backing and then the accounting plan will be resubmitted hopefully towards the end of January.

5. Board Committees

(a) Financial Committee

1) Discussion and Approval of Monthly Financial Report

Bill Eisen reported the Financial Committee met on Tuesday, December 18, 2012. The Financial Audit, an item which is on the agenda today, was discussed as well as the monthly financial statements through the



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First Quarter of this fiscal year. At this time, funds are within budget except Industrial. This is to be expected and should be back in line as the year progresses.

(b) Engineering Committee

James McWhorter reported the Engineering Committee met on Thursday, December 13, 2012. Several projects, most of which are on the agenda for approval today, were reviewed. The committee also reviewed some ongoing consultant reports and a few minor projects staff is working on.

(c) Organization and Planning Committee

Sue Edrozo reported the Organization and Planning Committee met on Wednesday, December 12, 2012. The By-laws and the Management audit, items which are on the agenda for approval today, were discussed. The committee also reviewed the Freese & Nichols report.

(d) Personnel and Compensation Committee

Bill Eisen reported the Personnel and Compensation Committee met on Monday, December 10, 2012. The committee discussed the proposed change in insurance care to Cigna, the additional coverage of vision, short term and long term disability, etc. and the one time offer of health insurance with retirement to employees who meet the guidelines, all items which are on today's agenda.

(e) Safety Committee

James Cesarini reported the Safety Committee did not meet but James did meet with David Sauer regarding ways to improve the safety program. James and David have decided to meet with the local Safety Council. James will be meeting with Ron Sokol the CEO of the Safety Council in early January 2013 to come up with a plan.

6. Advisory Committees

(a) Industrial Operating Advisory Committee

Darrell Richardson reported the Industrial Operating Advisory Committee did not meet in December but is scheduled to meet on Wednesday, January 2, 2013.

(b) Mainland Division Operating Advisory Committee

Ivan Langford reported the MDOAC met on Tuesday, December 4, 2012. Members reviewed a power point presentation on GCWA goal in finding alternative water supplies. David Sauer also noted TCEQ has made 3 site visits since the Senior Rights Call was made. Ivan explained the TCEQ persons making the site visits are pulled from various departments within TCEQ and are not necessarily knowledgeable in the Senior Rights Call on the Brazos River which explains the need for a Water Master.



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7. Old Business

- (a) Discussion and possible action of Change Order No. 5 with Blastco Texas LP for recondition of intake and discharge pipes at the Juliff and Briscoe Pump Stations and authorization for the General Manager to sign the pertinent documents.

James Vanderwater reported the project has been completed. The project came in over budget due to unforeseen conditions and circumstances. Initially the river was low which allowed work on the project but the river came up and water had to be pumped to rice farmers so the pipe was flooded. Also, on Change Order No 2 the Board approved the installation of a steel plate on the intake pipe which it was estimated the welding would take 5 days but it took 22 days.

James Cesarini seconded Bill Eisen's motion for the approval of Change Order No. 5 with Blastco Texas LP for recondition of intake and discharge pipes at the Juliff and Briscoe Pump Stations and authorization for the General Manager to sign the pertinent documents. The motion passed unanimously.

- (b) Discussion and possible action on approval of the amended and restated By-Laws of the Gulf Coast Water Authority.

Ray Holbrook seconded Sue Edrozo's motion for the approval of the amended and restated By-Laws of the Gulf Coast Water Authority. The motion passed unanimously.

8. New Business

- a. Discussion and possible action on accepting the Financial Audit for Fiscal Year 2011-12 as performed by Sandersen, Knox, and Co, LLP.

Alan Sandersen reviewed the Financial Audit. Mr. Sandersen pointed out GCWA was not in compliance with investment officer training requirements, lacked sufficient segregation of duties within the financial and accounting area, needed to improve offsite data storage capabilities and the absence of a capital asset policy. Sandersen and Knox gave recommendations to remedy these situations but ultimately it is up to GCWA on how to proceed.

Ray Holbrook seconded Bill Eisen's motion for the approval of the Financial Audit for Fiscal Year 2011-2012 as performed by Sandersen, Knox and Co, LLP. The motion passed unanimously.

- b. Discussion and possible action on accepting the Management Audit 2012 as performed by Jansen and Gregorczyk.

Jim Jansen reviewed the Management Audit. Jim had previously met with the Organization and Planning Committee to review the audit on Wednesday, December 12, 2012. Mr. Jansen pointed out an audit is



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required by TCEQ every 5 years with the first audit being due in 2002 and the second in 2007. As of 2012, GCWA is in compliance with state law regarding a management audit. In the management audit it was noted the GCWA should consider hiring additional staff to assist and/or a shift of duties in the accounting department. It was also noted that 50% of the Board Members were not aware of the GCWA Mission Statement. The Safety Program is comparable to other water authorities and Jim stated the Safety Manual was one of the best he had ever read. A Newsletter to Customers was recommended. Another recommendation was more training for employees. The Audit noted the Employee Manual was out of date but Jim stated GCWA was already in the process of updating the manual. All Board Members and employees need to sign an Ethics Policy and a copy of the signed policy needs to be kept on file. Also need a policy regarding the use of Under Utilized Businesses. The Board discussed some of the points and agreed many of these items would be best discussed at a board retreat and in committee meetings.

Sue Edrozo seconded Bill Eisen's motion for the acknowledgement of the receipt of the Management Audit 2012 as performed by Jansen and Gregorczyk. All Board Members were in favor of the motion with the exception of Ray Holbrook who abstained from voting.

- c. Discussion and consider action on selection of Cigna as employee health insurance provider with authorization for the General Manager to sign the pertinent documents.

Corey Magliolo presented information regarding GCWA switch in insurance providers from BlueCross BlueShield to Cigna. Staying with BlueCross Blue Shield would have been a drop in premiums by 1% but in looking at the group cost vs. claims, the cost isn't justified. Changing to Cigna would remove the HMO option and the PPO option would remain. Cigna offers a larger network in this area. Cigna costs would be about 14% under current rates and these saving allow GCWA to offer employees additional services not available in the past such as vision, short term and long term disability, etc. These services would be available with Assurant (this is addressed on the next item of the agenda). Flexible Spending Accounts as well as other options would be available to employees.

Bill Eisen seconded James Cesarini's motion to select Cigna as employee health insurance provider and authorization for the General Manager to sign the pertinent documents. The motion passed unanimously.



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- d. Discussion and consider action on selection of Assurant as employee Dental, Vision, Life, STD, and LTD provider with authorization for the General Manager to sign the pertinent documents.
- Corey Magliolo presented information on Assurant along with the Cigna plan. Ivan Langford noted this plan puts GCWA more in alignment with other employers in regards to the coverage provided to employees.*
- Sue Edrozo seconded Ray Holbrook's motion to select Assurant as employee Dental, Vision, Life, STD and LTD provider and authorization for the General Manager to sign the pertinent documents. The motion passed unanimously.*
- e. Discussion and consider action on providing Medicare supplement insurance for employees age 65 and older with authorization for the General Manager to sign the pertinent documents.
- Ivan Langford pointed out the cost saving for GCWA and the improved coverage for the employee when using this option. This will still allow employees to cover dependents who do not qualify for Medicare to be covered under GCWA Healthcare Coverage. A representative from Maxim will assist employees who meet the Medicare requirements in getting set up with Medicare.*
- Bill Eisen seconded Ray Holbrook's motion for approval to provide Medicare supplement insurance for employees age 65 and older and authorization for the General Manager to sign pertinent documents. The motion passed unanimously.*
- f. Discussion and consider action on providing health insurance for employees age 62 and older with 25 years or more tenure with GCWA or its predecessors, who choose to retire between Feb. 1, 2013 and July 1, 2013 with authorization for the General Manager to sign the pertinent documents.
- Ivan Langford explained this is a very specific timeframe set up to offer particular employees the option of early retirement and the ability to receive healthcare until they reach age 65 and qualify for Medicare. Shane Hamilton seconded Ray Holbrook's motion for approval to provide health insurance for employees age 62 and older with 25 years or more tenure with GCWA or its predecessors, who choose to retire between Feb. 1, 2013 and July 1, 2013 and authorization for the General Manager to sign the pertinent documents. The motion passed unanimously.*
- g. Discussion and approval of the best qualified proposal, based on the competitive sealed proposal method, for Pump Refurbishment P-3 at the Shannon Pumping Plant and authorization for the General Manager to sign the pertinent documents.
- Ray Holbrook seconded James Cesarini's motion for approval of the award for the Pump Refurbishment P3 at the Shannon Pumping Plant*



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in an amount of \$97,323.00 to RuhrPumpen, Inc and the authorization for the General Manager to sign pertinent documents.

- h. Discussion and approval of a method for awarding contracts for large pump repairs and authorization for the General Manager to sign the pertinent documents.

John Martinez spoke to the Board regarding the procedures to repair the 40 pumps used by GCWA. The current procedure is cumbersome and makes it very difficult to complete repairs. A portion of the law makes possible to bypass the advertising portion of the process therefore speeding up the repair. GCWA would qualify pump repair shops then when pump repairs are required, the pump will be brought to the shop, a price will be negotiated and the pump repairs then completed.

Shane Hamilton seconded James Cesarini's motion to approve the exercise of Sec. 49.273 (j) of the Texas Water Code for the repair of pumps greater than 4000 gpm, and authorize staff to proceed with future repairs without competitive bidding, but with the selection of the potential contractor(s) still to be performed through the RFQ process. The motion passed unanimously.

- i. Discussion and approval of the best qualified bid for the refurbishment of P551 Pump and authorization for the General Manager to sign the pertinent documents.

Bill Eisen seconded James Cesarini's motion for the approval of the award for the refurbishment of P551 Pump in the amount of \$55,282.00 to Ruhrpumpen, Inc and the authorization for the General Manager to sign the pertinent documents. The motion passed unanimously.

- j. Discussion and possible action of the best qualified proposal, based on the competitive sealed proposal method, for the purchase of Electrical Power Center for May Pumping Plant and Mustang Bayou Pumping Plant and authorization for the General Manager to sign the pertinent documents.

James Vanderwater requested this item be tabled until the January 2013 Board Meeting. The Board agreed to table until January 2013.

- k. Discussion and possible action of the award of contract for the construction of Pillot Check Structure Reconstruction and authorization for the General Manager to sign the pertinent documents.

James Vanderwater explained the bid process for this project required 5 references. The lowest bidder, Gin-Spen Inc, only provided 2 references whereas the second lowest bidder, Jerdon Enterprises L.P., provided 5 references. James and David Sauer both felt more confident in Jerdon Enterprises L.P. to complete the project as requested.



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Sue Edrozo seconded Ray Holbrook's motion for the approval to award a contract for the construction of Pillot Check Structure Reconstruction to the qualified lowest bidder, Jerdon Enterprises L.P. in the amount of \$200,264.00 and the authorization for the General Manager to sign the pertinent documents. The motion passed unanimously.

1. Discussion and possible action of the best qualified proposal, based on the competitive sealed proposal method, for the purchase of Transformers for the Industrial Pump Station and authorization for the General Manager to sign the pertinent documents.

James Vanderwater noted there was only one proposal on this project. Shane Hamilton seconded Ray Holbrook's motion for the approval to conditionally accept the proposal submitted by Crescent Engineering Co. Inc. dba Crescent Electric contingent on approval of the Engineering Committee and on the satisfactory verification of compliance with project requirements for the purchase of Transformers for the Industrial Pump Station in the amount of \$361,760.00 and authorization for the General Manager to sign the pertinent documents. The motion passed unanimously.

9. Executive Session

The Executive Session is held in accordance with Texas Open Meeting Act, (Vernon's Civil Statutes) Texas Government Code, Section 551.071 – Consultation with Attorney, to discuss the following:

- 1) Legal matters related to payments received from property financed with the Gulf Coast Water Authority Contract Revenue Bonds, Series 2006.
- 2) Assignment and Assumption Agreement of Water Contract with Lyondell to Ascend Performance Materials.
- 3) Amended Water Supply Contract with Ascend Performance Materials.
- 4) Water Supply Contract with Ineos Olefins & Polymers USA.

10. Discussion and consideration of possible action involving the following:

- (a) Refinancing the Gulf Coast Water Authority Contract Revenue Bonds, Series 2006.

Bill Eisen seconded Sue Edrozo's motion for the approval to refinance the Gulf Coast Water Authority Contract Revenue Bonds, Series 2006. The motion was passed unanimously.

- (b) Assignment and Assumption Agreement of Water Contract with Lyondell to Ascend Performance Materials and authorization for the General Manager to sign the pertinent documents.

James Cesarini seconded Russell C. Jone's motion for the approval of the Assignment and Assumption Agreement of the Water Contract with



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Lyondell to Ascend Performance Materials subject to renegotiation of the assigned contract as discussed in Executive Session and authorization for the General Manager to sign pertinent documents.

The motion passed unanimously.

- (c) Amended Water Supply Contract with Ascend Performance Materials and authorization for the General Manager to sign the pertinent documents.

No motion necessary.

- (d) Water Supply Contract with Ineos Olefins & Polymers USA and authorization for the General Manager to sign the pertinent documents.

James Cesarini seconded Bill Eisen's motion for the approval of the Water Supply Contract with Ineos Olefins & Polymers USA and authorization for the General Manager to sign the pertinent documents

If, during the course of the meeting covered by this Agenda, the Board should determine that an executive session of the Board should be held or is required in relation to any additional items included in this Agenda, then such executive session, as authorized by the Texas Open Meetings Act, will be held by the Board at the date, hour, and place given in this Agenda concerning any and all subjects and for any and all purposes permitted by Sections 551.071-551.084 of the Texas Government Code, including, but not limited to, Sections 551.071 and 551.072 for the purpose of a private consultation with the Board's attorney on any or all subjects or matters authorized by law.

14. Adjourn

James McWhorter, Board President, adjourned the meeting at 7:05PM.

PASSED AND APPROVED this the 17th day of January, 2013.



A handwritten signature in cursive script, reading "Rosalyn Sue Edrozo".

Rosalyn Sue Edrozo
Board Secretary Treasurer