

**MINUTES OF THE JOINT MEETING OF THE
OPERATIONS AND ADMINISTRATION AND AUDIT COMMITTEES
OF THE COLORADO RIVER MUNICIPAL WATER DISTRICT
WEDNESDAY, APRIL 10, 2013 AT 9:00 AM**

The Operations and Administration and Audit Committees met in a joint meeting at 9:00 AM on Wednesday, April 10, 2013, at the District's headquarters. In attendance were Board Members James T. Weaver, Jim Purcell, Ray Kennedy, Dr. John Myers, Dr. Jimmy Goates, Dan Hollmann, Bro Hill, Mickey Jones, Ted Crenwelge, Jack Gorman, James Brown, and ex-officio member John Grant. Board member David Holt was absent. Guests included Charles Perry, Greg Spears and Ping Gough. District staff members in attendance were Mitch Holmes, Cole Walker, Virginia Taylor, Jennifer Posey, and Katharine Rubio who recorded the minutes of the meeting.

Jim Purcell called the meeting to order at 9:00 A.M.

Jim Weaver began with the Administration and Audit Committee.

Dan Hollmann made a motion seconded by James Brown to approve the Administration and Audit Committee minutes held July 11, 2012. The motion passed unanimously.

Mitch Holmes reported to the Committees about the Electric Power Purchase. The District is entering into a new agreement for energy management and consulting services with Priority Power Management (PPM). Pat Ennis, founding principal, was with TXU prior to deregulation. He was the District's account representative at that time. PPM currently has accounts with the cities of Midland, Big Spring, Seminole, Dallas/Ft. Worth municipalities, and Pioneer Natural Resources. District staff recommends a term of 36 months, which carries the District past current power contract expiration with Suez, so this service period will go through solicitation process. There is a flat fee of \$6,000 per month which includes the collection of bills, sorted, reviewed, and forwarded to the District; set in spreadsheet to recalculate energy, wire, and ancillary charges; help with quantifying safe load shed opportunity to drop load in summer peaks on short notice in exchange for cash payment; help with solicitation and purchase of additional blocks of power (1-3 Mw) where last May's purchase was short of need due to base of restrictions in 2011; review of congestion charges due to oil/gas activities consuming capacities of wires anticipated to drive up summer cost of power by 30-40%, possibly even 50% higher than normal summer costs. This agreement was approved by the Electric Power Committee and being reported to the Administration and Audit Committee.

John Grant discussed Regional F Regional Water Planning with the Committees. Legislation was passed in 1997 that created the Regional Water Planning groups. Mr. Grant has served as the Chair for Region F since its inception in 1998. From 1998 until 2011, the District served as the designated political subdivision. The city of San Angelo

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then took over the responsibility. They have had significant staff changes and were no longer able to serve as the designated political subdivision. The District has offered to become the designated political subdivision through the end of the current planning cycle, 2016. Mr. Grant recommended that the General Manager be authorized to sign any contracts, agreements, and documents with the TWDB for the funding and with the planning consultants that has been selected by the planning group. Jack Gorman motioned seconded by James Brown to make the recommendation to the Board. The motion passed unanimously.

Mr. Grant then reviewed Staff Reorganization with the Committees and said that the District has been doing some reorganization over the last few months, with it taking effect over the last 30 days. Mitch Holmes is the Assistant General Manager of Support Services which includes Administrative Services, Planning and Engineering, Human Resources, and Real Estate and Contracts. Cole Walker is the Assistant General Manager of Operations which includes Field Operations, System Operations, and Reservoir Operations. Brandon Dickson is now the Field Operations Manager. The System Operations Manager is John Womack. System Operations is over Water Resources, Water Supply, Water Quality, the Big Spring Raw Water Production Facility, Central Control, Electrical/Electronics, and Information Technology. In Reservoir Operations there are staff shortages, and the District is looking to work a more blended workforce.

Mr. Grant discussed the District's plan for Employee Retention and Hiring and said that the District is struggling to find skilled trained employees. The District is competing with the oil and gas companies, particularly with the skilled operations positions. There are several vacancies. Most of the employees that have left the District recently were not lost to the oil and gas industry, but to the employees moving from the area. The challenge is faced in filling positions once employees leave. The District would like to make some adjustments in the starting pay in order to attract new employees. The minimum starting pay would move from \$12 per hour to \$14 per hour. With the increase in starting pay and adjustment of salaries for current employees, that is a \$129,100 increase. The District is proposing to offset that by eliminating two positions in 2014, one in Support Services and one in Operations, which would be a decrease of \$60,000. In addition two additional positions could be eliminated in the budget to make the increase cost neutral, but they would be in Operations. It is the recommendation of the General Manger to increase the starting pay and adjust salaries of current employees and eliminate just two positions in the 2014 budget. Bro Hill motioned and Jack Gorman seconded. The motion passed unanimously.

Jim Weaver said he would like to wait until the end of both meetings to do the Annual Review of the General Manager.

Mitch Holmes gave an update on the Employee Health Plan. The District received the 1st quarter FY 2013 report from Health First. Expenses are generally in line with prior years except for medical payments, which are running about 40% higher than last year when annualized. Last year's medical payments were 25% higher than the prior year, so some of this quarter's increase is likely due to the trend of increasing

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medical costs, but some appear to be due to a few costlier claims. Employees and dependents are staying in-network more this first quarter. 95% in network compared to FY 2012 at 79% and FY 2011 at 62%. The District added a new Health First offering, Script Choice. Twice per year they will send out a letter to holders of brand name prescriptions drugs. The letter lists available generic options and the savings that both the prescription holder and the District would save with each listed generic. The District's cost is \$0.25 per prescription holder, which equals to \$364 per year. The District's savings are \$3,012 per year. The employee savings are \$360 per year per prescription.

Virginia Taylor reported to the Committees that the District has received the audit agreement for the year ended September 2013 from Bob Beam with the firm of Bolinger, Segars, Gilbert and Moss. The estimate fee for their services is stated between \$19,000 to \$22,000. This firm has been doing the audit for the last five years, and the last three years, the District has come under budget. It is the recommendation of the staff that the Committee recommend to the Board the adoption of the Audit Agreement with Bolinger, Segars, Gilbert and Moss for the year ending September 2013. James Weaver asked that agreement be a two year agreement. James Brown motioned and Bro Hill seconded. The motion passed unanimously.

Mitch Holmes reviewed the Preliminary Fiscal Year 2014 Budget with the Committees. On the healthcare portion, there are additional costs due to the Affordable Care Act. These costs include reinsurance (pre-existing conditions) fee by Health and Human Services regulations of \$63 per covered, employees and dependents, times 165, which equals \$10,395 per year. There is a PCORI fee by the IRS, which is \$1 per covered times 165, which equals \$165. Other increases are based on employer lowering health benefits, which the District is not. Concerning Debt Service, the total debt service will at \$23.5 million, which is half of the District's annual budget. This is the same overall debt service payment as last year, although individual debt services within the total will change some. The Series 2003 retirement bonds of \$5.5 million are offset by the Series 2011 Taxable bonds. FY 2013 increased from FY 2012 about \$5.5 million primarily due to Series 2011 Taxable bonds and Series 2011 Ward County Expansion. \$13.3 million of the District's debt service will be due in January. That being prior to three quarters of revenues presents cash flow issue unless some funds are moved into the I&R Fund. The District will propose a onetime transfer only move of about \$6 million for that cash flow. The electric power cost was discussed in a previous agenda item. The key dates for the FY 2014 budget approval process are July 3rd, when the preliminary budget will be posted to the Admin website; August 7th, when the proposed FY 2014 Budget and Water Rates are posted to the Admin website; August 14, when the Board of Directors consider approval of the Budget and Water Rates; and October 1st, when Fiscal Year 2014 begins.

John Grant told the Committees that when the District borrowed the money to build the Ward County Project, it was about \$135 million. These were the Series 2011 Bonds. There was a bond resolution which was to construct water transmission facilities including pipeline, pump stations, land cost, to connect the well fields, and cathodic protection of the District's system, if there was any money left over. The

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District is going to have about \$22 million left over to be used on cathodic protection. It is the recommendation of the General Manager that the Committee recommend to the Board to pass a resolution allowing the District to acquire and develop additional water supplies and to upgrade and improve existing parts of the District's water system. Dan Hollmann motioned and Jack Gorman seconded. The motion passed unanimously.

Mitch Holmes reported that Lake Ivie Concessions are down 40%, Lake Ivie Recreation Permits are down 67%, Lake Spence Concessions are down 11%, Lake Spence Recreation Permits are down 65%, and Lake Thomas Recreation Permits are down 64%.

Mr. Holmes then told the Committees that Attorney Lisa Chavarria reviewed the District's standard agreements, grazing and oil/gas, and has offered some language to strengthen the District's indemnification from environmental accidents and insurance requirements to protect the District's real estate assets and values.

The Administration and Audit Committee concluded and Ted Crenwelge moved on to the Operations Committee.

Mickey Jones motioned and Jimmy Goates seconded that the Minutes of the Operations Committee Meeting held July 11, 2012, be approved. The motion passed unanimously.

John Grant gave the Legislative Update and said the District continues to monitor anything in the water code about 36.121, which is the Midland Exemption. This exemption protects the District in Ward and Winkler Counties in regards to moving water out. There doesn't appear to be anything in this legislative session, but the 2015 session may have changes to exemptions due to the oil and gas industry. There are some government bills that are about transparency and accountability. The District is also monitoring anything to do with eminent domain.

John Grant was asked to give the water report and reported that the climate projections for this spring do not show a normal weather pattern. With no inflow or limits on deliveries, the District would no longer be able to pump surface water in February 2014. In June, the District will evaluate surface water supplies. Currently, Lake Thomas is less than 1% full. Lake Spence is about 5% full, with around 26,000 ac-ft. A year ago, there was only 2,200 ac-ft. Lake Ivie has around 112,000 ac-ft. A year ago, there was 95,000 ac-ft.

Mr. Grant then discussed water quality and said that the deliveries to the cities are coming from Lake Ivie, so the chlorides are 300-350 ppm. The District is going to re-run water quality testing at Lake Spence.

Mr. Grant told the Committees that limitations were lifted on water deliveries December 1, 2012, but the District continues to monitor the usage. Over the last 3 months, Odessa has averaged 12.5 MGD, Big Spring around 5 MGD, and Snyder 1.6 MGD. These numbers are below the previous target limits. If the District has to limit

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deliveries again, rather than the District setting limits, Mr. Grant would like to see if the District can work with member cities to help implement the cities various phases of water conservation.

Cole Walker gave the Winter Maintenance report and said that system operations remain the same as they were in February. The District is primarily supplying water from Lake Ivie and supplementing occasionally from Lake Spence and the Ward County Well Field. Winter maintenance has been challenging with limited staff, but there are several key projects being wrapped up. There has been some Ivie Pump work - Miles Pump 2, Mahaffey Pump 3, and Turner Pump 2. The San Angelo Pump 1 motor should be back Monday. The Ivie Pump Control Valve 2 should be delivered next week. The District has completed tank cleanings at the Miles, San Angelo, and Mahaffey tanks. Expansion of Pressure Reducing Stations was done. Each station had a 12 in. valve added, which increased capacity from 10 MGD to 11.5 MGD. Repairs on the Spence Pump Back Dam are about 2/3 complete, with a couple of months left to go. The Board approved \$150,000, and around \$70,000 has been spent to date. Spence Pump 3 needs to be repaired.

Mr. Walker continued and gave an update on the System Cathodic Protection Program. As the District's pipeline systems have aged, there are an increasing number of leaks due to corrosion. In 2007, the District brought in Corrosion Control Technologies, Inc. to conduct a corrosion study. The company came in and provided an evaluation of the District's overall water system condition, looking at leak history and current cathodic protection. The study predicated the total number of leaks would double in 7 years. They recommended cathodically protecting the entire system based on priority and corrosion exposure. The total cost was estimated at \$54 million with a 20 year phase in. The two areas the District has identified as being the first priorities are the 33 in. pipeline from Ward County and section 2 and 3 of the Ivie pipeline. The District has 90% set of plans and specifications put together by Freese & Nichols on the Ward County Pipeline to bid out. The District is going to get bids, and decide whether the project should be done internally or by a contractor. The residual of Series 2011 Bonds could possibly be used for a portion of this. For the Ivie cost break down; Section 1 – District 50%, San Angelo 27.78%, and Midland 22.22%; Section 2 – District 69.23% and Midland 30.77%; Section 3 – District 63.64% and Midland 36.36%; and Station 8 – District 50% and Midland 50%.

John Grant gave an update on the Snyder System and said that the Snyder Pump Station was first operated in July 1953 and has operated continuously since then. The District is looking internally for planning of either the renovation or replacement of this station. There is a 15 MG Reservoir a few miles west of Snyder that the District is looking into cleaning the silt out of. There is a pipeline at Lake Thomas that goes from the lakeside through the dam to the pump station that has an isolation valve, and there are no records to show that the District has ever operated that valve. This valve would shut off the flow to the pump station.

Mr. Grant continued and gave an update on the Thomas System, which is from Lake Thomas back into Big Spring. Between Lake Thomas and Big Spring is the

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Morgan Creek Booster Pump Station. Due to age, it is in the same condition as the Snyder Pump Station. The District will internally evaluate the planning of either the renovation or replacement of the station. There is a 15 MG Reservoir in Big Spring which needs the silt cleaned out of. The Big Spring-Odessa Pump Station has a portable hoist and crane, but the District is looking into a permanent overhead crane and hoist. These are projects that will have internal planning, and then the District will bring an engineer on. From a construction cost, it would make sense to do both projects at the same time to make it a bigger project and to make it more economical for a contractor.

Cole Walker reported that the Colorado City Diversion Pump Station has three river pumps that divert water from the river into Barber Reservoir, and three pumps that transfer the water into the District's Diverted System. Pump 4, which is one of the river pumps, was recently taken to Smith Pump Company and the repair costs were not reasonable. Pump 6 was rebuilt in 2007, and it was questionable at that time whether to repair or replace. On the transmission pumps, Pump 1 was pulled in 2011 and ended up being replaced because it was not repairable. With the exception of Pump 1, all of these pumps are original equipment fabricated in 1968 and have been pumping high chloride water. The small transmission pumps would cost approximately \$195,000 each. The large river pumps would cost approximately \$340,000 each. The estimated replacement cost for all 5 pumps in the station would be \$1.4 million.

Mitch Holmes discussed the replacement of Spence Pipeline at the Beals Creek Crossing and said that the project is 95% designed and nearly ready to bid. This project can be done when the Spence line can be taken out of service for a month. The estimated cost is \$600,000.

Mr. Holmes then said that the Spade Pump Station Ground Storage Tank repair and coating project is 95% designed and nearly ready to bid. Construction won't begin until the Spence line can be taken out of service for a month. The cost is estimated at \$235,000, but could potentially be \$561,000 if there is external lead abatement.

Cole Walker reported on Communication System Study and said that with the expansion of the Ward County System, the Raw Water Production Facility, and the Pressure Reducing Stations, there is considerably more data being brought in to Central Control than in the past. The District is going to need to upgrade some of the communications so that the systems can be better controlled. With the technology changes of the last 10 years, the District wants to bring in someone knowledgeable to look at and evaluate the existing system and make recommendations for improvements. The District would like to visit with some firms that specialize in Communication Studies and go out with a Request for Qualifications and select a firm. At this point, neither the cost estimate nor the scope of upgrades recommended is known.

Mr. Walker then said that as the Ivie Electrical Substations have aged, they have been requiring more maintenance. There has been bus work failure; load tap changer failure, control relay failures, and lightning arrestors have failed. In September 2010, the District brought in C.H. Guernsey and Company, who designed the substations, to

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test and evaluate all of the substations on the system. The study identified several items which need maintenance and further inspection. On the system as a whole, the study identified approximately \$500,000 on repairs and further testing that needed to be performed. It would require around one week of work at each station, during which two days the system would be completely shut down. The District would share cost based on location, Section 1 – District 50%, San Angelo 27.78%, and Midland 22.22%; Section 2 – District 69.23% and Midland 30.77%; Section 3 – District 63.64% and Midland 36.36%; Station 8 – District 50% and Midland 50%.

Mr. Walker continued and said that at each of the five Ivie Booster Pump Stations there is either an 8 or 6 MG Steel Ground Storage Tank. All of the tanks have the original coating which has held up well, but the coating is starting to breakdown on the floors resulting in corrosion to the steel floor. Mahaffey seems to be in the worse condition, but overall all of the tanks coatings are breaking down. The biggest challenge is that the entire system will have to be shut down to coat one of the tanks. The wintertime is not ideal for coating. With the expansion of the Ward County System, there is now flexibility that wasn't there before. This is a project that should be made high priority if Lake Thomas and Lake Spence receive inflows. The cost for this project would be shared with San Angelo and Midland based on location.

Mr. Walker then reported on the Ivie Reservoir Gate coating and said that in February 2007, Freese Nichols came out to the O.H. Ivie Reservoir Dam to inspect the paint coatings in the radial gates and monorail structure. The dam at Ivie has six 50 ft. wide radial steel gates. They originally had a vinyl coating system with a 20 year design life. The dam was complete in 1990. Freese Nichols observed a significant amount of blistering of the paint resulting in surface corrosion. They recommended removing the existing coating and recoating with a zinc rich primer and urethane coating. There is a four month design bid and ten month construction. The estimated cost in 2007 was \$1.7 million. The District would share the cost: District 50.38%, Midland, San Angelo, and West Central Texas Municipal Water District 16.54% each.

Mr. Walker then stated that at the same time Freese Nichols inspected the paint coating on the Ivie Dam, they also inspected the Spence Dam. Spence is a gated morning glory structure with twelve gates 15 ft. wide. It originally had a lead based primer in 1969. The records indict that the gates were recoated in 1978 and again in 1991, but it is doubtful that the lead based primer was removed. The gates at Spence haven't seen much submersion, but are mainly failing due to UV exposure. There is a four month design bid and five month construction. The cost was estimated at \$725,000 in 2007. The cost would be shared with the District paying 94% and San Angelo 6%.

Mitch Holmes reported that Freese and Nichols and Daniel B. Stephens recently completed a study to analyze the most feasible source to expand the District's sources by 20 MGD. The study looked at Ward County South, Ward County North, and five sections of unimproved property in Winkler County. The study identified the District's Winkler County property, detailed the system improvements required, cost estimates, and schedule duration. There would be a new 36-inch pipeline from the Winkler County

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property to the Transmission Pump Station. The Transmission Pump Station would be expanded from 30 MGD to 50 MGD. At Base 23 there would be a 2 MG tank and 50 MGD pump station. The new Odessa Pump Station would be expanded to 20 MGD. A new 36-inch pipeline would go from Odessa to Terminal's 100 MG reservoir. The construction would be \$134 million. Total project costs would be \$150 million. The schedule duration would be 18 months.

John Grant said that the Tri-Cities Water Group was formed by San Angelo, Midland, and Abilene about two years ago. It is the three entities looking for long term water supplies. The District has met with the group. There have not been detailed discussions about how much water would be needed or who would be responsible for which portion. Abilene is looking to build Cedar Ridge Reservoir, which would be north of Abilene. The group has also spoken with Val Verde County and even looked at going to Lake Whitney.

Mr. Grant then stated that the District has been approached by four different groups from Val Verde County – Grass Valley Water, WAVS, LLP, Heritage Commodity Water, LLC, and V.V. Water Company, LLC about water supply. Mr. Grant presented a map that shows two different areas in Val Verde County. In Area 1 of the map, Grass Valley, WAVS, and Heritage Commodity have each discussed this area. Heritage Commodity is now the remaining group and has purchased some of land in that area. V.V. Water Co. has discussed Area 2. Mr. Grant then presented a map which showed the District's system and Area 1, with a line connecting Area 1 to the Spence Pump Station. It splits the distance between the San Angelo Pump Station and the Turner Pump Station. When talking about 25,000-50,000 ac-ft a year, it could go through the Ivie line, where there is capacity but pump stations are needed, or it could go through the Spence System. The District has been able to find out, based on the preliminary groundwater hydrology, that the potential to produce greater than 100,000 ac-ft per year in Val Verde County may exist. 75,000 ac-ft may be a more reasonable number. Some of the wells can produce up to 2,000 gpm. The water quality is generally good down there. The water comes from the Edwards-Trinity Aquifer. Most of the water comes from the Edwards Aquifer, which is a karst aquifer. The northern part of Val Verde County is the outcrop where the aquifer gets the recharge. Water from this type of aquifer is more susceptible to drought conditions than the aquifers in the West Texas region. There is a hydrologic connection to the Amistad Reservoir and the groundwater tables in the area. The spring flows are related to the water level in Lake Amistad. There is not a groundwater district in Val Verde County. Val Verde County has a population greater than 14,000, so the Midland Exemption would not apply. The managed groundwater number for Val Verde County is 25,000 ac-ft per year. If a groundwater district were in place, they would have to set limits to manage production to the 25,000 ac-ft per year. In Regional Water Planning, there is not a strategy to take water from Val Verde County and bring it into Region F, which means if it is not in the state plan it is not eligible for state funding from the TWDB. There is not a lot of pumping in Val Verde County now, so it is not known how this would impact spring flows. A factor to consider is whether it is even economically feasible to transport 25,000 ac-ft 175 miles. Another consideration is whether it is better to purchase water from a private company, or if it is better for the District to develop that project on its own.

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The District may want to get a request for proposals in order to evaluate offers. The District's preference is to own the land and water rights when it comes to groundwater. Another option is to do a water rights lease with landowners, with the lease being a minimum of 60 years.

Greg Spears with Heritage Commodity Water, LLC was asked to briefly explain their water holdings in Val Verde County and what they were looking to accomplish.

Mitch Holmes updated the Committees on the Ward County System Expansion and said that for the well field construction, the District has received the as-builts and closed out the project in January 2013. Substantial completion was given in February 2013 for the well field collection pipelines. SJ Louis is working on the as-builts. For the 42 mile pipeline, the only remaining items are striping, power to some of the twelve rectifiers which will take 2-3 months, and as-builts. Substantial completion was given in December 2012 for the pump stations, and the remaining items are pipe labels and as-builts.

Cole Walker informed the Committees about the City of Snyder's water supply. With the Snyder Well Field reactivation, the District wanted to go over delivery options to the city of Snyder. Lake Thomas has basically been dry since May 2012, but when lake elevations permit, pumping capacities of 8 MGD have been installed at the Snyder Intake Station. Since May of 2012, the District has been supplying Snyder using the Gravity System, which has a maximum capacity of 6 MGD. The Snyder Well Field has also been reactivated. There are five wells tying into the distribution system, one into the Thomas pipeline. The District will be testing these wells in coming weeks to have available this summer. There is a designed capacity of around 1 MGD.

Mr. Walker gave an update on the Ivie Pump Station Intake Channel Dredging project and said the project is finished. The area around the Ivie Intake was dredged, as well as the 1/2 mile long channel that connects it to the lake. The District has closed out the contract with Great Southern Dredging, Inc. Great Southern Dredging paid the diver recovery bill and the Concho County Sherriff's office bill. The widow of the diver that drowned has filed intent for a claim, which it is not known if it will materialize. However, as a subcontractor for Great Southern Dredging, they are required to defend and indemnify the District. The Board approved \$1.5 million for the project. That amount has been exceeded by almost \$90,000 due to several issues. At the time the District learned about the problem, lake projections showed there was around five months to remove the silt with no inflow in the lake, or the District would not be able to continue pumping. There wasn't a lot of time to do the detailed survey and geotech investigations that are done on some dredging projects. The contractor encountered site conditions that were not expected. Shale had hardened to the point the contractor had to modify the extraction process. The District will be responsible for 50% of the cost, San Angelo 27.78%, and Midland 22.22%.

Mitch Holmes updated the Committees on the Big Spring Raw Water Production Facility and said that substantial completion was issued February 2013. What is remaining is the TCEQ letter of acceptance and permission to operate. The District is

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also working through the details of operations and remote monitoring from Central Control after hours and regulatory limits for a first time processing plants. Next is the 30 day acceptance testing. At the last report, this would be complete in April. It looks to be completed in May now.

Mr. Holmes then discussed the Electrical Upgrades to the Original Ward County System. At Base 21, 22, and 23 the starters, main switch, cabinetry, conduit, and cable need to be replaced. There was a pre-proposal April 4 in Monahans, with a site tour to Base 21. The bid opening is April 11. The district is anticipating at least 3 bidders. The cost estimate is \$989,000 and the duration is expected to be 10 months.

John Grant presented a map of the District's Diverted Water System and the known boundaries of the Cline Shale. The District's diverted water system lies in the center. The District has started talking to oil companies about selling water from that system for the purpose of drilling and hydraulic fracturing. In storage at Mitchell County and Red Draw Reservoir, the District has enough water to hydraulically fracture 500 wells at 10 MG per well. There is water quality testing that is being done, and once that is ready, the District will put together a fact sheet and make available to those who want to buy off the system. The District is currently selling water off of that line to a few companies for secondary oil recovery. There is an advantage for the District to make this water available. If this water can be taken out of the Mitchell County and Red Draw Reservoirs, the District does not have to manage the water, and it gives the District more storage capacity in those reservoirs.

Mr. Grant then reported that the District took samples from a Capitan Reef well. It was tested and that water can be used for fracking.

Mr. Grant continued and said that the city of Robert Lee has approached the District about a new water supply contract. The current contract expires at the end of the year.

This concluded the Operations Committee portion of the meeting.

Jim Weaver moved on to the Annual Review of the General Manager. In November 2011 after John Grant's last review, it was agreed on by the Board that if the new Ward County Well Field was online and flowing water before water could no longer be pumped out of Lake Ivie, that Mr. Grant would be entitled to a \$10,000 bonus. Mr. Weaver is asking the Administration and Audit Committee to declare that the prerequisite for this requirement has been met and that the funds should be dispersed. Jack Gorman motioned and James Brown seconded. The motion passed unanimously.

The committee entered into Executive Session at 12:03 p.m. under Government Chapter Code 551.074 – Personnel Matters to discuss the review of the General Manager.

The committee returned to an open meeting at 12:41 p.m. and took the following action.

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James Brown motioned that the Committee recommend to the Board that the general manager receive an annual salary of \$185,500 effective October 1, 2013, and that the General Manager's Country Club dues be paid by the District. Jack Gorman seconded the motion. The motion passed unanimously.

With no further items to discuss, the meeting adjourned at 12:44 p.m.

Ted Crenwelge, Chair
Operations Committee

James T. Weaver, Chair
Administration and Audit Committee

ATTEST:

Katharine Rubio, Recorder of Minutes