

GUADALUPE-BLANCO RIVER AUTHORITY

Minutes of the Board of Directors

The Board of Directors of the Guadalupe-Blanco River Authority met in a regular monthly meeting on February 21, 2007, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were John P. Schneider, Jr., Jack R. Gary, Margaret M. Grier, Stephen F. Wilson, DVM, Frank J. Pagel, T. L. Walker, Myrna P. McLeroy, and Grace G. Kunde. Director Clifton L. Thomas, Jr. was absent. Also present were W. E. West, Jr., General Manager; Fred M. Blumberg, Deputy General Manager and Chief Operations Officer; Alvin Schuerg, Executive Manager of Finance and Administration; Todd H. Votteler, Executive Manager of Governmental Relations and Policy; Randy Worden, Executive Manager of Business Development and Resource Management; Gary Asbury, Project Development Manager; Tommy Hill, Chief Engineer; Judy Gardner, retiring Manager of Communications and Education; Debbie Magin, Director of Water Quality Services; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; LaMarriol Smith, Manager of Communications and Education; Tommie Streeter-Rhoad, Economic Development Manager; David Welsch, Director of Planning and Development; Cricket Dietert, Executive Assistant to the General Manager; Janet Thome, Trust Coordinator; Connie Rothe, Board Relations Assistant; Tammy Beutnagel, Public Communications Assistant; Bruce Hicks, Regional Representative; Cinde Thomas-Jimenez, Education Coordinator; Leigh Crettenden, Web Master; Sandra Terry, Accountant; Susan Hubbert, Accountant; Robby Scott, Hydroelectric Maintenance Crew; Teresa VanBooven, Project Coordinator; Roger Nevola, legal counsel; Jim Dublin and Rose

Marie Eash representing Dublin and Associates, Inc.; Rickie Windle, area representative; Julianne Kugle representing M.A. Boerne Partners; Jim Carrillo representing Halff Associates; Jaynellen Ladd, Valerie Schroller, Shelley Sexton, Dorothy Ibes, Dan Madden, J. W. Pieper, and Dusty Sexton representing the Gorge Preservation Society; Jim Baker and J. B. Jolly representing Marlin Atlantis; Rick Illgner representing the Edwards Aquifer Authority; Adam Eddy representing the San Antonio Water System; Jerry Berry representing Pape Dawson Engineering; Roger Croteau representing the San Antonio Express News; Amanda McCutchen; Mike Dussere; and Charles Kaplan.

Chairman Schneider called the meeting to order at 10:15 a.m., and took note of the certifications presented by the General Manager that notice of the meeting had been properly posted in the office of the Secretary of State, in the Guadalupe County Courthouse, and at the GBRA main office and river annex in Seguin, Texas, pursuant to Title 5, Chapter 551 of the Government Code. A quorum being present, the following proceedings were had:

Director McLeroy led the Pledge of Allegiance to the United States and Texas flags.

The Chairman called for comments from the public. There were no public comments.

Randy Worden introduced and recognized of Robby Scott, GBRA Hydroelectric Division employee, on receipt of the 2007 Grand Champion award at the 11th Annual San Antonio Stock Show and Rodeo BBQ Cook-Off.

General Manager West introduced LaMarriol Smith, GBRA's new Manager of Public Communication and Education.

Randy Worden introduced Bruce Hicks, GBRA's new Regional Representative-Lower Basin.

The Chairman then called for **Chairman Item 1 - Consideration of and possible action accepting Board of Directors' Committee assignments.** Chairman Schneider presented the Committee assignments for 2007. Upon motion by Director Gary, seconded by Director Wilson, the Board unanimously accepted the Board Committee assignments. A copy of the Committee assignments are attached and made a part of these minutes.

The Chairman called for **Chairman Item 2 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association 63rd Annual Convention March 7-9, 2007, at the Sheraton Austin Hotel in Austin, Texas.** Upon motion by Director Wilson, seconded by Director Grier, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association 63rd Annual Convention.

Next, the Chairman called for **Chairman Item 3 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the National Water Resources Association 2007 Federal Water Issues Conference March 26-28, 2007 at the Washington Court Hotel in Washington, D.C.** Upon motion by Director Gary, seconded by Director Wilson, the Board unanimously

authorized the expenditure of funds for Directors and staff to attend the National Water Resources Association 2007 Federal Water Issues Conference.

The Chairman called for **Consent Items 4 - Consideration of and possible action approving the December 20, 2006, and January 17, 2007 Board meeting minutes; 5 - Consideration of and possible action approving the monthly financial report for December 2006 and January 2007; 6 - Consideration of and possible action approving the monthly operations report for December 2006 and January 2007; and 7 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Grier, seconded by Director Kunde, the Board unanimously approved Consent Items 4, 5, 6, and 7.

The Chairman called for **Executive Item 8 - Discussion of the Executive Report.** General Manager West briefed the Board on aspects of the IH 35 project, a meeting with Dow Chemical Company representatives, the amendment of the wastewater discharge permit for the Canyon Park Wastewater Treatment Plant, termination of the Lower Guadalupe Water Supply agreement between the San Antonio Water System, the San Antonio River Authority, and GBRA, a draft agreement for diversion of water from the Guadalupe River in Kerr County by the Upper Guadalupe River Authority and the City of Kerrville, receipt by Cajun Constructors of a national award from the Associated Builders and Contractors for the intake structure/pump station at the Western Canyon Water Supply Project, and continued coordination with the U. S. Army Corps of Engineers on various activities including the Canyon Reservoir operation and the Cibolo Watershed Study. The Board was informed on the completion of the Regional Laboratory renovation and preparation of an open house to be held at the

Seguin office. General Manager West informed the Board on continued work on the Bulverde Water Distribution System, potential water supply options for the Wimberley area, approval by the Texas Commission on Environmental Quality for an increased budget amendment for the Clean Rivers Program, and preparation of the 2007 Basin Highlights Report. Discussion was had on a Memorandum of Understanding between GBRA and ExxonMobil for research in the Canyon Gorge, GBRA's participation in a sign at the J. B. Wells Park in Gonzales, and staff attending numerous city council and commissioner court meetings. The Board was briefed on information technology and human resource activities, and preparation for the five-year management audit. The Board was briefed on the financial statement executive summary for the period ending January 31, 2007.

Next, the Chairman called for **Action Item 9 - Consideration of and possible action approving amendments to GBRA Board Policies 101-Statement of Purpose and Goals, 102-Authority and Responsibilities, 103-Public Access and Public Input, 104-Board Closed Meetings and Records, 105-Directors' Fees and Expense Reimbursement, 201-Personnel Policies and Compensation, 202-Employee Benefits, and 203-Executive Compensation.** The Texas Commission for Environmental Quality requires that GBRA undertake a management audit once every five years. In response to this requirement, GBRA filed management audits with the Commission in 1997 and again in 2002. GBRA is preparing for the third management audit. One part of the Mission, Plans and Goals component of the audit is a review of all GBRA Board Policies. The Board has previously adopted thirty different policies most of which were adopted in 1995 and 1996 leading up to the initial management

audit. Many of these policies have remained unchanged since their adoption and as a result, GBRA staff has initiated a “pre-audit” review of the policies to insure the policy language is up to date with any regulatory or organizational changes that have occurred. GBRA staff anticipates that its review of the Board policies will be conducted over the next four months. Upon motion by Director Grier, seconded by Director Gary, the Board unanimously approved amendments to GBRA Board Policies 101-Statement of Purpose and Goals, 102-Authority and Responsibilities, 103-Public Access and Public Input, 104-Board Closed Meetings and Records, 105-Directors’ Fees and Expense Reimbursement, 201-Personnel Policies and Compensation, 202-Employee Benefits, and 203-Executive Compensation. A copy of the amended Policies is attached and made a part of these minutes.

The Chairman then called for **Action Item 10 - Consideration of and possible action approving a Resolution expressing official intent to reimburse with tax-exempt obligation proceeds costs to acquire, construct, and equip land and facilities related to an expansion of GBRA’s San Marcos Raw Water Delivery System.** Within the 2007 annual Work Plan and Budget, GBRA budgeted for the expansion of the San Marcos Raw Water Delivery System. The expansion includes the construction of a new pump station on the Lake Dunlap canal and the construction of a booster pump station between Lake Dunlap and the San Marcos Water Treatment Plant. The expansion is needed to provide additional water service for existing and new customers along the IH-35 Corridor. To protect GBRA’s ability to tax-exempt finance the costs of the construction, GBRA must declare its “Official Intent” to reimburse project costs with tax-exempt debt. Upon motion by Director Gary, seconded by

Director Wilson, the Board unanimously approved a resolution expressing Official Intent to reimburse with tax-exempt obligations all costs incurred to construct the additional pump stations within the San Marcos Raw Water Delivery System. A copy of the Resolution is attached and made a part of these minutes.

The Chairman called for **Action Item 11 - Consideration of and possible action approving a Preliminary Agreement and Agreement for treated water service from the Western Canyon Regional Treated Water Supply System between the Guadalupe-Blanco River Authority and M.A. Boerne Partners, LP.** No discussion or action was taken on Action Item 11 at this time.

Next, the Chairman called for **Action Item 12 - Consideration of and possible action authorizing the General Manager to execute and enter into a contract with James Miertschin and Associates for environmental services for the Canyon Park Estates Wastewater Treatment Plant permit amendment.** GBRA is proposing a study project to support the preparation, submittal and processing of an application to amend the wastewater discharge permit for the Canyon Park Estates Wastewater Treatment Plant. The study requires the services of an environmental consultant. Submittals were received from three environmental consulting firms, HDR, Alan Plummer Associates and James Miertschin and Associates (JMA). JMA has been the firm selected to provide environmental consulting services that may include but are not limited to review and evaluation of existing water quality and quantity data available on Canyon Reservoir, participation in public meetings and presentations with stakeholders and the Texas Commission on Environmental Quality, and utilization of simple models to evaluate impacts of the increased discharge volume to Canyon Lake. Upon motion

by Director Walker, seconded by Director Gary, the Board unanimously authorized the General Manager to negotiate and enter into a contract with James Miertschin and Associates for environmental services for the Canyon Park Estates Wastewater Treatment Plant permit amendment.

The Chairman then called for **Action Item 13 - Consideration of and possible action approving the form of an agreement with Canyon Regional Water Authority (CRWA) authorizing CRWA to maintain two water intake structures in Lake Dunlap and resolving all litigation between CRWA and GBRA.** No discussion or action was taken on Action Item 13.

The Chairman called for **Discussion Item 14 - Presentation by Jim Carillo with Halff Associates on the final Master Plan for the development of the Canyon Lake Gorge.** Tommie Rhoad introduced Mr. Carillo and members of the Gorge Preservation Society. Mr. Carrillo made a presentation to the Board on "A Master Plan for The Canyon Lake Gorge".

Next, the Chairman called for **Discussion Item 15 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** The reports were discussed. Tommy Hill briefed the Board on the Palmer Drought Severity Index in Texas as of February 3, 2007, various reservoir levels and river flow, and the U. S. Seasonal Drought Outlook through May 2007.

The Chairman then called for **Items from the General Manager 16 - Discussion regarding the 2007 Legislative strategy.** General Manager West briefed the Board on legislative activities including various Committee assignments and bills that have been filed. The Board was also briefed on a Reservoir Site Protection Study.

The Chairman called for **Items from the General Manager 17 - Discussion regarding local, State and national water planning and water resource issues.**

General Manager West briefed the Board on a recent meeting of the South Central Texas Regional Planning Group, funding and evaluation of projects by the Texas Water Development Board, and the SAGES study of the Whooping Cranes. Discussion was also had on the Texas Water Day Conference held in Washington, D.C. and the Texas Parks and Wildlife Department's documentary "Texas-the State of the Springs".

Next, the Chairman called for **Items from the General Manager 18 - Discussion regarding the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe Basin Coalition.** The Board was briefed on activities of the Edwards Aquifer Authority and Guadalupe Basin Coalition. The Board was also briefed on bills filed relating to the Edwards Aquifer.

The Chairman then called for **Items from the General Manager 19 - Discussion regarding the Guadalupe-Blanco River Trust.** Todd Votteler briefed the Board on activities of the Trust including the recent Board meeting held at the Aransas National Wildlife Refuge and a sight seeing tour of the Whooping Cranes. Discussion was had on a grant of \$00,000 for the purchase of 689 acres of wetlands along the lower Guadalupe River. The grant is through the Coastal Wetlands Planning, Protection and Restoration Act (CWPPRA) and will be provided by the U. S. Fish and Wildlife Service through the Texas Parks and Wildlife Department.

The Chair recessed the open meeting at 11:49 a.m. The Chair closed the open meeting and convened the meeting in executive session at 11:55 a.m. The meeting reconvened in open session at 12:06 p.m.

The Chairman called for **Action Item 11 - Consideration of and possible action approving a Preliminary Agreement and Agreement for treated water service from the Western Canyon Regional Treated Water Supply System between the Guadalupe-Blanco River Authority and M.A. Boerne Partners, LP.** M. A. Boerne Partners, LP (Boerne Partners) (previously referred to as Highlands or Hagee, or “Esperanza”) has requested treated water service from the Western Canyon Regional Treated Water Supply System. The proposed development is located just east of Boerne adjacent to S. H. 46. A *Preliminary Agreement* provides the terms and conditions by which MA Boerne Partners will obtain all permits and approvals prior to the execution of the *Agreement*. A Preliminary Agreement was approved by the Board of Directors at the October 18, 2006 meeting. M. A. Boerne Partners has provided GBRA with requested organizational documents, property description and ownership, a title commitment, a conceptual plan, a financial Guaranty and Letter of Credit, and financial statements. HDR, GBRA’s consultant on the project, has reviewed and confirmed the capacity in the system to deliver water to the proposed Point of Delivery. Upon motion by Director Grier seconded by Director Walker, the Board unanimously approved an Amended (or Conformed) Preliminary Agreement and the form of a final Agreement between M.A. Boerne Partners, LP and GBRA for treated water service from the Western Canyon Regional Treated Water Supply System in the M.A. Boerne service area and further rescinded the Preliminary Agreement previously adopted on October 18, 2006. A copy of the Preliminary Agreement and Agreement are attached and made a part of these minutes.

The Chair recessed the open meeting at 12:10 p.m. The Chair closed the open meeting and convened the meeting in executive session at 12:20 p.m. The meeting reconvened in open session at 1:10 p.m.

There being no further business to be brought before the Board, the meeting was adjourned subject to call by the Chair.

Chairman

Secretary