

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 June 18, 2008, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Myrna P. McLeroy, Clifton L. Thomas, Jr., T. L. Walker, Margaret M. Grier, Grace G. Kunde, Oscar H. Fogle, James L. Powers, and Arlene N. Marshall. Director Frank J. Pagel was absent. Also present were W. E. West, Jr., General Manager; James Lee Murphy, Executive Manager of Water Resources and Utility Operations; Alvin Schuerg, Executive Manager of Finance and Administration; Todd Votteler, Executive Manager of Governmental Relations and Policy; Bruce Wasinger, General Counsel; Gary Asbury, Project Development Manager; Tommy Hill, Chief Engineer; 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; Tammy Beutnagel, Public Communications Assistant; Connie Rothe, Board Relations Assistant; Leigh Crettenden, Web Master; Josephine Longoria, Regional Lab Director; Brian Lyssy, Lab Technician III; Clarissa Castellanos, Lab Technician II; Nancy Hawkins, Lab Technician III; Emmy Gutierrez, Lab Technician II; Emily Knepp, Lab Technician I; Cheryl Gordon, Accounting Assistant II, Patricia Ramirez, Accounting Assistant I; Roger Nevola, legal counsel; Jim Dublin and Rose Marie Eash representing Dublin and Associates, Inc.; Steve

Holzheizer; Shad Schmid representing Marlin Atlantis; John New representing Freese and Nichols; and Mayor Dan Heckler, Ron Bowman and Mike Mann representing the City of Boerne.

Chair McLeroy called the meeting to order at 10:11 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 Marshall led the Pledge of Allegiance to the United States and Texas flags.

The Chair called for comments from the public. General Manager West introduced Mayor Dan Heckler, Ron Bowman and Mike Mann representing the City of Boerne. There were no public comments.

The Chair called for **Items from the Chair 1 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the National Water Resources Association 25th Annual Western Water Seminar July 28-30, 2008 in Stevenson, Washington.** Upon motion by Director Grier, seconded by Director Marshall, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the National Water Resources Association 25th Annual Western Water Seminar in Stevenson, Washington.

Next, the Chair called for **Items from the Chair 2 - Recognition of GBRA's Regional Laboratory for receipt of the Texas Commission on Environmental**

Quality NELAP – Recognized Laboratory Accreditation. Debbie Magin introduced and recognized Josie Longoria, Bryan Lyssy, Clarissa Castellanos, Nancy Hawkins, Emmy Gutierrez, Emily Knepp, and Lee Gudgell. The Regional Laboratory received the Texas Commission on Environmental Quality NEALP – Recognized Laboratory Accreditation on May 20, 2008.

The Chair then called for **Consent Items 3 - Consideration of and possible action approving the May 15 and May 21, 2008 Board meeting minutes; 4 - Consideration of and possible action approving the monthly financial report for May 2008; 5 - Consideration of and possible action approving the monthly operations report for May 2008; and 6 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Grier, seconded by Director Fogle, the Board unanimously approved Consent Items 3, 4, 5, and 6.

The Chair called for **Executive Report 7 - Discussion of the Executive Report.** General Manager West briefed the Board on three lost time injuries that have occurred in Fiscal Year 2008. Discussion was had regarding the TP-4 spill gate modification project; a tour of the Victoria Regional Wastewater Treatment Plant by members of the Victoria City Council, the City Manager, Public Works Director, and City Attorney; and work on the new one million gallon ground storage tank at the Port Lavaca Water Treatment Plant. General Manager West informed the Board on an additional 623 acres of rice contracts for irrigation and mobilization of equipment to begin the removal of a large log jam on the San Antonio River. The Board was briefed on continued engineering and environmental work required in the filing of Exelon Generation's combined operating license application with the Nuclear Regulatory Commission,

coordination with the U. S. Army Corps of Engineers seasonal deviation study for Canyon Reservoir, response to requests for projection of river flow and reservoir levels, conducted the annual Emergency Management Coordinator (EMC) meeting, and construction progress at the Regional Raw Water Pump Station located near Lake Dunlap. General Manager West briefed the Board on the SCADA hardware installation and programming, the IH-35 transmission main improvements, continued monitoring of the wastewater treatment plant construction for the Sunfield MUD, and installation and testing of the wastewater collection system for the White Wing Subdivision. Discussion was had regarding the second phase for rights of entry to conduct on-site inspection of properties in Calhoun and Victoria Counties for environmental surveys for the Exelon project and water service from the Western Canyon Project. The Board was informed on continued meetings with representatives of the hydroelectric lakes and Texas Parks and Wildlife regarding lake access, vegetation and water safety. General Manager West briefed the Board on the I-35 Regional Raw Water Booster Station, a meeting with the Comal County Water Strategies Committee to discuss the operation of Canyon Reservoir, and participation with the Comal County Habitat Conservation Plan steering committee. General Manager West informed the Board that Debbie Magin has been appointed to the University of Texas at San Antonio's Graduate Committee for doctoral students that will be working on a water quality project on the Geronimo Creek. Discussion was had regarding the Clean Rivers Program funding, work with the Texas Parks and Wildlife Department to obtain a contract for reimbursement of costs to treat non-native aquatic plants in Lake Gonzales, and a grant application for a watershed plan development for Geronimo Creek. General Manager West briefed the Board on a

ribbon cutting and opening of the new Gruene Bridge in New Braunfels, receipt of the Excellence in Planning Award from the national Association of Recreation Resource Professional for the Canyon Lake Gorge Project, and the 46th Annual Texas Water Safari. Discussion was had regarding activities at Zedler Mill and parade awards received by the GBRA Ambassador Team. The Board was briefed on the continued day-to-day management of GBRA's wide area network, human resource activities, imaging of water supply contracts, preparation of the Fiscal Year 2009 Work Plan and Budget, work with new financial audit firm, and participation in the Texas Water Conservation Association Risk Management Fund. Alvin Schuerg briefed the Board on the financial statements executive summary for the period ending May 31, 2008.

Next, the Chair called for **Action Item 8 - Consideration of and possible action authorizing the General Manager to negotiate and execute a partial assignment of the Preliminary Agreement between the Guadalupe-Blanco River Authority and Lerin Development Company to the Lerin Hills Municipal Utility District of Kendall County.** In April 2006, GBRA entered into a Preliminary Agreement with Lerin Development Company (Lerin). The Preliminary Agreement provided for a commitment of 750 acre feet of treated water to be provided to Lerin upon compliance with certain conditions of the Preliminary Agreement within a two-year period. The Preliminary Agreement authorizes Lerin to assign all or a portion of the Preliminary Agreement to a municipal utility district. Over the past two (2) years, on several occasions Lerin has been late in making payments to GBRA for the water reserved and has not completed all of the conditions set forth in the Preliminary Agreement within the two-year period. On May 5, 2008 GBRA mailed Lerin notice of termination of the

Preliminary Agreement for being delinquent in the payments owed to GBRA and for failure to complete the required conditions with the two-year period. Within several days Lerin made sufficient payments to GBRA to remove the delinquency. With regard to Lerin's failure to complete the required conditions within the two-year period, Lerin pursuant to his rights under the Preliminary Agreement notified GBRA in writing that Lerin was extending the termination date of the Preliminary Agreement to July 7, 2009. Lerin has a little more than one (1) year to complete the conditions of the Preliminary Agreement. Failure to do so results in the Preliminary Agreement being terminated on July 7, 2009. In an effort to timely meet these conditions, the Preliminary Agreement authorizes Lerin to assign all or a portion of the Preliminary Agreement to a municipal utility district. The proposed partial assignment will still have Lerin obligated to meet the conditions by no later than July 7, 2009 and will have the Lerin Hills Municipal Utility District of Kendall County (MUD) making the required payments owed to GBRA. If the MUD fails to make the payments owed to GBRA, Lerin agrees to be a guarantor of the MUD's payments. Upon motion by Director Grier, seconded by Director Powers, the Board unanimously authorized the General Manager to negotiate and execute a partial assignment of the Preliminary Agreement between the Guadalupe-Blanco River Authority and Lerin Development Company to the Lerin Hills Municipal Utility District of Kendall County. A copy of the partial assignment of the Preliminary Agreement is attached and made a part of these minutes.

The Chair then called for **Action Item 9 - Consideration of and possible action authorizing the General Manager to negotiate and execute the necessary documents to transfer to the City of Boerne 1,250 acre-feet of water authorized**

pursuant to the Preliminary Agreement between the Guadalupe-Blanco River Authority and MA Boerne Partners, LP and to terminate the Preliminary Agreement between the Guadalupe-Blanco River Authority and MA Boerne Partners, LP. GBRA entered into an Agreement with the City of Boerne to provide the City with a treated water supply from the Western Canyon Regional Treated Water Supply System. The original commitment was for 1,861 acre feet of water per annum. Through a First Amendment the commitment was increased by 500 acre feet per annum, to a total of 2,361 acre feet of treated water per annum. By separate action GBRA entered into a Preliminary Agreement with M.A. Boerne Partners, LP (also referred to as the Esperanza Development). The Preliminary Agreement provided for a commitment of 1,250 acre feet of treated water to be provided to MA Boerne upon compliance of the terms of the Preliminary Agreement. Recently the City of Boerne and MA Boerne entered into a Development Agreement whereby the City of Boerne would be the water and wastewater retail service provider for MA Boerne, conditioned on GBRA either agreeing to the assignment of the MA Boerne Preliminary Agreement in its' entirety, or amending the existing Agreement with the City of Boerne to include the allocation of 1,250 acre feet of water committed to MA Boerne. Through meetings with staff and representatives of the City of Boerne and MA Boerne, the major components of the current Esperanza (MA Boerne) Preliminary Agreement have been incorporated into a *Second Amendment to Agreement between City of Boerne, Texas and Guadalupe-Blanco River Authority*. This document will be considered as a means of providing a treated water supply which is consistent with the Development Agreement between Esperanza and the City, and complies with the separate Esperanza and

Boerne Water Supply Agreements. Boerne Mayor Dan Heckler addressed the Board regarding the water supplies for the Boerne area. Upon motion by Director Grier, seconded by Director Walker, the Board unanimously authorized the General Manager to negotiate and execute the necessary documents to transfer to the City of Boerne 1,250 acre-feet of water authorized pursuant to the Preliminary Agreement between the Guadalupe-Blanco River Authority and MA Boerne Partners, LP and to terminate the Preliminary Agreement between the Guadalupe-Blanco River Authority and MA Boerne Partners, LP. A copy of the Second Amendment and Termination Agreement are attached and made a part of these minutes.

The Chair called for **Action Item 10 - Consideration of and possible action amending the Fiscal Year 2008 Work Plan and Budget for the Lockhart Water Plant Division.** The City of Lockhart raw water delivery system has had numerous leaks due to corrosion on the exterior of the 18 inch ductile iron pipe and the repair frequency has increased in the past two years. A study conducted by the Ductile Iron Pipe Research Association (DIPRA) attributes the failures to potentially corrosive soil conditions. GBRA is proposing to replace 3,400 feet of the pipe with PVC pipe in the fiscal year 2009 budget, but can reduce the impact on the 2009 budget by purchasing the pipe using surplus funds from the fiscal year 2008 budget. The surplus funds are primarily from septic tank hauler revenue. The City of Lockhart approved authorizing GBRA to purchase the pipe using surplus funds in the Lockhart Divisions budget at their June 17, 2008 meeting. Upon motion by Director Marshall, seconded by Director Kunde, the Board unanimously amended the Lockhart Water Plant Division Fiscal Year

2008 Work Plan and Budget in the amount of \$75,000 to purchase 3,400 feet of 18 inch PVC pipe.

Next, the Chair called for **Discussion Item 11 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** The reports were discussed with the Board. Tommy Hill briefed the Board on the Guadalupe River Basin flows, Canyon Reservoir releases, the U. S. Drought Monitor as of July 10, 2008, Calculated Soil Moisture Anomaly as of May 2008, the U. S. Seasonal Drought Outlook for the next three months, and the projected Canyon Reservoir forecast for next 32 days as of June 1, 2008 if there is no rain. David Welsch briefed the Board on GBRA's Water Conservation and Drought Contingency Plan as of October 1998. The Plan is a part of all GBRA Water Supply Agreements. General Manager West briefed the Board on a Canyon Reservoir Curtailment Plan. David Welsch addressed the Board regarding lake levels and boat ramps located on Canyon Reservoir. General Manager West briefed the Board on the Trout Unlimited Agreement relating to releases from Canyon Reservoir.

The Chair then called for **Items from the General Manager 12 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on the Texas Water Conservation Association meeting.

The Chair called for **Items from the General Manager 13 - Discussion regarding the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe Basin Coalition.** Todd Votteler briefed the Board on activities of the Edwards Aquifer Authority. The Board was briefed on the levels of

Comal and San Marcos Springs and the Edwards Aquifer Recovery Implementation Program.

Next, the Chair called for **Items from the General Manager 14 - Discussion regarding the Guadalupe-Blanco River Trust**. Todd Votteler briefed the Board on Trust activities.

The Chair recessed the open meeting at 12:15 p.m. The Chairman closed the open meeting and convened the meeting in executive session at 12:25 p.m. The meeting reconvened in open session at 3:02 p.m.

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

Chair

Secretary