

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 August 20, 2008, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Myrna P. McLeroy, T. L. Walker, Margaret M. Grier, Frank J. Pagel, Grace G. Kunde, Oscar H. Fogle, James L. Powers, and Arlene N. Marshall. Director Clifton L. Thomas, Jr. 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; David Welsch, Executive Manager of Business Development and Resource Management; Gary Asbury, Project Development Manager; Barbara Gunn, Human Resources 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; 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; Darel Ball, Division Manager-Hays/Caldwell; Roger Nevola, legal counsel; Jim Dublin representing Dublin and Associates, Inc.; Jay Howard representing HillCo Partners; David Engel representing Engel and Associates; Rich Roth representing San Jose Water Company/Canyon Lake Water Service Company; Tom Taggart and Laurie Anderson

representing the City of San Marcos; and Roger Croteau representing the San Antonio Express News.

Chair McLeroy called the meeting to order at 10:14 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 Fogle led the Pledge of Allegiance to the United States and Texas flags.

The Chair called for comments from the public. General Manager West recognized several guests. Rich Roth representing San Jose Water Company addressed and thanked the Board for a wonderful working relationship with GBRA. There were no other public comments at this time.

The Chair called for **Items from the Chair 1 - Consideration of and possible action appointing Trustees Seats 1 and 2 to serve on the Guadalupe-Blanco River Trust for the term of September 1, 2008 through August 31, 2009 in accordance with the Articles of Incorporation and Article 9.10.B of the Texas Non-Profit Corporation Act.** The Guadalupe-Blanco River Trust is a nonprofit land trust organization that was developed to conserve land in the Guadalupe River Basin for its natural, recreational, scenic, historic and productive value. It was founded in 2001 by the Guadalupe-Blanco River Authority, a conservation and reclamation district created in 1933 by the Texas Legislature. In accordance with the Bylaws of the Guadalupe-Blanco River Trust so that the Corporation will always be operated in connection with

the Guadalupe-Blanco River Authority under the provisions of §509 (a)(1) of the Internal Revenue Code of 1986, as amended, the appointment of the Trustees Seats 1 and 2 shall always be made so that the Corporation and the Guadalupe-Blanco River Authority will maintain a close and continuing relationship. Upon motion by Director Walker, seconded by Director Fogle, the Board unanimously appointed William A. Blackwell and Grace G. Kunde as Trustees for Seats 1 and 2 to serve on the Board of Trustees for the Guadalupe-Blanco River Trust. The Trustees appointed to Seats 1 and 2 shall serve one (1) year terms.

Next, the Chair called for **Consent Items 2 - Consideration of and possible action approving the July 16, 2008 Board meeting minutes; 3 - Consideration of and possible action approving the monthly financial report for July 2008; 4 - Consideration of and possible action approving the monthly operations report for July 2008; and 5 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Fogle, seconded by Director Grier, the Board unanimously approved Consent Items 2, 3, 4, and 5.

The Chair then called for **Executive Report 6 - Discussion of the Executive Report.** General Manager West briefed the Board on lost time accidents, continued development of a water conservation and drought contingency plan for Cordillera Ranch and Comal Trace retail operations, receipt of the TOPS OPS award from the Texas Commission on Environmental Quality by the San Marcos Water Treatment Plant, operation of the Port Lavaca ground storage tank, and completion of a major log jam removal project on the San Antonio River. Bryan Serold gave a slide show presentation of the San Antonio River Log Jam Removal Project which was conducted from May 29,

2008 through July 31, 2008. The approximate cost of the project was \$211,000. The GBRA employees responsible for this project are Dave Dodd, Richard Gaona, Mike Tompkins, Jim Lumley, Curtis Gosnell, and Wally Aguillon. General Manager West briefed the Board on GBRA's Emergency Operation Plans for all lower basin operations and customer meetings conducted relating to the 2009 Fiscal Year Work Plan and Budget. Discussion was had regarding continued work with engineering and environmental consultants with Bechtel Corporation and Tetra Tech to supply information on GBRA's diversion and canal delivery system and work on the Bay and Estuary Modeling project. General Manager West briefed the Board on continued coordination with the U. S. Army Corps of Engineers, the Southern Calhoun Water Supply Study, modeling data provided to FEMA to assist in the remapping project in Kendall County, and attendance at a Texas Water Conservation Association Committee meeting to discuss the proposed new Texas Commission on Environmental Quality dam safety rules. Discussion was has regarding the development of an automated well monitoring program within the Cow Creek Ground Water Conservation District and various construction management projects. General Manager West introduced David Welsch as GBRA's new Executive Manager of Business Development and Resource Management. General Manager informed the Board on the review of the potential route of the water supply delivery pipeline to the proposed Exelon site, continued work regarding service to a new school on the current Rahe Elementary site in the Bulverde area, work with the Village of Wimberley for wastewater services, and interfacing with lake owner associations relating to lake access. The Board was briefed on Regional Laboratory activities, the Plum Creek Clean-up project, a meeting with Texas AgriLife

and Hays County Environmental Enforcement office on clean-ups in Hays County, and the Caldwell County Texas Water Development Board study. General Manager West informed the Board on review of Consumer Confidence Report for the City of Kyle, coordination of treatment of waterhyacinth on H-4, review of Project Plan for Cow Creek Monitoring Project, and work on the Cypress Creek watershed project. The Board was briefed on a partnership with the Texas State Soil and Water Conservation Board and preparation of a proposal to be presented to the Senate Finance Committee requesting two million dollars for "Watershed Enhancement" in Kendall and Comal Counties. The Board was briefed on a groundbreaking ceremony for the expansion of the Canyon Park Estates Waterwater Treatment Plant, a meeting with ExxonMobil for possible funding for an Environmental Learning Center for the Canyon Gorge, the Lineman's Rodeo held at Nolte Island, the Seguin Youth Academy, and a meeting with new Mayor of Cuero. General Manager West briefed the Board on security upgrades, human resource activities, and finalizing the Fiscal Year 2009 Work Plan and Budget. Alvin Schuerg briefed the Board on the financial statements executive summary for the period ending July 31, 2008.

The Chair called for **Action Item 7 - Consideration of and possible action approving the Fiscal Year 2009 Work Plan and Budget including rates, compensation tables, and employee compensation agreements for the Guadalupe Valley Hydroelectric Division, Shadow Creek Wastewater Reclamation System, Canyon Park Estates Wastewater Reclamation System, Dunlap Wastewater Reclamation System, Northcliffe Wastewater Reclamation System, Springs Hill Wastewater Reclamation System, Wimberley Wastewater Treatment Plant**

System, Sunfield Wastewater Treatment Plant, Water Sales System, Regional Laboratory System, Calhoun Canal System, San Marcos Water Treatment Plant System, Buda Wastewater Treatment Plant System, Western Canyon Treated Water System, Bulverde Water Distribution System, Cordillera Water Distribution System, Comal Trace Water Delivery System, Cordillera Wastewater Treatment Plant, Port Lavaca Water Treatment Plant Division, Calhoun County Rural Water Supply Division, Victoria Regional Wastewater Reclamation Division, Coletto Creek Reservoir System, Coletto Creek Recreation System, Luling Water Treatment Plant Division, Canyon Hydroelectric Division, Lockhart Wastewater Reclamation System, Lockhart Water Treatment Plant System, and General Division. Alvin Schuerg briefed the Board on changes to the draft 2009 Work Plan and Budget that was presented to the Board at the July meeting. General Manager West introduced Lori Anderson, Assistant City Manager for the City of San Marcos. Ms. Anderson addressed the Board regarding the raw water service charge increase and the working relations with the City of San Marcos. Ms. Anderson requested that the Board not pass the rate increase and work to resolve the issues. Director Powers discussed the rate increase. Director Walker asked the City of San Marcos how the City came up with these rate figures that were being discussed. Tom Taggart addressed the Board relative to how the City came up with the rate figures. No action was taken at this time.

Next, the Chair called for **Action Item 8 - Consideration of and possible action authorizing the General Manager to enter into an Interlocal Contract for cooperative purchasing with Houston-Galveston Area Council.** H-GACBuy is a

“Government to Government” procurement service similar to the State of Texas Cooperative Purchasing Program. Having the interlocal agreement will allow GBRA another source for purchasing. All contracts available to members of H-GACBuy have been awarded by virtue of a public competitive procurement process compliant with state statutes. Upon motion by Director Marshall, seconded by Director Grier, the Board unanimously authorized the General Manager to enter into an Interlocal Contract for cooperative purchasing with the Houston-Galveston Area Council. A copy of the Contract 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 an Asset Purchase Agreement and related supplemental documents between the Guadalupe-Blanco River Authority and SJWTX, Inc.** No action at this time.

The Chair called for **Action Item 10 - Consideration of and possible action approving a Board Resolution reserving 6,200 acre-feet of water per year out of GBRA’s firm raw water supplies from Canyon Reservoir for the full utilization and expansion of GBRA’s Western Canyon Project and Regional Water Treatment and Delivery System.** In 2006 construction of the Western Canyon Water Treatment Plant was completed and thereafter the water treatment plant was put into commercial operation with a treatment capacity of ten (10) mgd. The Western Canyon Water Treatment Plant is designed to be expanded to approximately fifteen (15) mgd of treatment capacity. In 2007, construction of the Regional Water Treatment and Delivery system was completed and became operational. The raw water line capacity from the Guadalupe River to the San Marcos water treatment plant has a capacity of twenty-five

(25) mgd; the water treatment plant has a twenty-one (21) mgd treatment capacity; and the treated water line from the water treatment plant to the Kyle/Buda service area has a line capacity of twelve (12) mgd. The City of San Marcos uses the remaining nine (9) mgd treatment capacity in the San Marcos water treatment plant. To ensure that GBRA has sufficient firm raw water reserved for the full utilization and expansion of GBRA's Western Canyon Project and Regional Water Treatment and Delivery System it will be necessary to have 6,200 acre-feet of raw water per year reserved for these projects out of the firm yield available in Canyon Reservoir. Upon motion by Director Walker, seconded by Director Grier, the Board unanimously approved a Board Resolution reserving 6,200 acre-feet of water per year out of GBRA's firm raw water supplies from Canyon Reservoir for the full utilization and expansion of GBRA's Western Canyon Project and Regional Water Treatment and Delivery System. A copy of the Resolution is attached and made a part of these minutes.

Next, the Chair called for **Action Item 11 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Memorandum of Understanding between the Guadalupe-Blanco River Authority and SJW Corp regarding a potential groundwater supply project in Gonzales County.** No action at this time.

The Chair then called for **Discussion Item 12 - Discussion of Texas Water Code Statutes and Texas Commission on Environmental Quality (TECQ) Rules relating to the use of State water for beneficial purposes.** Bruce Wasinger briefed the Board on rules relating to the use of potable water for municipal purposes within a community or municipality and its environs with such purposes to include domestic,

recreational, commercial, or industrial purposes of for the watering of golf courses, parks and parkways, or the use of reclaimed water in lieu of potable water for proceeding purposes or the application of municipal sewage effluent on land, under Texas Water Code, Chapter 26.

The Chair called for **Discussion Item 13 - 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 cumulative rainfall in South Central Texas over the past week, river flow conditions after the rainfall event, the USGS flows at Spring Branch, the National Weather Service rainfall precipitation and National Weather Service Drought Tendency Outlook through October 2008.

Next, the Chair called for **Discussion Item 14 - Presentation on GBRA's Our Day to Shine project for 2008.** Connie Rothe gave a presentation on GBRA's 2008 Our Day to Shine project held March 29, 2008 in Comal County which was repairs and renovations to three homes of elderly disabled people and painting at the Seniors Center of Comal County.

The Chair then called for **Items from the General Manager 15 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on a meeting of the Nuclear Regulatory Commission in Victoria, activities of the South Central Texas Regional Water Planning Group-Region L, and proposed the Lower Guadalupe Water Supply Project studies.

Next, the Chair called for **Items from the General Manager 16 - 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 Edwards Aquifer Recovery Implementation Program and the Guadalupe Basin Coalition.

The Chair then called for **Items from the General Manager 17 - Discussion regarding the Guadalupe-Blanco River Trust.** Todd Votteler briefed the Board on activities of the Guadalupe-Blanco River Trust including a reception/ribbon cutting for the Whitmire Project on September 15, 2008 and upcoming Trust Board meeting on September 3, 2008.

The Chair called for **Items from the General Manager 18 - Discussion regarding the National Water Resources Association 2008 Western Water Seminar.** General Manager West briefed the Board on activities at the National Water Resources Association 2008 Western Water Seminar including rapid urbanization in the West, water resource management, and emerging megaregions in the country.

The Chair recessed the open meeting at 11:52 a.m. The Chairman closed the open meeting and convened the meeting in executive session at 12:02 p.m. The meeting reconvened in open session at 1:06 p.m.

The Chair called for **Action Item 7 - Consideration of and possible action approving the Fiscal Year 2009 Work Plan and Budget including rates, compensation tables, and employee compensation agreements as discussed in executive session for the Guadalupe Valley Hydroelectric Division, Shadow Creek Wastewater Reclamation System, Canyon Park Estates Wastewater Reclamation System, Dunlap Wastewater Reclamation System, Northcliffe Wastewater Reclamation System, Springs Hill Wastewater Reclamation System, Wimberley Wastewater Treatment Plant System, Sunfield Wastewater Treatment Plant, Water**

Sales System, Regional Laboratory System, Calhoun Canal System, San Marcos Water Treatment Plant System, Buda Wastewater Treatment Plant System, Western Canyon Treated Water System, Bulverde Water Distribution System, Cordillera Water Distribution System, Comal Trace Water Delivery System, Cordillera Wastewater Treatment Plant, Port Lavaca Water Treatment Plant Division, Calhoun County Rural Water Supply Division, Victoria Regional Wastewater Reclamation Division, Coletto Creek Reservoir System, Coletto Creek Recreation System, Luling Water Treatment Plant Division, Canyon Hydroelectric Division, Lockhart Wastewater Reclamation System, Lockhart Water Treatment Plant System, and General Division. Upon motion by Director Powers, seconded by Director Grier, the Board unanimously approved the Fiscal Year 2009 Work Plan and Budget including rates, compensation tables, and employee compensation agreements as discussed in executive session for the Guadalupe Valley Hydroelectric Division, Shadow Creek Wastewater Reclamation System, Canyon Park Estates Wastewater Reclamation System, Dunlap Wastewater Reclamation System, Northcliffe Wastewater Reclamation System, Springs Hill Wastewater Reclamation System, Wimberley Wastewater Treatment Plant System, Sunfield Wastewater Treatment Plant, Water Sales System, Regional Laboratory System, Calhoun Canal System, San Marcos Water Treatment Plant System, Buda Wastewater Treatment Plant System, Western Canyon Treated Water System, Bulverde Water Distribution System, Cordillera Water Distribution System, Comal Trace Water Delivery System, Cordillera Wastewater Treatment Plant, Port Lavaca Water Treatment Plant Division, Calhoun County Rural Water Supply Division, Victoria Regional Wastewater Reclamation Division, Coletto

Creek Reservoir System, Coletto Creek Recreation System, Luling Water Treatment Plant Division, Canyon Hydroelectric Division, Lockhart Wastewater Reclamation System, Lockhart Water Treatment Plant System, and General Division as proposed by GBRA Staff and directed GBRA Staff to continue to work with the City of San Marcos to address the issues that were presented by the City of San Marcos at this meeting.

The Chair then called for **Action Item 9 - Consideration of and possible action authorizing the General Manager to negotiate and execute an Asset Purchase Agreement and related supplemental documents between the Guadalupe-Blanco River Authority and SJWTX, Inc.** In late 2001 and early 2002, GBRA entered into three (3) agreements with the City of Bulverde relating to GBRA providing retail water service within the certificated service area authorized by Bulverde's certificate of convenience and necessity (CCN) issued by the Texas Commission on Environmental Quality (TCEQ). The three (3) agreements include an Operating Agreement, Interlocal Agreement and a Water Supply Agreement. Pursuant to the Operating and Interlocal Agreements, GBRA has the exclusive right to provide retail water service within Bulverde's CCN service area. Under the Water Supply Agreement Bulverde has contracted for 400 acre-feet of water per year for its use. GBRA currently owns and operates facilities to provide treated water service in accordance with its agreements with Bulverde. Improvements to the existing infrastructures are needed to provide retail water service and for fire protection within Bulverde's CCN service area. SJWTX, Inc. is an existing retail water service provider with a CCN certificated service area contiguous to Bulverde's CCN service area. SJWTX, Inc. desires to create a regional utility system through the consolidation of multiple operators and utility owners within or contiguous to

SJWTX's and Bulverde's CCN service areas. SJWTX, Inc. and Bulverde have entered into negotiations for SJWTX, Inc. to become the retail water provider for Bulverde, subject to GBRA's agreement to relinquish its current rights under its agreements with Bulverde and subject further to GBRA and SJWTX, Inc. reaching an agreement wherein SJWTX, Inc. would purchase certain GBRA assets and rights associated with providing retail water service within Bulverde's CCN service area. If agreements are approved among Bulverde, GBRA and SJWTX, Inc., then Bulverde's CCN will be transferred to SJWTX, Inc. and SJWTX, Inc. will replace GBRA as the retail water service provider within that service area. Upon motion by Director Kunde, seconded by Director Fogle, the Board unanimously authorized the General Manager to negotiate and execute an Asset Purchase Agreement and related supplemental documents between the Guadalupe-Blanco River Authority and SJWTX, Inc.

Next, the Chair called for **Action Item 11 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Memorandum of Understanding between the Guadalupe-Blanco River Authority and SJW Corp regarding a potential groundwater supply project in Gonzales County.** Over the past few months GBRA, SJW Corp, and other water suppliers have had separate discussions/negotiations with a coalition of landowners in Gonzales County regarding the terms and conditions under which the coalition of landowners would lease the right to drill, produce and transport groundwater underlying their Gonzales County properties for use with the Guadalupe River Basin. GBRA and SJW Corp are both interested in securing the right to make use of the groundwater subject to securing lease rights from the Gonzales County landowner coalition. To enhance the probability of success of

obtaining such lease rights GBRA and SJW Corp have concluded that working together and entering into a Memorandum of Understanding (MOU) to define each party's roles and responsibilities to develop and implement a groundwater supply project is warranted. Upon motion by Director Walker, seconded by Director Marshall, the Board unanimously authorized the General Manager to negotiate and execute a Memorandum of Understanding between the Guadalupe-Blanco River Authority and SJW Corp Regarding a Potential Groundwater Supply Project in Gonzales County.

General Manager West briefed the Board on water issues relating to the City of Seguin, Village of Wimberley, City of Kyle, City of Buda, and the City of GoForth.

The Chair recessed the open meeting at 1:10 p.m. The Chairman closed the open meeting and convened the meeting in executive session at 1:15 p.m. The meeting reconvened in open session at 1:40 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 1:45 p.m. subject to call by the Chair.

Chair

Secretary