

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 January 21, 2009, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were T. L. Walker, Clifton L. Thomas, Jr., Grace G. Kunde, Margaret M. Grier, Frank J. Pagel, Oscar H. Fogle, and Arlene N. Marshall. Directors Myrna P. McLeroy and James L. Powers were 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 Intergovernmental 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; Tommie Streeter-Rhoad, Economic Development Manager; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; LaMarriol Smith, Manager of Communications and Education; Cricket Dietert, Executive Assistant to the General Manager; Janet Thome, Grants and Project Specialist; Tammy Beutnagel, Public Communications Assistant; Connie Rothe, Board Relations Assistant; Leigh Crettenden, Web Master; Cinde Thomas-Jimenez, Education Coordinator; Janae Reneaud, Interim Executive Director for the Guadalupe-Blanco River Trust; Roger Nevola, legal counsel; Jim Dublin and Rose Marie Eash representing Dublin and Associates, Inc.; Steve Holzheuser, consultant; and Robert Thornton, John P.

Schneider, Jr., Anne Holt and Michael Schultz representing the Guadalupe-Blanco River Trust; and Hank Smith representing C. Faulkner Engineering.

Chair Walker called the meeting to order at 10:05 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. There were no public comments at this time.

Next, the Chair called for **Items from the Chair 2 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association Texas Water Day in Washington, D.C. on February 3-4, 2009.** Upon motion by Director Grier, seconded by Director Thomas, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association Texas Water Day in Washington, D.C.

The Chair then called for **Items from the Chair 3 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the 65th Annual Convention of the Texas Water Conservation Association February 24-27, 2009 at the Sheraton Austin Hotel, Austin, Texas.** Upon motion by

Director Fogle, seconded by Director Marshall, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the 65th Annual Convention of the Texas Water Conservation Association.

The Chair called for **Items from the Chair 4 - Consideration of and possible action accepting Board of Directors' Committee assignments.** Chair Walker presented Committee assignments to the Board. Upon motion by Director Fogle, seconded by Director Grier, the Board unanimously accepted the Committee assignments. A copy of the GBRA Board Committees is attached and made a part of these minutes.

Next, the Chair called for **Consent Item 5 - Consideration of and possible action approving the December 17, 2008 Board meeting minutes.** Upon motion by Director Thomas, seconded by Director Grier, the Board unanimously approved the December 17, 2008 Board meeting minutes.

The Chair then called for **Consent Item 6 - Consideration of and possible action approving the monthly financial report for December 2008.** Upon motion by Director Fogle, seconded by Director Kunde, the Board unanimously approved the monthly financial report for December 2008.

The Chair called for **Consent Item 7 - Consideration of and possible action approving the monthly operations report for December 2008.** Upon motion by Director Grier, seconded by Director Marshall, the Board unanimously approved the monthly operations report for December 2008.

Next, the Chair called for **Consent Item 8 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Fogle,

seconded by Director Kunde, the Board unanimously approved Directors' expense vouchers.

The Chair then called for **Items from the General Manager 9 - Discussion of the Executive Report addressing matters relating to safety; utility operations; water resource operations; engineering; coordination with the U.S. Army Corps of Engineers regarding Canyon Reservoir operations, Nueces Recharge Study, the seasonal deviation study for Canyon Reservoir and Cibolo Watershed Study; possible Hays County Master Drainage Plan; construction management including the regional raw water pump station, Centerpoint Road booster pump station and IH-35 transmission main improvements; regional laboratory; Plum Creek Partnership activities; Geronimo Creek Watershed Protection Plan; water quality (general); economic development activities, events and projects; recent activities relating to the Western Canyon Project, the Bulverde CCN, resource protection, property rights matters, lake management; information technology; human resources; and accounting and finance.** General Manager West briefed the Board on operations and activities of GBRA. Alvin Schuerg briefed the Board on the financial statements executive summary for the period ending December 31, 2008.

The Chair called for **Action Item 10 - Consideration of and possible action authorizing the General Manager to negotiate and execute the 2009 Comprehensive Settlement Agreement and related documents between Canyon Regional Water Authority and the Guadalupe-Blanco River Authority.** No discussion or action was taken on Action Item 10.

Next, the Chair called for **Action Item 11 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Letter of Intent among Brazos Valley Water Alliance, L.P., the Guadalupe-Blanco River Authority and San Antonio Water System to enter into a Definitive Agreement for Water Development.** No discussion or action was taken on Action Item 11.

The Chair then called for **Discussion Item 12 - 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 rainfall averages and the U. S. Drought Monitor Seasonal Outlook. David Welsch briefed the Board on GBRA's Water Conservation and Drought Contingency Plan.

The Chair called for **Items from the General Manager 13 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on activities of the 81st Legislative Session and national issues.

Next, the Chair called for **Items from the General Manager 14 - Discussion regarding the activities and transactions of 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 Chair then called for **Items from the General Manager 15 - Discussion and presentation regarding the activities and transactions of the Guadalupe-Blanco River Trust.** Todd Votteler briefed the Board on activities of the Trust. Votteler made a presentation entitled Guadalupe-Blanco River Trust "First State of the Trust". The presentation gave an overview of the purpose and the Mission of the Trust. Todd

Votteler introduced members of the Trust Board Robert Thornton, Michael Schultz, Anne Holt, and John P. Schneider, Jr. The Trust was created in 2001 by the Guadalupe-Blanco River Authority to conserve land in the Guadalupe River Watershed for its natural, recreational, scenic, and historic values. Todd Votteler briefed the Board on conservation easements and projects of the Trust.

The Chair recessed the open meeting at 11:38 a.m. The Chairman closed the open meeting and convened the meeting in executive session at 12:30 p.m. The meeting reconvened in open session at 1:45 p.m.

The Chair called for **Action Item 10 - Consideration of and possible action authorizing the General Manager to negotiate and execute the 2009 Comprehensive Settlement Agreement and related documents between Canyon Regional Water Authority and the Guadalupe-Blanco River Authority.** Beginning in November 2002 and through 2005, CRWA and Bexar Metropolitan Water District ("BMWD") filed a series of petitions with the Texas Commission on Environmental Quality ("TCEQ") appealing GBRA's wholesale water rate and requesting interim rates. For years 2006, 2007 and 2008, CRWA filed such petitions without any other petitioners. For the past six (6) years CRWA and GBRA have been involved in lengthy and expensive litigation before the State Office of Administration Hearings ("SOAH"), state district court and the Court of Appeals, Thirteenth District of Texas-Corpus Christi-Edinburg. To avoid additional time and expense of further litigation, the parties desire to resolve all disputes, contested cases and litigation related to rates charged by GBRA for raw water. In 2004 CRWA constructed a second water intake pipeline and inlet structure in Lake Dunlap without first obtaining a permit or easement from GBRA,

resulting in protracted litigation. The Texas Supreme Court in 2008 held that CRWA had the authority to condemn GBRA's property and remanded the case to state district court to determine the moneys owed to GBRA by CRWA. To avoid the additional litigation expenses, the parties desire to resolve this matter in this settlement agreement. Additionally as part of the 2009 Comprehensive Settlement Agreement the parties would amend the existing Water Purchase Contract to extend the termination date for out-of-district water from December 31, 2018 to December 31, 2023; and to allow certain members of the CRWA system to enter into annual bilateral sharing agreements for water needs within GBRA's statutory district. All pending litigation regarding rates charged by GBRA for raw water will be dismissed and the 13th Court of Appeals decision will be binding. Upon motion by Director Kunde, seconded by Director Marshall, the Board unanimously authorized the General Manager to negotiate and execute the 2009 Comprehensive Settlement Agreement and related documents between Canyon Regional Water Authority and the Guadalupe-Blanco River Authority.

There being no further business to be brought before the Board, the meeting was adjourned at 1:50 p.m. subject to call by the Chair.

Chair

Secretary