

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 16, 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, John P. Schneider, Jr., Margaret M. Grier, Grace G. Kunde, Frank J. Pagel, James L. Powers, and Arlene N. Marshall. Also present were W. E. West, Jr., General Manager; Alvin Schuerg, Executive Manager of Finance and Administration; Randy Worden, Executive Manager of Business Development and Resource Management; Todd Votteler, Executive Manager of Intergovernmental Relations and Policy; Gary Asbury, Project Development Manager; Barbara Gunn, Personnel Administrative Coordinator; Tommy Hill, Chief Engineer; Debbie Magin, Director of Water Quality Services; 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; Tammy Beutnagel, Public Communications Assistant; Leigh Crettenden, Web Master; Sandra Terry, Accountant; Susan Hubbert, Accountant; Norma Harvey, Accounting Assistant; Connie Rothe, Board Relations Assistant; Roger Nevola, legal counsel; Stephen F. Wilson, DVM, former GBRA Board member; Jay Howard representing HillCo Partners; Jim Dublin and Rose Marie Eash representing Dublin and Associates, Inc.; Dr. Robert Gulley, Program Manager for the Edwards Aquifer Recovery Implementation Program; Tom Spurgeon representing McCall, Parkhurst and Horton; David Engel representing

Engel and Associates; Darren Thompson representing the San Antonio Water System; and Pete Winstead, Bob Wilson and Lynn Sherman representing Sustainable Water Resources.

Chair McLeroy called the meeting to order at 10:13 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 Grier 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.

Chair McLeroy welcomed two new Directors to the GBRA Board of Directors. Chair McLeroy administered the *Oath of Office* to Arlene N. Marshall and James L. Powers. General Manager West welcomed the new Board members to GBRA. Former Director Stephen F. Wilson addressed the Board and welcomed Arlene Marshall.

The Chair called for **Items from the Chair 1 - Introduction of Dr. Robert Gulley, Program Manager for the Edwards Aquifer Recovery Implementation Program.** Todd Votteler introduced Dr. Robert Gulley to the Board. Dr. Gulley addressed the Board regarding his role as Program Manager for the Edwards Aquifer Recovery Implementation Program.

Next, the Chair called for **Items from the Chair 2 - Consideration of and possible action accepting Board of Directors' Committee assignments.** Chair

McLeroy postponed the Board Committee assignments until the February Board meeting due to the appointment of two new GBRA Board members.

The Chair then called for **Consent Items 3 - Consideration of and possible action approving the December 19, 2007 Board meeting minutes; 4 - Consideration of and possible action approving the monthly financial report for December 2007; 5 - Consideration of and possible action approving the monthly operations report for December 2007; and 6 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Schneider, seconded by Director Thomas, the Board unanimously approved Consent Items 3, 4, 5, and 6.

The Chair called for **Executive Item 7 - Discussion of the Executive Report.** General Manager West briefed the Board on the Village of Wimberley's receipt of a "Notice of Enforcement Action" for settlement purposes from the Texas Commission on Environmental Quality; Terry Ramey, System Operator with the Victoria Regional Wastewater Reclamation System, receipt of an "A" wastewater license certification; construction progress on the Goggans/Whitmire canal in Calhoun County; a Request for Proposal to solicit proposals to perform an independent assessment of the Camp Dresser and McKee report on the future operation of the Victoria Regional and Willow Street wastewater treatment plants; and the Port Lavaca Water Treatment Plant clear well. The Board was briefed on the Reservation Agreement with Exelon Generation for the supply of water to a proposed nuclear power plant in Victoria County, and continued work on the Southern Calhoun County Water Supply Study. General Manager West briefed the Board on construction of the Regional Raw Water Pump Station located

near Lake Dunlap and the continued monitoring of the construction of the wastewater treatment plant for the Sunfield MUD. Discussion was had regarding the Bulverde Water Distribution System, the Village of Wimberley water and wastewater supplies, the Caldwell County grant application to the Texas Water Development Board for water and wastewater regional planning, and permitting issues associated with the construction and operation of additional generating facilities at the Coletto Creek Power Station. General Manager West briefed the Board on the Plum Creek Watershed Protection Plan and the Clean Rivers Program. Discussion was had on economic development in Refugio County, the Zedler Mill Project, the Canyon Gorge Project, and a paddling trail in Victoria. The Board was informed on information technology and human resource activities. Alvin Schuerg briefed the Board on the Financial Executive Summary for the period ending December 31, 2007.

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving GBRA Board Policy 403–Investment Policy and the investment strategy contained therein.** GBRA Board Policy 403–Investment Policy as well as the Texas Public Funds Investment Act requires GBRA’s Board of Directors to annually approve the investment policy and the investment strategy contained therein. The GBRA staff is not recommending any amendments to Board Policy–403 Investment Policy and recommended that the Board of Directors continue to approve Policy 403–Investment Policy as written. Upon motion by Director Walker, seconded by Director Grier, the Board unanimously approved Board Policy–403 Investment Policy as written. A copy of the Investment Policy is attached and made a part of these minutes.

The Chair then called for **Action Item 9 - Consideration of and possible action approving a list of security dealers with whom GBRA may conduct security transactions.** GBRA Board Policy 403–Investment Policy as well as the Texas Public Funds Investment Act requires GBRA's Board of Directors to at least annually approve the firms that GBRA may buy or sell investment securities through. GBRA currently utilizes nine security broker/dealer firms to buy and sell investment securities through as approved by the GBRA Board of Directors on May 16, 2007. The staff recommended the following eight security broker/dealers to buy and sell investment securities for future transactions: Bank of America, Dallas; First Southwest Asset Management Inc., Austin; First Tennessee Bank, Memphis; JP Morgan Chase Securities, San Antonio; Morgan Keegan, Memphis; SWS Securities, Dallas; Vining Sparks, Memphis; and Wells Fargo Brokerage Services, Austin. Upon motion by Director Powers, seconded by Director Kunde, the Board unanimously approved the above listing of security broker/dealers with whom GBRA may conduct security transactions.

The Chair called for **Action Item 10 - Consideration of and possible action approving a bank loan to finance a portion of the cost of a new clear well at GBRA's Port Lavaca Water Treatment Plant.** In Fiscal Year 2008 GBRA budgeted a bank loan for the construction of a new clear well at the Port Lavaca Water Treatment Plant for \$1,252,640. This is a shared obligation between the City of Port Lavaca, the Port O'Connor Municipal Utilities District and the Calhoun County Rural Water Supply Corporation. The City of Port Lavaca submitted a payment for their portion of the project in October 2007, which leaves a remaining financing obligation of approximately \$400,000. Pursuant to applicable IRS regulations, the Board has previously approved a

“reimbursement resolution” related to this matter on November 15, 2006 in order to allow GBRA to reimburse itself with bank loan or equipment lease proceeds for any costs expended prior to this action. Section 2(x) of GBRA’s Enabling Act authorizes GBRA to borrow money and issue negotiable bonds to finance projects or equipment purchases. GBRA contacted six banks about providing funds for this financing. The contacted banks include: First Lockhart National Bank, First National Bank, Port Lavaca, Frost National Bank, International Bank of Commerce, Jules and Associates, and Wells Fargo Bank. The terms GBRA requested of these banks include: amount - \$400,000; term – three options: 5 years, 10 years, or 15 years, with a 10 year payoff option; status – tax exempt; and collateral – revenue from the Port Lavaca Water Treatment Plant or signature loan. GBRA requested that the banks provide their proposals on or before January 11, 2008. Upon motion by Director Schneider, seconded by Director Thomas, the Board approved a bank loan with Frost National Bank in the approximate amount of \$400,000 to fund the construction of a clear well at the Port Lavaca Water Treatment Plant. Director Walker recused himself from any discussion and action 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 contract with the lowest qualified bidder or to reject all or part of the bids for the Coletto Creek Reservoir Main Spillway Gate Arm Repair Project and approving an amendment to the Fiscal Year 2008 Coletto Creek Reservoir Division Work Plan and Budget.**

During a Biennial Inspection of the Coletto Creek Dam and Spillway conducted in 2007 by URS Corporation, GBRA’s engineering consultant, a recommendation was made by

URS to complete structural repairs on the gate arms of all seven flood gates at the main spillway. Funds were allocated in the 2008 Fiscal Year Reservoir Budget to complete the repairs. URS Corporation was hired to prepare a scope of work to complete the repairs which included a recommendation to perform additional structural repairs on all gate arms. Bid documents were prepared and advertised in November 2007. A pre-bid conference was held on November 28, 2007 and a bid opening held on December 12, 2007. Alltech Engineering Corporation submitted the only bid in the amount of \$228,596. The bid was \$109,768 over the amount of funds allocated in the 2008 Fiscal Year Budget. The original amount estimated for repairs was based on a smaller scope of work. The final scope of repairs prepared by URS Corporation involved more labor hours to complete all repairs thus increasing the total cost of the project. The bid from Alltech Engineering Corporation was reviewed by Coletto Creek Division staff members and references thoroughly checked. References included the U. S. Army Corps of Engineers who have used Alltech frequently on repairs to Corps flood gates and locks. The bid was also reviewed with staff members from International Power's Coletto Creek Power Station who requested that GBRA accept the bid and proceed with repairs and to amend the Reservoir Budget to cover the additional repair costs. Upon motion by Director Thomas, seconded by Director Kunde, the Board unanimously authorized the General Manager to enter into a contract for \$228,596 with Alltech Engineering Corporation, for the Main Spillway Gate Arm Repair Project and approved a five percent (5%) contingency fee (\$11,430) to be utilized by staff for unknown items that might occur during the repair project and amended the fiscal year 2008 Coletto Creek Reservoir Budget in the amount of \$109,768 to cover additional repair costs.

The Chair then called for **Action Item 12 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Wholesale Water Supply Agreement with Sustainable Water Resources, LLC, a Texas limited liability company.** No discussion or action was taken at this time.

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 with the Board. Tommy Hill briefed the Board on river flows and the U. S. Drought Monitor as of January 8, 2008.

Next, the Chair called for **Items from the General Manager 14 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on Interim Study Committees in the Texas Legislature, the House Natural Resources Committee agenda, appointments to the Environmental Flows Committee, and the up coming Texas Water Day in Washington, D.C.

The Chair then called for **Items from the General Manager 15 - 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 Chair called for **Items from the General Manager 16 - Discussion regarding the Guadalupe-Blanco River Trust.** Todd Votteler briefed the Board on Trust activities.

The Chair recessed the open meeting at 11:35 a.m. The Chairman closed the open meeting and convened the meeting in executive session at 11:45 p.m. The meeting reconvened in open session at 1:33 p.m.

The Chair then called for **Action Item 12 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Wholesale Water Supply Agreement with Sustainable Water Resources, LLC, a Texas limited liability company.** No action was taken on Action Item 12. Chair McLeroy stated the GBRA staff will be responding in writing to Sustainable Water Resources, LLC. regarding the Wholesale Water Supply Agreement.

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

Chair

Secretary