

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 March 16, 2011, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Grace G. Kunde, Oscar H. Fogle, Myrna P. McLeroy, T. L. Walker, James L. Powers, and Frank J. Pagel. Director Arlene N. Marshall 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; Bruce Wasinger, General Counsel; David Welsch, Executive Manager of Business Development and Resource Management; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; LaMarriol Smith, Manager of Communication and Education; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations Assistant; Leigh Crettenden, Web Master; Sandra Terry, Accountant; Michael Urrutia, Division Manager-Comal/Kendall; Juan Vasquez, Plant Manager-Western Canyon Water Treatment Plant; Daphne Harder, Administrative Services Assistant; Tommie Streeter-Rhoad, Executive Director representing the San Antonio Bay Foundation; Steve Jester, Executive Director representing the Guadalupe-Blanco River Trust; Roger Nevola, legal counsel; Jim Dublin and Rose Marie Eash representing Dublin and Associates; David Engel representing Engel and Associates; Calvin Finch representing San Antonio Water System; Jeff Garland and Paul Jasin representing Specialized Public Finance; Tom

Spurgeon representing McCall, Parkhurst, and Horton; and Trooper Smith representing Freese and Nichols.

Chair Kunde called the meeting to order at 10:05 a.m., and took note of the certifications presented 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 Texas Government Code. A quorum being present, the following proceedings were had:

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

In the absence of Secretary-Treasurer Marshall, Chair Kunde appointed Director Powers to serve as Secretary-Treasurer Pro-Tem.

The Chair called for comments from the public. There were no comments from the public at this time.

The Chair called for **Chair Item 1 - Consideration of and possible action approving a Resolution honoring Clifton L. Thomas, Jr., for his seven years of meritorious and faithful service as Director and Vice Chairman of the Board of Directors of the Guadalupe-Blanco River Authority.** Upon motion by Director Fogle, seconded by Director Powers, the Board unanimously approved a Resolution honoring Clifton L. Thomas, Jr. for his years of service on the Board of Directors of GBRA. A copy of the Resolution is attached and made a part of these minutes.

Next, the Chair called for **Chair Item 2 - Recognition of Juan Vasquez on receipt of the Texas Water Utilities Association *Operator of the Year* Award for 2010**. James Murphy introduced Juan Vasquez, Plant Manager of the Western Canyon Water Treatment Plant and Michael Urrutia, Division Manager-Comal-Kendall. Mr. Vasquez was recognized and congratulated by the Board and staff on his receipt of the *Operator of the Year* award from the Texas Water Utilities Association.

The Chair then called for **Consent Item 3 - Consideration of and possible action approving the February 16, 2011, Board meeting minutes; Consent Item 4 - Consideration of and possible action approving the monthly financial report for February 2011; Consent Item 5 - Consideration of and possible action approving the monthly operations report for February 2011; and Consent Item 6 - Consideration of and possible action approving Directors' expense vouchers**. Upon motion by Director Fogle, seconded by Director Powers, the Board unanimously approved Consent Items 3, 4, 5, and 6.

The Chair called for **General Manager Item 7 - Discussion of the Executive Reports addressing matters relating to safety, utility operations including finalizing the transition of wastewater operations to the City of Victoria, submittal of water conservation plan forms to State agencies, Coletto Creek Reservoir flood modeling and mapping, 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, attendance at SB 3 BBEST and BBASC meetings,**

construction management including the regional raw water pipeline capacity improvements including approval of pigging subcontractor and scheduling of cleaning operations, Canyon Park Estate Wastewater Treatment Plant expansion is complete and operational, Clean Rivers Program, activities including 2011 Basin Highlights Report, Plum Creek Project activities, Geronimo Creek Watershed Protection Plan activities, Environmental Flows Project activities, River Network Project activities, water quality (general), economic and community development activities, events and projects, work on alternatives for reuse of treated effluent to irrigate Wimberley's soccer fields at Blue Hole Park, Bulverde area regional wastewater activities, Rural Utilities - Dunlap wastewater service area activities, Mid-Basin water supply, Tri-Community Water Supply Corporation water supply matters, resource protection activities including lake management and removal of debris caused by floods, Canyon Lake operations, leasing issues at H-5 and other hydroelectric lakes, Plum Creek Watershed Protection, brush control, water strategies, Gonzales area flood warning matters, information technology, human resources, budget activities, accounting and finance. James Murphy briefed the Board on GBRA operation and engineering activities. Mr. Murphy also briefed the Board on the Senate Bill 3 BBEST and BBASC stakeholder meetings. David Welsch briefed the Board on water quality, regional laboratory, economic and community development, and business development activities. Alvin Schuerg briefed the Board on finance, human resource, and information

technology activities. Mr. Schuerg also briefed the Board on the financial statements executive summary for the period ending February 28, 2011.

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving a Resolution amending the Resolution adopted on November 17, 2010 relating to the issuance of Guadalupe-Blanco River Authority General Improvement and Refunding Revenue Bonds, Series 2011 primarily for the purpose of amending the date by which certain proceeds of such bonds must be used to pay the “final payment” to the City of Seguin under a certain Subordination Agreement between the Authority and the City of Seguin, revising the continuing disclosure requirements to comply with amended Section regulations that became effective on December 1, 2010, revising the annual rate covenant, and deleting references to the General Division in certain covenants.** Section 2(x) of GBRA’s Enabling Act authorizes GBRA to borrow money and issue negotiable bonds. In September 2002, GBRA issued \$4,390,000 of tax exempt revenue bonds to finance the construction of GBRA’s remodeled and expanded office complex in Seguin. Currently, \$3,500,000 of these bonds remain outstanding and carry an average interest rate of 4.47 percent. The revenue pledged to support this bond issue is the revenue GBRA receives from the commitment of water stored in Canyon Reservoir. The staff and GBRA’s financial advisor believe that the refunding of these bonds will simplify the City of Seguin Subordination buy-out since both financings utilize the same revenue pledge. In August 1998, GBRA and the City of Seguin executed an agreement under which Seguin subordinated their hydroelectric water rights to GBRA. This in

combination with GBRA's subordination of its own hydroelectric water rights, allowed GBRA to increase the firm yield of Canyon Reservoir from 50,000 acre feet per year up to 90,000 acre feet per year. This agreement requires GBRA to make annual subordination payments to the City of Seguin. These payments have steadily grown pursuant to the agreement's terms due to the increased commitments of water from the reservoir and the increase in GBRA's stored water rate. In Fiscal Year 2010, the payment to the City of Seguin amounted to \$472,243 and the Fiscal Year 2011 payment to the City of Seguin was \$503,795. The agreement also provides that GBRA may cease making these annual payments to the City of Seguin by remitting a lump sum payment of \$7,000,000. The GBRA staff has analyzed the economics of continuing the annual payments to the City of Seguin versus bond financing the lump sum buy-out option. This analysis calculated that continuing to remit the annual payments to the City of Seguin over the next 20 years yields an approximate present value of \$11,672,881 versus a present value of financing the lump sum buy-out of \$7,374,848. The GBRA staff recommended that GBRA finance the lump sum buy-out by issuing tax-exempt revenue bonds. The Board of Directors previously approved this financing at their November 2010 meeting. Subsequent to that meeting, the City of Seguin raised various issues which delayed the bonds' issuance. During the intervening months, the City of Seguin's issues have been resolved. The delay necessitated certain amendments be made to the prior bond resolution due to changes in disclosure laws, the change in the bond market interest rate, and the surpassing of certain time deadlines included in the initial resolution. Upon motion by Director Powers, seconded by Director Walker, the

Board unanimously approved a Resolution amending the Resolution adopted on November 17, 2010 relating to the issuance of Guadalupe-Blanco River Authority General Improvement and Refunding Revenue Bonds, Series 2011 primarily for the purpose of amending the date by which certain proceeds of such bonds must be used to pay the “final payment” to the City of Seguin under a certain Subordination Agreement between the Authority and the City of Seguin, revising the continuing disclosure requirements to comply with amended Section regulations that became effective on December 1, 2010, revising the annual rate covenant, and deleting references to the General Division in certain covenants. A copy of the Resolution 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 engagement agreement with an actuarial services firm.** One of three basic retirement programs for employees of GBRA is a defined benefit pension plan. It is funded by GBRA and no employee contributions are contributed. The firm of Rudd and Wisdom has been providing actuarial services to GBRA and the defined benefit pension plan pursuant to a three-year engagement letter approved in 2008. The Retirement and Benefit Committee met on February 16, 2011 to discuss the performance, fee schedule, and promptness of Rudd and Wisdom and the possible re-engagement for a new three-year period. Upon motion by Director Fogle, seconded by Director Walker, the Board unanimously authorized the General Manager to negotiate and execute an engagement

agreement with Rudd and Wisdom for the provision of actuarial services. A copy of the engagement agreement is attached and made a part of these minutes.

The Chair called for **Action Item 10 - Consideration of and possible action authorizing the General Manager to negotiate and execute an engagement agreement with the most qualified respondent to provide engineering services related to the River Bend pump station replacement.** The existing wastewater pump station serving this area has been in service since mid-1970's and has reached the end of its service life. The location of the pump station is in the floodway of Lake Dunlap and has been a continual source of operational and maintenance concerns and needs to be replaced. The proposed replacement station will be located outside the 100 year flood plain, and will utilize submersible pumps that are more efficient and require less maintenance. Requests for Qualifications (RFQ) were solicited and mailed to ten engineering firms. The firms were asked to submit documentation as to their abilities to provide accurate cost estimation, project administration, technical assessment, and design for this project. Upon motion by Director Walker, seconded by Director Fogle, the Board unanimously authorized the General Manager to negotiate and execute an engagement agreement with River City Engineering of New Braunfels, Texas, the most qualified respondent to provide engineering services related to the River Bend pump station replacement.

The Chair recessed the meeting at 11:02 a.m. The Chair reconvened in open meeting at 11:14 a.m.

Next, the Chair called for **Discussion Item 11 - Discussion regarding the activities and transactions of the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe Basin Coalition.** General Manager West briefed the Board on activities of the Edwards Aquifer Recovery Implementation Program as well as meetings and activities of the Edwards Aquifer Authority. Discussion was also had regarding meetings of the South Central Texas Regional Water Advisory Committee and the Guadalupe Basin Coalition. General Manager West informed the Board on several Bills that have been introduced relating to the Edwards Aquifer.

The Chair then called for **Discussion Item 12 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust.** General Manager West introduced Steve Jester, the new Executive Director of the Trust.

The Chair called for **Discussion Item 13 - Discussion regarding the activities and transactions of the San Antonio Bay Foundation.** Tommie Rhoad briefed the Board on an up-coming San Antonio Bay Foundation Board meeting. The Board will begin focusing on the vision, projects, and activities of the Foundation.

Next, the Chair called for **Discussion Item 14 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** The reports were discussed with the Board. The Board was briefed on the Comal Springs level, elevation of Canyon Reservoir, rainfall events, and the U. S. Drought Monitor Seasonal Outlook.

The Chair then called for **Discussion Item 15 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on the Lower Colorado River Authority's proposed sale of their retail water system, Legislative activities, and a long range power and water alliance meeting.

The Chair recessed the open meeting at 11:40 a.m. The Chair closed the open meeting and convened the meeting in executive session at 12:01 p.m. The open 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 at 1:12 p.m. subject to call by the Chair.

Chair

Secretary Pro-Tem