

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 December 21, 2011, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Grace G. Kunde, Oscar H. Fogle, James L. Powers, Frank J. Pagel, Robert "Rusty" Brockman, Dennis L. Patillo, and Tommy Mathews. Directors Arlene N. Marshall and Myrna P. McLeroy 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 Science, Intergovernmental Relations and Policy; Bruce Wasinger, General Counsel; David Welsch, Executive Manager of Business Development and Resource Management; Gary Asbury, Project Manager; Debbie Magin, Director of Water Quality Services; Tommy Hill, Chief Engineer; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; LaMarriol Smith, Manager of Communication and Education; Teresa Van Booven, Project and Community Representative; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations and Publication Specialist; Leigh Crettenden; Web Master; Jaynellen Ladd, Natural Resource Specialist; Susan Hubbert, Accountant; Sandra Terry, Accountant; Cinde Thomas-Jimenez, Environmental Education Administrator; Daphne Harder, Administrative Services Assistant; Yolanda Pierce, Operations Assistant; Darel Ball, Division Manager Hays-Caldwell; Steve Jester, Executive Director

representing the Guadalupe-Blanco River Trust; Tommie Streeter-Rhoad, Executive Director representing the San Antonio Bay Foundation; Roger Nevola, legal counsel; Jim Dublin and Rose Marie Eash representing Dublin and Associates; Jay Howard representing HillCo Partners; David Engel representing Engel and Associates; Steve Holzheuser, consultant; Janet Pitman, Mike Del Toro, and Gerald Muchando representing Thompson, Williams, Biediger, Kastor, and Young; Steven Siebert representing the San Antonio Water System; David Shaw representing Preserve Lake Dunlap Association; Carl Adkins representing TBFN; Mike Morrison and Mike Nichols representing Freese and Nichols; Kevin Frazier and Jason Davis representing Texas Parks and Wildlife Department; Jeanne Schnuriger representing Springs Hill Water Supply Corporation; Dan Laroe, Jr.; and Doug Harrison.

Chair Kunde called the meeting to order at 10:07 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 Powers 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 Pro-Tem.

The Chair called for comments from the public. Public comments will be heard under Discussion Item 16. There were no other public comments.

The Chair called for **Chair Item 1 - Report from the Nominating Committee and Election of Officers of the Board of Directors for calendar year 2012**. Director Pagel presented the following slate of officers for calendar year 2012: **Chair – Grace G. Kunde; Vice-Chair – Oscar H. Fogle; and Secretary-Treasurer – Arlene N. Marshall**. Upon motion by Director Patillo seconded by Director Mathews, the Board unanimously approved by acclamation the slate of officers for calendar year 2012 as recommended by the Nominating Committee.

Next, the Chair called for **Consent Item 2 - Consideration of and possible action approving the November 16, 2011 Board meeting minutes; Consent Item 3 - Consideration of and possible action approving the monthly financial report for November 2011; Consent Item 4 - Consideration of and possible action approving the monthly operations report for November 2011; and Consent Item 5 - Consideration of and possible action approving Directors' expense vouchers**. Upon motion by Director Brockman, seconded by Director Fogle, the Board unanimously approved Consent Items 2, 3, 4, and 5.

The Chair then called for **General Manager Item 6 - Discussion of the Executive Reports 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, Lower Guadalupe Flood Modeling Project, construction management including the regional raw water pipeline capacity improvements, Luling Water Treatment**

Plant Expansion and ASR Facilities, River Bend pump station replacement matters including easement acquisition and geotechnical investigation, River Annex bank stabilization, Clean Rivers Program activities, Plum Creek Project activities, Operations, Geronimo Creek Watershed Protection Plan activities, River Network Project activities, water quality activities, San Antonio Bay Foundation activities, Economic and Community Development activities, events and projects, Water and Wastewater Services activities including Bulverde area regional wastewater activities, Rural Utilities - Dunlap wastewater service area activities, Mid-Basin water supply, Gonzales County groundwater project activities; Tri-Community Water Supply Corporation water supply matters, Resource Protection activities including lake management and water safety, Canyon Lake operations, implementation of water conservation measures, Gorge Preservation Society matters, Gonzales area flood warning matters, information technology, human resources, budget activities, accounting and finance. There was no discussion on General Manager Item 6.

The Chair called for **Action Item 7 - Consideration of and possible action approving the Fiscal Year 2011 Annual Financial Audit and distribution of the Comprehensive Annual Financial Report.** LaMarriol Smith addressed the Board regarding the theme for this year's annual report and recognized Connie Rothe for the outstanding design of the report. Alvin Schuerg recognized Susan Hubbert and Sandra Terry for compiling the Comprehensive Annual Financial Report. This is the 37th year GBRA has received the Government Finance Officers Association's *Certificate of*

Achievement for Excellence in Financial Reporting. Section 7 of the GBRA Enabling Act and Section 7.02 of the GBRA By-Laws require that GBRA complete an annual audit of the books of account and financial records. The Board previously approved the firm of Thompson, Williams, Biediger, Kastor, and Young, L.C. to conduct the Fiscal Year 2011 audit. The audit process and results were discussed with the GBRA Audit Committee during their December 21, 2011 meeting. Mike Del Toro representing Thompson, Williams, Biediger, Kastor, and Young informed the Board that they have issued their unqualified opinion related to the presentation of GBRA's financial position as of August 31, 2011. The audit firm has also provided their annual Management Letter in addition to a Report on Compliance on Internal Controls, which is a required report for all federal grant recipients. Upon motion by Director Mathews, seconded by Director Patillo, the Board unanimously approved the Fiscal Year 2011 annual audit and distribution of the Comprehensive Annual Financial Report.

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving the termination of bank accounts at JPMorgan Chase and the opening of a new Guadalupe Valley Hydroelectric operating account and a new Canyon Hydroelectric operating account at Broadway National Bank.** Sandra Terry addressed the Board regarding the termination and opening of the bank accounts. GBRA Board Policy 413 – Depository Accounts requires Board of Director approval prior to the termination of bank accounts and the initiation of new bank accounts. The Guadalupe Valley Hydroelectric operating account and the Canyon Hydroelectric operating account are used to maintain liquid funds to cover the operating costs of each

division respectively. Currently there is not a JPMorgan Chase branch located in Seguin; therefore, it is cumbersome whenever cash is collected for one of these operations because cash is deposited into another account locally and a check is written so the funds can be mailed to JPMorgan. Additionally, JPMorgan Chase currently does not have any excess collateral pledged on GBRA's behalf above the FDIC funding level; consequently, GBRA monitors and moves any funds above the FDIC coverage to ensure GBRA's assets are protected in the case of bank default. GBRA continues to monitor the rating of all the financial institutions where GBRA has funds. Broadway National Bank continues to have above average ratings from the three rating agencies used for monitoring and also has a local branch in Seguin which will streamline the deposit process due to the ability to deposit cash directly into the appropriate account(s). Broadway National Bank has excess collateral pledged on GBRA's behalf to cover all GBRA funds and willingly pledges additional collateral as needed. Upon motion by Director Fogle, seconded by Director Powers, the Board unanimously approved the termination of bank accounts at JPMorgan Chase and the opening of a new Guadalupe Valley Hydroelectric operating account and a new Canyon Hydroelectric operating account at Broadway National Bank.

The Chair then called for **Action Item 9 - Consideration of and possible action approving the annual contribution to the GBRA Defined Benefit Pension Plan.**

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. An Actuarial Valuation is prepared each year calculating the annual contribution into the

Plan. The GBRA Retirement and Benefit Committee met on November 16, 2011 to review and approve the Actuarial Valuation and the Committee recommended approval of a contribution of \$1,013,649.00. Upon motion by Director Mathews, seconded by Director Brockman, the Board unanimously approved the calendar year 2011 contribution to the Retirement Plan for Employees of GBRA in the amount of \$1,013,649.00.

The Chair called for **Action Item 10 - Consideration of and possible action approving a Resolution authorizing the General Manager to file a Grant Application for Texas Water Development Board Water Supply Planning Program financial assistance.** Guadalupe Blanco River Authority staff proposes to file an application with the Texas Water Development Board to secure financial assistance for planning the regional facilities for GBRA sponsored regional projects. Anticipated growth in and around the region is depleting the available water resources. New water resources need to be developed. Upon motion by Director Fogle, seconded by Director Mathews, the Board unanimously authorized W.E. West, Jr., General Manager, to be the designated authorized representative of GBRA for the purpose of furnishing information and executing documents as may be required in connection with the preparation and filing of such WATER SUPPLY PLANNING PROGRAM grant application for financial assistance. 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 ratifying the submission of a Financing Agreement to the Texas Water**

Development Board in the amount of \$4.4 million to fund water supply project development costs. GBRA has been planning the Mid-Basin Water Supply Project for a number of years. This new water supply project will include several components such as surface water diversions, groundwater well fields, aquifer storage and recovery areas, and the associated infrastructure to treat and transmit the water. Prior to the construction of the Project's infrastructure, GBRA must conduct additional engineering studies and analyses to assure that the Project is structured in the most efficient, cost effective manner. In order to finance these additional studies, GBRA requested during Fiscal Year 2010 Board of Directors approval to apply for a \$4.4 million Texas Water Development Board Water Infrastructure Financing loan. Subsequent to the Board's approval of this loan application, the Texas Water Development Board granted GBRA the loan. However, prior to the closing on the loan, State of Texas legislative budget concerns intervened and the loan was terminated. The Texas Water Development Board has recently communicated to GBRA that the funds are available once again but a Financing Application would have to be submitted prior to December 16, 2011. The GBRA staff submitted this application prior to the deadline. Upon motion by Director Brockman, seconded by Director Fogle, the Board unanimously approved the ratification of submission of a \$4.4 million Water Infrastructure Financing loan application to the Texas Water Development Board for the financing of development work related to GBRA's Mid-Basin Water Supply Project.

The Chair then called for **Action Item 12 - Consideration of and possible action authorizing the General Manager to negotiate and execute an amendment**

to the (Conformed) Water Supply Contract between the Guadalupe-Blanco River Authority and the City of Port Lavaca. The Texas Commission on Environmental Quality representatives conducted a comprehensive compliance investigation of the City of Port Lavaca's water system on March 22, 2011. Based on that investigation, the Texas Commission on Environmental Quality determined that the maximum daily average purchase quantity of treated water defined in Section 2 of the (Conformed) Water Supply Contract between the Guadalupe-Blanco River Authority and the City of Port Lavaca does not meet the Texas Commission on Environmental Quality's requirements. The current maximum average daily treated water purchase quantity in the Water Supply Contract [2.0 million gallons per day (2.0 mgd)] is not sufficient to meet the City's alternative capacity requirement of 0.38 gallons per minute (0.38 gpm) per customer connection. The Texas Commission on Environmental Quality based this opinion on a total number of 4,463 connections at the time of their investigation. The Texas Commission on Environmental Quality has subsequently informed the City that the Water Supply Contract must be amended to increase the maximum average daily quantity of water delivered to the City from 2.0 mgd to at least 2.44 mgd in order for the City to comply with the Texas Commission on Environmental Quality's regulatory requirement. Under the terms of the current Water Supply Contract, the maximum average daily quantity of treated water delivered by GBRA to the City may be increased by written request from the City to GBRA. GBRA held a meeting with City staff to discuss the proposed contract amendment. During the meeting, GBRA recommended that the maximum average quantity of treated water delivered be increased from 2.0

mgd to 2.50 mgd to allow for some additional customer growth. The City concurred with this recommendation and submitted a letter to GBRA requesting that Section 2 and other applicable Sections of the current Water Supply Contract be amended to reflect an increase in the maximum daily average quantity of treated water delivered from 2.0 mgd to 2.50 mgd. Upon motion by Director Patillo, seconded by Director Powers, the Board unanimously authorized the General Manager to negotiate and execute an amendment to the (Conformed) Water Supply Contract between GBRA and the City of Port Lavaca to reflect an increase in the maximum daily average quantity of treated water delivered from 2.0 mgd to 2.50 mgd. A copy of the (Conformed) Water Supply Contract is attached and made a part of these minutes.

The Chair called for **Action Item 13 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Third Amendment to the Contract for Raw Water Service between Guadalupe-Blanco River Authority and Union Carbide Corporation, a subsidiary of The Dow Chemical Company.**

The existing Contract for Raw Water Service between GBRA and Union Carbide Corporation provides that GBRA will provide to Union Carbide 100 acre-feet of stored water per year out of Canyon Reservoir to supplement Union Carbide's existing run-of-the-river water rights. The existing Contract is set to expire on December 31, 2011. Union Carbide is requesting an amendment to the Contract to extend the term for five (5) years to December 31, 2016. GBRA and Union Carbide jointly own several downstream run-of-the-river water rights. Over the years, the parties have entered into several agreements regarding the joint use of such water rights. One of these

agreements is the 1992 Contract for Raw Water Service. The 1992 Contract provided that GBRA would provide Union Carbide up to 2,400 acre-feet of stored water per year out of Canyon Reservoir. In 1996, the Contract was amended to increase the stored water amount to 5,000 acre-feet per year. In 2003, the Contract was amended a second time to reduce the stored water commitment from 5,000 acre-feet per year to 100 acre-feet per year. The proposed Third Amendment of the Contract does not change the stored water commitment, but does extend the term of the contract for five (5) years to December 31, 2016. Upon motion by Director Brockman, seconded by Director Fogle, the Board unanimously authorized the General Manager to negotiate and execute a Third Amendment to the Contract for Raw Water Service between Guadalupe-Blanco River Authority and Union Carbide Corporation, a subsidiary of The DOW Chemical Company. A copy of the Third Amendment to the Contract for Raw Water Service is attached and made a part of these minutes.

Next, the Chair called for **Action Item 14 - Consideration of and possible action authorizing the General Manager to solicit, select, and review proposals and negotiate and execute a contract for the construction of wastewater utility improvements including a gravity collection system and regional lift station as a part of the GBRA Rural Utility Division, Dunlap Wastewater Treatment System.**

GBRA is planning for construction of wastewater utility improvements including a gravity collection system and regional lift station as a part of the GBRA Rural Utility Division, Dunlap Wastewater Treatment System. The construction of the Regional Gravity Collection System and Lift Station is part of the Guadalupe-Blanco River Authority

(GBRA) Rural Utilities 2011 Dunlap Wastewater Treatment System Improvements Plan to serve retail customers through a wastewater and waste collection system in Guadalupe County, Texas. This is one of several projects as defined in that document in the files of the Guadalupe-Blanco River Authority and available for inspection and described as the *GBRA Rural Utilities 2011 Dunlap Regional Wastewater Treatment System Improvements Plan*. Contractors will submit bids to GBRA on December 22, 2011, and such bids will be reviewed by a committee at GBRA, and a selection will be recommended to the General Manager. At such time General Manager will select the contractor for the construction of the Regional Gravity Collection System and Lift Station as part of the Guadalupe-Blanco River Authority (GBRA) Rural Utilities as part of the 2011 Dunlap Wastewater Treatment System Improvements Plan. Upon motion by Director Patillo, seconded by Director Fogle, the Board unanimously authorized the General Manager to solicit, select, and review proposals and negotiate and execute a contract for the construction of wastewater utility improvements including a gravity collection system and regional lift station as a part of the GBRA Rural Utility Division, Dunlap Wastewater Treatment System.

The Chair then called for **Action Item 15 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Purchase and Sale Agreement between the Guadalupe-Blanco River Authority and SJW Corporation**. No discussion or action was taken on Action Item 15.

The Chair recessed the meeting at 10:55 a.m. The meeting reconvened in open session at 11:03 a.m.

The Chair called for **Discussion Item 16 - Discussion regarding restrictions on use of a portion of Lake Dunlap.** David Welsch briefed the Board on restrictions on use of a portion of Lake Dunlap which is one of the six hydroelectric lakes operated by GBRA. Mr. Welsch briefed the Board on the repairs currently being done on the Dunlap Dam, lake levels, and work with the Texas Parks and Wildlife Department TPWD to implement a marking/cutting program of tree stumps and other obstacles to achieved a safe balance for recreational use of the lake. An independent group in GBRA's absence, independently cut approximately seventy-five (75) stumps, primarily in an area near the dam, at the current water level, which is approximately four (4) feet low. GBRA and the Texas Parks and Wildlife Department became aware of this action and instructed the parties to stop cutting tree stumps. After being instructed to stop cutting the tree stumps, the party came back and cut more stumps totaling approximately 120. General Manager West issued an action for closure of a portion of Lake Dunlap on December 1, 2011. A Lake Management meeting was held December 15, 2011 to address the issue and develop a stump removal guideline/process. General Manager West will extend the restrictions of the same area until January 31, 2012 or longer if necessary. David Shaw addressed the Board regarding the stump removal and is in agreement with GBRA's closure of a portion of Lake Dunlap. The Preserve Lake Dunlap Association requested GBRA lower the lake six feet for removal of the stumps to achieve a safe environment for recreation as a long term solution. Carl Adkins addressed the Board relating to recreational uses and fish habitat in Lake Dunlap. GBRA and the Texas Parks and Wildlife Department will address safety and

aquatic habitat in the lake. Doug Harrison addressed the Board. Mr. Harrison is not a member of Preserve Lake Dunlap Association, but is a new resident/user of the lake. Mr. Harrison agrees with the recommendations for closure of a portion of the lake and working toward a safe solution to the situation. Dan Laroe addressed the Board regarding the issue of lake safety and removing or marking the tree stumps. Mr. Laroe continued discussion that certain property owners on the lake deliberately stepping outside the law is unacceptable.

Next, the Chair called for **Discussion Item 17 - Discussion on a Position Statement regarding the implementation of water reclamation projects in the Guadalupe River Basin.** Current drought conditions make it timely for GBRA to adopt a position statement regarding reuse of reclaimed water or treated effluent discharged by municipal, industrial and agricultural users. Limits on pumping from the Edwards and the Trinity and Carrizo-Wilcox aquifers, along with practical and regulatory limits on large scale development of surface water supplies insure that reuse, both direct and indirect, will continue to play a large role in the Guadalupe River Basin.

The Chair then called for **Discussion Item 18 - 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 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.

The Chair called for **Discussion Item 19 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust, the San Antonio Bay Foundation, and the Gorge Preservation Society.** Steve Jester, Executive Director of the Guadalupe-Blanco River Trust briefed the Board on Trust activities including closure on the purchase of 170 acres in Calhoun County. Mr. Jester thanked GBRA Director Grace Kunde for her four years of service on the Trust Board of Trustees and presented her a Resolution.

Next, the Chair called for **Discussion Item 20 - 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 Comal Springs level, elevation of Canyon Reservoir, rainfall events, and the U. S. Drought Monitor Seasonal Outlook.

The Chair then called for **Discussion Item 21 - Discussion regarding local, State and national water planning and water resource issues.** Jay Howard addressed the Board on the status of the re-districting of the State of Texas submitted from the last Legislative session. The maps are currently being challenged in Supreme Court. Steve Holzheuser briefed the Board on the effects the re-districting may have on local communities throughout the State.

The Chair recessed the open meeting at 12:13 p.m. The Chair closed the open meeting and convened the meeting in executive session at 1:03 p.m. The open meeting reconvened in open session at 2:07 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 2:08 p.m. subject to call by the Chair.

Chair

Secretary Pro-Tem