

## **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 October 17, 2012, at the Boerne Convention and Community Center, 830 Adler Road, Boerne, Kendall County, Texas. Directors present were Grace G. Kunde, Oscar H. Fogle, Dennis L. Patillo, Myrna P. McLeroy, Tommy Mathews, and Robert “Rusty” Brockman. Directors Frank J. Pagel and James L. Powers were absent. Also present were W. E. West, Jr., General Manager; James 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, Manager of Project Engineering; Barbara Gunn, Human Resources Manager; Tommy Hill, Chief Engineer; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; LaMarriol Smith, Chief Strategic Communications and Public Affairs Officer; 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/Application Developer; Tommy Schulte, Regional Representative; Angela Whitley, IT Manager; Michael Urrutia, Division Manager-Comal/Kendall; Cinde Thomas-Jimenez, Environmental Education Administrator; Elizabeth Aguilar, GBRA Intern; Tommie Streeter-Rhoad, Executive Director of the San Antonio Bay Foundation; Roger Nevola,

legal counsel; Jim Dublin representing Dublin and Associates; Jay Howard representing HillCo Partners; David Engel representing Engel and Associates; Steve Holzheuser, Legislative Consultant; Michael D. Schultz, Mayor-City of Boerne; Cheryl Landman, Mayor-City of Fair Oaks Ranch; John Hobson, City Manager-City of Fair Oaks Ranch; Jeff Haberstroh, Councilman-City of Boerne; Meg Grier former GBRA Board member from Boerne; Dub Smothers; Micah Voulgaris and John Kight representing Cow Creek Groundwater Conservation District; Gail Yovanovich representing the Boerne Star; Fred Bartel; Steve Renneker representing Kellogge, Brown and Root; Ryan Bass, Resource Conservation-City of Boerne; Tim Lehmborg representing Gillespie County Economic Development Council; Alan Thompson representing Klotz and Associates; Craig Wallendorf representing the City of Fredericksburg; Phillip Bell and Dan Rogers representing Kendall County Economic Development Council; Tyson Broad representing the Sierra Club; Carlos Rios, Assistant Superintendent-Seguin Independent School District; Irene Garza, Superintendent-Seguin Independent School District; Max Brandenberger, Instructional Coach-Seguin Independent School District; Mike Coyle representing Coyle-SDA, Inc.; Bob Eason, Assistant Kendall County Attorney; Don Allee, Kendall County Attorney, Rick Illgner representing the Edwards Aquifer Authority; Rene Gonzalez representing San Antonio Water System; Ron Bowman, City Manager-City of Boerne; Gene Miertschin, Kendall County; Michael Mann, City of Boerne; Kathy Sanford, City Councilperson-City of Fredericksburg; and Greg Bowen representing the New Braunfels Herald-Zietung.

Chair Kunde called the meeting to order at 10:03 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 and Kendall County Courthouses, at the Boerne Convention and Community Center, 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 Mathews led the Pledge of Allegiance to the United States flag and Texas flag.

In the absence of Secretary-Treasurer James L. Powers, the Chair appointed Tommy Mathews to serve as Secretary Pro-Tem.

Chair Kunde welcomed the City of Boerne Mayor Michael Schultz. Mayor Schultz addressed the Board and welcomed all to the City of Boerne. Mayor Schultz complimented the outstanding working relationship between GBRA and the City. Mayor Schultz introduced Ron Bowman, Jeff Haberstroh, Cheryl Landman, Meg Grier, and Gene Miertschin.

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

The Chair called for **Consent Item 1 - Consideration of and possible action approving the September 19, 2012, Board meeting minutes; Consent Item 2 - Consideration of and possible action approving the monthly operations report for September 2012; and Consent Item 3 - Consideration of and possible action**

**approving Directors' expense vouchers.** Upon motion by Director Patillo, seconded by Director McLeroy, the Board unanimously approved Consent Items 1, 2, and 3.

Next, the Chair called for **General Manager Item 4 - 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, amendment of the U. S. Army Corps of Engineers Flood Modeling/Feasibility Study, construction management including the Luling Water Treatment Plant Expansion and ASR Facilities, River Bend pump station replacement matters including bid evaluation, Mid-Basin Project, Clean Rivers Program activities, Plum Creek Projects, Geronimo Creek Watershed Protection Plan, Environmental Flows Project, River Network Project, water quality general, San Antonio Bay Foundation, Economic and Community Development activities, events and projects, Business Development including water and wastewater services activities, Bulverde area wastewater, Rural Utilities - Dunlap wastewater service area activities, Mid-Basin Water Supply Project activities, Resource Protection activities including lake management and water safety, implementation of water conservation measures, water strategies, Gorge Preservation Society, information technology, human resources, budget activities, accounting and finance.** Alvin Schuerg briefed the Board on the Investment History Report for Fiscal Year 2012 including portfolio and market values, bank ratings, and collateral report.

The Chair then called for **Action Item 5 - Consideration of and possible action approving amendments to the Water Supply Agreements with all IH-35 Project participants and authorizing the General Manager to negotiate and execute said amendments including the (1) First Amendment to the Water Supply Agreement with Monarch Utilities I LP; (2) First Amendment to the Water Supply Agreement with Sunfield Municipal Utility District Number 4; (3) Third Amendment to the Water Supply Agreement with Goforth Special Utility District; (4) Second Amendment to the Water Supply Agreement with the City of Buda; and (5) Third Amendment to the Water Supply Agreement with the City of Kyle.** Between the period of October 7, 1998 and January 1, 2008 GBRA executed, and in some cases amended, Water Supply Agreements with the City of Kyle, City of Buda, Goforth Special Utility District, Sunfield Municipal Utility District Number 4, and Monarch Utilities I LP. Each of these Agreements provide that GBRA will divert raw water, treat the water and deliver the water to each of the above entities through what GBRA has named the IH-35 Project. The tax-exempt bonds that GBRA issued in December 2004 to fund the treated water delivery portion of the IH-35 Project are now subject to refunding. Since today's interest rate environment is substantially lower than the rate environment that existed at the time the bonds were issued, GBRA is recommending the bonds be refunded. In order to complete this refunding, an amendment of the Water Supply Agreements is required. In addition to amending the Agreements for the refunding, GBRA is also taking the opportunity to clarify certain Agreement provisions as well as delete various outdated provisions. Three of the Project Participants have already approved the

amendments including Monarch Utilities I LP, Goforth Special Utility District, and Sunfield Municipal Utility District Number 4. GBRA has met with the Cities of Kyle and Buda and both city staffs will be including the amendments on an October Council agenda. Upon motion by Director Fogle, seconded by Director Brockman, the Board unanimously approved amendments to the Water Supply Agreements with all IH-35 Project participants and authorized the General Manager to negotiate and execute said amendments including the (1) First Amendment to the Water Supply Agreement with Monarch Utilities I LP; (2) First Amendment to the Water Supply Agreement with Sunfield Municipal Utility District Number 4; (3) Third Amendment to the Water Supply Agreement with Goforth Special Utility District; (4) Second Amendment to the Water Supply Agreement with the City of Buda; and (5) Third Amendment to the Water Supply Agreement with the City of Kyle. A copy of the amendments is attached and made a part of these minutes.

The Chair called for **Action Item 6 - Consideration of and possible action approving an underwriting firm(s) to conduct a negotiated bond sale to refund the tax-exempt portion of the GBRA Combination Contract Revenue, Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds Series 2004A (IH-35 Project), and authorizing the General Manager to take any and all further actions that the General Manager determines to be necessary or desirable in connection with such refunding.** Between the period of October 7, 1998 and January 1, 2008 GBRA executed, and in some cases amended, Water Supply Agreements with the City of Kyle, City of Buda, Goforth Special Utility District, Sunfield

Municipal Utility District Number 4, and Monarch Utilities I LP. Each of these Agreements provide that GBRA will divert raw water, treat the water and deliver the water to each of the above entities through what GBRA has named the IH-35 Project. The tax-exempt bonds that GBRA issued in December 2004 to fund the treated water delivery portion of the IH-35 Project are now subject to refunding. Since today's interest rate environment is substantially lower than the rate environment that existed at the time the bonds were issued, GBRA is recommending the bonds be refunded. Prior to any long-term financing of a project utilizing tax-exempt revenue bonds, a bond resolution must be approved by the GBRA Board of Directors. An important component of the bond resolution is the determination of whether GBRA will utilize a competitive or negotiated bond sale process. The staff recommends that GBRA utilize a negotiated sale in issuing the IH-35 Project Refunding Bonds. This recommendation is due to the complex nature of the pledge which will be a combination of up to five different customer revenue streams and the inherent flexibility provided by a negotiated sale to quickly take advantage of market changes. The staff further recommended that the underwriting firms of BOSC, Inc. and Raymond James/Morgan Keegan be selected as underwriters. This recommendation is based upon advice from GBRA's Financial Advisor, the firms underwriting and marketing experience, as well as information and material these firms have provided GBRA related to the refunding. Upon motion by Director Mathews, seconded by Director Brockman, the Board unanimously approved an underwriting firm(s) of BOSC and Raymond James/Morgan Keegan to conduct a negotiated bond sale to refund the tax-exempt portion of the GBRA Combination

Contract Revenue, Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds Series 2004A (IH-35 Project), and authorized the General Manager to take any and all further actions that the General Manager determines to be necessary or desirable in connection with such refunding.

Next, the Chair called for **Action Item 7 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Memorandum of Understanding between the Guadalupe-Blanco River Authority and the City of Buda.** The City of Buda and GBRA currently have in place agreements allowing GBRA to construct, operate, and maintain a new wastewater treatment plant in addition to operating the existing City of Buda wastewater plant. GBRA has completed a Regional Wastewater Facility Planning Study for Eastern Hays County that identifies several sites for regional wastewater treatment, one of which is the Sunfield Municipal Utility District Wastewater Treatment Plant site. The City of Buda and GBRA believe that wastewater generated in the eastern portion of Buda may be more advantageously treated at a wastewater plant located on the east side of IH-35. GBRA, 2428 Partnership, L.P. and Sunfield Municipal Utility District Number 4 have in place agreements to utilize unused capacity in the existing Wastewater Treatment Facility and construct additional treatment and collection facilities located within the Sunfield Municipal Utility District for other customers of GBRA. Upon motion by Director Fogle, seconded by Director Mathews, the Board unanimously authorized the General Manager to negotiate and execute a Memorandum of Understanding with the City of Buda. A copy of the Memorandum of Understanding is attached and made a part of these minutes.



The Chair then called for **Action Item 8 - Consideration of and possible action authorizing the General Manager to negotiate and execute the First Amendment to the Treated Water Supply Contract between the Guadalupe-Blanco River Authority and the Port O'Connor Municipal Utility District.** The Texas Commission on Environmental Quality representatives conducted a comprehensive compliance investigation of the Port O'Connor Municipal Utility District's water system on June 21, 2012. 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 Treated Water Supply Contract between the Guadalupe-Blanco River Authority and the Port O'Connor Municipal Utility District does not meet the Texas Commission on Environmental Quality requirements. The current maximum average daily treated water purchase quantity in the Treated Water Supply Contract [1.0 million gallons per day (1.0 mgd)] is not sufficient to meet the Port O'Connor Municipal Utility District's alternative capacity requirement (ACR) of 0.43 gallons per minute (0.43 gpm) per customer connection. The Texas Commission on Environmental Quality based this opinion on a total number of 1,596 connections at the time of their investigation. The Texas Commission on Environmental Quality has subsequently informed the Port O'Connor Municipal Utility District that the Treated Water Supply Contract must be amended to increase the maximum average daily quantity of water delivered to the Port O'Connor Municipal Utility District from 1.0 mgd to at least 1.044 mgd in order for the Port O'Connor Municipal Utility District to comply with the Texas Commission on Environmental Quality's regulatory requirement. Under the terms of the current Treated

Water Supply Contract, the maximum average daily quantity of treated water delivered by GBRA to the Port O'Connor Municipal Utility District may be increased by written request from the Port O'Connor Municipal Utility District to GBRA. By letter dated June 22, 2012, the Port O'Connor Municipal Utility District requested GBRA's consideration to increase the maximum average quantity of treated water delivered to the Port O'Connor Municipal Utility District to the amount necessary to comply with the Texas Commission on Environmental Quality's regulatory requirement. GBRA performed an evaluation of the Port O'Connor Municipal Utility District's request and determined that an increase in the maximum average quantity of treated water delivered to the Port O'Connor Municipal Utility District from 1.0 mgd to 1.044 mgd would not have an impact on the Port Lavaca Water Treatment Plant's treatment capacity. Amendment of the maximum average quantity of treated water delivered to the Port O'Connor Municipal Utility District will also require an amendment of the maximum quantity of water delivered to the Port O'Connor Municipal Utility District in any calendar year from 1,120 acre-feet per year as stated in the original Treated Water Supply Contract to 1,170 acre-feet per year in the amended contract. Upon motion by Director Mathews, seconded by Director Patillo, the Board unanimously approved the First Amendment to amend Section 2 of the Treated Water Supply Contract between GBRA and the Port O'Connor Municipal Utility District to reflect an increase in the maximum daily average quantity of treated water delivered from 1.0 mgd to 1.044 mgd and an increase in maximum quantity of water delivered in any calendar year from 1,120 acre-feet to 1,170 acre-feet. A copy of the First Amendment is attached and made a part of these minutes.

The Chair called for **Discussion Item 9 - Discussion regarding GBRA's education programs, including an up-date on the Environmental Learning Center near the Canyon Lake Gorge.** Cinde Thomas-Jimenez addressed the Board on GBRA's education program including program goals, the fourth grade program entitled "Journey Through the Guadalupe River Basin", and a new program for second grade classrooms entitled "Water Makes the World Go Round". The Board was also briefed on elementary program uses and outreach. Ms. Jimenez informed the Board that the current middle school program entitled "River of Life" will be phased out and replaced with "Waters to the Sea, Guadalupe River". Discussion was had on the interactive programs to be used by students in the "Waters to the Sea, Guadalupe River". Discussion continued on teacher workshops, middle and high school outreach, field trips, and community partnerships. Ms. Jimenez briefed the Board on GBRA's Environmental Learning Center near the Canyon Lake Gorge including the recent formation of the Guadalupe River Foundation a 501(c)(3) non-profit entity and a funding campaign to begin in the fall of 2012.

Next, the Chair called for **Discussion Item 10 - Discussion regarding the Request for Qualifications for a Feasibility Study for a Regional South Central Texas Power and Desalination Project.** James Murphy briefed the Board on integrated water and power project including projected population, projected water demands and existing supplies. Discussion was had on the U. S. Seasonal Drought Outlook, projected needs for additional water and water supplies for water management strategies, projected water needs by use category, 2010 and 2060 water demand

projections by use category, Region L sources of new supply and management strategies, total capital costs for Texas Water Infrastructure, and GBRA's Mid-Basin Water Supply Project. Discussion continued on brackish groundwater desalination systems and public water systems affected by the drought, opportunities for seawater desalination, seawater desalination plant construction and cost as function of capacity, and obstacles to Gulf Coast desalination. The Board was informed on the engineering firms that have submitted proposal to GBRA's Request for Qualifications and the interest throughout the State of Texas.

The Chair called for **Discussion Item 12 - Discussion regarding GBRA's Legislative strategy for the 83<sup>rd</sup> Session.** Jay Howard briefed the Board on GBRA's Legislative strategy for the 83<sup>rd</sup> Legislative Session including members in the House of Representatives and Senate. Discussion continued regarding water issues for the State of Texas, funding for water projects, GBRA's Mid-Basin Project and Lower Basin Project, and reimbursement to GBRA for expenditures for The Aransas Project (TAP) litigation. HillCo Partners and Steve Holzheuser will be monitoring the appointment process, budget diversions, groundwater, reuse projects, and surface water rights.

The Chair then called for **Discussion Item 11 - Discussion regarding the Memorandum of Understanding between Guadalupe-Blanco River Authority, Upper Guadalupe River Authority, Kendall County, Kerr County, Kendall County Water Control and Improvement District Number 1, Headwaters Groundwater Conservation District, and Cow Creek Groundwater Conservation District.** James Murphy gave a presentation on the Memorandum of Understanding to conduct a water

supply study to assist in securing water supplies for the area and financial assistance from the State of Texas. Directors Mathews stated this is a diverse group and a unique regional opportunity for all entities.

Next, the Chair called for **Discussion Item 13 - 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 and water levels of the Edwards Aquifer. The Board was also briefed on activities of the Guadalupe Basin Coalition.

The Chair then called for **Discussion Item 14 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust, the San Antonio Bay Foundation, and the Gorge Preservation Society.** Tommie Rhoad briefed the Board on activities of the San Antonio Bay Foundation including the up-coming selection of the new Executive Director.

The Chair called for **Discussion Item 15 - 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.

Next, the Chair called for **Discussion Item 16 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on a Report from the U. S. House of Representatives Natural

Resources Committee entitled “Creating Jobs and Advancing Common Sense Solutions to Grow Our Economy and Protect Our Environment”.

The Chair recessed the open meeting at 12:01 p.m. The Chair closed the open meeting and convened the meeting in executive session pursuant to Chapter 551, Texas Government Code at 1:04 p.m. The open meeting reconvened in open session at 1:42 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 1:43 p.m. subject to call by the Chair.

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Chair

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Secretary Pro-Tem