

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 November 28, 2012, 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, Dennis L. Patillo, Myrna P. McLeroy, Tommy Mathews, and Robert “Rusty” Brockman. 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; Barbara Gunn, Human Resources Manager; Tommy Hill, Chief Engineer; Debbie Magin, Director of Water Quality Services; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; LaMarriol Smith, Chief Strategic Communications and Public Affairs Officer; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations and Publication Specialist; Leigh Crettenden, Web/Application Developer; Sandra Terry, Investment Manager; Jaynellen Ladd, Natural Resource Specialist; Ronald Gosnell, Chief Operator, Rural Water Division; Herb Wittliff, Manager of Port Lavaca Operations; Darel Ball, Division Manager Hays-Caldwell; Cinde Thomas-Jimenez, Environmental Education Administrator; Charlie Hickman, Engineer II; Steve Jester, Executive Director of the Guadalupe-Blanco River Trust; Dan Alonso, future

Executive Director of the San Antonio Bay Foundation; Roger Nevola, legal counsel; Rose Marie Eash representing Dublin and Associates; Jay Howard representing HillCo Partners; David Engel representing Engel and Associates; Steve Holzheuser and Craig Holzheuser, Legislative Consultant; Tom Spurgeon representing McCall, Parkhurst, and Horton; Steven Adams representing Specialized Public Finance; Greg Bowen representing the New Braunfels Herald-Zeitung; Wes Birdwell and Mike Moya representing Halff Associates; David Parkhill representing URS Engineering; Don D'Adam representing Atkins Global; Kevin Mayes, Dakus Geeslin, and Clinton Robertson representing Texas Parks and Wildlife Department; George Gable representing Texas Commission on Environmental Quality; Rick Menchaea representing BOSC Inc.; Matt Garcia representing MWH; Adam Conner representing San Antonio Water System; Grant Streeter representing Westward Environmental; and Tyson Broad representing the Sierra Club.

Chair Kunde called the meeting to order at 10:02 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.

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

The Chair called for **Chair 1 - Appointment of a Nominating Committee for Officers of the Board of Directors for calendar year 2013**. Chair Kunde appointed Directors Patillo, McLeroy, and Brockman to serve as members on the Nominating Committee. The Committee was instructed to present a slate of officers for calendar year 2013 at the December 2012 Board meeting.

Next, the Chair called for **Chair Item 2 - Consideration of and possible action approving a Resolution honoring Guadalupe-Blanco River Authority 2012 retiree Ronald G. Gosnell**. Bryan Serold introduced and recognized Ronald Gosnell for his 39 years of dedicated service to GBRA. Upon motion by Director Powers, seconded by Director Patillo, the Board unanimously approved a Resolution honoring GBRA retiree Ronald Gosnell. A copy of the Resolution is attached and made a part of these minutes.

The Chair then called for **Consent Item 3 - Consideration of and possible action approving the October 17, 2012, Board meeting minutes; Consent Item 4 - Consideration of and possible action approving the monthly financial report for September and October 2012; Consent Item 5 - Consideration of and possible action approving the monthly operations report for October 2012; and Consent Item 6 - Consideration of and possible action approving Directors' expense vouchers**. Upon motion by Director McLeroy, seconded by Director Mathews, 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, 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, meetings held with cities and counties to discuss Phase 2 of the Lower Guadalupe River Basin Feasibility Study, construction management including River Bend pump station replacement matters, Mid-Basin Water Supply Project, Feasibility Study for the South Central Texas Power and Desalination 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, 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. James Murphy briefed the Board on GBRA operation and engineering activities. 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 October 31, 2012.

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving rate changes as approved in the Fiscal Year 2013 Work Plan and Budget.** GBRA's Fiscal Year 2013 Work Plan and Budget includes a rate and charge schedule that was approved as part of the budget by the GBRA Board of Directors on August 15, 2012. One of the Fiscal Year 2013 approved rates was an O&M Charge of fifty-five cents per thousand gallons related to San Marcos Water Treatment Plant. GBRA charges this rate to the IH-35 Project Participants for water that is treated at the San Marcos Water Treatment Plant. Subsequent to the approval of this rate, the San Marcos City Council reduced a City Franchise Fee. Since this franchise fee is a component of the rate GBRA charges, the Fiscal Year 2013 San Marcos Water Treatment Plant O&M rate can now be reduced to fifty-four cents per thousand gallons. A second rate included in the Fiscal Year 2013 approved rate schedule was a \$3,850 Wastewater Connection Fee related to the Cordillera Wastewater Treatment System. A significant component of that rate is equipment costs for grinder pumps located at each Cordillera Wastewater System customer's home. Since the cost of these pumps frequently changes, the GBRA staff recommends that the current Cordillera Wastewater Connection Fee be amended to a two part rate. One component of the rate will be an Initial Connection Fee of \$1,500 to cover the labor costs for installing the connection and the second component of the rate will be the equipment costs at whatever the then current cost is. Upon motion by Director Powers, seconded by Director Brockman, the Board unanimously approved amendments to the GBRA Fiscal Year 2013 Work Plan and Budget rate schedule.

The Chair then called for **Action Item 9 - Consideration of and possible action approving amendments to GBRA Board Policy 403 – Investment Policy.** GBRA Board Policy 403 – Investment Policy provides guidance for all aspects of GBRA's investment of monetary assets as well as assures compliance with the Texas Public Funds Investment Act. Section 403.215 of the Investment Policy requires the collateralization of all GBRA bank deposits in excess of Federal Deposit Insurance Corporation coverage. Banks collateralize these “excess deposits” by pledging to GBRA some of their own investment securities and these securities are then held by an independent custodian for the benefit of GBRA. GBRA is in the process of updating its collateralization agreement with Wells Fargo Bank. As part of that initiative, the bank has requested that all securities eligible to be utilized as collateral pursuant to the Texas Collateral For Public Funds Act be authorized within the GBRA agreement. The staff agrees with that request but in order to effectuate that change, Section 403.215 of the GBRA Investment Policy must be amended to list all of the security types authorized by the law. Upon motion by Director Fogle, seconded by Director Pagel, the Board unanimously approved an amendment to Board Policy – 403 Investment Policy to authorize additional types of securities in the collateralization of GBRA bank deposits. A copy of the amended Investment Policy is attached and made a part of these minutes.

The Chair called for **Action Item 10 - Consideration of and possible action approving Resolution authorizing the issuance of Guadalupe-Blanco River Authority Contract Revenue Refunding Bonds, Series 2013 (IH-35 Treated Water Delivery System Project); authorizing the sale thereof; authorizing the General**

Manager and the Executive Manager for Finance and Administration to approve all final terms of the Bonds; approving the preparation and distribution of an Official Statement; authorizing the execution of a Purchase Contract, a Paying Agent/Registrar Agreement, and an Escrow Agreement; calling certain bonds for redemption; and containing other provisions relating to the subject. GBRA issued \$15,660,000 of tax-exempt contract revenue bonds and \$5,305,000 of taxable contract revenue bonds in 2004 to construct the IH-35 Treated Water Delivery System. These bonds have a current outstanding balance of \$14,200,000 for the tax-exempt series and \$4,905,000 for the taxable series. The respective interest rates for these 2004 bonds are 3.00 percent - 4.15 percent tax-exempt and 5.50 percent - 5.80 percent taxable. The 2004 tax-exempt bonds are callable for refunding on August 15, 2012 while the taxable bonds are not callable until August 15, 2014. Due to the low interest rate environment that currently exists as well as the favorable debt ratings of the IH-35 Project Participants (Kyle, Buda, Goforth, Sunfield, and Monarch); the 2004 tax-exempt bonds may be refunded and replaced with a Series 2013 bond issue in the approximate amount of \$14,550,000. The anticipated interest rate on the Series 2013 tax-exempt bonds approximates 3.4 percent providing an estimated savings of \$90,000 per year and a total estimated savings of \$2.2M over the remaining life of the bond issue. These savings will be passed through to the IH-35 Project Participants in GBRA's monthly debt service billing. The GBRA staff is also analyzing the possible "advance refunding" of the 2004 Series taxable bonds. However, since these bonds are not callable until August 15, 2014, significant negative arbitrage will result between now and the call

date. The GBRA staff has been working with representatives of the IH-35 Project Participants, our financial consulting team of Specialized Public Finance and McCall Parkhurst Horton, and the rating agencies to affect this new bond issue and refunding of the old bond issue(s). The sale of the new Series 2013 bonds through a “negotiated sale” is tentatively scheduled for December 2012 or January 2013. Upon motion by Director Mathews, seconded by Director Patillo, the Board unanimously approved a Resolution authorizing the issuance of Guadalupe-Blanco River Authority Contract Revenue Refunding Bonds, Series 2013 (IH-35 Treated Water Delivery System Project); authorized the sale thereof; authorized the General Manager and the Executive Manager of Finance and Administration to approve all final terms of the Bonds; approved the preparation and distribution of an Official Statement; authorized the execution of a Purchase Contract, a Paying Agent/Registrar Agreement, and an Escrow Agreement; calling certain bonds for redemption; and containing other provisions relating to the subject. 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 authorizing the General Manager to negotiate and execute Fourth Amendment to Water Supply Agreement between GBRA and Goforth Special Utility District; Third Amendment to Contract for Raw Water Service between GBRA and Goforth Special Utility District; Second Amendment to Water Supply Agreement between GBRA and Sunfield Municipal District Number 4 and First Amendment to Contract for Raw Water Service between GBRA and Sunfield**

Municipal District Number 4. GBRA has existing treated and raw water service agreements with both Goforth Special Utility District and Sunfield Municipal Utility District Number 4. Both entities receive water through the IH-35 Project. Goforth's contractual amount is 1,050 acre-feet per year and Sunfield's contractual amount is 3,136 acre-feet per year. Sunfield and Goforth have entered into agreements wherein over time Sunfield's contractual amount will be transferred to and become the obligation of Goforth. To set up the framework for such transfer over time, the existing treated and raw water service agreements between both Goforth and Sunfield and GBRA require amendments. In March 2012, Goforth and Sunfield entered into an Amended and Restated Non-Standard Water Utility Service Agreement. Pursuant to said agreement Sunfield will from time to time transfer portions of its water service areas to Goforth. Additionally, Sunfield will transfer from time to time portions of the water that it has contracted with GBRA. To accomplish the transfer, the existing treated and raw water service agreements between both Goforth and Sunfield and GBRA must be amended. The proposed amendments enable the transfer to occur. Upon motion by Director Brockman, seconded by Director Fogle, the Board unanimously authorized the General Manager to negotiate and execute Fourth Amendment to Water Supply Agreement between GBRA and Goforth Special Utility District; Third Amendment to Contract for Raw Water Service between GBRA and Goforth Special Utility District; Second Amendment to Water Supply Agreement between GBRA and Sunfield Municipal District Number 4 and First Amendment to Contract for Raw Water Service between GBRA and

Sunfield Municipal District Number 4. A copy of the Contract amendments are attached and made a part of these minutes.

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 contract with Halff Associates, Inc. to coordinate and prepare the grant application to the Texas Water Development Board for Phase 2 of the Lower Guadalupe River Basin Feasibility Study and further to approve a Board Resolution in support of said Grant Application.** To date eleven (11) entities within GBRA's Basin have shown interest in participating in Phase II of the Lower Guadalupe River Basin Feasibility Study for \$1.6 million. The U. S. Army Corps of Engineers amendment to initiate Phase 2 has been signed and will provide fifty percent (50%) of the funds. The next step is to prepare the Texas Water Development Board Grant Application to obtain an additional twenty-five percent (25%) grant. Halff is requesting \$23,000 to develop the Texas Water Development Board Grant Application. Each of the participating entities will contribute \$1,635 to cover the cost. GBRA staff proposes for GBRA to cover the remaining \$5,000. Upon motion by Director Mathews, seconded by Director Brockman, the Board unanimously authorized the General Manager to negotiate and execute an amendment to the contract with Halff Associates, Inc., in the amount of \$23,000 to prepare the Texas Water Development Board Grant Application for Phase 2 of the Lower Guadalupe River Basin Feasibility Study and further approved a Board Resolution in support of said Grant Application. A copy of the Contract Amendment and Resolution are attached and made a part of these minutes.

The Chair recessed the meeting at 11:00 a.m. The meeting reconvened in open session at 11:07 a.m.

The Chair called for **Discussion Item 13 - Presentation on the Senate Bill 2 Environmental Flows process given by Texas Parks and Wildlife Department, Texas Commission on Environmental Quality, and the Texas Water Development Board.** Debbie Magin introduced Kevin Mayes representing the Texas Parks and Wildlife Department. Mr. Mayes gave a presentation on the Texas Instream Flow Program which was established in 2001 under Senate Bill 2. The legislation directed the State to conduct studies and analyses to determine appropriate methodologies for determining flow conditions in the State's rivers and streams necessary to support a sound ecological environment. The three agencies developed the Texas Instream Flow Program. The National Academy of Sciences reviewed the Texas Instream Flow Program and found it conforms to best scientific practices. Mr. Mayes explained that the Texas Instream Flow Program is a multi-disciplinary approach including hydrology and hydraulics, physical processes, biology, water quality, and connectivity. Mr. Mayes described that there will not be one flow recommendation, rather a flow regime consisting of base flows, high flow pulses, overbank flows and subsistence flows. Mr. Mayes introduced George Gable representing the Texas Commission on Environmental Quality. Mr. Gable discussed the timeline and priority studies that will be completed by December 2016. Discussion continued on directives of Senate Bill 3 passed in 2007 considering both freshwater inflows and instream flows and the priority river basins under the Senate Bill 3 Environmental Flows Standards. Mr. Gable discussed the

Guadalupe/San Antonio Work Plan Tier I, II, and III priorities and a timeline for the Lower Guadalupe River Study. Mr. Gable introduced Clint Robertson representing the Texas Parks and Wildlife Department. Mr. Robertson continued the presentation on the Lower Guadalupe River Study explaining the information that has been gathered including historical fish data, floodplain lake formation and dynamics, geomorphic segmentation, habitat requirements, and literature review. Discussion continued on upcoming baseline fish sampling, sediment sampling, riparian evaluation and water quality monitoring. Mr. Robertson continued discussion regarding upcoming public meetings to assess values, study design workgroup meetings and peer review, fish/mussel habitat versus flow studies, sediment transport studies, and other studies.

Next, the Chair called for **Discussion Item 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 and the Edwards Aquifer Recovery Implementation Program. Discussion was had on the Implementing Committee, Stakeholder Committee, Science Committee, and Science Review Panel of the Edwards Aquifer Recovery Implementation Program. The Board was also briefed on activities of the Guadalupe Basin Coalition.

The Chair then called for **Discussion Item 15 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust, the San Antonio Bay Foundation, the Gorge Preservation Society, and the Guadalupe River Foundation.** Todd Votteler introduced Dan Alonso the future Executive Director of the

San Antonio Bay Foundation. Steve Jester briefed the Board on activities of the Guadalupe-Blanco River Trust.

The Chair called for **Discussion Item 16 - 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 17 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on the Texas Water Conservation Association and National Water Resources Association activities and meetings, a Senate Natural Resources hearing, and an upcoming GBRA Board Christmas social the evening before the December Board meeting.

The Chair recessed the open meeting at 12:09 p.m. The Chair closed the open meeting and convened the meeting in executive session pursuant to Chapter 551, Texas Government Code at 12:50 p.m. The open meeting reconvened in open session at 1:37 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 1:38 p.m. subject to call by the Chair.

Chair

Secretary