

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 September 21, 2016, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Tommy Mathews, Robert “Rusty” Brockman, Dennis L. Patillo, Oscar H. Fogle, Kenneth Motl, Don B. Meador, William R. Carbonara, and Ronald J. Hermes. Director Darrell McLain was absent. Grace G. Kunde, immediate previous Director from Guadalupe County, was also present. Also present were Kevin Patteson, General Manager/Chief Executive Officer; W. E. West, Jr., General Manager (retiring); Darrell Nichols, Senior Deputy General Manager; Alvin Schuerg, Senior Advisor to the General Manager; Darel Ball, Executive Manager of Water Resources and Utility Operations; Tom Bohl, General Counsel; Cindy Demers, Executive Manager of Finance and Administration/CFO; LaMarriol Smith, Executive Manager for Strategic Communications and Public Affairs; Todd Votteler, Executive Manager of Science, Intergovernmental Relations and Policy; David Welsch, Executive Manager of Business Development and Resource Management; Barbara Gunn, Human Resources Manager; Charlie Hickman, Manager of Project Engineering; Tommy Hill, Chief Engineer; John Smith, Operations Manager-Upper Basin; Michael Urrutia, Director of Water Quality Services; Teresa Van Booven, Project and Community Representative; Tricia Ramirez, Executive Assistant to the General Manager; Cricket Dietert, Executive Assistant to the General Counsel; Leigh Crettenden, IT Manager; Carl Westergard, Web Master; Jaynellen Kerr, Natural

Resource Specialist; Mary Newman, Project Coordinator; Anna Daniels, Regional Representative; Tim Dusek, Grant Writer/Administrator; Sandra Terry, Investment Manager; Lauren Willis, Administrative Assistant; Josie Longoria, Regional Laboratory Director; Dan Alonso, Executive Director with the San Antonio Bay Foundation; Texas State Representative John Kuempel; Alexis West; Shemyn Warren; Clint West; Roger Nevola, legal counsel; Jay Howard with HillCo Partners; Dana Hermes from Seguin; Tom Spurgeon and Jay Juarez with McCall, Parkhurst, and Horton; Allen Spelce and Bob Spain with Texas Water Safari; David Geaslin with The Geaslin Group; Dale Schellenberg with Friends of Lake Wood; Stefan Schuster with SWCA; Mark Rose; Bill Swanson with MWH; Felix Armbrula with the San Antonio Water System; Jeanette West with Cordelo Development; Raul Guerra; Lauren Dodd with the Seguin Gazette; Kevin Jacobs; Garry Montgomery with RCE; and John Stewart with Dykema Cox Smith.

Chair Mathews called the meeting to order at 10:00 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:

Grace Kunde led the Pledge of Allegiance to the United States flag and Texas flag.

The Chair called for comments from the public. Dale Schellenburg, Director of Friends of Lake Wood requested an update on the status of replacement of one section of the Guadalupe Valley Hydroelectric System H-5 Dam in Gonzales, Texas. Chair

Mathews informed Mr. Schellenburg that Darrell Nichols would be contacting him with an update.

The Chair called for **Chair Item 1 - Welcome new and re-appointed Directors and administer the *Oath of Office* to Thomas O. Mathews, II, Dennis L. Patillo, and Ronald J. Hermes.** Chair Mathews recognized and welcomed Texas State Representative John Kuempel. State Representative Kuempel administered the *Oath of Office* to Thomas O. Mathews, II, Dennis L. Patillo, and Ronald J. Hermes.

Next, the Chair called for **Chair Item 2 - Consideration of and possible action approving a Resolution honoring Grace G. Kunde for her outstanding leadership during her service as a Director and Officer of the Guadalupe-Blanco River Authority Board of Directors.** Texas State Representative John Kuempel presented Grace Kunde with a gavel honoring her dedicated service to the water resources of the State of Texas and as member of the GBRA Board of Directors. Chair Mathews recognized, thanked, and read a Resolution honoring Grace Kunde for her service on the GBRA Board of Directors. Upon motion by Director Patillo, seconded by Director Fogle, the Board unanimously approved a Resolution honoring Grace G. Kunde for her service as a Director and Officer of the Guadalupe-Blanco River Authority Board of Directors. A copy of the Resolution is attached and made a part of these minutes.

Chair Mathews next recognized retiring General Manager W. E. "Bill" West, Jr. and his family, wife Alexis, daughter Shemyn Warren, and son Clint West. Chair Mathews described the many challenges that were encountered and accomplishments

and rewards achieved throughout Bill West's tenure as General Manager of the Guadalupe-Blanco River Authority.

The Chair then called for **Chair Item 6 - Presentation of a Proclamation from the Governor's Office honoring W. E. West, Jr.** Chair Mathews read and presented a Proclamation from the Governor's Office honoring Bill West for his dedication to the waters of the State of Texas.

The Chair called for **Chair Item 7 - Presentation of a Proclamation from Senator Donna Campbell's Office honoring W. E. West, Jr.** Chair Mathews read and presented a Proclamation from Texas Senator Donna Campbell's Office honoring Bill West for his dedication to water for the State of Texas.

Next, the Chair called for **Chair Item 3 - Consideration of and possible action approving a Resolution honoring 2016 Guadalupe-Blanco River Authority retiree W. E. "Bill" West, Jr. for his twenty-two (22) years of meritorious and faithful service as General Manager.** Chair Mathews thanked Bill West for his service to GBRA as General Manager. Chair Mathews read a Resolution honoring Mr. West. Upon motion by Director Motl, seconded by Director Fogle, the Board unanimously approved a Resolution honoring 2016 Guadalupe-Blanco River Authority retiree W. E. "Bill" West, Jr. for his twenty-two (22) years of meritorious and faithful service as General Manager. A copy of the Resolution is attached and made a part of these minutes. Mr. West thanked everyone for a wonderful career.

The Chair then called for **Chair Item 4 - Consideration of and possible action renaming the Guadalupe-Blanco River Authority River Annex building to the**

Guadalupe-Blanco River Authority William E. West, Jr., Annex Building. Upon motion by Director Meador, seconded by Director Patillo, the Board unanimously approved renaming the Guadalupe-Blanco River Authority River Annex building to the Guadalupe-Blanco River Authority William E. West, Jr., Annex Building.

The Chair called for **Chair Item 5 - Presentation of Gavel from the Governor's Office honoring W. E. West, Jr., for his twenty-two (22) years of meritorious service as General Manager of the Guadalupe-Blanco River Authority.** The presentation of the gavel will be made at the retirement party for W. E. West, Jr., on Saturday, September 24, 2016. No action was taken on Chair Item 5.

Next, the Chair called for **Chair Item 8 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association fall meeting, October 12-14, 2016, at The Wyndham San Antonio Riverwalk Hotel in San Antonio, Texas.** Upon motion by Director Patillo, seconded by Director Brockman, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association fall meeting in San Antonio, Texas.

The Chair then called for **Consent Item 9 - Consideration of and possible action approving the minutes of the August 10, 2016 Strategic Plan Work Session and the August 17, 2016, Board meeting; Consent Item 10 - Consideration of and possible action approving the monthly financial report for August 2016; Consent Item 11 - Consideration of and possible action approving the monthly operations report for August 2016; and Consent Item 12 - Consideration of and possible**

action approving Directors' expense vouchers. Upon motion by Director Motl, seconded by Director Brockman, the Board unanimously approved Consent Items 9, 10, 11, and 12.

The Chair called for **General Manager Item 13 - Discussion of the executive report addressing various matters relating to WATER RESOURCES PLANNING including reuse of reclaimed effluent and GBRA policy, GBRA's Mid Basin Project (Groundwater and Surface Water), GBRA's Integrated Water-Power Project, GBRA participation in events relating to water and water-related organizations GBRA's Lower Basin Surface Water Project, the Hydropower Regulatory Efficient Act; engineering items including without limitation, meetings with federal agencies, debris removal in the upper and lower basin, studies relating the Mid-Basin water supply, Canyon Lake disinfection by-products, and repair of gates on hydro-electric dams, construction management within GBRA's statutory district, safety-related issues, utility operation; WATER QUALITY DIVISION AND REGIONAL LABORATORY ACTIVITIES including Regional Laboratory achievements, audits, and other activities, Water Quality related issues and activities, economic and community development activities, project development activities, resource projection activities including watershed protection programs, debris removal, lake and property management, Gorge Preservation Society activities; COMMUNICATIONS AND PUBLIC AFFAIRS including Media and Public Affairs, publications, Geographic Information Systems, and Special Projects, Social Media and Community Relations, Board Relations and Events, Grants, Education**

and the Environmental Learning Center; FINANCE AND ADMINISTRATION including information technology reports, Human Resource reports, and accounting and finance reports. No discussion was had on General Manager Item 13.

Next, the Chair called for **Action Item 14 - Consideration of and possible action approving Cindy Demers as a GBRA Investment Officer pursuant to Board Policy – 403 Investment Policy, Board Policy – 413 Depository Accounts and the Texas Public Funds Investment Act.** Alvin Schuerg briefed the Board on the documentation required to designate Cindy Demers as GBRA's Investment Officer. The Texas Public Funds Investment Act requires the Board of Directors to approve which GBRA employees are designated as "Investment Officers". GBRA's By-Laws, Board Policies, and numerous other internal practices and procedures place the primary responsibility for GBRA's treasury and investment management in the Executive Manager of Finance and Administration/CFO position. Effective August 29, 2016, Cindy Demers became GBRA's Executive Manager of Finance and Administration/CFO and Alvin Schuerg transitioned to a new role as Senior Advisor to the General Manager/CEO. Staff recommended that Ms. Demers, as GBRA's new CFO, be approved as a GBRA Investment Officer. Due to the large number of "authorizing documents" previously executed between GBRA and various banking and broker/dealer institutions listing Alvin Schuerg as the primary contact, staff recommended that Mr. Schuerg remain as an Investment Officer for the next few months. Upon motion by Director Brockman, seconded by Director Carbonara, the Board unanimously approved

Cindy Demers as a GBRA Investment Officer pursuant to Board Policy – 403 Investment Policy, Board Policy – 413 Depository Accounts and the Texas Public Funds Investment Act.

The Chair then called for **Action Item 15 - Consideration of and possible action authorizing the General Manager/CEO and Cindy Demers as the Executive Manager of Finance and Administration/CFO to execute all financial institution forms consistent with the responsibilities delineated in Section 6.09 Chief Financial Officer of the GBRA By-Laws.** Alvin Schuerg briefed the Board on additional documentation required to authorize Cindy Demers to execute all financial institution forms as GBRA's Executive Manager of Finance and Administration/CFO. The Executive Manager of Finance and Administration position holds the primary responsibility for GBRA's treasury and investment management. A number of documents are required to be executed between GBRA and various financial institutions in order to effectuate this responsibility. Effective August 29, 2016, Cindy Demers became GBRA's Executive Manager of Finance and Administration/CFO. In order to execute the necessary financial institution forms and facilitate the transition of the CFO position, a Board Resolution authorizing the transition was presented. Upon motion by Director Meador, seconded by Director Patillo, the Board unanimously approved a Resolution authorizing the General Manager/CEO and Cindy Demers as the Executive Manager of Finance and Administration/CFO to execute all financial institution forms consistent with the responsibilities delineated in Section 6.09 Chief Financial Officer of

the GBRA By-Laws. A copy of the Resolution is attached and made a part of these minutes.

The Chair called for **Action Item 16 - Consideration of and possible action approving a Resolution authorizing the purchase of a Reserve Fund Surety Policy from Assured Guaranty Municipal Corporation in connection with the issuance of the Authority's Contract Revenue Refunding Bonds, Series 2016 (San Marcos Water Treatment Plant Project), and approving and authorizing the execution of an Insurance Agreement related thereto.** Alvin Schuerg addressed the Board regarding the bond refunding for the San Marcos Water Treatment Plant Project. The City of San Marcos issued \$10,595,000 of bonds in 2006 at GBRA's request in order to provide funding for an expansion of the City's water treatment plant so GBRA could provide treated water to the IH-35 Project including project participants Kyle, Buda, Goforth, Sunfield, and Monarch. A portion of these bonds have previously been refunded by the City, however, \$4,910,000 of the 2006 bonds are still outstanding and eligible to be refunded. The Regional Water Supply Agreement as amended between the City of San Marcos and GBRA provides that GBRA may request the City to refund any of its Water Treatment Plant bonds which relate to Plant expansions requested by GBRA. In accordance with this provision and the current market conditions which are estimated to provide a debt service savings over the remaining life of the bonds of \$1,290,000, the City of San Marcos and GBRA have both previously agreed to this refunding. The GBRA staff in consultation with its Financial Advisor, Specialized Public Finance, recommended that the refunding bond issue be insured and a surety bond be

purchased to fund the required debt service reserve fund. Such bond insurance and surety bond are cost effective means of raising the rating and marketability of the refunding bond issue and therefore the ultimate debt service savings on the bonds. Upon motion by Director Patillo, seconded by Director Meador, the Board unanimously approved a Resolution authorizing the purchase of a Reserve Fund Surety Policy from Assured Guaranty Municipal Corporation in connection with the issuance of the Authority's Contract Revenue Refunding Bonds, Series 2016 (San Marcos Water Treatment Plant Project), and approved and authorized the execution of an Insurance Agreement related thereto. A copy of the Resolution is attached and made a part of these minutes.

Next, the Chair called for **Action Item 17 - Consideration of and possible action approving a Resolution Expressing Official Intent to Reimburse Costs Incurred to Make Improvements to the Western Canyon Regional Water Supply Project.** Alvin Schuerg briefed the Board on the costs for improvements to the Western Canyon Regional Water Supply Project. The United States Treasury regulations allow a governmental entity such as GBRA to incur "project costs" in advance of a tax-exempt financing. Those regulations also allow the governmental entity to reimburse itself for these early project costs when the project is long-term financed. GBRA constructed the 10 MGD Western Canyon Water Supply Project in 2003. The Project treats surface water from Canyon Reservoir for delivery to several project participants located in Comal, Kendall, and Bexar Counties. The Project uses membranes to filter the water and chlorine to disinfect the water to drinking water standards. One of the potential

consequences of such treatment is the creation of “Disinfection By-Products” in the potable water, particularly when that water is not consumed for a lengthy period of time. For a variety of reasons including several recent “high flow events” into Canyon Reservoir carrying a larger than normal amount of organic matter into the lake, the Western Canyon project participants have seen some increase in Disinfection By-Products in their periodic water sampling. As a result, GBRA and the project participants have agreed to add some “Treated Water Aeration Facilities” to the Western Canyon Project to mitigate the occurrence of these Disinfection By-Products. The Aeration Facilities and associated design and implementation are estimated to cost an amount not to exceed \$5,000,000. GBRA intends to long-term finance these costs using a bond issue that will be on parity with the existing Project financing. In order for GBRA to reimburse itself for any early costs incurred prior to the long-term financing, GBRA must declare its Official Intent to reimburse such costs by adopting a Reimbursement Resolution under the applicable U.S. Treasury rules. Upon motion by Director Fogle, seconded by Director Carbonara, the Board unanimously approved a Resolution Expressing Official Intent to Reimburse Costs Incurred to Make Improvements to the Western Canyon Regional Water Supply Project. A copy of the Resolution is attached and made a part of these minutes.

The Chair then called for **Action Item 18 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a Joint Funding Agreement between the United States Geological Survey and the Guadalupe-Blanco River Authority for the period October 2016 through**

September 2017. Tommy Hill briefed the Board on the Joint Funding Agreement. GBRA has contracted with the United States Geological Survey since the early 1960's to provide stage and stream flow gauging and water quality testing at various sites. GBRA's present contract includes funding for thirteen gauges and testing for pesticides in the Calhoun Canal System. The Guadalupe River Basin contains a total of 50 river gauges with funding from various sources including the U. S. Army Corps of Engineers, the Edwards Aquifer Authority, the Upper Guadalupe River Authority, the Texas Water Development Board, and GBRA. The proposed 2017 United States Geological Survey contract includes 13 river gauges and includes continued participation in the Jacob's Well water quality site. The United States Geological Survey is now charging an additional fee to monitor the Sattler and Spring Branch gauges on a monthly basis as requested by GBRA. The charge is \$7,800 for each site per year. In recent past, they have not charged for this added service. Upon motion by Director Brockman, seconded by Director Meador, the Board unanimously authorized the General Manager/CEO to negotiate and execute a Joint Funding Agreement between the United States Geological Survey and GBRA for the period October 2016 through September 2017. A copy of the Joint Funding Agreement is attached and made a part of these minutes.

The Chair called for **Action Item 19 Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a contract with the lowest responsible bidder for the Emergency Watershed Protection River Debris and Obstruction Removal/Disposal San Marcos River project in Caldwell County.** Tommy Hill briefed the Board on the Emergency Watershed Protection Project

in Caldwell County. GBRA applied for a NRCS grant in June 2015 to Caldwell County with disaster relief efforts using the Emergency Watershed Protection program. The grant was approved and contracts were executed with the NRCS in July 2016. The project concentrated on debris in the floodplain on both sides of the San Marcos River along FM 1979 for approximately 800 feet on the east side. Rights of Entry have been obtained with the assistance of the City of Martindale. Plans and Specifications have been developed and the Notice of Bid was posted on September 1, 2016 for removal of the debris, interim stacking, and ultimately the burning of the stacks. Construction bids were opened on September 19, 2016. Upon motion by Director Fogle, seconded by Director Hermes, the Board unanimously authorized the General Manager/CEO to negotiate and execute a contract with the lowest responsible bidder for the Emergency Watershed Protection River Debris and Obstruction Removal/Disposal San Marcos River project in Caldwell County. A copy of the contract with the lowest responsible bidder is attached and made a part of these minutes.

Next, the Chair called for **Action Item 20 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a Memorandum of Understanding with New Braunfels Utilities (NBU) regarding NBU's Gruene Wastewater Treatment Plant.** No discussion was had on Action Item 20 at this time.

The Chair then called for **Action Item 21 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute an Interlocal Agreement between the Guadalupe-Blanco River Authority and the San**

Antonio River Authority for a river debris removal project in Victoria and Refugio Counties. Tommy Hill briefed the Board on the debris removal project in Victoria and Refugio Counties. A proposed Interlocal Agreement between GBRA and the San Antonio River Authority under which the San Antonio River Authority would contribute up to \$100,000.00 for the debris removal project in the Lower Basin was presented to the Board. Upon motion by Director Motl, seconded by Director Patillo, the Board unanimously authorized the General Manager/CEO to negotiate and execute an Interlocal Agreement between the Guadalupe-Blanco River Authority and the San Antonio River Authority for a river debris removal project in Victoria and Refugio Counties. A copy of the Interlocal Agreement is attached and made a part of these minutes.

The Chair called for **Discussion Item 22 - Presentation on the 2016 Texas Water Safari.** Teresa Van Booven introduced Allen Spelce and Bob Spain with the Texas Water Safari. A video prepared by Yeti on the Texas Water Safari race was shown to the Board. Mr. Spelce briefed the Board on the difficulty of completing the race, there are no monetary prizes, and the racers compete to receive a patch. Mr. West was presented a paddle from the Texas Water Safari in appreciation for all his help and support. Mr. Spelce also thanked GBRA for their sponsorship of the event.

Next, the Chair called for **Discussion Item 23 - Quarterly status report on grant activities.** Tim Dusek briefed the Board on grant activities including receipt of two grants from the Texas Water Development Board for rainfall gauges and warning sirens, a grant from the Texas State Soil and Water Conservation Board for the Plum

Creek Water Protection Plan, and several potential grant opportunities for the upcoming fiscal year.

The Chair then called for **Discussion Item 24 - Discussion regarding the activities and transactions of the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe Basin Coalition.** No discussion was had on Discussion Item 24.

The Chair called for **Discussion Item 25 - 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.** No discussion was had on Discussion Item 25.

Next, the Chair called for **Discussion Item 26 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** No discussion was had on Discussion Item 26.

The Chair recessed the open meeting at 11:06 a.m. The Chair then closed the open meeting and convened the meeting in executive session at 11:17 a.m. pursuant to Chapter 551, Texas Government Code. The Chair reconvened the meeting in open session at 12:34 p.m.

The Chair recessed the meeting at 12:35 p.m. The Chair then closed the open meeting and convened the meeting in executive session at 1:17 p.m. pursuant to Chapter 551, Texas Government Code. The Chair reconvened the meeting in open session at 2:27 p.m.

The Chair called for **Action Item 20 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a Memorandum of Understanding with New Braunfels Utilities (NBU) regarding NBU's Gruene Wastewater Treatment Plant.** Darrell Nichols briefed the Board on the Memorandum of Understanding. This Memorandum of Understanding is a statement of intent by New Braunfels Utilities as to the treatment and processes that will be used in their new Gruene Wastewater Treatment Plant. It also promotes public awareness of the New Braunfels Utilities' wastewater treatment operations at this plant and a joint public education program between New Braunfels Utilities and GBRA. The Memorandum of Understanding is intended to resolve GBRA's protest of New Braunfels Utilities' waste discharge permit application pending before the Texas Commission on Environmental Quality. Both parties have agreed to the Memorandum of Understanding pending approval by their respective governing bodies. Upon motion by Director Patillo, seconded by Director Meador, the Board unanimously authorized the General Manager/CEO to negotiate and execute a Memorandum of Understanding with New Braunfels Utilities regarding New Braunfels Utilities' Gruene Wastewater Treatment Plant. A copy of the Memorandum of Understanding is attached and made a part of these minutes.

Next, the Chair called for **Item 27e - Deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee or hear a complaint or charge against an officer or employee; Section 551.074, Texas Government Code.** Upon motion by Director Patillo, seconded by

Director Fogle, the Board unanimously approved \$25,000 in additional compensation for outgoing General Manager/CEO W. E. West, Jr. Upon motion by Director Patillo, seconded by Director Fogle, the Board unanimously authorized the Board Chair to engage David P. Engel with Engel Associates to assist with the General Manager/CEO six (6) month performance review.

The Chair then called for **Item 27b - Seek advice from legal counsel on matters relating to real property interests, including without limitation, issues relating to rights and obligations under the agreement to purchase groundwater rights in Gonzales and Caldwell Counties for GBRA's Mid-Basin Project, legal issues relating to the acquisition of those water rights, and other groundwater and surface water rights owned by or contemplated for purchase or lease by GBRA; Sections 551.071 and 551.072, Texas Government Code.** Upon motion by Director Brockman, seconded by Director Patillo, the Board unanimously authorized the General Manager/CEO to seek and execute on behalf of GBRA modifications to the February 22, 2016 Purchase and Sale Agreement with SJW Corp. (the PSA) that are acceptable to the General Manager/CEO and, if the General Manager/CEO deems it in GBRA's best interests, take any necessary actions pursuant to the PSA.

There being no further business to be brought before the Board, the meeting was adjourned at 2:29 p.m. subject to call by the Chair.

Chair

Secretary