

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, 2018, at the GBRA William E. West, Jr., Annex Building Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Robert “Rusty” Brockman, Dennis L. Patillo, Don B. Meador, William R. Carbonara, Tommy Mathews, Kenneth Motl, Ronald J. Hermes, and Steven B. Ehrig. Director Oscar H. Fogle was absent. Also present were Kevin Patteson, General Manager/Chief Executive Officer; Darrell Nichols, Senior Deputy General Manager; Jonathan Stinson, Deputy General Manager; Alvin Schuerg, Senior Advisor to the General Manager; Darel Ball, Executive Manager of Operations and Water Quality; Tom Bohl, General Counsel; Vanessa Guerrero, Executive Manager of Administration; Tommy Hill, Executive Manager of Project Engineering and Development/Chief Engineer; Randy Staats, Executive Manager of Finance/Chief Financial Officer; Courtney Kerr-Moore, Associate General Counsel; Charlie Hickman, Manager of Project Engineering; Michael Urrutia, Deputy Executive Manager of Operations; Sandra Terry, Deputy CFO Finance; Eduardo Montana, Division Manager Hays/Caldwell Operations; Jim Wyatt, SCADA Administrator; Jaynellen Kerr, Natural Resources Specialist; Carrie Kasnicka, Executive Director of the Guadalupe-Blanco River Trust; Tom Spurgeon with McCall, Parkhurst and Horton; and Anne Burger Entrekin with HillTop Securities.

Chairman Brockman 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, the GBRA main office and the William E. West, Jr., Annex Building in Seguin, Texas, pursuant to Title 5, Chapter 551 of the Texas Government Code. A quorum being present, the following proceedings were had:

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

The Chairman called for **Public Comment Item 1 - Comments from the public.** There were no public comments.

Next, the Chairman called for **Consent Item 2 - Consideration of and possible action approving the minutes of the September 19, 2018, Board meeting and workshop meeting; Consent Item 3 - Consideration of and possible action approving the monthly financial report for August 2018; Consent Item 4 - Consideration of and possible action approving the monthly operations report for September 2018; and Consent Item 5 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Motl, seconded by Director Patillo, the Board unanimously approved Consent Items 2, 3, 4, and 5.

The Chairman then called for **General Manager/CEO Item 6 - The General Manager/CEO and staff may report on, and the Board may discuss, executive reports and/or issues relating to GBRA activities including without limitation, the following: GBRA water and sewer utility operations, hydroelectric operations, GBRA facilities management including plants and dams, safety, water resources planning and operation, construction management, economic and community**

development, project development, accounting and finance, records management, grants and financial assistance, human resources, information technology, communications, social media, education programs, resource protection, weather and climate, river flows and other scientific issues, non-profit entities partnering with GBRA, water quality services, community affairs, environmental programs, and stewardship. Quarterly reports were not discussed this month. Chairman Brockman commented on a successful GBRA 2018 Pecan Fest and the cooperative effort of managing Canyon Reservoir between GBRA staff and the U. S. Army Corps of Engineers during the recent rainfall event.

The Chairman called for **Action Item 7 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a Memorandum of Understanding to Evaluate Regional Wastewater Treatment Options between the City of Boerne, the City of Fair Oaks Ranch, and the Guadalupe-Blanco River Authority.** Darrell Nichols briefed the Board on the Memorandum of Understanding relating to the evaluation of regional wastewater treatment options. Upon motion by Director Mathews, seconded by Director Ehrig, the Board unanimously authorized the General Manager/CEO to negotiate and execute a Memorandum of Understanding to Evaluate Regional Wastewater Treatment Options between the City of Boerne, the City of Fair Oaks Ranch, and the Guadalupe-Blanco River Authority.

Next, the Chairman called for **Action Item 8 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a Wastewater Service Agreement between Guadalupe-Blanco River Authority and**

Lennar Homes of Texas Land and Construction, LTD. Alvin Schuerg briefed the Board on the wastewater services agreement. Currently GBRA provides retail wastewater service to approximately 1,587 customers through the Dunlap Wastewater Reclamation System. The service area is wholly within Guadalupe County and lies just west of the Guadalupe River and south of the City of New Braunfels. The pace of new housing development within the service area has increased over the last few years requiring the construction of new wastewater infrastructure to interconnect with GBRA's existing infrastructure. Within GBRA's existing service area, Lennar Homes (Lennar) plans to develop an approximately 16.5 acre tract of land located at the southeast intersection of FM 725 and Schumanns Beach Road. The development will be known as Glendale and it is currently being platted for 89 single family residences. Lennar has requested that GBRA provide wastewater service to the development. In order to provide the requested wastewater service, GBRA and Lennar will need to execute an Agreement principally requiring: (1) Lennar to provide all construction plans and specifications for GBRA review, (2) Lennar to construct the wastewater collection system within the development, (3) Lennar to construct the connecting infrastructure from the development to GBRA's existing facilities, (4) Lennar to convey all wastewater infrastructure and rights-of-way to GBRA following construction, (5) Lennar to pay GBRA Connection Fees (currently \$5,477 per LUE) and, (6) GBRA to merge the Lennar wastewater system into its Dunlap Wastewater Reclamation System as owner and operator. Upon motion by Director Patillo, seconded by Director Meador, the Board unanimously authorized the General Manager/CEO to negotiate and execute a Wastewater Service Agreement

between Guadalupe-Blanco River Authority and Lennar Homes of Texas Land and Construction, LTD.

The Chairman then called for **Action Item 9 - Consideration of and possible action authorizing Guadalupe-Blanco River Authority staff to close various bank accounts.** Sandra Terry briefed the Board on the closure of various GBRA Bank accounts pursuant to GBRA Board Policy 413 – Depository Accounts, which requires Board of Director approval prior to closing bank accounts. GBRA has many bank and investment accounts, some of which were opened due to bond covenants and related IRS arbitrage requirements. Through time, other bank accounts were established for each operating division. To ensure alignment with the general ledger, adequately account for every transaction, and maintain proper internal controls, bank accounts are reconciled on a monthly basis. In addition, the transfer or movement of funds is necessary within bank accounts to cover disbursements made through a general bank account. These activities become more cumbersome and time consuming with the excessive amount of bank accounts GBRA currently has in place. In order to consolidate funds and streamline treasury management operations, the following bank accounts were proposed for closure: First United Bank-General Revenue Fund-Checking; First United Bank-Guadalupe River Foundation-Checking; Broadway Bank-Guadalupe Valley Hydroelectric Operating-Checking; Broadway Bank-Canyon Hydroelectric Operating-Checking; Citizens State Bank-Luling Operating-Checking; First Lockhart Bank-Lockhart Operating-Checking; First National Bank of Port Lavaca-Calhoun Canal Operating-Checking; International Bank of Commerce-Port Lavaca Operating-Checking; International Bank of Commerce-

Rural Water Operating-Checking; and Wells Fargo Bank-Water Supply Operating-Checking. Upon motion by Director Carbonara, seconded by Director Mathews, the Board unanimously authorized Guadalupe-Blanco River Authority staff to close the proposed bank accounts.

The Chairman called for **Action Item 10 - Consideration of and possible action authorizing Guadalupe-Blanco River Authority staff to open accounts.** Sandra Terry briefed the Board on the proposed opening of various GBRA bank accounts pursuant to GBRA Board Policy 413 – Depository Accounts, which requires Board of Director approval prior to the initiation of new bank accounts. With the impending receipt of funds through the Texas Water Development Board for the Carrizo Groundwater Supply Project, staff requested the initiation of a new bank account and TexPool investment pool accounts. Segregating funds for this project from other GBRA funds is necessary to properly account for the tracking of receipt and disbursement of funds to ensure compliance with Internal Revenue Service arbitrage regulations. A new bank account will serve as the construction project fund during the course of project development. The TexPool accounts will serve to aggregate funds for debt service repayment purposes and investment of excess proceeds. Upon motion by Director Meador, seconded by Director Patillo, the Board unanimously authorized Guadalupe-Blanco River Authority staff to open accounts as indicated.

Next, the Chairman called for **Action Item 11 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a contract with the lowest responsible bidder for the repair and rehabilitation of the Lockhart**

Water Well Number 10. Michael Urrutia briefed the Board on the repair and rehabilitation of the Lockhart Water Well Number 10. GBRA operates the water and wastewater treatment systems for the City of Lockhart. As part of these operations, GBRA also maintains the City's water wells. The Lockhart Water Well Number 10 is in need of repairs and rehabilitation to maximize well production. A rehabilitation multi-stage approach is needed and recommended including jetting, mechanical scrubbing, video inspection, acid treatment, chlorine disinfection and pump testing. The Lockhart Well Number 10 also needed of repair/replacement of the pump, motor, column pipe and other components of the well. Upon motion by Director Mathews, seconded by Director Motl, the Board unanimously authorized the General Manager/CEO to negotiate and execute a contract with the lowest responsible bidder for the repair and rehabilitation of the Lockhart Water Well Number 10.

The Chairman then called for **Action Item 12 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a contract with the lowest responsible bidder for the repair of Lockhart Water Well Number 11.** Michael Urrutia briefed the Board on repairs need on Lockhart Water Well Number 11. GBRA operates the water and wastewater treatment systems for the City of Lockhart. As part of these operations, GBRA also maintains the City's water wells. The Lockhart Water Well Number 11 is in need of repairs to maximize well production. This repair work includes the repair/replacement of the pump, motor, column pipe, and other components of the well. Upon motion by Director Meador, 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 repair of Lockhart Water Well Number 11.

The Chairman called for **Action Item 13 - Consideration of and possible action authorizing the General Manager/CEO to enter into a contract with the lowest qualified bidder for emergency generator preventive maintenance services.**

Eduardo Montana briefed the Board on the requested emergency generator preventive maintenance services. The Guadalupe-Blanco River Authority maintains standby generators at various water, wastewater, and communication facilities within the Guadalupe River Basin. GBRA relies on generators at several locations throughout the basin to provide emergency power to water and wastewater treatment plants, wastewater lift stations, and communications centers during local and regional electrical power outages. To ensure generators operate properly when needed, periodic preventive maintenance is required which is more efficiently provided as contracted services. Preventive maintenance requirements have become more complex as diesel engines and generators become more advanced. Proper servicing requires specialized diagnostics tools and software and extends well beyond routine oil and filter changes. To encompass all levels of recommended preventive maintenance, a proposal will be requested from qualified service providers for a two-year contract, the option of no more than two one-year extension options. Standby generators fill a vital role in providing high quality uninterrupted service to water and wastewater customers. This multi-year contract allows the same service company to provide maintenance needs that are scheduled quarterly and/or annually to ensure the generators operate reliably when needed. Upon motion by

Director Mathews, seconded by Director Hermes, the Board unanimously authorized the General Manager/CEO to enter into a contract with the lowest qualified bidder for emergency generator preventive maintenance services.

Next, the Chairman called for **Action Item 14 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a contract with the lowest qualified bidder for the replacement of two Programmable Logic Controllers (PLCs) and replication of existing programs at the Canyon Hydroelectric Plant at Canyon Lake.** Jim Wyatt briefed the Board on the replacement on the Programmable Logic Controllers. This item had been authorized for bidding on April 18, 2018, but all bids were rejected. The two existing Hydroelectric Generators located at the Canyon Hydroelectric Plant are currently controlled by obsolete GE Fanuc 90-30 Series PLCs. The PLC programs were developed in GE Logic Master software. In addition to the hard wired input/output (I/O), the controllers also communicate via Serial Modbus to several devices including but not limited to, Governors, Voltage Controls and OITs. The current method of remote communications to these controllers has been Serial Modbus. The proposed replacement controllers must provide Ethernet communications that will utilize an existing network for remote monitoring by GBRA. GBRA has current backup copies of both the Unit 1 and Unit 2 Master Logix programs. Additionally a PC is provided on-site that has the Logic Master software loaded on it and able to connect and go online with controllers. Sufficient planning will be required to analyze the existing enclosures and physical layout of the existing PLCs, their expanded I/O configuration and location of wire terminations to assure a proper retrofit and re-termination of all hardwired

I/O. Once all tags have been replicated in the new controllers, these tags will have to be updated in the existing Ignition HMI project located in Seguin. Verification methods will be required to confirm tag functionality, scaling and accuracy. Upon motion by Director Motl, seconded by Director Patillo, the Board unanimously authorized the General Manager/CEO to negotiate and execute a contract with the lowest qualified bidder for the replacement of two Programmable Logic Controllers (PLCs) and replication of existing programs at the Canyon Hydroelectric Plant at Canyon Lake.

The Chairman then called for **Action Item 15 - Consideration of and possible action approving a Resolution authorizing the Issuance of \$23,925,000 in Aggregate Principal Amount of Guadalupe-Blanco River Authority Contract Revenue Bonds, Series 2018A (Deferred Financing) and Series 2018B (Low-Interest Financing) (Carrizo Groundwater Supply Project); authorizing the sale thereof to the Texas Water Development Board (TWDB) through its State Water Implementation Fund for Texas (SWIFT) Program; approving and authorizing the execution of (i) a Paying Agent/Registrar Agreement and an Escrow Agreement for each Series of Bonds, and (ii) a Master Agreement with the TWDB relating to the TWDB (a) providing \$116,650,000 of additional financial assistance through the TWDB's Board Participation Loan Program under the SWIFT Program, and (b) receiving an Ownership Interest in GBRA's interest in the Carrizo Groundwater Supply Project for a period of time; approving and authorizing all other instruments and procedures related thereto; and providing for an immediate effective date.** Darrell Nichols briefed the Board on the Texas Water Development Board financing for

the Carrizo Groundwater Supply Project. Tom Spurgeon briefed the Board on the three financing components for the Project, components of the Bond Resolution, escrow agreements, and the paying agent/registrars agreement. Anne Entekin briefed the Board on GBRA interest rates with the Texas Water Development Board, deferred interest program, deferred financing structure, low-interest financing, Master Repurchase Agreement, aggregate debt service, and aggregate customer net debt service. Upon motion by Director Meador, seconded by Director Patillo, the Board unanimously approved a Resolution authorizing the Issuance of \$23,925,000 in Aggregate Principal Amount of Guadalupe-Blanco River Authority Contract Revenue Bonds, Series 2018A (Deferred Financing) and Series 2018B (Low-Interest Financing) (Carrizo Groundwater Supply Project); authorized the sale thereof to the Texas Water Development Board (TWDB) through its State Water Implementation Fund for Texas (SWIFT) Program; approved and authorized the execution of (i) a Paying Agent/Registrar Agreement and an Escrow Agreement for each Series of Bonds, and (ii) a Master Agreement with the TWDB relating to the TWDB (a) providing \$116,650,000 of additional financial assistance through the TWDB's Board Participation Loan Program under the SWIFT Program, and (b) receiving an Ownership Interest in GBRA's interest in the Carrizo Groundwater Supply Project for a period of time; approved and authorized all other instruments and procedures related thereto; and providing for an immediate effective date. A copy of the Resolution is attached and made a part of these minutes.

The Chairman called for **Action Item 16 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute an Interlocal Utility**

Agreement between the Guadalupe-Blanco River Authority and the City of Buda to provide for the relocation of a segment of existing potable waterline. Charlie Hickman briefed the Board on the Interlocal Utility Agreement for the relocation of a segment of an existing potable water line. The City of Buda is undertaking a capital improvement project to perform roadway improvements generally described as the Old Goforth Road Improvement Project. This project will necessitate the relocation of approximately 160 linear feet of potable waterline that is part of GBRA's IH-35 Treated Water Delivery System. The Interlocal Utility Agreement will allow the City of Buda to include the construction of the potable waterline improvements within the contract for the roadway construction. GBRA will be responsible for reimbursing the City for 44.08 percent of the construction cost of the waterline. This design engineer's estimate for the GBRA portion of the project is \$40,814. Upon motion by Director Mathews, seconded by Director Hermes, the Board unanimously authorized the General Manager/CEO to negotiate and execute an Interlocal Utility Agreement between the Guadalupe-Blanco River Authority and the City of Buda to provide for the relocation of a segment of existing potable waterline.

Next, the Chairman called for **Action Item 17 - Consideration of and possible action approving a Resolution of the Guadalupe-Blanco River Authority Board of Directors finding that the easement segment to be vacated or exchanged, described as a 0.0129 segment of GBRA's 20 foot wide waterline easement recorded at Volume 2764, page 409 of the Real Property Records of Hays County, Texas, is no longer needed and authorizing the General Manger/CEO to negotiate**

and execute agreements with the City of Buda for the vacation of said segment or exchange of easement segment as needed for the relocation of GBRA's water supply line crossing Old Goforth Road. Tom Bohl briefed the Board on the Resolution relating to the relocation of GBRA's potable water line crossing Old Goforth Road. Upon motion by Director Motl, seconded by Director Mathews, the Board unanimously approved a Resolution of the Guadalupe-Blanco River Authority Board of Directors finding that the easement segment to be vacated or exchanged, described as a 0.0129 segment of GBRA's 20 foot wide waterline easement recorded at Volume 2764, page 409 of the Real Property Records of Hays County, Texas, is no longer needed and authorized the General Manger/CEO to negotiate and execute agreements with the City of Buda for the vacation of said segment or exchange of easement segment as needed for the relocation of GBRA's potable water line crossing Old Goforth Road. A copy of the Resolution is attached and made a part of these minutes.

The Chairman then called for **Discussion Item 18 - Quarterly status report on the Guadalupe-Blanco River Trust and the Gorge Preservation Society.** Carrie Kasnicka briefed the Board on the activities of the Guadalupe-Blanco River Trust including the Board of Trustees quarterly meeting, the Land and Water Conservation Committee meeting, a potential conservation easement on a 45-acre tract in Hays County, a potential conservation easement on a 170-acre tract in Comal County, strategic planning, a contract with Kindful, annual site visits, the Plum Creek Wetlands Preserve Texas Parks and Wildlife Department Trails Grant awarded to the Trust in the amount of \$250,000, and completion of a conservation easement on the Pagel property in Refugio

County. Jaynellen Kerr briefed the Board on the activities of the Gorge Preservation Society including Gorge tours, maintenance activities of the Gorge Trailblazers, 5th grade outdoor classroom fieldtrips, construction progress on the new driveway entrance to Gorge in conjunction with the Tye Preston Memorial Library, overlooks for self-guided tours, the 9th annual Moonlight in the Gorge Gala, and the annual volunteer appreciation dinner.

The Chairman called for **Discussion Item 19 - Discussion regarding Base Flow Report, Water Quality Index, long term weather pattern, and condition of the Guadalupe Basin.** Tommy Hill briefed the Board on the Basin hydrologic condition, the Base Flow Report, Water Quality Index, condition of the Guadalupe Basin including rainfall percentages, events and totals, the U. S. Drought Monitor Seasonal Outlook, Comal Springs level, San Marcos Springs level, Guadalupe River stream flows, elevation of Canyon Reservoir and other Texas reservoirs, salinity levels in San Antonio and Aransas Bay, and latest El Niño modeled forecast.

The Chairman recessed the open meeting at 11:11 a.m. The Chairman then closed the open meeting and convened the meeting in executive session at 11:20 a.m. pursuant to Chapter 551, Texas Government Code. The Chairman reconvened the meeting in open session at 12:37 p.m.

Vanessa Guerrero presented a proposed executive compensation package for General Manager/CEO Patteson. Upon motion by Chairman Brockman, seconded by Director Carbonara, the Board unanimously adjusted the compensation of the General Manager/CEO as follows:

1. The General Manager/CEO will receive a stipend of fifteen percent (15%) of his current salary, based on his performance since his hire date, effective October 6, 2018;
2. The General Manager/CEO's annual salary will be increased by ten percent (10%), effective October 6, 2018;
3. The General Manager/CEO will receive a vehicle allowance of \$1,000 per month in lieu of his use of a GBRA vehicle, effective October 6, 2018;
4. A subsequent review be completed by April 2019; and
5. A committee of the Board of Directors was appointed to consider future executive compensation for the General Manager/CEO consisting of the following members: Rusty Brockman, Don B. Meador, and Steve Ehrig.

There being no further business to be brought before the Board, the Chairman adjourned the meeting at 12:39 p.m.

Chairman

Secretary