

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 June 22, 2011, at the Chisholm Trail Heritage Museum, 302 Esplanade, Cuero, DeWitt County, Texas. Directors present were Grace G. Kunde, Oscar H. Fogle, Frank J. Pagel, James L. Powers, Myrna P. McLeroy, Dennis L. Patillo, and Tommy Mathews. Directors Arlene N. Marshall and Robert "Rusty" Brockman were absent. Also present were W. E. West, Jr., General Manager; James Lee Murphy, Executive Manager of Water Resources and Utility Operations; Alvin Schuerg, Executive Manager of Finance and Administration; Todd Votteler, Executive Manager of Intergovernmental Relations and Policy; Bruce Wasinger, General Counsel; David Welsch, Executive Manager of Business Development and Resource Management; Gary Asbury, Project Manager; 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, Manager of Communication and Education; Teresa Van Booven, Project and Community Representative; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations Assistant; Tammy Beutnagel, Public Communications Assistant; Leigh Crettenden, Web Master; Angela Baxley, Network Administrator; Forrest Burnson, GBRA Intern; Steve Jester, Executive Director representing the Guadalupe-Blanco River Trust; Tommie Streeter-Rhoad, Executive Director representing the San Antonio Bay Foundation; Roger Nevola, legal counsel;

David Engel representing Engel and Associates; Sara Meyer, Mayor - City of Cuero; Robert Oliver, Chairman of the Chisholm Trail Heritage Museum; Kay Lapp, Cuero Chamber of Commerce; Elizabeth Ames Jones, Chairman of the Railroad Commission of Texas; Brent Halldorson and Rich Brodorick representing Fountain Quail, a subsidiary of Aqua-Pure; Chris Hoser representing Texas Star Alliance; Ted Aven representing the Pecan Valley Groundwater District; Randall Malik, Cuero Economic Development Manager; DeWitt County Judge Daryl Fowler; Raymie Zella, Cuero City Manager; Art Dohmann representing Gonzales County Groundwater Conservation District; Mike Morrison representing Freese and Nichols; Roy Cusalik representing Amsail; Barbara Dietzel representing Victoria County Groundwater Conservation District; Bill Jones representing South Central Texas Regional Water Planning Group-Region L; Jerry James representing the City of Victoria; Mark and Kim Krueger representing South Texas Groundwater Solutions; James Dodson representing NEI; Gerri Lowing representing the Guadalupe Valley Electric Cooperative; Tim Andruss and Kenneth Eller representing Victoria County Groundwater Conservation District; Clem Waskow representing DeWitt County Soil Conservation Service; Bruce Lesikar representing KASELCO; Sid Duderstadt representing The Duderstadt Ranch of Texas; Bea McKinney representing SouthCentralTexas.net; Glenn Rea representing the Cuero Record; Mike Green representing Eaglefordinfo.blogspot.com; Mark Jahn representing Cotton Patch Ranch; Audrey Castoreno representing NC2S; Randy Hoffman and Travis Hanson representing Lirah Resource; Reif Hedgcoxe, ERM of Houston; Bob Keith, Darwin Koening and Carl and Estelle Marthiljottwi of Victoria; Nelda Schulle, Mary

Kahlich, Ken Buerger, Shirley Crain, Tyler McClellain, Jorge Trevino, Pat Hedger, Marina Bach, Elizabeth Riebschlaeger, Barbara Komal, Wilfred Konrad, W. Anderson, and Ronnie Parencia of Cuero; Tim Strieber, Louis and Joyce Rangnow, Robert Pullen, Kraege Wolpman, and Jim Riedel of Yorktown; Willie and Gladys Machicek of Shiner; James Nolte Pat Kennedy, and Carol Griffith of Yoakum; Barbara Stubblefield of Westhoff; Cedric Iglehart of Gonzales; M. C. Swanson of El Campo; Sarah Allen Kram, attorney from Hallettsville; and Betty Birdwell of Port Lavaca.

Chair Kunde called the meeting to order at 10:04 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 DeWitt County Courthouses, the Chisholm Trail Heritage Museum in Cuero, and at the GBRA main office and river annex in Seguin, Texas, pursuant to Title 5, Chapter 551 of the Texas Government Code. A quorum being present, the following proceedings were had:

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

In the absence of Secretary-Treasurer Marshall, the Chair appointed Director Powers to serve as Secretary Pro-Tem for the meeting.

The Chair called for comments from the public. Chair Kunde recognized Robert Oliver, Chairman of the Chisholm Trail Heritage Museum. Mr. Oliver welcomed everyone to the City of Cuero and gave a brief overview on the history of the Heritage Museum. Chair Kunde then recognized Cuero Mayor Sara Meyer. Mayor Meyer

welcomed everyone to the City of Cuero and highlighted a few wonderful attractions in the community.

The Chair called for **Chair Item 1 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the National Water Resources Association 2011 Western Water Seminar July 25-27, 2011 in Colorado Springs, Colorado.** Upon motion by Director McLeroy, seconded by Director Patillo, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the National Water Resources Association Western Water Seminar in Colorado.

Next, the Chair called for **Consent Item 2 - Consideration of and possible action approving the May 18, 2011, Board meeting minutes; Consent Item 3 - Consideration of and possible action approving the monthly financial report for May 2011; Consent Item 4 - Consideration of and possible action approving the monthly operations report for May 2011; and Consent Item 5 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Patillo, seconded by Director Fogle, the Board unanimously approved Consent Items 2, 3, 4, and 5.

The Chair then called for **General Manager Item 6 - Discussion of the Executive Reports addressing matters relating to safety, utility operations including notification of retail customers in Comal Trace and Cordillera Ranch of Stage 1 water restrictions, 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, attendance at SB 3 BBEST and BBASC meetings, construction management including the regional raw water pipeline capacity improvements including completion of hydraulic testing, Canyon Park Estate Wastewater Treatment Plant is operational, Clean Rivers Program, activities including the preparation of 2012-13 Quality Assurance Project Plan, Plum Creek Project activities, Operations, Geronimo Creek Watershed Protection Plan activities, Environmental Flows Project activities, River Network Project activities, water quality activities including studying possible imports of future discharge to Dunlap hydro canal; and upper San Marcos Watershed Protection Plan, Economic and Community Development activities, events and projects, Water and Wastewater Services activities including Bulverde area regional wastewater activities, possible transfer of wastewater operations to Wimberley, Rural Utilities - Dunlap wastewater service area activities, Mid-Basin water supply, Tri-Community Water Supply Corporation water supply matters, Resource Protection activities including lake management and removal of debris caused by floods, Lake Dunlap Dam repairs, Canyon Lake operations, Plum Creek Watershed Protection, water strategies, Gonzales area flood warning matters, information technology, human resources, budget activities, accounting and finance. James Murphy briefed the Board on GBRA operation and engineering activities. Mr. Murphy also discussed Senate Bill 3 BBEST and BBASC meetings.

Railroad Commission Chairman Elizabeth Ames Jones arrived at the meeting at this time. There was no further discussion on General Manager Item 6.

The Chair called for **Discussion Item 10 - Presentation by Elizabeth Ames Jones, Chairman of the Railroad Commission of Texas (RRC), on the Railroad Commission's regulation of exploration and production of hydrocarbons associated with the Eagle Ford Shale development.** Chair Kunde welcomed Chairman Elizabeth Jones. Ms. Jones addressed the Board and gave a brief history on the Railroad Commission of Texas. The Railroad Commission of Texas is the State agency with primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, natural gas and hazardous liquid pipeline industry, natural gas utilities, the LP-gas industry, and coal and uranium surface mining operations. The Commission exercises its statutory responsibilities under provisions of the Texas Constitution, the Texas Natural Resources Code, the Texas Water Code, the Texas Health and Safety Code, the Texas Utilities Code, the Coal and Uranium Surface Mining and Reclamation Acts, and the Pipeline Safety Acts. The Commission also has regulatory and enforcement responsibilities under federal law including the Surface Coal Mining Control and Reclamation Act, the Safe Drinking Water Act, the Pipeline Safety Acts, the Resource Conservation Recovery Act, and the Clean Water Act. Texas is the number one oil and gas producing State and produces over thirty percent (30%) of gas produced in the United States. The Railroad Commission is working with companies relating to new water reuse for oil and gas production. Energy related investments are growing in South Texas due to the Eagle Ford Shale development. Ms. Jones testified

that over the past 60 years in Texas history hydraulic fracturing has not contaminated groundwater. The Railroad Commission enforces strict standards on well construction and has regulatory authority to protect groundwater. Ms. Jones thanked the GBRA Board and audience for the opportunity to serve the State of Texas.

The Chair then called for **Discussion Item 9 - Presentation by Brent Halldorson of Fountain Quail, a subsidiary of Aqua-Pure, on Water Management and Eagle Ford Shale Exploration and Development.** Brent Halldorson made a presentation to the Board on the Eagle Ford Shale exploration and development project. The presentation included water usage for shale gas production, how fractures are created by use of water, the amount of water that is recovered after fracturing, and the disposal and/or reuse of the water. Discussion was also had on the key issues for the management of water, disposal wells, regulatory issues, transportation of water, and recycling and reuse of water. Mr. Halldorson discussed the Barnett Shale located in Fort Worth Texas including the pros and cons of hydraulic fracturing. The presentation included information on how water is managed including low-cost disposal, the value of freshwater, recycling operations, and transportation of water. Mr. Halldorson briefed the Board on the Marcellus Shale in Pennsylvania including the difficult terrain, logistics for re-use of saltwater for fracturing, recycling costs for salt water disposal, and mobile clarification systems. Mr. Halldorson discussed the Eagle Ford Shale exploration and development. The Eagle Ford Shale produces both oil and gas. There is limited availability of freshwater near this formation. The presentation discussed water supply options, pipeline distribution systems, the use of a brackish water sources, the

protection of freshwater resources, and a mobile treatment facility where wastewater is converted/recycled into two re-use system – clean distilled water for fracturing and clean heavy brine for drilling. The presentation included the importance of balancing and managing water needs for fracturing operations and the environment.

Next, the Chair called for **Discussion Item 11 - Discussion regarding April 2011 Draft Report entitled “Current and Projected Water Use in the Texas Mining and Oil and Gas Industry prepared for Texas Water Development Board.** Tommy Hill briefed the Board on the draft report relating to the Texas oil and gas mining industry prepared for the Texas Water Development Board. The Texas Water Development Board is currently seeking comments on the draft report. The draft report summarizes mining water use categories; estimated water use by the mining industry, and Regional and State total water demand projections for 2000 to 2060. The draft report also includes a location map of coal/lignite operations, sand and gravel operations, and oil and gas drilling activities. Mr. Hill discussed sections of the draft report relating to the use of fresh water in operations and the summary of projected water use by mining industry over the next fifty years. The draft report included the projected water use in the oil and gas industry and projected the water use in Texas mining for use in the South Central Texas Regional Water Planning Group Region L 2015 Water Plan.

The Chair recessed the meeting at 11:37 a.m. The Chair reconvened in open meeting at 11:48 a.m.

The Chair called for **Discussion Item 12 - Discussion regarding receipt of design awards for GBRA publication projects.** LaMarriol Smith informed the Board on awards received by GBRA's Public Communication Department.

The Chair called for **Action Item 7 - Consideration of and possible action approving a First Amendment to the Guadalupe-Blanco River Authority Employees Defined Contribution Plan and Trust.** GBRA provides retirement benefits to its employees through a Defined Benefit Pension Plan and an Employee Savings Plan (457 Plan). A Defined Contribution Retirement Plan and Trust has been adopted for those employees hired after December 31, 2010. GBRA may, for a business purpose deemed to be satisfactory by the Employer's Board of Directors, elect to grant Years of Service for vesting purposes to an Employee or a group of Employees for all or part of the period of such Employees' service with a predecessor employer. Any such grant of Years of Service for vesting purposes shall be represented by an amendment to Schedule A, Grants of Pre-Participation Service, attached to this Plan and incorporated herein, and must be approved by the Retirement and Benefit Committee as well as the Board of Directors. Upon motion by Director Fogle, seconded by Director Patillo, the Board unanimously approved a First Amendment to the Guadalupe-Blanco River Authority Employees Defined Contribution Plan and Trust. A copy of the First Amendment is attached and made a part of these minutes.

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving an amended Schedule A and granting seven years of pre-participation service in GBRA's Defined Contribution Plan and Trust.** GBRA

provides retirement benefits to its employees through a Defined Benefit Pension Plan and an Employee Savings Plan (457 Plan). A Defined Contribution Retirement Plan and Trust has been adopted for those employees hired after December 31, 2010. The Retirement and Benefit Committee met on June 2, 2011, to consider the granting of seven years of pre-participation service to Steve Jester, the Executive Director of the Guadalupe-Blanco River Trust. Following a review of the characteristics of the position and Mr. Jester's qualifications, the Retirement and Benefit Committee recommended the Board approve granting seven years of pre-participation service and amended Schedule A. Upon motion by Director Fogle, seconded by Director Patillo, the Board unanimously approved an amended Schedule A and granting seven years of pre-participation service in GBRA's Defined Contribution Plan and Trust for Steve Jester. A copy of the amended Schedule A is attached and made a part of these minutes.

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 Recovery Implementation Program as well as meetings and activities of the Edwards Aquifer Authority. Dr. Votteler made a presentation explaining the Edwards Aquifer Recovery Implementation Program, how drought conditions affect Comal Springs and the Guadalupe River Basin, participants in the Program, federally listed endangered species, habitat restoration, and public education. The Board was also briefed on funding possibilities for alternative

water supplies. Discussion was also had regarding meetings of the South Central Texas Regional Water Advisory Committee and 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.** No discussion was had on Discussion Item 14.

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.** No discussion was had on Discussion Item 16.

The Chair recessed the open meeting at 12:17 p.m. The Chair closed the open meeting and convened the meeting in executive session at 1:05 p.m. The open meeting reconvened in open session at 1:34 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 1:35 p.m. subject to call by the Chair.

Chair

Secretary Pro-Tem