

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 19, 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; Gary Asbury, Manager of Project Engineering; 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; Tommy Schulte, Regional Representative; Jaynellen Ladd, Natural Resource Specialist; Tommie Streeter-Rhoad, Executive Director of the San Antonio Bay Foundation; Roger Nevola, legal counsel; Jim Dublin representing Dublin and Associates; Jay Howard representing HillCo Partners; David Engel representing Engel and Associates; Steve Bereyso representing

San Antonio Water System; Steve Renneke representing Kellogge Brown and Root; Daniel Pepin, Cory McDonald, and Ann Smith representing Maxwell Water Supply Corporation; Tom Hodge representing Canyon Lake Water Supply Company; Mike Nichols representing Freese and Nichols; Dan and Nancy Numley representing Calhoun County Rural Water; Rick Galloway representing Atkins; Garry Montgomery representing River City Engineering; Rick Menchach representing Bose, Inc.; Alan Thompson representing Klotz Associates; and Humberto Ramos representing Canyon Regional Water Authority.

Chair Kunde 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:

Director Fogle 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 Item1 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association 2012 fall conference October 24-26, 2012, at the Crowne Plaza Riverwalk Hotel in San Antonio, Texas.** Upon motion by Director Pagel, seconded by Director Powers, the Board unanimously authorized the

expenditure of funds for Directors and staff to attend the Texas Water Conservation Association 2012 fall conference.

Next, the Chair called for **Chair Item 2 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the National Water Resources Association Annual Conference October 31-November 2, 2012, at the Hotel Del Coronado in Coronado, California.** Upon motion by Director Pagel, seconded by Director Powers, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the National Water Resources Association annual conference.

The Chair then called for **Chair Item 3 - Consideration of and possible action changing the location of the October 17, 2012 Board meeting to be held at the Boerne Convention and Community Center, 820 Adler Road, Boerne, Texas.** Upon motion by Director Pagel, seconded by Director Powers, the Board unanimously approved changing the location of the October 17, 2012 Board meeting to be held at the Boerne Convention and Community Center in Boerne, Texas.

The Chair called for **Chair Item 4 - Consideration of and possible action changing the date of the November 21, 2012, Board of Director's meeting to November 28, 2012.** Upon motion by Director Pagel, seconded by Director Powers, the Board unanimously approved changing the date of the November 21, 2012 Board of Director's meeting to November 28, 2012.

Next, the Chair called for **Consent Item 5 - Consideration of and possible action approving the August 15, 2012, Board meeting minutes; Consent Item 6 -**

Consideration of and possible action approving the monthly financial report for August 2012; Consent Item 7 - Consideration of and possible action approving the monthly operations report for August 2012; Consent Item 8 - Consideration of and possible action approving Directors' expense vouchers; and Consent Item 9 - Consideration of and possible action approving a Joint Funding Agreement between the United States Geological Survey and the Guadalupe-Blanco River Authority for the period October 2012 through September 2013. Upon motion by Director Mathews, seconded by Director Patillo, the Board unanimously approved Consent Items 5, 6, 7, 8, and 9.

The Chair then called for **General Manager Item 10 - Discussion of the Executive Reports addressing matters relating to safety, utility operations, water resource operations, engineering, coordination with the U.S. Army Corps of Engineers regarding Canyon Reservoir operations, Nueces Recharge Study, the seasonal deviation study for Canyon Reservoir and Cibolo Watershed Study, amendment of the U. S. Army Corps of Engineers Flood Modeling/Feasibility Study, construction management including the Luling Water Treatment Plant Expansion and ASR Facilities, River Bend pump station replacement matters including bid evaluation, Mid-Basin Project, Clean Rivers Program activities, Plum Creek Projects, Geronimo Creek Watershed Protection Plan, Environmental Flows Project, River Network Project, water quality general, San Antonio Bay Foundation, Economic and Community Development activities, events and projects, Business Development including water and wastewater services**

activities, Bulverde area wastewater, Rural Utilities - Dunlap wastewater service area activities, Mid-Basin Water Supply Project activities, Resource Protection activities including lake management and water safety, implementation of water conservation measures, water strategies, Gorge Preservation Society, information technology, human resources, budget activities, accounting and finance. Bryan Serold briefed the Board on GBRA's Safety Program, various working conditions and hazards employees may encounter, and safety performance for Fiscal Year 2012. The Board was also briefed on GBRA's safety/accident history from 1977 to 2012. The Board was informed that there were no lost time accident during Fiscal Year 2012 and GBRA employees will be awarded a safety holiday in Fiscal Year 2013 which is an employee incentive of the Safety Program.

The Chair called for **Action Item 11 - Consideration of and possible action approving a supplemental contribution to the GBRA Defined Benefit Pension Plan for the current year.** One of three basic retirement programs for employees of GBRA is a defined benefit pension plan. It is funded by GBRA and no employee contributions are contributed. An Actuarial Valuation is prepared each year and among other calculations, the amount of the Unfunded Actuarial Accrued Liability (UAAL) is determined. This amount represents the difference between the present value of future pension plan benefits and the current value of plan assets. The last Actuarial Valuation that GBRA has received is dated January 1, 2011 and that Valuation places the UAAL at \$5,288,829 with a funding ratio of 75.3 percent. In June 2010, the GBRA Board directed the staff to aggressively reduce the UAAL to the extent funds permit by making

supplemental contributions to the Plan in addition to the annual contributions that are made to the Plan. In consideration of this directive, GBRA has made supplemental contributions of \$3,000,000 (August 2010) and \$600,000 (August 2011). On July 18, 2012, the GBRA Retirement and Benefit Committee met to consider a supplemental contribution to the Defined Benefit Plan for the current year. The Committee unanimously recommended that a \$500,000 supplemental contribution be made to the Plan again this year. Upon motion by Director Mathews, seconded by Director Brockman, the Board unanimously approved a \$500,000 supplemental contribution to the GBRA Defined Benefit Pension Plan for the current year.

Next, the Chair called for **Action Item 12 - Consideration of and possible action ratifying the establishment of a GBRA Dunlap Special Account at Broadway Bank.** GBRA Board Policy 413 – Depository Accounts requires Board of Director approval prior to the initiation of new bank accounts. As part of the settlement agreement with the Preserve Lake Dunlap Association, the establishment of a separate bank account to manage funds to maintain buoys, provide boater education, monitor recreation use or other programs associated with the safe use of Lake Dunlap on the Guadalupe River was required. The account was opened with the initial funds received upon settlement from Preserve Lake Dunlap Association of \$7,500 and \$2,500 from GBRA, followed with a subsequent deposit of \$2,500 from Preserve Lake Dunlap Association. GBRA will provide Preserve Lake Dunlap Association an annual full accountancy of the balance of the fund, as well as a detailed listing of GBRA expenditures for which withdrawals from the fund were made during the year.

Additionally, on September 1, 2013 both parties will make another \$2,500 contribution into the fund. In a continued effort to diversify GBRA's cash and investment portfolio in various banks within the water basin, the bank account was opened at Broadway Bank. GBRA has tracked the financial stability of banks that GBRA conducts business with and Broadway Bank has maintained stable financial ratings and capital ratios. GBRA has previously executed a collateral security agreement with Broadway Bank which dictates they will pledge collateral to GBRA for any GBRA funds held at their bank which exceed FDIC coverage. The pledged collateral is held by an independent third-party custodian. Broadway Bank is currently using the Federal Reserve Bank as the custodian of these pledged funds. Upon motion by Director Powers, seconded by Director McLeroy, the Board unanimously ratified the establishment of a GBRA Dunlap Special Account at Broadway Bank.

The Chair then called for **Action Item 13 - Consideration of and possible action approving a First Amendment to the Loan Agreement with Regions Bank related to the GBRA's Dunlap Wastewater Treatment System to correct an inconsistency in the interest rate calculation method.** The GBRA Board of Directors authorized the General Manager to approve construction bids approximating \$2.6 million during their November 2011 meeting for expansion of GBRA's Dunlap Wastewater System and subsequently authorized during the February 2012 meeting, the General Manager and Executive Manager of Finance to approve the final terms of the loan which included \$2.6 million of new money and refunding of the existing 2004 debt of \$3,588,000. The loan was awarded to Regions Bank, which was ratified at the

March 2012 meeting, using the following terms: \$2,600,000 bank qualified, tax-exempt loan rate of 3.34 percent for the first fifteen years adjusting to 65 percent of Libor, plus 5 percent for years sixteen through twenty, with a maturity of September 2032; and \$3,588,000 taxable loan rate of 2.34 percent with a maturity of September 2015. An inconsistency relating to the interest calculation method has been discovered. The calculation method set forth in the first paragraph of Section 3(a) of the Original Loan Agreement (which provided that interest on the loans be calculated “*on an actual over 360-day basis*”) differed from the Debt Service Repayment Schedules that were provided by Regions Bank and attached to the Original Loan as Exhibits A and B (in which interest on the loans was calculated on a “*30/360 day basis*”). It is the intention of GBRA staff and Regions Bank that the Original Agreement be formally amended to clarify that interest on the loans shall be calculated on a 30/360-day basis. Upon motion by Director Patillo, seconded by Director Brockman, the Board unanimously approved the First Amendment to the Loan Agreement with Regions Bank related to GBRA’s Dunlap Wastewater Treatment System to correct an inconsistency in the interest rate calculation method. A copy of the First Amendment is attached and made a part of these minutes.

The Chair called for **Action Item 14 - Consideration of and possible action approving a Board Resolution and authorizing the General Manager to negotiate and execute an Interlocal Participation Agreement for a cooperative membership with the Local Government Purchasing Cooperative.** The Local Government Purchasing Cooperative is a “Government to Government” procurement service similar

to the State of Texas Cooperative Purchasing Program. Many of our customer cities are end users of the Local Government Purchasing Cooperative in addition to river authorities and other governmental organizations. Having the cooperative membership will provide GBRA another purchasing alternative. All contracts available to members of the Local Government Purchasing Cooperative have been awarded by virtue of a public competitive procurement process compliant with State statutes. Upon motion by Director Brockman, seconded by Director Patillo, the Board unanimously approved a Board Resolution and authorized the General Manager to negotiate and execute an Interlocal Participation Agreement for a cooperative membership with the Local Government Purchasing Cooperative. A copy of the Resolution and Interlocal Participation Agreement is attached and made a part of these minutes.

Next, the Chair called for **Action Item 15 - Consideration of and possible action authorizing the General Manager to negotiate and execute Amendment Number 1 of a Federal Cost-Sharing Agreement between the Guadalupe-Blanco River Authority and the U. S. Army Corps of Engineers for the Lower Guadalupe River Basin Feasibility Study.** GBRA signed an agreement (\$1.4 million) with the U. S. Army Corps of Engineers on September 19, 2011 to conduct a feasibility study on the Lower Guadalupe River Basin. Under this program the U. S. Army Corps of Engineers paid for fifty percent (50%) of the cost, Texas Water Development Board paid for twenty-five percent (25%), and the local participants (GBRA, City of Luling and Hays County) picked up the remaining twenty-five percent (25%). The project is underway and should be complete in twelve months. Several months ago the U. S. Army Corps of

Engineers indicated there is a good possibility this study can be expanded by \$1,590,950 to bring the total agreement to \$3 million. GBRA staff along with Half Associates has subsequently met with the other Cities and Counties in our Basin to judge the level of interest for a second phase. The response was better than expected with twelve entities showing interest. The first step is to sign an agreement with the U. S. Army Corps of Engineers increasing costs from \$1.4 million to \$3 million, then meet with the interested participants over the next few weeks and develop firm commitments. Phase II will allow other entities in GBRA's Basin to take advantage of a seventy-five percent (75%) grant program. Approval of this amendment will allow the U. S. Army Corps of Engineers to place Phase II of the project in their 2014 Federal Budget. Approval of the Federal Budget is expected in February or March 2013. A corresponding Texas Water Development Board grant will also be submitted in January 2013. Half is requesting \$23,000 to develop the Texas Water Development Board grant application. Upon motion by Director Fogle, seconded by Director McLeroy, the Board unanimously authorized the General Manager to negotiate and execute Amendment Number 1 of a Federal Cost-Sharing Agreement between the Guadalupe-Blanco River Authority and the U.S. Army Corp of Engineers for the Lower Guadalupe River Basin Feasibility Study. A copy of Amendment Number 1 is attached and made a part of these minutes.

The Chair then called for **Action Item 16 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Letter of Intent with Maxwell Water Supply Corporation.** David Welsch introduced members of the

Maxwell Water Supply Corporation. The proposed Letter of Intent will provide a framework for GBRA and the Maxwell Water Supply Corporation to engage in planning and developing an interim and long term water supply infrastructure to supply local and regional water supply needs and resources. Upon motion by Director Fogle, seconded by Director Patillo, the Board unanimously authorized the General Manager to negotiate and execute a Letter of Intent for development of an Interlocal Cooperation Agreement regarding water supply with Maxwell Water Supply Corporation. A copy of the Letter of Intent is attached and made a part of these minutes.

The Chair called for **Action Item 17 - Consideration of and possible action approving a Memorandum of Understanding between the Guadalupe-Blanco River Authority and Texas AgriLife Extension Service, covering services funded by the Texas State Soil and Water Conservation Board's Project 11-06, *Water Quality Monitoring in the Geronimo Creek and Facilitation of the Geronimo and Alligator Creeks Watershed Partnership***. The Grant Agreement between GBRA and Texas State Soil and Water Conservation Board (TSSWCB) authorized in November 2011 included continued facilitation of the Geronimo Creek Watershed Partnership by the Texas AgriLife Extension (AgriLife). The Grant Agreement obligates TSSWCB (through GBRA) to reimburse up to \$176,766 to AgriLife for actual allowable and eligible costs of performing the tasks prescribed in the Scope of Work. The Texas AgriLife Extension Service will provide a non-federal match of \$116,106, made up by labor, fringe and unrecovered indirect. In 2008, GBRA received funding from the Texas State Soil and Water Conservation Board to facilitate the development of a Watershed Protection Plan

for Geronimo Creek and its tributary, Alligator Creek. A Watershed Protection Plan is a proactive, voluntary strategy for protecting and improving water quality. Geronimo Creek has been designated as impaired due to elevated *E. coli* bacteria and shows concerns for nutrients due to elevated nitrate-nitrogen. The Watershed Protection Plan identified activities that if implemented could reduce or eliminate the impairment and improve the water quality in the stream. The Fiscal Year 2012 project provides funding to guide the Watershed Protection Plan through the final EPA acceptance process and will begin the implementation of the management measures described in the Watershed Protection Plan. AgriLife will continue to assist in the facilitation of the Geronimo Creek Watershed Partnership and will provide assistance to stakeholders in obtaining funding for implementation projects described in the Plan. Upon motion by Director Patillo, seconded by Director Brockman, the Board unanimously approved a Memorandum of Understanding between the Guadalupe-Blanco River Authority and Texas AgriLife Extension Service, covering services funded by the Texas State Soil and Water Conservation Board's Project 11-06, *Water Quality Monitoring in the Geronimo Creek and Facilitation of the Geronimo and Alligator Creeks Watershed Partnership*. A copy of the Memorandum of Understanding is attached and made a part of these minutes.

The Chair recessed the meeting at 10:51 a.m. The meeting reconvened in open session at 11:01 a.m.

Next, the Chair called for **Discussion Item 18 - Discussion regarding the activities and transactions of the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe Basin Coalition.** Todd Votteler

briefed the Board on activities of the Edwards Aquifer Authority and water levels of the Edwards Aquifer. The Board was also briefed on activities of the Guadalupe Basin Coalition.

The Chair then called for **Discussion Item 19 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust, the San Antonio Bay Foundation, and the Gorge Preservation Society.** Todd Votteler the Board on the activities of the Guadalupe-Blanco River Trust and the San Antonio Bay Foundation. Jaynellen Ladd briefed the Board on the activities of the Gorge Preservation Society including the upcoming "Moonlight in the Gorge".

The Chair called for **Discussion Item 20 - 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 21 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on a Texas Groundwater Summit and a presentation entitled "Drought: Looking and Planning Ahead" given by Todd Votteler at the Summit. The Board was briefed on the Boerne Water Forum held September 18, 2012. Discussion was also had on the up-coming Legislative Session.

The Chair recessed the open meeting at 11:23 a.m. The Chair closed the open meeting and convened the meeting in executive session pursuant to Chapter 551,

Texas Government Code at 11:31 a.m. The open meeting reconvened in open session at 12:09 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 12:10 p.m. subject to call by the Chair.

Chair

Secretary