

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 April 16, 2014, at the Chisholm Trail Heritage Museum, 302 North Esplanade, Cuero, DeWitt County, Texas. Directors present were Oscar H. Fogle, Tommy Mathews, Robert “Rusty” Brockman, Grace G. Kunde, Kenneth Motl, Dennis L. Patillo, Don B. Meador, William R. Carbonara, and Darrell McLain. Also present were W. E. West, Jr., General Manager; Tom Bohl, General Counsel; 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; David Welsch, Executive Manager of Business Development and Resource Management; Barbara Gunn, Human Resources Manager; Tommy Hill, Chief Engineer; Debbie Magin, Director of Water Quality Services; Bryan Serold, Operations Manager-Lower Basin; LaMarriol Smith, Chief Strategic Communications and Public Affairs Officer; Teresa Van Booven, Project and Community Representative; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations and Publication Specialist; Tommy Schulte, Regional Representative; Leigh Crettenden, IT Manager; Carl Westergard, Web Master; Charlie Hickman, Engineer; Darel Ball, Division Manager-Hays/Caldwell; Sara Vazquez, Administrative Assistant-Coletto Creek Recreation Division; Linda McPherson, Secretary-Port Lavaca Water Treatment Plant; Herb Wittliff, Manager of Port Lavaca Operations; Jeff Crosby, Executive Director of the Guadalupe-Blanco River Trust; Dan

Alonso, Executive Director of the San Antonio Bay Foundation; Roger Nevola, legal counsel; Steve Holzhauser, consultant; Jim Dublin with Dublin and Associates; David Engel with Engel and Associates; Steven Adams with Specialized Public Finance, Inc.; Tom Spurgeon with McCall, Parkhurst and Horton; William A. Blackwell, former GBRA Director from DeWitt County; Arlen Goebel and Wayne Wolf with Green DeWitt Community Center; Sara Sneath with The Victoria Advocate; and Glenn Rea with The Cuero Record.

Chair Fogle called the meeting to order at 3:08 p.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, 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:

The Chair recessed the open meeting at 3:09 p.m. The Chair then closed the open meeting and convened the meeting in executive session at 3:13 p.m. pursuant to Chapter 551, Texas Government Code. The Chair reconvened the meeting in open session at 4:00 p.m.

Chair Fogle led the Pledge of Allegiance to the United States flag and Texas flag.

The Chair called for comments from the public. Chair Fogle welcomed and introduced William A. Blackwell. Mr. Blackwell welcomed and thanked GBRA for their support and help with the Chisholm Trail Heritage Museum. Chair Fogle also welcomed

and recognized GBRA employees Sara Vazquez, Linda McPherson, Herb Wittliff, and Carl Westergard.

The Chair called for **Consent Item 1 - Consideration of and possible action approving the minutes of the March 19, 2014, Board meeting; Consent Item 2 - Consideration of and possible action approving the monthly financial report for March 2014; Consent Item 3 - Consideration of and possible action approving the monthly operations report for March 2014; and Consent Item 4 - Consideration of and possible action approving Directors' expense vouchers; and** Upon motion by Director Motl, seconded by Director Carbonara, the Board unanimously approved Consent Items 1, 2, 3, and 4.

The Chair called for **Consent Item 5 - Consideration of and possible action approving Resolutions endorsing GBRA's support of and participation in National Drinking Water Week and Water Utilities Awareness Week, May 4-10, 2014.** Debbie Magin briefed the Board on Drinking Water Week and Water Utilities Awareness Week. Mrs. Magin also briefed the Board on the events GBRA will be hosting in conjunction with Drinking Water Week and Water Utilities Awareness Week. Upon motion by Director Patillo, seconded by Director Motl, the Board unanimously approved Resolutions endorsing GBRA's support of and participation in National Drinking Water Week and Water Utilities Awareness Week. A copy of the Resolutions is attached and made a part of these minutes.

Next, the Chair called for **General Manager Item 6 - Discussion of the Executive Report addressing various matters, including matters relating to:**

safety, utility operations including matters relating to Northcliffe Wastewater Treatment Plant, regional wastewater service for the Sunfield area, and providing wastewater treatment for the City of Point Comfort, water resource operations, engineering, including 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, U.S. Army Corps of Engineers Canyon Lake Dam safety workshop, Region L prioritization and subcommittee meetings, Kerr-Kendall ASR Study, the Mid-Basin Water Supply Project, the Integrated Water Power Project, services provided by GBRA to the Johnson Ranch Subdivision, Regional Laboratory activities, Clean Rivers Program activities, Plum Creek Projects, meeting with Texas Commission on Environmental Quality, the Cities of Luling and Lockhart, and Polonia Water Supply Corporation regarding a regional source water assessment project in Caldwell County, City of Lockhart's Unregulated Contaminants Rule 2, Geronimo Creek Watershed Protection Plan, Senate Bill 2 Environmental Flows Project background data, Vegetation and Invasive species and GBRA expenditure estimates, Water Quality matters (general), USDA/TWRI Real Hog Farm VTA project, Economic and Community Development activities and events, project development including water and wastewater infrastructure for Johnson Ranch, Rural Utilities-Dunlap wastewater service area activities, Canyon Lake Wastewater Master Plan, Property Management, Water Supply Project activities including evaluation and development of GBRA/Customer facility plan for the

Mid-Basin Water Supply Project, water and wastewater infrastructure needs for the Cherryville Development in Caldwell County, other potential interests including General Land Office, Walton Development, and New Braunfels Utilities, Maxwell Water Supply Corporation water supply projects, other water activities including Western Canyon Treated Water Supply System activities, Kendall West, Lerin Hills, Esperanza and Bremer-Couser service agreements, right-of-way review regarding San Marcos Water Supply pipeline, review GBRA easement near old power plant with City of Seguin, review New Braunfels Utilities easement at Dunlap, Resource Protection activities, ongoing discussions and proposed Memorandum of Understanding with Texas Parks and Wildlife Department regarding the Zebra Mussels campaign, continued work on lake restrictions regarding water usage on the hydro lakes, reviewing and updating flood preparedness procedures, presentations regarding drought conditions and water supply matters, Gonzales area flood warning plan, Canyon Lake/Sattler Office, Gorge Preservation Society, Region L planning activities, Texas Water Conservation Association meeting activities, information technology, human resources, accounting and finance. No discussion was had on General Manager Item 6.

The Chair then called for **Action Item 7 - Consideration of and possible action authorizing the engagement of an auditing firm to perform the Fiscal Year 2014 audit.** An annual audit is required by Section 7 of GBRA's Enabling Act, Section 49.191 of the Texas Water Code, GBRA Board Policy 410-Audits, and the provisions of

numerous bond resolutions. GBRA Board Policy 410.202 states that the initial term of the engagement of an independent auditor shall be three years subject to annual evaluation and reappointment for the second and third years. Subsequent reappointments may be approved but the engagement cannot exceed five consecutive years. The firm of Alonzo, Bacarisse, Irvine and Palmer completed their first year serving as GBRA's auditor with the Fiscal Year 2013 audit. In March, 2014, Alonzo, Bacarisse, Irvine and Palmer submitted their proposal for auditing services for the Fiscal Year 2014 financial audit to the Audit Committee. The proposal for services states that the fees for the firm's services will be their quoted hourly rates, not to exceed \$39,655. Upon motion by Director Brockman, seconded by Director Motl, the Board unanimously authorized the General Manager to engage the audit firm of Alonzo, Bacarisse, Irvine and Palmer for the Fiscal Year 2014 financial audit. A copy of the engagement letter is attached and made a part of these minutes.

The Chair called for **Action Item 8 - Consideration of and possible action approving a Resolution authorizing the issuance of Guadalupe-Blanco River Authority Combination Contract Revenue and Subordinate Lien Water Resources Division Revenue Bonds, Series 2014A and Taxable Series 2014B (Lower Basin Storage Project); authorizing the sale thereof; authorizing the General Manager and the Executive Manager of Finance and Administration to approve all final terms of the Bonds; authorizing the preparation and distribution of an Official Statement; authorizing the execution of a Purchase Contract, a Paying Agent/Registrar Agreement, and Continuing Disclosure Agreement, as necessary;**

and containing other provisions relating to the subject; and consideration of and possible further action authorizing the General Manager to take any and all actions he deems necessary or desirable concerning such Bonds and/or such Project including, without limitation, seeking a court declaration or initiating or participating in any other judicial or administrative proceeding relating to such Bonds and/or such Project, including seeking a declaration relating to the authority of GBRA to issue the Bonds, the legality and validity of each public security authorization relating to the Bonds (including the boundaries of GBRA, the imposition of an assessment, the execution or proposed execution of a contract; the imposition of a rate, fee, charge, or toll or the enforcement of a remedy relating to the imposition of that rate, fee, charge, or toll; and the pledge or encumbrance of revenue, receipts, or property to secure the Bonds), the legality and validity of each expenditure or proposed expenditure of money relating to the Bonds, and the legality and validity of the Bonds themselves. The proposed bond resolution (“Bond Resolution”) authorizes the issuance of \$100,000,000 in tax-exempt and taxable contract revenue bonds (the “Bonds”), the proceeds of which will be used to fund the Lower Basin Storage Project (the “Project”), which includes the construction, in one or more phases, of approximately 12,500 acre-feet of off-channel reservoir storage, together with all related pumps, pipelines and other equipment. This off-channel reservoir storage is planned to be constructed at one or more sites near the GBRA Canal System in Calhoun County. GBRA has been planning the Lower Basin Storage Project for a number of years, and the Project is included it in the Region L

State Water Plan. The base water supply for the Project will be provided from the “run-of-river” water rights owned jointly by GBRA and Union Carbide Corporation, a subsidiary of The Dow Chemical Company (the “GBRA-Dow Lower Basin Run-of-River Water Rights”). These water rights authorize diversions from the Guadalupe River totaling 175,501 acre-feet of water per year at the diversion point on the River for GBRA’s Canal System located just upstream of GBRA’s Salt Water Barrier and Diversion Dam in Calhoun County, and the delivery of such water through the Canal System. The intent and purpose of the Project is to provide a total firm water supply of not less than 100,000 acre-feet per year utilizing the GBRA-Dow Lower Basin Run-of-River Water Rights. In arriving at the conclusion that 12,500 acre-feet of storage will provide a total firm water supply of not less than 100,000 acre-feet per year utilizing the GBRA-Dow Lower Basin Run-of-River Water Rights, a critical presumption is that all treated wastewater derived from water withdrawn from the Edwards Aquifer, if discharged or otherwise allowed to flow into a watercourse, is and shall remain state-owned water and part of the run-of-river flow of that watercourse to which state-issued water rights are entitled in the order of their respective priority dates. Upon motion by Director Mathews, seconded by Director Brockman, the Board unanimously approved the final version of the Bond Resolution authorizing issuance of \$100,000,000 in Contract Revenue Bonds for the Lower Basin Storage Project, and a related Resolution authorizing the General Manager to take any and all actions he deems necessary or desirable concerning such Bonds and/or such Project including, without limitation, seeking a court declaration or initiating or participating in any other judicial or

administrative proceeding relating to such Bonds and/or such Project, including seeking a declaration relating to the authority of GBRA to issue the Bonds, the legality and validity of each public security authorization relating to the Bonds (including the boundaries of GBRA; the imposition of an assessment; the execution or proposed execution of a contract; the imposition of a rate, fee, charge, or toll or the enforcement of a remedy relating to the imposition of that rate, fee, charge, or toll; and the pledge or encumbrance of revenue, receipts, or property to secure the Bonds), the legality and validity of each expenditure or proposed expenditure of money relating to the Bonds, and the legality and validity of the Bonds themselves. Copies of the approved Bond Resolution and the approved Resolution authorizing the General Manager to take actions related to the Bonds and the Project are attached and made a part of these minutes.

Next, the Chair called for **Action Item 9 - Consideration of and possible action approving Resolutions adopting the Guadalupe-Blanco River Authority Wholesale Water Conservation Plan, the Drought Contingency Plan for Guadalupe-Blanco River Authority, the Guadalupe-Blanco River Authority Cordillera Ranch Water System Water Conservation Plan and Drought Contingency Plan, and the Guadalupe-Blanco River Authority Comal Trace Water System Water Conservation Plan and Drought Contingency Plan.** The Guadalupe-Blanco River Authority Wholesale Water Conservation Plan and Drought Contingency Plan have been revised. Notice stating that the revised Plans were available for public comment on the GBRA website was distributed by social media and sent in a letter to

the customers. The Drought Contingency Plan was posted on the GBRA website from March 11, 2014 through April 13, 2014, while the Wholesale Water Conservation Plan was posted from March 13, 2014 through April 13, 2014. The Water Conservation Plan and Drought Contingency Plan have been revised for Cordillera Ranch and Comal Trace Water Systems. Notice that the Plans were available on the GBRA website for public comment was provided in the customer billings. The Plans have been posted on the GBRA website March 1, 2014 through April 2, 2014. Upon motion by Director Kunde, seconded by Director Carbonara, the Board unanimously approved Resolutions adopting the Guadalupe-Blanco River Authority Wholesale Water Conservation Plan, the Drought Contingency Plan for Guadalupe-Blanco River Authority, the Guadalupe-Blanco River Authority Cordillera Ranch Water System Water Conservation Plan and Drought Contingency Plan, and the Guadalupe-Blanco River Authority Comal Trace Water System Water Conservation Plan and Drought Contingency Plan. A copy of the Resolutions is attached and made a part of these minutes.

The Chair then called for **Action Item 10 - Consideration of and possible action authorizing the General Manager to negotiate and execute an Agreement for uniform and linen services.** The Guadalupe-Blanco River Authority provides work uniforms to employees involved in the operations of the various utilities. In addition floor mats, towels, and janitorial products for cleaning are provided at fifteen (15) locations. The annual cost of the service is in excess of \$50,000. A uniform and linen services provider was selected through the Local Government Purchasing Cooperative. Under the terms of the Local Government Purchasing Cooperative, a service contract has

been negotiated by GBRA staff for a three (3) year period. In the continued effort to control costs of uniform and linen services a basin wide contract was initiated. The cost of administering the bid process is such that Staff investigated other means of procurement and elected to join the Local Government Purchasing Cooperative (“Buy Board”). Members of the Buy Board can secure goods and services without the expense of advertising and are guaranteed a pre-negotiated price when using vendors qualified by the Buy Board. Guadalupe-Blanco River Authority has been a member of the Buy Board since September 2012 and has used the membership to obtain goods and services in excess of \$250,000. Uniforms and linens are one example of the goods and services available through the Buy Board. This Agreement for uniforms and linen services will allow Guadalupe-Blanco River Authority to continue to provide this benefit to its employees in a cost effective manner. Upon motion by Director Meador, seconded by Director Mathews, the Board unanimously authorized the General Manager to negotiate and execute an Agreement for uniform and linen services with UniFirst Holdings, Inc., of San Antonio, Texas.

The Chair called for **Action Item 11 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Wastewater Services Agreement for wastewater services from the Canyon Park Estates Wastewater Treatment Plant and System.** GBRA holds a Certificate of Convenience and Necessity (CCN) for providing wastewater treatment service for the area east of Canyon Lake Treatment is provided by the GBRA operated Canyon Park Estates Wastewater Treatment Plant. Current customers include the Silverleaf Resort and other residential

and commercial customers. Current facilities include a series of lift stations and force mains that service respective developments. There is an increasing interest in the development of this area. Additionally, early next year Brookshire Brothers will open a grocery store in the vicinity of the plant. GBRA has prepared a master plan for development of this area. The foundation of this plan is to construct a regional lift station and gravity line to meet these goals. The project will be constructed in phases. Upon motion by Director Kunde, seconded by Director Patillo, the Board unanimously authorized the General Manager to negotiate and execute a Wastewater Services Agreement for wastewater services from the Canyon Park Estates Wastewater Treatment Plant and System. A copy of the Wastewater Services Agreement is attached and made a part of these minutes.

Next, the Chair called for **Discussion Item 12 - Plaque presentation by the Green-DeWitt Community Center and briefing on the Guadalupe-Blanco River Authority's "Our Day to Shine" project held in DeWitt County, Texas.** Connie Rothe gave a presentation on GBRA's "Our Day to Shine" project in DeWitt County. Mrs. Rothe introduced Wayne Wolf and Arlen Goebel with the Green-DeWitt Community Center. Mr. Wolf and Mr. Gabel thanked GBRA for their contribution and support to the Rain Water Harvesting System at the Chisholm Trail Heritage Center and the paddling trails in DeWitt County. Mr. Wolf also presented a plaque of appreciation to the employees of GBRA for volunteering in the renovation of the Green-DeWitt Community Center in DeWitt County.

The Chair then 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.** There was no discussion on Discussion Item 13.

The Chair called for **Discussion Item 14 - 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.** There was no discussion on Discussion Item 14.

Next, the Chair called for **Discussion Item 15 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** There was no discussion on Discussion Item 15.

The Chair then called for **Discussion Item 16 - Discussion regarding local and State water planning and water resource issues.** There was no discussion on Discussion Item 16.

The Chair called for **Discussion Item 17 - Discussion regarding national water planning and water resource issues.** There was no discussion on Discussion Item 17.

There being no further business to be brought before the Board, the meeting was adjourned at 4:55 p.m. subject to call by the Chair.

Chair

Secretary