

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 December 14, 2016, at the GBRA William E. West, Jr., Annex Building Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Tommy Mathews, Robert “Rusty” Brockman, Dennis L. Patillo, Oscar H. Fogle, Don B. Meador, William R. Carbonara, and Ronald J. Hermes. Directors Darrell McLain and Kenneth Motl were 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 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; Michael Urrutia, Director of Water Quality Services; Teresa Van Booven, Project and Community Representative; Cricket Dietert, Executive Assistant to the General Counsel; Tricia Ramirez, Executive Assistant to the General Manager; Leigh Crettenden, IT Manager; Carl Westergard, Web Master; Mary Newman, Project Coordinator; Anna Daniels, Regional Representative; Tim Dusek, Grant Writer/Administrator; Lauren Willis,

Administrative Assistant; Susan Hubbert, Accounting Manager; Sandra Terry, Investment Manager; Carrie Kasnicka, Conservation Director with the Guadalupe-Blanco River Trust; Dan Alonso, Executive Director with the San Antonio Bay Foundation; Roger Nevola, legal counsel; Jack Jones, Denis Mueller, William A. Blackwell, and Wayne Musgrove with the Guadalupe-Blanco River Trust; Mike DeToro with ABIP; Felix Arambula with the San Antonio Water System; Jeanne Schnuriger with Springs Hill Water Supply Corporation; and Humberto Ramos with Canyon Regional Water Authority.

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, 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:

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

Chair Mathews welcomed the representatives of the Guadalupe-Blanco River Trust.

The Chair called for comments from the public. There were no public comments.

The Chair called for **Chair Item 1 - Report from the Nominating Committee and Election of Officers of the Board of Directors for calendar year 2017**. Chair Mathews and Director Fogle, the Nominating Committee, presented the following slate

of officers for calendar year 2017: **Chairman – Robert “Rusty” Brockman; Vice-Chairman – Dennis L. Patillo; and Secretary-Treasurer – Don B. Meador.** Upon motion by Director Fogle, seconded by Director Hermes, the Board unanimously approved by acclamation the slate of officers for calendar year 2017 as recommended by the Nominating Committee.

Next, the Chair called for **Chair Item 2 - Consideration of and possible action appointing Directors Seats 1 and 2 to serve on the San Antonio Bay Foundation for the term of January 1, 2017 through December 31, 2017 in accordance with the By-Laws Article Three, Section 3.2.** Dan Alonso addressed the Board regarding GBRA appointments to the San Antonio Bay Foundation Board of Directors. The San Antonio Bay Foundation is a nonprofit organization established in July 2008, by GBRA to serve as a vehicle for the protection and preservation of the bay and estuary system at the end of the Guadalupe River Basin. The vision of the Foundation is to champion a healthy and prosperous bay system which provides a quality environment for marine life, coastal wildlife and provides for recreation and commercial endeavors for residents and visitors. In accordance with the Bylaws of the San Antonio Bay Foundation so that the Foundation will always be operated in connection with the Guadalupe-Blanco River Authority under the provisions of §509 (a)(1) of the Internal Revenue Code of 1986, as amended, the appointment of the Directors Seats 1 and 2 shall always be made so that the Foundation and the Guadalupe-Blanco River Authority will maintain a close and continuing relationship. Upon motion by Director Patillo, seconded by Director Brockman, the Board unanimously appointed Darel Ball and Mike Urrutia for Seats 1

and 2 to serve on the San Antonio Bay Foundation Board of Directors. The Directors appointed to Seats 1 and 2 shall serve one (1) year terms.

The Chair then called for **Consent Item 3 - Consideration of and possible action approving the minutes of the November 16, 2016, Board meeting; Consent Item 4 - Consideration of and possible action approving the monthly financial report for November 2016; Consent Item 5 - Consideration of and possible action approving the monthly operations report for November 2016; and Consent Item 6 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Brockman, seconded by Director Carbonara, the Board unanimously approved Consent Items 3, 4, 5, and 6.

The Chair called for **General Manager/CEO Item 7 - 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 Strategic Planning; Water Resources and other Project Planning; Water Resources Operations activities; Water Quality Division and Regional Laboratory activities; Community and Economic Development activities; Communications and Public Affairs activities; Finance and Administrative Services activities (including Information Technology, Human Resources, and Accounting and Finance); weather and climate; river flows and other scientific issues; endangered species issues; and activities of the Guadalupe-Blanco River Trust, the San Antonio Bay Foundation, the Gorge Preservation Society, the Guadalupe River Foundation, and the Guadalupe Basin Coalition.** Jonathan

Stinson addressed the Board regarding the GBRA Strategic Plan for 2018-2028. Discussion was had regarding timeline, vision, mission, values, and key issues and priorities. GBRA staff will focus on enhancement to public communication, identify and plan for staffing needs, review financial goals and capital needs, and research areas for new operational growth. The Strategic Plan will be a working document used to plan for the future of GBRA. Plans are to have a draft Strategic Plan ready for consideration by the Board in the spring of 2017.

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving the Fiscal Year 2016 Annual Financial Audit and distribution of the Comprehensive Annual Financial Report.** Cindy Demers addressed the Board regarding the Annual Financial Audit and the Comprehensive Annual Financial Report. Section 7 of the GBRA Enabling Act and Section 7.02 of the GBRA By-Laws require that GBRA complete an annual audit of the agency's financial records. In addition, GBRA is required to submit the annual audit report to the Texas Commission on Environmental Quality within 135 days of fiscal year end and post required annual disclosure information according to bond indentures. For the fourth year, ABIP conducted the annual audit in accordance with generally accepted auditing standards. The audit process and results were discussed with the GBRA Audit Committee during their November 16, 2016 meeting. ABIP has issued their unqualified opinion related to the presentation of GBRA's financial position as of August 31, 2016. Mike DeToro addressed the Board regarding the financial audit including the GBRA's internal controls, a management letter, and their unqualified opinion. The Comprehensive

Annual Financial Report (CAFR) was distributed to the Board. Upon motion by Director Meador, seconded by Director Patillo, the Board unanimously approved the Fiscal Year 2016 Annual Financial Audit and distribution of the Comprehensive Annual Financial Report.

The Chair then called for **Action Item 9 - Consideration of and possible action ratifying action authorizing the General Manager/CEO to negotiate and execute employee benefit plans and services for calendar year 2017 including plans for health insurance, dental insurance, group term life insurance, long-term disability insurance, and others.** Alvin Schuerg addressed the Board regarding employee benefit plans and services for calendar year 2017. As part of the GBRA Employee Benefit Package, GBRA provides health insurance, dental insurance, vision insurance, group term life insurance, and long-term disability. GBRA staff worked with its employee benefit consultant, Gallagher, on the distribution of Request for Proposal (RFP) to the principal companies in the employee benefit insurance industry including Aetna, Blue Cross Blue Shield, Cigna, Texas Municipal League, and United Healthcare. The RFP requested the proposed calendar year 2017 cost from these insurance companies for the provision of employee benefit insurance programs with terms and benefits that are similar to GBRA's current programs. The results or responses to the RFP were provided to the GBRA Retirement and Benefit Committee during their November 16, 2017 Committee meeting. Aetna, the current provider of these benefit programs, offered an employee health insurance renewal at an approximate 19% increase. The GBRA staff decided to increase the health plan deductible by \$500 per

year and this reduced Aetna's proposed health insurance premium increase to 12.31%. The remaining employee benefit programs will have lesser increases or no increases during calendar year 2017. Upon motion by Director Fogle, seconded by Director Hermes, the Board unanimously ratified action authorizing the General Manager/CEO to negotiate and execute employee benefit plans and services for calendar year 2017 including plans for health insurance, dental insurance, group term life insurance, long-term disability insurance, and others.

The Chair called for **Action Item 10 - Consideration of and possible action approving the January 1, 2016, Actuarial Valuation for the Retirement Plan for Employees of the Guadalupe-Blanco River Authority and the recommended plan contribution included therein.** Alvin Schuerg addressed the Board regarding the Actuarial Valuation for the GBRA Employee Retirement Plan. 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 annual Plan contribution is determined. The Retirement and Benefit Committee of GBRA met on November 16, 2016 to review the Actuarial Valuation and the annual contribution determined therein. For calendar year 2016, the Actuarial Valuation recommends a Plan contribution of \$1,038,202. The Fiscal Year 2017 GBRA budget included a pension plan contribution approximating \$1,200,000. Upon motion by Director Patillo, seconded by Director Meador, the Board unanimously approved the January 1, 2016, Actuarial Valuation for the Retirement Plan for Employees of the

Guadalupe-Blanco River Authority and the recommended Plan contribution of \$1,038,202 included therein.

Next, the Chair called for **Action Item 11 - Consideration of and possible action approving a supplemental contribution to the Guadalupe-Blanco River Authority Defined Benefit Pension Plan for Calendar Year 2016.** Alvin Schuerg addressed the Board regarding a supplemental contribution to the GBRA Defined Benefit Pension Plan. 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 latest Actuarial Valuation that GBRA has received is dated January 1, 2016 and that Valuation places the UAAL at \$4,614,683 with a funding ratio of 85.7%. In June 2010, the GBRA Board directed the staff to reduce the UAAL by making supplemental contributions to the Plan during years in which GBRA's funding allows for such contributions. In consideration of this directive, GBRA has made supplemental contributions of \$3,000,000 (August 2010), \$600,000 (August 2011), \$500,000 (September 2012), \$600,000 (July 2013), \$700,000 (July 2014), and \$700,000 (July 2015). During the November Retirement and Benefit Committee meeting, discussion was held related to a Calendar Year 2016 Defined Benefit Plan supplemental contribution. The Committee approved a recommendation to the GBRA Board of Directors to make a Calendar Year 2016

supplemental contribution to the Plan in the amount of \$300,000. Upon motion by Director Meador, seconded by Director Brockman, the Board unanimously approved a supplemental contribution to the Guadalupe-Blanco River Authority Defined Benefit Pension Plan for Calendar Year 2016 in the amount of \$300,000.

The Chair then called for **Action Item 12 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute an Agreement between the Guadalupe-Blanco River Authority and the Guadalupe-Blanco River Trust.** Todd Votteler addressed the Board regarding an Agreement between GBRA and the Guadalupe-Blanco River Trust (Trust). The purpose of this Agreement is to renew the Guadalupe-Blanco River Authority's commitment to support the Trust and those activities that reflect the mutual goals of both Parties, and to renew the Trust's commitment to pursue those goals. In order to achieve the foregoing purposes, GBRA agrees to continue to provide the salary and benefits for the Trust's Executive Director; continue to provide an annual discretionary budget of up to \$40,000 with a potential two percent (2%) annual increase beginning in 2017; continue to provide office space, office materials, and access to GBRA vehicles for the Trust's Executive Director; continue to provide in-kind assistance, such as accounting and communications, as resources allow; and the GBRA Board will continue to appoint two Trustees to the Board of the Trust who will each serve for a term of one year. The Trust is committed to working cooperatively with landowners, communities and others to conserve land within the watershed that contributes to preserving the quantity and quality of the water in the river, as well as the unique biological diversity of the basin,

and GBRA has determined such land conservation by the Trust is beneficial to the GBRA's mission. In consideration of the foregoing promises, the Trust agrees to continue and where possible, to expand upon its activities in support of the mutual commitments. The term of this Agreement is a period of twenty (20) years from the effective date. This Agreement may be modified or amended upon written consent of all Parties. Jack Jones, President of the Trust, addressed the Board and thanked GBRA for their support and financial assistance in protecting the resources of the Guadalupe River Basin. Director Meador recused himself from discussion and vote on Action Item 12. Upon motion by Director Patillo, seconded by Director Hermes, the Board authorized the General Manager/CEO to negotiate and execute an Agreement between the Guadalupe-Blanco River Authority and the Guadalupe-Blanco River Trust for a term of no less than 20 years by the following vote:

AYES:	Directors Mathews, Brockman, Patillo, Fogle, Carbonara, and Hermes
NOES:	None
ABSTENTIONS:	Director Meador

A copy of the Agreement is attached and made a part of these minutes.

The Chair called for **Action Item 13 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute a contract for Legislative contracting services.** Cindy Demers addressed the Board regarding Legislative contracting services. GBRA traditionally contracts with multiple firms to represent, communicate, and advocate policy positions on behalf of GBRA to legislative, policy and regulatory entities. In preparation for the 85th Legislative Session

and beyond, GBRA needs to retain appropriate representation to assist with proactively monitoring, reporting, and engaging as directed with legislative and regulatory entities and activities. GBRA issued a solicitation for statements of qualifications for legislative consulting services from qualified firms in November. Staff received and reviewed proposals from four firms: Gardere Wynne Sewell LLP, HillCo Partners, Texas Star Alliance, and the Woodhouse Group. All firms demonstrated an understanding of the complex nature of the State's water and utility regulations and GBRA's need for professional representation. Each firm proposed a different contract term and presented teams who have diverse backgrounds advocating and representing policy priorities to legislative, executive, and community leaders and stakeholders. Upon motion by Director Brockman, seconded by Director Hermes, the Board unanimously authorized the General Manager/CEO to negotiate and execute contract(s) with the top two qualified firms for legislative consulting services.

Next, the Chair called for **Action Item 14 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute (a) a Water Supply Contract between the Guadalupe-Blanco River Authority and the City of Luling, Texas; and (b) a settlement agreement resolving the litigation between GBRA and the City.** Tom Bohl addressed the Board regarding a Water Supply Contract with the City of Luling and the City's approval of the Contract on December 8, 2016. On November 4, 2015, the Contract between the City of Luling and GBRA to supply Luling with treated water expired. The Contract provided for the construction of a water treatment plant and the acquisition of water rights for the project and had a term

of 40 years. Negotiations between the City and GBRA had commenced in late 2014, but had stalled. Litigation filed by the City followed (*City of Luling v. Guadalupe-Blanco River Authority*, Cause No. 15-0-544 in the 421st District Court of Caldwell County (now on appeal by the City)). The City and GBRA have conducted negotiations since the suit was filed and it is now proposed that a new contract be negotiated and executed and that the lawsuit be settled and dismissed. Upon motion by Director Fogle, seconded by Director Meador, the Board unanimously authorized the General Manager/CEO to negotiate and execute (a) a Water Supply Contract between the Guadalupe-Blanco River Authority and the City of Luling, Texas; and (b) a settlement agreement resolving the litigation between GBRA and the City. A copy of the Water Supply Contract is attached and made a part of these minutes.

The Chair then called for **Discussion Item 15 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** Tommy Hill briefed the Board on the Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin, including rainfall events, Comal Springs level, San Marcos Springs level, Guadalupe River stream flows, elevation of Canyon Reservoir and other reservoirs, salinity levels in San Antonio and Aransas Bay, the latest El Nino and La Nina modeled forecast, and the U. S. Drought Monitor Seasonal Outlook. The Board was briefed on the status of the log jam removal project.

Director Brockman briefed the Board on the Guadalupe Basin Coalition Hill Country Summit recently held in New Braunfels and thanked Todd Votteler for his work on the planning for the event.

The Chair recessed the open meeting at 11:07 a.m. The Chair then closed the open meeting and convened the meeting in executive session at 11:18 a.m. pursuant to Chapter 551, Texas Government Code.

The Chair reconvened the meeting in open session at 11:41 a.m.

There being no further business to be brought before the Board, the meeting was adjourned at 11:41 a.m. subject to call by the Chair.

Chairman

Secretary