

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 January 19, 2011, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Grace G. Kunde, Oscar H. Fogle, Arlene N. Marshall, Michael D. Schultz, T. L. Walker, James L. Powers, Clifton L. Thomas, Jr., Frank J. Pagel, and Myrna P. McLeroy. 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; Tommie Streeter-Rhoad, Economic Development Manager; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations Assistant; Tammy Beutnagel, Public Communications Assistant; Leigh Crettenden, Web Master; Sandra Terry, Accountant; Darel Ball, Division Manager-Hays/Caldwell; Susan Cochran, Operations Assistant; Paulette Cowey, Operations Secretary; Jeff McKee, Assistant Division Manager-Hydro/Rud; Cinde Thomas-Jimenez, Education Coordinator; Angela Baxley, Network Administrator; Yolanda Pierce,

Operations Assistant; Janae Reneaud representing the Guadalupe-Blanco River Trust; Roger Nevola, legal counsel; David Engel representing Engel and Associates; Jason Davis, Ben Bailey, and Kevin Frazier representing Texas Parks and Wildlife Department; Calvin Finch representing San Antonio Water System; Alan Thompson representing Klotz Associates; Jason Pinchback representing Texas State University; Rob Ford representing the Gonzales Inquirer; Ramon Salazar representing KBR; Tim Kelley representing Piper Jaffray; Trooper Smith representing Freese and Nichols; and Darrel White, Kim Stewart, Joe Solansky, E. S. Bailey, Mary Martha Ehrig, Buddy Brandon, Bubba Ehrig, Joe Opiela, David Matias, Kristin Matias, Valorie Farrel, Gary Rose, Eric Rother, Lusae Rother, and Danny Rother representing Friends of Lake Wood.

Chair Kunde called the meeting to order at 10:06 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 Government Code. A quorum being present, the following proceedings were had:

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

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

The Chair called for **Chair Item 1 - Consideration of and possible action authorizing the expenditure of funds for staff and Directors to attend the Texas**

Water Conservation Association/Texas Rural Water Association Water Law Seminar January 27-28, 2011 in Austin, Texas. Upon motion by Director Marshall, seconded by Director Schultz, the Board approved the expenditure of funds for staff and Directors to attend the Texas Water Conservation Association/Texas Rural Water Association Water Law Seminar in Austin, Texas. Director Myrna P. McLeroy abstained from the vote on Chair Item 1.

Next, the Chair called for **Chair Item 2 - Consideration of and possible action authorizing the expenditure of funds for staff to attend the Texas Water Conservation Association Texas Water Day in Washington, D.C. on February 8-10, 2011.** Upon motion by Director Marshall, seconded by Director Schultz, the Board approved the expenditure of funds for staff to attend the Texas Water Conservation Association Texas Water Day in Washington, D.C. Director Myrna P. McLeroy abstained from the vote on Chair Item 2.

The Chair then called for **Chair Item 3 - Consideration of and possible action accepting Board of Directors' Committee assignments.** Upon motion by Director Marshall, seconded by Director Schultz, the Board accepted the Board of Directors' Committee assignments. Director Myrna P. McLeroy abstained from the vote on Chair Item 3. A copy of the Committee list is attached and made a part of these minutes.

The Chair called for **Consent Item 4 - Consideration of and possible action approving the December 15, 2010, Board meeting minutes; Consent Item 5 - Consideration of and possible action approving the monthly financial report for December 2010; Consent Item 6 - Consideration of and possible action approving**

the monthly operations report for December 2010; Consent Item 7 - Consideration of and possible action approving Directors' expense vouchers; and Consent Item 8 - Consideration of and possible action approving termination of all bank accounts associated with the Victoria Wastewater Treatment Plant operation including the Victoria Operating checking account. Upon motion by Director Schultz, seconded by Director Powers, the Board approved Consent Items 4, 5, 6, 7, and 8. Director Myrna P. McLeroy abstained from the vote on all Consent Items.

Next, the Chair called for **General Manager Item 9 - Discussion of the Executive Reports addressing matters relating to safety, utility operations including finalizing the transition of wastewater operations to the City of Victoria; 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, meetings with counties and cities to discuss possible flood modeling program; construction management including the regional raw water pipeline capacity improvements which are now complete, Canyon Park Estate Wastewater Treatment Plant expansion is complete and operational, Clean Rivers Program, Plum Creek Project activities, Geronimo Creek Watershed Protection Plan activities, Environmental Flows Project activities, River Network Project activities, water quality (general), economic and community development activities, events and projects, work on alternatives and options for Wimberley wastewater system improvements, Bulverde area regional wastewater activities, Dunlap wastewater**

service area activities, Mid-Basin water supply, Tri-Community Water Supply Corporation water supply matters, Hays County water and wastewater study, resource protection activities including lake management and removal of debris caused by floods, Canyon Lake operations, leasing issues at H-5 and other hydroelectric lakes, Plum Creek Watershed Protection, brush control, water strategies, information technology, human resources, budget activities, accounting and finance. James Murphy briefed the Board on GBRA operation and engineering activities. Mr. Murphy also informed the Board that Bryan Serold has taken on the role as GBRA's Safety Coordinator in addition to his current responsibilities. David Welsch briefed the Board on water quality, regional laboratory, economic and community development, and business development activities. Cinde Thomas-Jimenez, Debbie Magin, and Leigh Crettenden showed the Board a kiosk that will be placed at the Navarro Independent School District entitled "Taking Steps to Preserve Water Quality". Several kiosks will eventually be displayed throughout GBRA's watershed. Alvin Schuerg briefed the Board on finance, human resource, and information technology activities. Mr. Schuerg also briefed the Board on the financial statements executive summary for the period ending December 31, 2010. Mr. Schuerg also informed the Board on potential Securities and Exchange Commission registration requirements for certain appointed Board members. The Board was also informed on the transfer of the Victoria Regional Wastewater System to the City of Victoria.

The Chair then called for **Action Item 10 - Consideration of and possible action approving an amended GBRA Board Policy 403 - Investment Policy.** GBRA

Board Policy 403 - Investment Policy as well as the Texas Public Funds Investment Act requires GBRA's Board of Directors to annually approve the Investment Policy and the investment strategy contained therein. The GBRA staff recommended minor changes to Board Policy 403 - Investment Policy based on recommendations by First Southwest Asset Management. The changes are primarily a result of the Public Funds Investments Act and industry changes. Upon motion by Director Walker, seconded by Director Marshall, the Board approved GBRA Board Policy 403 - Investment Policy as amended. Director Myrna P. McLeroy abstained from the vote on Action Item 10. A copy of the Policy is attached and made a part of these minutes.

The Chair called for **Action Item 11 - Consideration of and possible action approving a list of security broker/dealers with whom GBRA may conduct security transactions.** GBRA Board Policy 403 - Investment Policy as well as the Texas Public Funds Investment Act requires GBRA's Board of Directors to at least annually approve the firms that GBRA may buy or sell investment securities through. GBRA currently utilizes the following security broker/dealer firms to buy and sell investment securities as approved by the GBRA Board of Directors on March 17, 2010, and GBRA staff recommended continuing using the eight security broker/dealers to buy and sell investment securities for future transactions:

- Bank of America, Dallas
- First Southwest Asset Management Inc., Austin
- First Tennessee Bank, Memphis
- JP Morgan Chase Securities, San Antonio
- Morgan Keegan, Memphis
- SWS Securities, Dallas
- Vining Sparks, Memphis

Wells Fargo Brokerage Services, Austin

Upon motion by Director Schultz, seconded by Director Fogle, the Board approved the list of security broker/dealers with whom GBRA may conduct security transactions in accordance with GBRA Board Policy 403 - Investment Policy. Director Myrna P. McLeroy abstained from the vote on Action Item 11.

Next, the Chair called for **Action Item 12 - Consideration of and possible action approving and accepting a Biennial Investment Portfolio review.** Section 403.304 of the GBRA Investment Policy requires that an investment portfolio review be performed at least every two years. GBRA engaged Scott McIntyre, a Senior Portfolio Manager and Certified Financial Analysts, with First Southwest Asset Management, Inc. to perform the review. Following the review, First Southwest provided GBRA a report of its findings. The report analysis basically stated that (1) all held securities are AAA, are secured by FDIC insurance, or are collateralized by the issuing banking institution, (2) credit exposure is minimal, (3) liquidity is adequate, (4) portfolio earns a competitive rate of interest without incurring undue risk, and (5) the portfolio adheres to GBRA's investment policy and the Texas Public Funds Investment Act. Upon motion by Director Fogle, seconded by Director Powers, the Board approved the Investment Portfolio Review for fiscal year ending August 31, 2010 as prepared by First Southwest Asset Management in accordance with GBRA Board Policy 403 - Investment Policy. Director Myrna P. McLeroy abstained from the vote on Action Item 12.

The Chair then called for **Action Item 13 - Consideration of and possible action authorizing the General Manager to execute a bank loan or lease purchase**

related to the acquisition of a vehicle in the Guadalupe Valley Hydroelectric Division and all associated documents including a reimbursement resolution if required. GBRA budgeted \$35,000 for the purchase of a replacement truck in the Guadalupe Valley Hydroelectric Division in the Fiscal Year 2011 Work Plan and Budget. The actual cost of the truck is \$30,450. Section 2(x) of GBRA's Enabling Act authorizes GBRA to borrow money and issue negotiable bonds to finance projects or equipment purchases. GBRA contacted the following entities about providing funds for this equipment purchase: First Lockhart National Bank, First National Bank of Port Lavaca, Frost National Bank, International Bank of Commerce, Jules and Associates, and Tetra Financial Group. The terms GBRA requested of these banks included an amount of \$30,000, a term of three years, tax exempt status and collateral of none or pledge of Guadalupe Valley Hydroelectric Division revenues. GBRA requested that the banks provide their proposals on or before January 14, 2011. Upon motion by Director Walker, seconded by Director Powers, the Board authorized the General Manager or the Executive Manager of Finance to execute a loan agreement and any related documents, including a reimbursement resolution if necessary, in the approximate amount of \$30,000 for the reimbursement cost of an F-350 truck in the Guadalupe Valley Hydroelectric Division with First Lockhart National Bank. Director Myrna P. McLeroy abstained from the vote on Action Item 13.

The Chair called for **Action Item 14 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Cooperation Agreement between the Guadalupe-Blanco River Authority and the Calhoun**

County Rural Water Supply Corporation. In 1970 GBRA entered into a water supply contract with Calhoun County Rural Water Supply Corporation. As amended, the 1970 Contract will expire on February 1, 2011. Entering into the Cooperation Agreement will enable to the parties to continue a working relationship into the future after the 1970 water supply contract expires. Over the past 40 years GBRA and Calhoun County Rural Water Supply Corporation have had a beneficial and cooperative working relationship. Upon the expiration of the 1970 Contract, the Cooperation Agreement will enable the parties to continue their working relationship. Under this new agreement, like it did under the 1970 Contract, Calhoun County Rural Water Supply Corporation will continue to receive membership fees from individuals and entities who desire to receive treated water from GBRA and then will deposit such monies into GBRA's bank accounts. Additionally, GBRA will annually provide a draft of the proposed annual budget to Calhoun County Rural Water Supply Corporation for its review and communication to customers of the Calhoun County Rural Water System. Upon motion by Director Thomas, seconded by Director Powers, the Board authorized the General Manager to negotiate and execute a Cooperation Agreement between GBRA and Calhoun County Rural Water Supply Cooperation. Director Myrna P. McLeroy abstained from the vote on Action Item 14. A copy of the Cooperation Agreement is attached and made a part of these minutes.

Next, the Chair called for **Discussion Item 15 - Discussion regarding the transfer of the Victoria Regional Wastewater facilities to the City of Victoria.** This

matter was discussed as part of General Manager Item 9 so no additional discussion was had on Discussion Item 15 at this time.

The Chair then called for **Discussion Item 16 - Discussion regarding GBRA's Lake Wood land lease program in Gonzales County.** General Manager West called upon Darrell White, spokesperson for Friends of Lake Wood. Mr. White addressed the Board regarding GBRA's Lake Wood land lease program including the wording about personal belongs on the property and what is driving GBRA's decision to terminate the land leases in 2018. Mr. White informed the Board that most of the lease holders have been good stewards of GBRA property. General Manager West informed the group that GBRA Staff will answer their questions at a meeting to be scheduled in Gonzales.

The Chair called for **Discussion Item 17 - 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.

Next, the Chair called for **Discussion Item 18 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust.** Janae Reneaud briefed the Board on activities of the Guadalupe-Blanco River Trust including accomplishments for 2010, upcoming projects for 2011, and funding resources.

The Chair called for **Discussion Item 19 - 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 20 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on the Governor's Inaugural event, a memorandum from the Texas Reclamation Coalition recognizing that GBRA has joined the Coalition, and an article published in the *Irrigation Leader* Magazine by General Manager West. The Board was also briefed on the Texas Water Conservation Association White Paper to be used during visits with Senators and Congressmen at Texas Water Day in Washington, Environmental Protection Agency regulations, and the National Water Resources Association Leadership Forum. General Manager West briefed the Board on proposed eminent domain, groundwater, and Bexar Met bills. Discussion was had regarding Texas Legislative Committee Chairs and members and the State budget.

The Chair recessed the open meeting at 11:46 a.m. The Chair closed the open meeting and convened the meeting in executive session at 12:15 p.m. The open meeting reconvened in open session at 1:55 p.m.

Upon motion by Director Walker, seconded by Director Powers, the Board authorized the General Manager to negotiate and execute a settlement agreement with the City of Seguin regarding the August 19, 1998 Agreement between GBRA and the City of Seguin and further authorized the General Manager to take all such actions to implement the terms of such settlement agreement.

There being no further business to be brought before the Board, the meeting was adjourned at 1:57 p.m. subject to call by the Chair.

Chair

Secretary