

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 July 20, 2011, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Grace G. Kunde, Oscar H. Fogle, Myrna P. McLeroy, Frank J. Pagel, James L. Powers, Robert "Rusty" Brockman, Dennis L. Patillo, and Tommy Mathews. Director Arlene N. Marshall was 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; Bruce Wasinger, General Counsel; David Welsch, Executive Manager of Business Development and Resource Management; Gary Asbury, Project Manager; Debbie Magin, Director of Water Quality Services; Barbara Gunn, Human Resource Manager; Tommy Hill, Chief Engineer; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; LaMarriol Smith, Manager of Communication and Education; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations Assistant; Sandra Terry, Accountant; Tammy Beutnagel, Public Communications Assistant; Leigh Crettenden, Web Master; Denise Lyssy, Customer Service Assistant; Jeannine Herrmann, Accounting Assistant; Susan Hubbert, Accountant; 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; Jim Dublin and Rose Marie Eash representing Dublin and Associates; David

Engel representing Engel and Associates; Steve Holzheuser, consultant; Steven Adams representing Specialized Public Finance, Inc.; Noel Valdez representing McCall, Parkhurst and Horton; Brandon Payne representing San Antonio Water System; Alan Thompson representing Klotz Associates; Mike Morrison representing Freese and Nichols; Ramon Salazar representing KBR; Bob Spain representing the Texas Water Safari; and Shirley Jo Ross of Austin.

Chair Kunde called the meeting to order at 9:05 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.

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

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 appointing Myrna P. McLeroy to the Golden Crescent Regional Planning Commission General Assembly.** Upon motion by Director Fogle, seconded by Director McLeroy, the Board unanimously appointed Dennis L. Patillo to the Golden Crescent Regional Planning Commission General Assembly.

Next, the Chair called for **Consent Item 2 - Consideration of and possible action approving the June 22, 2011, Board meeting minutes; Consent Item 3 - Consideration of and possible action approving the monthly financial report for June 2011; Consent Item 4 - Consideration of and possible action approving the monthly operations report for June 2011; and Consent Item 5 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Patillo, seconded by Director Brockman, 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 2 water restrictions, submittal of final draft of Coletto Creek Emergency Action Plan to the Texas Commission of Environmental Quality, 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 hydraulic testing which is now complete, 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, 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, Gorge Preservation Society matters, 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. David Welsch briefed the Board on water quality, regional laboratory, economic and community development, and business development activities. Debbie Magin briefed the Board on the Plum Creek Partnership. Tommie Rhoad introduced Bob Spain representing the Texas Water Safari and the Board was briefed on the event. 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 June 30, 2011.

The Chair called for **Action Item7 - Consideration of and possible action approving a Resolution authorizing the issuance of up to \$1,225,000 in principal amount of Guadalupe-Blanco River Authority Water Supply Revenue Refunding**

Bonds, Series 2011 (Port Lavaca Water Treatment Plant Project); authorizing the General Manager or the Executive Manager of Finance and Administration to approve all final terms of the Series 2011 Bonds; authorizing the execution of a Paying Agent/Registrar Agreement, an Escrow Agreement and a Continuing Disclosure Agreement; approving an Official Statement; calling certain bonds for redemption; and authorizing all other instruments and procedures related thereto.

Sandra Terry addressed the Board regarding the Water Supply Revenue Refunding Bonds. In 1968, GBRA issued \$1,170,000 of tax-exempt revenue bonds to finance the construction of a surface water treatment plant to serve the City of Port Lavaca and potentially other area customers. Since that time, GBRA has issued additional bonds to finance a plant expansion as well as to refund earlier bond issues. Currently, \$1,395,000 of revenue bonds associated with the Port Lavaca Water Treatment Plant are outstanding and they have an average interest rate of 5.01 percent. Due to the low interest rate environment that currently exists as well as the favorable debt rating of the City of Port Lavaca, the Port Lavaca Water Treatment Plant bonds may be fully retired and refunded with a replacement Series 2011 bond issue in the approximate amount of \$1,225,000. The anticipated interest rate on the Series 2011 bonds is 2.30 percent which when compared to the interest rate on the current bonds of 5.01 percent, provides an estimated savings of \$7,000 per year and a total estimated savings of \$39,800 over the remaining five year life of the bond issue. These savings will be passed through to the Plant's customers, the City of Port Lavaca, Port O'Connor MUD, and the Calhoun County Rural Water System. The GBRA staff has been working with

representatives of the City of Port Lavaca, our financial consulting team of Specialized Public Finance and McCall Parkhurst Horton, and the rating agencies to affect this new bond issue and refunding of the old bond issue. The sale of the new Series 2011 bonds through a “competitive bid” was July 19th and the closing on the bonds is currently scheduled for August 16, 2011. Upon motion by Director Powers, seconded by Director Mathews, the Board unanimously approved a Resolution authorizing the issuance of up to \$1,225,000 in principal amount of Guadalupe-Blanco River Authority Water Supply Revenue Refunding Bonds, Series 2011 (Port Lavaca Water Treatment Plant Project); authorized the General Manager and the Executive Manager of Finance and Administration to approve all final terms of the bonds; authorized the execution of a paying agent/registrars agreement, an escrow agreement, and a continuing disclosure agreement; approved an official statement; calling certain bonds for redemption; and authorized all other instruments and procedures related thereto. A copy of the Resolution is attached and made a part of these minutes.

Next, the Chair called for **Action Item 8 - Consideration and possible action authorizing the General Manager to enter into a grant agreement with the Texas Commission on Environmental Quality for the 2012-2013 Guadalupe River and Lavaca-Guadalupe Coastal Basin Clean Rivers Program.** Debbie Magin addressed the Board regarding the grant agreement. GBRA has been a partner in the Clean Rivers Program since the early 1990’s. The Texas Clean Rivers Program is managed by the Texas Commission on Environmental Quality and is funded entirely by fees assessed to wastewater discharge and water rights permit holders. GBRA carries out

the water quality management efforts in these basins under a grant agreement with the Texas Commission on Environmental Quality. Aside from administrative requirements, there are four major elements to the Clean Rivers Program: water quality data collection, special studies, basin data analysis, and public participation. The grant agreement is between GBRA and the Texas Commission on Environmental Quality for the 2012-2013 Guadalupe River and Lavaca-Guadalupe Coastal Basin Clean Rivers Program. The grant agreement obligates the Texas Commission on Environmental Quality to reimburse up to \$286,682 to GBRA for actual allowable and eligible costs of performing the tasks prescribed in the Scope of Work. The amount of the 2010-2011 contract was \$303,682 which included \$17,000 for equipment purchases during that biennium. Upon motion by Director Brockman, seconded by Director Mathews, the Board unanimously authorized General Manager to enter into a grant agreement with the Texas Commission on Environmental Quality for the 2012-2013 Guadalupe River and Lavaca-Guadalupe Coastal Basin Clean Rivers Program. A copy of the grant agreement is attached and made a part of these minutes.

The Chair then called for **Discussion Item 9 - Discussion regarding the Federal Emergency Management Agency (FEMA) Risk Mapping, Assessment, and Planning Program.** Tommy Hill briefed the Board on the FEMA Risk Mapping, Assessment, and Planning Program.

The Chair called for **Discussion Item 10 - Discussion regarding the activities and transactions of the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe Basin Coalition.** General Manager West

briefed the Board on activities of the Edwards Aquifer Recovery Implementation Program as well as meetings and activities of the Edwards Aquifer Authority. Discussion was also had regarding meetings of the South Central Texas Regional Water Advisory Committee and the Guadalupe Basin Coalition.

Next, the Chair called for **Discussion Item 11 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust, the San Antonio Bay Foundation, and the Gorge Preservation Society.** General Manager West briefed the Board on activities of the San Antonio Bay Foundation. Steve Jester, Executive Director of the Guadalupe-Blanco River Trust briefed the Board on Trust activities.

The Chair then called for **Discussion Item 12 - 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.

The Chair called for **Discussion Item 13 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on a Memorandum of Understanding between the Western Governors' Association and the National Oceanic and Atmospheric Administration (NOAA), a drought conference sponsored by NOAA, a New York Times article on drought, and a map of water systems in Texas under water use restrictions.

The Chair recessed the open meeting at 10:43 a.m. The Chair reconvened in open meeting at 11:00 a.m.

The Chair again called for **Discussion Item 13 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West discussed the success of the June Board meeting held in Cuero and the October Board meeting will be held in Calhoun County. The Board was also briefed the Board on the 82nd Legislative Session.

The Chair recessed the open meeting at 11:24 a.m. The Chair closed the open meeting and convened the meeting in executive session at 11:25 a.m. The open meeting reconvened in open session at 12:09 p.m.

Next, the Chair called for **Discussion Item 14 - Discussion regarding the Fiscal Year 2012 Work Plan and Budget.** Alvin Schuerg informed the Board of GBRA's receipt of the Government Finance Officers Association Distinguished Budget Presentation Award for GBRA's Fiscal Year 2011 Work Plan and Budget and recognized Sandra Terry, Jeannine Hermann, and Denise Lyssy for their work on the Fiscal Year 2012 Work Plan and Budget. This award has been received for thirteen consecutive years. Alvin Schuerg continued discussion with the Board on the Work Plan and Budget Quick Reference Guide which includes customer meeting dates, a list of Systems/Budget Sections, individual Budget format, and a comparison of expenses and revenues between the 2011 and 2012 Work Plan and Budget. Discussion continued on the proposed Work Plan and Budget regarding operating revenue sources, operating expenses, a ten-year consolidated budget summary from Fiscal

Years 2002 and 2012, and water sales and lake operations. Mr. Schuerg continued discussion on interfund trend data; rates and rate structures; and external financing for capital additions. Discussion was had regarding the General Division Budget including the transfer of the Guadalupe-Blanco River Trust to the Water Sales Division, an increase in professional fees, and maintenance and repair services. The Guadalupe Valley Hydroelectric Division's Budget has an increase for repairs to the spillgates. Discussion was had regarding the Rural Utilities Division wastewater service fees, purchase of equipment, repairs, and new lift station and pipeline capacity. Mr. Schuerg discussed the Water Sales Division including an increase in the firm water rate; water commitments from Canyon Reservoir; miscellaneous revenues; operating supplies and services; support for the Guadalupe-Blanco River Trust and the San Antonio Bay Foundation; interest expenses; change in restricted funds; maintenance and repairs; project development expenses; litigation expenses; and potential water supply projects. Discussion continued regarding the Western Canyon Division operating supplies and expenses and the purchase of fixed assets. The Port Lavaca Water Treatment Plant Division's operating revenues were discussed. The Luling Water Treatment Plant operating revenues were discussed. The Lockhart Wastewater Treatment Plant Division water services and operating expenses were discussed. Bruce Wasinger briefed the Board on the effects The Aransas Project litigation will have on the 2012 Work Plan and Budget. General Manager West addressed the Board on the effects the Edwards Aquifer Recovery Implementation Program has on the Budget. David Welsch briefed the Board on Mid-Basin Project phases, anticipated schedule, and how the

project relates to the 2012 Work Plan and Budget. James Murphy discussed additional information relating to the Mid-Basin Project phases, the 2011 State Water Plan, water supply impacts on the Basin, project descriptions, and possible project locations. Bruce Wasinger discussed the status of GBRA's pending water right applications for surface water rights. Alvin Schuerg discussed the potential costs of initiating a new water supply project using Carrizo Aquifer water pumped from a proposed well field in Gonzales County. General Manager West recapped the discussions on the Mid-Basin Project phases and anticipated project schedules. James Murphy discussed the long term water supply possibilities of the Simsboro Project. Bruce Wasinger discussed the long-term benefits of an off-channel reservoir water right application. Mr. Wasinger also discussed the Reservation Agreement between GBRA and Exelon Corporation. General Manager West briefed the Board on a potential long-term coastal project that would include power production and a desalination project. The Fiscal Year 2012 Work Plan and Budget will be presented to the Board for approval at the August Board meeting.

There being no further business to be brought before the Board, the meeting was adjourned at 2:56 p.m. subject to call by the Chair.

Chair

Secretary Pro-Tem