

## **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 February 20, 2013, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Oscar H. Fogle, Grace G. Kunde, Tommy Mathews, James L. Powers, Frank J. Pagel, Dennis L. Patillo, Myrna P. McLeroy, Robert "Rusty" Brockman, and Kenneth Motl. 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; 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; Teresa Van Booven, Project and Community Representative; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations and Publication Specialist; Leigh Crettenden, IT Manager; Jaynellen Ladd, Natural Resource Specialist; Tommy Schulte, Regional Representative; Charlie Hickman, Engineer; Steve Jester, Executive Director of the Guadalupe-Blanco River Trust; Dan Alonso, Executive Director of the San Antonio Bay Foundation; Roger

Nevola, legal counsel; Jim Dublin representing Dublin and Associates; David Engel representing Engel and Associates; Tom Spurgeon representing McCall, Parkhurst and Horton; Steven Adams representing Specialized Public Finance, Inc.; Ken Holt, Steve Bereyso, and Chuck Ahrens representing San Antonio Water System; Rick Menchaca representing BOSC, Inc.; Trooper Smith representing Freese and Nichols; Rick Galloway representing Atkins, Humberto Ramos representing Canyon Regional Water Authority; H. Rene Moulenet representing HRM Land Acquisition Solutions, LLC; Tim Kelley representing Piper Jaffrey; Greg Bowen representing the New Braunfels Herald-Zeitung; Tom Hodge representing Canyon Lake Water Supply Corporation; Matt Green and Bill Swenson representing MWH; Ramon Salazar representing Worley Persms; Nieves Alfaro representing Kellogge Brown and Root; and Tyson Broad representing the Sierra Club.

Chair Fogle called the meeting to order at 9:02 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 Patillo 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 Item 1 - Recognition and presentation to Grace G. Kunde for her dedication and service as Chair of the Board of Directors of the Guadalupe-Blanco River Authority.** Chair Fogle and General Manager West presented Director Kunde a gavel and thanked her for her dedicated service as Chair of the Board of Directors.

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 Texas Water Conservation Association 69<sup>th</sup> Annual Convention March 6-8, 2013, at the Sheraton Austin Hotel in Austin, Texas.** Upon motion by Director Kunde, seconded by Director Mathews, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association 69<sup>th</sup> Annual Convention in Austin, Texas.

The Chair then called for **Consent Item 3 - Consideration of and possible action approving the January 16, 2013, Board meeting minutes; Consent Item 4 - Consideration of and possible action approving the monthly financial report for January 2013; Consent Item 5 - Consideration of and possible action approving the monthly operations report for January 2013; and Consent Item 6 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Patillo, seconded by Director Kunde, the Board unanimously approved Consent Items 3, 4, 5, and 6.

The Chair called for **General Manager Item 7 - Discussion of the Executive Report addressing various matters, including 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, meetings held with cities and counties to discuss Phase 2 of the Lower Guadalupe River Basin Feasibility Study, construction management including River Bend pump station replacement matters, Mid-Basin Water Supply Project, Feasibility Study for the South Central Texas Power and Desalination Project, Regional Laboratory activities, Clean Rivers Program activities, Plum Creek Projects, Texas Water Utilities Association Laboratory Analyst Section, Operations, Geronimo Creek Watershed Protection Plan, Environmental Flows Project, water quality (general), San Antonio Bay Foundation and Partnership, Economic and Community Development activities, events and projects, 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, Canyon Lake/Sattler Office, Gorge Preservation Society, information technology, human resources, budget activities, accounting and finance. Alvin Schuerg briefed the Board on the financial statements executive summary for the period ending January 31, 2013.

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving a Resolution authorizing the issuance of up to \$76,000,000 in**

**principal amount of Guadalupe-Blanco River Authority Contract Revenue Refunding Bonds, Series 2013A and Taxable Series 2013B (Western Canyon Regional Water Supply 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; approving the preparation and distribution of an Official Statement; authorizing the execution of a Purchase Contract, a Paying Agent/Registrar Agreement, and an Escrow Agreement; calling certain Bonds for redemption; and containing other provisions relating to the subject.**

GBRA issued \$79,450,000 of tax-exempt contract revenue bonds in 2003 to construct the Western Canyon Regional Water Supply Project. The 2003 bonds are callable for refunding on April 15, 2013 and on that date, the bonds will have an outstanding balance of \$66,130,000. The interest rate for the 2003 bonds ranges from 3.00 percent - 5.25 percent with a net effective interest rate of 4.7783 percent. Due to the low interest rate environment that currently exists as well as the favorable debt ratings of the Western Canyon Project Participants (San Antonio Water System, City of Boerne, City of Fair Oaks Ranch, GBRA), the 2003 bonds may be “currently” refunded and replaced with a Series 2013 bond issue. The Series 2013 bond issue will range from a low of \$71M to a high of \$76M depending on whether or not a debt service reserve fund must be cash funded. Furthermore, the Series 2013 bond issue will be bifurcated into a tax-exempt series (approximately 90 percent of the issue) and a taxable series (approximately 10 percent of the issue) due to the emergence of additional “taxable” project participants receiving water from the project. The anticipated interest rate on the

Series 2013 bonds approximates 3.16 percent for the tax-exempt component and 3.98 percent for the taxable component which in combination will yield an estimated annual debt service savings of \$440,000 and a total estimated savings of \$8.8M over the remaining life of the bond issue. These savings will be passed through to the Western Canyon Project Participants in GBRA's monthly debt service billing. The GBRA staff has been working with representatives of our financial consulting team of Specialized Public Finance and McCall, Parkhurst and Horton to affect this new bond issue and refunding of the old bond issue. The sale of the new Series 2013 bonds through a "negotiated sale" is tentatively scheduled for April or May of 2013. Upon motion by Director Powers, seconded by Director Kunde, the Board unanimously approved a Resolution authorizing the issuance of up to \$76,000,000 in principal amount of Guadalupe-Blanco River Authority Contract Revenue Refunding Bonds, Series 2013A and taxable series 2013B (Western Canyon Regional Water Supply Project); authorized the sale thereof; authorized the General Manager and the Executive Manager of Finance and Administration to approve all final terms of the Bonds; approved the preparation and distribution of an Official Statement; authorized the execution of a Purchase Contract, a Paying Agent/Registrar Agreement, and an Escrow Agreement; calling certain bonds for redemption; and containing other provisions relating to the subject. A copy of the Resolution is attached and made a part of these minutes.

The Chair then called for **Action Item 9 - Consideration of and possible action approving and accepting the Investment Portfolio Review for fiscal year ending August 31, 2012 as prepared by First Southwest Asset Management in**

**accordance with GBRA Board Policy 403-Investment Policy.** 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 summary basically states that (1) all held securities are AAA or United States Treasuries or government agency bonds, (2) credit exposure is minimal (3) the portfolio liquidity is very liquid, (4) portfolio appears to earn 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 Kunde, seconded by Director Powers, the Board unanimously approved and accepted the Investment Portfolio Review for fiscal year ending August 31, 2012 as prepared by First Southwest Asset Management in accordance with GBRA Board Policy 403-Investment Policy.

The Chair called for **Action Item 10 - Consideration of and possible action approving a Resolution of Guadalupe-Blanco River Authority in support of Kerr County's application for a Texas Water Development Board Regional Water Supply Planning Grant.** In August 2012, a Memorandum of Understanding was signed between GBRA, the Upper Guadalupe River Authority, Kendall County, Kerr County, Headwaters Groundwater Conservation District, and Cow Creek Groundwater Conservation District to pool resources to study the water supply needed for eastern Kerr and western Kendall Counties. It was agreed the best course of action was to

obtain a Texas Water Development Board study grant. Kerr County elected to submit the grant. On December 19, 2012, Kerr County submitted an application to Texas Water Development Board for a grant to study the water supply options for the eastern Kerr and western Kendall Counties. To assist in obtaining the grant a Resolution is needed from each of the study participants. Upon motion by Director Kunde, seconded by Director Brockman, the Board unanimously approved a Resolution of Guadalupe-Blanco River Authority in support of Kerr County's application for a Texas Water Development Board Regional Water Supply Planning Grant. A copy of the Resolution is attached and made a part of these minutes.

Next, the Chair called for **Action Item 11 - Consideration of and possible action authorizing the General Manager to negotiate and execute a Memorandum of Understanding between the Texas General Land Office and GBRA to jointly develop GBRA's Integrated Water Power Project feasibility assessment for developing a seawater desalination regional water supply including the option of co-located power generation facilities.** GBRA has issued a Request for Qualifications from engineering firms interested in preparing a feasibility assessment study for developing a new regional seawater desalination plant in Texas. The study will consider a plant with an initial production capacity of 25 million gallons a day which would be expandable to 250 million gallons a day. The project includes the option of providing a co-located power generation facility capable of initially producing 500 megawatts of generating capacity, with an ultimate capacity of 3,000 megawatts. As many as five locations are to be evaluated along the South Central Texas coast,



between the City of Corpus Christi and the City of Freeport. GBRA received sixteen proposals that were deemed responsive to the Request for Qualifications, and those proposals each encompassed multiple firms and partners, representing substantially all of the global participants in seawater desalination. There is nearly unanimous recognition across the State that seawater desalination, representing an abundant, drought proof source of supply, will play an important part in meeting the future water supply of our rapidly expanding population, particularly in the region that includes GBRA. What is lacking is a unified approach to developing seawater desalination at sufficient quantities and at reasonable cost. Water policy in Texas is fractured across regions, sources of supply and financial constraints. Seawater desalination will not advance without a feasibility assessment which identifies particular locations, technologies, stakeholders, financial options and a road map to design and build a project as described in the Request for Qualifications. The goal of the Integrated Water Power Project is to present the 84<sup>th</sup> Legislature (2015) with a project that is ready to move forward, whether as a traditional publicly funded project or some other public-private partnership arrangement. In order to meet this lofty goal, the General Land Office and GBRA have agreed to partner in moving this project forward. The major points of the Memorandum of Understanding are GBRA and the General Land Office will “short list” and notify four to seven firms by February 28, 2013; the short listed firms will be interviewed during the first week of April, 2013; a final selection will be made by no later than May 20, 2013; negotiations on the final terms and scoping of the feasibility assessment will be completed and the project completed no later than August 31, 2013;

the General Land Office and GBRA will jointly develop a Project Implementation Team to address oversight of the project, including financial matters, schedule, and phasing; and GBRA and the General Land Office may agree to include additional full or junior partners to advance the project at a time and on such terms as they may mutually agree. Upon motion by Director Powers, seconded by Director Kunde, the Board unanimously authorized the General Manager to negotiate and execute a Memorandum of Understanding between the Texas General Land Office and GBRA to jointly develop GBRA's Integrated Water Power Project feasibility assessment for developing a seawater desalination regional water supply including the option of co-located power generation facilities. A copy of the Memorandum of Understanding is attached and made a part of these minutes.

The Chair then called for **Action Item 12 - Consideration of and possible action authorizing the General Manager to negotiate and execute an agreement between GBRA and the Hays County Public Utility Agency to study and ascertain areas for mutual cooperation and joint development of the Mid-Basin Project.** The Hays County Public Utility Agency has recently obtained a permit from the Gonzales County Underground Water Conservation District to produce and export 10,300 acre-feet of groundwater from the Carrizo freshwater aquifer in western Gonzales County. The permits obtained by the Hays County Public Utility Agency are located within the area encompassed by GBRA's Mid-Basin Project and the parties would benefit from the joint development of this resource. The advantages include the ability to blend Hays County Public Utility Agency resources with surface water, aquifer storage, other

groundwater sources, and a combined, multi-use transmission and distribution system. GBRA recently addressed the Hays County Public Utility Agency Board of Directors at a Special Called Meeting to provide an update on GBRA's Mid-Basin Project. The Hays County Public Utility Agency Board was receptive to the possibilities presented by the project, and expressed a desire to further explore ways the Hays County Public Utility Agency and GBRA could agree to mutually develop the Mid-Basin Project. The Hays County Public Utility Agency Board also suggested that the two entities meet over the next sixty to ninety days to determine if a more formal agreement could be reached. Upon motion by Director Mathews, seconded by Director Powers, the Board unanimously authorized the General Manager to negotiate and execute an agreement between GBRA and the Hays County Public Utility Agency to study and ascertain areas for mutual cooperation and joint development of the Mid-Basin Project. A copy of the Agreement is attached and made a part of these minutes.

The Chair 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.** Todd Votteler briefed the Board on activities of the Edwards Aquifer Authority, the Edwards Aquifer Recovery Implementation Program Habitat Conservation Plan, and the Guadalupe Basin Coalition.

Next, 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.

The Chair then called for **Discussion Item 15 - 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 16 - Discussion regarding local and State water planning and water resource issues.** General Manager West briefed the Board on Bills that have been filed in the 83<sup>rd</sup> Legislative Session.

Next, the Chair called for **Discussion Item 17 - Discussion regarding national water planning and water resource issues.** General Manager West briefed the Board on the Texas Water Day held in Washington, D.C. including issues discussed with various Congressional members.

The Chair recessed the open meeting at 10:23 a.m. The Chair then closed the open meeting and convened the meeting in executive session at 10:43 a.m. pursuant to Chapter 551, Texas Government Code. The Chair reconvened the meeting in open session at 11:32 a.m.

There being no further business to be brought before the Board, the meeting was adjourned at 11:33 a.m. subject to call by the Chair.

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Chair

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Secretary