

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 16, 2014, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Oscar H. Fogle, Tommy Mathews, Robert “Rusty” Brockman, Dennis L. Patillo, Don B. Meador, William R. Carbonara, and Darrell McLain. Directors Grace G. Kunde and Kenneth Motl were absent. 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; 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; Carl Westergard, Web Master; Jaynellen Ladd, Natural Resource Specialist; Sandra Terry, Investment Manager; Darel Ball, Division Manager

Hays/Caldwell; Michael Urrutia, Division Manager-Comal/Kendall; David Maltony, Purchasing and Inventory Coordinator-Guadalupe Valley Hydroelectric Division; James Medrano, Plant Attendant-Guadalupe Valley Hydroelectric Division; Felix Cortinas, Operator-Luling Water Treatment Plant; Annlee Drazkowski, Customer Service Assistant-General Division; Denise Lyssy, Customer Service Assistant-General Division; Tricia Ramirez, Part Time Accounting Clerk-General Division; Robert O'Keefe, Laboratory Technical-Regional Laboratory; Allen Ognoskie, Division Manager-Hydroelectric/Rural Utilities; Jeff Crosby, Executive Director of the Guadalupe-Blanco River Trust; Roger Nevola, legal counsel; Jim Dublin with Dublin and Associates; David Engel with Engel and Associates; Jack Murray and James Kirchen, Interns from Sewanee University of the South; Greg Bowen with the New Braunfels Herald-Zietung; Alan Thompson with LNV Engineering; Humberto Ramos with Canyon Regional Water Authority; Stefan Schuster and Bill Swanson with MWH Global; Tina Peterson and Bill Millican with CDM Smith; Tom Turk with CMS Engineering; and Adam Conner with San Antonio Water System.

Chair Fogle 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, 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 Carbonara 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. Chair Fogle welcomed and recognized GBRA employees David Maltony, James Medrano, Felix Corinas, Annlee Drazkowski, Denise Lyssy, Tricia Ramirez, and Robert O'Keefe.

The Chair called for **Consent Item 1 - Consideration of and possible action approving the minutes of the June 18, 2014, Board meeting; Consent Item 2 - Consideration of and possible action approving the monthly financial report for June 2014; Consent Item 3 - Consideration of and possible action approving the monthly operations report for June 2014; and Consent Item 4 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Brockman, seconded by Director Patillo, the Board unanimously approved Consent Items 1, 2, 3, and 4.

Next, the Chair called for **General Manager Item 5 - Discussion of the Executive Report addressing various matters, including matters relating to safety, utility operations relating to Northcliffe Wastewater Treatment Plant, regional wastewater service for Sunfield area and providing water treatment for the City of Point Comfort, water resource operations, engineering including coordination with the U.S. Army Corps of Engineers on Canyon Reservoir operations, Nueces Recharge Study, and Cibolo Watershed Study, Kerr-Kendall ASR Study issues, Emergency Action Plan exercise for Coletto Creek Dam, Texas Water**

Conservation Association Conference report, construction management including the Mid-Basin Water Supply Project, the Integrated Water Power Project, services provided by GBRA to the Johnson Ranch Subdivision, utility relocation at FM 110 (San Marcos Bypass), Regional Laboratory activities, Clean Rivers Program activities including monitoring and reporting, Texas Commission on Environmental Quality funding, Plum Creek Projects including activities funded by the Texas State Soil and Water Conservation Board, Texas Water Utilities Association Laboratory Analyst Section activities, operations including meetings with Texas Commission on Environmental Quality, the City of Lockhart and Polonia Water Supply Corporation regarding a regional source water assessment project in Caldwell County, review of consumer confidence reports for various water systems and plants, Buda plant expansion meeting, permit renewals for various systems in the upper basin, Geronimo Creek Watershed Protection Plan activities, Environmental Flows Project activities, conference call with Basin and Bays Area Stakeholder Committee (BBASC), Vegetation and Invasive Species activities, Water Quality matters, USDA/TWRI Real Hog Farm VTA Project activities, economic and community development activities and events, project development, water and wastewater services including Johnson Ranch, Dunlap Area Rural Utilities-Dunlap Wastewater, Canyon Lake Wastewater Master Plan activities, property management issues including easements and encroachments on easements, project guidelines for developer utilities, Water

Supply Studies activities including TWA, Mid-Basin and other areas, reports on other water activities in the Upper and Mid-Basin, Resource Protection, Lake Management activities including restrictions on water usage on the hydro lakes during drought, zebra mussels campaign, water safety, and flood preparedness, Gonzales Area Flood Warning Plan, Canyon Lake/Sattler Office activities, Gorge Preservation Society activities, general activities, Region L planning activities, Texas Water Conservation Association meeting activities, San Antonio Bay Foundation meeting activities, Guadalupe-Blanco River Trust activities, Information Technology, Human Resources, Accounting and Finance issues, and developer reimbursement issues. James Murphy briefed the Board on GBRA operation and engineering activities. Bryan Serold briefed the Board on the “Table Top Exercise” for the Coletto Creek Dam Emergency Action Plan. David Welsch briefed the Board on water quality, regional laboratory, economic and community development, and business development activities. 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, 2014.

The Chair then called for **Action Item 6 - Consideration of and possible action approving a supplemental contribution to the Guadalupe-Blanco River Authority Defined Benefit Pension Plan for Fiscal Year 2014.** 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, 2014 and that Valuation places the UAAL at \$4,522,243 with a funding ratio of 83.4 percent. In June 2010, the GBRA Board directed the staff to aggressively reduce the UAAL by making supplemental contributions to the Plan in addition to the Plan's "normal" annual 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), and \$600,000 (July 2013). During the June Retirement and Benefit Committee meeting, a discussion was held related to a Fiscal Year 2014 Defined Benefit Plan supplemental contribution. Upon motion by Director Mathews, seconded by Director Meador, the Board unanimously approved a supplemental contribution to the Guadalupe-Blanco River Authority Defined Benefit Pension Plan for Fiscal Year 2014 in the amount of \$700,000.

The Chair called for **Action Item 7 - Consideration of and possible action approving a bank loan or equipment lease to fund or provide for the purchase or lease and the installation of three emergency generators within the Guadalupe-Blanco River Authority's Rural Utilities Division and authorizing the General Manager to negotiate and execute all related documents.** GBRA budgeted for the purchase and installation of three emergency generators in the Rural Utilities Division in the Fiscal Year 2014 budget. These generators will be installed at the Canyon Park

Wastewater Treatment Plant Lift Station number 1, the Dunlap Wastewater Treatment Plant Regional Lift Station, and the Springs Hill Wastewater Treatment Plant to ensure the continued operations of these facilities during a power failure. 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, Regions Bank, Jules and Associates, Balboa Capital, and Tetra Financial Group. The terms GBRA requested of these banks include an amount not to exceed \$150,000, a term of five years, tax exempt non-bank qualified, and either no collateral or a pledge of Rural Utilities Division Revenues. Upon motion by Director Mathews, seconded by Director Patillo, the Board unanimously approved a bank loan to fund the purchase and the installation of three emergency generators within the Guadalupe-Blanco River Authority's Rural Utilities Division with Regions Bank and authorized the General Manager to negotiate and execute all related documents.

Next, the Chair called for **Action Item 8 - Consideration of and possible action authorizing the General Manager to negotiate and execute a contract for replacement of membrane modules at the Western Canyon Regional Water Treatment Plant.** James Murphy introduced Michael Urrutia and informed the Board that Mr. Urrutia has been promoted to the Director of Water Quality Services upon the retirement of Debbie Magin. The Guadalupe-Blanco River Authority began operating the Western Canyon Regional Water Treatment Plant in 2006. GBRA was given a pro-rated ten year warranty on the membrane modules in association with the original

contract. The ten year warranty is due to expire in 2016. Pall Corporation and one other manufacturer of membranes met the terms of the original project specifications. Extensive pilot testing was required by the Texas Commission on Environmental Quality for alternative technology approval. Pall Corporation was the successful bidder. Pall Corporation has quoted to replace the membrane modules at a reduced price over a four year period. The warranty for the new membrane modules will be a two year absolute and eight year pro-rated. Upon motion by Director Meador, seconded by Director Patillo, the Board unanimously authorized the General Manager to negotiate and execute a contract with Pall Corporation in the amount of \$1,220,000 with a five percent (5%) contingency or \$61,000 for a total of \$1,281,000 for replacement of membrane modules the Western Canyon Regional Water Treatment Plant.

The Chair then called for **Action Item 9 - Consideration of and possible action authorizing the General Manager to negotiate and execute a contract with the lowest qualified bidder for replacement of a raw water electrical duct bank at the Luling Water Treatment Plant.** The existing raw water electrical duct bank was originally installed in the late 1970's. It is located in the floodway of the San Marcos River and has been underwater several times. Testing reveals issues with the conductor/wires. This project will be budgeted over several fiscal years. Bid documents/specification were developed and properly advertised. The bids were publicly opened on June 5, 2014. Bids were received from T. Morales Company - \$202,900; SCI, Inc. - \$226,442; and Viking Corporation - \$362,216. The Engineer of record, JRSA Engineering, has completed several similar projects with T. Morales,

Company. Performance on these projects has been excellent. Upon motion by Director Brockman, seconded by Director Mathews, the Board unanimously authorized the General Manger to negotiate and execute a contract with T. Morales Company of Austin, Texas, the lowest qualified bidder, for the installation of a new raw water electrical duct bank for the Luling Water Treatment Plant. Total construction authorization is \$202,900.00 with a five percent (5%) construction contingency allowance \$10,145.00 to be utilized by staff for unknown items that may develop. Total authorization is for \$213,045.00.

The Chair called for **Action Item 10 - Consideration of and possible action authorizing the General Manager to negotiate and execute a contract with the most qualified respondent to provide engineering services related to the design and construction of the FM 306/Canyon Park Estates Wastewater System Improvements.** A 2013 Canyon Park Estates Sanitary Sewer Master Plan Analysis indicates development needs for this watershed. Existing and proposed commercial businesses have expressed a desire for GBRA to provide sewer service. Requests for Qualifications were developed and properly solicited. The consultants were asked to submit documentation as to their ability to provide accurate cost estimation, project administration, technical assessments and survey/design capabilities. Eight firms responded. The submittals were reviewed by the GBRA selection committee. The respondents were ranked and narrowed to three firms. Upon motion by Director Patillo, seconded by Director Carbonara, the Board unanimously authorized the General Manager to negotiate and execute a contract with Moeller and Associates located in

New Braunfels, Texas, the most qualified respondent to provide engineering services related to the design and construction of the FM 306/Canyon Park Estates Wastewater System Improvements.

Next, the Chair called for **Action Item 11 - Consideration of and possible action authorizing the General Manager to negotiate and execute an energy management agreement for selected water and wastewater operations in Hays and Caldwell Counties.** No discussion or action was taken on Action Item 11.

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, the Guadalupe Basin Coalition, and the South Central Texas Water Advisory Committee. Dr. Votteler also briefed the Board on the current status/decline of Comal Springs as a result of the current drought conditions. As of July 16, 2014, the discharge from Comal Springs is 118 cfs.

The Chair recessed the meeting at 11:22 a.m. The Chair reconvened the meeting at 11:32 a.m.

The Chair then called for **Discussion Item 12 - Discussion regarding the Fiscal Year 2015 Work Plan and Budget.** Mr. Schuerg recognized Sandra Terry, Jeannine Hermann, Denise Lyssy, Annlee Drazkowski, and Tricia Ramirez for their work on the Fiscal Year 2015 Work Plan and Budget. The Work Plan and Budget consists of twenty-seven individual budgets. Alvin Schuerg continued discussion with

the Board on the 2015 Work Plan and Budget including a Quick Reference Guide, customer meetings, GBRA's operations, format of the Work Plan and Budget, consolidated budget summary, operating revenue, operating expenses, a ten year consolidated budget summary, and budgeted revenue by customer county. Alvin Schuerg informed the Board of GBRA's receipt of the Government Finance Officers Association Distinguished Budget Presentation Award for GBRA's Fiscal Year 2014 Work Plan and Budget. This award has been received for sixteen consecutive years. Discussion continued on the staffing summary, wage compensation structure, financial reserve chart, rates, rate structures, and debt information. Mr. Schuerg briefed the Board on several Divisions of GBRA including the General Division, Guadalupe Valley Hydroelectric Division, Rural Utilities Division, Water Sales Division, and the Western Canyon Water Treatment Plant. Mr. Schuerg briefed the Board on the executive summary of the proposed Fiscal Year 2015 Work Plan and Budget.

The Chair recessed the meeting at 12:51 p.m. The Chair reconvened the meeting at 1:10 p.m.

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.** Jeff Crosby briefed the Board on activities of the Guadalupe-Blanco River Trust including the Plum Creek Wetland Mitigation Project in Caldwell County. Jaynellen Ladd briefed the Board on activities of the Gorge Preservation Society including the upcoming *Moonlite in the Gorge* to be held October 11, 2014.

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, San Marcos Springs level, Guadalupe River stream flows, elevation of Canyon Reservoir and other reservoirs, 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 recent Water Desalination Joint Interim Committee hearings and various water related new articles.

Next, the Chair called for **Discussion Item 17 - Discussion regarding national water planning and water resource issues.** General Manager West briefed the Board on a letter from the Chief of Engineers Environmental Advisory Board, a Report on Environmental Flows, and Waters of the United States Regulatory Overreach Protection Act (H.R. 5078).

The Chair recessed the open meeting at 1:47 p.m. The Chair then closed the open meeting and convened the meeting in executive session at 1:50 p.m. pursuant to Chapter 551, Texas Government Code. The Chair reconvened the meeting in open session at 2:44 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 2:44 p.m. subject to call by the Chair.

Chair

Secretary