

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 April 19, 2017, at the GBRA William E. West, Jr., Annex Building Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Robert “Rusty” Brockman, Dennis L. Patillo, Don B. Meador, Oscar H. Fogle, Ronald J. Hermes, and Kenneth Motl. Directors William R. Carbonara and Tommy Mathews 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; David Welsch, Advisor to the General Manager; Darel Ball, Executive Manager of Operations and Water Quality; Tom Bohl, General Counsel; Cindy Demers, Executive Manager of Finance and Administration/CFO; Tommy Hill, Executive Manager of Project Engineering and Development/Chief Engineer; LaMarriol Smith, Executive Manager for Strategic Communications and Education; Todd Votteler, Executive Manager of Resource Policy and Stewardship; Susan Hubbert, Deputy Chief Financial Officer; Sandra Terry, Deputy Chief Financial Officer; Tim Dusek, Grant Writer/Administrator; David Geaslin from Gonzales; and Steven Adams with Specialized Public Finance.

Chairman Brockman 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:

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

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

The Chairman called for **Chairman Item 1 - Presentation by David Geaslin of Gonzales, Texas, regarding the Guadalupe-Blanco River Authority Lake Wood Dam related issues.** David Geaslin made a presentation to the Board relating to issues at the Lake Wood dam due to the failed gate including the impact on property values, fish spawning areas, and Cypress trees.

Next, the Chairman called for **Consent Item 2 - Consideration of and possible action approving the minutes of the March 15, 2017, Board meeting; Consent Item 3 - Consideration of and possible action approving the monthly financial report for March 2017; Consent Item 4 - Consideration of and possible action approving the monthly operations report for March 2017; Consent Item 5 - Consideration of and possible action approving Directors' expense vouchers; and Consent Item 6 - Consideration of and possible action approving Resolutions endorsing GBRA's support of and participation in National Drinking Water Week and Water Utilities Awareness Week, May 7-13, 2017.** Upon motion by Director Fogle, seconded by Director Hermes, the Board unanimously approved Consent Items 2, 3, 4, 5, and 6. A copy of the Resolutions are attached and made a part of these minutes.

The Chairman then 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 GBRA 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.** No discussion was had on General Manager/CEO Item 7. The next quarterly report will be May 2017.

The Chairman called for **Action Item 8 - Consideration of and possible action approving and accepting the GBRA Biennial Investment Policy and Portfolio Review.** Sandra Terry briefed the Board on the Biennial Investment Policy and 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, a Hilltop Holding Company, to perform the review. Following the review, First Southwest provided GBRA a report of its findings. The report states that all held securities are AAA or United States Treasuries or government agency bonds, credit

exposure is minimal, the portfolio provides sufficient liquidity to meet cash expenditure requirements, portfolio appears to earn a competitive rate of interest without incurring undue risk, and the portfolio adheres to GBRA's investment policy and the Texas Public Funds Investment Act. Upon motion by Director Patillo, seconded by Director Meador, the Board unanimously approved and accepted the GBRA Biennial Investment Policy and Portfolio Review.

Next, the Chairman called for **Action Item 9 - Consideration of and possible action authorizing the General Manager/CEO to engage the audit firm of Alonzo, Bacarisse, Irvine and Palmer (ABIP) for the Fiscal Year 2017 financial audit.**

Susan Hubbert briefed the Board on the engagement of an audit firm. An annual audit is required by Section 7 of GBRA's Enabling Act, Section 49.191 of the Texas Water Code, GBRA Board Policy 410-Audits, and the provisions of numerous bond resolutions. GBRA Board Policy 410.202 states that the initial term of the engagement of an independent auditor shall be three years subject to annual evaluation and reappointment for the second and third years. Subsequent reappointments may be approved, however the term may not exceed five consecutive years. The firm of Alonzo, Bacarisse, Irvine and Palmer (ABIP) completed their fourth year serving as GBRA's auditor with the Fiscal Year 2016 audit. In March 2017, ABIP submitted their proposal for auditing services for the Fiscal Year 2017 financial audit to the Auditing Committee. The proposal for services states that the fee for the firm's services will be based upon their quoted hourly rates, but not to exceed \$43,700 (exclusive of any potential Single Audit Act services resulting from federal grants). Upon motion by

Director Patillo, seconded by Director Meador, the Board unanimously authorized the General Manager/CEO to engage the audit firm of Alonzo, Bacarisse, Irvine and Palmer (ABIP) for the Fiscal Year 2017 financial audit.

The Chairman then called for **Action Item 10 - Consideration of and possible action authorizing the General Manager/CEO to execute an amended and restated Deferred Compensation Agreement between the Guadalupe-Blanco River Authority and W.E. West, Jr.** No discussion was had on Action Item 10 at this time.

The Chairman called for **Action Item 11 - Consideration of and possible action approving a Resolution authorizing the issuance of up to \$8,800,000 in principal amount of Guadalupe-Blanco River Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (Regional Raw Water Delivery System Expansion Project) with the parameters identified above; authorizing the sale thereof; authorizing the General Manager/CEO and the Executive Manager of Finance and Administration/CFO to approve all final terms of the bonds; approving the preparation and distribution of an Official Statement and competitive sale documents; authorizing the execution of a paying agent/registrars agreement, an escrow agreement and continuing disclosure agreements with the City of Kyle, Canyon Regional Water Authority, Goforth SUD, Sunfield MUD #1 and #4 and Hays Energy Limited Partnership; calling certain bonds for redemption; closing the senior lien on certain other related contract revenue bonds, and containing other provisions relating to the subject.** Cindy Demers briefed the Board on the Bond Resolution. In September 2007, GBRA issued

\$14,955,000 of combined contract revenue bonds, 2007A (tax-exempt) and 2007B (taxable), for the expansion of the regional raw water delivery system from 9 million gallons per day to allow for a maximum of 25 million gallons per day. The 2007A bonds have a current outstanding principal balance of \$8,050,000, a net interest rate of 5.0% and a 10 year call feature which allows the bonds to be refunded without penalty on May 15, 2017. The 2007B bonds are callable at any time; however, the refunding calculation does not yield savings due to a make whole call provision. Due to the current low interest rate environment as well as the favorable debt rating of the contracting parties, the 2007A Series bonds may be fully retired and refunded with a replacement Series 2017 bond issue with the following refunding parameters: minimum net present value savings: 3.00% NPV savings; maximum true interest cost: 5.00%; final maturity: May 15, 2039; and not to exceed principal amount: \$8,800,000. The anticipated true interest cost on the Series 2017 bonds is 3.85% which provides an estimated net present value (NPV) savings of 8.5% or \$46,000 per year and a total estimated NPV savings of \$673,000 over the remaining life of the bond issue. These savings will be passed to the contracted parties as well as the City of San Marcos through GBRA's monthly debt service billing for the raw water delivery system. Those contracted parties include the Cities of Kyle and Buda, Goforth SUD, Sunfield MUD #1 and #4, Canyon Regional Water Authority, Monarch Utilities and Hays Energy Limited Partnership. In addition to the savings, this transaction will also be structured to eliminate the existing subordinate lien pledge of GBRA's General Improvement System Net Revenue for this series. The contract revenue pledges supporting this transaction

are sufficient to support the debt without the additional pledge of GBRA revenue however the bonds will be subordinate to the 2007B series which has the subordinate pledge of GBRA's System Net Revenues. The sale of the bonds through a competitive bid process is tentatively scheduled for April 26, 2017 with closing on May 24, 2017. Steven Adams with Specialized Public Finance gave an overview of the refunding transaction including the level of savings, the sources and uses of the funds, and the parameter refunding order. Upon motion by Director Meador, seconded by Director Motl, the Board unanimously approved a Resolution authorizing the issuance of up to \$8,800,000 in principal amount of Guadalupe-Blanco River Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (Regional Raw Water Delivery System Expansion Project) with the parameters identified above; authorizing the sale thereof; authorized the General Manager/CEO and the Executive Manager of Finance and Administration/CFO to approve all final terms of the bonds; approved the preparation and distribution of an Official Statement and competitive sale documents; authorized the execution of a paying agent/registrars agreement, an escrow agreement and continuing disclosure agreements with the City of Kyle, Canyon Regional Water Authority, Goforth SUD, Sunfield MUD #1 and #4 and Hays Energy Limited Partnership; called certain bonds for redemption; closed the senior lien on certain other related contract revenue bonds, and containing other provisions relating to the subject. A copy of the Resolution is attached and made a part of these minutes.

Next, the Chairman called for **Action Item 12 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute an**

acquisition of the wastewater facilities from Sunfield Municipal Utility District Numbers 1-4. No discussion was had on Action Item 12 at this time.

The Chairman then called for **Action Item 13 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute an Engineering Master Services Agreement with the most qualified engineering firm for water resources support.** Tommy Hill briefed the Board on the Engineering Master Services Agreement. On many occasions GBRA is asked to evaluate on short notice water rights and water availability issues. GBRA desires to have in place and available an engineering consultant with the expertise in the area of, but not limited to, groundwater, surface water rights, water availability, environmental flow, instream flow process, and water resource analysis. GBRA has posted a request for qualifications for an Engineering Master Services Agreement for water resources support. The Master Services Agreement will be an agreement for two (2) years with the option to renew an additional two (2) years and not to exceed four (4) years. Upon motion by Director Fogle, seconded by Director Hermes, the Board unanimously authorized the General Manager/CEO to negotiate and execute an Engineering Master Services Agreement with the most qualified engineering firm for water resources support.

The Chairman called for **Action Item 14 - Consideration of and possible action approving a Resolution of the Board of Directors of the Guadalupe-Blanco River Authority authorizing the General Manager/CEO or his designee to be the representative(s) of GBRA for the purpose of furnishing information and executing documents as may be required in connection with the preparation and**

submission of an application to the United States Bureau of Reclamation in regards to the WaterSMART Grants: Small-Scale Water Efficiency Projects for Fiscal Year 2017, Funding Opportunity Announcement No. BOR-DO-17-F011. Tim Dusek briefed the Board on the application for WaterSMART Grants. The GBRA staff proposed to file an application with the United States Bureau of Reclamation to secure financial assistance for the repair of a leak in the Calhoun Canal System piping. The leak in the Calhoun Canal System piping is located where the canal system crosses under State Highway 238 near its intersection with Coloma Road. GBRA recognizes the importance of the Bureau of Reclamation's objective of cost-sharing with applicants on small-scale on-the-ground projects that seek to conserve, better manage, or otherwise make more efficient use of water supplies. GBRA is preparing an application to the United States Bureau of Reclamation for WaterSMART Grants: Small-Scale Water Efficiency Projects for Fiscal Year 2017, Funding Opportunity Announcement No. BOR-DO-17-F011. The total requested funds are \$75,000.00. GBRA will fulfill the requirement to provide a cost-share of fifty percent (50%) of total project costs through cash and in-kind contributions. Upon motion by Director Motl, seconded by Director Meador, the Board unanimously approved a Resolution of the Board of Directors of the Guadalupe-Blanco River Authority authorizing the General Manager/CEO or his designee to be the representative(s) of GBRA for the purpose of furnishing information and executing documents as may be required in connection with the preparation and submission of an application to the United States Bureau of Reclamation in regards to the WaterSMART Grants: Small-Scale Water Efficiency Projects for Fiscal Year 2017,

Funding Opportunity Announcement No. BOR-DO-17-F011. A copy of the Resolution is attached and made a part of these minutes.

Next, the Chairman called for **Discussion Item 15 - Quarterly status report on grant activities**. Tim Dusek briefed the Board on the status of grants submitted to the United States Bureau of Reclamation, the Texas Parks and Wildlife Department, and the National Fish and Wildlife Foundation.

The Chairman then called for **Discussion Item 16 - 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 percentages, events and totals, the U. S. Drought Monitor Seasonal Outlook, Comal Springs level, San Marcos Springs level, Guadalupe River stream flows, elevation of Canyon Reservoir and other Texas reservoirs, salinity levels in San Antonio and Aransas Bay, and latest El Nino and La Nina modeled forecast.

The Chairman recessed the open meeting at 10:39 a.m. The Chairman then closed the open meeting and convened the meeting in executive session at 10:50 a.m. pursuant to Chapter 551, Texas Government Code. The Chairman reconvened the meeting in open session at 11:55 a.m.

The Chairman called for **Action Item 10 - Consideration of and possible action authorizing the General Manager/CEO to execute an amended and restated Deferred Compensation Agreement between the Guadalupe-Blanco River Authority and W.E. West, Jr.** Cindy Demers discussed the amendments to the

Deferred Compensation Agreement. GBRA and W.E. (“Bill”) West, Jr., retired former GBRA employee, entered into an amended and restated Deferred Compensation Agreement effective September 1, 1999 that was subsequently amended on August 29, 2000. Since inception it was intended that the Plan constitute an “eligible Deferred Compensation Plan” within the meaning of Section 457(b) of the Internal Revenue Code of 1986. In connection with the retirement of Bill West in September 2016 it was discovered that formal amendments to the Agreement should be made to confirm the intent that the Deferred Compensation Plan created in the Agreement was and is intended to be an eligible Deferred Compensation Plan, the Plan must be amended to clarify contribution limits and allow for the over 50 catch up provisions as provided by the Internal Revenue Code. Interpretations of the IRS rules associated with amending the Plan support the ability to amend the plan once these issues were discovered. Upon motion by Director Patillo, seconded by Director Fogle, the Board unanimously authorized the General Manager/CEO to negotiate and execute an amended and restated Deferred Compensation Agreement between the Guadalupe-Blanco River Authority and W.E. West, Jr. A copy of the amended and restated Deferred Compensation Agreement is attached and made a part of these minutes.

Next, the Chairman called for **Action Item 12 - Consideration of and possible action authorizing the General Manager/CEO to negotiate and execute an acquisition of the wastewater facilities from Sunfield Municipal Utility District Numbers 1-4.** Upon motion by Director Fogle, seconded by Director Meador, the Board unanimously authorized the General Manager/CEO to negotiate and execute an

acquisition of the wastewater facilities from Sunfield Municipal Utility District Numbers 1-4.

There being no further business to be brought before the Board, the meeting was adjourned at 11:59 a.m. subject to call by the Chairman.

Chairman

Secretary