

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 December 17, 2014, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Oscar H. Fogle, Tommy Mathews, Kenneth Motl, Robert "Rusty" Brockman, Grace G. Kunde, Dennis L. Patillo, Don B. Meador, Darrel McLain, and William R. Carbonara. 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; LaMarriol Smith, Executive Manager for Strategic Communications and Public Affairs; 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; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; Michael Urrutia, Director of Water Quality Services; Teresa Van Booven, Project and Community Representative; Cricket Dietert, Executive Assistant to the General Manager; Carl Westergard, Web Master; Connie Rothe, Board Relations and Publication Specialist; Tommy Schulte, Regional Representative; Sandra Terry, Investment Manager; Susan Hubbert, Accounting Manager; Robby Scott, Control Room Operator, Guadalupe Valley Hydroelectric Division; Jeff McKee, Assistant Division Manager-Hydro/Rural Utilities; Dan Alonso, Executive Director of the San Antonio Bay

Foundation; Roger Nevola, legal counsel; Steve Holzhauser, Public Affairs Consultants; David Engel with Engel and Associates; Pat Wagner and Mike Del Toro with Alonzo, Bacarisse, Irvine and Palmer; Greg Bowen with the New Braunfels Herald-Zeitung; Adam Conner with San Antonio Water System; and Matt Garcia with Kennedy-Jencks.

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 Mathews 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 employee Robby Scott.

The Chair called for a moment of silence in memory of Tom McNeal eighteen years of service employee from GBRA's Rural Utilities Division and former GBRA Director Myrna P. McLeroy from Gonzales County.

The Chair called for **Chair Item 1 - Report from the Nominating Committee and Election of Officers of the Board of Directors for calendar year 2015**. Director Meador thanked the Nominating Committee members Directors Motl and McLain for serving on the Committee and presented the following slate of officers for calendar year

2015: **Chair – Tommy Mathews; Vice-Chair – Rusty Brockman; and Secretary-Treasurer – Dennis L. Patillo.** Upon motion by Director Meador, seconded by Director Motl, the Board unanimously approved by acclamation the slate of officers for calendar year 2015 as recommended by the Nominating Committee.

Next, the Chair called for **Chair Item 2 - Consideration of and possible action appointing Directors Seats 1 and 2 to serve on the San Antonio Bay Foundation for the term of January 1, 2015 through December 31, 2015 in accordance with the By-Laws Article Three, Section 3.2.** Upon motion by Director Patillo, seconded by Director Mathews, the Board unanimously appointed Todd Votteler and Debbie Magin for Seats 1 and 2, each one (1) year terms, to serve on the Board of Directors of the San Antonio Bay Foundation.

The Chair then called for **Consent Item 3 - Consideration of and possible action approving the minutes of the November 19, 2014 Board meeting; Consent Item 4 - Consideration of and possible action approving the monthly financial report for November 2014; Consent Item 5 - Consideration of and possible action approving the monthly operations report for November 2014; and Consent Item 6 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Brockman, seconded by Director Motl, 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 relating to safety, utility operations, water resource operations, engineering, meetings with federal agencies on various**

Canyon Lake operations and dam safety, meeting of South Central Texas Water Advisory Committee, construction management, status of Mid-Basin Project, Integrated Water Power Project, Johnson Ranch Subdivision, rerouting of utility lines for FM 110 bypass in San Marcos and other construction related matters, Water Quality Division and Regional Laboratory reports, matters relating to the Regional Laboratory, Clean Rivers Program, Plum Creek Projects, monitoring activities, sampling activities, and community outreach, operations related matters including reports on Dunlap Wastewater Treatment Plant permit and hearing on Johnson Ranch permit applications, Buda Plant stress test and meetings on Port Lavaca water treatment and storage, reports on Geronimo Creek Watershed Protection Plan, Environmental Flows Project, Vegetation and Invasive Species, Water Quality (general), Real Hog Farm VTA Project, economic and community development matters, including River Heritage Tour Project, Gorge Preservation Society, land acquisition for Six-Mile Pump Station, various community outreach activities in the Guadalupe Basin, water and wastewater service activities, activities relating to Johnson Ranch, City of Bulverde, Park Village/4-S Ranch, Dunlap Utilities, Canyon Park Estates, Point Comfort, Port Lavaca, general property manage matters, Water Supply Studies and other water-related activities, resource protection including Lake Management, Gonzales Area Flood Warning project, and Canyon Lake/Sattler office activities, administrative issues including information technology reports, human resource

reports, accounting and finance reports. James Murphy briefed the Board on GBRA operation and engineering activities. Mr. Murphy also discussed activities of the South Central Texas Regional Water Planning Group Region L including the proposed amendment of the State Water Plan to include GBRA Integrated Water Power Project. 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 executive financial summary for the period ending November 30, 2014

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving the Fiscal Year 2014 Annual Financial Audit and distribution of the Comprehensive Annual Financial Report.** Alvin Schuerg briefed the Board on the management discussion and analysis required by the Government Accounting Standards Board. Alvin Schuerg recognized Susan Hubbert and Sandra Terry for compiling the Comprehensive Annual Financial Report. Alvin Schuerg introduced Pat Wagner and Mike Del Toro with Alonzo, Bacarisse, Irvine and Palmer. Pat Wagner informed the Board of GBRA's receipt of the Government Finance Officers Association's *Certificate of Achievement for Excellence in Financial Reporting*. Ms. Wagner continued discussion including the Independent Auditor's Report and informed the Board that they have issued their unqualified opinion regarding GBRA's financial statements as of August 31, 2014. The audit firm has also provided their annual Management Letter in addition to a Report on Compliance on Internal Controls, which is

a required report for all federal grant recipients. LaMarriol Smith addressed the Board regarding the theme for this year's annual report and recognized Connie Rothe for the outstanding design of the report. Upon motion by Director Mathews, seconded by Director Meador, the Board unanimously approved the Fiscal Year 2014 annual audit and distribution of the Comprehensive Annual Financial Report.

The Chair then called for **Action Item 9 - Consideration of and possible action approving Board Policy – 403 Investment Policy as written and the investment strategy contained therein.** 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 no changes to Board Policy – 403 Investment Policy and recommended that the Board of Directors continue to approve Policy 403 – Investment Policy as written. Upon motion by Director Brockman, seconded by Director Motl, the Board unanimously approved Board Policy – 403 Investment Policy as written and the investment strategy contained therein. A copy of the Policy is attached and made a part of these minutes.

The Chair called for **Action Item 10 - Consideration of and possible action approving a list of security broker/dealers with whom GBRA may conduct security transactions in accordance with 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 at least annually approve the firms that GBRA may buy or sell investment securities through. GBRA staff

recommended continuing to utilize the following security broker/dealer firms to buy and sell investment securities through as approved by the GBRA Board of Directors on November 20, 2013: Bank of America, Dallas; First Southwest Asset Management Inc., Austin; FTN Financial (First Tennessee Bank), Memphis; JP Morgan Chase Securities, San Antonio; Raymond James|Morgan Keegan, Dallas; SWS Securities, Dallas; Vining Sparks, Memphis; and Wells Fargo Brokerage Services, Houston. Upon motion by Director Brockman, seconded by Director Mathews, the Board unanimously approving the list of security broker/dealers with whom GBRA may conduct security transactions in accordance with GBRA Board Policy 403-Investment Policy.

Next, the Chair called for **Action Item 11 - Consideration of and possible action approving a First Amendment to the restated Defined Benefit Retirement Plan.** One of three basic retirement plans for employees of GBRA is a Defined Benefit Pension Plan; it was amended to close the plan effective December 31, 2010. Historically, the GBRA Defined Benefit Plan and Trust Document did not contain some language that the Plan's Trustee, Wells Fargo, requested to be in the document. The lists of items are specifically related to an indemnity clause and provisions affecting the Trustee's rights and duties. The new requested provisions were transmitted to GBRA's benefits counsel, Mary Potter, for review. The Plan amendment drafted by Mary Potter puts all of the Trustee's requested items in one new section, Section 12.15, of the plan document. The Retirement and Benefit Committee met on November 19, 2014 and reviewed the proposed amendment for further recommendation for approval by the GBRA Board of Directors. Upon motion by Director Meador, seconded by Director

Mathews, the Board unanimously approved a First Amendment to the restated Defined Benefit Retirement Plan. A copy of the amendment 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 file an application for the Texas Water Development Board's State Water Implementation Fund for Texas (SWIFT) financial assistance.** Guadalupe-Blanco River Authority staff recommended filing an application with the Texas Water Development Board to secure State Water Implementation Fund for Texas funding assistance for the regional facilities for GBRA sponsored regional projects. Drought and anticipated growth in and around the region is depleting the available water resources. New water resources need to be developed. These new water supply projects will include several components such as seawater desalinization, surface water diversions, groundwater well fields, aquifer storage and recovery areas, and the associated infrastructure to treat and transmit the water. Upon motion by Director Mathews, seconded by Director Patillo, the Board unanimously authorized the General Manger to be the designated representative of GBRA for the purpose of furnishing information and executing documents as may be required in connection with the preparation and filing of an application for the Texas Water Development Board's State Water Implementation Fund for Texas (SWIFT) for financial assistance. A copy of the Resolution 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 Guadalupe Basin Coalition, and the South Central Texas Water Advisory Committee.

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.** Todd Votteler briefed the Board on the activities of the Guadalupe-Blanco River Trust. Dan Alonso briefed the Board on the activities of the San Antonio Bay Foundation.

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 new staff appointed by Governor elect Greg Abbott, upcoming Texas Water Conservation Association conferences, and preparations for upcoming 84th Texas 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 various legislation issues and The Aransas Project v. Shaw, et al, Case No. 13-40317 United States Court of Appeals for the Fifth Circuit, the Whooping Crane case.

The Chair recessed the open meeting at 11:55 a.m. The Chair then closed the open meeting and convened the meeting in executive session at 12:42 p.m. pursuant to Chapter 551, Texas Government Code. The Chair reconvened the meeting in open session at 1:13 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 1:14 p.m. subject to call by the Chair.

Chair

Secretary