

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 August 18, 2010, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were T. L. Walker, Grace G. Kunde, Oscar H. Fogle, Michael D. Schultz, James L. Powers, Arlene N. Marshall, and Myrna P. McLeroy. Directors Clifton L. Thomas, Jr. and Frank J. Pagel were 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; Todd Votteler, Executive Manager of Intergovernmental Relations and Policy; Bruce Wasinger, General Counsel; David Welsch, Executive Manager of Business Development and Resource Management; Gary Asbury, Project Manager; Barbara Gunn, Human Resources Manager; Tommy Hill, Chief Engineer; Debbie Magin, Director of Water Quality Services; Tommie Streeter-Rhoad, Economic Development Manager; 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; Tammy Beutnagel, Public Communications Assistant; Leigh Crettenden, Web Master; Darel Ball Division Manager-Hays/Caldwell; Susan Hubbert, Accountant; Yolanda Pierce, Operations Assistant; Cinde Thomas-Jimenez, Education Coordinator; Janae Reneaud representing the Guadalupe-Blanco River Trust; Roger Nevola, legal counsel; Jim Dublin representing Dublin and Associates; Shirley Jo Ross representing Camp, Dresser and McKee; Alan Thompson representing Klotz Associates; Gerald Kyle

representing Texas A&M University; Mike Personett representing Brown and Caldwell; John New representing Freese and Nichols; Sam Vaugh representing HDR Engineering; David Shaw and Dan Laroe, Jr. representing Preserve Lake Dunlap Association; Gary Spence representing Friends of Lake McQueeney; Rick Wallace and Keith Strimple representing Citizens United for Lake Placid; and Robert Raetzsch, Dr. Bill Campaign, and Hunter Croan representing Meadow Lake.

Chair Walker 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 Government Code. A quorum being present, the following proceedings were had:

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

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

The Chair called for **Items from the Chair 1 - Consideration of and possible action appointing Trustees Seats 1 and 2 to serve on the Guadalupe-Blanco River Trust for the term of September 1, 2010 through August 31, 2011 in accordance with the Articles of Incorporation and Article 9.10.B of the Texas Non-Profit Corporation Act.** The Guadalupe-Blanco River Trust is a nonprofit land trust organization that was developed to conserve land in the Guadalupe River Basin for its natural, recreational, scenic, historic, and productive value. It was founded in 2001 by the Guadalupe-Blanco River Authority, a conservation and reclamation district created

in 1933 by the Texas Legislature. In accordance with the Bylaws of the Guadalupe-Blanco River Trust so that the Trust will always be operated in connection with the Guadalupe-Blanco River Authority under the provisions of §509 (a)(1) of the Internal Revenue Code of 1986, as amended, the appointment of the Trustees Seats 1 and 2 shall always be made so that the Trust and the Guadalupe-Blanco River Authority will maintain a close and continuing relationship. Upon motion by Director Schultz, seconded by Director Marshall, the Board unanimously appointed Directors Oscar H. Fogle and Grace G. Kunde for Seats 1 and 2 to serve on the Board of Trustees for the Guadalupe-Blanco River Trust. The Trustees appointed to Seats 1 and 2 shall serve one (1) year terms.

Next, the Chair called for **Consent Item 2 - Consideration of and possible action approving the July 21, 2010, Board meeting minutes; Consent Item 3 - Consideration of and possible action approving the monthly financial report for July 2010; Consent Item 4 - Consideration of and possible action approving the monthly operations report for July 2010; and Consent Item 5 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Fogle, seconded by Director Kunde, the Board unanimously approved Consent Items 2, 3, 4, and 5.

The Chair then called for **Items from the General Manager 6 - Discussion of the Executive Report addressing matters relating to safety, utility operations including customer meetings on the Fiscal Year 2011 budgets, 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, work on Region L Planning Group for 2011 Water Plan, FEMA remapping projects, SB 3 meetings, construction management including the regional raw water pipeline capacity improvements: cleaning stations, Canyon Park Estate Wastewater Treatment Plant expansion is about complete, Regional Laboratory preparation of response to NELAP audit by the Texas Commission on Environmental Quality, Plum Creek Project monitoring in the watershed conducted and grant proposal has been submitted to EPA, Kendall County and City of Fair Oaks Ranch Regional Planning Study, Geronimo Creek Watershed Protection Plan activities, Environmental Flows Project activities, water quality (general), economic and community development activities, events and projects, coordination of Wimberley Tier III application at Texas Water Development Board for funding for wastewater system improvements, Bulverde area regional wastewater, monitoring of installation of Legends Pond collection system, meetings to develop master plan for wastewater service in FM 725 area, gathered data for application for wastewater CCN in Bulverde area, options for treated water for Wimberley, Mid-Basin water supply, Tri-Community water and wastewater, Kendall County water and wastewater study, resource protection activities including management and coordination of the restoration of hydro lakes for public use, lake management including “Lake Capacity Study”, Canyon Lake operations, leasing issues at H-5 and other hydroelectric lakes, information

technology, human resources, budget activities, accounting and finance. No discussion was had on Items from the General Manager 6.

The Chair called for **Action Item 7 - Consideration of and possible action approving the Fiscal Year 2011 Work Plan and Budget including rates, compensation tables, and employee compensation agreements as discussed in executive session for the Guadalupe Valley Hydroelectric Division, Shadow Creek Wastewater Reclamation System, Canyon Park Estates Wastewater Reclamation System, Dunlap Wastewater Reclamation System, Northcliffe Wastewater Reclamation System, Springs Hill Wastewater Reclamation System, Wimberley Wastewater Treatment Plant System, Sunfield Wastewater Treatment Plant, Water Sales System, Regional Laboratory System, Calhoun Canal System, San Marcos Water Treatment Plant System, Buda Wastewater Treatment Plant System, Western Canyon Treated Water System, Cordillera Water Distribution System, Comal Trace Water Delivery System, Cordillera Wastewater Treatment Plant, Johnson Ranch Water Distribution System, Johnson Ranch Wastewater Treatment System, Port Lavaca Water Treatment Plant Division, Calhoun County Rural Water Supply Division, Victoria Regional Wastewater Reclamation Division, Coletto Creek Reservoir System, Coletto Creek Recreation System, Luling Water Treatment Plant Division, Canyon Hydroelectric Division, Lockhart Wastewater Reclamation System, Lockhart Water Treatment Plant System, and General Division.** Alvin Schuerg briefed the Board on proposed changes in the Fiscal Year 2011 Work Plan and Budget in the IH-35 Project Water Treatment Plant rate and the Luling Water Treatment Plant rate. Upon motion by Director Fogle, seconded by LVI – 8/18/10

Director Kunde, the Board unanimously approved the Fiscal Year 2011 Work Plan and Budget including rates, compensation tables, and employee compensation agreements as amended.

Next, the Chair called for **Action Item 8 - Consideration of and possible action approving the early prepayment of the loan on the property designated as the Upper Basin Environmental Education Center, located in Comal County, Texas.** In August of 2009, GBRA purchased 21.05 acres of land adjacent to the Canyon Gorge from Barron and Cheryl Casteel. The purchase price was \$410,475 payable with \$200,000 down and a five year loan in the amount of \$210,475. The five year loan requires monthly payments of “interest only” at an interest rate of 6.5 percent. One provision of the loan agreement is that an early prepayment before the loan’s normal Maturity Date is allowed and no added penalty or premium is required. Due to the significant differential between the 6.5 percent interest rate on the loan and the approximate .5 percent - 2.0 percent interest rate on GBRA’s various investments, the staff believes that it is economically prudent to pay the loan off early. Upon motion by Director Schultz, seconded by Director Kunde, the Board unanimously approved the early prepayment of the Barron and Cheryl Casteel loan on the property designated as the Upper Basin Environmental Education Center located in Comal County, Texas, in the amount of \$210,475.

The Chair then called for **Action Item 9 - Consideration of and possible action accepting the consultant’s report regarding a Lake Capacity Study to enhance water safety on GBRA Hydroelectric Lakes Dunlap, McQueeney, Placid, and Meadow in Guadalupe County and Lake Wood and Gonzales in Gonzales County**

and authorizing the General Manager to take such actions to implement such recommendations as approved by the Board. David Welsch briefed the Board on the Lake Capacity Study. GBRA operates six hydroelectric lakes in Comal, Guadalupe, and Gonzales Counties. Due to increased use of the number, type, speed, and size of watercraft, GBRA initiated a study to address lake capacity issues and water safety matters. A committee of representatives of the respective lake areas, GBRA personnel, City and County officials, Texas Parks and Wildlife Department, and other enforcement agencies was created. A proposal from Texas A&M's Texas AgriLife Research was approved to conduct the study with Dr. Gerard T. Kyle leading the Study. The Study was conducted over a twelve (12) month period. Regular meetings were held by the Advisory Committee. The Study included on-site surveys (September 2009); on-line/mail-back questionnaire surveys (November 2009 through January 2010); public meeting number 1 to solicit comments on use issues occurred in August 2009 and October 2009; public meeting number 2 to present the findings of the survey and solicit comments occurred in March 2010; and an opportunity for on-line comments on proposed actions was also provided during June 2010 to July 2010. The Advisory Committee has reviewed alternative actions and the consultant and GBRA staff presented the findings, alternatives, and recommendations to the Board. Dr. Gerald Kyle addressed the Board regarding the Lake Capacity Study findings. David Welsch presented recommendations to the Board. Chair Walker called for public comments. Gary Spence representing Friends of Lake McQueeney was in support of the proposed Study and regulations. Robert Raetzsch was in support of the proposed regulations. Rick Wallace representing Citizens United for Lake Placid was in support of the

proposed regulations. David Shaw representing Preserve Lake Dunlap Association does not concur with the ban of personal water craft on Lake Placid, stated that personal water craft are more environmental safe, and requested the ban on personal water craft be set aside. Dan Laroe representing Preserve Lake Dunlap Association complimented the GBRA staff and Advisory Committee. Mr. Laroe stated the proposed regulations are reasonable and is in support of the Study and regulations. Mr. Laroe continued that personal water craft operation is an issue and the number one safety concern of the Texas Parks and Wildlife Department. Dr. Bill Campaign representing Meadow Lake was supportive of the personal water craft regulation, the ban of towable objects, and stated the Study was a good starting place for regulation. Upon motion by Director Kunde, seconded by Director Marshall, the Board accepted the consultant's report regarding a Lake Capacity Study and unanimously authorized the General Manager to take such actions to implement such recommendations as approved by the Board to enhance water safety on GBRA Hydroelectric Lakes Dunlap, McQueeney, Placid, and Meadow in Comal and Guadalupe Counties, and Lake Gonzales (H-4) and Lake Wood (H-5) in Gonzales County, Texas. A copy of the consultant's report and recommendations is attached and made a part of these minutes. The Board applauded the GBRA Staff for their efforts on the Lake Capacity Study.

The Chair called for **Action Item 10 - Consideration of and possible action approving a Resolution declaring a public necessity for the design, acquisition of property, construction, operation and maintenance of a retail wastewater and waste collection system as a part of the Guadalupe-Blanco River Authority (GBRA) Rural Utilities, Dunlap Wastewater Treatment System (known as the FM**

725-Klein to Zipp Road System) to serve Midtex Oil, L.P. and other retail customers located in Guadalupe County, Texas, and being pursuant to those certain Agreements between the Guadalupe-Blanco River Authority (GBRA) and Midtex Oil, L.P. GBRA has an agreement with Midtex Oil, L.P. for a wastewater and waste collection system for the development, permitting, financing, design, construction, operation, and maintenance for a wastewater and waste collection system as a part of the Guadalupe-Blanco River Authority Rural Utilities, Dunlap Wastewater Treatment System to serve from Klein to Zipp Road in Guadalupe County, Texas. This Resolution authorizes appropriate actions by the General Manager and staff, retained attorneys, appraisers, and engineering and other consultants and staff necessary to conduct planning, studies, surveys, appraisals, and acquisitions of necessary fee purchases and easements, and to identify, enter upon, inspect, and survey lands; to employ consultants and independent contractors for linear survey of rights of way and for assistance in acquiring rights in property including easements, rights of way, and fee titles necessary for the project; to conduct title research; to perform archaeological and environmental studies; to enter lands to determine the need for acquisitions of easements and fee properties necessary for the project; to design, build, construct, and operate a wastewater and waste collection system in said county; and affirms all acts and proceedings theretofore done or initiated by employees, agents, and attorneys of GBRA to acquire such property interests. Upon motion by Director Kunde seconded by Director Fogle, the Board unanimously approved a Resolution declaring a public necessity for the design, acquisition of property, construction, operation, and maintenance of a retail wastewater and waste collection system as a part of the

Guadalupe-Blanco River Authority Rural Utilities, Dunlap Wastewater Treatment System (known as the FM 725-Klein to Zipp Road System) to serve Midtex Oil, L.P. and other retail customers located in Guadalupe County, Texas, and being pursuant to those certain Agreements between the Guadalupe-Blanco River Authority and Midtex Oil, L.P. 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 amendments to the Letter of Intent between GBRA and End Op, LP.** No discussion or action was taken on Action Item 11 at this time.

The Chair then called for **Discussion Item 12 - Video presentation on the Canyon Lake Gorge.** The video presentation was postponed to the September 2010 Board meeting.

The Chair called for **Discussion Item 13 - Presentation by Sam Vaughn on land stewardship above Canyon Reservoir and the Environmental Flows process.** General Manager West introduced Sam Vaughn representing HDR Engineering. Mr. Vaughn gave a presentation to the Board on Land Stewardship above Canyon Reservoir including recommended methods for Juniper control, hydrologic modeling steps, water supply benefits and costs, and implementation issues. Sam Vaughn continued discussion with the Board regarding the Texas Environmental Flows process pursuant to Senate Bill 3. The Board was briefed on a flow chart for the environmental flows process. Mr. Vaughn briefed the Board on the responsibilities and activities of the Environmental Flows Advisory Group, the Science Advisory Committee, the Basin and Bay Area Stakeholder Committee, and the Basin and Bay Expert Science Team.

Next, the Chair called for **Discussion Item 14 - Discussion regarding the activities and transactions of the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe Basin Coalition.** No discussion was had on Discussion Item 14.

The Chair then called for **Discussion Item 15 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust.** Janae Reneaud informed the Board that the Guadalupe-Blanco River Trust earned national recognition from the Land Trust Accreditation Commission. The Trust is the first accredited land trust in the State of Texas.

The Chair called for **Discussion Item 16 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** No discussion was had on Discussion Item 16.

Next, the Chair called for **Discussion Item 17 - Discussion regarding local, State and national water planning and water resource issues.** No discussion was had on Discussion Item 17.

The Chair recessed the open meeting at 11:59 p.m. The Chair closed the open meeting and convened the meeting in executive session at 12:20 p.m. The open meeting reconvened in open session at 1:55 p.m.

The Chair called for **Action Item 11 - Consideration of and possible action authorizing the General Manager to negotiate and execute amendments to the Letter of Intent between GBRA and End Op, LP.** On January 21, 2010 GBRA and End Op, LP entered into a Letter of Intent which outlines the preliminary terms of a proposed Water Supply Agreement that would have GBRA purchasing up to 56,000 LVI – 8/18/10

acre-feet of groundwater per year from End Op's proposed groundwater wells located in Bastrop and Lee Counties and within the jurisdiction of the Lost Pines Groundwater Conservation District. The Letter of Intent provides that the Delivered Price (defined to be a determined price per 1,000 gallons of groundwater delivered potable to a specific delivery point) is to be negotiated within six (6) months from the effective date of the Letter of Intent, in other words, by July 21, 2010. On July 21, 2010, the GBRA Board authorized the General Manager to negotiate and execute an amendment to the Letter of Intent extending the period in which the parties have to agree upon the Delivered Price to August 20, 2010. If the parties do not reach an agreement on the Delivered Price before the expiration of August 20, 2010, all the consideration GBRA has paid to End Op over the past seven (7) months (\$120,000.00) will be retained by End Op and the Letter of Intent terminates. The parties have not reached an agreement on the Delivered Price. In order to allow the parties additional time to reach agreement on the Delivered Price, the Letter of Intent will need to be amended again. Allowing the parties additional time to attempt to negotiate and agree upon the Delivered Price may be beneficial to both parties. Upon motion by Director Powers, seconded by Director Fogle, the Board unanimously authorized the General Manager to negotiate and execute amendments to the Letter of Intent between GBRA and End Op, L.P. to extend the Delivered Price negotiation period for thirty days to September 19, 2010.

There being no further business to be brought before the Board, the meeting was adjourned at 1:56 p.m. subject to call by the Chair.

Chair

Secretary