

MINUTES OF THE
TEXAS WATER DEVELOPMENT BOARD
BOARD MEETING
July 19, 2012

Chairman Billy Bradford, Jr. called to order the regular meeting of the Texas Water Development Board at 9:38 a.m. in Room 170 of the Stephen F. Austin Building, Austin, Texas. In addition to Chairman Bradford, the following Board Members were also present:

Joe M. Crutcher, Vice-Chairman
Lewis H. McMahan
F. A. "Rick" Rylander

Edward G. Vaughan and Monte Cluck were not in attendance.

Members of Texas Water Development Board staff attending included: Chris Adams, Renita Bankhead, Jim Bateman, Joyce Bourenane, Carolyn Brittin, Kelly Burton, Melanie Callahan, Katherine Calnan, Chris Caran, David Carter, Michael Clough, Luis Farias, Scott Foltz, Wendy Foster, Larry French, Monica Galuski, Maxine Gifford, Lisa Glenn, Rene Gonzales, Mark Hall, Ingrid Hansen, Dan Hardin, Francia Harutunian, Ruben Hernandez, Janie Hopkins, Amanda Jenami, Chris Jurgens, Merry Klonower, Randy Lara, Dain Larsen, Darryl Lindgens, Mireya Loewe, Ryan Long, Robert Mace, Temple McKinnon, David Meeseey, Dave Mitamura, Piper Montemayor, Matt Nelson, Darrell Nichols, Brenda O'Neill, Mike Parcher, Javier Pena, Ken Petersen, Lisa Petoskey, Samantha Pollard, Debbie Ramirez, Joe Reynolds, Cindy Ridgeway, Steve Rodriguez, Michael Segner, Caaren Skrobarczyk, Joel Smith, Ruben Solis, Rebecca Trevino, Comer Tuck, Jeff Walker, Gilbert Ward, Carlton Wilkes, David Yaeger, and Jessica Zuba.

The following individuals were present:

Thomas Weir Labatt III

John J. Baldwin, Coastal Water Authority
Susan Bandy, City of Houston
K. A. Bechtold, City of Houston
Danielle Bradford, Piper Jaffray
Steve Bresnen, North Harris County RWA
Andy Bynam, Mesirow Financial
Nora Chavez, Stifel Nicolaus
Doug Cuny, City of Grand Prairie
Nen Deeds, Intera
Kim Edwards, Fidelity
Mark Ellis, Jefferies
Anne Burger Entrekin, First Southwest
Curtis Flowers, Loop Capital
Perry Fowler, AGC of Texas
Jose Gaytan, Bank of Texas
Jay Howard, Guadalupe-Blanco River Authority
Debi Jones, Raymond James
Keith Kindle, City of Breckenridge
Dale Lehman, Piper Jaffray

Kate Makhlouf, Burgess Well
Marty Martin, City of Brady
James Minor, City of Brady
Art Morales, Siebert Brandford Shank & Co.
Tilman Naylor, Jefferies
Clay Pope, City of Houston
Patric Scott, Barclays
Deana Sealy, City of Brady
Dalton Smith, Bank of America
John Schnautz, Speaker Joe Straus' Office
Jonathan Stinson, Governor's Office
Barron Wallace, Bracewell
Tim Williams, J.P. Morgan

Chairman Bradford then recognized the following individuals in attendance at the meeting today:

John Schnautz, Speaker Joe Straus' Office
Jonathan Stinson, Governor Rick Perry's Office

1. CONSIDER APPROVAL OF THE JUNE 21, 2012 BOARD MEETING MINUTES.

Mr. McMahan moved to approve the minutes; the motion was seconded by Mr. Rylander; it passed unanimously.

REPORTS

2. CONTRACT STATUS REPORT REGARDING THE STATUS OF PENDING CONTRACTS THAT ARE UNDER DEVELOPMENT AND EXECUTED CONTRACTS THAT HAVE BEEN PREVIOUSLY APPROVED BY THE BOARD. (David Carter, Director, Human Resources)
3. FINANCIAL ASSISTANCE PROGRAMS PERFORMANCE REPORT REGARDING LOAN AND GRANT COMMITMENT ACTIVITY. (Jeff Walker, Project Development)
4. STATUS OF APPLICATIONS FOR FINANCIAL ASSISTANCE. (Jeff Walker, Project Development)
5. REPORT ON ACTIVITIES RELATING TO THE ECONOMICALLY DISTRESSED AREAS PROGRAM, INCLUDING THE EDAP STATUS REPORT. (Mireya Loewe, Project Oversight)
6. REPORT ON MODELED AVAILABLE GROUNDWATER VALUES FOR GROUNDWATER MANAGEMENT AREA 1 FOR THE OGALLALA AND RITA BLANCA AQUIFERS. (Larry French, Water Science & Conservation)

Chairman Bradford announced that Items 2-6 are reports that have been submitted to the Board but are not posted for discussion or action.

Chairman Bradford then stated that since there was no Finance Committee meeting today because

of the absence of a quorum, he wanted to discuss certain items on the Consent Agenda before the Board's vote.

The Board then considered the following Consent Agenda Items:

7. CONSIDER APPROVING: (A) AUTHORIZING BY RESOLUTION THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS, GENERAL OBLIGATION WATER FINANCIAL ASSISTANCE BONDS, SERIES 2012F (ECONOMICALLY DISTRESSED AREAS PROGRAM) IN ONE OR MORE SERIES IN A PRINCIPAL AMOUNT NOT TO EXCEED \$34,061,406; (B) APPROVING AND DEEMING FINAL A PRELIMINARY OFFICIAL STATEMENT TO BE USED IN THE MARKETING OF THE BONDS; AND (C) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO ACT ON BEHALF OF THE TEXAS WATER DEVELOPMENT BOARD IN THE SALE AND DELIVERY OF SUCH BONDS. (Finance Committee Item No. 4) Monica Galuski, Finance, presented this item.
8. CONSIDER APPROVING: (A) AUTHORIZING BY RESOLUTION THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS, GENERAL OBLIGATION WATER FINANCIAL ASSISTANCE BONDS, SERIES 2012G (DEVELOPMENT FUND PROGRAM) IN ONE OR MORE SERIES IN A PRINCIPAL AMOUNT NOT TO EXCEED \$250,000,000; (B) APPROVING AND DEEMING FINAL A PRELIMINARY OFFICIAL STATEMENT TO BE USED IN THE MARKETING OF THE BONDS; AND (C) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO ACT ON BEHALF OF THE TEXAS WATER DEVELOPMENT BOARD IN THE SALE AND DELIVERY OF SUCH BONDS. (Finance Committee Item No. 5) Piper Montemayor, Debt & Portfolio Management, presented this item.
9. CONSIDER APPROVING THE SELECTION AND APPROVAL OF A TEAM OF UNDERWRITERS TO SERVE THE TEXAS WATER DEVELOPMENT BOARD FOR BOND SALES AND OTHER UNDERWRITING ACTIVITIES AS NECESSARY FROM SEPTEMBER 1, 2012 THROUGH AUGUST 31, 2014. (Finance Committee Item No. 6) Monica Galuski, Finance, presented this item.
10. CONSIDER APPROVING: (A) THE SELECTION AND APPROVAL OF FINANCIAL ADVISORS TO SERVE THE TEXAS WATER DEVELOPMENT BOARD; AND (B) AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO NEGOTIATE AND ENTER INTO CONSULTANT CONTRACTS WITH THE FINANCIAL ADVISORS FROM SEPTEMBER 1, 2012 THROUGH AUGUST 31, 2014. (Finance Committee Item No. 7) Piper Montemayor, Debt & Portfolio Management, presented this item.
16. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF CUMBY (HOPKINS COUNTY)** FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$695,000 FROM THE TEXAS WATER DEVELOPMENT FUND TO FINANCE WATER AND WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Finance Committee Item No. 8) Dain Larsen, Finance, presented this item.

The Board then considered the Consent Agenda:

CONSENT

7. CONSIDER APPROVING: (A) AUTHORIZING BY RESOLUTION THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS, GENERAL OBLIGATION WATER FINANCIAL ASSISTANCE BONDS, SERIES 2012F (ECONOMICALLY DISTRESSED AREAS PROGRAM) IN ONE OR MORE SERIES IN A PRINCIPAL AMOUNT NOT TO EXCEED \$34,061,406; (B) APPROVING AND DEEMING FINAL A PRELIMINARY OFFICIAL STATEMENT TO BE USED IN THE MARKETING OF THE BONDS; AND (C) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO ACT ON BEHALF OF THE TEXAS WATER DEVELOPMENT BOARD IN THE SALE AND DELIVERY OF SUCH BONDS. (Finance Committee Item No. 4) Monica Galuski
8. CONSIDER APPROVING: (A) AUTHORIZING BY RESOLUTION THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS, GENERAL OBLIGATION WATER FINANCIAL ASSISTANCE BONDS, SERIES 2012G (DEVELOPMENT FUND PROGRAM) IN ONE OR MORE SERIES IN A PRINCIPAL AMOUNT NOT TO EXCEED \$250,000,000; (B) APPROVING AND DEEMING FINAL A PRELIMINARY OFFICIAL STATEMENT TO BE USED IN THE MARKETING OF THE BONDS; AND (C) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO ACT ON BEHALF OF THE TEXAS WATER DEVELOPMENT BOARD IN THE SALE AND DELIVERY OF SUCH BONDS. (Finance Committee Item No. 5) Piper Montemayor
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11. CONSIDER APPROVING BY RESOLUTION: (A) THE SALE OF THE BOARD'S OWNERSHIP INTEREST IN A STATE PARTICIPATION PROJECT TO EXPAND A REGIONAL WATER TREATMENT PLANT (PROJECT NO. 21343/COMMITMENT NO. 1483) TO THE **UPPER TRINITY REGIONAL WATER DISTRICT**; AND (B) AUTHORIZATION FOR THE EXECUTIVE ADMINISTRATOR TO TAKE ALL ACTIONS NECESSARY TO EFFECT THE SALE OF THE BOARD'S OWNERSHIP INTEREST IN THE PROJECT. Piper Montemayor/Jim Bateman
12. CONSIDER REQUESTING BY RESOLUTION, A PAYMENT FROM THE TEXAS WATER RESOURCES FINANCE AUTHORITY OF UP TO \$4,000,000 TO BE USED FOR ADMINISTRATIVE EXPENSES AND FOR RESEARCH AND PLANNING. Piper Montemayor
13. CONSIDER APPROVING BY RESOLUTION: (A) A REQUEST FROM THE CITY OF ANAHUAC (CITY) FOR A WAIVER OF OPTIONAL REDEMPTION PROVISIONS OF THE \$1,465,000 CITY OF ANAHUAC, TEXAS COMBINATION TAX AND REVENUE

CERTIFICATES OF OBLIGATION, SERIES 1999 (CERTIFICATES), (B) AN AMENDMENT TO THE CITY'S CERTIFICATE ORDINANCE TO REFLECT THE WAIVER, AND (C) AUTHORIZE THE EXECUTIVE ADMINISTRATOR TO TAKE ANY ACTIONS NECESSARY TO EFFECT THE PROVISIONS OF THE RESOLUTION. Piper Montemayor/Jim Bateman

14. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF BRADY (MCCULLOCH COUNTY)** FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$2,651,990 CONSISTING OF A LOAN IN THE AMOUNT OF \$1,210,000 AND \$1,441,990 IN LOAN FORGIVENESS FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE PLANNING, ACQUISITION AND DESIGN COSTS RELATED TO WATER SYSTEM IMPROVEMENTS. Javier Pena
15. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF GRAND PRAIRIE (DALLAS, TARRANT AND ELLIS COUNTIES)** FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$582,000 CONSISTING OF A LOAN IN THE AMOUNT OF \$495,000 AND \$87,000 IN LOAN FORGIVENESS FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE COSTS RELATED TO WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. Javier Pena
16. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF CUMBY (HOPKINS COUNTY)** FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$695,000 FROM THE TEXAS WATER DEVELOPMENT FUND TO FINANCE WATER AND WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Finance Committee Item No. 8) Dain Larsen
17. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF BRECKENRIDGE (STEPHENS COUNTY)** FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$2,384,878 CONSISTING OF A LOAN IN THE AMOUNT OF \$1,680,000 AND \$704,878 IN LOAN FORGIVENESS FROM THE DRINKING WATER STATE REVOLVING FUND TO FINANCE WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN COMMITMENT OPTION. Jessica Zuba
18. CONSIDER AFFIRMING BY RESOLUTION, THE COMMITMENT TO THE **NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY (BAYLOR COUNTY)** MADE IN RESOLUTION NO. 10-40 AFTER ENVIRONMENTAL REVIEW, AND APPROVING RELEASE OF FUNDS FOR DESIGN AND CONSTRUCTION FROM THE \$5,500,000 DRINKING WATER STATE REVOLVING FUND LOAN FOR A WATER SYSTEM IMPROVEMENT PROJECT. Kathy Calnan
19. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO NEGOTIATE AND EXECUTE A WATER QUALITY LAB SERVICES CONTRACT WITH THE LOWER COLORADO RIVER AUTHORITY NOT TO EXCEED \$96,000 FROM GENERAL REVENUE FOR WORK TO BE PERFORMED IN FISCAL YEAR 2013. Janie Hopkins
20. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO NEGOTIATE AND EXECUTE CONTRACTS FOR RESEARCH IN SUPPORT OF THE GROUNDWATER AVAILABILITY MODELING PROGRAM NO LATER THAN NOVEMBER 30, 2012, AND TO TRANSFER UP TO \$900,000 FROM THE WATER ASSISTANCE FUND TO THE RESEARCH

AND PLANNING FUND (\$720,135 FROM FISCAL YEAR 2012 BUDGET AND \$179,865 FROM FISCAL YEAR 2013 BUDGET). Cindy Ridgeway

21. CONSIDER ADOPTION OF NEW 31 TEXAS ADMINISTRATIVE CODE (TAC) CHAPTER 355, SUBCHAPTER C RELATING TO REGIONAL PLANNING GRANTS; 31 TAC CHAPTER 357 RELATING TO REGIONAL WATER PLANNING GUIDELINES; AND 31 TAC CHAPTER 358, SUBCHAPTER A RELATING TO STATE WATER PLAN DEVELOPMENT; AND THE REPEAL OF CURRENT 31 TAC CHAPTER 355, SUBCHAPTER C RELATING TO REGIONAL PLANNING GRANTS; 31 TAC CHAPTER 357 RELATING TO REGIONAL WATER PLANNING GUIDELINES; AND 31 TAC CHAPTER 358, SUBCHAPTER A RELATING TO STATE WATER PLAN DEVELOPMENT. Temple McKinnon

Mr. Rylander moved to approve Board Consent Items Nos. 7-21. Mr. McMahan seconded; it passed unanimously.

Chairman Bradford stated that Doug Cuny, City Manager, City of Grand Prairie, had requested permission to address the Board in connection with Item No. 15 on the Consent Agenda, and the Board would accommodate that request before continuing with the regular agenda. Mr. Cuny thanked the Board and staff for the assistance with the City's application.

The Board proceeded with the regular agenda as follows:

REGULAR

22. CONSIDER ADOPTING A RESOLUTION HONORING THOMAS WEIR LABATT, III, FOR HIS SERVICE TO THE TEXAS WATER DEVELOPMENT BOARD.

Mr. Labatt addressed the Board. Robert Mace, Water Science & Conservation, also addressed the Board and Mr. Labatt.

Chairman Bradford read the Resolution honoring Mr. Labatt.

Mr. Crutcher moved to approve staff's recommendation; Mr. Rylander seconded; it passed unanimously.

Chairman Bradford stated that Texas House Speaker, Joe Straus, had asked the Board to present his token of appreciation to Mr. Labatt for his years of service to the Board and the State of Texas. The gift of a gavel was presented to Mr. Labatt and the Chairman read the inscription.

The Board proceeded with the regular agenda as follows:

23. CONSIDER APPROVAL OF THE FY 2014-15 LEGISLATIVE APPROPRIATIONS REQUEST FOR BASE AND EXCEPTIONAL ITEMS FOR SUBMISSION TO THE LEGISLATIVE BUDGET BOARD AND GOVERNOR'S OFFICE OF BUDGET, PLANNING AND POLICY. (Work Session Item No. 2) Renita Bankhead, Finance, presented this item.

Mr. McMahan moved to approve staff's recommendation; Mr. Rylander seconded; it passed unanimously.

24. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO PUBLISH A REQUEST FOR REGIONAL WATER PLANNING GRANT APPLICATIONS FOR UP TO \$9.5 MILLION TO COMPLETE THE FOURTH CYCLE (2011-2015) OF REGIONAL WATER PLANNING. Matt Nelson, Water Resources Planning & Information, presented this item.

Mr. McMahan moved to approve staff's recommendation; Mr. Rylander seconded; it passed unanimously.

25. BRIEFING AND DISCUSSION ON DROUGHT CONDITIONS IN THE STATE OF TEXAS. Ruben Solis, Water Science & Conservation, addressed the Board.

No action was taken on this item.

31. THE BOARD WILL RECEIVE COMMENTS FROM THE PUBLIC.

No comments were received.

32. THE BOARD MAY RECESS INTO EXECUTIVE SESSION TO CONSULT WITH ITS ATTORNEYS REGARDING ANY POSTED MATTER IN WHICH THE BOARD MAY SEEK THE ADVICE OF ITS ATTORNEYS UNDER GOVERNMENT CODE §551.071 AND WILL RECONVENE IN OPEN SESSION FOR ANY APPROPRIATE ACTION ON ANY MATTER CONSIDERED IN EXECUTIVE SESSION.

The Board did not recess into Executive Session to consider any other items.

The meeting adjourned at 10:23 a.m.

APPROVED and ordered of record this, the 16th day of August, 2012.

TEXAS WATER DEVELOPMENT BOARD

Billy R. Bradford, Jr., Chairman

ATTEST:

Melanie Callahan,
Executive Administrator