

MINUTES OF THE
TEXAS WATER DEVELOPMENT BOARD
BOARD MEETING
August 18, 2011

Chairman Edward G. Vaughan called to order the regular meeting of the Texas Water Development Board at 9:07 a.m. in Room 170 of the Stephen F. Austin Building, Austin, Texas. The following Board Members were present:

Joe M. Crutcher, Vice-Chairman
Thomas Weir Labatt III
Lewis H. McMahan
Billy Bradford, Jr.

Board Member Monte Cluck was not in attendance at the meeting today.

Members of Texas Water Development Board staff attending included: Chris Adams, Renita Bankhead, Stacy Barna, Jim Bateman, Joyce Bourenane, Carolyn Brittin, David Buaas, Melanie Callahan, Kathy Calnan, Chris Caran, David Carter, Rosia Ervin, Mark Evans, Wendy Foster, Monica Galuski, Lisa Glenn, Rene Gonzalez, Mark Hall, Dan Hardin, Francia Harutunian, Samantha Heng, Kathy Hopkins, Bill Hutchison, Chris Jurgens, Merry Klonower, Amanda Lavin, Kathleen Ligon, Darryl Lindgens, Mireya Loewe, Ryan Long, Robert Mace, Nancy Banks Marsteller, Issa McDaniel, Michelle McFaddin, David Meesey, Piper Montemayor, Ben Munguia, John Muraas, Matt Nelson, Darrell Nichols, Javier Pena, Ken Petersen, Lisa Petoskey, Melissa Popkoff, Debbie Ramirez, Joe Reynolds, Steve Rodriguez, Joel Smith, Shawn Snyder, Rubin Solis, John Steib, Augustine Tambe, Comer Tuck, Jeff Walker, Gilbert Ward, Michael Wright, and Daniel Yager.

The following individuals were present:

Melodene Banks
Ann Becroft, Zavala County WCID #1
Matt Boles, RBC Capital Markets
Dwight Brandt, City of Silverton
Linda Brookins, TCEQ
Andy Bynam, CitiBank
Nora Chavez, Stifel Nicolaus
Kraig Cox, City of Silverton
Curtis Darby, City of Iola
Kim Edwards, Fidelity Capital Markets
Ann Burger Entrekin, First Southwest
Curtis Flowers, Loop Capital Markets
Perry Fowler, AGC of Texas
Kyle Fuston, City of Silverton
Lane Garvin, City of Silverton
Clarence Grier, RBC
Amy Hennard, City of Iola
Jodie Jiles, RPCCM
Jill Kimball, Zavala County WCID #1
Jerry Kyle, Jr., Andrews Kurth

Cari-Michel LaCaile, TCEQ
Richard LeFevre, Zavala County WCID #1
Dale Lehman, Piper Jaffray
Joe Luna, Zavala County Judge
Allison Mackrey, Trinity River Authority
Bob Marsteller
Bill Mullican
Timothy Peterson, J.P. Morgan
Ben Rosenberg, Coastal Securities, Inc.
LaQuetta Schott, City of Silverton
DeLane Smith, City of Silverton
Christina Stover, City of Iola
Richard Weiss, Morgan Stanley
Siglinda West, City of Hawkins
Duane Westerman, SAMCO Capitol Markets, Inc.
Mary Williams, Trinity River Authority

1. CONSIDER APPROVAL OF THE JULY 2011 BOARD MEETING MINUTES.

Mr. Bradford moved to approve the minutes; the motion was seconded by Mr. Labatt; it passed unanimously.

2. CONSIDER ADOPTING A RESOLUTION HONORING NANCY BANKS MARSTILLER FOR HER SERVICE TO THE TEXAS WATER DEVELOPMENT BOARD.

Mr. McMahan moved to adopt the resolution; the motion was seconded by Mr. Labatt; it passed unanimously.

Mr. Labatt then read the resolution honoring Nancy Banks Marsteller which had been signed by all members of the Texas Water Development Board.

Ms. Marsteller addressed the Board and staff in attendance.

REPORTS

3. FINANCIAL ASSISTANCE PROGRAMS PERFORMANCE REPORT REGARDING LOAN AND GRANT COMMITMENT ACTIVITY. Amanda Lavin

4. 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

5. BRIEFING AND DISCUSSION ON THE HYDROGRAPHIC SURVEY PROGRAM. Jason Kemp

6. REPORT ON THE ACTIVITIES AND PERFORMANCE OF THE TEXAS WATER DEVELOPMENT BOARD UNDERWRITING TEAM DURING FISCAL YEAR 2011. Piper Montemayor

CONSENT

7. CONSIDER APPROVING AN EXTENSION OF THE SERVICE PERIOD FOR THE TEAM OF UNDERWRITERS FOR TEXAS WATER DEVELOPMENT BOARD (TWDB) BOND SALES THROUGH AUGUST 31, 2012. (Finance Committee Item No. 3) Melissa Popkoff
8. CONSIDER ADOPTING A RESOLUTION: (A) AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS, WATER FINANCIAL ASSISTANCE BONDS, SERIES 2011B (DEVELOPMENT FUND PROGRAM) IN ONE OR MORE SERIES IN A PRINCIPAL AMOUNT NOT TO EXCEED \$200,000,000; (B) APPROVING AND DEEMING FINAL A PRELIMINARY OFFICIAL STATEMENT TO BE USED IN THE MARKETING OF THE BONDS; AND (C) APPROVING AND AUTHORIZING THE DEVELOPMENT FUND MANAGER AND EXECUTIVE ADMINISTRATOR 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
9. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **TRINITY RIVER AUTHORITY (DALLAS, TARRANT, ELLIS, JOHNSON, AND DENTON COUNTIES)** FOR A TWELVE-MONTH EXTENSION TO THE COMMITMENTS FOR A \$28,035,000 LOAN FOR THE DENTON CREEK REGIONAL WASTEWATER SYSTEM AND FOR A \$104,615,000 LOAN FOR THE CENTRAL REGIONAL WASTEWATER SYSTEM, BOTH FROM THE CLEAN WATER STATE REVOLVING FUND, TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. Jeff Walker
10. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 33 (HARRIS COUNTY)** FOR A LOAN IN THE AMOUNT OF \$2,195,000 FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. Mark Evans
11. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **SAN ANTONIO WATER SYSTEM, ACTING ON BEHALF OF THE CITY OF SAN ANTONIO (BEXAR COUNTY)** FOR A LOAN IN THE AMOUNT OF \$19,630,000 FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. Mark Evans
12. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **SAN PATRICIO MUNICIPAL WATER DISTRICT (SAN PATRICIO COUNTY)** FOR A LOAN IN THE AMOUNT OF \$11,615,000 FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. Darrell Nichols
13. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF IOLA (GRIMES COUNTY)** FOR A GRANT IN THE AMOUNT OF \$235,000 FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM FOR THE PLANNING COSTS TO PROVIDE FIRST TIME WASTEWATER SERVICE, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Finance Committee Item No. 5) Mireya Loewe

14. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF SILVERTON (BRISCOE COUNTY)** FOR A GRANT IN THE AMOUNT OF \$1,735,000 FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM FOR THE PLANNING, ACQUISITION AND DESIGN COSTS FOR WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Finance Committee Item No. 6) Mireya Loewe
15. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF TAHOKA (LYNN COUNTY)** FOR A GRANT IN THE AMOUNT OF \$239,000 FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM FOR THE PLANNING AND DESIGN COSTS FOR WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Finance Committee Item No. 7) Mireya Loewe
16. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **ZAVALA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 (ZAVALA COUNTY)** FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$1,326,000, CONSISTING OF A \$193,000 LOAN AND A \$1,133,000 GRANT, FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM FOR THE CONSTRUCTION OF WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Finance Committee Item No. 8) Mireya Loewe
17. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF HAWKINS (WOOD COUNTY)** FOR A LOAN IN THE AMOUNT OF \$3,720,000 FROM THE TEXAS WATER DEVELOPMENT FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Darrell Nichols)
18. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO NEGOTIATE AND EXECUTE CONTRACTS AS APPROVED AND DIRECTED BY THE FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) NOT TO EXCEED A TOTAL AMOUNT OF \$49.5 MILLION FOR SOLICITED GRANT APPLICATIONS FROM FEMA'S SEVERE REPETITIVE LOSS GRANT PROGRAM, WITHIN 120 DAYS FROM NOTIFICATION OF AWARD. Kathy Hopkins
19. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO: (A) NEGOTIATE AND EXECUTE AN AMENDMENT BEFORE AUGUST 31, 2011, TO THE EXISTING WATER QUALITY LAB SERVICES CONTRACT WITH LOWER COLORADO RIVER AUTHORITY (LCRA) PROVIDING AN ADDITIONAL AMOUNT NOT TO EXCEED \$246,000 FROM THE RESEARCH AND PLANNING FUND, WITH \$96,000 FROM GENERAL REVENUE; AND (B) TRANSFER UP TO \$150,000 FROM THE WATER ASSISTANCE FUND TO THE RESEARCH AND PLANNING FUND FOR WORK TO BE PERFORMED IN FISCAL YEAR 2012. Janie Hopkins
20. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO: (A) NEGOTIATE AND EXECUTE CONTRACTS ON OR BEFORE JANUARY 31, 2012, IN SUPPORT OF THE BRAZOS BASIN AND BAY EXPERT SCIENCE TEAM NOT TO EXCEED \$107,000; AND (B) TRANSFER UP TO \$107,000 FROM THE WATER ASSISTANCE FUND TO THE RESEARCH AND PLANNING FUND. Ruben Solis
21. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO ENTER INTO A COOPERATIVE AGREEMENT BETWEEN THE TEXAS WATER DEVELOPMENT BOARD AND THE U.S. ARMY CORPS OF ENGINEERS, FORT WORTH DISTRICT TO PROVIDE FOR

HYDROLOGIC DATA SUPPORT ASSISTANCE FOR THE PERIOD SEPTEMBER 1, 2011 THROUGH AUGUST 31, 2016. Ruben Solis

Mr. Vaughan announced that 2 persons had requested to address the Board. Ann Beecroft, Board President of the Zavala County Water Control and Improvement District No. 1, and Joe Luna, Zavala County Judge. Both addressed the Board and thanked them and the TWDB staff for their assistance with the Zavala County WCID No. 1 project (Board Consent Item No. 16).

Mr. Vaughan announced that staff recommended that Board Consent Item No. 12 not be considered at this meeting.

Mr. McMahan moved to approve Board Consent Items Nos. 7-21, with the exception of Item 12; Mr. Labatt seconded; it passed unanimously.

REGULAR

22. BRIEFING, DISCUSSION, AND CONSIDER APPROVAL OF AN AMENDMENT TO THE DEPARTMENT OF INFORMATION RESOURCES INTERAGENCY CONTRACT FOR DATA CENTER SERVICES TO INCREASE THE AUTHORIZED AMOUNT FOR EACH YEAR OF THE FY 2012-FY 2013 BIENNIUM. Lisa Petoskey, Director, Information Technology, presented this item.

Mr. McMahan moved to approve the staff recommendation as proposed; the motion was seconded by Mr. Bradford; the motion passed unanimously with Mr. Labatt dissenting.

23. BRIEFING, DISCUSSION, AND CONSIDER APPROVAL OF THE STATE FISCAL YEAR 2012 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN. Stacy Barna, Director, Program Development, presented this item.

Mr. McMahan moved to approve the staff recommendation as proposed; the motion was seconded by Mr. Labatt; it passed unanimously.

24. BRIEFING, DISCUSSION, AND CONSIDER APPROVAL OF THE STATE FISCAL YEAR 2012 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN. Stacy Barna, Director, Program Development, presented this item.

Chairman Vaughan announced that this Item would not be considered at this meeting.

25. CONSIDER APPOINTMENTS OF INTEREST GROUP MEMBERS TO THE WATER CONSERVATION ADVISORY COUNCIL. Robert Mace, Deputy Executive Director, Water Science & Conservation, presented this item.

Mr. Labatt moved to approve the staff recommendation as proposed; the motion was seconded by Mr. Bradford; it passed unanimously.

26. BRIEFING AND DISCUSSION OF MODELED AVAILABLE GROUNDWATER AND EXEMPT USE NUMBERS FOR GROUNDWATER MANAGEMENT AREAS 4 AND 10. Bill Hutchison, Director, Groundwater Resources, presented this item.

No action was taken on this item.

Chairman Vaughan thanked Mr. Hutchison for his service to the Board.

27. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO: (A) NEGOTIATE AND EXECUTE RESEARCH CONTRACTS IN A TOTAL AMOUNT NOT TO EXCEED \$441,139 ON OR BEFORE JANUARY 16, 2012, FROM THE RESEARCH AND PLANNING FUND FOR FISCAL YEARS 2011-2012 ENVIRONMENTAL STUDIES OF TEXAS STREAMS, RIVERS, BAYS, AND ESTUARIES; (B) APPROVE USE OF \$260,000 FROM THE RESEARCH AND PLANNING FUND FOR FISCAL YEAR 2012 SENATE BILL 3 ACTIVITIES OF THE SCIENCE ADVISORY COMMITTEE AND THE BRAZOS, NUECES, LOWER RIO GRANDE, AND UPPER RIO GRANDE BASIN AND BAY EXPERT SCIENCE TEAMS; AND (C) TRANSFER \$671,139 FROM THE WATER ASSISTANCE FUND TO THE RESEARCH AND PLANNING FUND AFTER SEPTEMBER 1, 2011. Ruben Solis, Director, Surface Water Resources, presented this item.

Mr. Labatt moved to approve the staff recommendation as proposed; the motion was seconded by Mr. McMahan; it passed unanimously.

28. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO: (A) NEGOTIATE AND EXECUTE PAYABLE AND RECEIVABLE CONTRACTS IN A TOTAL AMOUNT NOT TO EXCEED \$1,139,245 (\$687,925 FROM THE TEXAS WATER DEVELOPMENT BOARD) FOR CONTINUATION OF THE WATER RESOURCES INVESTIGATIONS DATA COLLECTION PROGRAM WITH THE U.S. GEOLOGICAL SURVEY IN FISCAL YEAR 2012; AND (B) AMEND THE CONTRACTS IN AN AMOUNT NOT TO EXCEED \$100,000 IF ADDITIONAL FUNDS BECOME AVAILABLE. Mark Wentzel, Team Lead, Instream Flows, presented this item.

Mr. Labatt moved to approve the staff recommendation as proposed; the motion was seconded by Mr. McMahan; it passed unanimously.

29. BRIEFING AND DISCUSSION ON DROUGHT CONDITIONS IN THE STATE OF TEXAS. Mark Wentzel, Team Lead, Instream Flows, presented this item.

No action was taken on this item.

30. THE BOARD WILL RECEIVE COMMENTS FROM THE PUBLIC.

No comments were received.

31. THE BOARD WILL RECESS INTO EXECUTIVE SESSION TO RECEIVE AND DISCUSS THE RECOMMENDATIONS FROM THE AUDIT COMMITTEE'S MEETING OF AUGUST 17, 2011, FOR DIRECTOR OF INTERNAL AUDIT PURSUANT TO SECTION 551.074, GOVERNMENT CODE, AND WILL RECONVENE IN OPEN SESSION FOR ANY FURTHER DISCUSSION AND ANY APPROPRIATE ACTION.

The Board did not recess into Executive Session. Mr. McMahan announced the recommendations from the Audit Committee's Meeting of August 17, 2011.

The Audit Committee recommended that Amanda Jenami be offered the position of Director of Internal Audit, and in the event she is unable to serve, that Darrell Carter be offered the position of Director of Internal Audit. The Committee also recommended that Committee Member Billy Bradford and Interim Executive Administrator, Melanie Callahan, negotiate the terms of employment at a salary within the posted range.

Mr. Crutcher moved to approve the recommendation as proposed; the motion was seconded by Mr. Labatt; it passed unanimously.

- 31a. THE BOARD WILL RECESS INTO EXECUTIVE SESSION TO CONSULT WITH ITS ATTORNEYS CONCERNING THE PROPOSED STATE FISCAL YEAR 2012 CONTRACT BETWEEN THE TEXAS WATER DEVELOPMENT BOARD AND THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR THE DRINKING WATER STATE REVOLVING FUND PROGRAM - SMALL SYSTEMS TECHNICAL ASSISTANCE AND PUBLIC WATER SYSTEM SUPERVISION SET-ASIDES PURSUANT TO SECTION 551.071, GOVERNMENT CODE, AND WILL RECONVENE IN OPEN SESSION FOR ANY APPROPRIATE ACTION.

The Board recessed into Executive Session at 10:30 a.m.

The Board reconvened in open meeting at 11:16.m.

Chairman Vaughan stated that the Board would make no decision on the TCEQ contract but would direct the Interim Executive Administrator to provide further review. Mr. Labatt so moved; Mr. McMahan seconded; it passed unanimously.

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 11:17 a.m.

APPROVED and ordered of record this, the 22nd day of September, 2011.

TEXAS WATER DEVELOPMENT BOARD

Edward G. Vaughan, Chairman

ATTEST:

Melanie Callahan,
Interim Executive Administrator