

MINUTES OF THE
TEXAS WATER DEVELOPMENT BOARD
BOARD MEETING
October 20, 2011

Chairman Edward G. Vaughan called to order the regular meeting of the Texas Water Development Board at 9:36 a.m. in Room 170 of the Stephen F. Austin Building, Austin, Texas. The following Board Members were present:

Joe M. Crutcher, Vice-Chairman
Billy Bradford, Jr.
Monte Cluck

Members Thomas Weir Labatt III and Lewis H. McMahan were not in attendance at today's meeting.

Members of Texas Water Development Board staff attending included: Chris Adams, Stacy Barna, Ben Benzaquen, Joyce Bourenane, Ernesto Briones, Carolyn Brittin, Kelly Burton, Melanie Callahan, Kathy Calnan, Chris Caran, David Carter, Michael Clough, Jo Ann Duncan, Mark Evans, Luis Farias, Wendy Foster, Maxine Gilford, Lisa Glenn, Monica Galuski, Rene Gonzalez, Mark Hall, Ingrid Hansen, Dan Hardin, Francia Harutunian, Samantha Heng, Ruben Hernandez, Amanda Jenami, Chris Jurgens, Merry Klonower, Jessica Kohlrenken, Dain Larson, Amanda Lavin, Kathleen Ligon, Darryl Lindgens, Mireya Loewe, Ryan Long, Robert Mace, Sylvia May, Issa **McDaniel**, Michelle McFaddin, Temple McKinnon, David Meeseey, Dave Mitamura, Piper Montemayor, John Muras, Matt Nelson, Charles Nichols, Darrell Nichols, Louis Ojeda, Brenda O'Neill, Javier Pena, Ken Petersen, Lisa Petoskey, Jonathan Pi, Debbie Ramirez, Minerva Regalado, Joe Reynolds, Cindy Ridgeway, Steve Rodriguez, Clay Schultz, Shawn Snyder, John Steib, Rebecca Trevino, Comer Tuck, Carlton Wilkes, David Yager, and Larry Zamzow.

The following individuals were present:

Danielle Bradford, Piper Jaffray
Tom Brown, Naismith Engineering
Ray Buck, Upper Guadalupe River Authority
Nora Chavez, Stifel Nicolaus
Tony Corbett, Upper Guadalupe River Authority
Ryan Cunningham, Southwest Securities
Dr. W. H. Espey, City of Bedford
Doug Holcomb, Texas Commission on Environmental Quality
Garry Kimball, Greater Texoma Utility Authority
Keith Kindle, CHT
Jerry Kyle, Jr., Andrews Kurth LLP
Dale Lehman, Piper Jaffray
Jonathan Letz, Commissioner, Kerr County
Rick Menchaca, BOSCO, Inc./TX Public Finance
Garry Merritt, Real County Judge
Con Mims, Nueces River Authority
Art Morales, Siebert Brandford Shank & Co.
Bill Norris, NRS Engineers
Mark O'Brien, Morgan Keegan & Co.
Tom Oppenheim, Morgan Keegan & Co.
Scott Parker, Upper Guadalupe River Authority

Jose Rodriguez, Naismith Engineering, Inc.
Shirley Ross
Steven Schrom, Texas Legislative Service
Ricky Tow, City of Cameron

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

Mr. Bradford moved to approve the minutes; the motion was seconded by Mr. Cluck; 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)
3. REPORT ON DEBT RELATED REQUESTS FOR QUALIFICATIONS FOR SERVICES IN FISCAL YEAR 2012. (Piper Montemayor)
4. STATUS OF APPLICATIONS FOR FINANCIAL ASSISTANCE. (Jeff Walker)
5. FINANCIAL ASSISTANCE PROGRAMS PERFORMANCE REPORT REGARDING LOAN AND GRANT COMMITMENT ACTIVITY. (Jeff Walker)
6. [THERE IS NO AGENDA ITEM NO. 6.]

CONSENT

7. REVIEW, DISCUSSION, AND CONSIDER APPROVING THE FISCAL YEAR 2012 AUDIT PLAN. (Audit Committee Item No. 7) (Amanda Jenami)
8. CONSIDER APPROVING BY RESOLUTION THE ESTABLISHMENT OF A NEW TAX-EXEMPT LENDING RATE SCALE FOR THE DEVELOPMENT FUND II PROGRAM. (Finance Committee Item No. 4) (Piper Montemayor)
9. BRIEFING, DISCUSSION, AND CONSIDER APPROVING BY RESOLUTION, THE TRANSFER OF WATER FINANCIAL ASSISTANCE BONDS TAXABLE SERIES 2005B BOND PROCEEDS FROM THE TEXAS WATER DEVELOPMENT FUND II WATER FINANCIAL ASSISTANCE ACCOUNT TO THE TEXAS WATER DEVELOPMENT FUND II WATER FINANCIAL ASSISTANCE BOND PAYMENT ACCOUNT. (Finance Committee Item No. 5) (Piper Montemayor)
10. CONSIDER: (A) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO TAKE ALL NECESSARY ACTIONS FOR THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE BONDS (ECONOMICALLY DISTRESSED AREAS PROGRAM), IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$25 MILLION;

AND (B) SELECTION OF UNDERWRITER(S) FOR THE NEGOTIATION OF THE BOND ISSUE. (Finance Committee Item No. 6) (Piper Montemayor)

11. CONSIDER: (A) AUTHORIZING THE EXECUTIVE ADMINISTRATOR AND THE DEVELOPMENT FUND MANAGER TO TAKE ALL NECESSARY ACTIONS FOR THE ISSUANCE, SALE AND DELIVERY OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE BONDS (WATER INFRASTRUCTURE FUND), IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50 MILLION; AND (B) SELECTION OF UNDERWRITER(S) FOR THE NEGOTIATION OF THE BOND ISSUE. (Finance Committee Item No. 7) (Piper Montemayor)
12. BRIEFING, DISCUSSION AND CONSIDER APPROVING BY RESOLUTION, THE OFFICIAL INTENT TO REIMBURSE COSTS OF LOANS THROUGH THE ISSUANCE, SALE, AND DELIVERY OF UP TO \$189,600,000 OF CLEAN WATER STATE REVOLVING FUND SUBORDINATE LIEN REVENUE BONDS. (Finance Committee Item No. 8) (Piper Montemayor)
13. CONSIDER APPROVING BY RESOLUTION: (A) THE TRANSFER OF FUNDS FROM THE WATER FINANCIAL ASSISTANCE ACCOUNT TO THE CLEAN WATER STATE REVOLVING FUND TO MEET STATE MATCH REQUIREMENTS FOR THE 2011 FEDERAL GRANT; AND (B) A PROJECTED DEBT SERVICE SCHEDULE FOR REPAYMENT. (Finance Committee Item No. 9) (Piper Montemayor)
14. CONSIDER APPROVING BY RESOLUTION: (A) THE TRANSFER OF FUNDS FROM THE WATER FINANCIAL ASSISTANCE ACCOUNT TO THE DRINKING WATER STATE REVOLVING FUND TO MEET STATE MATCH REQUIREMENTS FOR THE 2011 FEDERAL GRANT; AND (B) A PROJECTED DEBT SERVICE SCHEDULE FOR REPAYMENT. (Finance Committee Item No. 10) (Piper Montemayor)
15. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **EL PASO COUNTY TORNILLO WATER IMPROVEMENT DISTRICT (EL PASO COUNTY)** TO AMEND THE COMMITMENT AUTHORIZED IN TWDB RESOLUTION NO. 06-86 FOR THE PURPOSE OF MAKING A LOAN IN THE AMOUNT OF \$45,000 FROM THE DRINKING WATER STATE REVOLVING FUND OF WHICH 100% WILL BE FORGIVEN. (Finance Committee Item No. 12) (Luis Farias)
16. CONSIDER AFFIRMING BY RESOLUTION, THE COMMITMENT TO THE **LAMAR COUNTY WSD (LAMAR COUNTY)** MADE IN RESOLUTION NO. 9-36 AFTER ENVIRONMENTAL REVIEW, AND APPROVING RELEASE OF FUNDS FOR DESIGN AND CONSTRUCTION FROM THE \$1,385,000 DRINKING WATER STATE REVOLVING FUND LOAN FOR WATER SYSTEM IMPROVEMENTS. (Kathy Calnan)
17. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF ARLINGTON (TARRANT COUNTY)** FOR A LOAN IN THE AMOUNT OF \$7,845,000 FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Javier Pena)
18. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF BEDFORD (TARRANT COUNTY)** FOR A LOAN IN THE AMOUNT OF \$630,000 FROM THE CLEAN

WATER STATE REVOLVING FUND - DISADVANTAGED COMMUNITY PROGRAM TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Javier Pena)

19. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CIBOLO CREEK MUNICIPAL AUTHORITY (BEXAR, COMAL AND GUADALUPE COUNTIES)** FOR A LOAN IN THE AMOUNT OF \$24,440,000 FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Caaren Skrobarczyk)
20. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF CAMERON (MILAM COUNTY)** FOR A LOAN IN THE AMOUNT OF \$860,000 FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Caaren Skrobarczyk)
21. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **GREATER TEXOMA UTILITY AUTHORITY (CITY OF KRUM) (DENTON COUNTY)** FOR A LOAN IN THE AMOUNT OF \$2,825,000 FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Dain Larsen)
22. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **PANHANDLE GROUNDWATER CONSERVATION DISTRICT (CARSON, GRAY, DONLEY, ROBERTS, ARMSTRONG, POTTER, HUTCHINSON, AND WHEELER COUNTIES)** FOR A LOAN IN THE AMOUNT OF \$1,000,000 FROM THE AGRICULTURAL WATER CONSERVATION PROGRAM TO PROVIDE FINANCING FOR AN AGRICULTURAL WATER CONSERVATION PROGRAM. (Javier Pena)
23. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **NUECES RIVER AUTHORITY (REAL COUNTY)** FOR \$11,043,460 IN FINANCIAL ASSISTANCE CONSISTING OF: (A) A \$9,961,460 LOAN, WITH UP TO 100 PERCENT PRINCIPAL FORGIVENESS, FROM THE CLEAN WATER STATE REVOLVING FUND; AND (B) A \$1,082,000 GRANT FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM (EDAP), TO FINANCE PLANNING, ACQUISITION, DESIGN, AND CONSTRUCTION COSTS FOR FIRST TIME WASTEWATER SERVICE TO THE CITY OF LEAKEY AND ELEVEN SURROUNDING SUBDIVISIONS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Finance Committee Item No. 13) (Mark Evans/Mireya Loewe)
24. BRIEFING, DISCUSSION, AND CONSIDER AUTHORIZING: (A) PUBLICATION OF PROPOSED AMENDMENTS TO 31 TEXAS ADMINISTRATIVE CODE CHAPTER 371 (CONCERNING DRINKING WATER STATE REVOLVING FUND); AND (B) THE SUBSEQUENT PUBLICATION OF NOTICE OF ADOPTION OF THE RULEMAKING IF NO SUBSTANTIVE COMMENTS REQUIRE BOARD CONSIDERATION. (Rene Gonzalez/Jessica Cortez Kohlrenken)
25. BRIEFING, DISCUSSION, AND CONSIDER AUTHORIZING: (A) PUBLICATION OF PROPOSED AMENDMENTS TO 31 TEXAS ADMINISTRATIVE CODE CHAPTER 375 (CONCERNING CLEAN WATER STATE REVOLVING FUND); AND (B) THE SUBSEQUENT

PUBLICATION OF NOTICE OF ADOPTION OF THE RULEMAKING IF NO SUBSTANTIVE COMMENTS REQUIRE BOARD CONSIDERATION. (Rene Gonzalez/Jessica Cortez Kohlrenken)

Chairman Vaughan recognized Dr. W.H. Espey, who offered comments on Board Consent Item No. 18.

Mr. Cluck moved to approve Board Consent Items Nos. 7-24. Mr. Crutcher seconded; it passed unanimously.

REGULAR

Chairman Vaughan deferred consideration of Item No. 26. The Board then considered Item No. 27.

27. BRIEFING, DISCUSSION, AND CONSIDER APPROVING A POLICY RELATING TO NEGOTIATED RULEMAKING PURSUANT TO SECTION 6.113, TEXAS WATER CODE. Michelle McFaddin, Staff Attorney, presented this item.

Mr. Crutcher moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Bradford; it passed unanimously.

The Board then considered Item No. 26.

26. BRIEFING, DISCUSSION AND POSSIBLE ACTION ON REQUEST OF **UPPER GUADALUPE RIVER AUTHORITY (KERR COUNTY)** FOR APPROVAL OF THE AUTHORITY'S ECONOMICALLY DISTRESSED AREAS PROGRAM WATER FACILITY PLAN. Joe Reynolds, Staff Attorney, introduced Scott Parker, President of the Upper Guadalupe River Authority, who addressed the Board. Jonathan Letz, Kerr County Commissioner, also addressed the Board. Joe Reynolds then presented the staff recommendation on the item.

Mr. Crutcher moved to deny the request of Upper Guadalupe River Authority; the motion was seconded by Mr. Bradford; it passed unanimously.

28. BRIEFING, DISCUSSION, AND CONSIDER APPROVING THE 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. Stacy Barna, Director, Program Development, presented this item.

Mr. Bradford moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Cluck; it passed unanimously.

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

Mr. Crutcher moved to recommend approval of the staff recommendation as proposed; the motion was seconded by Mr. Bradford; it passed unanimously.

30. BRIEFING AND DISCUSSION ON MODELED AVAILABLE GROUNDWATER FOR GROUNDWATER MANAGEMENT AREAS 3, 7, 9, 14, AND 15. Cindy Ridgeway, Manager, Groundwater Availability Modeling, presented this item.

No action was taken on this item.

31. BRIEFING AND DISCUSSION ON DROUGHT CONDITIONS IN THE STATE OF TEXAS. Ruben Solis, Director, Surface Water Resources, presented this item.

No action was taken on this item.

32. THE BOARD WILL RECEIVE COMMENTS FROM THE PUBLIC.

No public comments were received.

33. 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 10:37 a.m.

APPROVED and ordered of record this, the 17th day of November, 2011.

TEXAS WATER DEVELOPMENT BOARD

Edward G. Vaughan, Chairman

ATTEST:

Melanie Callahan,
Interim Executive Administrator