

MINUTES OF THE
TEXAS WATER DEVELOPMENT BOARD
BOARD MEETING
February 2, 2012

Chairman Edward G. Vaughan called to order the regular meeting of the Texas Water Development Board at 10:32 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
Monte Cluck

Board Member Billy Bradford, Jr. did not attend.

Members of Texas Water Development Board staff attending included: Chris Adams, Stacy Barna, Jim Bateman, Ben Benzaquen, Joyce Bourenane, Kelly Burton, Melanie Callahan, Kathy Calnan, David Carter, Monica Galuski, Lisa Glenn, Rene Gonzales, Mark Hall, Dan Hardin, Ruben Hernandez, Amanda Jenami, Chris Jergens, Sanjeev Kalaswad, Merry Klonower, Dain Larson, Amanda Lavin, Kathleen Ligon, Darryl Lindgens, Mireya Loewe, Ryan Long, Robert Mace, Temple McKinnon, David Meesey, Piper Montemayor, John Muras, Matt Nelson, Darrell Nichols, Brenda O'Neill, Javier Pena, Ken Petersen, Lisa Petoskey, Samantha Pollard, Debbie Ramirez, Steve Rodriguez, Clay Schultz, Jim Scott, Caaren Skrobarczyk, Joel Smith, John Steib, John Sutton, Comer Tuck, Jeff Walker, Mark Wentzel, and David Yager.

The following individuals were present:

David Abrego, Brownsville Public Utilities
Matt Boles, RBC Capital Markets
Damon Boniface, Bluebonnet WSC
Tom Brown, Naismith Engineering
Jim Buie, Raymond James
David Burghard
Chester Carthe, City of Shallowater
Curtis Flowers, Loop Capital Markets
Jose Gaylan, Bank of Texas
Genoveva Gomez, Brownsville Public Utilities
David Holland, Coastal Securities
Rick Kasberg, Bluebonnet WSC
Jerry Kyle, Jr., Andrews Kurth LLP
Dale Lehman, Piper Jaffray
Tom Lin, Merrill Lynch
Katy Lumpkin
Phillip Martin, First Southwest Co.
Mike Mathend, City of Willis
Rick Menchaca, BOSG, Inc./TX Public Finance
Robert Olmsted, City of Shallowater
Timothy Peterson, J.P. Morgan

Robin Redford, Ramirez & Co.
Keith Richard, Morgan Stanley
Ben Rosenberg, Coastal Securities
Shirley Ross, Sharp Phillips Consulting
Roger Schenk, CDM Smith
Carlos Sharpless, M.R. Beal
Dalton Smith, Merrill Lynch
Gary Walker, Sandyland Water District
Susie Williamson, City of Shallowater
Jennie Zhao, Jefferies

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

Mr. Labatt moved to approve the minutes; the motion was seconded by Mr. McMahan; 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. STATUS OF APPLICATIONS FOR FINANCIAL ASSISTANCE. (Jeff Walker)
4. FINANCIAL ASSISTANCE PROGRAMS PERFORMANCE REPORT REGARDING LOAN AND GRANT COMMITMENT ACTIVITY. (Jeff Walker)
5. REPORT ON ACTIVITIES RELATING TO THE ECONOMICALLY DISTRESSED AREAS PROGRAM, INCLUDING THE EDAP STATUS REPORT. (Mireya Loewe)

CONSENT

6. CONSIDER APPROVING THE SUBSTITUTION OF BRACEWELL AND GIULIANI FOR VINSON & ELKINS AS OUTSIDE BOND COUNSEL. (Piper Montemayor)
7. CONSIDER APPROVING BY RESOLUTION, THE ESTABLISHMENT OF A NEW TAX-EXEMPT LENDING RATE SCALE FOR THE ECONOMICALLY DISADVANTAGED AREAS PROGRAM. (Finance Committee Item No. 3) (Benjamin Benzaquen)
8. CONSIDER APPROVING BY RESOLUTION, THE ESTABLISHMENT OF A NEW TAX-EXEMPT LENDING RATE SCALE FOR THE WATER INFRASTRUCTURE FUND PROGRAM. (Finance Committee Item No. 4) (Benjamin Benzaquen)
9. CONSIDER APPROVING: (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, IN ONE OR MORE SERIES (DEVELOPMENT FUND PROGRAM) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$180 MILLION; AND (B)

SELECTION OF UNDERWRITER(S) FOR THE NEGOTIATION OF THE BOND ISSUE.
(Finance Committee Item No. 5) (Monica Galuski)

10. CONSIDER APPROVING: (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 REFUNDING BONDS (ECONOMICALLY DISTRESSED AREAS PROGRAM) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$16 MILLION; AND (B) SELECTION OF UNDERWRITER(S) FOR THE NEGOTIATION OF THE BOND ISSUE.
(Finance Committee Item No. 6) (Monica Galuski)
11. CONSIDER APPROVING: (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 REFUNDING BONDS (STATE PARTICIPATION PROGRAM) 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) (Monica Galuski)
12. CONSIDER AUTHORIZING BY RESOLUTION, THE USE OF DEPOSITORY INTEREST TO PREPAY DRINKING WATER STATE REVOLVING FUND MATCH DEBT. (Finance Committee Item No. 8) (Piper Montemayor)
13. CONSIDER APPROVAL OF THE DEPARTMENT OF INFORMATION RESOURCES (DIR) INTERAGENCY AGREEMENT FOR THE PILOT TEXAS CLOUD OFFERING (PTCO). (Lisa Petoskey)
14. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **GREENBELT MUNICIPAL AND INDUSTRIAL WATER AUTHORITY (DONLEY COUNTY)** FOR A WAIVER OF OPTIONAL REDEMPTION PROVISIONS OF THE GREENBELT MUNICIPAL AND INDUSTRIAL WATER AUTHORITY REVENUE BONDS SERIES 1975. (Piper Montemayor/Jim Bateman)
15. CONSIDER APPROVING BY RESOLUTION, EXTENSIONS OF TIME IN WHICH TO CLOSE EXISTING COMMITMENTS FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM IN CONJUNCTION WITH THE SALE OF BONDS TO FUND SUCH COMMITMENTS. (Jeff Walker)
16. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **BLUEBONNET WATER SUPPLY CORPORATION (BELL AND MCLENNAN COUNTIES)** FOR A LOAN IN THE AMOUNT OF \$3,600,000 FROM THE RURAL WATER ASSISTANCE FUND TO FINANCE WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Caaren Skrobarczyk)
17. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 46 (HARRIS COUNTY)** FOR A LOAN IN THE

AMOUNT OF \$1,560,000 FROM THE TEXAS WATER DEVELOPMENT FUND TO FINANCE WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION.
(Dain Larsen)

18. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **MATAGORDA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2 (MATAGORDA COUNTY)** FOR A LOAN IN THE AMOUNT OF \$500,000 FROM THE TEXAS WATER DEVELOPMENT FUND TO PROVIDE FINANCING TO FINANCE WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Javier Pena)
19. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **SAN JACINTO RIVER AUTHORITY (MONTGOMERY COUNTY)** FOR A LOAN IN THE AMOUNT OF \$175,000,000 FROM THE WATER DEVELOPMENT FUND TO FINANCE DEVELOPMENT COSTS FOR A WATER SUPPLY PROJECT, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Finance Committee Item No. 9) (Caaren Skrobarczyk)
20. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF SHALLOWATER (LUBBOCK COUNTY)** FOR A LOAN IN THE AMOUNT OF \$4,100,000 FROM THE TEXAS WATER DEVELOPMENT FUND TO FINANCE WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Javier Pena)
21. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM **WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT (TRINITY COUNTY)** FOR A THREE MONTH EXTENSION OF THE \$960,000 LOAN COMMITMENT FROM THE TEXAS WATER DEVELOPMENT FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Caaren Skrobarczyk)
22. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **SANDY LAND UNDERGROUND WATER CONSERVATION DISTRICT (YOAKUM COUNTY)** FOR A LOAN IN THE AMOUNT OF \$2,000,000 FROM THE AGRICULTURE WATER CONSERVATION PROGRAM FOR AN AGRICULTURE WATER CONSERVATION PROGRAM. (Javier Pena)
23. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF WILLIS (MONTGOMERY COUNTY)** FOR A LOAN IN THE AMOUNT OF \$3,150,000 FROM THE DRINKING WATER STATE REVOLVING FUND TO FINANCE WATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN COMMITMENT OPTION. (Finance Committee Item No. 10) (Dain Larsen)
24. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM THE **CITY OF ELDORADO (SCHLEICHER COUNTY)** FOR A LOAN IN THE AMOUNT OF \$1,200,000 FROM THE CLEAN WATER STATE REVOLVING FUND TO FINANCE WASTEWATER SYSTEM IMPROVEMENTS, UTILIZING THE PRE-DESIGN FUNDING OPTION. (Dain Larsen)
25. CONSIDER AFFIRMING BY RESOLUTION, THE COMMITMENT TO THE **AGUA SPECIAL**

UTILITY DISTRICT (HIDALGO AND STARR COUNTIES) MADE IN RESOLUTION NOS. 07-51 AND 07-93 AFTER ENVIRONMENTAL REVIEW, AND APPROVING RELEASE OF FUNDS FOR DESIGN AND CONSTRUCTION FROM THE \$3,967,000 DRINKING WATER STATE REVOLVING FUND LOAN FOR A WATER SYSTEM IMPROVEMENT PROJECT. (Kathy Calnan)

26. CONSIDER AFFIRMING BY RESOLUTION, THE COMMITMENT TO THE **CITY OF ROBERT LEE (COKE COUNTY)** MADE IN RESOLUTION NO. 11-102 AFTER ENVIRONMENTAL REVIEW, AND APPROVING RELEASE OF FUNDS FOR DESIGN AND CONSTRUCTION FROM THE \$2,275,000 DRINKING WATER STATE REVOLVING FUND LOAN FOR A WATER SYSTEM IMPROVEMENT PROJECT. (Kathy Calnan)
27. CONSIDER AFFIRMING BY RESOLUTION, THE COMMITMENT TO THE **HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 50 (HARRIS COUNTY)** MADE IN TWDB RESOLUTION NO. 07-14 AFTER ENVIRONMENTAL REVIEW, AND APPROVING RELEASE OF FUNDS FOR DESIGN AND CONSTRUCTION FROM THE \$1,500,000 CLEAN WATER STATE REVOLVING FUND LOAN FOR WASTEWATER SYSTEM IMPROVEMENTS. (Christopher Jurgens)
28. CONSIDER AFFIRMING BY RESOLUTION, THE COMMITMENT TO THE **SOUTHMOST REGIONAL WATER AUTHORITY (CAMERON COUNTY)** MADE IN TWDB RESOLUTION NO. 09-38 AFTER ENVIRONMENTAL REVIEW, AND APPROVING RELEASE OF FUNDS FOR DESIGN AND CONSTRUCTION FROM THE \$13,090,000 DRINKING WATER STATE REVOLVING FUND LOAN FOR WATER SYSTEM IMPROVEMENTS. (Clay Schultz)
29. CONSIDER AFFIRMING BY RESOLUTION, THE COMMITMENT TO THE **SAN ANTONIO WATER SYSTEM (BEXAR COUNTY)** MADE IN TWDB RESOLUTION NO. 11-63 AFTER ENVIRONMENTAL REVIEW, AND APPROVING RELEASE OF FUNDS FOR DESIGN AND CONSTRUCTION FROM THE \$19,630,000 CLEAN WATER STATE REVOLVING FUND LOAN FOR WASTEWATER SYSTEM IMPROVEMENTS. (Clay Schultz)
30. CONSIDER: (A) AMENDING THE BOARD'S POLICY REGARDING THE WATER IQ SERVICE MARKS IN ORDER TO ALLOW THE EXECUTIVE ADMINISTRATOR TO WAIVE LICENSE FEES WITH RESPECT TO FOR-PROFIT ENTITIES; AND (B) AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO WAIVE A LICENSE FEE FOR TUEFF-DAVIS ENVIROMEDIA, INC. (Robert Mace/Jim Bateman)
31. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM **LAKE LIVINGSTON WATER SUPPLY AND SEWER SERVICE CORPORATION (POLK, SAN JACINTO, LIBERTY, HARDIN, TRINITY, WALKER AND TYLER COUNTIES)** FOR PARTIAL RELEASE OF LIEN ON PROPERTY OWNED BY THE CORPORATION. (Jim Bateman)
32. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM **KEMPNER WATER SUPPLY CORPORATION (LAMPASAS COUNTY)** FOR PARTIAL RELEASE OF LIEN ON PROPERTY OWNED BY THE CORPORATION. (Jim Bateman)

- 33. CONSIDER APPROVING BY RESOLUTION, A REQUEST FROM **RIVERSIDE WATER SUPPLY CORPORATION (WALKER COUNTY)** FOR PARTIAL RELEASE OF LIEN ON PROPERTY OWNED BY THE CORPORATION. (Jim Bateman)
- 34. CONSIDER AUTHORIZING THE EXECUTIVE ADMINISTRATOR TO APPROVE AN AMENDMENT TO THE PROJECT-SCOPE FOR THE CLASS I/CLASS II INJECTION WELL PERMITTING PROCESS PROJECT FOR TEXAS WATER DEVELOPMENT BOARD CONTRACT NO. 1004831106. (Sanjeev Kalaswad)
- 35. CONSIDER AUTHORIZING A REQUEST FOR APPLICATIONS FOR AGRICULTURAL WATER CONSERVATION GRANTS FOR FISCAL YEAR 2012. (Comer Tuck)

Mr. McMahan made comments on Board Consent Item No. 24. Mr. Labatt made comments on Board Consent Item No. 34.

Mr. McMahan moved to approve Board Consent Items Nos. 6-35. Mr. Crutcher seconded; it passed unanimously.

REGULAR

- 36. BRIEFING AND DISCUSSION ON DROUGHT CONDITIONS IN THE STATE OF TEXAS. Robert Mace, Deputy Executive Administrator, Water Science & Conservation, began the briefing. Mark Wentzel, Surface Water Resources, Water Science & Conservation, also addressed the Board.

No action was taken on this item.

- 37. BRIEFING, DISCUSSION, AND POSSIBLE ACTION ON APPEALS OF THE REASONABLENESS OF THE GROUNDWATER CONSERVATION AREA 9 FOR THE TRINITY AQUIFER. (Joe Reynolds and Larry French)

This matter has been postponed until the Board's meeting on March 1, 2012.
--

ADOPTED BY THE WATER MANAGEMENT

- 38. THE BOARD WILL RECEIVE COMMENTS FROM THE PUBLIC.

No public comments were received.

- 39. 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 10:50 a.m.

APPROVED and ordered of record this, the 1st day of March, 2012.

TEXAS WATER DEVELOPMENT BOARD

Edward G. Vaughan, Chairman

ATTEST:

Melanie Callahan,
Executive Administrator