

**MINUTES OF THE
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION**

THE STATE OF TEXAS §
COUNTY OF GUADALUPE §

SCHERTZ/SEGUIN LOCAL §
GOVERNMENT CORPORATION §

On this the 21st day of July 2011, the Schertz/Seguin Local Government Corporation (SSLGC) convened at 1:30 p.m. in the City of Schertz Council Chambers located at 1400 Schertz Parkway, Building #4, Schertz, Texas. The following directors being present and in attendance:

Ken Greenwald	President
Robin Dwyer	Vice-President
Timothy "Jake" Jacobs	Secretary
Andrew Koenig	Treasurer
Kerry Koehler	Director
Betty Ann Matthies	Ex-Officio
Hal Baldwin	Ex-Officio

constituting a majority of the persons appointed to the Board and a quorum for the transaction of business, and notice of such meeting having been duly given in accordance with the provisions of Texas law. Also in attendance were:

John Kessel	City Manager of Schertz
Johnny Bierschwale	Assistant City Manager Schertz
Susan Caddell	Finance Director Seguin
Sam Willoughby	Public Works Director Schertz
Jim Fowler	Mayor Pro tem Schertz
Patrick Lindner	Counsel (Davidson & Troilo)
John Winkler	Consultant (Walker Partners)
Crockett Camp	Consultant/Project Manager
Jack Fickessen	Legislative Consultant
Alan Cockerell	General Manager SSLGC
Shawn Shimek	Water System Superintendent SSLGC
Emery Gallagher	Water Utility Manager Seguin
Regina Franke	Administrative Assistant SSLGC

The first order of business was to Call the Meeting to Order.

President Ken Greenwald called the meeting to order at 1:30 p.m.

The second order of business was Public Comment.

Mayor Baldwin introduced Mr. Jim Fowler as Mayor Pro tem for the City of Schertz.

The third order of business was Approval of the Minutes for the Board Meeting held on April 21, 2011.

Treasurer Andrew Koenig made a motion to approve the June 23, 2011 minutes as written. Secretary Timothy “Jake” Jacobs seconded the motion. Upon a vote being called, the motion carried by unanimous decision.

The fourth order of business was Presentation of the General Manager’s Report – Alan Cockerell, General Manager.

General Manager Cockerell’s written report was included in the board agenda packets. He added the following items to his written report:

- **Water Production.** Water production for the month of June was 92.2% of Gonzales County Underground Water Conservation District’s (GCUWCD) monthly allowable. Mr. Cockerell referred to Seasonal Pumping and Monthly Water Sales charts which were included in the agenda packets. He advised that water production increased during June as expected. The light rain we received in June did help avoid reaching the maximum monthly allowable; however Mr. Cockerell does expect to follow the same trend toward increased production during the month of July.
- **GCUWCD.** The Underground District met July 12, 2011. Mr. Cockerell attended this meeting. A copy of the agenda is included in the board packet along with information regarding the Western Mitigation Fund.

Mr. Cockerell stated that there was discussion at the meeting that some landowners have experienced difficulties with their water wells. It was determined that these were Queen City wells. He advised that there is an oil company in the process of hydraulic fracturing and GCUWCD believes this may be a contributing factor. Mr. Cockerell advised that the Western Mitigation Fund was established to mitigate Carrizo wells only.

- **Guadalupe County.** No meeting was held this month.
- **Region L/GMA-13.** The next quarterly Region L meeting is scheduled for August 4, 2011.

GMA-13:

Mr. Cockerell attended this meeting in Pleasanton. A copy of the agenda is included in the board packet. Also included in the board packet were two printed copies of PowerPoint presentations which are in reference to the HCPUA and CRWA petitions regarding the DFCs (desired future conditions) that were set by GMA-13.

Mr. Cockerell stated that the Evergreen District now requires permits for any water wells being utilized for O & G fracturing. This will allow the district to receive monthly pumpage reports from these wells.

Treasurer Koenig explained that when he attended a Rotary Club meeting the question was raised whether SSLGC was or would be able to sell water to the O & G companies for the purpose of fracturing. Mr. Cockerell responded that he had communicated with Mr. Sengelmann (GCUWCD) regarding this topic, whether SSLGC would have an interest in providing water for such uses. Mr. Cockerell stated that he advised Mr. Sengelmann to the affirmative as long as it was within SSLGC's ability to provide this water and stay within the permitted amounts. However, at this time SSLGC does not provide water to the O & G companies for the fracturing process.

Mr. Cockerell advised that Well #8 is back in service. However, Well #7 has shown a decline in production; the intention is to replace this pump with the stainless steel version once a new well is in service.

The fifth order of business was to Adopt SSLGC FY2011-2012 Budget – Alan Cockerell, General Manager.

Mr. Cockerell advised that in the packet was Resolution # SSLGC R11-06 prepared to adopt the SSLGC FY2011-2012 Budget. He stated that these were the same figures discussed in Mr. Jackson's report which was presented and discussed at the June 23, 2011 Board Meeting.

Secretary Jacobs made a motion to adopt the SSLGC FY2011-2012 Budget – Resolution # SSLGC R11-06 as presented. Treasurer Koenig seconded the motion. Upon a vote being called, the motion carried by unanimous decision.

The sixth order of business was to Adopt SSLGC FY2011-2012 Water Rates - Alan Cockerell, General Manager.

Mr. Cockerell advised that in the packet was Resolution # SSLGC R11-07 prepared to adopt the SSLGC FY2011-2012 Water Rates. He stated that these were the same figures developed and presented at the June 23, 2011 Board Meeting and included in the board packet.

- ❖ Schertz and Seguin \$1.55 per 1,000 gallons
 - Schertz Annual Debt Service Payment \$1,527,710
 - Seguin Annual Debt Service Payment \$1,527,710
- ❖ Springs Hill and Converse \$1.71 per 1,000 gallons
 - Springs Hill Annual Debt Service Payment \$2000,000
 - Converse Annual Debt Service Payment \$133,333 (pro-rated)
- ❖ Selma and Universal City \$2.09 per 1,000 gallons

Vice President Dwyer made a motion to adopt the SSLGC FY2011-2012 Water Rates – Resolution # SSLGC R11-07 as presented. Director Koehler seconded the motion. Upon a vote being called, the motion carried by unanimous decision.

The seventh order of business was to Approve Use of Monies from the Emergency Repair and Replacement Fund for the Purpose of Restoration of Booster Pump Station # 3 in the Amount up to \$30,000 – Resolution SSLGC # R11-08.

Mr. Cockerell advised that the issue with # 3 was identified in previous years. When pumps # 4 and # 5 were installed the modification to the intakes had been made to prevent the same anti vortex problem. Those pumps function as they are designed. At the time the decision was made

to leave the three original pumps in service and once they began to experience issues the pump would be replaced. Smith Pump has disassembled the pump and presented a quote in the amount of \$28,711. Mr. Cockerell requested up to \$30,000 be approved to cover any incidentals that may present themselves during the repair process. He also asked that the monies come from the Emergency Repair and Replacement Fund as this was an item that was not figured into the Annual Operations Budget. Mr. Cockerell advised that he anticipates that pumps # 1 and # 2 will need the same repair/replacement in the near future as each appears to exhibit the same tendencies. He advised pumps # 1 and # 2 would be addressed at a later date.

Vice President Dwyer made a motion to approve the use of monies from the Emergency Repair and Replacement Fund for the purpose of restoration of Booster Pump Station # 3 in the amount up to \$30,000 - Resolution # SSLGC R11-08 as presented. Director Koehler seconded the motion. Upon a vote being called, the motion carried by unanimous decision.

The eighth order of business was Legislative Update – Jack Fickessen.

Mr. Fickessen advised that the most significant changes are regarding the districts' management. The state will be assuming a more active role in setting a standard for permitting; the water districts will be tasked with enforcing that criterion the state sets.

The ninth order of business was SSLGC Construction Update – John Winkler, Walker & Alan Cockerell, General Manager.

Mr. Cockerell requested that one item regarding real estate be deferred to executive session.

Mr. Cockerell advised that construction is progressing as expected with the exception of the electrical control panels which delivery is delayed until August. He is communicating with the contractor to circumvent the electrical control panel as a temporary fix to enable the pumps to be utilized until the panels are delivered and installed.

Mr. Cockerell advised the new storage tanks construction is progressing as expected.

The tenth order of business was to Approve Resolution Regarding SAWS Expansion Project – Task Order # 6 – Resolution # SSLGC R11-09 – John Winkler, Walker Partners & Alan Cockerell, General Manager.

Mr. Cockerell advised that Mr. Winkler had provided SAWS with a Preliminary Engineering Report (PER). SAWS submitted comments. Mr. Winkler has responded to those comments and has provided SAWS and SSLGC with a modified PER. SAWS will review. The anticipation is that SAWS will approve and this will become the Final Engineering Report.

Mr. Cockerell advised that he has conducted two separate tours for SAWS Board members. This offered an opportunity for those Board members to understand how this project functions. Mr. Cockerell anticipates there are more SAWS Board members that are interested in a tour at a later date.

Mr. Cockerell stated that he and Mr. Winkler expect substantial completion by September 2013. The schedule presented by SAWS indicated an initial notice to proceed date of June 1, 2011. That date has passed which could affect the completion date. Mr. Cockerell stated that once the

notice to proceed has been received from SAWS, SSLGC will move forward. He also advised that Mr. Winkler will invoice SSLGC for the work; SAWS will be billed by SSLGC for reimbursement. This will be handled through the Future Development Fund.

Mr. Cockerell introduced Mr. Gary Guy from SAWS. Mr. Guy advised he does not anticipate an extended time frame for SAWS to review the Engineering Report and offer the notice to proceed.

Vice-President Dwyer made a motion to approve resolution regarding SAWS Expansion Project – Task Order # 6 – Resolution # SSLGC R11-09 with the spelling correction to the work “EXPANSION”. Treasurer Koenig seconded the motion. Upon a vote being called, the motion carried by unanimous decision.

The eleventh order of business was for Consideration and Approval of a Resolution Relating to Establishing the Corporation’s Intention to Reimburse Itself for the Prior Lawful Expenditure of Funds from the Proceeds of Tax-Exempt Obligations to be Issued by the Corporation for Authorized Purposes; Authorized Purposes; Authorizing Other Matters Incident and Related Thereto; and Providing an Effective Date – Resolution # SSLGC R11-10 - John Winkler, Walker Partners & Alan Cockerell, General Manager.

Mr. Cockerell advised that this was a resolution with the intent of allowing for reimbursement for SAWS and SSLGC from Bond proceeds for Task Order # 6. This is the normal procedure for such tasks.

Treasurer Koenig made a motion to approve the Approve Reimbursement Resolution # SSLGC R11-10. Director Koehler seconded the motion. Upon a vote being called, the motion carried by unanimous decision.

The twelfth order of business was Oil & Gas Leasing Program – Bill Knobles, Special Counsel & Alan Cockerell, General Manager.

Mr. Cockerell advised the Board that there are entities potentially interested which Mr. Knobles is currently in correspondence with, but there are no pending options at this point. No action requested.

The thirteenth order of business was the Formation of Cibolo Valley Local Government Corporation (CVLGC) – Crockett Camp, Project Manager/Consultant.

Mr. Camp advised that the Organizational Meeting is scheduled Thursday, July 28, 2011 at 9:00 a.m. He expects CVLGC to be active and progressing by September 2011.

The fourteenth order of business was Gonzales County Water Leases – Crockett Camp, Project Manager/Consultant.

President Greenwald deferred agenda item fourteen to Executive Session.

President Greenwald closed General Session at 2:25 p.m.

The fifteenth order of business was Executive Session: Called under Chapter 551 Government Code, Section 551.071, to seek the advice of its attorney on legal matters and Section 551.072, for deliberations regarding real estate.

President Greenwald opened Executive Session at 2:42 p.m.

Executive Session was held from 2:42 p.m. to 3:02 p.m.

The sixteenth order of business was to Consider and Take Action as a Result of Agenda Item #15.

President Greenwald reopened General Session at 3:02 p.m.

No action taken as a result of Executive Session.

The seventeenth order of business was Consideration and/or Action on questions and possible items to be placed on the next agenda.

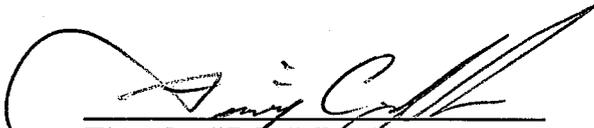
Mr. Cockerell stated that the next SSLGC Board Meeting is scheduled for Thursday, August 18, 2011 in Seguin.

No additional discussion was held.

The eighteenth order of business was Adjournment.

President Greenwald declared the meeting adjourned at 3:03 p.m.

MINUTES APPROVED THIS 18th DAY OF August, 2011.



Timothy "Jake" Jacobs
Secretary, Board of Directors

ORIGINAL