



# Board Agenda

Wednesday, December 14, 2011  
McKinney Roughs Nature Park  
1884 State Highway 71 West  
Cedar Creek  
9:00 a.m.

Time-certain for Agenda Item Nos. 14, 15 and 16: 10:00 a.m.

### Items from the Chair

- 1. Revisions to LCRA Board Policy 102 - Authority and Responsibilities..... 4
- 2. Revisions to LCRA Board Policy 105 - Directors’ Fees and Expense Reimbursement .. 11

### Items from the General Manager

General Manager’s Update

- 3. Bastrop County Wildfires Recovery Assistance..... 16

### Items from the Chief Financial Officer

- 4. Financial Report..... 17

### Consent Items

- 5. Raw Water/Effluent Irrigation Agreement for Roy and Rose Kang Living Trust ..... 18
- 6. Raw Water/Effluent Irrigation Agreement for Spanish Oaks Property Owners’ Association, Inc..... 20
- 7. Annual Appointment of Independent Auditor ..... 22
- 8. Directors’ Fees, Expenses..... 23
- 9. Directors’ Attendance at Seminars, Conferences ..... 24
- 10. Minutes of Prior Meetings ..... 25

### Action / Discussion Items

- 11. Weather Forecast ..... 38
- 12. Water and Wastewater Utility Divestiture Update ..... 39
- \*13. Authorize the Sale of LCRA’s West Travis County Water and Wastewater Utilities and Settlement of West Travis County Rate Cases ..... 40
- 14. City of Austin, d\b\|a Austin Energy - Firm Water Contract for Industrial Use..... 42
- 15. HSC Pipeline Partnership, LLC - Temporary Water Sale Agreement for Industrial Use ..... 44
- 16. Enterprise Products Operating, LLC - Temporary Water Sale Agreement for Industrial Use ..... 46
- 17. Parks and Recreation Facilities Fee Schedule ..... 48
- 18. Disposition of Available Funds from FY 2011..... 53
- 19. Contracts and Contract Changes..... 54

**\*This item requires the approval of at least 12 members of the Board.**

**Legal Notice**

The Board may discuss or take action on any item listed in the legal notice. Legal notice is available on the Texas Secretary of State Web site 72 hours prior to the meeting at the following link: <http://www.sos.state.tx.us/open/>.

**Executive Session**

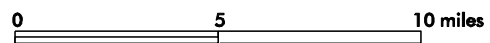
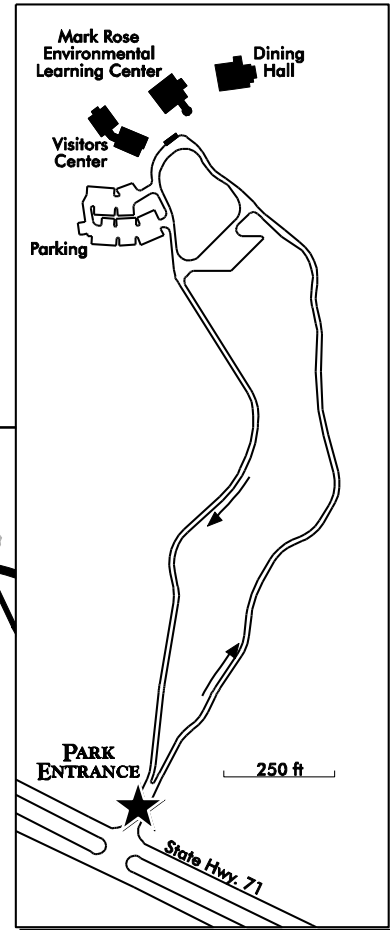
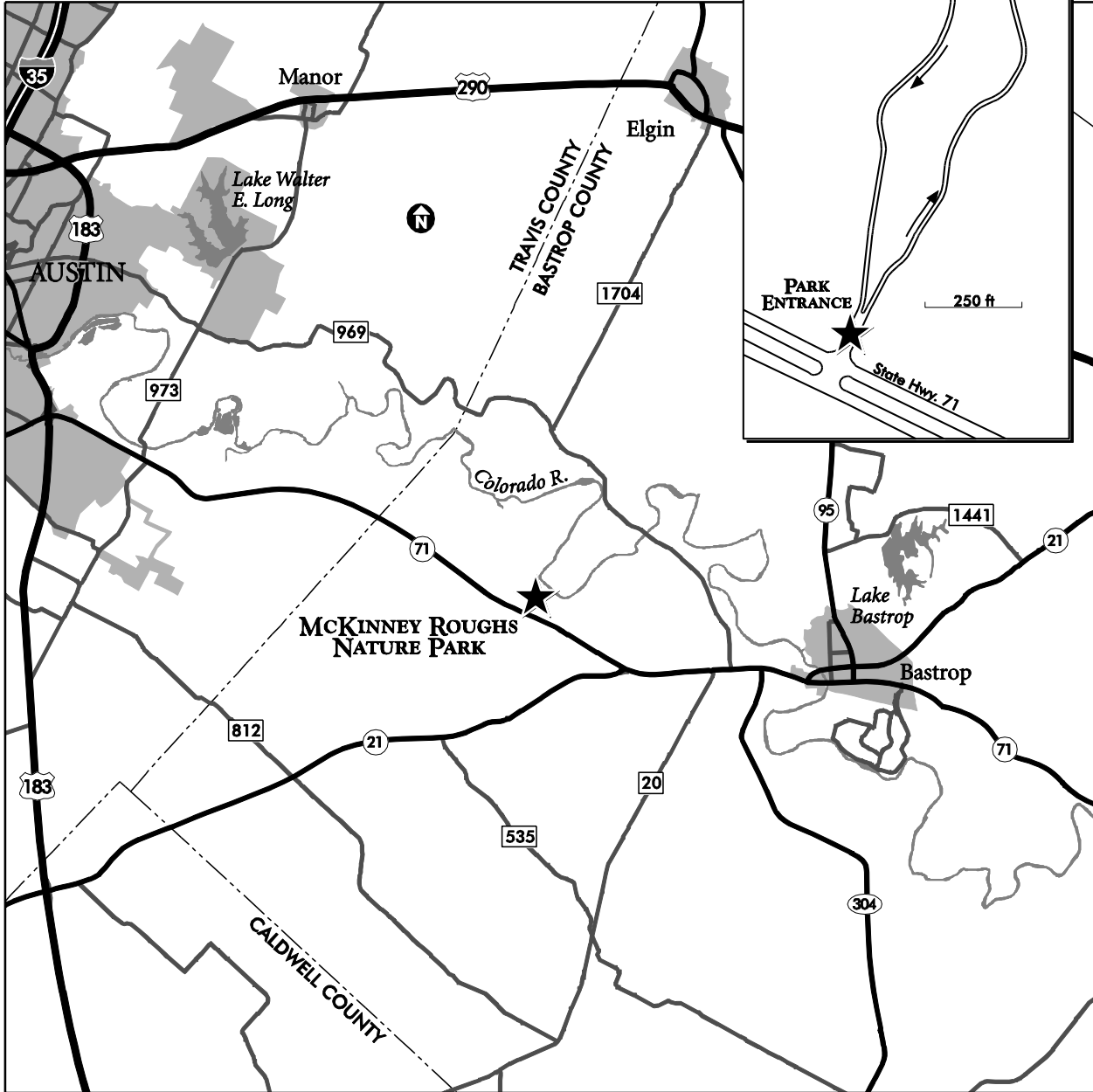
The Board may go into executive session for deliberation on the matter listed in the legal notice posted pursuant to Chapter 551 of the Texas Government Code.

The Board may take final action on any of the executive session matters upon reconvening in open session pursuant to Chapter 551 of the Texas Government Code.

# McKinney Roughs Nature Park

1884 State Hwy 71 West  
Cedar Creek, TX 78612

McKinney Roughs is located on Hwy 71, 13.2 miles east of Austin-Bergstrom International Airport. The facility's entrance is 8.4 miles west of Bastrop.



## **FOR ACTION**

# **1. Revisions to LCRA Board Policy 102 - Authority and Responsibilities**

### **Proposed Motion**

Approve revisions to LCRA Board Policy 102 - Authority and Responsibilities as attached in Exhibits A and B.

### **Board Consideration**

Board approval is required for any changes to LCRA Board policies.

### **Budget Status and Fiscal Impact**

Approval of this item will have no budgetary or fiscal impact.

### **Summary**

The proposed revisions reflect the ongoing effort to review and streamline all Board policies. Staff reviewed this policy at the Planning and Public Policy Committee meeting earlier this month. The proposed changes to LCRA Board Policy 102 - Authority and Responsibilities remove the language regarding disposal of surplus personal property. This language is contained in LCRA Board Policy 205 - Supply Management. Other proposed changes reflect nonsubstantive cleanup edits.

### **Presenter(s)**

Timothy Timmerman  
LCRA Board Chair

John W. Rubottom  
General Counsel

### **Exhibit(s)**

A - Proposed Revisions to LCRA Board Policy 102 - Authority and Responsibilities  
B - Proposed Revised LCRA Board Policy 102 - Authority and Responsibilities

## EXHIBIT A

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### LCRA BOARD POLICY

#### 102 - AUTHORITY AND RESPONSIBILITIES

~~November 19, 2003~~ December 14, 2011

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##### 102.10 PURPOSE

This policy defines the relationship between the Board of Directors and the management of LCRA through the description of responsibilities and expectations and through the establishment of guidelines for the delegation of certain powers and duties.

##### 102.20 POLICY

**102.201 Responsibilities of the Board of Directors.** The Board of Directors (Board) will establish the overall goals and objectives of LCRA, review them on an ongoing basis and ~~issue~~adopt Board policies setting forth desired direction of management actions to attain such goals and objectives. The Board will ~~adopt~~approve an annual business plan that provides funding for the realization of those goals and objectives.

The Board will consider and establish policies in the public interest ~~and retain management personnel with the capabilities to accomplish related policy goals~~. The Board will faithfully discharge its public trust by conducting its affairs in a highly moral, ethical and sound business manner. ~~The Board~~ members, collectively and severally, will not direct the policies and actions of LCRA from perspectives of private gain or personal advantage.

**102.202 Delegations to the General Manager.** The Board of Directors delegates to the general manager all general powers and duties in the LCRA enabling legislation, other applicable law, LCRA Bylaws and Board Policies necessary to accomplish LCRA's purpose, plans and objectives as approved by the Board, except for those specifically reserved for the Board by provisions of the LCRA enabling legislation, Bylaws, Bond Resolutions and other Board policies. Notable exceptions include:

- A. Authorization to borrow money or approve bond resolutions.
- B. Approval of agreements related to joint ownership of generating facilities.
- C. Setting rates charged for water, power and other services.
- D. Approval of sale of any real property.

- E. Approval of contracts and purchase orders for consultant services in accordance with related Board policies.
- F. Approval of contracts and purchase orders for the acquisition of materials, supplies, equipment, and related services, in accordance with related Board policies (except that the general manager is delegated the authority to approve contracts for , with the exception of capacity and/or energy purchases to replace capacity, for emergency conditions, and for economic advantage related to LCRA electric system operations ("off-system purchases"), provided that any such off-system purchase must be for a term of less than one year).
- G. Regardless of delegated authority in this or any other LCRA Board policy, Board approval is required for all decisions where Board policy or direction has not been clearly established.

~~Surplus personal property that is no longer necessary, convenient or of beneficial use to the business of LCRA may be sold, transferred or conveyed by the general manager for appropriate consideration, in accordance with related Board policies.~~

~~The Board will exercise reasonable diligence to ensure that the delegations to the general manager provided for in this policy statement are properly implemented.~~

The Board will articulate clear and coherent goals and statements of its expectations through its policies and plans. ~~The general manager is responsible for fulfilling these commitments and managing the organization.~~

**102.203 Responsibilities of the General Manager.** The general manager, as the chief executive officer of LCRA, is responsible for carrying out the business and activities of LCRA according to state law, the LCRA Bylaws, and Board policy.

~~The general manager will issue appropriate management procedures setting forth desired direction of staff management and other employee actions to fulfill the policies, goals, objectives and directions of the Board.~~

The general manager may delegate in writing any general powers, duties and related authorities, as deemed appropriate, to officers and management staff members.

The general manager is responsible for bringing policy matters to the attention of the Board when its current policies give inadequate direction to LCRA operations or leave LCRA at a disadvantage because of changing conditions. The general manager will provide thorough, well-organized information to the Board in a timely manner. Communications to the Board will be made forthrightly and with candor in the evaluation of the conduct of business and operations of LCRA.

## 102.30 PROCEDURES

**102.301 Goals and Priorities.** As provided in the bylaws, the general manager each year will present to the Board objectives, goals and priorities for its consideration. These goals will clearly establish the Board's direction in key areas of LCRA affairs.

**102.302 Annual Budget.** The general manager will present to the Board an annual Business Plan that will include operating and capital budgets to carry out the Board's goals and priorities. The Business Plan will include projections of LCRA's overall financial performance and capital financing plans, and describe the projects, programs and the associated revenues and expenditures for the next fiscal year.

Adoption of the Business Plan authorizes the general manager to complete work plans and make associated expenditures within budgets as provided for in accordance with Board policies. The general manager will provide quarterly updates that include indicators of performance toward key goals, actual revenues and expenditures compared to budget, future financial performance projections and status of major capital projects. The resolution adopting the budget will establish the amount that may not be exceeded without Board approval and the guidelines for approving amendments, reallocations or adjustments to the capital and operating budgets.

**102.303 Sunset Review of Regulatory Programs.** The general manager will review the effectiveness of, and need for, each major regulatory program of LCRA at least once every six years. These programs shall include, but not be limited to, the ~~Nonpoint-Source Pollution~~Highland Lakes Watershed Ordinance, the Highland Lakes Marina Ordinance, the On-Site Sewerage Facilities Rules, the Litter and Illegal Dumping Abatement Ordinance, and the LCRA Land and Water Use Regulations. The general manager shall recommend to the Board whether to abolish, continue or modify each such program.

## 102.40 AUTHORITY

LCRA enabling legislation, Chapter 222, Texas Water Code  
LCRA Bylaws, Sections 3.02, 6.01, 6.02

**EFFECTIVE:** Dec. 1984. Republished March 1987. Amended Dec. 14, 1989, Oct. 25, 1991, Sept. 22, 1994, Dec. 15, 1999, March 22, 2000, July 1, 2002, ~~and~~ Nov 19, 2003, and December 14, 2011.

## **EXHIBIT B**

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### **LCRA BOARD POLICY**

#### **102 - AUTHORITY AND RESPONSIBILITIES**

**December 14, 2011**

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##### **102.10 PURPOSE**

This policy defines the relationship between the Board of Directors and the management of LCRA through the description of responsibilities and expectations and through the establishment of guidelines for the delegation of certain powers and duties.

##### **102.20 POLICY**

**102.201 Responsibilities of the Board of Directors.** The Board of Directors (Board) will establish the overall goals and objectives of LCRA, review them on an ongoing basis and adopt Board policies setting forth desired direction of management actions to attain such goals and objectives. The Board will approve an annual business plan that provides funding for the realization of those goals and objectives.

The Board will consider and establish policies in the public interest. The Board will faithfully discharge its public trust by conducting its affairs in a highly moral, ethical and sound business manner. Board members, collectively and severally, will not direct the policies and actions of LCRA from perspectives of private gain or personal advantage.

**102.202 Delegations to the General Manager.** The Board of Directors delegates to the general manager all general powers and duties in the LCRA enabling legislation, other applicable law, LCRA Bylaws and Board Policies necessary to accomplish LCRA's purpose, plans and objectives as approved by the Board, except for those specifically reserved for the Board by provisions of the LCRA enabling legislation, Bylaws, Bond Resolutions and other Board policies. Notable exceptions include:

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- D. Approval of sale of any real property.
- E. Approval of contracts and purchase orders for consultant services in accordance with related Board policies.

- F. Approval of contracts and purchase orders for the acquisition of materials, supplies, equipment, and related services, in accordance with related Board policies (except that the general manager is delegated the authority to approve contracts for capacity and/or energy purchases to replace capacity, for emergency conditions, and for economic advantage related to LCRA electric system operations , provided that any such off-system purchase must be for a term of less than one year).
- G. Regardless of delegated authority in this or any other LCRA Board policy, Board approval is required for all decisions where Board policy or direction has not been clearly established.

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**102.203 Responsibilities of the General Manager.** The general manager, as the chief executive officer of LCRA, is responsible for carrying out the business and activities of LCRA according to state law, the LCRA Bylaws, and Board policy.

The general manager may delegate in writing any general powers, duties and related authorities, as deemed appropriate, to officers and management staff members.

The general manager is responsible for bringing policy matters to the attention of the Board when its current policies give inadequate direction to LCRA operations or leave LCRA at a disadvantage because of changing conditions. The general manager will provide thorough, well-organized information to the Board in a timely manner. Communications to the Board will be made forthrightly and with candor in the evaluation of the conduct of business and operations of LCRA.

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**FOR DISCUSSION / POSSIBLE ACTION**

## **2. Revisions to LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement**

### **Proposed Motion**

Adopt amendments to LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement as shown in Exhibit A.

### **Board Consideration**

Proposed revisions to LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement have been reviewed by the Audit Committee at its November 15 committee meeting and are recommended to the Board for approval.

### **Budget Status and Fiscal Impact**

These revisions have no fiscal impacts to LCRA's budget.

### **Summary**

It is proposed that LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement be revised to reflect that reimbursement for board-related expenses will be reimbursed at an amount not to exceed the "key officials" applicable rates established by the Texas State Comptroller's Office. Additionally, the policy will be updated to reflect the actual practice of audits every other year of directors' fees and expenses and the newly instituted Audit Committee reviews of fees and expenses

### **Presenter(s)**

Timothy T. Timmerman  
LCRA Board Chair

John W. Rubottom  
General Counsel

### **Exhibit(s)**

- A - Proposed Revisions to LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement
- B - Proposed Revised LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement

## EXHIBIT A

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### **LCRA BOARD POLICY** **105 - DIRECTORS' FEES AND EXPENSE REIMBURSEMENT POLICY** **December 14, 2011**

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#### **105.10 PURPOSE**

The purpose of this policy statement is to establish guidelines for payment of fees and for reimbursement of the expenses Board members incur in carrying out their responsibilities as Directors of the Lower Colorado River Authority.

#### **105.20 POLICY**

**105.201 Directors' Fees.** Each director is entitled to fees in accordance with the LCRA enabling legislation, LCRA Bylaws, State statutes and resolutions adopted by the Board of Directors for each day of service necessary for performing the duties of a director. Performing the duties of a director includes:

- Substantive performance of the management or business of LCRA, including participation in Board and committee meetings;
- Other activities involving the substantive deliberation of LCRA business, including meetings with LCRA staff or other officials; and
- Attendance at association meetings, conventions and conferences that are directly related to LCRA business, provided such attendance is authorized by prior resolution of the Board.

Directors are not entitled to fees for routine or ministerial activities such as the execution of documents or self-preparation for meetings, or other activities requiring a minimal amount of time.

Directors will receive as fees of office \$150 for each day of service necessary to discharge their duties, plus actual expenses, if and only if the compensation and expenses are approved by vote of the Board of Directors. The \$150 daily fee may only be charged in its entirety and not modified to a lesser amount.

No Director shall be paid fees in excess of one hundred fifty (150) days in any one calendar year or as otherwise established by State law.

**105.202 Directors' Expenses.** Directors are entitled to reimbursement of expenses incurred which are "ordinary" and "necessary" in carrying out their responsibilities as LCRA Board members. An expense is "ordinary" if it occurs with some degree of consistency in LCRA's

business; an expense is “necessary” in terms of what is “appropriate and helpful” to the development or conduct of the business of LCRA. Normally, these expenses include travel, meals and lodging while away from home conducting LCRA business.

Expenses that qualify for reimbursement include travel expenses for airfare, car rental, taxi and use of a personal automobile or airplane. The mode and method of travel will be at the discretion of each Director. ~~Reimbursement will be based on the costs actually incurred.~~ Airfare on a common carrier may not be reimbursed in an amount exceeding the lowest available fare.

~~Mileage for personal automobiles or airplanes~~ Reimbursement for qualifying meals, lodging, travel, and personal automobile or airplane use -will be reimbursed based on the costs actually incurred but will not exceed the maximum reimbursement amounts established for “key officials” of the State by the Texas Comptroller of Public Accounts. at rates in accordance with IRS regulations. ~~Mileage~~ Maximum reimbursement rates will be communicated periodically by LCRA’s Controller. Also ~~included~~ qualifying as reimbursable expenses are ~~the actual cost of meals and lodging and~~ any other “ordinary” and “necessary” expenses. Generally, no reimbursement is allowed for the cost of entertainment or recreation unless the expense is directly related to the active conduct of the business of LCRA.

### **105.30 RESPONSIBILITIES**

Board members must complete the Directors’ Fees and Expense Report form and attach receipts for meal expenses in excess of twenty-five dollars (\$25.00) per day; original itemized receipts for lodging; and any other expense receipts such as taxis, telephone calls, etc. that are greater than twenty-five dollars (\$25) per day. Directors shall also provide itemized receipts for meal and other expenses of an individual nature charged directly to LCRA.

In order to receive fees of office and to receive reimbursement for expenses, Board members must file an affidavit showing the number of days actually spent in LCRA’s service and a general description of the duties performed for each day of service. The Directors’ Fees and Expense Report form, receipts, and affidavit shall be submitted to the General Manager or designee.

The Board’s Audit Committee has general jurisdiction over directors’ fees and expenses and shall require ~~an~~ bi-annual audit of compliance with this policy to be conducted by the general auditor. Written results of that audit shall be presented to the Audit Committee. In addition, the Audit Committee shall provide oversight of the annual budget for Directors’ fees and expenses and shall conduct a periodic review of the incurred board support expenses.

### **105.40 AUTHORITY**

Texas Water Code, Section 49.060.  
LCRA enabling legislation, Chapter 8503, Special District Local Laws Code.  
LCRA Bylaws, Sections 2.08 and 2.10.

**EFFECTIVE:** December 5, 1986. Republished July 20, 1989. Amended Dec. 12, 1991, Dec. 13, 2000, Aug. 22, 2001, March 26, 2008, ~~and~~ April 21, 2009, and December 14, 2011.

## **EXHIBIT B**

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### **LCRA BOARD POLICY 105 - DIRECTORS' FEES AND EXPENSE REIMBURSEMENT POLICY December 14, 2011**

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#### **105.10 PURPOSE**

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- Substantive performance of the management or business of LCRA, including participation in Board and committee meetings;
- Other activities involving the substantive deliberation of LCRA business, including meetings with LCRA staff or other officials; and
- Attendance at association meetings, conventions and conferences that are directly related to LCRA business, provided such attendance is authorized by prior resolution of the Board.

Directors are not entitled to fees for routine or ministerial activities such as the execution of documents or self-preparation for meetings, or other activities requiring a minimal amount of time.

Directors will receive as fees of office \$150 for each day of service necessary to discharge their duties, plus actual expenses, if and only if the compensation and expenses are approved by vote of the Board of Directors. The \$150 daily fee may only be charged in its entirety and not modified to a lesser amount.

No Director shall be paid fees in excess of one hundred fifty (150) days in any one calendar year or as otherwise established by State law.

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business; an expense is “necessary” in terms of what is “appropriate and helpful” to the development or conduct of the business of LCRA. Normally, these expenses include travel, meals and lodging while away from home conducting LCRA business.

Expenses that qualify for reimbursement include travel expenses for airfare, car rental, taxi and use of a personal automobile or airplane. The mode and method of travel will be at the discretion of each Director. Airfare on a common carrier may not be reimbursed in an amount exceeding the lowest available fare.

Reimbursement for qualifying meals, lodging, travel, and personal automobile or airplane use will be reimbursed based on the costs actually incurred but will not exceed the maximum reimbursement amounts established for “key officials” of the State by the Texas Comptroller of Public Accounts. Maximum reimbursement rates will be communicated periodically by LCRA’s Controller. Also qualifying as reimbursable expenses are any other “ordinary” and “necessary” expenses. Generally, no reimbursement is allowed for the cost of entertainment or recreation unless the expense is directly related to the active conduct of the business of LCRA.

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The Board’s Audit Committee has general jurisdiction over directors’ fees and expenses and shall require a bi-annual audit of compliance with this policy to be conducted by the general auditor. Written results of that audit shall be presented to the Audit Committee. In addition, the Audit Committee shall provide oversight of the annual budget for Directors’ fees and expenses and shall conduct a periodic review of the incurred board support expenses.

### **105.40 AUTHORITY**

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**EFFECTIVE:** December 5, 1986. Republished July 20, 1989. Amended Dec. 12, 1991, Dec. 13, 2000, Aug. 22, 2001, March 26, 2008, April 21, 2009, and December 14, 2011.

## **FOR DISCUSSION**

### **3. Bastrop County Wildfires Recovery Assistance**

#### **Summary**

Bastrop County Commissioner Clara Beckett will provide an update on the county's recovery from the wildfire that began on Sept. 4, 2011.

The fire has been described as the most devastating in the history of Texas. The fires burned more than 34,000 acres and destroyed more than 1,600 homes. The fires have directly and indirectly created a negative economic effect on LCRA's electric and wastewater customers as well as short-term and long-term impacts on local governments. The potential impacts on water quality, the environment, tourism, and economic development in Bastrop County will require immediate efforts to mitigate such impacts. The fires affected LCRA employees, LCRA customers, LCRA infrastructure, and – unless appropriate measures are taken – the water quality of the Colorado River may be negatively affected.

On Oct. 11, the LCRA Board of Directors provided a \$5 million grant to aid in wildfire recovery efforts in Bastrop County, which suffered losses in the hundreds of millions of dollars in a series of wildfires that began on Labor Day weekend.

Commissioner Beckett's update will focus on the county's progress since the fire.

#### **Presenter(s)**

Rebecca S. Motal  
General Manager

**FOR DISCUSSION**

## **4. Financial Report**

**Board Consideration**

This report is presented monthly to the Board for discussion.

**Summary**

The financial report for LCRA covers the month and fiscal year to date.

**Presenter(s)**

Brady Edwards

Chief Financial Officer

## **FOR ACTION (CONSENT)**

### **5. Raw Water/Effluent Irrigation Agreement for Roy and Rose Kang Living Trust**

#### **Proposed Motion**

Authorize the general manager or her designee to negotiate and execute a Raw Water/Effluent Irrigation Agreement for Roy and Rose Kang Living Trust (the Trust).

Adopt a raw water/effluent irrigation rate of \$3.00 per thousand gallons for the Trust to be contingent and effective upon execution of the proposed raw water/effluent irrigation agreement.

#### **Board Consideration**

Authority for setting water service rates is vested in the LCRA Board pursuant to Texas Special District Local Laws Code Sec. 8503.011, as well as two LCRA Board Policies: Policy 301 - Financial Policy, and Policy 501 - Water Resources.

#### **Budget Status and Fiscal Impact**

If approved, this action is consistent with revenues projected for FY 2012. The costs of negotiating this agreement are included in the FY 2012 Business Plan.

#### **Summary**

Staff recommends approval of the raw water/effluent irrigation agreement and adoption of the rate of \$3.00 per thousand gallons consistent with the terms and conditions described in this agenda item.

LCRA operates the West Travis County LakePointe Wastewater Treatment Plant pursuant to a wastewater discharge permit issued by the Texas Commission on Environmental Quality (TCEQ). Because wastewater discharges into the Highland Lakes are banned under TCEQ's rules, LCRA's permit requires that LCRA dispose of the treated effluent through land application. As a result, LCRA provides treated effluent to a limited number of customers for irrigation through individual contracts. LCRA supplements the treated effluent with untreated water under a Board commitment of 700 acre-feet of raw water reserved for this purpose.

LCRA currently has authorization from the TCEQ to provide effluent irrigation to businesses located along Highway 620. The Trust owns a small commercial property within that authorized area.

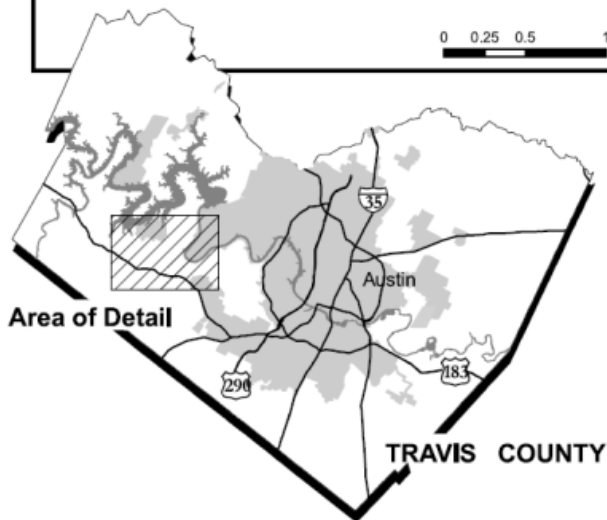
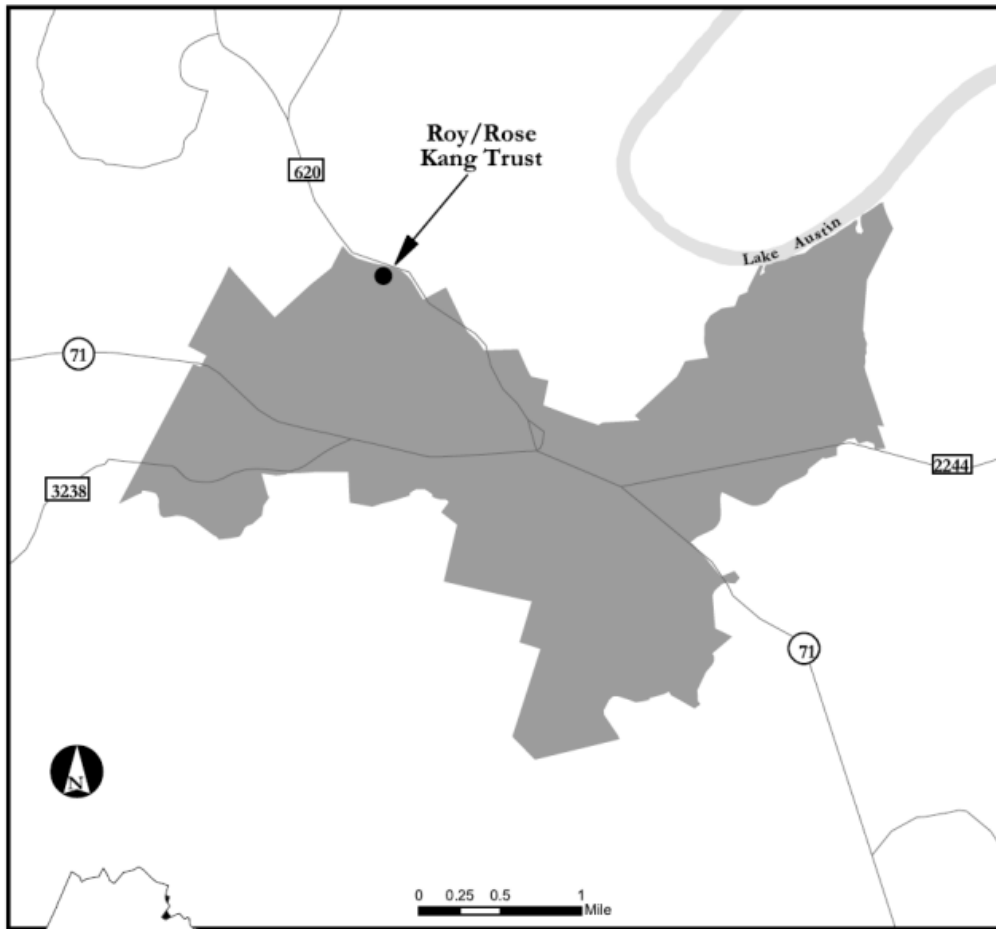
The proposed agreement will allow the Trust to irrigate a very small strip of landscaped area in the front of the commercial property. The irrigation water will be priced at the proposed rate. Any raw water provided as a supplement will be subject to the LCRA Water Utilities Conservation and Drought Contingency Plan restrictions, including pro-rata curtailment if necessary, and can be accommodated in the 700 acre-feet already reserved for this purpose.

The proposed rate is the same as that for other similarly situated customers of the system. The customers along Highway 620 use a specific portion of the effluent irrigation system that was constructed by LCRA. These customers pay a \$0.25 surcharge per 1,000 gallons to repay LCRA construction costs. The surcharge is included in proposed rate.

#### **Exhibit(s)**

A - West Travis County Wastewater Re-Use Map

**EXHIBIT A**



**General Location Map**

**Roy/Rose Kang Trust**

■ West Travis County Regional Wastewater Rate District

● Service Area

## **FOR ACTION (CONSENT)**

### **6. Raw Water/Effluent Irrigation Agreement for Spanish Oaks Property Owners' Association, Inc.**

#### **Proposed Motion**

Authorize the general manager or her designee to negotiate and execute a Raw Water/Effluent Irrigation Agreement for Spanish Oaks Property Owners' Association, Inc. (Spanish Oaks) and other actions necessary to implement this agreement.

Adopt a raw water/effluent irrigation rate of \$2.75 per thousand gallons for Spanish Oaks to be contingent upon and effective upon execution of the proposed raw water/effluent irrigation agreement.

#### **Board Consideration**

Authority for setting water service rates is vested in the LCRA Board pursuant to Texas Special District Local Laws Code Sec. 8503.011, as well as two LCRA Board Policies: Policy 301 - Financial Policy, and Policy 501 - Water Resources.

#### **Budget Status and Fiscal Impact**

Converting the irrigation from potable water to raw water will reduce revenue for the West Travis County Regional Water System but will increase revenue to the West Travis County Regional Wastewater System. The net will be a reduction in revenue compared to the FY 2012 Business Plan. The costs of negotiating this agreement are included in the FY 2012 Business Plan.

#### **Summary**

Staff recommends approval of the raw water/effluent irrigation agreement and adoption of the rate of \$2.75 per thousand gallons consistent with the terms and conditions described in this agenda item.

LCRA operates the West Travis County Lake Pointe Wastewater Treatment Plant pursuant to a wastewater discharge permit issued by the Texas Commission on Environmental Quality (TCEQ). Because wastewater discharges into the Highland Lakes are banned under TCEQ's rules, LCRA's permit requires that LCRA dispose of the treated effluent through land application. As a result, LCRA provides treated effluent to a limited number of customers for irrigation through individual contracts. LCRA supplements the treated effluent with untreated water under a Board commitment of 700 acre-feet of raw water reserved for this purpose.

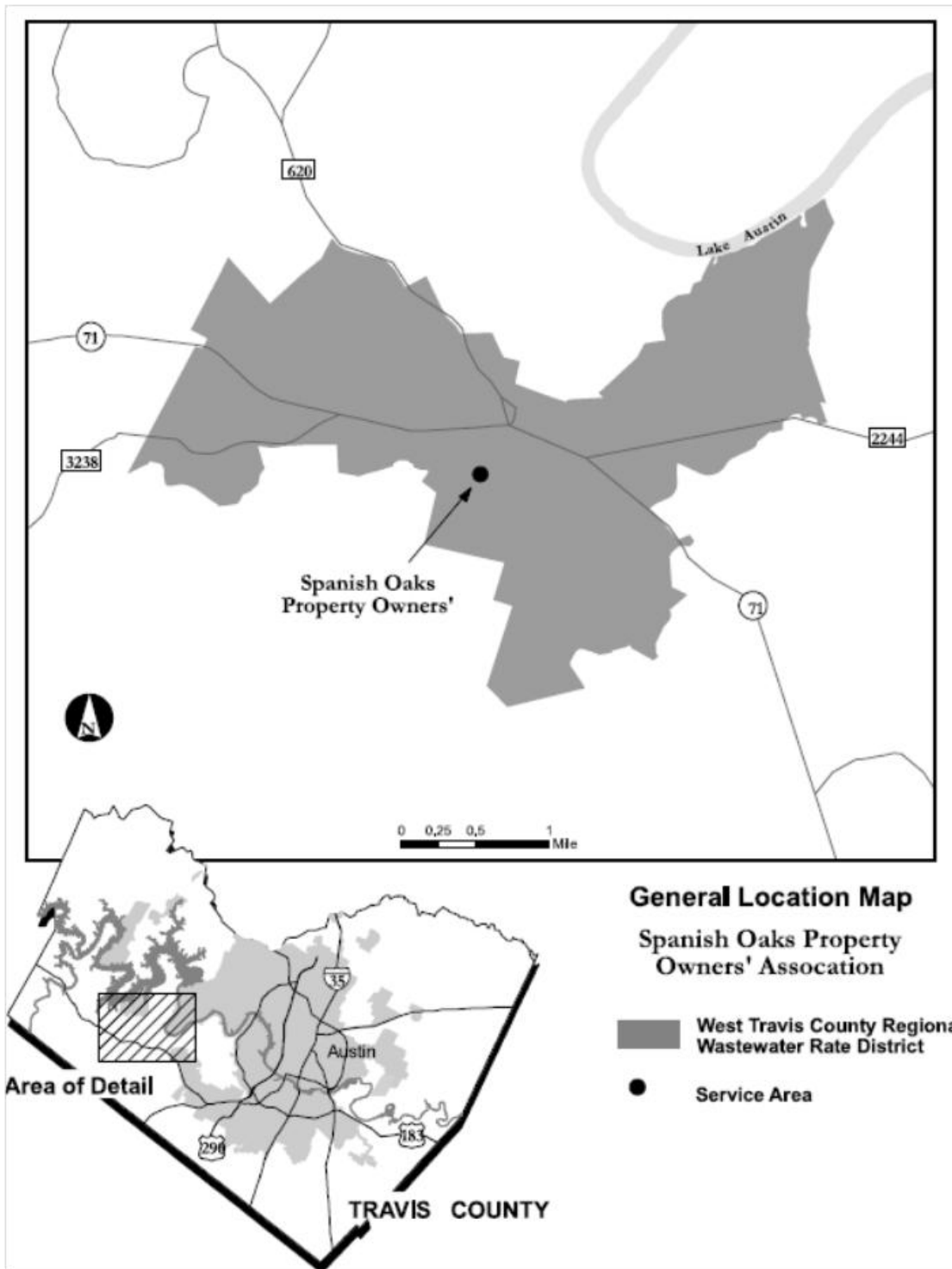
Land application of effluent must be approved by the TCEQ. Staff will seek authorization from TCEQ to extend the application of effluent to approximately 60 acres owned by Spanish Oaks. The proposed agreement will allow Spanish Oaks to irrigate common areas within the subdivision with effluent, supplemented with raw water, instead of potable water. All irrigation water will be priced at the proposed rate. Any raw water provided as a supplement will be subject to the LCRA Water Utilities Conservation and Drought Contingency Plan restrictions, including pro-rata curtailment if necessary, and can be accommodated in the 700 acre-feet already reserved for this purpose.

The proposed rate is the same as that for other similarly situated customers of the system.

#### **Exhibit(s)**

A - West Travis County Wastewater Re-Use Map

**EXHIBIT A**



## **FOR ACTION (CONSENT)**

# **7. Annual Appointment of Independent Auditor**

### **Proposed Motion**

Reappoint Baker Tilly Virchow Krause, LLP (Baker Tilly) as LCRA's independent auditor to perform the FY 2012 audits of LCRA and Fayette Power Project (FPP).

### **Board Consideration**

LCRA Board Policy 305 - Auditors state that the independent public auditors will be evaluated and appointed annually by the Board.

### **Budget Status and Fiscal Impact**

Audit fees are included in the appropriate fiscal year budgets.

### **Summary**

Baker Tilly was appointed as the independent auditor for LCRA by the Board of Directors in December 2008. Under the five-year contract awarded to Baker Tilly, LCRA has the right to terminate the engagement at any time following due notice.

Baker Tilly performed the FY 2011 audits and has provided its expertise on various accounting issues in a thorough, timely, and professional manner. Executive management and the general auditor recommended to the Audit Committee the appointment of Baker Tilly for the FY 2012 audits. The Audit Committee discussed this recommendation at its November 14 meeting and recommends to the Board the engagement of Baker Tilly for the FY 2012 financial statement audits.

The fees are estimated to be \$287,000 for the audit of LCRA and LCRA Transmission Services Corporation, including single-audit work and special-purpose statements, and the audit of FPP. The pricing for this year is based on the negotiated pricing schedule agreed to in FY 2009.

**FOR ACTION (CONSENT)**

## **8. Directors' Fees, Expenses**

**Proposed Motion**

Approve directors' fees and expense reports.

**Board Consideration**

LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement Policy and the LCRA Bylaws require Board approval for directors' fees and expenses.

**Budget Status and Fiscal Impact**

Directors' fees and expenses are provided for in the budget in the business plan.

**Summary**

LCRA Board Policy 105 establishes guidelines for the payment of fees and reimbursement of the expenses that directors incur as they carry out their responsibilities as LCRA Board members.

## **FOR ACTION (CONSENT)**

# **9. Directors' Attendance at Seminars, Conferences**

### **Proposed Motion**

Approve directors' attendance at seminars or conferences for calendar year 2012.

### **Board Consideration**

LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement Policy and the LCRA Bylaws require approval for directors' attendance at seminars and conferences.

### **Budget Status and Fiscal Impact**

The budget in the business plan provides for travel to seminars and conferences by members of the Board.

### **Summary**

LCRA Board Policy 105 establishes guidelines for the payment of fees and reimbursement of the expenses that directors incur as they carry out their responsibilities as LCRA Board members.

Section 2.08 of the LCRA Bylaws provides that per diem and expenses shall be paid to members of the Board who attend association meetings, conventions and conferences that are all directly related to LCRA business, provided such attendance is authorized by prior resolution of the Board.

Julie Eby will assist in making necessary travel arrangements for seminars or conferences.

## **FOR ACTION (CONSENT)**

# **10. Minutes of Prior Meetings**

### **Proposed Motion**

Approve the minutes of the Nov. 16, 2011, regular meeting and Nov. 21, 2011, special meeting.

### **Board Consideration**

Section 2.04 of the LCRA bylaws provides that the secretary will keep minutes of all meetings of the Board.

### **Budget Status and Fiscal Impact**

Approval of this item will have no budgetary or fiscal impact.

### **Summary**

The minutes of each meeting are presented to the Board for approval at the next regular meeting.

### **Exhibit(s)**

A - Minutes of Nov. 16, 2011, regular meeting

B - Minutes of Nov. 21, 2011, special meeting

## **EXHIBIT A**

Minutes Digest  
November 16, 2011

- 11-172 Approval of a resolution honoring Doug Berger.
- 11-173 Approval of a resolution honoring Jim Clawson.
- 11-174 Approval of a resolution honoring Kevin Critendon.
- 11-175 Approval of a resolution honoring Garry Cude.
- 11-176 Approval of a resolution honoring David Schwartz.
- 11-177 Approval of resolutions honoring Mark Carr, Jim Dudley, Gary Hollman, Vernon Johnson, and Daniel G. Kuehn.
- 11-178 Approval of directors' fees and expenses reimbursement.
- 11-179 Approval of the minutes of the October 11, 2011, special meeting and October 19, 2011, regular meeting.
- 11-180 Adoption and approval of the Thirty-Fifth Supplemental Resolution to the Master Resolution authorizing the issuance of a taxable private placement note program in an amount not to exceed \$100 million principal amount, which also authorizes the general manager, the chief financial officer, and/or the treasurer to execute related purchase/credit agreements and all associated agreements necessary to support a letter of credit, to be provided by Wells Fargo Bank, National Association, to the Electric Reliability Council of Texas (ERCOT) to satisfy LCRA's financial security credit requirements pursuant to the ERCOT protocols for Nodal market participants.
- 11-181 Approval of amendment of the LCRA Land and Water Use Regulations and the Highland Lakes Marina Ordinance and the Safety Standards for Residential Docks on the Highland Lakes consistent with the Board's prohibition of floating habitable structures on the Highland Lakes.
- 11-182 Authorization for the general manager or her designee to negotiate and execute a wholesale water services agreement with Jeremiah Ventures, L.P. (Jeremiah Ventures). Approval of wholesale potable rates for Jeremiah Ventures as follows, to be contingent upon and effective upon execution of the proposed wholesale agreement:
- a. Monthly Charge - \$3,630 per month
  - b. Volume Charge - \$2.40/1,000 gallons
  - c. Connection Fee - \$5,180 per Living Unit Equivalent

- 11-183 Approval of revisions to the LCRA Water Contract Rules and Standard Contract Form.
- 11-184 Authorization for LCRA staff to negotiate and execute a standard water contract with Jeremiah Ventures, L.P., for municipal use of LCRA's firm water supply of up to 498 acre-feet per year for a term of 40 years.
- 11-185 Authorization for LCRA staff to negotiate and execute a standard water contract with the City of Sunrise Beach Village for municipal use of LCRA's firm water supply of up to 200 acre-feet per year for a term of 40 years.
- 11-186 Authorization for LCRA staff to negotiate and execute a standard water contract with Travis County Municipal Utility District No. 4 for municipal use of LCRA's firm water supply of up to 3,501 acre-feet per year for a term of 40 years.
- 11-187 Authorization for LCRA staff to negotiate and execute a standard water contract with Kingsland Water Supply Corporation for municipal use of LCRA's firm water supply of up to 1,150 acre-feet per year for a term of 40 years.
- 11-188 Authorization for LCRA staff to negotiate and execute an amendment to an existing standard water contract with FS Robinhood 26A, LLC, for municipal use of LCRA's firm water supply of up to 12 acre-feet per year for a term of 40 years.
- 11-189 Approval of the expenditure of funds from the House Bill 1437 Agricultural Water Conservation Fund to support the spring 2012 grant program for land leveling projects, completion of the Garwood Division volumetric measurement project, and completion of the Gulf Coast Gate Control and Rehabilitation project.
- 11-190 Determination that the availability of interruptible stored water made available for sale to the four irrigation operations in calendar year 2012 is consistent with LCRA's state-approved Water Management Plan (WMP), as modified by any Texas Commission on Environmental Quality order that may be issued in response to LCRA's October 2011 request for emergency relief to depart from the WMP, and LCRA's contractual obligations.
- 11-191 Adoption of a resolution authorizing the general manager or her designee to negotiate and execute a purchase and sale agreement for sale of the West Travis County Water and Wastewater Systems to the Coalition of Central Texas Utilities Development Corporation, authorization to do all things necessary to accomplish the conveyance of the systems, and declaration of the systems as nonessential, such declaration to be contingent upon the closing of the sale of the systems, all in accordance with the resolution.
- No Action: The following items were removed from the agenda and were not considered:  
 9 - City of Sunset Valley - Firm Water Contract for Municipal Use and 17 - Parks and Recreation Facilities Fee Schedule.

MINUTES OF THE REGULAR MEETING OF THE  
BOARD OF DIRECTORS OF THE  
LOWER COLORADO RIVER AUTHORITY  
Austin, Texas  
November 16, 2011

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a regular meeting at 8:36 a.m. on Wednesday, November 16, 2011, at the principal office of LCRA, 3700 Lake Austin Boulevard, Hancock Building, Board Room, Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Timmerman  
Klein  
White  
Arbuckle  
Balas  
Berger  
Dickerson  
Franklin  
Gill  
Johnson  
Kibby  
Martine  
McHenry  
Schrader

Absent: Spears

Chair Timmerman convened the meeting at 8:36 a.m. and led the Board in pledges of allegiance to the American and Texas flags. Director McHenry provided an invocation.

General Manager Becky Motal presented, and the Board unanimously approved, resolutions honoring the following former employees who recently retired from LCRA:

11-172 Upon motion by Director Berger, seconded by Director McHenry, the Board unanimously approved a resolution (attached hereto as Exhibit A) honoring Doug Berger.

11-173 Upon motion by Director Johnson, seconded by Director McHenry, the Board unanimously approved a resolution (attached hereto as Exhibit B) honoring Jim Clawson.

11-174 Upon motion by Director Balas, seconded by Director Kibby, the Board unanimously approved a resolution (attached hereto as Exhibit C) honoring Kevin Critendon.

11-175 Upon motion by Director Berger, seconded by Director White, the Board unanimously approved a resolution (attached hereto as Exhibit D) honoring Garry Cude.

11-176 Upon motion by Director Balas, seconded by Director McHenry, the Board unanimously approved a resolution (attached hereto as Exhibit E) honoring David Schwartz.

11-177 Upon motion by Director Dickerson, seconded by Director Berger, the Board unanimously approved resolutions (attached hereto as Exhibit F) honoring Mark Carr, Jim Dudley, Gary Hollman, Vernon Johnson, and Daniel G. Kuehn. These retirees were not present to receive their resolutions.

General Manager Becky Motal next gave her monthly update. Topics covered included:

- General Manager Motal's participation on November 1 in a panel discussion and testimony before the state Senate Natural Resources Committee, relating to the drought and its impact on Texas; the economy; electric utility industry and chemical industry.
- General Manager Motal's participation on November 2 in a panel discussion and testimony before the state House Natural Resources Committee, relating to the drought and developing new supplies of water.
- Recent agreement between the San Antonio Water System and LCRA to settle their lawsuit.
- Recent approval by the U.S. Environmental Protection Agency of LCRA's greenhouse gas permit for the replacement plant for the Thomas C. Ferguson Power Plant. LCRA may now proceed with construction.
- Fire cards that cover different topics, including trees, wildlife erosion, safety and health, and others, prepared by the Lost Pines recovery team to help with the Bastrop wildfires recovery. In addition to being a member of the team, LCRA provided in-kind services by printing cards.
- LCRA's annual Veterans Recognition Day event on November 7. Vice Chair Klein participated as a speaker at this event.
- The recent annual chair and vice chair luncheon for the LCRA Regional Councils hosted by General Manager Motal and Chair Timmerman.
- General Manager Motal's recent implementation of a voluntary reduction in force program.

Chief Operations Officer Jimmy Havins introduced Leah Manning, manager of Operations Support, who gave a PowerPoint presentation and update on the extreme drought plaguing Texas.

Chief Financial Officer Brady Edwards presented the financial update for October 2011.

Chair Timmerman recognized the following guests in attendance: Susan Nold from state Sen. Kirk Watson's office; former LCRA Board member Pix Howell, representing the Central Texas Utilities Development Corporation; and Hays County Commissioner Ray Whisenant.

Chair Timmerman declared the meeting to be in executive session at 9:18 a.m., pursuant to sections 551.071, 551.072 and 551.086 of the Texas Government Code (Open Meetings Act).

Executive session ended, and Chair Timmerman declared the meeting to be in public session at 11:01 a.m.

Chair Timmerman recognized the following guests in attendance: City of Sunrise Beach Village Mayor Pat Frain and council members Bill Murphy, Lou Henson and Tommy Martin; former LCRA Board member Raymond Barker; City of Rollingwood Mayor Bill Hamilton; and City of Lometa Mayor Cynthia Kirby.

The Board next considered the Consent Agenda. Upon motion by Director Dickerson, seconded by Director Berger, the Board, by a vote of 14 to 0, unanimously approved consent items 3 and 4, included on the November 16, 2011, Board Consent Agenda, as follows:

11-178 Directors' fees and expenses and reimbursement of directors for such fees and expenses, as recommended in Consent Item 3 [attached hereto as Exhibit G].

11-179 The minutes of the October 11, 2011, special meeting and October 19, 2011, regular meeting [Consent Item 4].

11-180 After a presentation by Treasurer Jim Travis, Director Balas moved, seconded by Director McHenry, that the Board adopt and approve the Thirty-Fifth Supplemental Resolution to the Master Resolution authorizing the issuance of a taxable private placement note program in an amount not to exceed \$100 million principal amount, which also authorizes the general manager, the chief financial officer, and/or the treasurer to execute related purchase/credit agreements and all associated agreements necessary to support a letter of credit, to be provided by Wells Fargo Bank, National Association, to the Electric Reliability Council of Texas (ERCOT) to satisfy LCRA's financial security credit requirements pursuant to the ERCOT protocols for Nodal market participants [A copy of the Thirty-Fifth Supplemental Resolution is attached hereto as Exhibit H.]. The motion was unanimously approved by a vote of 14 to 0.

11-181 Chief Operations Officer Jimmy Havins introduced Don Brent, chief of Public Safety, who presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit I], that the Board approve amendment of the LCRA Land and Water Use Regulations and the Highland Lakes Marina Ordinance and the Safety Standards for Residential Docks on the Highland Lakes consistent with the Board's prohibition of floating habitable structures on the Highland Lakes. Upon motion by Director Berger, seconded by Director Balas, the recommendation was unanimously approved by a vote of 14 to 0.

11-182 Dennis Daniel, manager of Customer and Business Strategy, presented for consideration a staff recommendation, described in Agenda Item 6 [attached hereto as Exhibit J], that the Board authorize the general manager or her designee to negotiate and execute a wholesale water services agreement with Jeremiah Ventures, L.P. (Jeremiah Ventures) contingent upon approval of a firm water commitment in Agenda Item 8. Further, that the Board approve wholesale potable rates for Jeremiah Ventures as follows, to be contingent upon and effective upon execution of the proposed wholesale agreement:

- a. Monthly Charge - \$3,630 per month
- b. Volume Charge - \$2.40/1,000 gallons
- c. Connection Fee - \$5,180 per Living Unit Equivalent

Upon motion by Director White, seconded by Director Martine, the recommendation was approved by a vote of 13 to 1, with Director Dickerson voting no.

11-183 Suzanne Zarling, executive manager of Integrated Resource Planning, presented for consideration a staff recommendation, described in Agenda Item 7 [attached hereto as Exhibit K], that the Board approve revisions to the LCRA Water Contract Rules and Standard Contract Form. Zarling noted that this item was discussed at the November 15 Water Operations Committee meeting. Upon motion by Director Dickerson, seconded by Director Balas, the recommendation was unanimously approved by a vote of 14 to 0.

Kyle Jensen, executive manager of External Affairs, noted that Agenda Item 9 – City of Sunset Valley - Firm Water Contract for Municipal Use had been removed from the agenda at the request of staff. Jensen presented agenda items 8 and 10 through 13, regarding firm water contracts for municipal use of LCRA's firm water supply. The Board took action on these items as follows:

11-184 Upon motion by Director Balas, seconded by Director Johnson, the Board, by a vote of 13 to 1, with Director Dickerson voting no, authorized LCRA staff to negotiate and execute a standard water contract with Jeremiah Ventures, L.P., for municipal use of LCRA's firm water supply of up to 498 acre-feet per year for a term of 40 years, as recommended by staff in Agenda Item 8 [attached hereto as Exhibit L].

11-185 Upon motion by Director Dickerson, seconded by Director Berger, the Board, by a vote of 14 to 0, unanimously authorized LCRA staff to negotiate and execute a standard water contract with the City of Sunrise Beach Village for municipal use of LCRA's firm water supply of up to 200 acre-feet per year for a term of 40 years, as recommended by staff in Agenda Item 10 [attached hereto as Exhibit M].

11-186 Upon motion by Director Arbuckle, seconded by Director Berger, the Board, by a vote of 13 to 1, with Director Dickerson voting no, authorized LCRA staff to negotiate and execute a standard water contract with Travis County Municipal Utility District No. 4 for municipal use of LCRA's firm water supply of up to 3,501 acre-feet per year for a term of 40 years, as recommended by staff in Agenda Item 11 [attached hereto as Exhibit N].

11-187 Upon motion by Director Dickerson, seconded by Director McHenry, the Board, by a vote of 14 to 0, unanimously authorized LCRA staff to negotiate and execute a standard water contract with Kingsland Water Supply Corporation for municipal use of LCRA's firm water supply of up to 1,150 acre-feet per year for a term of 40 years, as recommended by staff in Agenda Item 12 [attached hereto as Exhibit O].

11-188 Upon motion by Director Berger, seconded by Director White, the Board, by a vote of 13 to 1, with Director Dickerson voting no, authorized LCRA staff to negotiate and execute an amendment to an existing standard water contract with FS Robinhood 26A, LLC, for municipal use of LCRA's firm water supply of up to 12 acre-feet per year for a term of 40 years, as recommended by staff in Agenda Item 13 [attached hereto as Exhibit P].

11-189 Kyle Jensen, executive manager of External Affairs, presented for consideration a revised staff recommendation, described in Agenda Item 14 [revised to reflect the deletion of the following text in the proposed motion: “, and completion of a feasibility study to determine additional water conservation strategies to achieve 25,000 acre-feet of water savings,” and attached hereto as Exhibit Q], that the Board approve the expenditure of funds from the House Bill 1437 Agricultural Water Conservation Fund to support the spring 2012 grant program for land leveling projects, completion of the Garwood Division volumetric measurement project, and completion of the Gulf Coast Gate Control and Rehabilitation project. The release of funds would be subject to the receipt of funds from the Brazos River Authority in early 2012. Jensen noted that this item was discussed at the November 15 Water Operations Committee meeting. Jensen also responded to various questions from the Board on this item. Upon motion by Director Balas, seconded by Director White, the recommendation was unanimously approved by a vote of 14 to 0.

11-190 Suzanne Zarling, executive manager of Integrated Resource Planning, presented for consideration a staff recommendation, described in Agenda Item 15 [attached hereto as Exhibit R], that the Board determine that the availability of interruptible stored water made available for sale to the four irrigation operations in calendar year 2012 is consistent with LCRA’s state-approved Water Management Plan (WMP), as modified by any Texas Commission on Environmental Quality order that may be issued in response to LCRA’s October 2011 request for emergency relief to depart from the WMP, and LCRA’s contractual obligations.

Rusty Brandon, representing lake interests, addressed the Board on this item and expressed the importance of using current data to determine the availability of interruptible stored water.

Upon motion by Director Gill, seconded by Director Berger, the recommendation [Agenda Item 15] was unanimously approved by a vote of 14 to 0.

The Board next took up Agenda Item 16 - Sale of LCRA’s Water and Wastewater Utilities.

Chair Timmerman discussed the process of divesting LCRA’s water and wastewater utility assets stating that it started with the Board’s November 17, 2010, resolution that set out four criteria to be met by the ultimate buyer or buyers of the assets. Chair Timmerman noted that LCRA staff hired BMO Capital Markets to handle the process, which has been going on over the last twelve months.

Chief Financial Officer Brady Edwards noted that staff discussed its recommendation for the sale of the utility assets with the Board in executive session and that approval of the sale would be subject to the Board finding that the assets are no longer necessary or convenient or beneficial to the use of LCRA’s business.

Chair Timmerman and General Manager Motal commented on the significant time and effort spent by the Board, LCRA staff and others to try to reach the best possible decision for everyone concerned.

11-191 Director Martine moved, seconded by Director Berger, that the Board adopt the following resolution:

WHEREAS, in November 2010, the Board directed staff to seek a buyer for LCRA's water and wastewater utility systems based on the following criteria:

- ability and commitment to provide reliable and quality utility services;
- ability to invest capital for additional and/or necessary water and wastewater utility infrastructure;
- commitment to meet applicable regulatory requirements; and
- willingness to compensate LCRA for its investment in water and wastewater utility systems.

WHEREAS, the Board authorized staff to sell certain water and wastewater utility systems and instructed staff to retain other water and wastewater utility systems pursuant to resolutions adopted at the Board's September and October meetings;

WHEREAS, the Board has yet to authorize the sale of the remaining water and wastewater utility systems not addressed in resolutions approved in September and October;

NOW, THEREFORE, BE IT RESOLVED that the Board authorizes the general manager or her designee to negotiate for the period beginning immediately and ending January 17, 2012, and, if successful, to execute a purchase and sale agreement based on the revised proposal received as of November 15, 2011, from the Coalition of Central Texas Utilities Development Corporation and the Memorandum of Understanding attached hereto [as Exhibit S] for the West Travis County Water and Wastewater Systems.

FURTHER RESOLVED that the Board authorizes the general manager or her designee to do all things necessary to accomplish the conveyance of said systems if a purchase and sale agreement has been fully executed by January 17, 2012.

FURTHER RESOLVED that the Board declare the West Travis County Water and Wastewater Systems as no longer necessary or convenient or of beneficial use to the business of LCRA, such declaration to be contingent upon the closing of the sale of said systems in accordance with this resolution.

The motion was unanimously approved by a vote of 14 to 0.

Chair Timmerman thanked Pix Howell for his relentless work and efforts on behalf of the Central Texas Utilities Development Corporation to pursue an agreement with LCRA for the purchase and sale of the West Travis County Water and Wastewater Systems. Chair Timmerman also thanked Sen. Kirk Watson and Susan Nold from Sen. Watson's office, who was present in the audience, for the key role they played in the process.

Pix Howell addressed the Board and expressed his appreciation for the Board's approval of this item. Mr. Howell also thanked General Manager Motal and LCRA staff for their work and help.

Director McHenry next moved, seconded by Director Balas, that the Board approve a resolution authorizing the general manager or her designee to negotiate and execute a purchase and sale agreement for sale of the remainder of LCRA's water and wastewater utilities to Corix

Infrastructure, Inc. The motion failed on a vote of 11 to 3, with directors Berger, Franklin and White voting against the motion. [The motion, which included the conveyance of real property, required the approval of at least 12 members of the Board.]

Chair Timmerman announced that Agenda Item 17 - Parks and Recreation Facilities Fee Schedule had been removed from the agenda and would be postponed until December.

There being no further business to come before the Board, the meeting was adjourned at approximately 11:42 a.m.

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Kathleen Hartnett White, Secretary  
LCRA Board of Directors

## **EXHIBIT B**

### MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE LOWER COLORADO RIVER AUTHORITY

Austin, Texas  
November 21, 2011

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a special meeting at 10:09 a.m. on Monday, November 21, 2011, at the principal office of LCRA, 3700 Lake Austin Boulevard, Hancock Building, Board Room, Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Timmerman  
Klein  
Arbuckle  
Balas  
Berger  
Franklin  
Gill  
Johnson  
Kibby  
Martine  
McHenry  
Schrader  
Spears

Absent: Dickerson  
White

Chair Timmerman convened the meeting at 10:09 a.m. and led the Board in pledges of allegiance to the American and Texas flags. Director Spears provided an invocation.

Chair Timmerman recognized the following guests: former LCRA Board member Pix Howell, representing the Central Texas Utilities Development Corporation; City of Lometa Mayor Cynthia Kirby; Hays County Commissioner Ray Whisenant; City of Sunrise Beach Village Mayor Pat Frain; and Susan Nold from state Sen. Kirk Watson's office.

General Manager Becky Motal introduced Chief Financial Officer Brady Edwards, who presented staff's recommendation on Agenda Item 1 - Sale of LCRA's Water and Wastewater Utilities [A copy of Agenda Item 1 is attached hereto as Exhibit A.], including the sale of the remainder of the utilities to Corix Infrastructure, Inc. Edwards described the four elements of staff's recommendations for the LCRA water and wastewater systems divestiture, including:

- Sale of individual systems;
- Some systems kept by LCRA;

- Sale of the West Travis County Water and Wastewater Systems to the Coalition of Central Texas Utilities Development Corporation; and
- Sale of the remainder of LCRA water and wastewater systems to Corix Infrastructure, Inc.

The following speakers addressed the Board and expressed the importance of the LCRA water and wastewater systems being kept in public hands or locally controlled: former LCRA Board member Pix Howell, representing the Central Texas Utilities Development Corporation; City of Lometa Mayor Cynthia Kirby; and Robert Salgo, president of West Travis County Municipal Utility District No. 3.

Edward Yanoshita, general manager with Corix Utilities Southwest, addressed the Board on behalf of Corix Infrastructure, Inc., and stated Corix's commitment to strive to be good stewards and to operate reliable, cost-effective and sustainable water and wastewater systems. Mr. Yanoshita also described the Corix Institute for water resources and sustainability at the University of Oklahoma.

Chair Timmerman declared the meeting to be in executive session at 10:23 a.m., pursuant to sections 551.071 and 551.072 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Timmerman declared the meeting to be in public session at 10:49 a.m.

Chair Timmerman made comments about the overall process for divestiture of LCRA water and wastewater utility systems, including systems sold; pending negotiations and sales of systems; and the balance of systems for sale.

11-192 Director Spears moved, seconded by Director Gill, that the Board adopt the following resolution:

WHEREAS, in November 2010, the Board directed staff to seek a buyer for LCRA's water and wastewater utility systems based on the following criteria:

- ability and commitment to provide reliable and quality utility services;
- ability to invest capital for additional and/or necessary water and wastewater utility infrastructure;
- commitment to meet applicable regulatory requirements; and
- willingness to compensate LCRA for its investment in water and wastewater utility systems.

WHEREAS, the Board authorized staff to sell certain water and wastewater utility systems and instructed staff to retain other water and wastewater utility systems pursuant to resolutions adopted at the Board's September, October and November meetings;

WHEREAS, the Board has yet to authorize the sale of the remaining water and wastewater utility systems not addressed in resolutions previously approved;

NOW, THEREFORE, BE IT RESOLVED that the Board authorizes the general manager or her designee to negotiate for the period beginning immediately and ending February 21, 2012, and, if successful, to execute operations, option, purchase and sale agreements based on the revised

proposal received as of November 20, 2011, from Corix Infrastructure, Inc., and the Memorandum of Understanding (MOU) attached hereto [as Exhibit B] for those water and wastewater utility systems specifically identified in the MOU.

FURTHER RESOLVED that the Board authorizes the general manager or her designee to execute the attached MOU and do all things necessary to accomplish the conveyance of water and wastewater utility systems specifically identified in the MOU to Corix Infrastructure, Inc., if operations, option, purchase and sale agreements have been fully executed by February 21, 2012.

FURTHER RESOLVED that the Board declare the water and wastewater utility systems identified in the MOU for sale to Corix Infrastructure, Inc., as no longer necessary or convenient or of beneficial use to the business of LCRA, such declaration to be contingent upon the closing of the sale of said systems in accordance with this resolution.

The motion was unanimously approved by a vote of 13 to 0.

Chair Timmerman made closing remarks concerning the Board's action today and the conclusion of the process for divestiture of LCRA's water and wastewater utility systems. Chair Timmerman stated that the process for divestiture of these systems, which began with the sale of the Brushy Creek Regional Wastewater System in 2009, will "end up with 96 percent of our customers in either public hands or still with the LCRA." Chair Timmerman also commended LCRA staff and fellow Board members for their hard work, commitment and engagement in this process.

Director Spears also expressed appreciation to General Manager Becky Motal and staff for their hard work and efforts.

There being no further business to come before the Board, the meeting was adjourned at approximately 10:59 a.m.

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Kathleen Hartnett White, Secretary  
LCRA Board of Directors

**FOR DISCUSSION**

## **11. Weather Forecast**

**Summary**

Meteorologist Bob Rose will discuss the weather outlook for December and the potential for additional rains across the basin.

**Presenter(s)**

Bob Rose  
Chief Meteorologist

## **FOR DISCUSSION**

# **12. Water and Wastewater Utility Divestiture Update**

### **Summary**

Staff will update the Board on activities related to the proposed divestitures of LCRA's water and wastewater utility assets.

The Board authorized negotiations toward sale of certain assets of LCRA's Water and Wastewater Utilities in September, October and November.

Conveyance of the Sunrise Beach Water System to the City of Sunrise Beach Village closed on December 7, 2011, as previously scheduled.

In addition, staff will provide updates on activities toward the following additional divestitures among others:

- sale of the Leander/Sandy Creek Water System to the City of Leander;
- sale of the Lakeway Regional Raw Water System to the Lakeway Barge Participants;
- sale of the Liberty Hill Wastewater System to the City of Liberty Hill;
- sale of the Glenlake Water System to the City of Austin;
- sale of Whitewater Springs Water System to the Whitewater Springs Water Supply Corporation;
- negotiations with the Coalition of Central Texas Utilities Development Corporation based on Board resolution approved November 16, 2011; and,
- negotiations with Corix Infrastructure, Inc., based on Board resolution approved November 21, 2011.

### **Presenter(s)**

Brady Edwards  
Chief Financial Officer

**FOR ACTION**

## **13. Authorize the Sale of LCRA's West Travis County Water and Wastewater Utilities and Settlement of West Travis County Rate Cases**

### **Proposed Motion**

Authorize the general manager or her designee to negotiate and execute agreements for the sale of LCRA's West Travis County water and wastewater utility assets, properties and associated operations to the Coalition of Central Texas Utilities Development Corporation (or its authorized affiliate or assignee), and to do all things necessary to accomplish the sale of LCRA's water and wastewater utilities, all consistent with the terms described below.

Further declare that the LCRA West Travis County water and wastewater utilities are no longer necessary or convenient or of beneficial use to the business of LCRA, such declaration to be contingent on the conveyance of the West Travis County water and wastewater utilities to the selected purchaser.

Further authorize the general manager or her designee to execute a settlement agreement for the current West Travis County water and wastewater utility rate cases consistent with the terms of the proposed settlement agreement described below.

### **Board Consideration**

Texas Special District Local Laws Code section 8503.020 requires the Board to determine, by an affirmative vote of three-fourths of the Board's statutory membership, that any property to be sold by LCRA is no longer necessary or convenient or of beneficial use to the business of LCRA and the Board approves the terms of the sale.

### **Budget Status and Fiscal Impact**

The administrative costs associated with the sale of this property are contained within the FY 2012 Business Plan and the proceeds of the sale will be used toward water utility debt retirement.

### **Summary**

Staff seeks authorization to negotiate and enter into agreements to sell the West Travis County water and wastewater utility assets, properties and related operations (WTC Utility) to the Coalition of Central Texas Utilities Development Corporation (Coalition), or its authorized affiliate or assignee, consistent with terms discussed in executive session and outlined herein.

In November, the Board authorized staff to negotiate with the Coalition for the WTC Utility. While staff and the Coalition did not execute a memorandum of understanding and term sheet (MOU) within the timeframe considered in November, staff and the Coalition continued negotiations.

Staff now recommends an MOU that has been provided to the Board under separate cover. The Coalition is considering approval of the MOU on this same date. The proposed MOU includes schedules for payments to LCRA to cover LCRA debt obligations related to the WTC Utility as those debt obligations are callable. Several significant payments included in the MOU's schedules are contingent on the credit ratings for the West Travis County Public Utility Agency (PUA), which the Coalition will create and which will assume operations by the end of March

2012. While the Coalition has proposed the timing contingencies dependent on credit ratings, the Coalition has agreed that the PUA will make payments not later than November 2012, May 2014, May 2015 and May 2019. The November 2012 and May 2014 payments may be made in July 2012 and May 2013, respectively, if the credit ratings received by the PUA exceed ratings specified in the MOU.

Staff also recommends, as part of the agreement with the Coalition, to settle the pending West Travis County water and wastewater utility rate cases, which settlement agreement is contingent upon execution by the Coalition and LCRA of an Installment Purchase Agreement consistent with the MOU's terms. The settlement agreement, which also has been provided to the Board under separate cover, provides: (i) for dismissal of the rate cases when the Installment Purchase Agreement is executed; (ii) for rates currently in effect for the WTC Utility to remain in effect until March 31, 2012, at the previously set rate level that was effective October 1, 2008 (which rates were the second phase of a proposed three-step increase); (iii) for the previously set rates that would have been effective October 1, 2009 (Phase Three) to become effective March 31, 2012, if the PUA has not assumed operations of the WTC Utility by that date; and, iv) that rates will not increase beyond Phase Three until after November 1, 2012.

Also, in accordance with Board policy, environmental site assessments for all properties will be conducted prior to final conveyance of any properties. Conveyance of the WTC Utility pursuant to the Installment Purchase Agreement will occur in phases as the PUA makes payments to pay off existing LCRA debt obligations according to the schedules provided in the MOU.

**Presenter(s)**

Rebecca S. Motal  
General Manager

Brady Edwards  
Chief Financial Officer

**FOR ACTION**

## **14. City of Austin, d\b\a Austin Energy - Firm Water Contract for Industrial Use**

### **Proposed Motion**

Authorize LCRA staff to negotiate and execute a standard water contract with Austin Energy for industrial use of LCRA's firm water supply of up to 7,500 acre-feet per year for a term of 20 years. Further authorize staff to terminate an existing contract with Austin Energy, which the new contract will replace.

### **Board Consideration**

LCRA's Water Contract Rules call for Board approval of raw water contracts for amounts larger than 500 acre-feet per year and that vary from the standard contract provisions.

### **Budget Status and Fiscal Impact**

Based on a new contract amount of 7,500 acre-feet per year, water revenues from this additional water will generate up to \$302,000 of increased revenues annually, depending on use.

### **Summary**

Austin Energy has requested an amendment to its existing water contract to use LCRA's firm water for industrial use to increase the maximum annual quantity of 3,500 acre-feet per year to 7,500 acre-feet per year, which includes delivery losses. LCRA Water Contract Rules require issuance of a new contract rather than amendment of the existing contract. The application was submitted, in part, as a result of Austin Energy exceeding its maximum annual quantity for two consecutive years. LCRA rules require a customer to submit an application for an increase in its maximum annual quantity under its contract if the customer has exceeded the maximum annual quantity for two consecutive years.

Staff recommends that the Board approve the amount requested of 7,500 acre-feet per year. Staff has reviewed and approved Austin Energy's conservation and drought contingency plans.

LCRA has also determined that there are sufficient firm water supplies in lakes Buchanan and Travis or other sources of supply to meet the amount recommended by staff. These sources include significant run-of-river water rights, portions of which will need to be amended in the future as customer use of reserved water supplies increases.

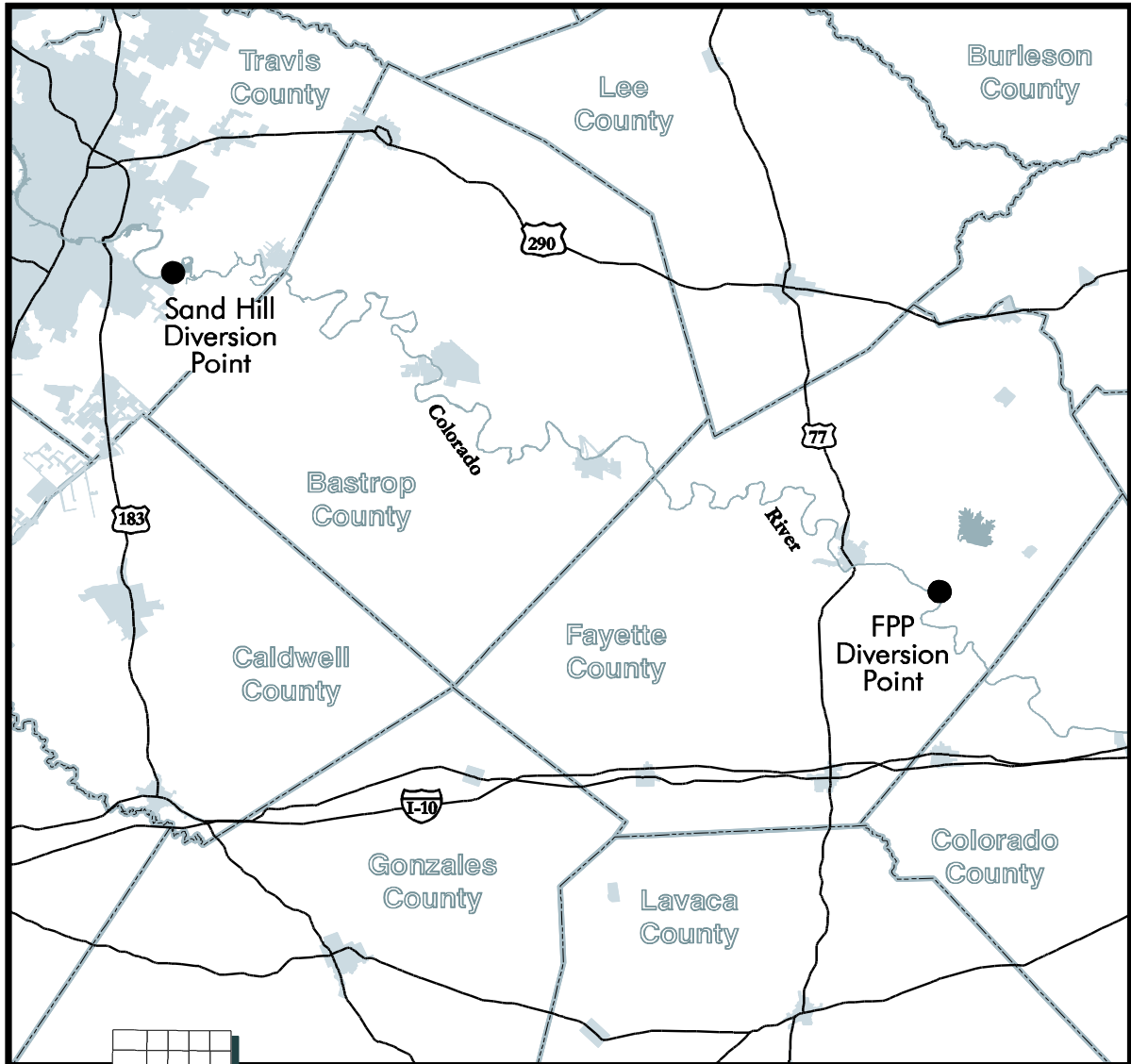
### **Presenter(s)**

Kyle Jensen  
Executive Manager, External Affairs

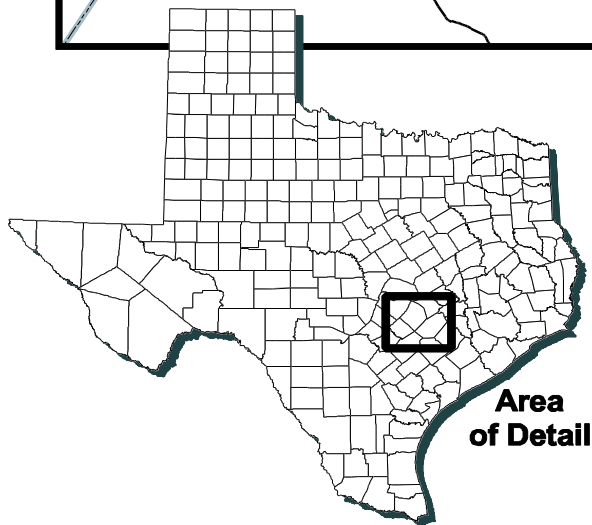
### **Exhibit(s)**

A - General Location Map

**EXHIBIT A**



**General Location Map**



**Area of Detail**

**Firm Water Contract for Industrial Use**

- Austin Energy Diversion Points

**FOR ACTION**

## **15. HSC Pipeline Partnership, LLC - Temporary Water Sale Agreement for Industrial Use**

### **Proposed Motion**

Authorize LCRA staff to negotiate and execute a firm temporary water sale agreement with HSC Pipeline Partnership, LLC (HSC) for industrial use of LCRA's firm water supply of up to 10 acre-feet per year for a term of one year.

### **Board Consideration**

LCRA's Water Contract Rules call for Board approval of raw water contracts for amounts larger than 500 acre-feet per year and that vary from the standard contract provisions. In addition, LCRA's Board passed a resolution at its Sept. 21, 2011, meeting that all contract sales that would increase the demand on LCRA's water supplies be brought to the Board for consideration until otherwise directed by the Board.

### **Budget Status and Fiscal Impact**

Based on a contract amount of 10 acre-feet per year, water revenues from this additional water will generate up to \$1,500 of increased revenues annually, depending on use.

### **Summary**

HSC Pipeline Partnership, LLC has requested a firm temporary water sale agreement to use LCRA's firm water for industrial use for a maximum annual quantity of 10 acre-feet per year including river loss. HSC submitted its application for hydro static testing of a new pipeline project in Colorado and Wharton Counties.

Staff recommends that the Board approve the amount requested of 10 acre-feet per year.

LCRA has also determined that there are sufficient firm water supplies in lakes Buchanan and Travis or other sources of supply to meet the amount recommended by staff. These sources include significant run-of-river water rights, portions of which will need to be amended in the future as customer use of reserved water supplies increases.

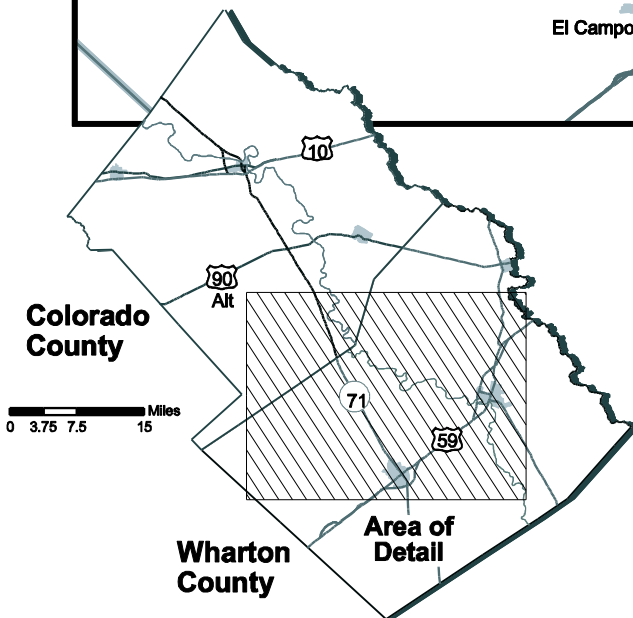
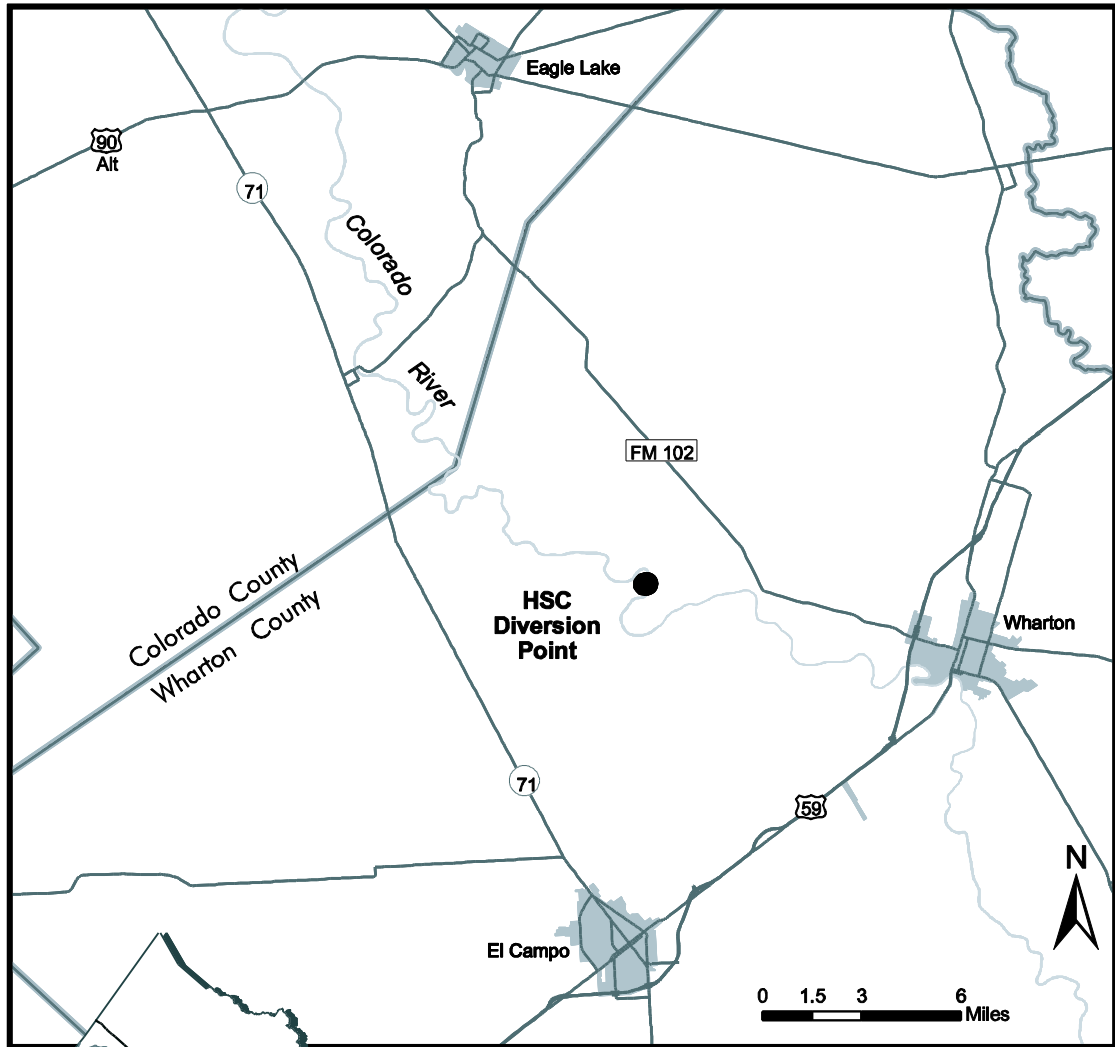
### **Presenter(s)**

Kyle Jensen  
Executive Manager, External Affairs

### **Exhibit(s)**

A - General Location Map

**EXHIBIT A**



**General Location Map**  
**Temporary Water Contract**  
**for Industrial Use**

● HSC Pipeline, LLC.

**FOR ACTION**

## **16. Enterprise Products Operating, LLC - Temporary Water Sale Agreement for Industrial Use**

### **Proposed Motion**

Authorize LCRA staff to negotiate and execute a firm temporary water sale agreement with Enterprise Products Operating, LLC (Enterprise) for industrial use of LCRA's firm water supply of up to 10 acre-feet per year for a term of one year.

### **Board Consideration**

LCRA's Water Contract Rules call for Board approval of raw water contracts for amounts larger than 500 acre-feet per year and that vary from the standard contract provisions. In addition, LCRA's Board passed a resolution at its Sept. 21, 2011, meeting that all contract sales that would increase the demand on LCRA's water supplies be brought to the Board for consideration until otherwise directed by the Board.

### **Budget Status and Fiscal Impact**

Based on a contract amount of 10 acre-feet per year, water revenues from this additional water will generate up to \$1,500 of increased revenues annually, depending on use.

### **Summary**

Enterprise has requested a firm temporary water sale agreement to use LCRA's firm water for industrial use for a maximum annual quantity of 10 acre-feet per year, which includes delivery loss. Enterprise submitted its application for hydro static testing of a new pipeline project in Colorado and Wharton Counties.

Staff recommends that the Board approve the amount requested of 10 acre-feet per year.

LCRA has also determined that there are sufficient firm water supplies in lakes Buchanan and Travis or other sources of supply to meet the amount recommended by staff. These sources include significant run-of-river water rights, portions of which will need to be amended in the future as customer use of reserved water supplies increases.

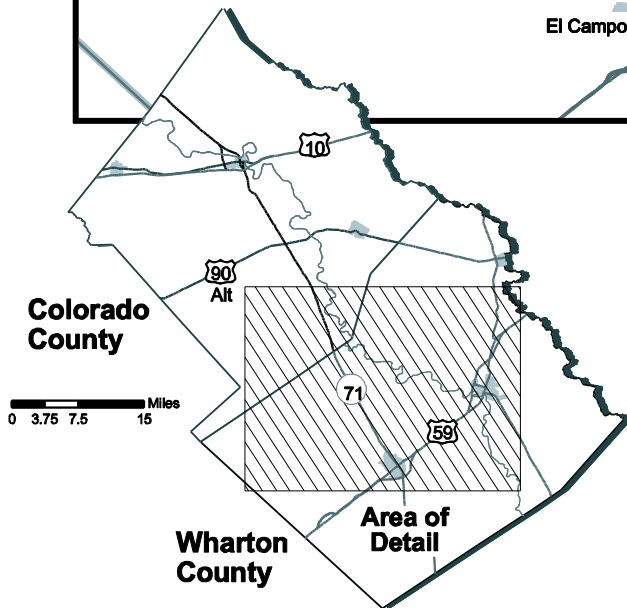
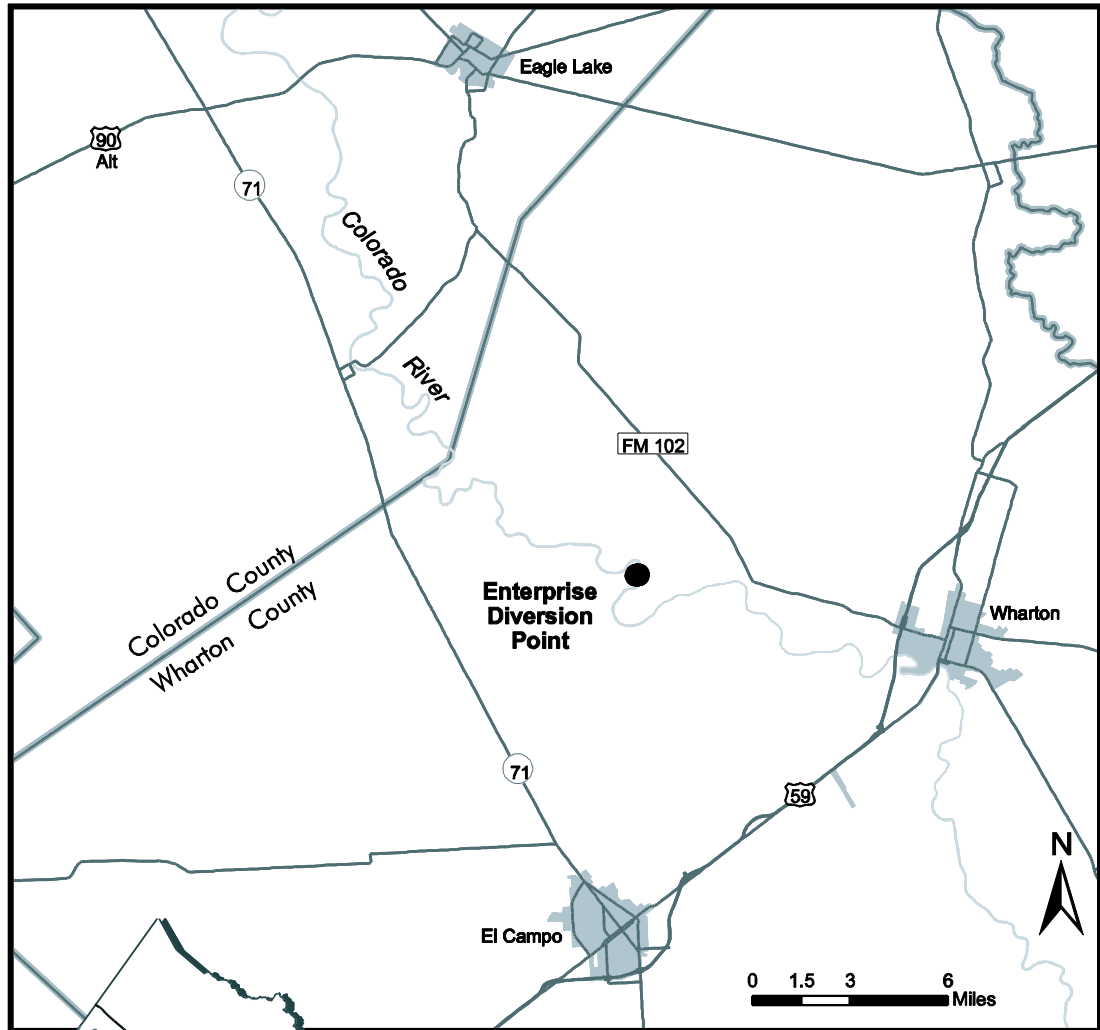
### **Presenter(s)**

Kyle Jensen  
Executive Manager, External Affairs

### **Exhibit(s)**

A - General Location Map

**EXHIBIT A**



**General Location Map  
Temporary Water Contract  
for Industrial Use**

● Enterprise Products Operating, LLC.

## **FOR ACTION**

# **17. Parks and Recreation Facilities Fee Schedule**

### **Proposed Motion**

Amend the LCRA Recreation Areas, Parks and Natural Science Centers Fee Schedule as shown in Exhibit A to be effective Jan. 1, 2012.

### **Board Consideration**

LCRA is authorized by Section 8503.004 (s) of the Texas Special District Local Laws Code in that “the board may charge and collect reasonable entrance, gate, or use fees for the development, management, and use of parks and recreational facilities developed in whole or in part by the authority.”

### **Budget Status and Fiscal Impact**

The administrative costs associated with implementing the LCRA Recreation Areas, Parks and Natural Science Centers Fee Schedule are contained within the FY 2012 Business Plan.

### **Summary**

LCRA’s park system includes 43 parks in counties along the lower Colorado River. The goal of LCRA’s park system is to provide a diversity of safe and affordable public outdoor recreational opportunities while promoting and enhancing public access to the Colorado River and its lakes.

The Board of Directors sets individual entry and facility rental fees based on the type of public recreational facilities provided at its parks. The current fee schedule was approved by the Board in 2008. This past summer, staff conducted a fee benchmark study of Central Texas parks operated by the Texas Parks and Wildlife Department, Travis County, other public agencies, and several comparable private entities as part of the overall evaluation process.

Staff recommends amending the Recreation Areas, Parks and Natural Science Centers Fee Schedule in three areas: (1) to increase camping fees at LCRA recreation areas, which could increase revenue generated from recreation area fees by approximately 35 percent; (2) to allow the Canyon of the Eagles Nature Park lodge and campground operator (Calibre, Inc.) more flexibility in setting fees for LCRA-funded recreation facilities now marketed with the lodge; and (3) to allow some minor fee increases at the natural science centers to be more consistent with other facilities.

The proposed rates could result in an approximate 5 percent increase in fee-generated park income. Coupled with the lease revenue generated from private businesses operating on LCRA public lands, LCRA park fee rates, as proposed, will most likely reach the parks’ 50 percent cost-recovery goal (barring severe weather-related events or local economic downturns). The recommended fee schedule is proposed to be effective Jan. 1, 2012. Effective date for revised fee schedule is Jan.1, 2012. However, due to current low lake levels and burn bans adversely impacting park attendance, staff recommends delaying camping fee increases at LCRA recreational facilities until conditions improve.

### **Presenter(s)**

Kyle Jensen  
Executive Manager, External Affairs

Fran Irwin  
Manager, Parks and Natural Science Centers

**Exhibit(s)**

A - Recreation Areas, Parks and Natural Science Centers Proposed Fee Schedule

## EXHIBIT A

### Recreation Areas, Parks and Natural Science Centers Proposed Fee Schedule 2012

#### Recreation Areas

Recreation areas provide outdoor recreation experiences in a natural setting with minimal development. These parks include Gloster Bend (*dayuse only*), Grelle, Muleshoe Bend, Plum Park, Shaffer Bend and Turkey Bend.

<u>Recreation Areas</u>	<i>Current</i>	<i>Proposed</i>
Daily entrance fee (per vehicle)	\$5	\$5
Designated campsites with no services <i>(Currently, fee is only collected at Grelle Recreation Area.)</i>	<b>\$10</b>	<b>N/A</b>
Overnight camping fee (per vehicle/per night) <i>12 p.m. checkout time on date of departure Overnight camping fee is charged in lieu of daily entrance fee.</i>	<b>N/A</b>	<b>\$10</b>
Overnight camping fee with annual vehicle permit (per vehicle/per night)	<b>N/A</b>	<b>\$5</b>
Annual Vehicle Permit	\$60	\$60
Discount Annual Vehicle Permit for seniors, active duty and retired military personnel, and disabled individuals	\$50	\$50
Duplicate Annual Vehicle Permit <i>Requires proof of original permit purchase and owner of the second vehicle must show proof that they reside in the same home as the person issued the original permit. Only one duplicate permit per residence. Expires on the same date as the original permit.</i>	<b>N/A</b>	<b>\$45</b>
Duplicate Discount Annual Vehicle Permit <i>Requires proof of original permit purchase and owner of the second vehicle must show proof that they reside in the same home as the person issued the original permit. Only one duplicate permit per residence. Expires on the same date as the original permit.</i>	<b>N/A</b>	<b>\$35</b>

#### Developed Parks

Developed parks are usually larger LCRA tracts offering a variety of recreational facilities and amenities. These parks include Black Rock Park, Lake Bastrop parks, Lake Fayette parks and Pedernales River Nature Park\*.

\*Pedernales River Nature Park fees are dependent on future development.

<u>Developed Parks</u>	<i>Current</i>	<i>Proposed</i>
Per-person fee (13 years and older)	\$4	\$4
Senior fee (65 years and older)	\$2	\$2
Active duty military personnel	\$2	\$2
Disabled individuals	\$2	\$2
Campsites with no services	\$10	\$10
Campsites with water only	\$12	\$12
Campsites with water and electric	\$15	\$15
Premium campsites with water and electric <i>(High demand for use because of its desirable attributes.)</i>	\$20	\$20
Campsites with water, electric and septic	\$20	\$20

<b><u>Developed Parks</u></b>	<b><i>Current</i></b>	<b><i>Proposed</i></b>
Premium campsites with water, electric and septic <i>(High demand for use because of its desirable attributes.)</i>	\$25	\$25
Air-conditioned mini-cabins	\$45	\$45
Group Recreation Hall - with caterer's kitchen	<b>\$150</b>	<b>\$175</b>
Group Recreation Hall cleaning deposit	\$150	\$150
Pavilion - open air	\$45	\$45
Overlook Pavilion <i>(Specific to Pedernales River Nature Park.)</i>	<b>N/A</b>	<b>\$100 - \$150</b>
Group picnic or camping areas	<b>\$45</b>	<b>\$20 - \$45</b>

<b>Fees specific to Matagorda Bay Nature Park</b>	<b><i>Current</i></b>	<b><i>Proposed</i></b>
Campsite - water, electric and septic	\$25	\$25
Premium campsite - water, electricity and septic <i>(High demand for use because of its desirable attributes.)</i>	\$45	\$45

<b>Fees specific to Canyon of the Eagles</b>	<b><i>Current</i></b>	<b><i>Proposed</i></b>
Per-person fee (13 years and older)	\$4	\$4
Senior fee (65 years and older)	\$2	\$2
Active duty military personnel	\$2	\$2
Disabled individuals	\$2	\$2
Campsites with no services	<b>\$10</b>	<b>\$10 - \$14</b>
Campsites with water only	<b>\$12</b>	<b>\$12 - \$21</b>
Campsites with water, electric and septic	<b>\$20</b>	<b>\$20 - \$45</b>
Group camping area	<b>\$100</b>	<b>\$125 - \$140</b>

<b>Park Discounts and Passbooks</b>	<b><i>Definitions</i></b>
Peak season Campsite discount	Up to 25 percent off campsite fees at developed parks from April 1 through Aug. 31.
Non-peak season Campsite discount	Up to 50 percent off campsite fees at developed parks from Sept. 1 through March 31.
Group entrance discount	Park managers may issue a 25 percent discount off entrance fees for groups of 25 or more visitors who have reservations for a group rental facility.
Per-person entry passbook 25 percent discount	Passbooks may be purchased to enable customers to obtain a 25 percent discount off entrance fees. A typical passbook contains 10 passes. Each pass is good for one adult entry. Cost: \$30, Value: \$40.
Seniors and disabled individuals Per-person entry passbook 25 percent discount	Passbooks may be purchased to enable customers to obtain a 25 percent discount off entrance fees. A typical passbook contains 10 passes. Each pass is good for one senior or disabled individual entry. Cost: \$15, Value: \$20.
Equestrian passbook 50 percent discount	<b>Increase fee from \$250 to \$300</b> at parks with developed equestrian trails. (Not valid at LCRA/Travis County parks.)

## **Natural Science Centers**

Natural science centers promote conservation and stewardship of the lower Colorado River through education and recreation opportunities.

<b><u>McKinney Roughs Nature Center</u></b>	<b><i>Current</i></b>	<b><i>Proposed</i></b>
Per-person fee (13 years and older)	\$4	\$4
Senior fee (65 years and older)	\$2	\$2
Active duty military personnel and veterans	\$2	\$2
Disabled individuals	\$2	\$2
Equestrian fee (daily fee without passbook coupon)	<b>\$10</b>	<b>\$12</b>
Equestrian Passbook (50 coupons; 50 percent discount off daily fee)	<b>\$250</b>	<b>\$300</b>
Meeting room reservation fee (all natural science centers)		
Nonprofit	\$75	\$75
Private/individual	\$150	\$150
Commercial	\$250	\$250
Nightly dormitory fee per person with youth group	\$25	\$25
Nightly dormitory fee per person for adult groups	\$30	\$30
Dormitory reservations (minimum deposit)	\$250	\$250
Security and damage deposit	25%	25%
Cancellation fee	25%	25%
Dining hall reservation fees		
Nonprofit	\$300	\$300
Private/individual	<b>\$300</b>	<b>\$375</b>
Commercial	\$450	\$450
Kitchen fee	\$75	\$75
Cleaning fee	\$200	\$200

## **FOR ACTION**

# **18. Disposition of Available Funds from FY 2011**

### **Proposed Motion**

In accordance with LCRA Board Policy 301 - Financial Policy, approve the use of available funds from FY 2011 of \$6.7 million as outlined below:

- \$6.7 million contribution to the Board-designated Infrastructure Reserve.

### **Board Consideration**

In accordance with LCRA Board Policy 301 - Financial Policy, the Board must approve the use of available funds generated from operations.

### **Budget Status and Fiscal Impact**

Approval of this item has no impact on the FY 2012 budget, as the expenditures will be funded with available funds from FY 2011.

### **Summary**

Annually, upon completion of the external audit, LCRA finance staff conducts an evaluation of the sources and uses of funds for the recently completed fiscal year. The analysis for FY 2011 is complete and has identified \$6.7 million of available funds. The total available is the result of less-than-budgeted spending in public service funds (\$4.7 million); better than budget performance in the water business (\$1.2 million); and higher-than-budget net revenues from non-regulated transmission customer service work (\$0.8 million).

Energy generation exceeded its budgeted debt service coverage target of 1.25x in FY 2011, and as a result was able to return \$29.7 million to wholesale generation customers while maintaining its liquidity reserve requirements.

Staff is recommending that \$6.7 million be transferred to the LCRA Infrastructure Reserve.

### **Presenter(s)**

Brady Edwards  
Chief Financial Officer

## **FOR ACTION**

# **19. Contracts and Contract Changes**

### **Proposed Motion**

Authorize the general manager or her designee to negotiate and execute the following contracts and contract changes as shown in attached exhibits.

### **Board Consideration**

LCRA Board Policy 205 - Supply Management establishes requirements for the purchasing of goods, services, software, construction, professional and consulting services, and the disposal of surplus materials.

### **Budget Status and Fiscal Impact**

All contracts and contract changes recommended for Board approval are for budgeted items contained in the operations and capital budgets.

### **Summary**

Each month the Board approves the contracts and contract changes in accordance with LCRA Board Policy 205 - Supply Management.

### **Presenter(s)**

Leah Manning  
Manager, Operations Support

### **Exhibit(s)**

A - Exceptions  
B - New Contracts  
C - Contract Administration

## **EXHIBIT A**

### **Exceptions**

Contracts and contract actions requiring Board approvals and which depart from the competitive process, require ratification, or have terms exceeding five years are noted in Exhibit A.

#### **Change Order No. 1 to Contract No. 3356**

**Amount:** \$327,233

**Time:** Until contract fulfilled.

**Contractor:** Booz and Company (N.A.), Inc.

**Competition:** Full and open competition

**Description:** Based on the initial assessment presented in August, the LCRA general manager has requested an additional in-depth assessment focused on the Finance/IT area. This assessment will examine the effectiveness and efficiency of the current functions and identify opportunities for improvement.

A ratification is being requested due to the time-sensitive nature of this engagement. Specifically, in order to maintain the consistent pace of the reorganization and because of the effect this engagement may have on LCRA's budget planning process, which normally begins in December, it was necessary to move forward with this change order prior to obtaining Board approval to minimize any adverse impacts.

<b>Recap:</b>	Original Contract (07/11)	\$227,106
	<b>Change Order No. 1 (11/11)</b>	<b><u>\$327,233</u></b>
	Total	<u>\$554,339</u>

## **EXHIBIT B**

### **New Contracts**

LCRA Board Policy 205 - Supply Management requires Board approval for contracts (unless otherwise provided under other Board policy) in excess of \$50,000 for consulting services and contracts valued at more than \$2 million for materials, non-consulting services, software, and construction. Each month, any new contracts that exceed these limits are noted in Exhibit B.

#### **Contract No. 3406**

**Amount:** Firm fixed price of \$7.1 million

**Time:** One base year with four one-year options to extend

**Contractor:** Valmont Industries, Inc.

**Competition:** Full and open competition

**Description:** This contract will support the procurement of light duty poles to be installed in the LCRA TSC electrical system. These structures will primarily support infrastructure maintenance initiatives. Light duty poles can also be utilized for the new 69/138kV transmission line construction.

#### **Surplus Sale**

**Amount:** Total revenue of \$851,500

**Time:** Ten days from contract execution

**Contractor:** LaGrange Recycling

**Competition:** Full and open competition

**Description:** Surplus materials related to the Fayette Power Project scrubber project were offered for sale in nine lots, each containing various construction material items. Through a competitive request for proposal process, LaGrange Recycling has offered the most beneficial pricing for all nine lots and plans to scrap a portion of each lot and recycle the remaining materials.

## EXHIBIT C

### **Contract Administration**

LCRA Board Policy 205 - Supply Management requires Board approval for contract changes when the accumulated changes are in excess of \$50,000 for consulting services, and contracts valued at more than \$2 million for materials, non-consulting services, software, and construction. Each month, any changes that reach these limits are noted in Exhibit C.

- A *Change Order* is a change to the statement of work, specifications or schedule of the contract.
- An *Amendment* is a change to a contract which affects other terms and conditions of the contract.
- An *Increase in Estimate* is a request to spend more funds than were previously estimated to be spent through a given contract. The contract is not changed; only the internal estimate of the amount to be spent with the supplier.
- A *Task Order* is an order for services, awarded under an Indefinite Delivery Indefinite Quantity Contract. These contracts were originally awarded with the intent to order specific work in subsequent orders, when the exact amount, quantity and work were required.

#### **Increase in Estimate No. 1 to Contract No. 2841**

**Amount:** Not to exceed \$100,000

**Time:** 13 months remaining on existing contract - expires January 2013

**Contractor:** Crescent Power, Inc.

**Competition:** Originally a departure from full and open competition

**Description:** Under the existing contract, Crescent Power, Inc., was hired to provide consulting advice on Electric Reliability Council of Texas (ERCOT) protocol revisions and Public Utility Commission (PUC) rulemakings related to nodal market design, non-opt-in-entity (NOIE) issues, and market participant credit requirements. Crescent Power also represents LCRA at ERCOT and the PUC as requested.

The contract was extended in January 2011 for two years beyond the original three-year term. At that time, the original Board-approved amount of \$870,000 for the contract was reviewed and deemed adequate. LCRA anticipates a continued need for these services, and an increase in estimate not to exceed \$100,000 is requested.

<b>Recap:</b>	Original Contract (02/08)	\$870,000
	<b>Increase in Estimate No. 1 (12/11)</b>	<b><u>\$100,000</u></b>
	Total	<b><u>\$970,000</u></b>

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