

**Alliance Regional Water Authority
Board of Directors**

REGULAR MEETING



ALLIANCE WATER

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.

San Marcos Activity Center
501 E. Hopkins, San Marcos, TX 78666

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

This Notice is posted pursuant to the Texas Open Meetings Act (Texas Government Code Chapter 551). The Alliance Regional Water Authority (the Authority) Board of Directors will hold a meeting at 3:00 PM, Wednesday, March 28, 2018, at the San Marcos Activity Center, 501 E. Hopkins, San Marcos, TX 78666. Additional information can be obtained by calling Graham Moore at (512) 294-3214.

A. CALL TO ORDER

B. ROLL CALL

C. PUBLIC COMMENTS (3-minute time limit, each).

D. CONSENT AGENDA

The items included in the Consent Agenda portion of this meeting agenda can be considered and approved by the Board of Directors by one motion and vote. A Board member may request that an item included in the Consent Agenda be considered separately, in which event the Board of Directors will take action on the remaining Consent Agenda items and then consider the item removed from the Consent Agenda.

D.1 Consider approval of minutes of the Regular Meeting held February 28, 2018.
~ *Graham Moore, P.E., Executive Director*

D.2 Consider approval of financial report for February 2018. ~ *Graham Moore, P.E., Executive Director*

E. REGULAR AGENDA ITEMS

E.1 Report on Executive Committee activities. ~ *Graham Moore, P.E., Executive Director*

E.2 Report on public relations activities by Gap Strategies; discussion and direction to staff and consultants on future activities. ~ *Kara Buffington, Gap Strategies*

E.3 Update, discussion and possible action regarding the status of the Authority's Phase 1A projects. ~ *Graham Moore, P.E., Executive Director*

E.4 Update, discussion and possible action regarding the status of the Authority's Phase 1B program. ~ *Graham Moore, P.E., Executive Director*

E.5 Consider adoption of Resolution 2018-03-28-001 accepting and approving the Audit Report for the 2016-2017 Financial Audit of the Authority. ~ *Nathan Glenn, Atchley & Associates*

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- E.6 Consider adoption of Resolution 2018-03-28-002 approving Amendment #1 to the Authority's 2017-18 Operating Budget. ~ *Graham Moore, P.E., Executive Director*
- E.7 Consider adoption of Resolution 2018-03-28-003 approving new bylaws for the Authority. ~ *Mark Taylor, Legal Counsel*
- E.8 Discussion and possible direction to staff regarding new rules for the Authority. ~ *Mark Taylor, Legal Counsel*
- E.9 Discussion and possible direction to staff regarding a policy on Board and Committee meeting procedures. ~ *Mark Taylor, Legal Counsel*
- E.10 Consider adoption of Resolution 2018-03-28-004 creating a Technical Committee and making initial appointments. ~ *Graham Moore, P.E., Executive Director*
- E.11 Update on status of groundwater management in project target area, and Gonzales County Underground Water Conservation District, Plum Creek Conservation District, Groundwater Management Area 13, Region L Planning Group, Guadalupe-Blanco River Authority, Hays County and CAPCOG activities. ~ *Graham Moore, P.E., Executive Director*

F. EXECUTIVE DIRECTOR AND LEGAL COUNSEL REPORTS

G. BOARD MEMBER ITEMS – no action to be taken.

H. EXECUTIVE SESSION

- H.1 *Executive Session pursuant to the Government Code, Section 551.071 (Consultation with Attorney) and/or Section 551.072 and 551.073 (Real Property Deliberations regarding:*
 - A. *Water supply partnership options*
 - B. *Groundwater leases*
 - C. *Acquisition of real property for water supply project purposes*

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- H.2 Action from Executive Session on the following matters:
- A. *Water supply partnership options*
 - B. *Groundwater leases*
 - C. *Acquisition of real property for water supply project purposes*

I. ADJOURNMENT

NOTE: *The Board of Directors may meet in Executive Session to consider any item listed on this agenda if a matter is raised that is appropriate for Executive Session discussion. An announcement will be made of the basis for the Executive Session discussion. The Board of Directors may also publicly discuss any item listed on the agenda for Executive Session.*

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A. CALL TO ORDER

No Backup Information for this Item.

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B. ROLL CALL

NAME

PRESENT

Councilmember Jane Hughson
(San Marcos)

Mike Taylor
(CRWA - General Manager, Crystal Clear SUD)

Mayor Travis Mitchell
(Kyle)

Kenneth Williams
(Buda – City Manager)

Councilmember Scott Gregson
(San Marcos)

Humberto Ramos
(CRWA – Water Resources Director)

James Earp
(Kyle – Assistant City Manager)

Tom Taggart
(San Marcos – Executive Director of Public Services)

Chris Betz
(CRWA - President, County Line SUD)

Councilmember Shane Arabie
(Kyle)

Jon Clack
(San Marcos – Assistant Director of Public Services)

Pat Allen
(CRWA - General Manager, Green Valley SUD)

Steve Parker
(San Marcos – Assistant City Manager)

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C. PUBLIC COMMENTS (3-minute time limit, each)

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D. CONSENT AGENDA

Items D.1 and D.2 are presented as part of the consent agenda.

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D.1 Consider approval of minutes of the Regular Meeting held February 28, 2018. ~
Graham Moore, P.E., Executive Director

Attachment(s)

- 2018 02 28 Board Meeting Minutes

Board decision needed:

- Approval of minutes.



ALLIANCE WATER

Alliance Regional Water Authority

BOARD MEETING

MINUTES

Wednesday, February 28, 2018

The following represents the actions taken by the Board of Directors of the Alliance Regional Water Authority (ARWA) in the order they occurred during the meeting. The Board of Directors convened in a meeting on Wednesday, February 28, 2018 at the San Marcos Activity Center, 501 E. Hopkins, San Marcos, Texas.

- A. CALL TO ORDER.
The Alliance Water Board Meeting was called to order at 3:03 p.m. by Mr. Betz.

- B. ROLL CALL.
 - **Present: Hughson, Taylor, Mitchell, Williams, Ramos, Taggart, Betz, Arabie, Clack, Allen and Earp in Item E.2.**
 - **Absent: Gregson and Parker.**

- C. PUBLIC COMMENTS
 - **None.**

- D. CONSENT AGENDA
 - D.1 Consider approval of minutes of the Regular Meeting held January 24, 2018.
 - D.2 Consider approval of financial report for January 2018.
 - D.3 Consider adoption of Resolution 20180228-001 naming authorized signatories on the Authority's Broadway National Bank and TexSTAR pooling accounts.
 - **Motion to approve the consent agenda was made by Mr. Taylor, seconded by Mr. Arabie and approved on a 10-0 vote.**

E. REGULAR AGENDA ITEMS

- E.1 Report on Executive Committee activities.
- **Mr. Moore provided a report.**
 - **No Action.**
- E.2 Report on public relations activities by Gap Strategies; discussion and direction to staff and consultants on future activities.
- **Kara Buffington with Gap Strategies attended the meeting. In addition to the routine social media posts, they are taking short videos of the meeting to be shared via Instagram, they have obtained an SSL license for the website, updated the officers/directors on the website and discussed future outreach efforts that may be required for the Phase 1B project.**
 - **No Action.**
- E.3 Update regarding the status of the Authority's Phase 1A projects.
- **Update with no action.**
- E.4 Consider adoption of Resolution 20180228-002 approving a work order with BGE, Inc. for construction administration services associated with the Authority's Phase 1A Pump Station project.
- **Mr. Moore indicated the need to retain the engineer for construction administration services as the pump station transitions to construction.**
 - **Mr. Taylor made a motion to adopt Resolution 20180228-002 as presented, seconded by Mr. Arabie and approved on an 11-0 vote.**
- E.5 Consider adoption of Resolution 20180228-003 approving a work order with Kimley-Horn & Associates, Inc. for Owner's Representative Services associated with the Authority's Phase 1B program.
- **Mr. Moore discussed the process the selection committee utilized to recommend Kimley-Horn for the Owner's Representative role.**
 - **Mr. Mitchell inquired as to why fee was not included in the evaluation.**
 - **Mr. Moore responded that state law prohibits public entities from using fee as a factor in selecting professional services.**
 - **Mr. Mitchell inquired if there were detailed scores from the committee and who was on the committee.**
 - **Mr. Moore responded that the committee included himself, Humberto Ramos (CRWA), Jon Clack (San Marcos), Leon Barba (Kyle) and John Nett (Buda) and that each developed the scores on each submittal. The scores presented in the packet are the sums of the individual scores.**

- **Mr. Arabie inquired as to the difficulties for the project from a power planning perspective especially as it relates to timing.**
- **Mr. Moore stated that he recognizes coordinating with electrical companies is important and that some of this work has already started with the preliminary engineering on the well field project. Kimley-Horn will be asked to continue this coordination early in their efforts so that the electrical power companies have time to plan for the necessary upgrades to their distribution system to serve the facilities.**
- **Mr. Ramos made a motion to adopt Resolution 20180228-003 as presented, seconded by Mr. Taggart and approved on an 11-0 vote.**

E.6 Consider adoption of Resolution 20180228-004 new bylaws for the Authority.

- **Mr. Moore provided an overview of the bylaw drafting process with Mr. Mark Taylor working through the draft in more detail.**
- **Mr. Betz inquired what happens if a director under Section 3.1.E does not live in the territory?**
- **Mr. Taylor responded that the definition of “resident” will likely need to be expanded to allow for a broader interpretation.**
- **Ms. Hughson stated that she is concerned about having an agenda item where future board agenda items can be requested. She’s concerned that the merits of the item may be discussed and not just the request, but she’s okay to keep it as-is unless the majority of the Board is also concerned about this.**
- **Ms. Hughson inquired if the Board needs a rule for parliamentary authority. She noted it can serve as a safety net for the meeting should things get contentious.**
- **Mr. Taylor noted that typically follow the Roberts Rules of Order, but nothing is currently listed in the draft bylaws. He will revisit this.**
- **Mr. Mitchell noted that the City of Kyle has language that “it is the Council’s intent to generally follow Robert’s Rules of Order”.**
- **Mr. Mark Taylor indicated that his initial suggestion is to add a Subsection E to Section 3.6 to address the procedures.**
- **The consensus was to update the draft bylaws to have the “residency” issue and rules of procedures edits included and brought back to the Board in March.**
- **No Action.**

E.7 Discussion regarding new rules for the Authority.

- **In accordance with the discussion on the bylaws under Item E.6, the rules will be placed on the March Board agenda for further discussion.**
- **No Action.**

- E.8 Consider adoption of Resolution 20180228-005 authorizing the creation of a Technical Committee and making initial appointments.
- **Because the new bylaws were not approved, this item was pulled for consideration.**
 - **No Action.**
- E.9 Update on status of groundwater management in project target area, and Gonzales County Underground Water Conservation District, Plum Creek Conservation District, Groundwater Management Area 13, Region L Planning Group, Guadalupe-Blanco River Authority, Hays County and CAPCOG activities.
- **Mr. Moore provided an update on area water meetings.**
 - **Ms. Hughson reported that CAPCOG was discussing whether to continue with the Water Exploratory Committee and the likely answer was yes, but that it needed to serve as a repository for conservation and re-use options in particular, and not serve in any type of regulatory role.**
 - **No Action.**
- F. EXECUTIVE DIRECTOR AND LEGAL COUNSEL REPORTS
- **Mr. Moore provided updates on the items in the packet.**
 - **Mr. Mark Taylor referred to the case law update that he had e-mailed out previously to the Board.**
 - **No action.**
- G. COMMITTEE MEMBER ITEMS
- **None.**
- H.1 The Board recessed into Executive Session at 4:30 p.m. pursuant of the Government Code, Section 551.071, to seek the General Counsel's advice regarding matters involving attorney-client privilege, and Sections 551.072 and 551.073, to discuss water supply project partnership options and real property deliberations. The Board ended the Executive Session at 5:05 p.m. at which time it resumed with the regular session.
- H.2 Action from Executive Session on the following matters:
- A. Water supply partnership options
 - B. Groundwater leases
 - C. Acquisition of real property for water supply project purposes
- **No Action.**

I. ADJOURNMENT

- Meeting was adjourned at 5:06 p.m. based on Mr. Taggart's motion, Mr. Clack's second and a vote of 11-0.

APPROVED: _____, 2018

ATTEST:

Chair, Board of Directors

Secretary, Board of Directors

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

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D.2 Consider approval of the financial report for February 2018. ~ *Graham Moore, P.E., Executive Director*

Attached is the financial report for February 2018.

Attachment(s)

- 2018 02 28 Financial Report

Board decision needed:

- Approval of the financial report for the period ending February 2018.



Alliance Regional Water Authority

**Financial Statements
(Compilation)**

**For the One Month Ended and Year-to-Date
February 28, 2018**

Alliance Regional Water Authority
Balance Sheet
As of February 28, 2018

	Feb 28, 18
ASSETS	
Current Assets	
Checking/Savings	
1004 · Broadway Bank	
1005 · Broadway Checking (8040)	504,571.20
1010 · Broadway Savings (4415)	20,016.28
Total 1004 · Broadway Bank	524,587.48
1015 · TexStar (3310)	109,916.82
1050 · Broadway Bank (Reserved)	
1051 · CRWA Debt Service (2785)	91,855.77
1052 · Kyle Debt Service (2787)	75,782.58
1055 · San Marcos Debt Service (6390)	980.27
1056 · Buda Debt Service (6391)	980.27
Total 1050 · Broadway Bank (Reserved)	169,598.89
1100 · Escrow Accounts	
1105 · BOKF, Escrow, CRWA Series 2015A	3,227,569.96
1106 · BOKF, Escrow, Kyle Series 2015B	2,936,096.46
1107 · BOKF, Escrow, CRWA Series 2017A	9,617,120.85
1108 · BOKF, Escrow, Kyle Series 2017B	8,766,696.89
1109 · BOKF, Escrow, SM Series 2017C	11,196,939.44
1110 · BOKF, Escrow, Buda Series 2017D	1,564,959.52
Total 1100 · Escrow Accounts	37,309,383.12
Total Checking/Savings	38,113,486.31
Accounts Receivable	
1200 · Accounts Receivable	3,125.00
Total Accounts Receivable	3,125.00
Total Current Assets	38,116,611.31
Fixed Assets	
1405 · Engineering & Construction Cost	2,402,294.20
1420 · Projects in Progress (Cash)	
1420-01 · Legal Support	24,003.65
1420-02 · Hydrogeologic Support	61,585.09
1420-03 · PCCD Permitting	105,095.16
1420-04 · Kyle Water Model	25,000.00
Total 1420 · Projects in Progress (Cash)	215,683.90
1430 · Projects in Progress Eng (Cash)	
1430-02 · Engineering - Plumbing Plan	17,663.79
1430-03 · Engineering Fees-ROW	11,594.69
1430-05 · Engineering - Rate Study	34,635.00
1430-06 · DPR Study	59,880.00
1430-07 · Alignment Study	261,120.80
1430-08 · Prelim Engineering-Well Field	36,135.25
1430-09 · GCUWCD Monitoring Wells	91,235.12
1430-10 · 2017 SWIFT Funding Apps	23,107.96
1430-11 · Blanco Basin WW	41,880.00
1430-12 · Phase 1B Programming	106,931.14
1430-13 · ARWA-GBRA MOU Study	15,000.00
1430-14 · Phase 1A GIS	1,791.25
Total 1430 · Projects in Progress Eng (Cash)	700,975.00

Alliance Regional Water Authority

Balance Sheet

As of February 28, 2018

03/08/18

Accrual Basis

	<u>Feb 28, 18</u>
1440 · Projects in Prog Eng. (Finance)	
1440-01 · Engineering-Phase 1A Pipeline	349,785.47
1440-02 · Engineering-Phase 1A Pump Stat	537,810.91
1440-03 · Engineering-ROW Acquisition	177,743.12
1440-04 · Phase 1A Const Observation	59,278.16
1440-05 · Phase 1A-Construction Trailer	5,107.89
1440-15 · Land Acquisition Phase 1B	2,776,439.67
Total 1440 · Projects in Prog Eng. (Finance)	3,906,165.22
1447 · Land & Easements	712,694.60
1448 · Capitalized Interest	
1448-51 · Cap Interest, CRWA Series 2015A	149,172.44
1448-52 · Cap Interest, Kyle Series 2015B	202,080.32
1448-53 · Cap Interest, CRWA Series 2017A	57,912.60
1448-54 · Cap Interest, Kyle Series 2017B	52,815.18
1448-55 · Cap Interest, SM Series 2017C	44,013.30
1448-56 · Cap Interest, Buda Series 2017D	6,252.48
Total 1448 · Capitalized Interest	512,246.32
1505 · Landowner Bonus Payments	1,043,191.83
1510 · GrWater Lease Acquisition Costs	1,004,905.76
1599 · Accumulated Amortization	-1,679,878.64
Total Fixed Assets	8,818,278.19
Other Assets	
1900 · Deferred Outflow	8,352.00
1950 · Net Pension Asset	681.00
Total Other Assets	9,033.00
TOTAL ASSETS	46,943,922.50
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	1,860,000.00
Total Accounts Payable	1,860,000.00
Other Current Liabilities	
2100 · Payroll Liabilities	3,598.20
2102 · 401(a) Liability	1,435.48
2300 · Accrued Costs	377,949.00
2350 · Accrued Interest Payable	
2351 · Accrued Int Payable, CRWA 2015A	2,706.47
2352 · Accrued Int Payable, Kyle 2015B	3,683.73
2353 · Accrued Int Payable, CRWA 2017A	57,912.60
2354 · Accrued Int Payable, Kyle 2017B	52,815.18
2355 · Accrued Int Payable, SM 2017C	44,013.30
2356 · Accrued Int Payable, Buda 2017D	6,252.48
Total 2350 · Accrued Interest Payable	167,383.76
Total Other Current Liabilities	550,366.44
Total Current Liabilities	2,410,366.44

9:02 AM

03/08/18

Accrual Basis

Alliance Regional Water Authority
Balance Sheet
As of February 28, 2018

	<u>Feb 28, 18</u>
Long Term Liabilities	
2501 · Bond Payable, CRWA Series 2015A	3,775,000.00
2502 · Bond Payable, Kyle Series 2015B	3,440,000.00
2503 · Bond Payable, CRWA Series 2017A	9,865,000.00
2504 · Bond Payable, Kyle Series 2017B	8,995,000.00
2505 · Bond Payable, SM Series 2017C	11,450,000.00
2506 · Bond Payable, Buda Series 2017D	1,625,000.00
	<hr/>
Total Long Term Liabilities	39,150,000.00
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Total Liabilities	41,560,366.44
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Equity	
2900 · Opening Bal Equity	6,167,862.67
2950 · Retained Earnings	16,085.70
Net Income	-800,392.31
	<hr/>
Total Equity	5,383,556.06
	<hr/>
TOTAL LIABILITIES & EQUITY	46,943,922.50
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Alliance Regional Water Authority
Profit Loss
For the One Month and Five Months Ended February 28, 2018

	February 2018	October 2017 February 2018
Ordinary Income/Expense		
Income		
4010 · Project Contribution		
4011 · City of San Marcos	0.00	230,465.47
4012 · City of Kyle	0.00	212,282.50
4013 · City of Buda	0.00	32,888.03
4014 · Canyon Regional Water Authority	0.00	246,048.75
Total 4010 · Project Contribution	0.00	721,684.75
4200 · Shared Water		
4210 · Shared Water, City of Buda	32,325.00	131,596.00
Total 4200 · Shared Water	32,325.00	131,596.00
4300 · Broadway Interest Income		
4311 · City of San Marcos	0.96	4.11
4312 · City of Kyle	12.28	29.20
4313 · City of Buda	0.26	0.82
4314 · Canyon Regional Water Authority	14.80	36.80
Total 4300 · Broadway Interest Income	28.30	70.93
4350 · Escrow Accounts Income		
4351 · BOKF, CRWA Series 2015A	2,827.17	11,444.51
4352 · BOKF, Kyle Series 2015B	2,571.87	10,411.00
4353 · BOKF, CRWA Series 2017A	6,575.59	13,402.98
4354 · BOKF, Kyle Series 2017B	5,994.12	12,217.77
4355 · BOKF, SM Series 2017C	7,655.77	15,604.69
4356 · BOKF, Buda Series 2017D	1,070.02	2,181.02
Total 4350 · Escrow Accounts Income	26,694.54	65,261.97
4370 · TexStar Interest Income		
4371 · City of San Marcos	40.82	1,006.65
4372 · City of Kyle	32.07	790.78
4373 · City of Buda	5.78	142.59
4374 · Canyon Regional Water Authority	35.16	867.15
Total 4370 · TexStar Interest Income	113.83	2,807.17
Total Income	59,161.67	921,420.82
Expenses		
6000 · Groundwater Reservation Costs	75,924.40	466,919.74
6010 · Shared Water Costs		
6015 · Shared Water, City of Kyle	18,640.00	74,560.00
6020 · Shared Water, City of San Marcos	13,685.00	54,740.00
Total 6010 · Shared Water Costs	32,325.00	129,300.00
7150 · Amortization Expense	17,067.49	85,337.45
7210 · Bank Fees	50.00	225.74
7220 · Escrow and Paying Agent Fees	0.00	5,150.00
7240 · Bond Issue Costs		
7240-03 · Bond Issue Costs - Buda 2017D	0.00	59,396.50
7240-04 · Bond Issue Costs - SM 2017C	0.00	257,965.25
7240-05 · Bond Issue Costs - Kyle 2017B	0.00	230,325.88
7240-06 · Bond Issue Costs - CRWA 2017A	0.00	250,582.13
Total 7240 · Bond Issue Costs	0.00	798,269.76
7325 · Dues	0.00	4,911.00
7350 · Insurance - Liability, E&O	0.00	1,731.66
7400 · Legal Fees	6,885.00	35,425.00
7410 · Newspaper Public Notices	0.00	566.28
7425 · Contract Services-Lobbyist	6,000.00	30,000.00
7430 · Agency Mgmt Public Relations	3,553.00	15,150.00
7440 · Region L Contributions	0.00	442.27
7450 · Permit & Fees	0.00	62,653.28
7500 · Supplies	673.51	2,070.18
7530 · Printing & Copying	909.51	1,031.51
7600 · Telephone, Telecommunications	150.00	750.00
7700 · Travel, Conferences & Meetings	164.83	389.46
7800 · Employee Expenses		
7810 · Salaries and wages	12,332.25	63,362.25
7820 · Auto Allowance	600.00	3,300.00
7830 · Payroll taxes	1,004.11	5,043.65
7840 · Employee Insurance	1,524.24	5,570.97
7850 · Retirement	818.86	4,212.93
Total 7800 · Employee Expenses	16,279.46	81,489.80
Total Expenses	159,982.20	1,721,813.13
Net Ordinary Income	-100,820.53	-800,392.31
Net Income	-100,820.53	-800,392.31

Alliance Regional Water Authority
Broadway Bank VISA Debit Card Transactions
February 28, 2018

Type	Date	Name	Split	Amount	Balance
2005 - Broadway Bank Visa Card					
Credit Card Charge	02/01/2018	Stamps Com	7500 · Supplies	15.99	15.99
Credit Card Charge	02/01/2018	Buda Print	7500 · Supplies	53.90	69.89
Credit Card Charge	02/01/2018	Julie's Pies	7700 · Travel, Conferences & M...	14.83	84.72
Credit Card Charge	02/05/2018	Microsoft	7500 · Supplies	5.33	90.05
Credit Card Charge	02/05/2018	Microsoft	7500 · Supplies	17.86	107.91
Credit Card Charge	02/05/2018	Artek Information	7500 · Supplies	100.00	207.91
Credit Card Charge	02/08/2018	ARC Austin	7530 · Printing & Copying	117.94	325.85
Credit Card Charge	02/12/2018	We Rent	1440-05 · Phase 1A-Constructio...	1,054.36	1,380.21
Credit Card Charge	02/15/2018	TAMU	7700 · Travel, Conferences & M...	150.00	1,530.21
Credit Card Charge	02/20/2018	Best Buy	7500 · Supplies	340.96	1,871.17
Credit Card Charge	02/20/2018	ARC Austin	7530 · Printing & Copying	791.57	2,662.74
Credit Card Charge	02/21/2018	Edge Electric	1440-05 · Phase 1A-Constructio...	1,700.00	4,362.74
Credit Card Charge	02/27/2018	USPS	7500 · Supplies	139.47	4,502.21
Check	02/28/2018	Broadway	1005 · Broadway Checking (8040)	-4,502.21	0.00
Total 2005 - Broadway Bank Visa Card				0.00	0.00
TOTAL				0.00	0.00

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

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Wednesday, March 28, 2018 at 3:00 P.M.
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E.1 Report on Executive Committee activities. ~ *Graham Moore, P.E., Executive Director*

The Executive Committee did not hold a February meeting.

Board Decision Needed:

- None.

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E.2 Report on public relations activities by Gap Strategies; discussion and direction to staff and consultants on future activities. ~ *Kara Buffington, Gap Strategies*

Background/Information

Representatives from Gap Strategies will attend the meeting to discuss their recent activities and to discuss some items that will occur in the next few months.

Board Decision(s) Needed:

- None.

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.

501 E. Hopkins, San Marcos, TX 78666

- E.3** Update regarding the status of the Authority's Phase 1A projects. ~ *Graham Moore, P.E., Executive Director*
-

Background/Information

Below are brief updates on the Phase 1A projects.

Segment A Pipeline:

- Central, Road & Utility (CRU) has starting laying the 24-inch pipeline in the open cut section and they have bored under the entrance road to the ethanol plant. In the next week they will begin boring under Kohler's Crossing followed by the bore under the product oil pipeline.
- They are currently on schedule.
- No change orders have been issued for this project.

Pump Station:

- The bid set was submitted to the TWDB for review and approval on January 26th. The TWDB project manager reported on March 19th that they are trying to complete their review by 3/23.

Board decision needed:

- None.

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

- E.4** Update, discussion and possible action regarding the status of the Authority's Phase 1B program. ~ *Graham Moore, P.E., Executive Director*
-

Background/Information

Mr. Moore held a kickoff meeting with Kimley-Horn and their subconsultants on March 13th for the Owner's Representative services. The initial deliverables are scope and budget templates for the environmental consultant and treated pipeline design engineers.

Consultant Selections

The selection committee has completed our work in reviewing the 11 submissions for the Environmental RFQ and the 19 qualified submissions for the Treated Pipeline RFQ (Kimley-Horn and CP&Y were not eligible due to their roles as Owner's Representative). As a result of the overall scoring the committee has selected Blanton & Associates as the Environmental Services consultant (scores attached). The following five engineering firms were selected for the treated pipeline designs corresponding to each of the anticipated five pipeline segments:

- BGE, Inc.
- Freese & Nichols
- LAN
- K Friese & Associates
- Walker Partners

The total score difference between the fifth and sixth place firm was greater than the difference between the fifth and first place firms, which shows that the top five firms separated from the rest (scores attached). We will begin negotiating scopes of work and fees with each of the selected firms individually and will bring contracts before the Board for your consideration, likely starting in May.

The Authority received fourteen responses to the RFQ for Land Acquisition services – these are currently under review by the committee.

TWDB Reimbursement for WTP Land Purchase

The TWDB Project Manager reported that he has completed his review of the information we submitted so that funds could be released from escrow to reimburse the Authority for the purchase. The funds are expected to be in-hand by mid-April.

Board Decision(s) Needed:

- None.

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

- E.5** Consider adoption of Resolution 2018-03-28-001 accepting and approving the Audit Report for the 2016-2017 Financial Audit of the Authority. ~ *Nathan Glenn, Atchley & Associates*
-

Background/Information

Atchley & Associates, LLP was selected by the Board to provide the financial audit of the Authority. Attached is the full report and the management letter. Representatives from Atchley & Associates will attend the meeting and discuss the audit. Below are the significant outcomes from the audit:

Significant Accounting Policies:

- No matters came to their attention that require notification to the Board.

Significant Accounting Estimates:

- Estimated amortization of lease acquisition costs were found to be reasonable in relation to the basic financial statements.

Significant Difficulties Encountered during the Audit:

- None.

Other Significant Matters, Findings or Issues:

- None.

Attachment(s)

- Resolution 2018-03-28-001
- Audit Report

Board Decision(s) Needed:

- Adoption of Resolution 2018-03-28-001 accepting and approving the Audit Report for the 2016-2017 Financial Audit of the Authority.



ALLIANCE WATER

RESOLUTION NO. 20180328-001

A RESOLUTION OF THE ALLIANCE REGIONAL WATER AUTHORITY BOARD OF DIRECTORS ACCEPTING AND APPROVING THE AUDIT REPORT PREPARED BY ATCHLEY & ASSOCIATES, LLP FOR THE AGENCY'S 2016-17 FISCAL YEAR, AND DECLARING AN EFFECTIVE DATE

RECITALS:

1. The Alliance Regional Water Authority (the "Authority") has engaged the independent accounting firm of Atchley & Associates, LLP of Austin, Texas to perform an annual audit of Agency financial records.
2. Atchley & Associates, LLP has performed an audit of Agency financial records for the 2016-17 fiscal year and has prepared and presented a report of the audit results to the Authority Board of Directors.
3. The Authority Board of Directors wishes to accept and approve the audit report prepared by Atchley & Associates, LLP.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALLIANCE REGIONAL WATER AUTHORITY:

SECTION 1. The audit report prepared by Atchley & Associates, LLP for the Authority's 2016-17 fiscal year is accepted and approved.

SECTION 2. This Resolution shall be in full force and effect immediately upon its passage.

ADOPTED: March 28, 2018.

ATTEST:

Jane Hughson
Chair, Board of Directors

James Earp
Secretary, Board of Directors



Board of Directors
Alliance Regional Water Authority
630 E. Hopkins
San Marcos, TX 78666

We have audited the financial statements of Alliance Regional Water Authority (the Authority) as of and for the year ended September 30, 2017, and have issued our report thereon dated March 5, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 25, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended September 30, 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the estimated amortization period of lease acquisition costs.

Management's estimate of the lease acquisition costs is based on the estimated minimum lease period across all leases.

We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 5, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Alliance Regional Water Authority.



Austin, Texas
March 5, 2018



March 5, 2018

Atchley & Associates, LLP
1005 La Posada Drive
Austin, Texas 78752

This representation letter is provided in connection with your audits of the financial statements of the Alliance Regional Water Authority (the Authority) which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of activities, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated August 25, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. We have no knowledge of any uncorrected misstatements in the financial statements.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Guarantees, whether written or oral, under which the Authority is contingently liable.
 - b. All liabilities that are subordinated to any other actual or possible liabilities of the Authority.
 - c. All leases and material amounts of rental obligations under long-term leases.
 - d. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the Governmental Accounting Standards Board (GASB). Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.

- e. Concentrations of credit risk.
- f. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the GASB.

Information Provided

- 9. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 11. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
- 12. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
- 13. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, or others.
- 14. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 15. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- 16. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
- 17. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize, and report financial data.
- 18. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. The Authority has no significant amounts of idle property and equipment or permanent excess plant capacity.
 - b. The Authority has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
 - c. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.
 - d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.

20. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts.
 - b. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through September 30, 2017.
 - c. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitment.
21. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Authority in connection with any environmental contamination.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the GASB.
 - c. Amounts held for others under Authority and/or split interest agreements.
 - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - e. Lines of credit or similar arrangements.
 - f. Security agreements in effect under the Uniform Commercial Code.
 - g. Other liens or encumbrances on assets or other pledges of assets.
 - h. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets, and intangibles.
 - i. Reclassifications between net asset classes.
22. The Authority has satisfactory title to all owned assets.
23. We have complied with all aspects of contractual agreements, grants, and donor restrictions that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and Uniform Guidance because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
24. With respect to management's discussion and analysis and other required supplementary information presented as required by GASB to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
25. We are responsible for determining that significant events or transactions that have occurred since the date of the statement of position and through the date of this letter have been recognized or disclosed in the financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the date of the statement of position and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.

26. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Alliance Regional Water Authority:

A handwritten signature in blue ink, appearing to read 'G. Moore', written over a horizontal line.

Graham Moore, Executive Director

Alliance Regional Water Authority

Annual Financial Report

September 30, 2017 and 2016

**Alliance Regional Water Authority
September 30, 2017 and 2016
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alliance Regional Water Authority
San Marcos, Texas

We have audited the accompanying financial statements of Alliance Regional Water Authority (the Authority), which comprise the statements of net position as of September 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 to 7, the Schedule of Changes in the Authority's Net Pension Asset/Liability and Related Ratios - Last Ten Years (Unaudited) on page 28, and the Texas County & District Retirement System - Schedule of Funding Progress (Unaudited) on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Austin, Texas

March 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Alliance Regional Water Authority's (the Authority) financial performance provide an overview of the Authority's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the Authority's financial statements.

HIGHLIGHTS

Financial Highlights

- The Authority's net position was \$5,663,485 as of September 30, 2017.
- Total operating revenues were \$296,968, while total operating expenses were \$2,188,135.

Authority Highlights

- The Hays Caldwell Public Utility Agency (the "HCPUA") was established in January 2007 by the cities of San Marcos, Kyle and Buda and the Canyon Regional Water Authority (the "Sponsors").
- In 2017, the Texas Legislature enacted Senate Bill 1198 adding Chapter 11010 to the Texas Special District Local Laws Code and converting the Hays Caldwell Public Utility Agency (the "HCPUA") to the Alliance Regional Water Authority (the "Authority").
- The Authority Board, in Order No. 20170628-001, took formal action confirming the conversion of the HCPUA to the Authority and confirmed the assumption by the Authority of all assets, liabilities, bonds, notes and other obligations of the HCPUA and confirmed that all contracts and written agreements of the HCPUA were assigned to and assumed by the Authority.
- The Authority's goal is to secure and develop a long-term water supply for the Sponsors' communities.
- The Authority completed a Plumbing Plan which detailed how the Sponsors may share water prior to initiating the new supply. The Plumbing Plan also provides a baseline strategy for the implementation of the new supply.
- The Authority completed a Water Supply Contract between the Authority and its Sponsors on January 1, 2008 and Amendment #1 to the Contract on October 31, 2009.
- The Authority began the effort to acquire groundwater leases in 2008 and has secured long-term water supply leases totaling 17,178 surface acres.
- The Authority submitted applications for groundwater production and transportation in the amount of 10,300 acre-feet per year from the Gonzales County Underground Water Conservation District (the "GCUWCD") on March 17, 2010. The GCUWCD approved the applications on a 5-0 vote at the meeting on November 13, 2012 in the amount of 10,300 acre-feet per year.
- The Authority's Export Permit from the GCUWCD in the amount of 10,300 acre-feet per year was extended on January 26, 2016 and is set to expire on November 13, 2042. The Authority's Operating Permit from the GCUWCD was renewed on November 14, 2017 in the amount of 10,300 acre-feet per year and is set to expire on November 14, 2022.

- The Authority submitted applications for groundwater production and transportation in the amount of 4,700 acre-feet per year from the Plum Creek Conservation District (the “PCCD”) on December 3, 2015. The PCCD approved the Authority’s production and transportation permits on a 6-0 vote at the meeting on February 21, 2017 in the amount of 4,700 acre-feet per year. The production and transportation permits are set to expire with the PCCD on February 21, 2047.
- The Authority hired its first full-time employee, Executive Director, in September 2014. The Executive Director is responsible for all aspects of the Authority and reports directly to the Board of Directors. The Authority still relies on various consultants for legal, technical and related services.
- The Authority commenced design of its initial infrastructure, Phase 1A, in December 2014. This infrastructure includes a pipeline and pump station that will interconnect the Kyle and Buda water systems. This infrastructure is anticipated to be operational by December 31, 2018 and will be used by Buda to receive water from Kyle and San Marcos until the year 2023, when the Authority will begin delivery of its Carrizo water from Caldwell County. The Authority secured debt to pay for the Phase 1A infrastructure on behalf of Kyle and Canyon Regional Water Authority in November 2015. The cities of Buda and San Marcos elected to pay for their share of the Phase 1A costs through cash contributions.
- The Authority applied for and received a financing commitment from the Texas Water Development Board (the “TWDB”) in the amount of \$213.4 million to fund its Phase 1B Program. The Phase 1B program includes groundwater wells, a raw water collection system, a water treatment plant, multiple treated water pipelines, an intermediate booster pump station, delivery points to all Sponsors and an administrative building. The TWDB funding will be used to complete the project planning, engineering design and ultimately the construction of the Phase 1B Program in order to have water delivered in the year 2023. In November 2017 the Authority closed on the initial \$31.935 million portion of the TWDB funding.

USING THIS ANNUAL REPORT

This annual report consists of two parts; Management’s Discussion and Analysis and Financial Statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Authority’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Authority. All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority’s operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority’s cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations as “from where did the cash come?”, “for what was cash used?” and “what was the change in cash balance during the reporting period?”

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority does not currently rely on Operating Revenues to support itself; instead it relies on cash contributions from the member Sponsors to meet its commitments. The Authority's net position as of September 30, 2017, was \$5,663,485 as described in Table 1 below.

Table 1
Alliance Regional Water Authority's
Net Position
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets	\$ 7,857,856	\$ 9,574,943
<i>Noncurrent Assets:</i>		
Projects in Progress	5,166,819	3,256,858
Groundwater Lease Acquisition Costs, net	453,557	658,367
Net pension asset	-	681
<i>Total Noncurrent Assets</i>	<u>5,620,376</u>	<u>3,915,906</u>
Total assets	13,478,232	13,490,849
Deferred outflows:		
Deferred pension outflows	<u>7,521</u>	<u>8,352</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 13,485,753</u>	<u>\$ 13,499,201</u>
LIABILITIES		
Current Liabilities	\$ 882,268	\$ 920,631
Bonds payable, net of current portion	<u>6,940,000</u>	<u>7,215,000</u>
TOTAL LIABILITIES	<u>7,822,268</u>	<u>8,135,631</u>
NET POSITION:		
Net investment in capital assets	5,166,819	3,256,858
Debt service	7,215,000	7,490,000
Deficit	<u>(6,718,334)</u>	<u>(5,383,288)</u>
TOTAL NET POSITION	<u>\$ 5,663,485</u>	<u>\$ 5,363,570</u>

Table 2 below indicates the change in net position for FY 16-17 and for FY 15-16.

Significant revenues are not anticipated to begin until the year 2023, when the Authority currently anticipates to begin delivering Carrizo water to its Sponsors. Until operating revenues are in place, the Sponsors will continue to invest in the Authority. The Sponsors will continue to provide capital contributions directly to the Authority or the Authority will issue debt and the Sponsors will make monthly payments to cover the debt obligation.

The Authority will earn revenue from shared water sold to Buda. The Authority will in turn make payments for this water to Kyle and San Marcos. In addition, the Authority will begin earning a small amount of revenue in 2017 from a private customer for non-potable water.

Table 2
Alliance Regional Water Authority
Changes in Net Position

	FY 16-17	FY 15-16
<i>Total operating revenues</i>	\$ 296,968	\$ -
<i>Operations & maintenance expenses</i>	499,103	440,963
<i>Other operating expenses</i>	1,689,032	1,270,128
<i>Total operating expenses</i>	2,174,181	1,711,091
Operating loss	(1,891,167)	(1,711,091)
<i>Other non-operating income (expense):</i>		
Contributions from participating governments	2,183,752	1,995,507
Bond issuance cost	(30,320)	(340,784)
Interest income	37,650	16,446
<i>Total other non-operating income</i>	2,191,082	1,671,169
CHANGE IN NET POSITION	299,915	(39,922)
Net Position at Beginning of Year	5,363,570	5,403,492
Net Position at End of Year	<u>\$ 5,663,485</u>	<u>\$ 5,363,570</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, the Authority had no capital assets; however it had incurred costs toward engineering the alternate water source project and intangible lease acquisition costs that were capitalized. More detailed information can be found in the notes to the financial statements.

Long Term Debt

In November 2015, the Authority issued \$3,960,000 Hays Caldwell Public Utility Agency Contract Revenue Bonds Series 2015A (Series 2015A) and \$3,530,000 Hays Caldwell Public Utility Agency Contract Revenue Bonds Series 2015B (Series 2015B), in coordination with the Texas Water Development Board. Two of the four sponsoring governments are backing the bonds and will remit payments on the Authority's behalf, in replacement of making future contributions directly to the Authority. The serial bonds have average interest rates of 1.97% and 2.884% for Series 2015A and Series

2015B, respectively, with semi-annual interest payments due on February 15 and August 15. The Series 2015A and Series 2015B bonds mature in August 2035 and August 2045, respectively. As of September 30, 2017, the Authority has \$6,940,000 in long-term bonds payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Authority's Fiscal Year 2017-2018 operating budget of \$1,978,080 is an increase of approximately 2.2% from fiscal year 2016-2017 budgeted operating expenses. The increase is primarily related to the increased groundwater royalty payments associated with the Authority's permits from the Plum Creek Conservation District and budgeted expenses for an additional employee in FY 17-18.
- The Authority's Fiscal Year 2017-2018 capital budget of \$230,830 primarily represents engineering and right-of-way acquisition services for the design of the Authority's well field infrastructure and other engineering studies. The FY 17-18 capital budget is an approximate 48% decrease from the approved FY 16-17 capital budget. The increase is primarily related to the increased debt service payments associated with the 2017 debt issuances through the TWDB.
- The Authority's Fiscal Year 2017-2018 budget also includes debt service payments in the amount of \$1,123,360. The debt service payments are split between the 2015 issuance for the Phase 1A infrastructure and the 2017 issuance for the Phase 1B issuance. The City of Kyle and Canyon Regional Water Authority shares of the 2015 issuance are \$428,364 with the City of San Marcos and City of Buda funding their share of the infrastructure costs via cash payments to the Authority. All four Sponsors participated in the 2017 issuance and the total budgeted debt service payment is \$695,000.
- The Authority's Fiscal Year 2017-2018 budget anticipates a fund balance as of September 30, 2018 of approximately \$1,541,000.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Graham Moore with the Alliance Regional Water Authority at 630 East Hopkins, San Marcos, Texas 78666, (512) 294-3214 or at gmoore@alliancewater.org.

Basic Financial Statements

Alliance Regional Water Authority
Statements of Net Position
September 30, 2017 and 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
Current assets:		
Cash and cash equivalents	\$ 6,578,318	\$ 9,221,743
Investments	1,207,110	115
Contributions receivable	10,000	296,332
Prepaid expense	62,428	56,753
Total current assets	7,857,856	9,574,943
Noncurrent assets:		
Projects in progress	5,166,819	3,256,858
Groundwater lease acquisition costs, net	453,557	658,367
Net pension asset	-	681
Total noncurrent assets	5,620,376	3,915,906
Total assets	13,478,232	13,490,849
Deferred outflows:		
Deferred pension outflows	7,521	8,352
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 13,485,753	\$ 13,499,201
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 202,865	\$ 244,157
Accrued expenses	23,653	23,525
Net pension liability	2,801	-
Accrued costs - annual groundwater reservation payments	377,949	377,949
Current portion of bonds payable	275,000	275,000
Total current liabilities	882,268	920,631
Bonds payable, net of current portion	6,940,000	7,215,000
TOTAL LIABILITIES	7,822,268	8,135,631
NET POSITION		
Net investments in capital assets	5,166,819	3,256,858
Debt service	7,215,000	7,490,000
Deficit	(6,718,334)	(5,383,288)
TOTAL NET POSITION	\$ 5,663,485	\$ 5,363,570

The accompanying notes are an integral part of these financial statements.

Alliance Regional Water Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2017 and 2016

	2017	2016
Operating revenue		
Application fees	\$ 296,968	\$ -
Total operating revenue	296,968	-
Operating expenses		
Operations & maintenance:		
Legal & professional fees	151,448	118,119
Permits and fees	56,753	53,094
Personnel costs	188,353	167,301
Other contract services	90,000	78,000
Other operating expenses	12,549	24,449
Total operations & maintenance	499,103	440,963
Other operating expenses:		
Groundwater reservation costs	1,484,222	1,065,318
Amortization of lease acquisition costs	204,810	204,810
Total other operating expenses	1,689,032	1,270,128
Total operating expenses	2,188,135	1,711,091
Operating loss	(1,891,167)	(1,711,091)
Other non-operating income (expense):		
Contributions from participating governments	2,183,752	1,995,507
Bond issuance cost	(30,320)	(340,784)
Interest Income	37,650	16,446
Total other non-operating income (expense)	2,191,082	1,671,169
Change in net position	299,915	(39,922)
Net position, beginning of year	5,363,570	5,403,492
Net position, end of year	\$ 5,663,485	\$ 5,363,570

The accompanying notes are an integral part of these financial statements.

Alliance Regional Water Authority
Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$ 296,968	\$ -
Cash paid to suppliers	(357,717)	(139,420)
Cash paid for personnel costs	(183,760)	(176,025)
Cash paid to landowners - annual groundwater reservation costs	(1,484,222)	(1,065,318)
Net cash flows used in operating activities	(1,728,731)	(1,380,763)
Cash flows from investing activities:		
Purchases of marketable securities	(1,206,995)	-
Interest received	37,650	16,446
Net cash flows (used in) provided by investing activities	(1,169,345)	16,446
Cash flows from financing activities:		
Contributions from participating governments	2,470,084	1,715,308
Proceeds from issuance of bonds	-	7,490,000
Principal payments on bonds	(275,000)	-
Payments on debt issuance costs	(30,320)	(340,784)
Payments on project in progress	(1,910,113)	(831,545)
Net cash flows provided by financing activities	254,651	8,032,979
Net change in cash and cash equivalents	(2,643,425)	6,668,662
Cash and cash equivalents, beginning of period	9,221,743	2,553,081
Cash and cash equivalents, end of period	\$ 6,578,318	\$ 9,221,743
Reconciliation of operating income to net cash flows from operating activities:		
Operating loss	\$ (1,891,167)	\$ (1,711,091)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Amortization of lease acquisition costs	204,810	204,810
Changes in operating assets and liabilities:		
Increase in prepaid expense	(5,675)	(5,162)
Net change in net pension asset/liability	3,482	(681)
Increase in deferred pension outflows	831	(8,352)
Increase (decrease) in accounts payable and accrued expenses	(41,012)	139,713
Net cash flows used in operating activities	\$ (1,728,731)	\$ (1,380,763)
Supplemental cash flow information:		
Cash paid during the year for interest - capitalized	\$ 154,473	\$ 113,708

The accompanying notes are an integral part of these financial statements.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Hays Caldwell Public Utility Agency (the HCPUA) was incorporated January 2007 pursuant to the provisions of Chapter 422, Texas Local Government Code, Public Utility Agencies for Provision of Water or Sewer Service. In 2017, the HCPUA was formally converted to the Alliance Regional Water Authority (the Authority). The conversion assigned all assets, liabilities, and all other rights and obligations of the HCPUA to the Authority. The Authority was organized to aid, assist, and act on behalf of the organizing participants, collectively and individually, to achieve economies of scale in providing essential water and sewage systems to the public, and provide environmentally sound protection of the State's future water and wastewater needs. The organizing sponsors (the Sponsors) are:

City of San Marcos
City of Kyle
City of Buda
Canyon Regional Water Authority

The Authority meets the criteria of a joint venture between the Sponsors with an ongoing financial responsibility. The Sponsors have pledged revenues from existing water utility systems to finance the operations and long-term debt of the Authority, either through purchasing water from the Authority or subsidizing through direct payments (reflected as "Contributions from Participating Governments"). The Authority is actively pursuing the development of alternate water sources.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Enterprise Fund

The Authority conducts operations as an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Basis of Accounting

The statements are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Authority.

Investments

State statutes authorize the Authority to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d), or (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM (or equivalent) rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. (see Note B).

The Authority's investment policy limits its authorized investments in accordance with the Public Funds Investment Act including obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm. The U.S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The Authority's investment policy limits investments in Federal Agency securities to 70% of the total investment portfolio. The Authority may also invest up to 100% of its funds in government investment pools. With the exception of U.S. Treasury securities, authorized public funds investment pools, and federally insured or collateralized investments, no more than 30% of the Authority's total investment portfolio may be invested in a single security type or with a single financial institution. As of September 30, 2017 and 2016, the investment in TexSTAR was rated AAAM by Standard & Poor's.

Groundwater Lease Acquisition Costs

Costs incurred to purchase or reserve groundwater (leases) for future consumption are capitalized. Those costs consist of incentive payments to landowners and professional fees for contract negotiations. The costs are being amortized over an estimated 10-year minimum lease term.

Contributions Receivable

The Authority operates under an operating and capital expense budget established by the Board of Directors at the beginning of each fiscal year. Each participant has pledged to fund their respective share (see Note G) of the resources necessary to fund operations and capital projects. Amounts still due the Authority as of the end of the year are reflected as Contributions Receivable on the Statement of Net Position. No allowance for uncollectible accounts has been reflected as management believes the receivables to be fully collected in the following fiscal year.

Projects in Progress

The Authority is in the process of developing an alternate water source in the Carrizo-Wilcox Aquifer region through the purchase of land, leasing of water rights, and designing and constructing infrastructure to transport and treat water to subsidize the water currently available to the participants. All costs associated with the development of the capital project are capitalized as Projects in Progress until such time as the infrastructure system is placed in service. Depreciation is not recorded on the system until placed in service.

Bonds Payable

Bonds payable are reported as liabilities on the Statement of Net Position. Bond issue costs are expensed when incurred.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the Authority, those revenues consist of partnership application fees and, at such time as alternate water sources are developed, charges for consumption of services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as non-operating. Contributions from sponsors to finance operations during the development stage, as well as contributions recognized as earned under the capital projects plan are classified as non-operating revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management of the Authority has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued. See Note I.

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Authority's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Authority's bank approved pledge securities in an amount sufficient to protect the Authority's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of insurance provide by the Federal Deposit Insurance Corporation (FDIC).

Cash. As of September 30, 2017, the carrying amount of the Authority's bank deposits was \$698,236. Of that amount, \$250,000 was covered by FDIC insurance. The Authority's depository also had pledged securities having a par value of \$3,500,000 at September 30, 2017, and a market value of \$3,739,525 as collateral for the Authority's deposits. All of the Authority's cash was fully collateralized as of September 30, 2017.

Cash Equivalents. In conjunction with the bond issuances during the year ended September 30, 2016 (see Note D), the bond proceeds were placed into escrow funds and invested in U.S. Treasury money market securities. As of September 30, 2017, the market value of these investments was \$3,216,125. The funds fall within the Texas Public Funds Investment Act.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE B - CASH AND INVESTMENTS (CONTINUED)

Investments. As of September 30, 2017, the Authority had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexSTAR (Local Government Investment Pool)	\$ 1,207,110	0.08
	<u>\$ 1,207,110</u>	
Portfolio Weighted Average Maturity		0.08

As of September 30, 2016, the Authority had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexSTAR (Local Government Investment Pool)	\$ 115	0.14
	<u>\$ 115</u>	
Portfolio Weighted Average Maturity		0.14

Investment Rate Risk. This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Authority was not exposed to interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Authority was not exposed to credit risk.

NOTE C - NONCURRENT ASSETS

Noncurrent assets consist of engineering costs incurred to develop the infrastructure of an alternative water source (projects in progress), professional fees incurred to obtain groundwater reservation leases (water rights), and incentive lease payments to landowners (see Note G). Changes in projects in progress and groundwater lease acquisition costs for the year ended September 30, 2017, are as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Projects in Progress	\$ 3,256,858	\$ 1,909,961	\$ -	\$ 5,166,819
Lease Acquisition Costs	2,048,098	-	-	2,048,098
Amortization of Lease Costs	(1,389,731)	(204,810)	-	(1,594,541)
Net Pension Asset	681	(681)	-	-
	<u>\$ 3,915,906</u>	<u>\$ 1,704,470</u>	<u>\$ -</u>	<u>\$ 5,620,376</u>

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE C - NONCURRENT ASSETS (CONTINUED)

Changes in projects in progress and groundwater lease acquisition costs for the year ended September 30, 2016, are as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Projects in Progress	\$ 2,405,991	\$ 850,867	\$ -	\$ 3,256,858
Lease Acquisition Costs	2,048,098	-	-	2,048,098
Amortization of Lease Costs	(1,184,921)	(204,810)	-	(1,389,731)
Net Pension Asset	-	681	-	681
	<u>\$ 3,269,168</u>	<u>\$ 646,738</u>	<u>\$ -</u>	<u>\$ 3,915,906</u>

Projects in Progress are not depreciated until completed and placed in service. Lease acquisition costs are amortized over 10 years.

NOTE D - BONDS PAYABLE

Changes in long-term bonds payable obligations for the year ended September 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds payable	\$ 7,490,000	\$ -	\$ (275,000)	\$ 7,215,000	\$ 275,000
	<u>\$ 7,490,000</u>	<u>\$ -</u>	<u>\$ (275,000)</u>	<u>\$ 7,215,000</u>	<u>\$ 275,000</u>

Contract Revenue Bonds, Series 2015A

In November 2015, the Authority issued \$3,960,000 Hays Caldwell Public Utility Authority Contract Revenue Bonds Series 2015A (Series 2015A) in coordination with the Texas Water Development Board. The sponsoring government, Canyon Regional Water Authority, is backing the bonds and will remit payments on the Authority's behalf, in replacement of making future contributions directly to the Authority. The serial bonds have interest rates ranging from 0.38% to 2.41% with semi-annual interest payments due on February 15 and August 15. The bonds mature in August 2035.

In November 2015, the Authority issued \$3,530,000 Hays Caldwell Public Utility Authority Contract Revenue Bonds Series 2015B (Series 2015B) in coordination with the Texas Water Development Board. The sponsoring government, City of Kyle, Texas, is backing the bonds and will remit payments on the Authority's behalf, in replacement of making future contributions directly to the Authority. The serial bonds have interest rates ranging from 0.45% to 3.21% with semi-annual interest payments due on February 15 and August 15. The bonds mature in August 2045.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE D - BONDS PAYABLE (CONTINUED)

Debt service requirements on long-term bond debt at September 30, 2017, are as follows:

		Series 2015A - \$3,960,000		
		Principal	Interest	Total
For the year ending September 30,				
	2018	\$ 185,000	\$ 64,955	\$ 249,955
	2019	185,000	63,919	248,919
	2020	185,000	62,587	247,587
	2021	190,000	60,977	250,977
	2022	190,000	59,058	249,058
	Thereafter	2,840,000	454,939	3,294,939
	Total	\$ 3,775,000	\$ 766,435	\$ 4,541,435

		Series 2015B - \$3,530,000		
		Principal	Interest	Total
For the year ending September 30,				
	2018	\$ 90,000	\$ 88,410	\$ 178,410
	2019	90,000	87,807	177,807
	2020	90,000	87,033	177,033
	2021	95,000	86,088	181,088
	2022	95,000	84,929	179,929
	Thereafter	2,980,000	914,921	3,894,921
	Total	\$ 3,440,000	\$ 1,349,188	\$ 4,789,188

NOTE E - RISK MANAGEMENT

The Authority is exposed to risk of loss related to torts; errors and omissions; and other claims of various natures. The Authority contracts with the Texas Municipal League (TML) to provide insurance coverage for errors and omissions. The provider is a multi-employer group that provides a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by TML. Liability for the Authority is generally limited to the contributed amounts.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE F - ECONOMIC DEPENDENCY

Funding for the operation of the Authority was provided by the sponsoring governments in the following proportions based on their respective estimated long-term water needs:

City of San Marcos	39.37%
Canyon Regional Water Authority	29.98%
City of Kyle	25.07%
City of Buda	5.58%
	100.00%

Contributions from the sponsoring governments for the years ended September 30, 2017 and 2016, are as follows:

	2017	2016
City of San Marcos	\$ 859,677	\$ 981,948
Canyon Regional Water Authority	654,683	431,531
City of Kyle	547,609	442,920
City of Buda	121,783	139,108
Total Contributions	\$ 2,183,752	\$ 1,995,507

NOTE G - COMMITMENTS & CONTINGENCIES

Groundwater Lease Agreements

The Authority has entered into groundwater development agreements (leases) with various landowners for rights of development, production, transportation, and use of groundwater on the properties. In addition to incentive and acquisition costs, the leases call for annual royalty payments (groundwater reservation costs) based upon, at a minimum, the surface acreage of the property times a royalty rate base amount.

In addition, each lease agreement entitles the landowner to a one-time bonus payment equal to \$100 per surface acre leased, which is intended to compensate the landowner for the first year annual lease payment as well as provide an incentive. These payments are made in advance of the lease and the excess incentive over the initial annual payment is being amortized over 10 years (See Note C).

The Authority has the right to terminate the leases prior to the permitting process with 30 days notice. After the permitting process has begun, the Authority can terminate the leases for any reason after 5 years, or the length of the permit, whichever comes first. As long as the Authority continues the royalty payments, the leases remain in effect for up to 50 years. As of September 30, 2017 and 2016, the Authority had contracted for 17,178 surface acres.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE G - COMMITMENTS & CONTINGENCIES (CONTINUED)

The Authority has contracted with various professional services organizations to provide for engineering, consulting and other services. These agreements vary in length from one to three years with varying amounts due based on specific work orders issued as required to meet project objectives.

On November 13, 2012, the Authority was granted a permit to produce 10,300 acre-feet of groundwater out of a total 11,215 acre-feet available. At that time, the annual lease rate on permitted acreage increased from \$40 per surface acre to \$80 per acre-foot permitted. Estimates of minimum future commitments under the lease are \$1,077,728 for the fiscal year ending September 30, 2018, and each fiscal year thereafter.

On February 21, 2017, the Authority was granted a permit to produce 4,700 acre-feet of groundwater, with wells scheduled for drilling beginning in 2022. The annual lease rate on the permitted acreage is \$80 per acre-foot permitted.

NOTE H - PENSION PLAN

During the year ended September 30, 2015, the Authority signed a participation agreement with the Texas County & District Retirement System (TCDRS) to cover all eligible employees of the Authority. Mandatory eligible employee contributions were elected to be 5% of compensation, with Authority match deferrals at 6.63% of compensation, effective January 1, 2017. The Authority elected for a 5-year service eligibility requirement for vesting at the retirement age of 60.

Plan Description and Benefits Provided

The Authority provides retirement, disability, and death benefits for all of its non-temporary employees through a nontraditional defined benefit pension plan in the TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 701 nontraditional defined benefit pension plans. TCDRS issues an aggregated comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034, and online at www.tcdrs.org.

The plan provisions are adopted by the governing body of each employer within the options available in the state statutes (TCDRS Act) governing TCDRS. Members can retire at age sixty and above with at least eight years of service; with thirty years of service regardless of age; or when the sum of their age and years of service equals seventy-five or more. Generally, members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Additionally, members with prior service at certain qualifying organizations may also be able to use that service time to qualify for benefits. Members who withdraw their personal contributions upon termination forfeit pension benefits provided by their employer. Cost-of living adjustments (COLA) are provided at the discretion of the Authority.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE H - PENSION PLAN (CONTINUED)

Plan Description and Benefits Provided (Continued)

Benefit amounts are determined by the sum of the employee's accumulated contributions with interest (personal account balance) and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the expected benefits can be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's personal account balance and the employer-financed monetary credits to a monthly annuity using the actuarial equivalent as prescribed by the TCDRS Act.

At December 31, 2016, the Authority's only employee, the Executive Director, was an active participant covered by the benefit terms.

Contributions

The Authority has elected the annually determined contribution rate plan provisions of the TCDRS Act. Under the TCDRS Act, the Authority has the option of selecting the plan benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of those employees. The contribution rate of the employer is actuarially determined annually on a calendar year basis using the entry age actuarial cost method. The actuarially determined required contribution rates for calendar years 2017, 2016, and 2015 were 6.6%, 5.4% and 5.4%, respectively. The required contribution rate payable by the employee members for calendar year 2017 was 5.00% as adopted by the Authority. Both the employee contribution rate and the employer contribution rate may be changed by Authority within the options available in the TCDRS Act. The TCDRS Act states that the Authority's contribution rate may not exceed 11% of payroll unless the Authority elects to waive this limitation.

Net Pension Liability

The Authority's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date

12/31/2016

Actuarial cost method

Entry Age Normal

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE H - PENSION PLAN (CONTINUED)

Net Pension Liability (continued)

Actuarial assumptions:

Investment return	8.10%
Projected salary increases	4.9% average, including inflation ⁽¹⁾
Inflation	3.0%

⁽¹⁾ Rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Cost-of-living adjustments

Cost-of-Living Adjustments for Alliance Regional Water Authority are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Mortality:

 Depositing members

The RP-2000 Active Employee Mortality Table for males with a 2-year set forward and a 4-year setback for females; both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter.

 Service retirees, beneficiaries,
 and non-depositing members

The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale; 1-year set-forward for males and no age adjustment for females.

 Disabled retirees

The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale; No age adjustment for males and a 2-year set-forward for females.

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2015, were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE H - PENSION PLAN (CONTINUED)

Net Pension Liability (continued)

Discount rate – The discount rate used to measure the total pension liability was 8.10%. The discount rate was determined using an alternative method of determining the sufficiency of the fiduciary net position in all future years. The alternative method reflects the following requirements:

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the Authority is legally required to make the contribution specified in the funding policy.
3. The Authority's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the Authority is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefits in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. A discount rate of 8.10% was used, which reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, and increased by 0.10% in order to be gross of administrative expenses. This rate of return on investments was determined by adding expected inflation to expected long-term real returns, and reflects expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC and are based on January 2016 information for a 7 – 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012, for more details.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE H - PENSION PLAN (CONTINUED)

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging	MSCI World Ex USA (net)	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real	2.00%	3.85%
Master Limited Partnerships	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

⁽¹⁾ Target asset allocation adopted at the April 2017 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater's 2017 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE H - PENSION PLAN (CONTINUED)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Pension (b)	Net Pension Liability / (Asset) (a - b)
Balance as of December 31, 2015	\$ 16,224	\$ 16,905	\$ (681)
Changes for the year:			
Service cost	14,034	-	14,034
Interest on total pension liability ⁽¹⁾	1,903	-	1,903
Effect of plan changes ⁽²⁾	794	-	794
Effect of economic/demographic gains or losses	3,569	-	3,569
Effect of assumptions, changes, or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(14)	14
Member contributions	-	7,088	(7,088)
Net investment income	-	1,291	(1,291)
Employer contributions	-	7,697	(7,697)
Other ⁽³⁾	-	756	(756)
Net changes	20,300	16,818	3,482
Balance as of December 31, 2016	\$ 36,524	\$ 33,723	\$ 2,801

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE H - PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the Authority, calculated using the discount rate of 8.10%, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.10%) or one percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 44,783	\$ 36,524	\$ 29,897
Fiduciary net position	33,723	33,723	33,723
Net pension liability (asset)	<u>\$ 11,060</u>	<u>\$ 2,801</u>	<u>\$ (3,826)</u>

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS comprehensive annual financial report.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Authority recognized pension expense of \$9,641. At September 30, 2017, deferred outflows and inflows of resources related to pensions were reported from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,165
Changes of assumptions	-	93
Net difference between projected and actual earnings	-	1,142
Contributions made subsequent to measurement date	-	1,121
	<u>\$ -</u>	<u>\$ 7,521</u>

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE H - PENSION PLAN (CONTINUED)

Deferred outflows of resources related to contributions subsequent to the measurement date in the amount of \$1,121 will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows if resources will be recognized as pension expense as follows:

Year Ended September 30,	
2018	\$ 590
2019	590
2020	574
2021	389
2022	250
Thereafter	4,007

Funded Status and Funding Process

The fund status as of December 31, 2016, is presented as follows:

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a) / (b)	Unfunded AAL (b) - (a)	Covered Payroll	UAAL as a % of Covered Payroll (d) / (e)
12/31/2014	\$ 2,178	\$ 1,960	111.12%	\$ (218)	\$ 124,618	-0.2%
12/31/2015	16,905	16,224	104.20%	(681)	142,452	-0.5%
12/31/2016	33,722	36,523	92.33%	2,801	141,750	2.0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility actuarial in accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Alliance Regional Water Authority
Notes to Financial Statements
September 30, 2017 and 2016

NOTE I - SUBSEQUENT EVENT

In October 2017, the board authorized the issuance of approximately \$32 million in contract revenue bonds. The issuance will provide each of the four Sponsors with a debt series.

REQUIRED SUPPLEMENTARY INFORMATION

Alliance Regional Water Authority
Required Supplemental Information
Schedule of Changes in the Authority's Net Pension
Asset/Liability and Related Ratios
Last Ten Years*
(Unaudited)

	2016	2015	2014
Total Pension Liability (Asset)			
Service cost	\$ 14,034	\$ 12,694	\$ 1,883
Interest on total pension liability	1,903	624	75
Effect of plan changes	793	(1,079)	-
Effect of economic/demographic (gains) or losses	3,569	1,923	2
Effect of assumptions changes or inputs	-	102	-
Benefit payments, including refunds of employee contributions	-	-	-
Net change in total pension liability (asset)	<u>20,299</u>	<u>14,264</u>	<u>1,960</u>
Total pension liability (asset), beginning	<u>16,224</u>	<u>1,960</u>	<u>-</u>
Total pension liability (asset), ending (a)	<u><u>\$ 36,523</u></u>	<u><u>\$ 16,224</u></u>	<u><u>\$ 1,960</u></u>
Fiduciary Net Position			
Employer contributions	\$ 7,697	\$ 7,763	\$ 1,132
Member contributions	7,088	7,123	1,038
Net investment income	1,291	(151)	9
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expenses	(15)	(7)	(1)
Other	756	(1)	-
Net change in fiduciary net position	<u>16,817</u>	<u>14,727</u>	<u>2,178</u>
Fiduciary net position, beginning	<u>16,905</u>	<u>2,178</u>	<u>-</u>
Fiduciary net position, ending (b)	<u><u>\$ 33,722</u></u>	<u><u>\$ 16,905</u></u>	<u><u>\$ 2,178</u></u>
Net pension liability (asset), ending = (a) - (b)	<u><u>\$ 2,801</u></u>	<u><u>\$ (681)</u></u>	<u><u>\$ (218)</u></u>
Fiduciary net position as a % of total pension liability	92.33%	104.20%	111.12%
Pensionable covered payroll	\$ 141,750	\$ 142,452	\$ 124,618
Net pension liability (asset) as a % of covered payroll	1.98%	-0.48%	-0.17%

* Fiscal year 2014 was the first year of implementation. Therefore, only three years are shown.

**Alliance Regional Water Authority
Texas County & District Retirement System
Schedule of Funding Progress
(Unaudited)**

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/2014	\$ 2,178	\$ 1,960	111.12%	\$ (218)	\$ 124,618	-0.2%
12/31/2015	16,905	16,224	104.20%	(681)	142,452	-0.5%
12/31/2016	33,722	36,523	92.33%	2,801	141,750	2.0%

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

- E.6** Consider adoption of Resolution 2018-03-28-002 approving Amendment #1 to the Authority's 2017-18 Operating Budget. ~ *Graham Moore, P.E., Executive Director*
-

Background/Information

The attached proposed budget amendment results in zero increase in anticipated expenditures in the current year.

The amendment allocates additional funding of \$60,000 for Legal Support. This additional funding is necessary as a result of legal expenses anticipated to be incurred through the negotiation of an agreement with GBRA for common facilities.

The amendment also allocates an additional \$25,000 to Hydrogeological Support. The Authority's hydrogeological consultant, RW Harden & Associates, has been working to optimize the well field layout after the purchase by the Authority of the water treatment plant property. The effort also includes the addition of two back-ups wells that will give the Authority more operational flexibility to account for possible equipment failures.

The amendment reduces the "Engineering-General" line item by \$85,000 to balance the allocations noted above.

Attachment(s)

- Resolution 2018-03-28-002
- Attachment A – Amendment #1 to FY 16-17 dated June 9, 2017

Board Decision(s) Needed:

- Adoption of Resolution 2018-03-28-002 approving Amendment #1 to the Authority's FY 2017-18 budget.



ALLIANCE WATER

RESOLUTION NO. 20180328-002

A RESOLUTION OF THE ALLIANCE REGIONAL WATER AUTHORITY BOARD OF DIRECTORS APPROVING AMENDMENT #1 TO THE AUTHORITY'S 2017-18 OPERATING BUDGET RESULTING IN ZERO NET INCREASE, AND DECLARING AN EFFECTIVE DATE

RECITALS:

1. The ARWA Board of Directors wishes to amend the 2017-2018 Budget as shown on Attachment A to re-allocate line item expenditures resulting in zero net increase to the budget.
2. The budget amendment increases the "Legal Support" and "Hydrogeological Support" by \$60,000 and \$25,000, respectively. The increases are needed as a result of the negotiation of an agreement with the Guadalupe-Blanco River Authority for common facilities and effort in updating the layout of the Authority's Carrizo well field.
3. The amendment reduces the "Engineering-General" line item by \$85,000, resulting in a net zero increase in the 2017-2018 Budget.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALLIANCE REGIONAL WATER AUTHORITY:

PART 1. The 2017-2018 Budget of the Alliance Regional Water Authority is amended as shown on the attached Attachment A.

PART 2. This Resolution shall be in full force and effect immediately upon its passage.

ADOPTED: March 28, 2018.

ATTEST:

Jane Hughson
Chair, Board of Directors

James Earp
Secretary, Board of Directors

Alliance Regional Water Authority
APPENDIX A: FY 2017-18 GENERAL OPERATIONS BUDGET

ATTACHMENT A - AMENDMENT #1

Expense	Actual FY 2015/16	Approved FY 2016/17	Estimated FY 2016/17	Proposed FY 2017/18
Operations & Maintenance Expenditures				
Royalties & Permit Fees				
Groundwater Royalties	1,075,908.81	1,140,000.00	1,140,000.00	1,350,000.00
Permit Fees	53,094.54	57,000.00	56,752.89	62,700.00
Total Royalties & Permit Fees	1,129,003.35	1,197,000.00	1,196,752.89	1,412,700.00
Contract Services				
Agency Mgmt Public Relations	44,000.00	75,000.00	75,000.00	50,000.00
Contract Services-Lobbyist	78,000.00	90,000.00	90,000.00	78,000.00
Auditing fees	13,950.00	18,000.00	0.00	18,000.00
Legal Fees	54,187.50	90,000.00	80,000.00	90,000.00
Total Contract Services	190,137.50	273,000.00	245,000.00	236,000.00
Regional Water Planning Contribution	0.00	5,800.00	5,800.00	5,800.00
Total Operations	7,904.24	9,800.00	10,795.00	19,300.00
Travel, Conferences & Meetings	2,242.24	2,750.00	2,000.00	4,000.00
Total Employee Expenses	176,333.98	182,420.00	182,115.00	300,278.21
Total O&M Expenditures	1,505,620.00	1,670,770.00	1,642,460.00	1,978,080.00
Capital Expenditures				
Projects-in-Progress (Cash)				
Legal Support	10,630.24	30,000.00	20,000.00	80,000.00
Hydrogeologic Support	20,684.94	25,000.00	15,000.00	40,000.00
Groundwater Permitting	55,588.30	20,000.00	45,000.00	35,000.00
Total Projects-in-Progress (Cash)	86,903.48	75,000.00	80,000.00	155,000.00
Contribution to Kyle Water Model	0.00	0.00	25,000.00	0.00
Projects-in-Progress Eng. (Cash)				
Engineering - General	0.00	28,000.00	0.00	15,000.00
Engineering - Plumbing Plan	17,663.79	0.00	0.00	0.00
Engineering - Alignment Study	21,301.96	183,000.00	253,562.00	0.00
Engineering - Well Field Easements	0.00	0.00	30,000.00	0.00
Rate Consultant - Water Sharing	34,635.00	0.00	0.00	0.00
Engineering - DPR Study	13,305.22	40,000.00	41,000.00	0.00
SWIFT Support	0.00	20,000.00	25,500.00	0.00
Blanco Basin WW Study	0.00	22,000.00	21,880.00	0.00
GIS Development	0.00	69,500.00	15,000.00	0.00
Phase 1B Programming & Standards	0.00	240,000.00	120,000.00	0.00
Total Projects-in-Progress Eng. (Cash)	86,905.97	602,500.00	506,942.00	15,000.00
Projects-in-Progress Eng. (Finance)				
Engineering - Phase 1A Pipeline	11,541.75	0.00	0.00	0.00
Engineering - Phase 1A Pump Station	0.00	0.00	0.00	0.00
Engineering - ROW Acquisition	0.00	0.00	0.00	0.00
Total Projects-in-Progress Eng. (Finance)	11,541.75	0.00	0.00	0.00
Projects-in-Progress Construction				
Construction -GCUWCD Monitor Wells	0.00	30,500.00	30,411.78	60,825.00
Total Projects-in-Progress Construction	0.00	30,500.00	30,410.00	60,830.00
Debt Service Payment				
Series 2015a (CRWA)	49,523.93	271,544.79	271,544.79	249,954.50
Series 2015b (Kyle)	66,570.05	193,715.65	193,715.65	178,409.50
Series 2017a (CRWA)	0.00	0.00	0.00	240,000.00
Series 2017b (Kyle)	0.00	0.00	0.00	220,000.00
Series 2017c (San Marcos)	0.00	0.00	0.00	205,000.00
Series 2015d (Buda)	0.00	0.00	0.00	30,000.00
Total Debt Service Payment	116,090.00	465,260.00	465,260.00	1,123,360.00
Total Capital Expenditures	301,440.00	1,173,260.00	1,107,610.00	1,354,190.00
Total Expense	1,807,060.00	2,844,030.00	2,750,070.00	3,332,270.00

Increase by \$25,000

Increase by \$60,000

Decrease by \$85,000

Alliance Regional Water Authority
APPENDIX A: FY 2017-18 GENERAL OPERATIONS BUDGET

ATTACHMENT A - AMENDMENT #1

	Actual	Approved	Estimated	Proposed
	FY 2015/16	FY 2016/17	FY 2016/17	FY 2017/18
Ordinary Income/Expense				
Beginning Unreserved Fund Balance	2,553,081.00	2,689,721.00	2,689,721.00	2,160,500.00
Revenue				
Reimbursements				
City of Kyle	35,651.50	0.00	0.00	0.00
Canyon Regional Water Authority	35,209.00	0.00	0.00	0.00
Total Reimbursements	70,860.50	0.00	0.00	0.00
Project Contribution				
City of San Marcos	838,310.00	628,069.00	628,069.00	778,760.00
City of Kyle	442,920.00	687,097.65	687,097.00	849,129.50
City of Buda	118,760.00	88,973.00	88,973.00	111,280.00
Canyon Regional Water Authority	466,740.00	812,566.79	812,567.00	984,194.50
Project Contribution - Other	68.50	0.00	68.50	0.00
Total Project Contribution	1,866,798.50	2,216,706.44	2,216,774.50	2,723,364.00
Total TexStar Interest Revenue	0.00	0.00	2,040.00	2,037.00
Total Broadway Interest Income	6,036.12	5,000.00	2,040.00	2,037.00
Total Operating Revenue	1,943,700.00	2,221,710.00	2,220,850.00	2,727,440.00
Total Funds Available	4,496,781.00	4,911,431.00	4,910,571.00	4,887,940.00
Net Income	136,640.00	-622,320.00	-529,220.00	-604,830.00
Ending Unreserved Balance	2,689,721.00	2,067,400.00	2,160,500.00	1,555,670.00
Fund Balance as Percentage of Operating	178.65%	123.74%	131.54%	78.65%

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

- E.7** Consider adoption of Resolution 2018-03-28-003 approving new bylaws for the Authority. ~ *Mark Taylor, Legal Counsel*
-

Background/Information

Draft bylaws were presented at the February Board meeting where Staff was directed to revise to include a definition for “residency” as it applies to eligibility to be a Board Director and to include information about rules of procedure for Board meetings.

Attached is an updated draft of the bylaws. Paragraph 3.1.E in Article 3 was revised to address the residency issue by adding the following sentence:

“A person is a “resident of the Authority territory” if the person’s residence, as defined in Section 1.015 of the Texas Election Code, is within the Authority territory, or if the person is engaged in business within the Authority territory, by owning or operating a business within the territory, or by having the person’s primary place of employment located within the territory.”

Section 3.10 in Article 3 was added to address meeting procedures, it states:

“The Board by resolution shall adopt a policy on meeting procedures for the Board and for committees other than temporary committees. The policy shall be consistent with these Bylaws and with the Rules of the Authority.”

The proposed meeting procedures are included under Item E.9 for discussion and direction by the Board.

No other changes to the previously reviewed draft bylaws were made.

Attachment(s)

- Resolution 2018-03-28-003
- Bylaws – Clean Draft 2018-03-20

Board Decision(s) Needed:

- Adoption of Resolution 2018-03-28-003 approving new bylaws for the Authority.



ALLIANCE WATER

RESOLUTION NO. 20180328-003

**A RESOLUTION OF THE ALLIANCE REGIONAL WATER AUTHORITY
BOARD OF DIRECTORS APPROVING BYLAWS OF THE AUTHORITY; AND
DECLARING AN EFFECTIVE DATE**

RECITALS:

1. In 2017, the Texas Legislature enacted Senate Bill 1198 (the "Enabling Act") adding Chapter 11010 to the Texas Special District Local Laws Code and converting the Hays Caldwell Public Utility Agency (the "HCPUA") to the Alliance Regional Water Authority (the "Authority").

2. The Authority Board, in Order No. 20170628-001, took formal action confirming the conversion of the HCPUA to the Authority, and directed the Authority Executive Director and general counsel to identify actions needed for an orderly transition from the HCPUA to the Authority, including the drafting of bylaws of the Authority.

3. The Authority general counsel, with input from the Executive Director and the Executive Committee, drafted the Bylaws of the Alliance Regional Water Authority attached to this Resolution (the "Proposed Bylaws").

4. The Executive Committee has reviewed the Proposed Bylaws and has recommended the adoption of the Proposed Bylaws by the Authority Board.

5. The Authority Board discussed the bylaws at their February 2018 Board meeting and suggested additions were incorporated into the final version.

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALLIANCE REGIONAL
WATER AUTHORITY:**

SECTION 1. The Authority Board approves and adopts the Proposed Bylaws as the bylaws of the Alliance Regional Water Authority.

SECTION 2. This Resolution shall be in full force and effect immediately upon its passage.

ADOPTED: March 28, 2018.

ATTEST:

Jane Hughson
Chair, Board of Directors

James Earp
Secretary, Board of Directors

BYLAWS

OF THE

ALLIANCE REGIONAL WATER AUTHORITY

(Created by the Legislature of the State of Texas as a regional water authority in Bexar, Caldwell, Comal, Guadalupe, and Hays Counties, under and essential to accomplish the purposes of Article XVI, Section 59 of the Texas Constitution)

Date of Adoption: _____, 2018

**BYLAWS
OF
ALLIANCE REGIONAL WATER AUTHORITY**

**ARTICLE 1
DEFINITIONS AND GENERAL PROVISIONS**

Section 1.1. Definitions. Unless the context clearly indicates a different meaning, the terms below shall have the following meanings in these Bylaws:

- A. “Authority” means the Alliance Regional Water Authority.
- B. “Board” means the board of directors of the Authority.
- C. “Customer” means a local government or private entity that is not a Sponsor and which has a contract with the Authority for water or wastewater services.
- D. “Director” means a member of the Board.
- E. “District” means any district, authority or other entity created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation.
- F. “Enabling Act” means the Authority’s enabling legislation (Act of May 28, 2017, 85th Leg., R.S., ch. 806) and codified in Chapter 11010 of the Texas Special District Local Laws Code.
- G. “Executive Director” means the person appointed by the Board as the chief executive officer of the Authority.
- H. “Local government” means:
 - 1. a municipality, county, district, or other political subdivision of this state;
 - 2. a local government corporation;
 - 3. a nonprofit corporation created to act on behalf of a local government; or
 - 4. a combination of two or more of the entities described by this subsection.
- I. “Open Meetings Act” means the State Open Meetings Act, Chapter 551, Texas Government Code, as amended.
- J. “Private entity” includes an individual, corporation, organization, business trust, estate, trust, partnership, and association and any other legal entity that is not a local government or a governmental body or agency.
- K. “Public Information Act” means the State Public Information Act, Chapter 552, Texas Government Code, as amended.
- L. “Sponsor” means:
 - 1. the City of Kyle;
 - 2. the City of San Marcos;
 - 3. the City of Buda;
 - 4. the Canyon Regional Water Authority; and
 - 5. any other local government or private entity added to the Authority as a Sponsor

under Section 11010.005 of the Enabling Act.

M. "State" means the State of Texas.

N. "Water" includes:

1. groundwater, percolating or otherwise, notwithstanding the quality of the groundwater;
2. any surface water, naturally or artificially impounded or in a navigable or nonnavigable watercourse; and
3. municipal wastewater or industrial wastewater, including municipal wastewater or industrial wastewater that has been treated to a quality suitable for reuse for a beneficial use.

Section 1.2. Authority Territory. The Authority is composed of the territory:

A. of the Sponsors, including territory within the municipal boundaries of a Sponsor that is a municipality;

B. located in the service areas of the Sponsors as provided by the Sponsors' respective certificates of convenience and necessity; and

C. added to and not excluded from the Authority in accordance with applicable law.

Section 1.3. Business Office. The business office and mailing address of the Authority is 630 East Hopkins Street, San Marcos, TX 78666. The Authority may have such other offices as the Board may determine. The Board may change the location of any office of the Authority.

ARTICLE 2 PURPOSES AND POWERS

Section 2.1. Purposes. The Authority is created to serve a public use and benefit, and to benefit land and property included in the territory of the Authority through the works and projects to be accomplished by the Authority under powers conferred by Article XVI, Section 59 of the Texas Constitution, and powers granted under the Enabling Act.

Section 2.2. Powers and Duties. The Authority is a regional water authority and is authorized to exercise all powers conferred on conservation and reclamation districts under Article XVI, Section 59 of the Texas Constitution, and all powers conferred on the Authority by the Enabling Act, including without limitation, the following:

A. The general powers and duties as described in Section 11010.101 of the Enabling Act, including without limitation, ownership of water and wastewater facilities, ownership of interests in sources of water supply, and financing through bonds, notes, and other obligations;

B. The authority to adopt and enforce policies, rules and bylaws as described in Section 11010.102 of the Enabling Act;

C. The power of eminent domain as described in Section 11010.103 of the Enabling Act;

D. The authority to adopt and enforce water conservation or drought contingency plans as described in Section 11010.104 of the Enabling Act;

E. The authority to acquire utility facilities from a Sponsor as described in Section 11010.105 of the Enabling Act;

F. The authority to enter into contracts as described in Sections 11010.106 and 11010.107 of the Enabling Act;

G. The authority to set rates and fees as described in Section 11010.108;

H. The authority to accept gifts and grants as described in Section 11010.152 of the Enabling Act; and

I. The authority to issue bonds, notes or other obligations as described in Sections 11010.201 through 11010.205 of the Enabling Act and under other applicable law.

ARTICLE 3

BOARD OF DIRECTORS; COMMITTEES; MEETINGS; EXECUTIVE DIRECTOR

Section 3.1. Role of the Board; Appointment, Powers, Number, and Term of Office of Directors.

A. The Authority is governed by the Board. The Board is responsible for the management, operation, and control of the Authority.

B. The number of Directors is set at thirteen. The Directors are apportioned among the Sponsors based on the amount of water contracted to be supplied to the Sponsors under the terms of the Authority's Regional Water Supply Contract (subject to a minimum of one Director for each Sponsor), as follows: The City of San Marcos, Texas appoints five Directors, Canyon Regional Water Authority appoints four Directors, the City of Kyle, Texas appoints three Directors, and the City of Buda, Texas appoints one Director.

C. Unless replaced by a Sponsor, directors of the Hays Caldwell Public Utility Agency serving on the effective date of the Enabling Act shall serve as the temporary Directors of the Authority until the initial Directors appointed under subsection F. below take office on May 1, 2018.

D. Action by a Sponsor to appoint or remove a Director shall be in the form of a minute entry, ordinance or resolution approved by the Sponsor's governing body.

E. To be eligible to serve as a Director, a person must be at least 18 years of age, and must be either a resident of the Authority territory, or an employee of a Sponsor. A person is a "resident of the Authority territory" if the person's residence, as defined in Section 1.015 of the Texas Election Code, is within the Authority territory, or if the person is engaged in business within the Authority territory, by owning or operating a business within the territory, or by having the person's primary place of employment located within the territory. A Director who also serves on the governing body of a Sponsor is not a dual officeholder and is not prohibited by the common law doctrine of incompatibility from serving on both the Board and the governing body. Service on the Board by a public officeholder is an additional duty of that person's office.

F. The Sponsors shall appoint the initial Directors not earlier than April 1, 2018, and not later than April 30, 2018. As soon as practicable after the initial Directors have been appointed, the initial Directors shall draw lots to determine which Directors serve a one-year term expiring April 30, 2019, which Directors serve a two-year term expiring April 30, 2020, and which Directors serve a three-year term expiring April 30, 2021. The lots must be split into thirds or as near to thirds as possible. Thereafter, the Directors shall serve staggered three-year terms, and the Sponsors shall appoint Directors not earlier than April 1 and not later than April 30 of the year in which the respective terms of the Directors expire. A Director's term begins on May 1 of the year the Director is appointed. A Director may not serve more than five full consecutive terms as a Director.

G. A Sponsor that appoints a Director may remove the Director from office at any time, with or without cause.

H. If there is a vacancy on the Board, the governing body of the Sponsor that appointed the Director who vacated the office shall appoint a Director to serve the remainder of the term.

I. After the addition or removal of a Sponsor under Subchapter A of the Enabling Act, the Board by rule shall reapportion the Directors among the Sponsors based on the amount of water contracted to be supplied to each Sponsor under the terms of the Authority's water supply contracts with the Sponsors, subject to a minimum of one Director for each Sponsor.

J. In connection with a change to the amount of water contracted to be supplied by the Authority to the Sponsors under the terms of the Authority's water supply contracts with the Sponsors, the Board shall determine whether a change in the number of Directors or in the apportionment of Directors among the Sponsors is appropriate. If the Board determines such a change is appropriate, the Board by rule shall proceed to make the change.

K. The Board by rule may increase or decrease the number of Directors on the Board, subject to a minimum of seven Directors and a maximum of 17 Directors, and subject to the requirement that each Sponsor is entitled to appoint at least one director.

L. Before the Board reapportions the Directors among the Sponsors for any reason, or increases or decreases the number of Directors on the Board for any reason, the Board will ask the Executive Director for a recommendation on the proposed change.

Section 3.2. Regular Meetings of Board. The Board will hold its regular meetings at such place or places as the Board determines by resolution.

Section 3.3. Special and Emergency Board Meetings.

A. Special and emergency meetings of the Board shall be held whenever called by the Chair or the Secretary, or at the written request of three Directors.

B. The Authority shall give notice of each special meeting to each Director in person or by facsimile, mail, or electronic mail.

C. The Authority shall give notice of each emergency meeting to each Director in person or by facsimile, mail, or electronic mail. The notice on its face shall describe the emergency that gave rise to the need for the meeting.

D. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Authority may be considered and acted upon at a special or emergency meeting.

Section 3.4. Quorum; Required Vote.

A. A majority of all of the Directors shall constitute a quorum of the Board. The Board may not conduct business unless a quorum of the Board is present, either in person or by telephone conference call or videoconference to the extent permitted under the Open Meetings Act. If at any meeting of the Board there is less than a quorum present, a majority of those present may continue the meeting to a time not later than the day immediately following the date for which notice of the meeting was given.

B. The concurrence of a majority of the Directors present and voting at a meeting at which a quorum is in attendance shall constitute the act of the Board, unless the concurrence of a greater number is required by law, or by rules adopted by the Board, which shall be incorporated in these Bylaws.

C. In accordance with Section 4.3.C of the Rules of the Authority, the concurrence of a majority of all of the Directors (by voting in favor of a matter at a Board meeting at which a quorum of the Board is in attendance) shall be required for any of the following actions:

1. The award of a construction contract in an amount greater than \$100,000.
2. Approving a contract for the supply of water by the Authority.
3. An amendment to these Bylaws.
4. Creation of a committee.
5. Election or removal of an officer of the Board.
6. Adoption of an emergency rule.
7. A change in the apportionment of Directors among the Sponsors.
8. Any waiver of confidentiality or privilege related to any attorney-client communication between any legal counsel of the Authority and the Board, any committee, or any officer, Director, committee member, employee or agent of the Authority.

D. In accordance with Section 4.3.D of the Rules of the Authority, the concurrence of at least two-thirds of all of the Directors shall be required for any of the following actions:

1. Authorizing the issuance of bonds or the approval of a promissory note or other instrument creating debt.

2. Appointing or terminating an Executive Director.
3. Issuing an order adding or removing a Sponsor from the Authority.

E. A Director who is present at a meeting of the Board at which any Authority action is taken shall be presumed to have assented to such action unless his or her dissent or abstention is entered in the minutes of the meeting, or unless the Director files his or her written dissent or abstention to such action with the person acting as the secretary of the meeting before the adjournment thereof. Such right to dissent or abstain shall not apply to a Director who voted in favor of the action.

Section 3.5. Open Meetings Act. All meetings of the Board shall be subject to applicable provisions of the Open Meetings Act.

Section 3.6. Board Meeting Agendas; Conduct of Business.

A. Agendas for Board meetings will be prepared by the Executive Director, in consultation with the Chair as needed. The Chair may include an item on an agenda upon written request by one or more Directors. If the Chair declines such a request, the Director or Directors may request direction from the Board at a Board meeting to include the item on a future agenda. The agenda for each regular meeting shall include an item under which the public may offer comments on matters related to Authority business, and an item under which a Board member can request that an item be included on a future agenda.

B. At meetings of the Board, matters shall be considered in the order the Board determines is appropriate.

C. At meetings of the Board, the Chair shall preside, and in the absence of the Chair, the Vice Chair shall preside. In the absence of the Chair and the Vice Chair, the Board shall choose an acting chair for that meeting from among the Directors present.

D. Each Director is entitled to one vote on any issue before the Board.

Section 3.7. Technical Committee. The Board may, by resolution, create a technical committee consisting of three or more Directors as voting members, and one or more persons who are not Directors as non-voting members. To the extent provided in the authorizing resolution, the committee may exercise powers delegated by the Board in the management of the Authority. Any such delegated powers shall not extend, however, to matters for which action of the Board is required by statute or in these Bylaws. The committee shall address the matters and act in the manner provided in the authorizing resolution. The committee shall keep minutes of its meetings and shall cause the minutes to be maintained in the office of the Authority, and shall report on its activities to the Board from time to time. The Authority shall give notice of any meeting of the committee in the manner required for a meeting of the Board under the Open Meetings Act and these Bylaws.

Section 3.8. Advisory Committee. The Board may, by resolution, establish an Advisory Committee composed of persons who are not Directors and who are, in the judgment of the Board, qualified to advise with respect to activities of the Authority. Members of the Advisory Committee shall serve for a term of one year or for a longer term fixed by the Board, not to exceed four years.

Advisory Committee members shall be appointed by the Board, and may be removed by the Board at any time with or without cause. The number of members of the Advisory Committee and the topics to be addressed by the committee shall be fixed by the Board by resolution. The officers and Directors of the Authority may consult with the Advisory Committee from time to time with respect to the activities of the Authority, but the Advisory Committee shall in no way restrict the powers of the Board nor limit its responsibilities or obligations. The Advisory Committee shall have no responsibility for the management of the affairs of the Authority.

Section 3.9. Other Committees.

A. *Standing Committees.* The Board may, by resolution, create a standing committee to address one or more topics of an ongoing nature in the management of the Authority. The resolution shall specify the number of committee members, and it may include a delegation of authority to the committee in matters for which action of the Board is not required by statute or in these Bylaws. A committee shall consist of Directors as voting members, and it may include persons who are not Directors as non-voting members. Committee members shall be appointed by the Board, and may be removed by the Board at any time with or without cause. The committee shall address the topics and act in the manner provided in the resolution. The committee shall keep minutes of its meetings, which shall be maintained in the office of the Authority, and shall report on its activities to the Board from time to time. If the committee is authorized to take action on behalf of the Authority, the Authority shall give notice of the committee's meetings in accordance with the Open Meetings Act.

B. *Temporary Committees.* The Board may, by resolution or by motion and vote, designate three or more Directors, as voting members, and one or more persons who are not Directors as non-voting members, to constitute a temporary committee to address one or more topics. A temporary committee will function only in an advisory role to the Board. The Board may limit the duration of a temporary committee, and may remove or add members. A temporary committee will report on its activities to the Board, but it is not required to keep minutes of its meetings. Because of its purely advisory role, notice of a temporary committee's meetings under the Open Meetings Act is not required.

Section 3.10. Policy on Meeting Procedures. The Board by resolution shall adopt a policy on meeting procedures for the Board and for committees other than temporary committees. The policy shall be consistent with these Bylaws and with the Rules of the Authority.

Section 3.11. Executive Director. The Board shall appoint an Executive Director and designate the duties and responsibilities of the Executive Director pursuant to a resolution. The resolution may approve an employment agreement in which the duties and responsibilities are designated. The concurrence of at least two-thirds of all of the Directors shall be required to appoint or terminate an Executive Director.

ARTICLE 4
BOARD OFFICERS

Section 4.1. Titles and Term of Office.

A. The officers of the Board shall be a Chair, one or more Vice Chairs, a Secretary, a Treasurer, and such other officers as the Board may from time to time elect or appoint. One person may not hold more than one office, except that a person may serve as both Secretary and Treasurer.

B. At the first meeting of the Board after May 1st of each year, the Board shall elect officers from among the Directors. The term of office for each officer shall be one year unless the officer is replaced by the Board or is no longer a Director for any reason.

C. All officers shall be subject to removal, with or without cause, at any time by a vote of a majority of all of the Directors.

D. A vacancy in the office of any officer shall be filled by the Board for the remainder of the current term of office.

Section 4.2. Powers and Duties of the Chair. The Chair shall preside at all meetings of the Board. He or she shall have such duties as are assigned by the Board.

Section 4.3. Powers and Duties of the Vice Chair. The Vice Chair shall perform the duties and exercise the powers of the Chair upon the Chair's death, absence, disability, or resignation, or upon the Chair's inability to perform the duties of his or her office. Any action taken by the Vice Chair in the performance of the duties of the Chair shall be conclusive evidence of the absence or inability to act of the Chair at the time such action was taken.

Section 4.4. Treasurer. The Treasurer shall have custody of all the funds and securities of the Authority which come into his or her hands. When necessary or proper, he or she may endorse, on behalf of the Authority, for collection, checks, notes and other obligations and shall deposit the same to the credit of the Authority in a bank or banks or depositories designated by the Board; he or she may sign all receipts and vouchers for payments made to the Authority, either alone or jointly with another officer designated by the Board; whenever required by the Board, he or she shall render a statement of the Authority's accounts; he or she shall enter or cause to be entered regularly in the books of the Authority to be kept by him or her for that purpose full and accurate accounts of all moneys received and paid out on account of the Authority; he or she shall perform all acts incident to the position of Treasurer subject to the control of the Board; and he or she shall, if required by the Board, give such bond for the faithful discharge of his or her duties in such form as the Board may require. The Treasurer may, with approval of the Board by resolution, delegate any or all of these duties on an interim or ongoing basis to another Director, the Executive Director, or a member of the Authority staff.

Section 4.5. Secretary. The Secretary shall act as secretary of all meetings of the Board and keep the minutes of all meetings of the Board in books provided for that purpose; he or she shall attend to the giving and serving of all notices; he or she may attest the signatures of the Chair on all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Authority he or she shall have charge of the Authority's books, records, documents and instruments (except the books of account and financial records and securities of which the Treasurer shall have custody and charge), and such other books and papers as the Board may direct, all of which shall at all reasonable times be open to the inspection of any Director at the office of the Authority during business hours; and, he or she shall perform all duties incident to the office of Secretary subject to the control of the Board. The Secretary may, with approval of

the Board by resolution, delegate any or all of these duties on an interim or ongoing basis to another Director, the Executive Director, or a member of the Authority staff.

Section 4.6. No Compensation. Directors, even in their capacity as officers, are not entitled to compensation.

ARTICLE 5 TRANSACTIONS OF THE AUTHORITY

Section 5.1. Contracts. The Board may authorize a committee or any officer or agent of the Authority to approve a contract, and may authorize an officer, a Director or the Executive Director to execute and deliver any instrument in the name of and on behalf of the Authority. This authority may be limited to a specific contract or instrument or it may extend to any number and category of possible contracts and instruments. Approval by the Board, however, shall be required for any contract such as a water supply contract that serves as a basis for issuance of bonds, notes or other obligations creating debt.

Section 5.2. Deposits. All funds of the Authority shall be deposited to the credit of the Authority in banks, trust companies, or other depositories that the Board selects.

Section 5.3. Potential Conflicts of Interest. The Authority shall not make any loan to a Director or officer of the Authority, and shall not otherwise transact business with a Director, officer, or committee member of the Authority unless the transaction is described fully in a legally binding instrument, is in the best interests of the Authority, is accompanied by full disclosure of all relevant facts, and is approved by the Board.

Section 5.4. Issuance of Bonds. The Authority may issue bonds, notes and other obligations as provided in the Enabling Act or under other applicable law. The issuance of bonds, notes or other obligations by the Authority must be approved by two-thirds of all of the Directors in accordance with Section 3.4.D.

ARTICLE 6 ADOPTION AND ENFORCEMENT OF RULES

Section 6.1. Matters Addressed in Rules. The Board may adopt and enforce rules as the Board deems them necessary to implement the Enabling Act, including without limitation the following:

- A. Rules governing procedures before the Board;
- B. Rules the Enabling Act requires the Board to adopt;
- C. Rules to preserve the sanitary condition of all water controlled by the Authority;
- D. Rules to prevent waste or the unauthorized use of water;
- E. Rules to require adoption and implementation of water conservation plans and drought contingency plans for the Authority or any portion of the Authority; and

F. Rules regarding implementation, enforcement, and any other matters related to the exercise of the rights, powers, privileges, and functions conferred on the Authority by the Enabling Act for the provision of water and wastewater service.

Section 6.2. Notice and Public Hearing on Certain Rules. Prior to adopting or revising a rule that directly affects one or more Sponsors or Customers, the Authority will provide ten days' written notice of the meeting at which the rule will be considered to each Sponsor and Customer, and the Board will hold a public hearing on the proposed rule at that meeting. The notice will include the text and an explanation of the proposed rule, and a statement that written comments on the rule can be submitted before or at the meeting and verbal comments can be made during the public hearing at the meeting.

Section 6.3. Emergency Rules.

A. The Board may adopt an emergency rule in circumstances in which immediate action is needed in response to an imminent threat to public health and safety, or to a reasonably unforeseeable situation.

B. Prior to adopting an emergency rule that directly affects one or more Sponsors or Customers, the Authority will provide at least two hours' written notice of the meeting at which the rule will be considered to each Director and to the public, and the Board will hold a public hearing on the proposed rule at that meeting. The notice will include the text and an explanation of the proposed rule, and a statement that written comments on the rule can be submitted before or at the meeting and verbal comments can be made during the public hearing at the meeting.

C. An emergency rule is effective immediately upon adoption by the Board. An emergency rule will be effective for a period not to exceed 120 days, and may be renewed by the Board once for not more than 60 days.

Section 6.4. Notice and Public Hearing on Other Rules. This section applies to all rules other than those covered under Section 6.2 or Section 6.3 above. Prior to adopting or revising a rule, the Authority will provide 72 hours' written notice of the meeting at which the rule will be considered to each Sponsor and Customer, and the Board will hold a public hearing on the proposed rule at that meeting. The notice will include the text and an explanation of the proposed rule, and a statement that written comments on the rule can be submitted before or at the meeting and verbal comments can be made during the public hearing at the meeting.

Section 6.5. Notice of Rules. The Authority will provide written notice of the adoption of rules to each Sponsor and Customer. The notice will include the full text and the effective date of the rule.

Section 6.6. Enforcement of Rules. The Authority may enforce its rules against any person by any or all of the following:

A. Suit for injunction or mandatory injunction in a court of competent jurisdiction.

B. Suit for damages or other appropriate remedy in a court of competent jurisdiction.

C. Exercising any right of the Authority in a contract between the Authority and a Sponsor or Customer, including, without limitation, withholding or suspending the provision of water or wastewater services to a Sponsor or Customer.

ARTICLE 7 BOOKS AND RECORDS

Section 7.1. Required Books and Records. The Authority shall keep correct and complete books and records of account. The Authority's books and records shall include the following:

- A. A copy of these Bylaws, including any amendments to these Bylaws;
- B. Minutes of meetings of the Board and committees having any of the authority of the Board;
- C. A list of the names and addresses of the Directors, officers, and any committee members of the Authority; and
- D. All rulings, letters, and other documents relating to the Authority's federal, state, and local tax status.

Section 7.2. Inspection and Copying. The Authority's books and records shall be subject to applicable provisions of the Public Information Act. The Board may establish policies and reasonable fees for providing access to and copying of the Authority's books and records in accordance with the Public Information Act.

ARTICLE 8 ADDING AND REMOVING SPONSORS

Section 8.1 Method of Adding Sponsors.

- A. The governing body of a local government or a private entity, including a water supply corporation, may petition the Board to add that local government or private entity as a Sponsor.
- B. A petition under Subsection A must be submitted in writing to the Executive Director on the form approved by Board rule.
- C. On receipt of a petition under Subsection A, the Board shall set a hearing on the petition and provide notice of the date, time, place, and purpose of the hearing to the Sponsors, and to the petitioning local government or private entity.
- D. At the hearing, the Board shall determine whether the local government or private entity will benefit from being added to the Authority as a Sponsor, and whether it is in the best interest of the Authority to add the local government or private entity to the Authority as a Sponsor.
- E. If, after a hearing on the petition, the Board determines that the local government or private entity should be added to the Authority as a Sponsor, the Board shall issue an order:

1. adding the local government or private entity to the Authority

2. adding the local government's or private entity's territory or service area to the territory of the Authority;
3. making the local government's or private entity's territory or service area subject to the privileges, duties, assets, and financial obligations of the Authority to the same degree as other Sponsors already included in the Authority; and
4. stating the proposed effective date of the order.

The Board's determination and the issuance of an order under this subsection must be approved by at least two-thirds of all of the Directors to be effective.

F. An order issued under Subsection E takes effect on the proposed effective date except as otherwise provided by this section. If the subject of the order is a local government, the proposed effective date must allow enough time for the local government to comply with Subsections G and H.

G. A local government that is the subject of an order issued under Subsection E shall publish notice of the Authority's proposal to add the local government to the Authority as a Sponsor. The notice must:

1. be published in a newspaper of general circulation in the county in which the local government is located;
2. be published at least once per week for two consecutive weeks and with the first publication appearing on or before the 14th day before the proposed effective date of the order;
3. state the proposed effective date of the order adding the local government to the Authority as a Sponsor; and
4. include information regarding the right of the local government's voters to petition the governing body of the local government to call an election on the question of authorizing the addition of the local government to the Authority as a Sponsor and the method of making the petition.

H. If the governing body of the local government, before the proposed effective date of the order, receives a petition calling for an election on the question of authorizing the addition of the local government to the Authority as a Sponsor that is signed by at least 10 percent of the local government's registered voters, the governing body shall order a special election on the question. Section 41.001(a), Election Code, does not apply to an election ordered under this subsection.

I. On receipt of a qualifying petition under Subsection H, the effective date of the order issued under Subsection E is suspended until after the date of the election and the governing body of the local government shall notify the Board of the petition and suspension.

J. If a majority of voters voting in an election held under this section vote in favor of the addition of the local government to the Authority as a Sponsor, the order issued under Subsection E takes effect on the date the result is declared. If a majority of voters voting in the election vote against the addition of the local government to the Authority as a Sponsor, the order issued under

Subsection E is ineffective.

Section 8.2. Method of Removing Sponsors.

A. The governing body of a local government or private entity that is a Sponsor of the Authority may petition the Board to be removed from the Authority as a Sponsor.

B. A petition under Subsection A must be submitted in the manner and form required by Board rule.

C. After receiving a petition under Subsection A, the Board shall decide whether the petitioning Sponsor should be removed from the Authority as a Sponsor and shall by order approve, conditionally approve, or disapprove the petition. An order approving or conditionally approving the removal of a Sponsor requires the concurrence of at least two-thirds of all of the Directors.

D. The Board may not approve a petition submitted to the Board under this section if that action would impair or violate or conflict with the terms of any outstanding bonds, notes, or other obligations of the Authority.

E. An order issued under Subsection C that approves or conditionally approves a Sponsor's petition to be removed from the Authority as a Sponsor must address:

1. all matters related to the removal as determined by the Board, including the removal of the territory of the Sponsor and territory located in the service area of the Sponsor as provided by the Sponsor's certificate of convenience and necessity; and
2. if applicable, any conditions imposed by the Board that the petitioning Sponsor must satisfy before the Board approves the petition, which may include:
 - a. payment by the petitioning Sponsor of all bonds, notes, or other obligations issued by the Authority on behalf of the Sponsor;
 - b. payment by the petitioning Sponsor of the Sponsor's pro rata share of any bond, note, or other obligation issued by the Authority, other than the bonds, notes, or other obligations described by Paragraph a, if the payment is allowed under the terms of the bond, note, or other obligation;
 - c. conditions related to the ownership or transfer of ownership of real property, facilities, equipment, personnel, and supplies; and
 - d. conditions the Authority considers necessary for the winding up of activities in connection with the removal of the petitioning Sponsor as a Sponsor from the Authority.

F. If the Board by order conditionally approves a Sponsor's petition under Subsection C, the petitioning Sponsor remains a Sponsor and shall make all payments owed to the Authority when due and shall satisfy all conditions included in the order. The Board shall approve the petition immediately after all required payments to the Authority are received and all conditions included in the order are satisfied as determined by the Board.

G. The removal of a local government or private entity from the Authority as a Sponsor under this section does not prohibit the local government or private entity from contracting with the Authority for the provision of water supply, wastewater treatment, or other services provided by the Authority.

ARTICLE 9 NOTICES

Section 9.1. Notice to a Director, Officer or Committee Member. Any notice required or permitted by these Bylaws to be given to a Director, officer, or member of a committee of the Authority may be given in person or by facsimile, mail, or electronic mail. A person may change his or her contact information by giving written notice to the Secretary.

Section 9.2. Notice to a Sponsor or Customer. Any notice required or permitted by these Bylaws to be given to a Sponsor or a Customer shall be given to the presiding officer of the Sponsor's or Customer's governing body and to the Sponsor's or Customer's chief executive officer. A notice may be given in person or by facsimile, mail, or electronic mail.

Section 9.3. Delivery of Notices. If a notice is mailed, it shall be deemed to be delivered when deposited in the United States mail addressed to the person at his or her address as it appears on the records of the Authority, with postage prepaid. If transmitted by facsimile or electronic mail, a notice is deemed to be delivered on successful transmission of the facsimile or electronic mail.

Section 9.4. Signed Waiver of Notice. Whenever any notice is required to be given under the provisions of these Bylaws, a waiver in writing signed by a person entitled to receive a notice shall be deemed equivalent to the giving of the notice. A waiver of notice shall be effective whether signed before or after the time stated in the notice being waived.

Section 9.5. Waiver of Notice by Attendance. The attendance of a person at a meeting shall constitute a waiver of notice of the meeting unless the person attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE 10 MISCELLANEOUS PROVISIONS

Section 10.1. Fiscal Year. The fiscal year of the Authority shall begin October 1 of each year.

Section 10.2. Seal. The seal of the Authority shall be approved by the Board by resolution.

Section 10.3. Resignations. Any Director or officer may resign at any time. A resignation shall be made in writing and shall take effect at the date and time specified therein, or, if no date and time be specified, at the time of its receipt by the Chair or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 10.4. Gender. References herein to the one gender shall also refer to the other gender in all appropriate cases and vice versa.

Section 10.5. Legal Construction. These Bylaws shall be construed in accordance with the laws of the State of Texas, including the Enabling Act, the Open Meetings Act, and the Public Information Act. All references in these Bylaws to statutes, regulations, or other sources of legal authority shall refer to the authorities cited, or their successors, as they may be amended from time to time.

Section 10.6. Severability. If any Bylaw provision is held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision, and these Bylaws shall be construed as if the invalid, illegal, or unenforceable provision had not been included in the Bylaws.

Section 10.7. Headings. The headings used in these Bylaws are used for convenience and shall not be considered in construing these Bylaws.

Section 10.8. Power of Attorney. A person may execute any instrument related to the Authority by means of a power of attorney if an original executed copy of the power of attorney is provided to the secretary of the Authority to be kept with the Authority records.

Section 10.9. Parties Bound. These Bylaws shall be binding upon and inure to the benefit of the Directors, officers, committee members, employees, and agents of the Authority and their respective heirs, executors, administrators, legal representatives, successors, and assigns, except as otherwise provided in these Bylaws.

Section 10.10. Approval or Advice and Consent of the Governing Body. To the extent that these Bylaws refer to approval by a Sponsor or refer to advice and consent by a Sponsor, such approval or advice and consent shall be evidenced by a certified copy of a resolution, order, motion, or other official action duly adopted of the governing body of the Sponsor.

ARTICLE 11 INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

Section 11.1. Right to Indemnification.

A. Definitions. In this Article:

1. *Covered person* includes current and former Directors, committee members, and employees of the Authority, and the estate of a current or former Director, committee member or employee of the Authority.
2. *Loss* means a sum of money which a covered person is legally obligated to pay.
3. *Proceeding* means any threatened, pending or completed claim, action, suit or civil, criminal, administrative, arbitative or investigative proceeding.

B. Coverage generally. To the fullest extent permitted by law, the Authority shall indemnify and defend a covered person in accordance with this section from and against a loss arising in connection with a proceeding relating to an act or omission of the covered person during the course and scope of the covered person's office or employment for the Authority.

C. *Additional coverage.* In addition to the coverage described in subsection B of this section, the Authority will pay the following:

1. The Authority's expenses in investigating and defending the proceeding;
2. Court costs assessed against a covered person;
3. Reasonable expenses of the covered person incurred at the Authority's request or with the Authority's approval; and
4. Attorney's fees ordered by a court to be paid by the covered person.

D. *Criteria for coverage.* To be entitled to coverage under this section, a covered person must:

1. Notify the Executive Director or Authority legal counsel in writing as soon as practicable, but not later than three working days, after receipt of written notice of a proceeding;
2. Cooperate with the Authority in the conduct of the proceeding, negotiation of settlements, and enforcement of any rights of the Authority or the covered person against any claimant;
3. Attend depositions, hearings and trials, and assist in securing evidence and obtaining the attendance of witnesses;
4. Not, except with the consent of the Executive Director or Authority legal counsel, enter into any agreement or stipulation concerning a proceeding;
5. Not, except with the consent of the Executive Director or Authority legal counsel, or upon request of a public officer at the scene of an accident, give any oral or written statement concerning the accident; and
6. Not, except at the covered person's own cost, voluntarily make any payment, assume any obligation or incur any expense in connection with a proceeding without the consent of the Executive Director or Authority legal counsel.

E. *Exemptions.* Coverage under this section will not apply to a claim or suit brought against a covered person:

1. By the Authority;
2. Arising from the intentional or knowing violation of a penal statute or law committed by or with the knowledge and consent of the covered person, or arising from a fraudulent act committed by or at the direction of the covered person;
3. If the covered person joins or attempts to join a proceeding against the Authority or an officer or employee of the Authority with a proceeding against the covered person; or
4. If the covered person fails to comply with subsection D of this section.

F. *Investigation, negotiation, settlement.* The Authority may investigate, retain counsel, negotiate and settle any proceeding as it determines to be reasonable and prudent.

G. *Subrogation of rights.* A covered person, in accepting coverage under this section, agrees to allow the Authority to be subrogated to any rights of the covered person to the extent of the Authority's obligations and payments under this section.

H. *Conflict of interest.* If the Executive Director or Authority legal counsel determines there is a conflict between the interests of the Authority and those of a covered person involved in a proceeding, the Authority may designate and pay the reasonable fees of a separate attorney to represent the covered person.

I. *Disciplinary action.* Nothing in this section will affect the Authority's right to take disciplinary action against a covered person for conduct otherwise indemnified or defended by the Authority under this section.

Section 11.2. Non-exclusivity of Rights. The right to indemnification conferred in this Article XI shall not be exclusive of any other right which a covered person may have or hereafter acquire under any law (common or statutory), these Bylaws, written agreement with the Authority, vote of disinterested Directors or otherwise.

Section 11.3. Insurance. The Authority may purchase and maintain insurance, at its expense, to protect itself and any covered person against any expense, liability or loss, whether or not the Authority would have the power to indemnify such person against such expense, liability or loss under this Article.

Section 11.4. Notification. The Executive Director will report any indemnification of a covered person under this Article to the Board.

Section 11.5. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Authority shall nevertheless indemnify and hold harmless each covered person with respect to a proceeding to the extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE 12 CODE OF ETHICS

Section 12.1. Purposes.

A. This Code of Ethics is adopted as part of the Authority's Bylaws for the following purposes: 1) to establish policies to promote and maintain public confidence in the Authority; 2) to establish high ethical standards for official conduct by Directors and officers; and 3) to encourage compliance with the standards of conduct.

B. It is the policy of the Authority that Directors and officers 1) conduct themselves in a manner consistent with sound business and ethical practices; 2) consider the public interest foremost in conducting Authority business; and 3) avoid both impropriety and the appearance of impropriety with respect to Authority business in their official and personal affairs.

Section 12.2. Compliance with Ethics Policies. It is the Authority's policy that Directors and officers shall comply with all of the following:

- A. Conduct themselves in a manner consistent with sound business and ethical practices;
- B. Consider the public interest foremost in conducting Authority business; and
- C. Avoid impropriety and the appearance of impropriety with respect to Authority business in their public and personal affairs.

Section 12.3. Prohibited Acts. Except with the prior approval of the Board, no Director, officer, or committee member of the Authority shall do any of the following:

- A. Any act in violation of these Bylaws or a binding obligation of the Authority;
- B. Any act with the intention of harming the Authority or any of its operations;
- C. Any act that would make it impossible or unnecessarily difficult to carry on the intended or ordinary business of the Authority;
- D. Receive an improper personal benefit from the operation of the Authority;
- E. Use the assets of the Authority, directly or indirectly, for any purpose other than carrying on the business of the Authority;
- F. Wrongfully transfer or dispose of Authority property, including intangible property such as good will;
- G. Use the name of the Authority (or any substantially similar name) or any trademark or trade name adopted by the Authority, except on behalf of the Authority in the ordinary course of the Authority's business; or
- H. Except as required by law, disclose any Authority business practices, trade secrets, or any other information not generally available to the public to any person not authorized to receive it.

Section 12.4. Compliance with Ethics-Related Laws. Directors and officers shall comply with all of the following:

- A. Chapter 171, Texas Local Government Code, relating to conflicts of interests with a business entity or real property in which an official has a substantial interest;
- B. Chapter 176, Texas Local Government Code, relating to the filing by an officer of a conflicts disclosure statement with respect to a vendor with which the officer has a business relationship.
- C. Chapter 573, Texas Government Code, prohibiting participation by a Director or officer in personnel actions involving a person related to the Director or officer.

D. Article III, Section 52, of the Texas Constitution, relating to the prohibition on granting public money or things of value to any individual, association or corporation.

E. Chapter 36, Texas Penal Code, relating to the solicitation or acceptance of an improper benefit in connection with an exercise of discretion by a public servant.

ARTICLE 13
AMENDMENTS

To be effective, a proposal to alter, amend, or repeal these Bylaws must be approved by the affirmative vote of a majority of all of the Directors at any regular meeting, or at any special meeting if notice of the proposal is contained in the notice of the special meeting.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting Secretary of the Board of Directors of the Alliance Regional Water Authority and that the foregoing Bylaws constitute the Bylaws of the Authority. These Bylaws were approved and duly adopted at a meeting of the Board of Directors held on _____, 2018.

DATED: _____, 2018.

ALLIANCE REGIONAL WATER AUTHORITY

Secretary, Board of Directors

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

- E.8** Discussion and possible direction to staff regarding new rules for the Authority. ~
Mark Taylor, Legal Counsel
-

Background/Information

The statute that provided for the conversion from the Hays Caldwell Public Utility Agency to the Alliance Regional Water Authority allowed the Authority to make rules that affects its operations and potentially the Authority's Sponsors.

Mark Taylor led the drafting of the proposed rules. The framework for the proposed rules were originally discussed with the Executive Committee in the summer of 2017 and then in more detail in January and February 2018. The attached rules were recommended for approval by the Executive Committee at their February 14th meeting.

Staff is recommending delaying consideration of the rules until the April meeting. Assuming the Board adopts new bylaws for the Authority under Item E.7, then Staff will follow the notice provisions for rule-making included in the bylaws for approval of the rules. This will include 10-day notification to each of the Sponsors of the proposed rules and a public hearing at the Board meeting where the rules will be considered.

The proposed rules track closely with the proposed bylaws. Mr. Taylor will lead an overview of the rules at the Board meeting.

Attachment(s)

- Proposed Rules 2018-02-16

Board Decision(s) Needed:

- None.

RULES

OF THE

ALLIANCE REGIONAL WATER AUTHORITY

Created by the Legislature of the State of Texas as a regional water authority in Bexar, Caldwell, Comal, Guadalupe, and Hays Counties, under and essential to accomplish the purposes of Section 59, Article XVI, Texas Constitution

Date of Adoption: _____, 2018

**RULES
OF THE
ALLIANCE REGIONAL WATER AUTHORITY**

PART 1. DEFINITIONS

Rule 1.1. Definitions of Terms. Unless the context clearly indicates a different meaning, the terms below shall have the following meanings in these Rules:

A. *Authority* means the Alliance Regional Water Authority.

B. *Board* means the board of directors of the Authority.

C. *Customer* means a local government or private entity that is not a Sponsor and which has a contract with the Authority for water or wastewater services.

D. *Director* means a member of the Board.

E. *District* means any district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation.

F. *Enabling Act* means the Authority's enabling legislation (Act of May 28, 2017, 85th Leg., R.S., ch. 806, 2017), authorized by Article 16, Section 59, of the Texas Constitution, codified in the Texas Special District Local Laws Code, Chapter 11010.

G. *Executive Director* means the person appointed by the Board as the chief executive officer of the Authority.

H. *Local government* means:

1. a municipality, county, district, or other political subdivision of this state;
2. a local government corporation;
3. a nonprofit corporation created to act on behalf of a local government; or
4. a combination of two or more of the entities described by this subdivision.

I. *Private entity* includes an individual, corporation, organization, business trust, estate, trust, partnership, and association and any other legal entity that is not a governmental body or agency.

J. *Sponsor* means:

1. the City of Kyle;

2. the City of San Marcos;
 3. the City of Buda;
 4. the Canyon Regional Water Authority; and
 5. any other local government or private entity added to the Authority as a Sponsor under Section 11010.005 of the Act.
- K. *State* means the State of Texas.

L. *Water* includes:

1. groundwater, percolating or otherwise, notwithstanding the quality of the groundwater;
2. any surface water, naturally or artificially impounded or in a navigable or nonnavigable watercourse; and
3. municipal wastewater or industrial wastewater, including municipal wastewater or industrial wastewater that has been treated to a quality suitable for reuse for a beneficial use.

[Bylaws cross reference: Section 1.1]

PART 2. PETITIONS TO ADD OR REMOVE A SPONSOR

Rule 2.1. Form and Manner of Submission of Petition to Add a Sponsor.

A. A petition to add a local government or private entity to the Authority as a Sponsor must be submitted on the form attached to these Rules as Attachment 1.

B. The petition must be submitted to the Executive Director at the business office of the Authority.

C. The petition must provide all information called for on the form, and must be accompanied by all required attachments. The Executive Director will inform a Petitioner of any incomplete items and allow the Petitioner 10 days to provide additional information. If the Petitioner does not provide information and attachments to complete the petition within that time, the Executive Director will return the petition to the Petitioner.

[Bylaws cross reference: Section 8.1]

Rule 2.2. Form and Manner of Submission of Petition to Remove a Sponsor

A. A petition to remove a local government or private entity from the Authority as a Sponsor must be submitted on the form attached to these Rules as Attachment 2.

B. The petition must be submitted to the Executive Director at the business office of the

Authority.

C. The petition must provide all information called for on the form, and must be accompanied by all required attachments. The Executive Director will inform a Petitioner of any incomplete items and allow the Petitioner 10 days to provide additional information. If the Petitioner does not provide information and attachments to complete the petition within that time, the Executive Director will return the petition to the Petitioner.

[Bylaws cross reference: Section 8.2]

PART 3. DIRECTORS; APPORTIONMENT; APPOINTMENT

Rule 3.1. Setting the Number of Directors; Apportioning Directors among the Sponsors.

A. The number of Directors is set at 13.

B. The Directors are apportioned among the Sponsors based on the amount of water contracted to be supplied to each Sponsor under the terms of the Authority's water supply contract with the Sponsor. At present, the Authority and the Sponsors are all parties to a single Regional Water Supply Contract, and the Directors are apportioned based on the share of capacity in the Authority water supply project that is reserved for each Sponsor in that contract (subject to a minimum of one Director for each Sponsor), as follows:

1. The City of San Marcos, Texas appoints five Directors.
2. Canyon Regional Water Authority appoints four Directors.
3. The City of Kyle, Texas appoints three Directors.
4. The City of Buda, Texas appoints one Director.

[Bylaws cross reference: Section 3.1.B]

Rule 3.2. Reapportionment of Directors among Sponsors.

A. After the addition or removal of a Sponsor, the Enabling Act requires the Board by rule to reapportion the Directors among the Sponsors based on the amount of water contracted to be supplied to each Sponsor under the terms of the Authority's water supply contracts with the Sponsors.

B. In connection with a change to the amount of water contracted to be supplied by the Authority to the Sponsors under the terms of the Authority's water supply contracts with the Sponsors, the Board shall determine whether a change in the number of Directors or in the apportionment of Directors among the Sponsors is appropriate. If the Board determines such a change is appropriate, the Board by rule shall proceed to make the change.

C. Before the Board reapportions the Directors among the Sponsors for any reason, or increases or decreases the number of Directors on the Board for any reason, the Board will ask the Executive Director for a recommendation on the proposed change.

[Bylaws cross reference: Section 3.1.I, J, K and L]

Rule 3.3. Method by which Sponsors Appoint Directors

At present, all of the Sponsors are local governments. Action by a Sponsor to appoint or remove a Director shall be in the form of a minute entry, ordinance or resolution approved by the Sponsor's governing body.

[Bylaws cross reference: Section 3.1.D]

PART 4. PROCEDURES BEFORE THE BOARD

Rule 4.1. Regular Meetings of Board.

The Board will hold its regular meetings at such place or places as the Board determines by resolution.

[Bylaws cross reference: Section 3.2]

Rule 4.2. Special and Emergency Board Meetings.

A. Special and emergency meetings of the Board shall be held whenever called by the Chair or the Secretary, or at the written request of three Directors.

B. The Authority shall give notice of each special meeting to each Director in person or by facsimile, mail, or electronic mail.

C. The Authority shall give notice of each emergency meeting to each Director in person or by facsimile, mail, or electronic mail. The notice on its face shall describe the emergency that gave rise to the need for the meeting.

D. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Authority may be considered and acted upon at a special or emergency meeting.

[Bylaws cross reference: Section 3.3]

Rule 4.3. Quorum; Required Vote.

A. A majority of all of the Directors shall constitute a quorum of the Board. The Board may not conduct business unless a quorum of the Board is present, either in person or by telephone conference call or videoconference to the extent permitted under the Open Meetings Act. If at any meeting of the Board there is less than a quorum present, a majority of those present may continue

the meeting to a time not later than the day immediately following the date for which notice of the meeting was given.

B. The concurrence of a majority of the Directors present and voting at a meeting at which a quorum is in attendance shall constitute the act of the Board, unless the concurrence of a greater number is required by law, or by rules adopted by the Board.

C. The concurrence of a majority of all of the Directors shall be required for any of the following actions:

1. The award of a construction contract in an amount greater than \$100,000.
2. Approving a contract for the supply of water by the Authority.
3. An amendment to these Bylaws.
4. Creation of a committee.
5. Election or removal of an officer of the Board.
6. Adoption of an emergency rule.
7. A change in the apportionment of Directors among the Sponsors.

8. Any waiver of confidentiality or privilege related to any attorney-client communication between any legal counsel of the Authority and the Board, any committee, or any officer, Director, committee member, employee or agent of the Authority.

D. The concurrence of at least two-thirds of all of the Directors shall be required for any of the following actions:

1. Authorizing the issuance of bonds or the approval of a promissory note or other instrument creating debt.
2. Appointing or terminating an Executive Director.
3. Issuing an order adding or removing a Sponsor from the Authority.

E. A Director who is present at a meeting of the Board at which any Authority action is taken shall be presumed to have assented to such action unless his or her dissent or abstention is entered in the minutes of the meeting, or unless the Director files his or her written dissent or abstention to such action with the person acting as the secretary of the meeting before the adjournment thereof. Such right to dissent or abstain shall not apply to a Director who voted in favor of the action.

[Bylaws cross reference: Section 3.4]

Rule 4.4. Open Meetings Act.

All meetings of the Board shall be subject to applicable provisions of the Open Meetings Act.

[Bylaws cross reference: Section 3.5]

Rule 4.5. Board Meeting Agendas; Conduct of Business.

A. Agendas for Board meetings will be prepared by the Executive Director, in consultation with the Chair as needed. The Chair may include an item on an agenda upon written request by one or more Directors. If the Chair declines such a request, the Director or Directors may request direction from the Board at a Board meeting to include the item on a future agenda. The agenda for each regular meeting shall include an item under which the public may offer comments on matters related to Authority business, and an item under which a Board member can request that an item be included on a future agenda.

B. At meetings of the Board, matters shall be considered in the order the Board determines is appropriate.

C. At meetings of the Board, the Chair shall preside, and in the absence of the Chair, the Vice Chair shall preside. In the absence of the Chair and the Vice Chair, the Board shall choose an acting chair for that meeting from among the Directors present.

D. Each Director is entitled to one vote on any issue before the Board.

[Bylaws cross reference: Section 3.6]

PART 5. WATER CONSERVATION AND DROUGHT CONTINGENCY PLANS

Rule 5.1. Adoption of Water Conservation Plan.

The Alliance Regional Water Authority Water Conservation Plan, attached to these Rules as Appendix A, is adopted.

Rule 5.2. Adoption of Drought Contingency Plan.

The Alliance Regional Water Authority Drought Contingency Plan, attached to these Rules as Appendix B, is adopted.

Appendix A
Alliance Regional Water Authority
Water Conservation Plan

Basis for the Plan:

Section 11010.104 authorizes the Authority Board to adopt a water conservation plan by rule.

Description of the Plan:

The Authority Water Conservation Plan consists of a compilation of the water conservation plans of each of the Sponsors, as they exist on the effective date of these Rules, and as they may be amended from time to time by the Sponsors.

Enforcement:

Each Sponsor will be responsible for enforcing its water conservation plan.

Appendix B
Alliance Regional Water Authority
Drought Contingency Plan

Basis for the Plan:

Section 11010.104 authorizes the Authority Board to adopt a drought contingency plan (DCP) by rule.

Overview of Plan:

Each groundwater conservation district (GCD) that has issued a production/operating permit to the Authority may temporarily reduce the quantity of groundwater the Authority is allowed to produce in response to drought conditions and/or the extent to which applicable desired future aquifer conditions are being achieved.

Period in Which Plan is in Effect:

The Board by order will implement the Authority DCP during any period of time in which a GCD from which the Authority holds a production/operating permit temporarily reduces the quantity of groundwater the Authority is allowed to produce under the permit.

Methodology for Implementing a Reduction:

Unless otherwise determined by the Board, a Board order implementing the Authority DCP will reduce the Authority's contracted water supply amounts to each Sponsor pro rata during the period in which the GCD reduction is in effect, based on the extent to which the GCD reduces the quantity of groundwater the Authority is allowed to produce under the permit during that period.

Enforcement:

The Authority will limit the quantity of water the Authority supplies to each Sponsor in accordance with the provisions of each Board order implementing the Authority DCP.



Petition to Add a Sponsor to the Alliance Regional Water Authority

Petitioner Name:	
Petitioner Address:	
Contact Person Name:	
Phone:	Email:
Petitioner is a (check one): <input type="checkbox"/> Local Government <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Association <input type="checkbox"/> Trust <input type="checkbox"/> Other - <i>Specify:</i> _____	
Petitioner's Water Service Certificate of Convenience and Necessity (CCN) Number (if applicable):	
County/counties in which the Petitioner's water service CCN area is located (if applicable):	
Explain why the Petitioner will benefit from being added to Alliance Water as a Sponsor:	
Explain why it is in the best interest of Alliance Water to add the Petitioner as a Sponsor:	
Attachments Checklist:	
	Resolution or other evidence of governing body approval of this petition (For local governments)
	Map of Petitioner's water service CCN area (if applicable)
	Schedule of the quantities of water the Petitioner expects Alliance Water to supply over time

Verification

I, the undersigned, verify under oath that I am duly authorized to submit this petition on behalf of the Petitioner, and that all information contained in this petition is true and correct.

Signature

Printed name, title

Sworn to and subscribed before me, the undersigned authority, on _____, 20__.
[Notary seal]

Notary Public, State of _____



Petition to Remove a Sponsor from the Alliance Regional Water Authority

Petitioner Name:	
Petitioner Address:	
Contact Person Name:	
Phone:	Email:
Petitioner is a (check one): <input type="checkbox"/> Local Government <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Association <input type="checkbox"/> Trust <input type="checkbox"/> Other - <i>Specify:</i> _____	
Petitioner's Water Service Certificate of Convenience and Necessity (CCN) Number (if applicable):	
County/counties in which the Petitioner's water service CCN area is located (if applicable):	
Explain why the Petitioner will benefit from being removed from Alliance Water as a Sponsor:	
Explain why it is in the best interest of Alliance Water to remove the Petitioner as a Sponsor:	
Attachments Checklist:	
	Resolution or other evidence of governing body approval of this petition (For local governments)
	Map of Petitioner's water service CCN area (if applicable)

Verification

I, the undersigned, verify under oath that I am duly authorized to submit this petition on behalf of the Petitioner, and that all information contained in this petition is true and correct.

Signature

Printed name, title

Sworn to and subscribed before me, the undersigned authority, on _____, 20__.
[Notary seal]

Notary Public, State of _____

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.

501 E. Hopkins, San Marcos, TX 78666

- E.9** Discussion and possible direction to staff regarding a policy on Board and Committee meeting procedures. ~ *Mark Taylor, Legal Counsel*
-

Background/Information

During the discussion of the draft bylaws at the February meeting the Board requested an item be included to address meeting procedures for Board and committee meetings. After the meeting Mark Taylor located rules of procedure that were passed by the HCPUA Board at their third ever meeting.

Attached is an updated version of these proposed rules of procedure for consideration by the Board. The procedures include the basic parameters for how agendas are structured, types of actions/motions that may be taken, voting procedures and finally control of the meetings.

Our intent is to get the Board's feedback on this draft policy, revise if necessary and then bring it back in April for formal action.

Attachment(s)

- Draft Meeting Procedures 2018-03-22

Board Decision(s) Needed:

- None.



ALLIANCE WATER

Alliance Regional Water Authority Policy on Board and Committee Meeting Procedures

Article 1. In General

Section 1.01. Application of Policy. This policy applies to meetings of the Board of Directors of the Alliance Regional Water Authority, and to meetings of committees of the Alliance Regional Water Authority other than temporary committees.

Section 1.02. Definitions. In this Policy:

- A. *Authority* means the Alliance Regional Water Authority.
- B. *Board* means the Board of Directors of the Alliance Regional Water Authority.
- C. *Chair* means the Chair of the Board of Directors, or the Chair of a Committee, as applicable.
- D. *Committee* includes the Technical Committee, the Advisory Committee if created by the Board, and any other standing committee created by the Board. *Committee* does not include a temporary committee designated by the Board.
- E. *Executive Director* means the person appointed by the Board as the chief executive officer of the Authority.
- F. *Open Meetings Act* means Chapter 551 of the Texas Government Code, as it may be amended from time to time.
- G. *Quorum* means a majority of the members of the Board or a Committee.

Article 2. Order of Business/Agenda

Section 2.01. Order of Business – Regular Meetings. The following general order of business should be used for regular meetings of the Board or a Committee:

- A. **Call to order**
- B. **Attendance roll call**
- C. **Public Comments**
- D. **Consent Agenda** (includes routine items such as minutes from the previous meeting which normally do not need separate discussion)
- E. **Presentations to the Board/Committee**
- F. **Items for Board/Committee action or discussion/direction** (items should be listed individually as needed to comply with Open Meetings Act requirements)
- G. **Reports** (report items should be listed individually as needed to comply with Open Meetings Act requirements)

H. Items for future agendas

I. **Executive Session** – To discuss attorney-client, real estate negotiation, personnel, or similar matters as permitted under the Open Meetings Act

J. Adjournment

Section 2.02. Agenda – Regular Meetings. The agenda for regular Board and Committee meetings should be based on the order of business in Section 2.01 above.

Section 2.03. Order of Business/Agenda for Other Meetings. The order of business and agenda for special meetings, emergency meetings, and workshop meetings of the Board or a Committee may vary from the order of business for regular meetings.

Section 2.04. Preparation of Board Agendas. Agendas for Board meetings will be prepared by the Executive Director, in consultation with the Chair as needed. The Chair may include an item on an agenda upon written request by one or more Directors. If the Chair declines such a request, the Director or Directors may request direction from the Board at a Board meeting to include the item on a future agenda. The agenda for each regular meeting will include an item under which the public may offer comments on matters related to Authority business, and an item under which a Director can request that an item be included on a future agenda.

Section 2.05. Preparation of Committee Agendas. Agendas for Committee meetings will be prepared by the Executive Director, in consultation with the Chair as needed. The Chair may include an item on an agenda upon written request by one or more Committee members. If the Chair declines such a request, the Committee member or members may request direction from the Committee at a Committee meeting to include the item on a future agenda. The agenda for each regular meeting will include an item under which a Committee member can request that an item be included on a future agenda.

Section 2.06. Consent Agenda Items. The consent agenda portion of the printed agenda shall be preceded by an explanatory note substantially as follows:

The items included in the Consent Agenda portion of this meeting agenda can be considered and approved by the Board (or Committee) by one motion and vote. A Board (or Committee) member may request that an item included in the Consent Agenda be considered separately, in which event the Board (or Committee) will take action on the remaining Consent Agenda items and then consider the item removed from the Consent Agenda.

Article 3. Conducting Business

Section 3.01. Introduction of Items by Chair; Order in Which Items Are Considered. The Chair should introduce each item as it appears on the agenda, and in the order in which it appears on the agenda. The Chair may allow items to be considered out of order with the informal consent of the Board or Committee.

Section 3.02. Types of Actions and Motions. The following types of actions may be taken or motions can be made during a meeting:

- A. **Approval** - Means the item is approved as proposed.
- B. **Conditional approval** - Means approval for the item will take effect upon the occurrence of the conditions.
- C. **Approval as amended** - Means the item is approved with changes from the original proposal.
- D. **Table or postpone** - Means postponement of consideration of the item, either until a definite time, or indefinitely. Action on the item at a subsequent meeting requires the item to be placed on the agenda for that meeting.
- E. **Reconsider** - Means to reopen discussion of an item that was already acted upon. Reconsideration may only occur at the same meeting, or at the next meeting after the one at which the original action occurred. A motion to reconsider may only be made by a person who voted on the prevailing side on the original action. Reconsideration of an item at a subsequent meeting requires the item to be placed on the agenda for that meeting.
- F. **Withdraw** - Made by the person who made the motion. Does not require a formal vote unless a member objects to the withdrawal.
- G. **Close debate ("calling for the question")** – Requires a motion and second and 2/3 vote. If it passes, a vote is then taken on the motion that was under discussion, without further debate. If it fails, debate resumes on the motion that was being discussed.
- H. **Amend** - Usually consists of striking out, inserting, adding, or substituting words, sentences or paragraphs to the subject of the original motion. This motion is voted upon separately from the original motion. **Note: A friendly amendment**, agreed to by persons who made and seconded a motion, does not require a separate vote from the original motion.
- I. **Recess** - A temporary break in a meeting may be called by the Chair. This does not require a formal vote unless a member objects to the recess.
- J. **Limited discussion or debate** - The Chair may establish a time limit for consideration of an item, or a time limit on each person addressing the Board or Committee, or upon each Board or Committee member who comments on an issue. This does not require a formal vote unless a member objects to the limits.

Section 3.03. Discussion/Action Limited to Agenda Items. In accordance with the Open Meetings Act, discussion and action is limited to the items listed on the agenda for a meeting. Discussion of any subject not listed on the agenda must be limited to whether to place the item on the agenda for a future meeting.

Article 4. Voting

Section 4.01. Method of Voting. The Chair will decide whether to allow voting to occur by roll call, by show of hands, or by voice vote. In case of split votes, abstentions or similar events, voting should occur in a manner that permits the recording secretary to identify how each member votes in the minutes of the meeting.

Section 4.02. Motion and Second Required. Each vote should be preceded by a motion and a second.

Section 4.03. Chair May Vote. The Chair is entitled to make a motion or second, and is entitled to vote, on all items before the Board or a Committee, except where abstention is otherwise required by law.

Section 4.04. Quorum Required for Vote. A quorum of the Board or a Committee must be present for a vote to take place. Voting is decided by a majority of the members present, unless otherwise provided by law or by the Rules of the Authority. A tie vote results in failure of the motion voted upon.

Section 4.05. Announcing Vote. The Chair or recording secretary should always announce the result of each vote. Until this announcement is made, a member is entitled to change his or her vote.

Article 5. Control of Meetings

Section 5.01. Chair Presides. The Chair, or in the Chair's absence the Vice-Chair, presides over meetings. In the absence of both the Chair and Vice-Chair, the Board or Committee should elect an interim chair for that meeting, or until the Chair or Vice-Chair arrives.

Section 5.02. Chair Maintains Order. The Chair is responsible for promoting and maintaining order in meetings. The Chair should ensure adherence to the agenda for the meeting.

Section 5.03. Obtaining Recognition before Speaking. A person, including a member of the Board or a Committee, should obtain recognition from the Chair before addressing the Board or Committee. The Chair may allow open discussion, however, in informal settings such as workshop meetings, or during discussion items.

Section 5.04. Chair Controls Discussion; No Personal Remarks. The Chair should control discussion to ensure that it focuses on the issue and not on any person. Personal remarks and attacks are not permitted.

Section 5.05. Chair's Authority to Enforce Policy. The Chair should exercise control over persons who abridge this policy or disrupt a meeting in the following ascending order of action:

- A. Call the person to order, advising the person of the infraction.
- B. Advise the person that the infraction must cease immediately or the person will be ordered to leave the meeting.
- C. Order the person to leave the meeting. If the offending person is a member of the Board or Committee, the Chair shall call for a vote on the expulsion of the member from the meeting.

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

- E.10** Consider adoption of Resolution 2018-03-28-004 authorizing the creation of a Technical Committee and making initial appointments. ~ *Graham Moore, P.E., Executive Director*
-

Background/Information

The new bylaws considered by the Board (refer to Item E.7) provide for the creation of a Technical Committee. Assuming the bylaws are adopted, approval of this resolution will create the Technical Committee and will delegate to it the role and functions previously performed by the Executive Committee.

The current appointees to the Executive Committee are:

- James Earp
- Kenneth Williams
- Tom Taggart
- Steve Parker
- Humberto Ramos
- Lee Urbanovsky as a Non-Voting Member

Attachment(s)

- Resolution 2018-03-28-004

Board Decision(s) Needed:

- Adoption of Resolution 2018-03-28-004 creating a Technical Committee and making initial appointments.



ALLIANCE WATER

RESOLUTION NO. 20180328-004

A RESOLUTION OF THE ALLIANCE REGIONAL WATER AUTHORITY BOARD OF DIRECTORS CREATING A TECHNICAL COMMITTEE; MAKING APPOINTMENTS TO THE COMMITTEE; DELEGATING RESPONSIBILITIES TO THE COMMITTEE; PROVIDING FOR OTHER MATTERS RELATED TO THE COMMITTEE; AND DECLARING AN EFFECTIVE DATE

RECITALS:

1. Section 3.7 of the Bylaws of the Alliance Regional Water Authority (the "Authority") allows for the Authority Board of Directors (the "Authority Board") by resolution to create a Technical Committee consisting of three or more Directors as voting members and one or more persons who are not Directors as non-voting members.

2. Section 3.7 of the Bylaws of the Authority allows for the resolution creating the Technical Committee to delegate powers related to management of the Authority to the Technical Committee, so long as the powers do not extend to matters for which action of the Authority Board is required by statute or in the Bylaws.

3. The Authority Board, in Order No. 20170628-001, confirmed the conversion of the Hays Caldwell Public Utility Agency (the "Agency") to the Authority, continued in place all Agency policies, and continued in place the Executive Committee to which the Agency Board of Directors had delegated certain authority related to management of the Agency.

4. The Authority Board wishes to create a Technical Committee as successor to the Executive Committee, continue in the Technical Committee the role and functions previously performed by the Executive Committee, provide for other matters to be addressed by the Technical Committee, and provide for the manner by which the Technical Committee will take action.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALLIANCE REGIONAL WATER AUTHORITY:

SECTION 1. The Authority Board creates a Technical Committee comprised of six Directors as voting members and one person who is not a Director as a non-voting member.

SECTION 2. The Authority Board appoints _____, _____, _____, _____, and _____ as voting members of the Technical Committee, and _____ as a non-voting member of the Technical Committee.

SECTION 2. The Technical Committee is authorized and directed to provide guidance, input and direction to the Authority's Staff and consultants as necessary on technical issues affecting the Authority's operations and capital projects.

SECTION 3. For all existing Authority policies and policies carried over from the Agency (including, without limitation, the Consultant Review Policy, Financial Policies, Investment Policy, Participant Request Policy, Property Acquisition Policy and Purchasing Policy), the Technical Committee will serve in the roles of the former Executive Committee and shall have the duties and authority previously indicated for the Executive Committee.

SECTION 4. The Technical Committee will be ongoing in nature and in general will meet on a monthly basis. Four or more voting members of the Technical Committee will constitute a quorum, and action by the Technical Committee will require the concurrence of a majority of a quorum of the voting members present at a meeting.

SECTION 5. The Technical Committee will keep minutes of its meetings and will cause the minutes to be maintained in the office of the Authority, and will report on its activities to the Authority Board from time to time. The Authority will give notice of any meeting of the Technical Committee in the manner required for a meeting of the Authority Board under the state Open Meetings Act and the Authority Bylaws.

SECTION 6. This Resolution shall be in full force and effect immediately upon its passage.

ADOPTED: March 28, 2018.

ATTEST:

Jane Hughson
Chair, Board of Directors

James Earp
Secretary, Board of Directors

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

- E.11** Update on status of groundwater management in project target area, and Gonzales County Underground Water Conservation District, Plum Creek Conservation District, Groundwater Management Area 13, Region L Planning Group, Guadalupe-Blanco River Authority, Hays County and Capital Area Planning Group activities.
-

Gonzales County Underground Water Conservation District (GCUWCD)

The GCUWCD met on March 13th. The GCUWCD canceled their May elections due to the two current officeholders being unopposed. The GCUWCD has been leading the monitoring well program that is paid in part by the Alliance Water. The intent was to start the program with three monitoring wells, take the lessons learned and then complete the remaining 12 wells. The selected driller was only able to complete one of the initial three wells. A meeting is scheduled for March 29th with the GCUWCD the Guadalupe County Groundwater District and the permittees who are paying for the monitoring program to discuss how best to continue the program.

Plum Creek Conservation District (PCCD)

The PCCD met on March 20th. Their staff is continuing to work on the new groundwater rules, which they now anticipate will be discussed with the Board in April and subsequently released for public comment.

Groundwater Management Area 13

No update.

Region L Planning Group

No update.

Guadalupe-Blanco River Authority

No update.

Hays County Activities

No update.

Capital Area Council of Governments (CAPCOG) Activities

No update.

Board Decision(s) Needed:

- None.

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

F. EXECUTIVE DIRECTOR AND LEGAL COUNSEL REPORTS

EXECUTIVE DIRECTOR

Upcoming Water Conferences Reminder

- Kent Butler Summit – The Case for Regional Collaboration for the Future of the Hill Country – Wednesday, April 4th at Texas State LBJ Student Center from 9AM – 4PM. Cost is \$65 and includes lunch.
<https://kentbutlersummit.com/>
- Rethinking Texas Water Policy – Thursday and Friday, April 5-6th at Texas A&M Bush School of Government & Public Service. Cost is \$150 before March 9th and \$200 after. More info can be found at:
<http://bush.tamu.edu/mosbacher/events/txwater/>

Log and Calendar of Events

- Attached is the log of activities for February along with the 3-month look ahead calendar for the Executive Director.

**Executive Director
Log of Activities**

February						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				<i>1-Feb</i>	<i>2-Feb</i>	<i>3-Feb</i>
				Region L Staff Work Group	Kimley-Horn conf. call	
				Review SOQs	Well Field layout review mtg	
				Review bylaws and rules	Legal conf. call	
<i>4-Feb</i>	<i>5-Feb</i>	<i>6-Feb</i>	<i>7-Feb</i>	<i>8-Feb</i>	<i>9-Feb</i>	<i>10-Feb</i>
	Agreement - critical item list	Mtg w/ Greg S. @ GCUWCD	Mtg w/ Rep. Cyrier	Ph1A Segment A Pre-Con	Blanco Basin WW Coordination	
	Caldwell County coordination	Mtg w/ K. Williams	Materials Testing proposal	WQ info to HDR	Review SOQs	
	CRWA update	Agreement critical item list	Letters re: Board appointments	Review SOQs	Review water contracts	
<i>11-Feb</i>	<i>12-Feb</i>	<i>13-Feb</i>	<i>14-Feb</i>	<i>15-Feb</i>	<i>16-Feb</i>	<i>17-Feb</i>
	CRWA Board Meeting	Owner's Rep Scope Review Call	Mtg w/ CDM Smith re: WTP	Region L Meeting	Legal Conference Call	
	Review SOQs	GCUWCD Board Mtg	Exec Cmte Mtg	Mtg / Jane Hughson	Well field coordination	
	Pre-con minutes review	January financials	Call w/ SPFI	Review SOQs	Bylaws review	
		Review Owner's Rep scope				
<i>18-Feb</i>	<i>19-Feb</i>	<i>20-Feb</i>	<i>21-Feb</i>	<i>22-Feb</i>	<i>23-Feb</i>	<i>24-Feb</i>
	Review SOQs	Review SOQs	Owner's Rep Scope & Fee	Audit Coordination	Mtg w/ Chris Walker & Evans Family re: well field	
	Meet with Gap Strategies	PCCD Board Meeting	Well location coordination	Board agenda	Board Packet	
	January Financials	Audit Coordination	Land Acquisition RFQ	Owner's Rep Scope & Fee		
<i>25-Feb</i>	<i>26-Feb</i>	<i>27-Feb</i>	<i>28-Feb</i>			
	RFQ coordination	Shared water coordination	CRWA Board of Managers Mtg			
	Audit coordination	Phase 1A Pump Station TWDB	ARWA Board Meeting			
	Filing					
	Landowner coordination					

March 2018

March 2018							April 2018						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3	1	2	3	4	5	6	7
4	5	6	7	8	9	10	8	9	10	11	12	13	14
11	12	13	14	15	16	17	15	16	17	18	19	20	21
18	19	20	21	22	23	24	22	23	24	25	26	27	28
25	26	27	28	29	30	31	29	30					

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Feb 25	26	27	28	Mar 1 11:45am Tim Merriweather (Serrano's - Southpark Meadows)	2 10:00am Alliance Water Meeting (Cibolo City Hall)	3
4	5 9:00am PM Visit Over Coffee - Buttermilk Cafe, 830-625-8700 11:15am PM Visit Over Coffee - Buttermilk Cafe, 830-625-8700	6 9:00am ARWA - GBRA Meeting (TBD) 11:30am HBA-Hays Presentation (Cabela's)	7 11:00am GSMP Infrastructure Committee Meeting (Greater San Marcos Partnership Conference)	8 11:30am Lunch with Carollo (Serrano's) 2:00pm ARWA Ph 1A Segment A Progress Mtg (ARWA Trailer) - James R. Tolles, Jr.	9 2:00pm RFQ Selection Follow-Up Call (Conference Call)	10
11	12 3:30pm Owner's Rep - Kickoff Meeting Prep (I'll Call You) 6:00pm CRWA Board Meeting	13 1:00pm Alliance Water Owner's Representative - 5:30pm GCUWCD Board Meeting (Gonzales Courthouse)	14 9:00am CRWA WTP Site Visit (Belmont Store) 3:00pm ARWA - Executive Committee Meeting	15	16	17
18	19	20 9:00am Alliance Project Update (Starbucks, 5401 South FM 1626, Kyle, TX 78640) 1:00pm PCCD Board Meeting (Lockhart)	21 10:00am GBRA Board Meeting (Seguin)	22 12:00pm PTO	23 PTO	24
25	26 11:45am Lunch With Graham to Discuss Canyon Regional Focus, Project Schedules, and Water Plant (San Marcos)	27 11:30am Kyle Chamber of Commerce Meeting (Texas Old) 2:00pm ARWA Discussion with Graham Moore	28 10:00am CRWA - Board of Managers Meeting (CRWA's Offices) 3:00pm ARWA Board Meeting	29 10:00am Monitoring Well Project Update (P.O. Box 1919) 11:00am State of the City Luncheon (San Marcos Convention	30 Easter Holiday	31

April 2018

April 2018							May 2018						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7	6	7	8	9	10	11	12
8	9	10	11	12	13	14	13	14	15	16	17	18	19
15	16	17	18	19	20	21	20	21	22	23	24	25	26
22	23	24	25	26	27	28	27	28	29	30	31		
29	30												

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Apr 1	2	3 11:30am ACEC Luncheon & Presentation 7:00pm Kyle Council Meeting (Kyle City Hall)	4 9:00am Kent Butler Summit (Texas State - LBJ Ballroom)	5 Re-Thinking Texas Water Policy (TAMU - Bush School) 10:30am GSMP Infrastructure Meeting (GSMP)	6	7
8	9 12:00pm Alliance Water - Progress Meeting / PMP Kickoff Meeting (~TX-SNA-RM-Traini) 6:00pm CRWA Board Meeting	10 5:30pm GCUWCD Board Meeting (Gonzales Courthouse)	11 3:00pm ARWA - Executive Committee Meeting	12	13	14
15	16	17 1:00pm PCCD Board Meeting (Lockhart)	18 10:00am GBRA Board Meeting (Seguin)	19	20	21
22	23	24 11:30am Kyle Chamber of Commerce Meeting (Texas Old Town)	25 10:00am CRWA - Board of Managers Meeting (CRWA's Offices) 3:00pm ARWA Board Meeting	26	27	28
29	30	May 1	2	3	4	5

May 2018

May 2018							June 2018						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Apr 29	30	May 1	2	3 9:30am Region L Meeting (SAWS)	4	5
6	7	8 5:30pm GCUWCD Board Meeting (Gonzales Courthouse)	9 3:00pm ARWA - Executive Committee Meeting	10	11	12
13	14 6:00pm CRWA Board Meeting	15 1:00pm PCCD Board Meeting (Lockhart)	16 10:00am GBRA Board Meeting (Seguin)	17	18	19
20	21	22 11:30am Kyle Chamber of Commerce Meeting (Texas Old Town)	23 10:00am CRWA - Board of Managers Meeting (CRWA's Offices) 3:00pm ARWA Board Meeting	24	25	26
27	28	29	30	31	Jun 1	2

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS
Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

G. BOARD MEMBER ITEMS – no action to be taken.

Background/Information

The Committee Members have an opportunity to make announcements or to request that items be added to future Board of Committee agendas.

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.

501 E. Hopkins, San Marcos, TX 78666

- H.1** *Executive Session pursuant to the Government Code, Section 551.071 (Consultation with Attorney) and/or Section 551.072 and 551.073 (Real Property Deliberations):*
- A. Water supply partnership options*
 - B. Groundwater leases*
 - C. Acquisition of real property for water supply project purposes*
-

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS

Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

H.2 Action from Executive Session on the following matters:

- A. *Water supply partnership options*
 - B. *Groundwater leases*
 - C. *Acquisition of real property for water supply project purposes*
-

REGULAR MEETING
Alliance Regional Water Authority Board of Directors

BOARD MEMBER PACKETS
Wednesday, March 28, 2018 at 3:00 P.M.
501 E. Hopkins, San Marcos, TX 78666

I. ADJOURNMENT
