

MINUTES

**MEETING OF THE BOARD OF  
DIRECTORS' FISCAL COMMITTEE**

SAN ANTONIO RIVER AUTHORITY



August 8, 2011, 12:00 noon

**GENERAL AND CEREMONIAL ITEMS:**

1. **CALL TO ORDER WAS MADE BY THE CHAIR, MS. TERRY E. BAIAMONTE, AT 12:15 P.M.**
2. **PLEDGE OF ALLEGIANCE WAS RECITED**
3. **AT THE CHAIR'S REQUEST, MR. LACKEY CALLED THE ROLL AND REPORTED THE FOLLOWING COMMITTEE MEMBERS PRESENT:**

- Terry E. Baiamonte, Chair
- Hector R. Morales, Vice-Chair
- Michael W. Lackey, P.E.
- Gaylon J. Oehlke
- Thomas G. Weaver

4. **CERTIFICATION OF A QUORUM WAS ANNOUNCED BY MR. LACKEY**
5. **INTRODUCTION OF VISITORS**

Ms. Sanchez announced the visitors who were present in the audience.

6. **CITIZENS TO BE HEARD**

Ms. Sanchez announced that there were no citizens signed up to speak.

7. **APPROVAL OF THE MINUTES OF THE FISCAL COMMITTEE MEETING HELD ON MAY 2, 2011**

Staff recommended a motion to approve the minutes of the Fiscal Committee meeting held on May 2, 2011, as presented.

Motion made by Thomas G. Weaver

Seconded by Gaylon J. Oehlke

**Vote:** 5 - 0 Passed - Unanimously

**8. PRESENTATION AND DISCUSSION REGARDING GOVERNANCE LETTER FROM AUDITORS**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 9.

**9. PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING AUTHORIZING THE GENERAL MANAGER TO PURCHASE EDWARDS AQUIFER GROUNDWATER RIGHTS AND TO EXECUTE AN AGREEMENT BETWEEN THE SAN ANTONIO RIVER AUTHORITY AND LIVE OAK ECONOMIC DEVELOPMENT CORPORATION, TEXAS, FOR THE PURCHASE OF EDWARDS AQUIFER GROUNDWATER RIGHTS**

Staff recommended a motion indicating Fiscal Committee support for presenting to the San Antonio River Authority Board of Directors a recommendation authorizing the General Manager to execute an agreement between the San Antonio River Authority and Live Oak Economic Development Corporation, for the purchase of Edwards Aquifer Groundwater Rights and to do and carry out all other activities necessary to complete such transaction.

Motion made by Gaylon J. Oehlke

Seconded by Thomas G. Weaver

**Vote:** 5 - 0 Passed - Unanimously

**10. PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING THE 2011 TAX RATE**

Staff recommended a motion indicating Fiscal Committee support to present to the San Antonio River Authority Board of Directors a recommendation that the 2011 tax rate be at the rate of \$0.017370 which would represent an increase in current budget tax revenues of approximately \$430,721, to be added to the General Fund Operating Reserves.

Motion made by Thomas G. Weaver

Seconded by Hector R. Morales

**Vote:** 5 - 0 Passed - Unanimously

Attachments:

Rollback Worksheet

Public Hearing Notice

**11. DISCUSSION AND APPROPRIATE ACTION REGARDING THE FISCAL YEAR 2011/12 BUDGET**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 12.

**12. PRESENTATION, DISCUSSION AND APPROPRIATE ACTION REGARDING DEPOSITORY AGREEMENT WITH COMERICA BANK**

Staff recommended a motion indicating Fiscal Committee support for presenting to the San Antonio River Authority Board of Directors a recommendation to authorize the General Manager to enter into a depository agreement with Comerica Bank of Texas.

Motion made by Michael W. Lackey, P.E.

Seconded by Hector R. Morales

**Vote:** 5 - 0 Passed - Unanimously

Attachments:

Depository Agreement

**13. DISCUSSION REGARDING THE DEVELOPMENT, APPLICATION, AND REPORTING OF THE FINANCIAL LEVERAGE INDEX AND THE PROJECT INDEX**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 14.

**14. GENERAL MANAGER'S REPORT**

- **UPCOMING EVENTS CALENDAR,**
- **FUTURE BOARD AND/OR COMMITTEE MEETINGS, AND**
- **MEETINGS INVOLVING THE ATTENDANCE OF ONE OR MORE BOARD MEMBERS**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 15.

**15. ITEMS FOR FUTURE CONSIDERATION**

There being no action taken on this item, Ms. Baiamonte called for Agenda Item 16.

**16. NEXT MEETING DATE**

Ms. Baiamonte announced that the next Fiscal Committee meeting will be Monday, October 10, 2011, at 12:00 p.m.

**17. ADJOURN**

There being nothing further to report, Ms. Baiamonte called the meeting adjourned at 1:50 p.m.

**PREPARED AND RECOMMENDED FOR COMMITTEE APPROVAL BY THE MANAGER.**

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**SUZANNE B. SCOTT, General Manager**

**APPROVED BY THE BOARD OF DIRECTORS' FISCAL COMMITTEE AT THE MEETING HELD ON OCTOBER 10, 2011.**

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**TERRY E. BAIAMONTE, Committee Chair**

**ATTEST:**

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**MICHAEL W. LACKEY, P.E., Committee Secretary**

**San Antonio River Authority  
Tax Rate Rollback Worksheet**

Maintenance and Operations (M & O) Rate:

1.	2010 average appraised value of residence homestead		<u>\$ 142,947.98</u>	
2.	2010 general exemptions available for the average homestead (excluding senior citizen's or disabled person's exemptions)	-	<u>\$ 5,000.00</u>	
3.	2010 average taxable value of residence homestead		<u>\$ 137,947.98</u>	
4.	2010 adopted M&O tax rate (per \$100 of value	x	<u>\$0.016652</u>	/\$100
5.	2010 tax on average residence homestead		<u>\$ 22.97</u>	
6.	Percentage increase to the M&O taxes	x	1.08	
7.	Highest M&O tax on average residence homestead with increase			<u>\$ 24.81</u>
8.	2011 average appraised value of residence homestead		<u>\$ 142,363.14</u>	
9.	2011 general exemptions available for the average homestead (excluding senior citizen's or disabled person's exemptions)	-	<u>\$ 5,000.00</u>	
10.	2011 average taxable value of residence homestead		<u>\$ 137,363.14</u>	
11.	Highest 2011 M&O Tax Rate (line 7 divided by line 10, multiply by 100)			<u>\$0.018061</u> /\$100
12.	2011 Debt Tax Rate	+		<u>\$0.000000</u> /\$100
13.	2011 Contract Tax Rate	+		<u>\$0.000000</u> /\$100
14.	2011 Rollback Tax Rate*			<u>\$0.018061</u> /\$100

\* This is the highest rate that the San Antonio River Authority may adopt without triggering the rollback provisions in Water Code Section 49.236.

# San Antonio River Authority

## Notice of Public Hearing on Tax Rate

The San Antonio River Authority will hold a public hearing on a proposed tax rate for the tax year 2011 on Thursday, September 1, 2011, 2:00 p.m. at 100 East Guenther, San Antonio, Texas. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

**FOR** the proposal:

**AGAINST** the proposal:

**PRESENT** and not voting:

**ABSENT:**

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	<b>Last Year</b>	<b>This Year</b>
Total tax rate (per \$100 of value)	\$ <u>0.016652</u> /\$100 Adopted	\$ <u>0.017370</u> /\$100 Proposed
Difference in rates per \$100 of value	\$ <u>0.000718</u> /\$100	
Percentage increase/decrease in rates (+/-)	4.31%	
Average appraised value	\$ <u>142,947.98</u>	\$ <u>142,363.14</u>
General exemptions available (excluding senior citizen's or disabled person's exemptions)	\$ <u>5,000.00</u>	\$ <u>5,000.00</u>
Average taxable value	\$ <u>137,947.98</u>	\$ <u>137,363.14</u>
Tax on average residence homestead	\$ <u>22.97</u>	\$ <u>23.86</u>
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-) and percentage of increase (+/-)	\$ <u>0.89</u> 3.87%	

### NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

If taxes on the average residence homestead increase by more than eight percent (8%), the qualified voters of the San Antonio River Authority by petition may require that an election be held to determine whether to reduce the maintenance and operation tax rate to the rollback tax rate under Section 49.236(d), Water Code.

## DEPOSITORY PLEDGE AGREEMENT

This Depository Pledge Agreement (“Agreement”) is entered into as of \_\_\_\_\_, by and between the San Antonio River Authority (the “Authority”), a conservation and reclamation created and operating pursuant to the laws of the State of Texas, and Comerica Bank (“Bank”), a Texas banking corporation.

The Authority has selected the Bank as a depository for certain of its funds in demand deposits, savings deposits and/or interest-bearing time deposits, and the Bank desires to be the depository of such funds. Pursuant to applicable laws and the Authority’s Investment Policy, the Bank is required to secure the public funds deposited by the Authority in the Bank to the extent that such funds are not insured by the Federal Insurance Deposit Corporation or its successors or assigns (“FDIC”) (such excess funds referred to hereafter as the “Collateralized Funds”) by pledging securities authorized by the State of Texas and the Authority (the “Approved Securities”) in an aggregate market value that at all times equals or exceeds \_\_\_\_\_% of the Collateralized Funds of the Authority on deposit with the Bank plus any interest accrued thereon (the “Required Collateral Value”).

The Bank has agreed to pledge the Approved Securities solely for the benefit of the Authority’s Collateralized Funds, and has agreed to place the Approved Securities for safekeeping in a custodial account at the Federal Reserve Bank, an independent third-party institution not owned or controlled by the Bank or its holding company (the “Safekeeping Institution”).

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the Authority and the Bank agree as follows:

Section 1.      AMOUNT OF COLLATERAL; PLEDGE OF SECURITY; GRANT OF SECURITY INTEREST. The Bank agrees that the Collateralized Funds of the Authority on deposit with the Bank in demand and savings deposits shall be secured by the pledge of Approved Securities of the type described in Exhibit “A” attached to this Agreement and incorporated for all purposes (the “Time Deposit Collateral”) in an amount equal to the Required Collateral Value.

The Bank further agrees that the Collateralized Funds of the Authority on deposit with the Bank in interest-bearing time deposits, e.g., certificates of deposit, shall be secured by Approved Securities of the type described in Exhibit “B” attached to this Agreement and incorporated for all purposes (the “Time Deposit Collateral”) in an amount equal to the Required Collateral Value.

The Bank agrees that the Time Deposit Collateral (collectively referred to at times as the “Pledged Collateral”) shall be pledged solely to, and held solely on account of, the Authority. The Bank further understands and agrees that it will not cause or permit the sharing, splitting or co-tenancy of the Pledged Collateral without the express written authorization of the

Authority.

The Bank hereby grants the Authority a security interest in the Pledged Collateral.

Section 2.     SAFEKEEPING PROVISIONS. The Safekeeping Institution, by separate agreement with the Bank (the “Safekeeping Agreement”), a copy of which is attached hereto as Exhibit “B”, has agreed to hold the Pledged Collateral in safekeeping pursuant to the terms of this Agreement. Pursuant to the terms of the Safekeeping Agreement, the Safekeeping Institution also has agreed to deliver the Pledged Collateral pursuant to the terms of the Agreement and serve as collateral agent for the Authority to the extent necessary to allow the Authority to perfect its security interest in the Pledged Collateral granted in this Agreement. The Safekeeping Institution has further agreed to provide safekeeping receipts to the Authority, dated as of the date of the deposit of the Pledged Collateral, to the Authority within (3) business days of such deposit.

Section 3.     INSTRUCTIONS REGARDING COLLATERAL. Until the Authority has the right to sell the Pledged Collateral pursuant to Section 10 of this Agreement, the Safekeeping Institution may act only in accordance with the joint instructions of the Bank and the Authority. The names and specimen signatures of individuals authorized to act on behalf of the Authority are listed in Exhibit “C” to this Agreement and the names and specimen signatures of individuals authorized to act on behalf of the Bank are listed in Exhibit “D” to this Agreement. Either the Authority or the Bank may add or remove names from their respective list of authorized individuals without the consent of the other party at any time by providing the Safekeeping Institution with a replacement Exhibit “C” or “D”.

Section 4.     SUBSTITUTIONS AND WITHDRAWALS OF COLLATERAL. The Bank and the Safekeeping Institution understand and agree that the Authority has the right to change the type of Approved Securities authorized to secure the Authority’s Collateralized Funds by providing the Bank and the Safekeeping Institution with a replacement Exhibit “A”. The Bank and the Safekeeping Institution agree to comply with the replacement Exhibit relating to the Approved Securities within thirty (30) days of receipt of such notice of substitution.

In addition, if the aggregate market value of the Pledged Collateral held by the Safekeeping Institution at any time exceeds the Required Collateral Value, Bank may withdraw any excess Pledged Collateral by providing the Safekeeping institution with a withdrawal notice signed by an authorized individual of both the Bank and the Authority. The Authority agrees to sign the withdrawal notice if the value of the remaining Pledged

Collateral equals or exceeds the Required Collateral Value. Additionally, the Bank may substitute Approved Securities for all or any portion of the Pledged Collateral held by the Safekeeping Institution at any time by providing the Safekeeping Institution with a substitution notice signed by an authorized individual of both the Bank and the Authority. The Authority agrees to sign the substitution notice if the securities to be substituted are Approved Securities and the value of the Pledged Collateral following the substitution equals or exceeds the Required Collateral Value.

Section 5.     BANK STATEMENTS AND REPORTS RELATING TO PLEDGED COLLATERAL.     Contemporaneously with the execution of the Agreement, and at the time of the substitution or release of any of the Pledged Collateral, the Bank shall execute and deliver to the Authority a statement describing the Approved Securities deposited to or withdrawn from the Pledged Collateral held pursuant to this Agreement. This statement must include the par value, security description, CUSIP number, market value as of the date of the statement and maturity date of the Pledged Collateral. The Bank also agrees to generate an updated Investment Report within three (3) business days of receipt of a written request from the Authority.

The Bank also agrees to furnish to the Authority a statement describing the Pledged Collateral held in safekeeping by the Safekeeping Institution on a monthly basis (the "Investment Report"). The Investment Report must include a description of the securities pledged, the CUSIP number of each, the par value, the market value, and the maturity date of the Pledged Collateral as of the date of the current Investment Report or, in connection with the initial Investment Report, the date of purchase of the Pledged Collateral.

Section 6.     BANK'S FINANCIAL POSITION.     The Bank will provide to the Authority upon request a statement of the Bank's financial position on a quarterly basis. The Bank also will provide to the Authority upon request a copy of the Bank's annual financial statement.

Section 7.     REPRESENTATIONS OF THE BANK.     The Bank represents to the Authority that:

- (a)     the Bank is the sole legal and actual owner of the securities utilized to collateralize Authority deposits;
- (b)     no other security interest has been, nor will be, granted in the securities utilized to collateralize Authority deposits;
- (c)     the Bank is covered for all uncollateralized Authority deposits up

to  
\$250,000 under the FDIC, or such other amount as may be  
applicable from time to time;

- (d) this Agreement has been adopted by the Bank by a formal written determination executed by a Senior Vice President of the Bank acting under authority delegated to him by resolution of the Board of Directors dated July 14, 2004 and such determination and a copy of this Agreement are reflected in the minutes book of the Bank; and
- (e) this Agreement is an official record of the Bank, and has been, and will continue to be, an official record of the Bank from the date of its approval by the Bank's Board of Directors.

Section 8.     REPRESENTATIONS OF THE Authority. The Authority represents to the Bank that it will provide the Bank with an amended Exhibit "A" reflecting changes in the Approved Collateral within seven (7) business days of adoption of the same by the Authority's Board. The Authority agrees that the Bank is not obligated to comply with any new requirements as to Approved Collateral until the amended exhibit(s) is/are received by the Bank.

Section 9.     BANK'S DUTIES AND OBLIGATIONS. The Bank agrees to perform all of the duties and obligations required of a depository for the Authority under the laws of the State of Texas for depositories of the Authority, and, upon presentation, agrees to pay all checks drawn on it by the duly authorized representatives of the Authority against available funds of the Authority on demand deposit. At the expiration of the term of this Agreement, the Bank agrees to turn over to its successor all funds, property and things of value held by it as a depository.

Section 10.    BANK DEFAULT AND REMEDIES. If the Bank fails to perform all of its obligations set out in this Agreement or in any other agreement between the Bank and the Authority or if it is ruled "bankrupt", "insolvent", or "failed" by Federal Banking Regulators, then Bank will be considered in default under this Agreement. In the event of such default, failure or insolvency of the Bank, the Authority shall be deemed to have vested full title to all of the Pledged Collateral pursuant to this Agreement. The Authority may sell all or any part of the Pledged Collateral at public or private sale after providing the Bank at least three (3) business days prior written notice and an opportunity to cure the default. The proceeds of any such sale must be applied to satisfy any indebtedness owed by the Bank to the Authority, and any excess proceeds over the value of the defaulted amount including accrued interest, plus expenses, including legal fees, related to the liquidation transaction, shall be returned to the

Bank. This power of sale is in addition to other remedies the Authority may have pursuant to this Agreement and applicable law and is without prejudice to the Authority's rights to maintain any suit in any court for redress of injuries sustained by the Authority under this Agreement.

Section 11. NON-ASSIGN ABILITY. This Agreement is not assignable in whole or in part.

Section 12. TERMINATION. After maturity and distribution to the Authority all Certificates of Deposits proceeds, this Agreement may be terminated by either the Bank, the Authority or the Safekeeping Institution by giving thirty (30) day prior written notice to the other parties.

Section 13. AUTHORIZATION OF BANK DIRECTORS. The Bank represents and warrants that this Agreement is made pursuant to a resolution adopted by the Board of Directors of the Bank delegating authority to its Senior Vice President to determine for which governments the Bank shall seek to act as a depository. A certification of the pertinent resolutions of the Bank's Board of Directors and other documents by which the Agreement was approved and accepted stating that this Agreement was duly approved and accepted pursuant to authority delegated by the Bank's Board of Directors is attached to this Agreement as Exhibit "E" and incorporated for all purposes.

Section 14. APPLICABLE LAWS; OTHER AGREEMENTS. This Agreement will be governed by the laws of the State of Texas. All Bank accounts of the Authority also will be subject to the following additional agreements with the Bank, copies of which are attached to this Agreement and incorporated for all purposes:

No additional agreements applicable or attached.

Section 15. SAFEKEEPING FEES. Any and all fees associated with the safekeeping of securities for the benefit of the Authority which the Safekeeping Institution shall charge shall be paid by the Bank.

Section 16. MISCELLANEOUS. The headings in this Agreement are for convenience of reference only and should not be used in interpreting this Agreement. If any provision of this Agreement is determined to be illegal or unenforceable under applicable law, that provision should be deemed reformed so as to be enforceable to the extent permitted by applicable law, or, if such reformation is not possible, then this Agreement should be read as if such provision was never a part of it, and the remainder of the Agreement will be enforceable.

This Agreement represents the final agreement of the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

Notices requires to be given under this Agreement must be addressed as set forth below each party's signature to this Agreement, and will be considered effective upon actual receipt by the addressee or upon refusal of delivery during the normal business hours of the addressee.

Section 17. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which will be considered an original.

WITNESS the execution hereof this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

SAN ANTONIO RIVER AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(SEAL)

COMERICA BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## LIST OF EXHIBITS

- Exhibit "A" - List of Demand/Savings Collateral
- Exhibit "B" - Agreements Between the Bank and The Safekeeping Institution
- Exhibit "C" - Specimen Signatures of Authorized Authority Officials
- Exhibit "D" - Specimen Signatures of Authorized Bank Officials
- Exhibit "E" - Certificate Relating to Resolutions and Authority

Exhibit "A"

LIST OF DEMAND/SAVINGS DEPOSIT COLLATERAL

1. Obligations of the U.S. or its agencies and instrumentalities
2. Direct obligations of the State of Texas or its agencies and instrumentalities
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality or the U.S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S, and are not:
  - (a) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO's); or
  - (b) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO's); or
  - (c) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; or
  - (d) collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in the market index (inverse floaters).
4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the U.S. or their respective agencies and instrumentalities.

Exhibit "B"

AGREEMENT BETWEEN THE BANK AND THE SAFEKEEPING INSTITUTION  
(OPERATING CIRCULAR 7)

Exhibit "C"

NAMES AND SIGNATURE OF INDIVIDUALS AUTHORIZED TO ACT ON BEHALF OF  
THE AUTHORITY  
(PLEDGEE AGREEMENT)

Authorized Signature

Name and Title

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By: \_\_\_\_\_

Accepted:  
COMERICA BANK

By: \_\_\_\_\_

Exhibit "D"

SPECIMEN SIGNATURES OF AUTHORIZED BANK OFFICIALS

Comerica Bank (Bank) has designated the following individuals authorization to instruct the Federal Reserve Bank of Dallas (Safekeeping Institution) with regard to collateral pledges, releases and substitutions in the safekeeping account established for the Authority. Such pledges, releases and substitutions shall follow procedures set forth in the Depository Pledge Agreement between the Authority and the Bank.

Authorized Signature

Name and Title

\_\_\_\_\_

\_\_\_\_\_

Refer to Signature Card for Comerica Bank on file with Safekeeping Institution

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

COMERICA BANK

By: \_\_\_\_\_

Accepted:

\_\_\_\_\_

By: \_\_\_\_\_

Exhibit "E"

CERTIFICATE RELATING TO RESOLUTIONS AND AUTHORITY