



Board Agenda
Wednesday, Oct. 19, 2022
LCRA General Office Complex
Board Room – Hancock Building
3700 Lake Austin Blvd.
Austin, TX 78703
Earliest start time: 9 a.m.

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Items From the General Manager

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- 2. Resolutions..... 5

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- 4. LCRA Board Policy 603 – Energy Transactions 9
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Revolving Notes Series E and Taxable Series E and Related Agreements .. 37

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

Executive Session

- 1. Canyon of the Eagles Lease Update
- 2. Cybersecurity Update
- 3. Competitive Electric Matters
- 4. Litigation Update

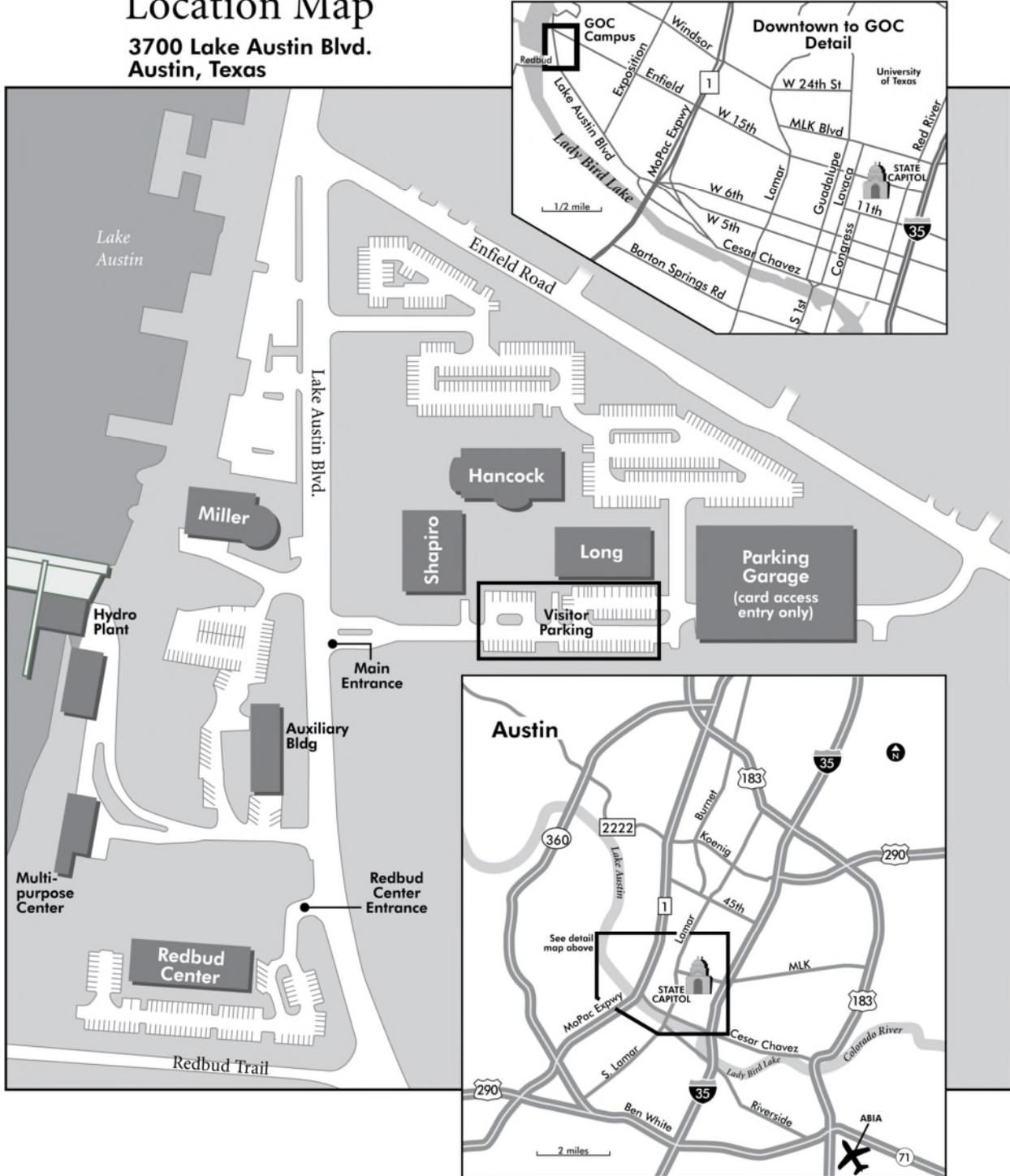
The Board also may go into executive session on any item listed above, pursuant to Chapter 551 of the Texas Government Code, including, but not limited to, sections 551.071, 551.072, 551.074, 551.076, 551.086, 551.089 and 418.183(f) of the Texas Government Code.

Legal Notice

Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at the following link: <https://www.sos.texas.gov/open/index.shtml>

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



FOR DISCUSSION

1. Comments From the Public

Summary

This part of the meeting is intended for comments from the public on topics under LCRA's jurisdiction but not related to an item on the Board of Directors agenda. No responses or action may be taken by the Board during public comments.

In order to address the Board, a member of the public is required to sign and complete the registration form at the entrance to the meeting room. Please see the Protocols for Public Communication at Board and Committee Meetings as shown in Exhibit A for details.

Any member of the public wishing to comment on an item listed on this agenda will be called to make comments at the appropriate time.

Exhibit(s)

A – Protocols for Public Communication at Board and Committee Meetings

EXHIBIT A

PROTOCOLS FOR PUBLIC COMMUNICATION AT BOARD AND COMMITTEE MEETINGS

Approved by the LCRA Board of Directors on Dec. 11, 2018

- 1. Oral Presentations on Issues Under LCRA's Jurisdiction.** Any person wishing to make an oral presentation at a Board meeting on any matter under LCRA's jurisdiction must complete a registration form that indicates the agenda item or other topic on which they wish to comment, along with the speaker's name, address and other relevant information. Any person making an oral presentation to the Board may distribute related materials to the Board at the meeting.
- 2. Time Allocation.** The presiding officer may limit the length of time for each speaker. Speakers may not trade or donate time to other speakers without permission from the presiding officer, and repetitive testimony shall be minimized.
- 3. Rules of Decorum.** Speakers and members of the audience must avoid disruptive behavior that interferes with the orderly conduct of a public meeting. Placards, banners, and hand-held signs are not allowed in Board or committee meetings, and speakers and members of the audience must avoid personal affronts, profanity, booing, excessive noise, and other disruptive conduct. The presiding officer may direct that anyone who disrupts a meeting be removed from the room.
- 4. Recording.** Any person making an audio or video recording of all or any part of a Board meeting must do so in a manner that is not disruptive to the meeting. During a meeting, members of the public must remain in or behind the public seating area and are not permitted to record from any other area of the meeting room.
- 5. Committee Meetings.** The protocols outlined in 1-4 above also apply to members of the public wishing to address any LCRA Board committee whose membership comprises the entirety of the LCRA Board on matters within the scope of each of those committees.

FOR ACTION

2. Resolutions

Proposed Motion

Approve the LCRA Board of Directors resolutions as presented to the Board.

Board Consideration

The Board will be asked to approve honorary and retiree resolutions as they occur.

Summary

LCRA recognizes longtime employees who have retired from the organization with a retiree resolution. Other individuals may be recognized from time to time with an honorary resolution.

Presenter(s)

Phil Wilson
General Manager

Timothy Timmerman
LCRA Board Chair

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Resolution of the Board of Directors Of the Lower Colorado River Authority

Honoring Michelle C. James

Whereas, Michelle C. James retired from the Lower Colorado River Authority on July 8, 2022, as a business systems analysis manager after 35 years of service to LCRA; and

Whereas, Michelle began her career with LCRA as an intern during the summers of 1985 and 1986 before she was hired full time as an account manager for LCRA on June 1, 1987. She then went on to work in various other departments, including Water, Accounting, Digital Services, Cybersecurity, and Service Quality and Planning. Michelle's in-depth knowledge of LCRA business processes and culture helped her accomplish cross-functional goals for groups with a wide range of responsibilities across the organization; and

Whereas, Michelle helped introduce digital tools and technology to many departments across LCRA. She was an integral part of Water, providing computer support to engineers, hydrologists and a host of others. Michelle was a key player when LCRA transitioned to using computers, as it was her job to learn how to use new programs and input data into databases. She is most proud of her work on helping launch the Hydromet system and having the opportunity to help start LCRA's first staffed flood hotline. During her time in Finance, Michelle helped LCRA ensure it had robust financial controls in place and was compliant with all financial regulations. She also brought significant enhancements to other departments in which she worked. Michelle's willingness to take on challenges and any task needed contributed greatly to the success of the many functions that benefited from her expertise; and

Whereas, in addition to her dedication and commitment to LCRA's mission, Michelle has a special place in her heart for LCRA thanks to her family history. Michelle happily followed in the footsteps of her father, who retired from LCRA after more than 34 years of service. She also met her husband, Brad, while working at LCRA, which is one of the many reasons Michelle is thankful for her time with the organization. Michelle's former co-workers will miss her knowledge, helpfulness and friendship, and they believe she made a positive lasting impression in every area in which she worked;

Now, Therefore, Be It Resolved that the LCRA Board of Directors and employees, with extra emphasis from Michelle's many colleagues across LCRA, express their appreciation to Michelle C. James for her years of dedication to LCRA and its employees, and they wish her well in all of her future endeavors.

Approved this 19th day of October 2022.

Timothy Timmerman, Board Chair

Phil Wilson, General Manager

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Lower Colorado River Authority
Financial Highlights
September 2022

Lower Colorado River Authority
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Key term:

Net margin – Total operating revenues, including interest income, less direct and assigned expenses.

Lower Colorado River Authority

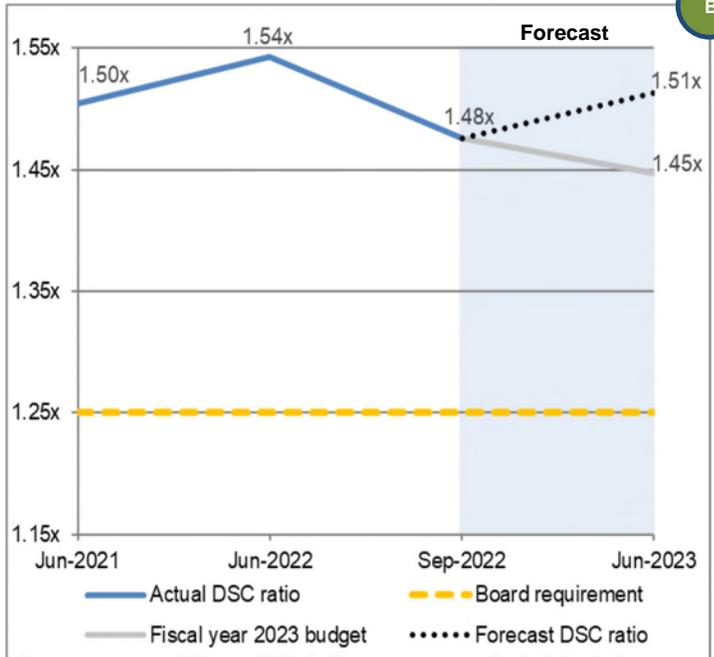
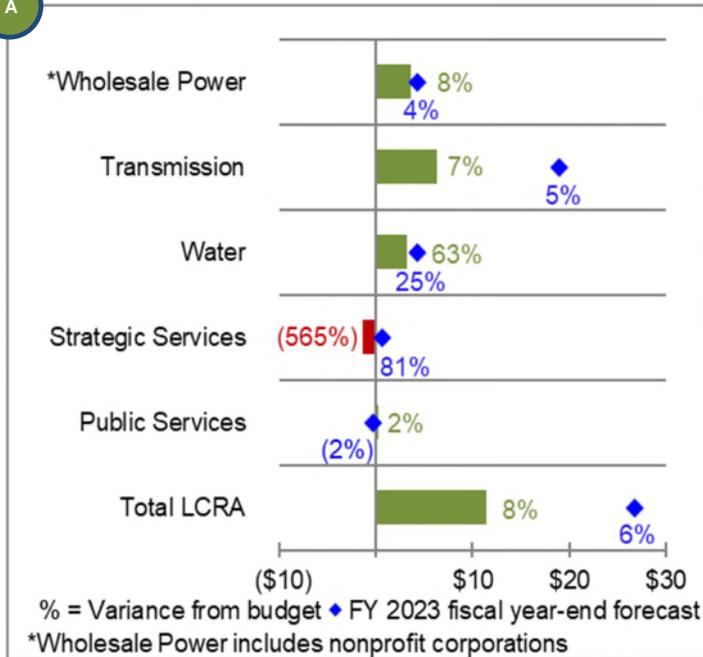
Sept. 30, 2022

(Dollars in Millions)

Budget-to-Actual Highlights

Net Margin Fiscal Year-to-Date Variances

Debt Service Coverage



Key takeaways:

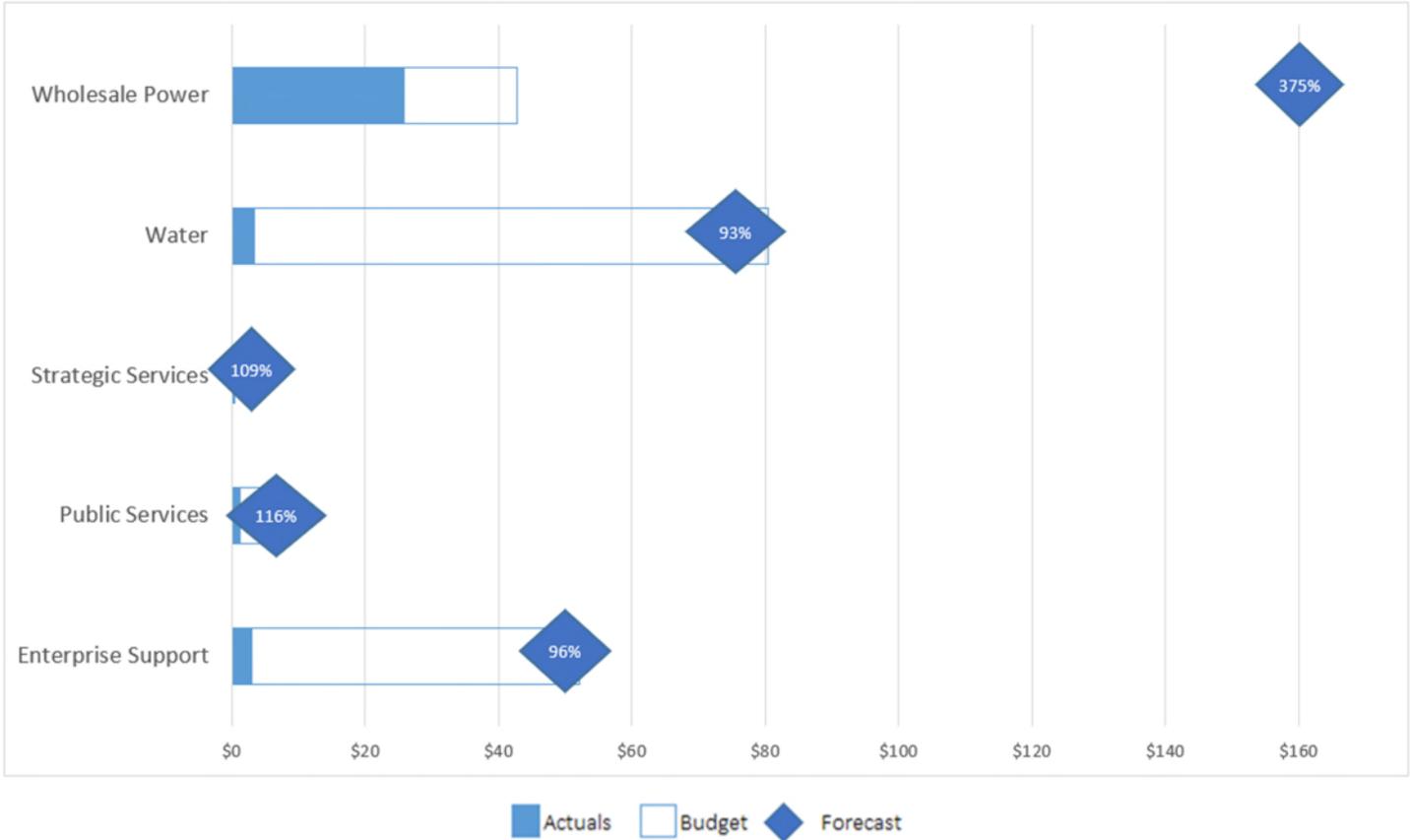
- Higher-than-budgeted billing units, interest income and other revenues, partially offset by higher-than-budgeted nonfuel expenses, primarily drove Wholesale Power's year-to-date performance. Higher-than-budgeted revenues from billing units, partially offset by higher-than-budgeted nonfuel expenses, primarily drove the year-end forecast.
- Lower-than-budgeted expenses and higher-than-budgeted interest income, cost of service and other revenues primarily drove Transmission's year-to-date performance. Higher-than-budgeted cost of service revenues and lower-than-budgeted expenses primarily drove Transmission's forecast.
- Higher-than-budgeted agricultural division and river management revenues primarily drove Water's year-to-date performance and year-end forecast.
- The timing of radio sales and services billings primarily drove Strategic Services' year-to-date performance. Higher-than-budgeted radio sales and services revenues drove the year-end forecast.
- Public Services' year-to-date performance is on target. Lower-than-budgeted parks revenues and higher-than-budgeted water quality expenses primarily drove the year-end forecast.
- The debt service coverage ratio is forecast to be higher than budgeted mainly due to higher-than-budgeted net revenues from Wholesale Power and Transmission.

Lower Colorado River Authority

Sept. 30, 2022

(Dollars in Millions)

Capital Forecast



Key takeaways:

- LCRA currently is projecting capital spending for FY 2023 will be \$111.3 million more than the capital plan budget of \$180.6 million.
- The primary driver for the current FY 2023 variance is due to a new Wholesale Power project for which staff anticipates seeking LCRA Board approval later this fiscal year. Staff also anticipates seeking LCRA Board approval to increase the LCRA capital plan budget later this fiscal year.
- The primary driver for the current FY 2023 variance for Public Services is a forecast increase in fiscal year spending for the Matagorda Bay Nature Park Improvements project.

General manager project approvals:

- For any project not previously authorized by the Board in the capital plan, authority is delegated to the general manager to approve any capital project with a lifetime budget not to exceed \$1.5 million, according to LCRA Board Policy 301 – Finance. Additionally, the LCRA Board delegated authority to the general manager to approve additional funding for capital projects expected to exceed their lifetime budgets by 10% and \$300,000. The general manager did not approve any new projects this quarter. The general manager did not approve any new budget resets this quarter.

Lower Colorado River Authority

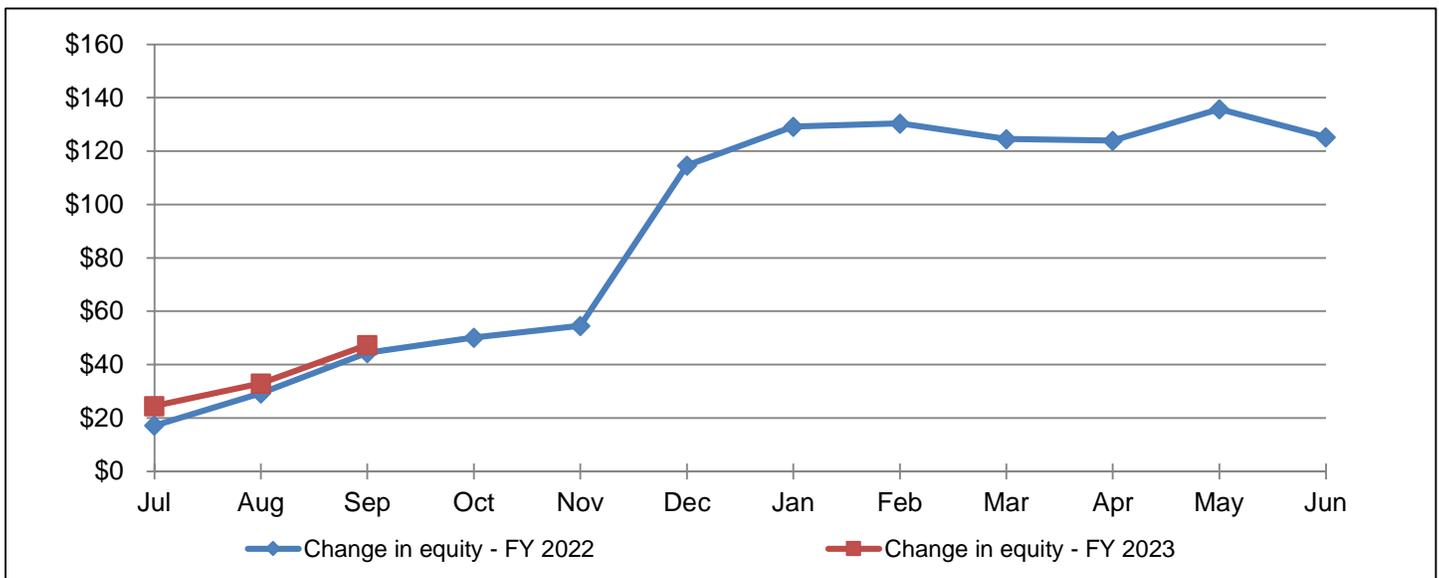
Sept. 30, 2022

(Dollars in Millions)

Board Metrics

Board Metric	Description	Compliant
Equity Ratio	LCRA will attempt to maintain a long-term average 30% equity ratio. At no time will the equity ratio fall below 20% without specific Board approval in the business plan.	✓
Debt Service Reserves	LCRA will covenant debt service reserves in the amount of six months of average annual debt service requirements on outstanding debt. Debt service reserves may be collected through nonfuel rates or met with proceeds from additional debt or through the use of a surety to mitigate rate impacts.	✓
Operating Reserves	LCRA will target three months of average operating and maintenance expense for the purposes of operating liquidity and maintaining reserves for liquidity of two to three months. Compliance will be evaluated at the end of each fiscal year. These reserves will be collected through nonfuel rates. If at any time the operating reserves are projected to fall below the minimum two months established by this policy, the Board will promptly implement a plan, to be recommended by staff, to increase rates, reduce costs or otherwise cause there to be sufficient revenues to replenish the operating reserves to such target levels within 12 months.	✓

Income Statement Trends Cumulative Fiscal Year to Date



Key takeaway:

- Net income increased year over year primarily due to an increase in billing units (due to higher prices and record high temperature), partially offset by an increase in operating expenses due to higher fuel prices and more purchased power.

Lower Colorado River Authority

Sept. 30, 2022

(Dollars in Millions)

Condensed Balance Sheets

	<u>Sept. 30, 2022</u>	<u>Sept. 30, 2021</u>
Assets		
Cash and cash equivalents	\$ 276.9	\$ 437.9
Current assets	<u>484.9</u>	<u>424.3</u>
Total current assets	<u>761.8</u>	<u>862.2</u>
Capital assets	5,583.5	5,292.7
Long-term assets	<u>987.1</u>	<u>911.7</u>
Total long-term assets	<u>6,570.6</u>	<u>6,204.4</u>
Total Assets	\$ <u>7,332.4</u>	\$ <u>7,066.6</u>
Liabilities		
Bonds, notes and loans payable	\$ 613.5	\$ 602.0
Current liabilities	<u>322.9</u>	<u>258.9</u>
Total current liabilities	<u>936.4</u>	<u>860.9</u>
Bonds, notes and loans payable	3,892.2	3,799.4
Pension liability	119.8	168.2
Long-term liabilities	<u>472.9</u>	<u>455.3</u>
Total long-term liabilities	<u>4,484.9</u>	<u>4,422.9</u>
Equity		
Total equity	<u>1,911.1</u>	<u>1,782.8</u>
Total Liabilities and Equity	\$ <u>7,332.4</u>	\$ <u>7,066.6</u>

Key takeaway:

- Assets and liabilities are trending higher compared with September 2021 due to construction activities related to the capital plan.

Lower Colorado River Authority

Sept. 30, 2022

(Dollars in Millions)

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2023	2022
Operating Revenues		
Electric	\$ 381.1	\$ 282.5
Water and irrigation	12.0	7.1
Other	10.6	10.9
Total Operating Revenues	403.7	300.5
Operating Expenses		
Fuel and purchased power	153.0	77.3
Operations	88.3	78.6
Maintenance	15.9	8.7
Depreciation, depletion and amortization	49.9	44.1
Total Operating Expenses	307.1	208.7
Operating Income	96.6	91.8
Nonoperating Revenues (Expenses)		
Interest on debt	(33.1)	(33.4)
Other expenses	(16.1)	(14.0)
Total Nonoperating Revenues (Expenses)	(49.2)	(47.4)
Change in Equity	47.4	44.4
Equity - Beginning of Period	1,863.7	1,738.4
Equity - End of Period	\$ 1,911.1	\$ 1,782.8

Lower Colorado River Authority

Sept. 30, 2022

(Dollars in Millions)

Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2023	2022
Cash Flows From Operating Activities		
Received from customers	\$ 414.9	\$ 411.9
Payments	(295.8)	(242.0)
Net cash provided by operating activities	119.1	169.9
Cash Flows From Noncapital Financing Activities	(0.2)	(0.4)
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(151.0)	(75.9)
Debt principal payments	-	-
Other capital and financing activities	47.1	(22.7)
Net cash used in capital and financing activities	(103.9)	(98.6)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	12.2	48.8
Purchase of investment securities	(116.5)	(132.0)
Note payments and interest received	(1.9)	0.9
Net cash used in investing activities	(106.2)	(82.3)
Net Decrease in Cash and Cash Equivalents	(91.2)	(11.4)
Cash and Cash Equivalents - Beginning of Period	415.4	511.2
Cash and Cash Equivalents - End of Period	\$ 324.2	\$ 499.8

Lower Colorado River Authority

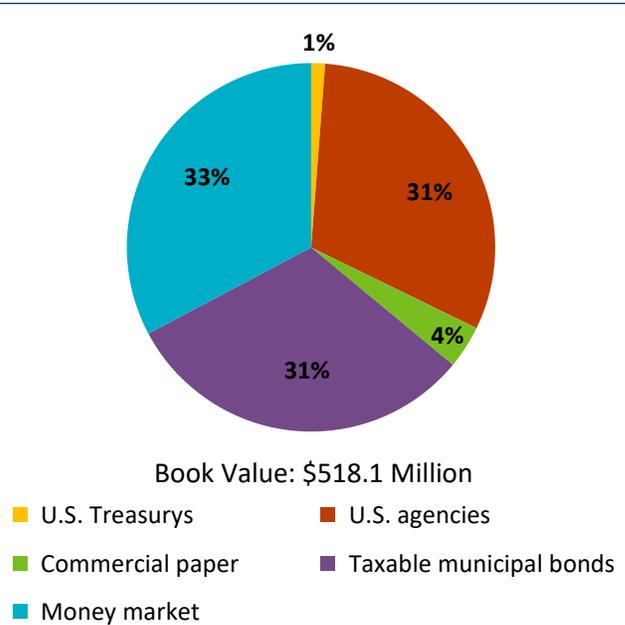
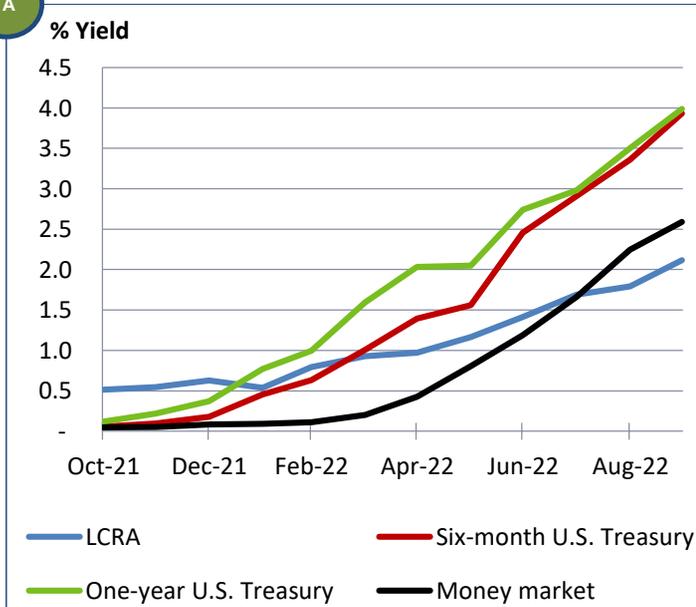
Sept. 30, 2022

(Dollars in Millions)

Investments and Debt

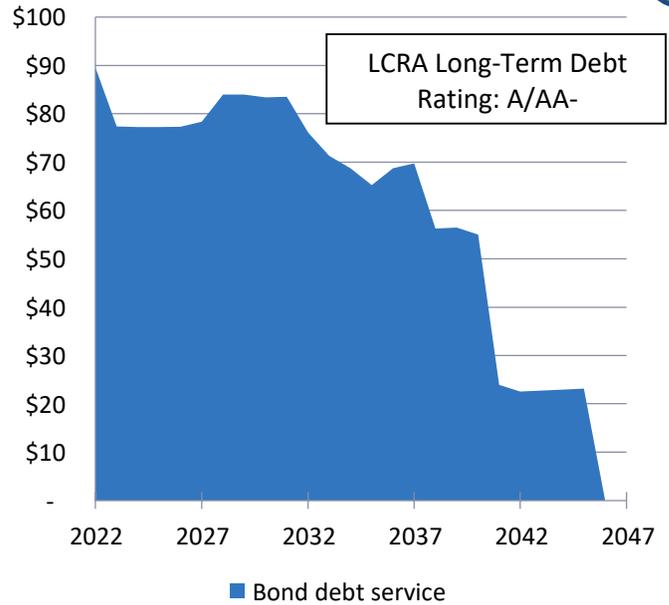
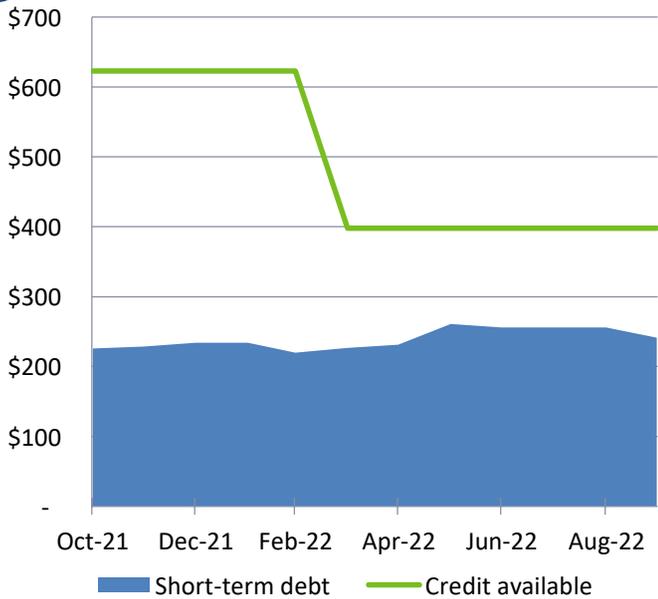
Investment Portfolio Yield

Investment Portfolio Composition



Short-Term Debt

Bond Debt Service



Key takeaways:

- The Federal Reserve raised benchmark interest rates by three-quarters of a percentage point on Sept. 21, 2022, its fifth hike for the year.
- The federal funds rate range is 3%-3.25%.

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FOR DISCUSSION

3. Financial Report

Summary

Staff will present financial highlights for LCRA covering the month and fiscal year to date.

Presenter(s)

Jim Travis
Chief Financial Officer

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FOR ACTION (CONSENT)

4. LCRA Board Policy 603 – Energy Transactions

Proposed Motion

Review and approve LCRA Board Policy 603 – Energy Transactions (except for Appendix A, which will be discussed in executive session) as attached in Exhibit A.

Board Consideration

Section 603.80 of Board Policy 603 – Energy Transactions requires the Board of Directors to review the policy annually.

Budget Status and Fiscal Impact

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

Summary

The Board must fulfill the requirement under Section 603.80 of Board Policy 603 to review the policy annually and must approve the policy. The Board may require modifications to the policy or approve with no changes to the prior version. Staff has reviewed Board Policy 603 in conjunction with its review of the LCRA Energy Commodity Risk Control Program Policy and recommends no changes to the policy.

An appendix to Board Policy 603 containing competitive electric information will be discussed separately in executive session.

Exhibit(s)

A – LCRA Board Policy 603 – Energy Transactions (without Appendix A)

EXHIBIT A

LCRA BOARD POLICY

603 – ENERGY TRANSACTIONS

~~Oct. 20, 2021~~ Oct. 19, 2022

603.10 PURPOSE

This policy will govern the management of LCRA's wholesale power portfolio to ensure the use of those assets, along with appropriate market products, provides a cost-effective, risk-managed supply portfolio for LCRA's wholesale electric customers.

603.20 OVERVIEW

The purchase and sale of fuels, power and other power-related products are necessary to satisfy LCRA's contractual obligations to its wholesale electric customers. These activities expose LCRA to the price fluctuations inherent in the fuel and power markets. LCRA strives to reduce its financial uncertainty driven by market volatility, within established risk tolerances. This policy articulates the objectives, framework and delegation of authorities necessary to govern LCRA's activities related to its Energy Commodity Risk Control Program (program).

LCRA will conduct energy risk management activities in a manner that supports the objectives stated herein. All program objectives, activities, controls and procedures will be conducted in accordance with this policy.

603.30 RISK MANAGEMENT OBJECTIVES

Activities conducted pursuant to the program are intended to decrease financial risks inherent in providing wholesale electrical power and related services in the Electric Reliability Council of Texas (ERCOT) market compared to the financial uncertainty present without a program. The program's objectives are: identifying exposures to movements in energy prices and related market prices; quantifying the impacts of these exposures on LCRA's financial objectives; and mitigating these exposures in line with LCRA's identified level of risk tolerance. LCRA will conduct its program activities solely for appropriate risk mitigation objectives herein and never for purposes of financial speculation.

Risk mitigating activities, including hedging activities permitted by Texas Water Code Section 152.251, include:

Market Risk Mitigation Activities: Given volatile energy markets, manage costs from energy and fuel purchases and revenues from LCRA's generation and purchased power assets, mitigating potentially unfavorable financial results and promoting financial results that fall within acceptable boundaries.

Transaction Risk Mitigation Activities: Mitigate transactional risk by monitoring execution of the program for compliance with risk program documentation approved by the GM/CEO and measuring the potential impact of commodity price movements with respect to the approved financial objectives of LCRA.

Subject to the program's objectives and risk mitigation activities, activities conducted pursuant to the program also may seek to improve upon LCRA's financial expectations.

603.40 DELEGATION OF AUTHORITY

603.401 General Manager/Chief Executive Officer. The GM/CEO is charged with administration of this policy and is granted authority and responsibilities:

1. To ensure all program activities of LCRA are in accordance with this policy.
2. To approve documentation for the administration of the program.
3. To approve initially, and from time to time modify, LCRA's tolerance for exposure to energy price volatility.
4. To delineate responsibilities and activities assigned to front, middle and back office functions to ensure a clear separation of duties.
5. To approve controls and periodically review the effectiveness of all aspects of the program.
6. To approve contracts and other transactions necessary to implement the program.

603.402 Risk Management Committee. The GM/CEO will create a Risk Management Committee (RMC) comprised of employees of LCRA to monitor program performance and compliance with the program documentation. The RMC will establish and from time to time modify program risk limits consistent with risk tolerances approved by the GM/CEO. Additionally, the RMC will advise the GM/CEO regarding:

1. Creation, amendment, approval and administration of program documentation.
2. Setting risk tolerances.
3. Ensuring all program activities are performed in accordance with the policy and approved program documentation.
4. Material violations or potential material violations of the policy or program requirements.

603.403 Chief Financial Officer. The chief financial officer (CFO) is charged with the daily administration and management of the program and will serve as the chair of the RMC. The CFO, in addition to other duties, will report periodically to the GM/CEO and the LCRA Board of Directors. The CFO will maintain appropriate financial controls, maintain a separation of duties between individuals authorized to execute commodity transactions

and those who monitor and report on such transactions, and ensure documents and procedures developed to execute this policy are reviewed periodically.

603.50 ENERGY TRANSACTING AND RISK MANAGEMENT ACTIVITIES

603.501 Energy Transacting and Risk Management Activities. LCRA's energy transacting and risk management activities will comply with this policy, other related Board directives, and all applicable laws, rules and requirements, including those of ERCOT, the Public Utility Commission of Texas (PUC), and the Commodity Futures Trading Commission (CFTC). Energy transacting and risk management activities will include:

1. **Commodity-related transactions** – LCRA may enter into transactions as needed to effectively manage its fuel and power portfolio position. Commodity-related transactions include financial and physical transactions related to the purchase and sale of power and related services, natural gas and associated transportation, coal and associated transportation, instruments necessary to manage transmission and transportation risks, instruments to manage full load requirement risk, including load following and weather products, and transactions related to emissions and renewable energy.
2. **Physical resources** – Consistent with Board Policy 401 – Land Resources, LCRA may construct, purchase, dispose, retire, exchange and/or lease wholesale power resources, including generation resources, energy and fuel storage facilities, transportation systems, pipelines and related equipment, railcars and related equipment, and other facilities.
3. **Credit risk management** – LCRA will integrate credit provisions into contracts as appropriate, evaluate counterparty risk, require collateral as needed and monitor credit-related financial exposure with the goal of preserving LCRA's financial integrity.

603.502 Power and Energy Not Immediately Needed. From time to time, LCRA produces power and energy that is not immediately needed. The Board delegates to the GM/CEO or his or her designee the authority to determine the available amount and to negotiate terms and conditions for the sale of such power and energy.

603.503 Posting of Collateral. The Board finds it is necessary and convenient to the exercise of LCRA's authority to enter into energy transacting and risk management activities for LCRA to be able to post collateral to counterparties to such transactions. The Board authorizes the use of designated reserves, debt or available revenues for such purposes as deemed appropriate by the GM/CEO.

603.504 Transactions Related to Affiliated Corporations. LCRA may enter into energy and risk management transactions on behalf of affiliated corporations, provided that LCRA does so pursuant to an agreement between LCRA and such affiliated corporation, and provided that the GM/CEO or his or her designee determines that such transactions

do not materially increase risks to LCRA or otherwise conflict with the objectives of this policy.

603.60 DELEGATION AND PROCUREMENT LIMITS

All transactions under the program will be conducted subject to the following delegation and procurement limits specified in Appendix A (confidential):

1. Approved transacting activities and products.
2. Term/tenor limits.
3. Approved product locations and sources.
4. Approved counterparties.

LCRA will not execute hedges that exceed 100 percent of forecast requirements and “unwinding” (closing a position by executing an offsetting transaction) will be permitted for the purpose of managing collateral risk and mark-to-market losses. Under no circumstances may transactions be executed that are not related to LCRA’s core business objectives.

603.70 STANDARDS

603.701 Standards of Conduct. All LCRA Wholesale Power personnel and others in the procurement, trading, risk management, information technology, and finance and accounting functions who are involved in any program activities will conduct themselves in a manner consistent with sound business practices and LCRA’s Code of Ethics, under standards established in the program documentation to avoid impropriety or the appearance of impropriety. All such employees will be required to annually read and attest in writing to compliance with this policy and the program documentation.

603.702 Standard of Care. The program will be managed in a way that a person of ordinary prudence, discretion and intelligence, exercising the judgment and care under the circumstances then prevailing, would follow in the management of the person’s own affairs, not in regard to speculation but in regard to the permanent disposition of the person’s money considering: (1) the probable income; and (2) the probable safety of the person’s capital.

603.80 REPORTING AND INTERNAL CONTROLS

The GM/CEO will update the Energy Operations Committee at least quarterly on the actions taken pursuant to the policy covering, at a minimum, risk tolerances, program impacts and material changes in program requirements. The Board will review this policy at least annually.

603.90 AUTHORITY

LCRA enabling legislation, Chapter 8503, Texas Special District Local Laws Code
Texas Water Code, Chapter 152
Texas Government Code, Chapter 1371
Texas Utilities Code, Title 2 (Public Utility Regulatory Act)
Clean Air Act, Acid Deposition Control, § 401 et seq.; 42 U.S.C.A. § 7651 et seq.
Code of Federal Regulations, Title 17
Code of Federal Regulations, Title 40, parts 72, 73 and 75

EFFECTIVE: April 19, 1990. Amended July 17, 1991; May 20, 1993; May 18, 1995; Oct. 28, 1998; Dec. 13, 2000; March 20, 2002; Jan. 22, 2003; Feb. 20, 2008; Nov. 18, 2009; Dec. 15, 2010; and April 18, 2012. Replaced Sept. 17, 2014. Amended Aug. 19, 2015; and Sept. 21, 2016. Re-approved Oct. 18, 2017; and Oct. 17, 2018. Amended Oct. 23, 2019. Re-approved Oct. 21, 2020; ~~and Oct. 20, 2021;~~ and Oct. 19, 2022.

FOR ACTION (CONSENT)

5. Amendment No. One to the Lower Colorado River Authority Supplemental Executive Retirement Plan

Proposed Motion

Approve and authorize the LCRA Board of Directors chair or his designee to execute Amendment No. One to the Lower Colorado River Authority Supplemental Executive Retirement Plan as attached in Exhibit A.

Board Consideration

Board of Directors approval is required for any amendments to the plan.

Budget Status and Fiscal Impact

The proposed amendment is within the approved budget allocated for benefit costs in the fiscal year 2023 business plan.

Summary

The plan provides a mechanism for LCRA to provide to certain management employees additional compensation for which taxation is deferred, subject to conditions and limitations provided in the Internal Revenue Code.

The Board is authorized to determine the eligibility and amount of any contribution of any employee, including the general manager and general auditor, reporting directly to the Board. The proposed amendment also reflects benefits for the general manager regarding vesting, distribution and payment of amounts attributable to contributions credited under the plan.

Exhibit(s)

A – Amendment No. One to the Lower Colorado River Authority Supplemental Executive Retirement Plan

EXHIBIT A

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

KNOW ALL MEN BY THESE PRESENTS:

AMENDMENT NO. ONE

TO

LOWER COLORADO RIVER AUTHORITY

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

WHEREAS, the Lower Colorado River Authority (the “Authority”) maintains the Lower Colorado River Authority Supplemental Executive Retirement Plan (the “Plan”) for the benefit of eligible employees, which Plan was restated effective June 30, 2016;

WHEREAS, the Board of Directors of the Authority (the “Board of Directors”) is authorized to amend the Plan to the extent deemed advisable; and

WHEREAS, the Authority desires to amend the Plan to add provisions applicable to unique contributions to be made solely on behalf of the General Manager of the Authority;

NOW, THEREFORE, the Plan is hereby amended as follows, such amendment to be effective June 30, 2022:

(1) Article I, Section 1.9, is hereby amended in its entirety to read as follows:

“1.9 ‘Committee’ shall mean the Committee that administers the Plan, which shall consist of the General Manager and two additional employees of the Authority appointed by the General Manager; provided, however, the Board shall act as the Committee to determine the eligibility of any employee reporting directly to the Board to participate in the Plan, to determine the amount of any contribution to be made on behalf of such direct report, and to exercise any other administrative authority pertaining uniquely to such direct report.”

(2) Article III is hereby amended in its entirety, to read as follows:

**“ ARTICLE III
CONTRIBUTIONS**

3.1 Annual Contributions. As of each Accounting Date, the Authority in its discretion may credit a contribution to the Account of each Participant hereunder. The amount of any such contribution for each Participant hereunder shall be determined by the General Manager in his sole and absolute discretion, and may vary from Participant to Participant; provided, however that notwithstanding the foregoing, the amount of the contribution, if any, for the General Manager, the General Auditor, and any other employee reporting directly to the Board shall be determined by resolution of the Board, in its sole and absolute discretion.

3.2 General Manager Contributions. From time to time, the Authority in its discretion may, in addition to any contribution credited pursuant to Section 3.1 above, credit a contribution for the sole benefit of the General Manager. The amount of any such contribution shall be determined by the Board in its sole and absolute discretion.”

(3) Article IV, Section 4.3, is hereby amended in its entirety, to read as follows:

4.3 As of each Valuation Date, the portion of each Participant’s Account attributable to contributions credited pursuant to Section 3.1 hereof shall be credited with interest thereon, compounded annually, at an annual percentage rate equal to the higher of the following: (a) the average of the yields on one-year U.S. Government Securities during the twelve-month period ending on such Valuation Date, determined on a constant maturity basis, as computed by the Federal Reserve Board and found in the Federal Reserve Statistical Release H.15 (or any successor release thereof); provided, however, that in the event the Federal Reserve Board ceases to compute a constant maturity yield for one-year U.S. Government Securities, then the linear interpolation of the yield on six-month U.S. Government Securities and the yield on two-year U.S. Government Securities, both determined on a constant maturity basis; or (b) the overall investment yield rate of the Lower Colorado River Authority Retirement Plan and Trust for the calendar year immediately preceding such Valuation Date.”

(4) Article V is hereby amended in its entirety, to read as follows:

**“ ARTICLE V
BENEFITS**

A Participant who is first eligible to participate in the Plan on or after the Effective Date shall be vested in the amounts credited to his or her Account upon the first to occur of the following (each, a “Vesting Date”):

(a) The Participant shall be 100% vested in his entire Account upon his death;

(b) Upon the termination of a Participant's employment for reasons other than his death, the Participant shall be vested only in those amounts that have met the vesting criteria in (c) below on the effective date of such termination. Any additional vesting shall cease as of the effective date of said termination; provided, however, that notwithstanding the foregoing, in the event that the Authority shall terminate the employment of the Participant without Cause, the Participant shall be 100% vested in his entire Account upon the effective date of such termination of employment. For this purpose, "Cause" shall mean: (a) Participant's conviction of, or plea of nolo contendere to: (i) any felony or (ii) another crime involving dishonesty or moral turpitude or that could reflect negatively upon the Authority or otherwise impair or impede its operations; (b) Participant's engaging in any misconduct, negligence, act of dishonesty, violence or threat of violence that is injurious to the Authority; (c) Participant's material breach of a written policy of the Authority or the rules of any governmental or regulatory body applicable to the Authority; or (d) any other willful misconduct by Participant that is materially injurious to the financial condition or business reputation of the Authority. Whether or not a Participant's termination of employment is due to Cause shall be determined in the sole and absolute discretion of the Committee; or

(c) Each Participant shall be vested in each sub-account of his or her Account pursuant to the following schedule:

Anniversary of Accounting Date on Which Contribution was Credited	Vesting Percentage of Sub-Account
1 st Anniversary	33%
2 nd Anniversary	66%
3 rd Anniversary	100%

(d) The General Manager shall at all times be 100% vested in all amounts in his or her Account attributable to contributions credited pursuant to Section 3.2 hereof. As soon as practicable following the date on which a contribution is credited to the General Manager pursuant to Section 3.2 hereof, a tax gross-up payment shall be made by the Authority directly to the General Manager."

(5) Article VI, Section 6.1, as hereby amended in its entirety, to read as follows:

"6.1 Distributions. Payment of that portion of a Participant's Account in which he is vested in accordance with Article V hereof and that is attributable to contributions credited pursuant to Section 3.1 hereof shall be made to the Participant or, in the case of the Participant's death, to his Beneficiary, in a lump

sum in cash within the ninety (90)-day period commencing on the applicable Vesting Date. Payment of that portion of the General Manager's Account attributable to contributions credited pursuant to Section 3.2 hereof shall be made to the General Manager or, in the case of the General Manager's death, to his or her Beneficiary, in a lump sum, paid either in cash or through the purchase of an annuity, the terms of which shall be approved by the Committee, within the ninety (90)-day period commencing on the earlier of: (i) the General Manager's Separation from Service or (ii) the date of the General Manager's death. For purposes of determining the amount to which a Participant is entitled under Article V, the Participant's Account shall be valued as of the Valuation Date coincident with or immediately preceding the date of distribution."

(6) Article VI, Section 6.2, is hereby renumbered to 6.3, and Section 6.2 is added in its entirety, to read as follows:

"6.2 General Manager Contribution Withdrawals. The General Manager may, from time to time through notification to the Chair of the Board, elect to receive a withdrawal from that portion of his or her Account attributable to contributions credited pursuant to Section 3.2 hereof. Any such request must be expressed as a specific dollar amount and shall be paid in a lump sum in cash as soon as practicable following such election."

(7) The first sentence of Article VI, renumbered Section 6.3, is hereby amended to read as follows:

"6.3 Miscellaneous Distribution Provisions. Notwithstanding any provision of this Article VI to the contrary, the benefits payable hereunder may, to the extent expressly provided in this Section 6.3, be paid prior to or later than the date on which they would otherwise be paid to the Participant."

(3) IN WITNESS WHEREOF, on this _____ day of _____, 2022, this Amendment No. One to the Plan, effective as of the date specified herein, has been properly authorized and adopted by the Board of Directors of the Authority.

LOWER COLORADO RIVER AUTHORITY

By: _____
Timothy Timmerman
Chair, LCRA Board of Directors

ATTEST:

Leigh Sebastian
General Counsel

FOR ACTION (CONSENT)

6. Directors' Attendance at Seminars, Conferences

Proposed Motion

Approve directors' attendance at seminars or conferences for an additional conference in 2022.

Board Consideration

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

Budget Status and Fiscal Impact

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

Summary

The Board approved a list of conferences for directors to attend in 2022 at its Dec. 14, 2021, Board meeting. Exhibit A lists an additional conference for 2022.

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

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

Exhibit(s)

A – 2022 Additional Annual Conferences and Travel for Board Approval

EXHIBIT A

**2022 ADDITIONAL ANNUAL CONFERENCES AND TRAVEL
FOR BOARD APPROVAL**

Dec. 6-8

Groundwater Week 2022, Las Vegas, Nevada

FOR ACTION (CONSENT)

7. Directors' Fees, Expenses

Proposed Motion

Approve directors' fees and expense reports.

Board Consideration

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

Budget Status and Fiscal Impact

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

Summary

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

FOR ACTION (CONSENT)

8. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Sept. 21, 2022, meeting.

Board Consideration

Section 2.04 of the LCRA bylaws requires the secretary to keep minutes of all meetings of the Board of Directors.

Budget Status and Fiscal Impact

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

Summary

Staff presents the minutes of each meeting to the Board for approval.

Exhibit(s)

A – Minutes of Sept. 21, 2022, meeting

EXHIBIT A

Minutes Digest
Sept. 21, 2022

- 22-53 Authorization for the general manager or his designee to grant a 1.03-acre underground wastewater line easement and a 0.51-acre temporary construction easement to Corix Utilities (Texas) Inc. across a portion of LCRA Parcel CR-08 in Bastrop County, and make the following findings:
1. There is no feasible and prudent alternative to the easement(s) on the property nor change in use of the property; and
 2. The conveyance of the easements includes all reasonable planning to minimize harm to the land, as a public park, that may result from the easements.
- 22-54 Approval of the minutes of the Aug. 17, 2022, meeting.
- 22-55 Approval of the fiscal year 2022 audited financial statements and authorization of the filing of the audited financial statements with the executive director of the Texas Commission on Environmental Quality.
- 22-56 Adoption and approval of the Fortieth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2022A (Bonds) in an amount not to exceed \$300 million for the following purposes: (i) current refunding of portions of the LCRA Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project) Tax-Exempt Series and any series of LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project); (ii) funding a debt service reserve fund for the Bonds; and (iii) paying for issuance costs.
- 22-57 Authorization for the general manager or his designee to negotiate and execute or amend the following contracts: Contract No. 6067 (McCurley Enterprises, Inc); Contract No. 6068 (Power Engineers Inc); Contract No. 6133 (Motorola, Inc.); and Contract No. 6029 (Brandsafway LLC).
- 22-58 Authorization for the general manager or his designee to negotiate, execute and modify a services agreement between LCRA and WSC Energy II for LCRA to provide all services needed or desired by WSC Energy II at cost, and to perform all other acts necessary or convenient to carry out the purposes hereof.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LOWER COLORADO RIVER AUTHORITY
Austin, Texas
Sept. 21, 2022

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a regular meeting at 10:50 a.m. Wednesday, Sept. 21, 2022, in the Board Room of the Hancock Building, at the principal office of LCRA, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Stephen F. Cooper, Vice Chair
Joseph M. "Joe" Crane, Secretary
Matthew L. "Matt" Arthur
Laura D. Figueroa
Carol Freeman
Raymond A. "Ray" Gill Jr. [joined the meeting at 11:32 a.m.]
Thomas L. "Tom" Kelley
Robert "Bobby" Lewis
Thomas Michael Martine
Margaret D. "Meg" Voelter
Martha Leigh M. Whitten
Nancy Eckert Yeary

Absent: Michael L. "Mike" Allen
Melissa K. Blanding

Chair Timmerman convened the meeting at 10:50 a.m. and recognized Will Holford from Bluebonnet Electric Cooperative, who was present in the audience.

The Board next took action on the consent agenda. Upon motion by Director Voelter, seconded by Director Crane, the Board unanimously approved consent items 2 and 3 by a vote of 12 to 0 as follows:

22-53 Authorization for the general manager or his designee to grant a 1.03-acre underground wastewater line easement and a 0.51-acre temporary construction easement to Corix Utilities (Texas) Inc. across a portion of LCRA Parcel CR-08 in Bastrop County, and make the following findings, as recommended by staff in Consent Item 3 [attached hereto as Exhibit A]:

1. There is no feasible and prudent alternative to the easement(s) on the property nor change in use of the property; and
2. The conveyance of the easements includes all reasonable planning to minimize harm to the land, as a public park, that may result from the easements.

22-54 Approval of the minutes of the Aug. 17, 2022, meeting [Consent Item 3].

22-55 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], that the Board approve the fiscal year 2022 audited financial statements and authorize the filing of the audited financial statements with the executive director of the Texas Commission on Environmental Quality. Upon motion by Director Whitten, seconded by Director Figueroa, the recommendation was unanimously approved by a vote of 12 to 0.

The Board heard public comments [Agenda Item 1]. Cindy Smiley, an attorney representing the Central Texas Water Coalition, commented on a perceived inadequacy in the public notice for executive session items discussed in the Planning and Public Policy Committee meeting scheduled later in the day. [Ms. Smiley, subsequently, emailed the General Manager with an apology for misreading the posted Planning and Public Policy Committee notices and overlooking the references to the topics that were to be discussed in executive session.] Ms. Smiley also expressed concerns regarding the need to update the current LCRA Water Management Plan in light of the ongoing drought conditions.

22-56 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board adopt and approve the Fortieth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2022A (Bonds) in an amount not to exceed \$300 million for the following purposes: (i) current refunding of portions of the LCRA Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project) Tax-Exempt Series and any series of LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project); (ii) funding a debt service reserve fund for the Bonds; and (iii) paying for issuance costs.

This motion also will:

1. Approve related documents, in substantially final form, including the escrow agreement, the paying agent/registrar agreement, the preliminary official statement and the Transmission Contract Revenue Debt Installment Payment Agreement Supplement Related to the Bonds (the 2022A Installment Payment Agreement Supplement). Bond counsel has prepared or reviewed all documents.
2. Delegate authority to the general manager, chief financial officer and/or treasurer to:
 - a. Select all or a portion of LCRA TSC's outstanding debt to be refunded by the Bonds and provide for appropriate notices of redemption/prepayment/defeasance;
 - b. Approve any final changes to said documents necessary to facilitate proper issuance of such Bonds;
 - c. Establish the terms of the Bonds as provided in the resolution (including issuing such bonds in one or more separate series (tax-exempt and/or taxable), principal amounts and maturity schedules, interest rates, redemption provisions and terms of any reserve funds); and

- d. Approve the terms of the sale of the Bonds to an underwriting team and execute a Bond purchase agreement.

Upon motion by Director Lewis, seconded by Vice Chair Cooper, the recommendation was unanimously approved by a vote of 12 to 0.

22-57 Vice President of Supply Chain Matt Chavez presented for consideration a staff recommendation, described in Agenda Item 6 [attached hereto as Exhibit D], that the Board authorize the general manager or his designee to negotiate and execute or amend the following contracts: Contract No. 6067 (McCurley Enterprises, Inc); Contract No. 6068 (Power Engineers Inc); Contract No. 6133 (Motorola, Inc.); and Contract No. 6029 (Brandsafway LLC). Upon motion by Director Crane, seconded by Director Yeary, the recommendation was unanimously approved by a vote of 12 to 0.

22-58 Chief Commercial Officer Randa Stephenson presented for consideration a staff recommendation, described in Agenda Item 7 [attached hereto as Exhibit E], that the Board authorize the general manager or his designee to negotiate, execute and modify a services agreement between LCRA and WSC Energy II for LCRA to provide all services needed or desired by WSC Energy II at cost, and to perform all other acts necessary or convenient to carry out the purposes hereof. Upon motion by Director Whitten, seconded by Vice Chair Cooper, the recommendation was unanimously approved by a vote of 12 to 0.

Chair Timmerman declared the meeting to be in executive session at 11:05 a.m., pursuant to sections 551.071, 551.072, 551.074, 551.076, 551.086, 551.089 and 418.183(f) of the Texas Government Code. [Director Gill joined the meeting at 11:32 a.m.] Executive session ended, and Chair Timmerman declared the meeting to be in public session at 12:14 p.m.

There being no further business to come before the Board, Chair Timmerman adjourned the meeting at 12:14 p.m.

Joseph M. Crane
Secretary
LCRA Board of Directors

Approved: Oct. 19, 2022

FOR ACTION

9. Release of Agricultural Water Conservation Funds

Proposed Motion

Approve the expenditure of up to \$600,000 from the Agricultural Water Conservation Fund for the land-leveling recertification cost-share program, the Lakeside Agricultural Division gate automation pilot project, administration of the House Bill 1437 program and water savings verification studies.

Board Consideration

Texas Special District Local Laws Code Section 8503.029 and Board Policy 301 – Finance require approval by the LCRA Board of Directors before making expenditures from the Agricultural Water Conservation Fund.

Budget Status and Fiscal Impact

- Staff seeks approval for the expenditure of up to \$600,000 from the Agricultural Water Conservation Fund, including about \$450,000 for the land-leveling recertification cost-share program, about \$100,000 for the Lakeside Gate Automation pilot project, and about \$25,000 per year (for two years) for administration of the House Bill 1437 program and continued water savings verification studies from fiscal year 2024 to FY 2025.
- The Agricultural Water Conservation Fund has a current balance of about \$3.3 million.
- Staff expects to begin the land-leveling recertification cost-share program in FY 2023 and fund it initially through FY 2025.
- The executive vice president of Water will release funds as needed.

Summary

Staff requests the Board approve the expenditure of up to \$600,000 from the Agricultural Water Conservation Fund, including about \$450,000 for the land-leveling recertification cost-share program, about \$100,000 for the Lakeside Gate Automation pilot project, and about \$50,000 for ongoing costs related to the HB 1437 program through the duration of the initial phase of the land-leveling program. The estimated ongoing costs include \$10,000 per year for administration of the program and \$15,000 per year for continued water savings verification studies from FY 2024 to FY 2025. (Funds previously have been released that cover ongoing costs for FY 2023).

HB 1437, passed by the Texas Legislature in 1999, authorized the transfer of up to 25,000 acre-feet of water per year outside the lower Colorado River basin for use in Williamson County. It stipulated there could be “no net loss” of water from the Colorado River basin and established the Agricultural Water Conservation Fund to mitigate any adverse effects resulting from the water transfer.

LCRA previously awarded cost-share grants for an agricultural land-leveling program from 2006 to 2013. The program is generally expected to have a 15-year useful life as established by National Resources Conservation Service guidelines. With that time

frame, the useful life of the LCRA-funded projects would have been exhausted starting in 2021. The proposed recertification program will include surveying fields, as well as adding design requirements such as permanent levees and a maximum levee density per field. These are components that the Garwood Agricultural Division verification study identified as producing effective water savings. Qualifying fields are eligible for up to 50% of the land-leveling project cost with a minimum producer contribution of 20%. The original program covered about 30,000 acres and was estimated to produce annual water savings of about 5,000 acre-feet per year until 2020. The proposed initial phase of the recertification program is expected to recertify or upgrade about 6,500 acres and produce continued average water savings of about 1,500 acre-feet per year for an additional 15 years. This project is consistent with LCRA's current Water Conservation Plan, approved by the Board in May 2019.

The Lakeside Gate Automation pilot project will automate one main structure on the Chesterville line of the Lakeside canal system. The pilot project is necessary to test a gate design that will incorporate an overflow to pass high canal flows resulting from rainfall in the Lakeside system.

About \$5.94 million has been spent under the Agricultural Water Conservation Fund as of August 2022. Previously authorized expenditures from the fund are outlined in annual reports. The most recent report was issued in April 2022.

Project Recap

Total Project Estimated Cost	<u>\$600,000</u>
Previous Project Lifetime Budget	\$ 0
Additional Multiyear Program Budget Approval Sought	<u>\$600,000</u>
FY 2023 \$100,000	
FY 2024 \$300,000	
FY 2025 \$200,000	
 Total	 <u>\$600,000</u>

Presenter(s)

Monica Masters
Vice President, Water Resources

FOR ACTION

10. LCRA Board of Directors Reservation of Firm Water

Proposed Motion

Reduce the LCRA Board of Directors reservation of firm water from lakes Buchanan and Travis from 40,500 acre-feet per year to 35,000 acre-feet per year.

Budget Status and Fiscal Impact

The proposed action has no impact on the fiscal year 2023 budget. The proposed action will allow LCRA to continue to enter into new firm water contracts for available firm supply that, after executed, will contribute increased revenues in the form of reservation fees and water use fees.

Summary

Since 1989, the LCRA Board has reserved a portion of the combined firm yield of lakes Buchanan and Travis for the future needs of the many areas in LCRA's 35-county water service area. The Board reservation currently is 40,500 acre-feet per year.

LCRA currently has about 45,600 acre-feet per year of firm water inventory available from lakes Buchanan and Travis or other sources, including run-of-river rights, of which 40,500 acre-feet is set aside under the current Board reservation. LCRA has two pending water contract applications, seeking increased contract quantities, that are scheduled for Board consideration this month. The total of the requested increases is 9,225 acre-feet per year.

Staff recommends reducing the Board reservation amount to 35,000 acre-feet per year to make inventory available to meet these pending requests. With that reduction, about 1,400 acre-feet would remain available for additional contracting after the Board approves the two pending water contracts. Staff will continue to bring contract requests for 500 acre-feet per year or more to the Board for approval consistent with LCRA's water contract rules.

Presenter(s)

John B. Hofmann
Executive Vice President, Water

Monica Masters
Vice President, Water Resources

FOR ACTION

11. Firm Water Contract Renewal for Municipal Use – City of Horseshoe Bay

Proposed Motion

Authorize the general manager or his designee to negotiate and execute a renewal of a standard firm raw water contract with the City of Horseshoe Bay for municipal use of LCRA's firm water supply that also would increase the supply to up to 4,450 acre-feet per year for a term of 40 years. This contract will include the addition of 2,225 acre-feet to the current contract amount of 2,225 acre-feet.

Board Consideration

Consistent with the LCRA water contract rules, all contract requests for 500 acre-feet per year or more require LCRA Board consideration.

Budget Status and Fiscal Impact

Based on an increased contract amount of 2,225 acre-feet compared with the existing contract, this contract will generate additional revenue of approximately \$170,000 in reservation fees annually. Revenue will increase as water under the contract is used.

Summary

The City of Horseshoe Bay recently submitted an application to renew its 40-year municipal raw water contract with LCRA and increase its annual quantity from 2,225 acre-feet per year to a total of 4,450 acre-feet per year. Significant growth in Horseshoe Bay's service area is causing the need for additional water supplies. Horseshoe Bay's population is estimated to be around 8,000 and is expected to double in size within the next decade. Several residential developments are expected to come online with the next couple years. The City of Horseshoe Bay provides treated water services to the community through two water treatment plants, and receives its surface water from Lake LBJ.

In addition to providing potable water services, Horseshoe Bay provides water reuse, or treated effluent, for irrigation purposes to several organizations and golf courses within its service area.

Staff has reviewed and approved the City of Horseshoe Bay's conservation and drought contingency plans, which include using treated wastewater for golf course and common areas, using advanced meter infrastructure for real-time leak detection, actively supporting LCRA WaterSmart Rebates program, and maintaining a watering schedule of no more than twice per week since 2016.

Staff recommends the Board approve the contract for 4,450 acre-feet per year of firm water supply. This replacement contract will result in an increase of 2,225 acre-feet of LCRA total firm water commitments.

LCRA staff also determined there are sufficient firm water supplies in lakes Buchanan and Travis or other sources of supply, including LCRA run-of-river water rights, to meet the recommended amount.

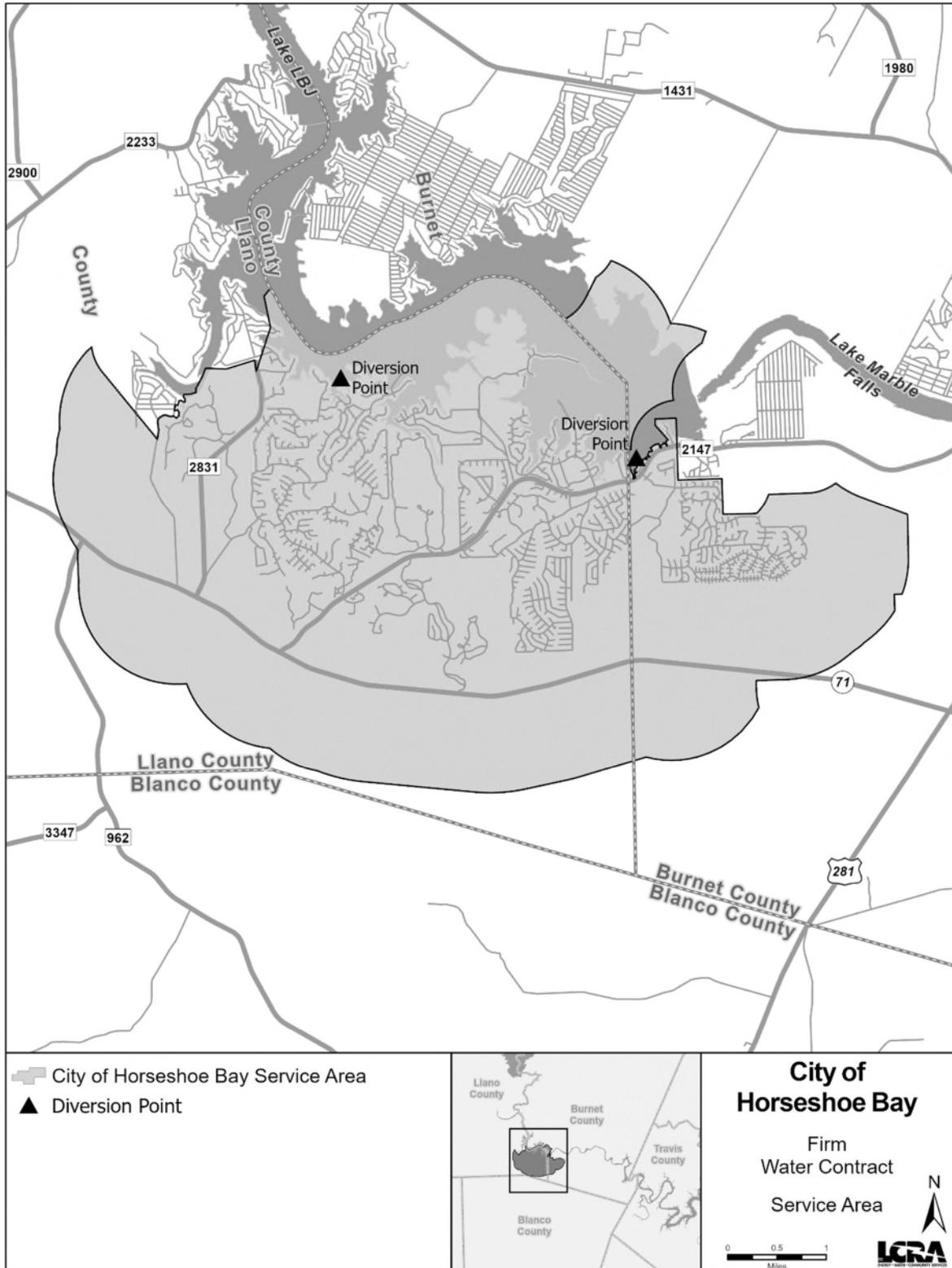
Presenter(s)

Monica Masters
Vice President, Water Resources

Exhibit(s)

A – General Location Map

EXHIBIT A



FOR ACTION

12. Firm Water Contract Renewal for Municipal Use – City of Leander

Proposed Motion

Authorize the general manager or his designee to negotiate and execute a renewal of a firm raw water contract with the City of Leander for municipal use of LCRA's firm water supply that also would increase the supply up to 31,000 acre-feet per year for a term of 40 years. This contract will include the addition of 7,000 acre-feet to the current contract amount of 24,000 acre-feet.

Board Consideration

Consistent with the LCRA water contract rules, all contract requests for 500 acre-feet per year or more require LCRA Board consideration.

Budget Status and Fiscal Impact

Based on an increased amount of 7,000 acre-feet compared with the existing contract, this contract will generate additional revenues of approximately \$540,000 annually in reservation fees. A portion of the increase will offset reduced reservation fees from LCRA's recently modified Board commitment of water for LCRA generation resources, and the remainder will result in an overall increase to revenue. Revenue will increase as water under the contract is used.

Summary

The City of Leander currently has a 24,000-acre-foot-per-year municipal raw water contract with LCRA. The City of Leander has submitted an application to increase its current contract amount by 7,000 acre-feet per year to 31,000 acre-feet per year. Leander provides treated surface water within its service area that covers about 48,700 acres of land in Travis and Williamson counties in the Colorado and Brazos river basins. Leander's 2021 population was estimated to be 86,880, and Leander expects the population to increase to 225,000 by 2042. City staff determined Leander will need 7,000 more acre-feet of water to continue providing water services to its growing community, bringing the new total contract commitment to 31,000 acre-feet per year.

Staff has reviewed and approved Leander's conservation and drought contingency plans, which include focusing on reducing water loss through leak detection and repairing water line leaks, using 300 acre-feet of reclaimed water on golf course and common areas, and promoting LCRA rebates. Under the proposed contract, Leander would continue to have the right to reuse from the existing wastewater treatment plants it solely operates. LCRA would have the first right of reuse of unused water supplied to the portion of Leander's service area that is located in the Brushy Creek Regional Wastewater Treatment System service area.

Staff recommends the Board approve the contract for 31,000 acre-feet per year of firm water supply, including specific contract terms related to reuse. This replacement contract will result in an increase of 7,000 acre-feet of LCRA total firm water commitments.

LCRA staff has determined there are sufficient firm water supplies in lakes Buchanan and Travis or other sources of supply, including LCRA run-of-river water rights, to meet the recommended amount.

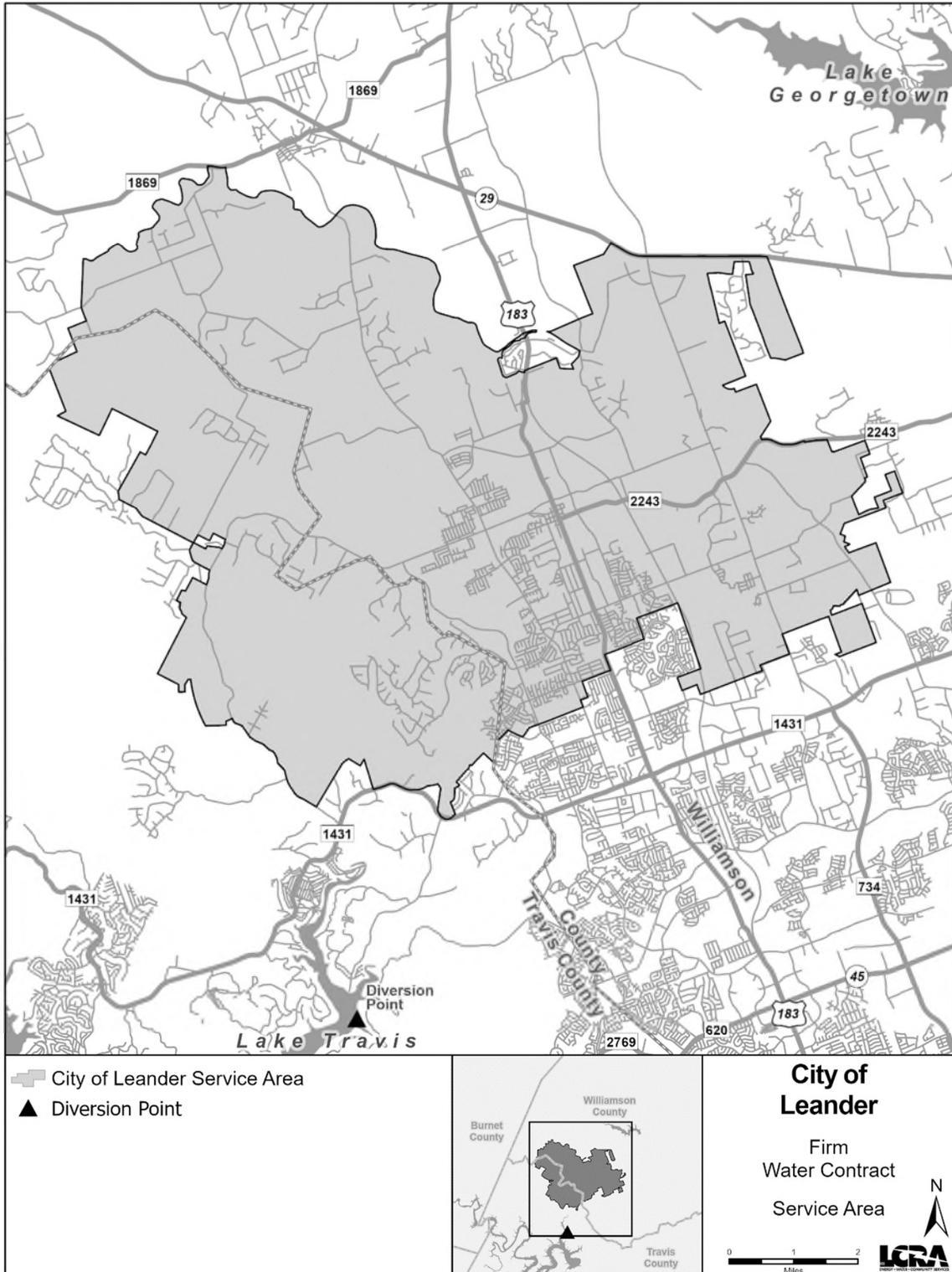
Presenter(s)

Monica Masters
Vice President, Water Resources

Exhibit(s)

A – General Location Map

EXHIBIT A



FOR ACTION

13. Authorize a Note Purchase Agreement Related to the LCRA Revenue Revolving Notes Series E and Taxable Series E and Related Agreements

Proposed Motion

Staff recommends the Board of Directors approve a Resolution authorizing a note purchase agreement (Agreement) with PNC Bank or other acceptable financial institution (Bank) related to the purchase of LCRA Revenue Revolving Notes Series E and Taxable Series E (Series E Notes) in an aggregate principal amount not to exceed \$200 million and authorizing the general manager, chief financial officer or treasurer to negotiate and execute the Agreement and related documents, including a paying agent/registrars agreement. This agenda item requires the approval of at least 12 members of the Board.

Board Consideration

The authorization of the credit facility supporting the Series E Notes requires Board approval and complies with the covenants of the Master Resolution and with LCRA Board Policy 301 – Finance. Section 8503.004(p) of the Texas Special Districts Local Laws Code authorizes the Board to issue debt under certain conditions, including the requirement that 12 members must approve this action.

Budget Status and Fiscal Impact

Staff anticipates the Agreement will reactivate the Series E Notes program and allow LCRA to issue private bank debt either on a tax-exempt or taxable basis to finance eligible projects and delay the issuance of long-term bonds, which have higher interest rates in the current market. The Series E Notes program will provide additional financing flexibility, create more diversity in bank exposure and lower carrying costs. Staff anticipates LCRA will experience lower debt service costs until long-term bonds are issued. The proposed fees for this new facility are in line with current market pricing.

Summary

Staff recommends the Board approve the attached Resolution and authorize the general manager, chief financial officer or treasurer to negotiate and execute the Series E Notes Agreement and any other related documents, including a paying agent/registrars agreement.

Background. The Series E Notes previously were supported by a note purchase agreement between LCRA and Bank of America, N.A. for the purchase of up to \$225 million of Series E Notes, which terminated in March 2022. Staff recommends the authorization of a new note purchase agreement with PNC Bank, N.A. (or another bank or financial institution if acceptable terms cannot be negotiated with PNC Bank, N.A.) for a three-year term.

The Agreement will allow LCRA to sell short-term debt directly to the Bank (up to \$200 million) until 2025. The direct purchase facility with the Bank provides an alternative structure that eliminates marketing and remarketing risk that can occur with a public market commercial paper program. This private debt facility structure does not require public credit ratings to be issued and maintained. The credit facility allows LCRA to choose between taxable or tax-exempt debt, the variable interest rate and the period to effectively manage the debt.

The Series E Notes and the Agreement are issued on parity with LCRA revenue bonds and notes pursuant to the Master Resolution and in compliance with the variable debt limitations of 25% of total capitalization set forth in LCRA Board Policy 301 – Finance. LCRA’s other short-term debt programs include: \$150 million commercial paper program supported by a letter of credit with State Street Bank and Trust Company; \$160 million private revolving notes program supported by a note purchase agreement with U.S. Bank, N.A.; \$100 million private revolving notes program supported by a note purchase agreement with J.P. Morgan Chase Bank, N.A.; and letters of credit and related notes with Barclays and Wells Fargo Bank, N.A. to provide credit to the Electric Reliability Council of Texas. Similar to LCRA’s other short-term debt, the Series E Notes will be secured by a pledge of LCRA revenues and may be refunded with long-term debt when it is advantageous.

Presenter(s)

Jim Travis
Chief Financial Officer

David Smith
Treasurer