



Board Agenda

Wednesday, Oct. 18, 2017
LCRA Board Room
Austin

Items from the Chair

Items from the General Manager

General Manager’s Update

Items from the Chief Financial Officer

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Consent Items

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

Legal Notice

Although this is the expected agenda, the Board may discuss or take action on any item listed in the legal notice, which may include some items not currently on the Board agenda. Legal notices are available on the Texas Secretary of State website 72 hours prior to the meeting at www.sos.state.tx.us/open.

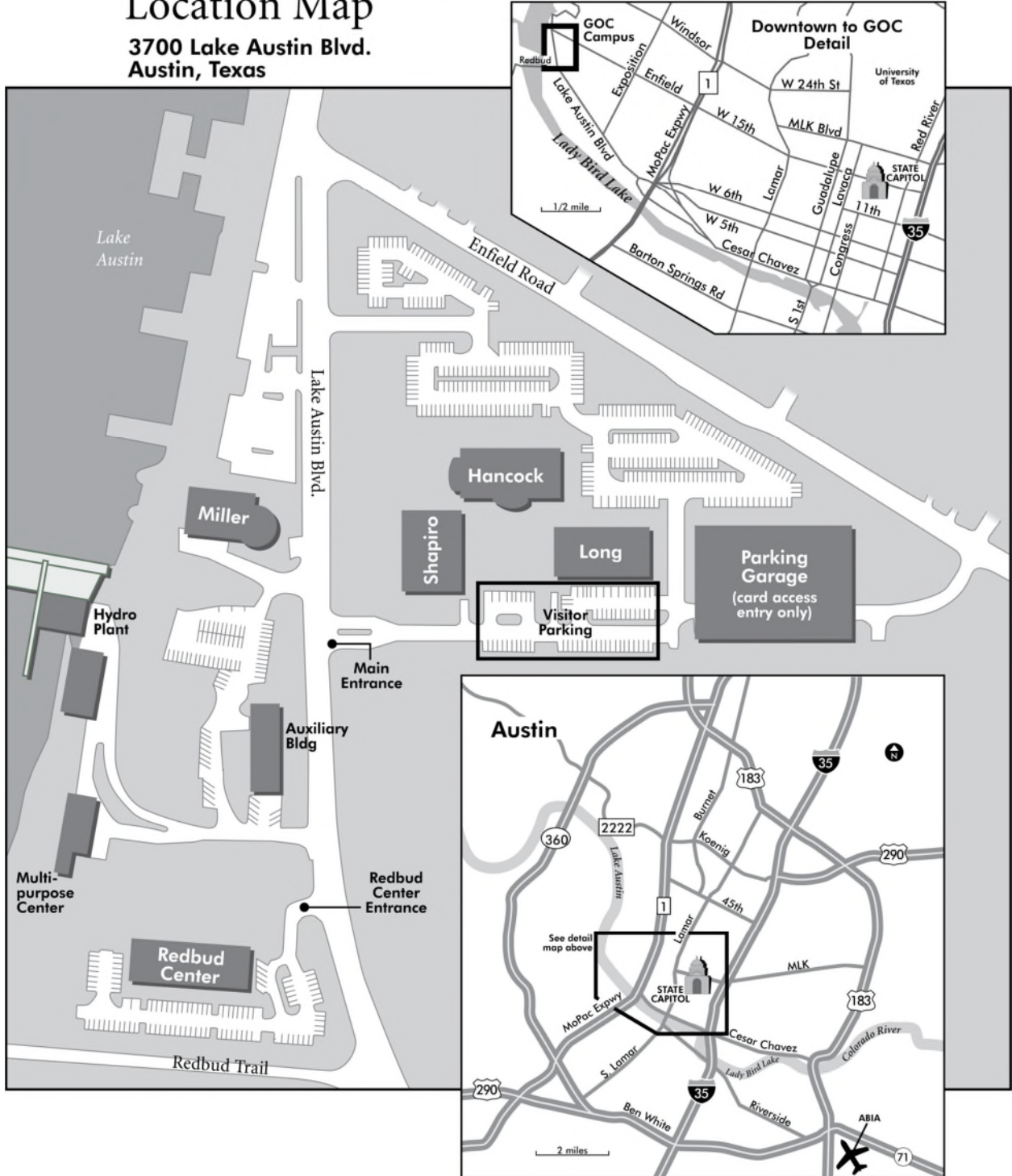
Executive Session

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

The Board may take final action on any of the executive session matters upon reconvening in open session pursuant to Chapter 551 of the Texas Government Code. The Board may act in executive session on competitive electric matters pursuant to Section 551.086 of the Texas Government Code.

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



FOR DISCUSSION

1. Financial Report

Board Consideration

Staff presents this report monthly to the Board for discussion.

Summary

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

Presenter(s)

Julie Rogers
Controller

Lower Colorado River Authority

Financial Highlights

September 2017

Lower Colorado River Authority
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Key terms:

FYE – Fiscal year-end.

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

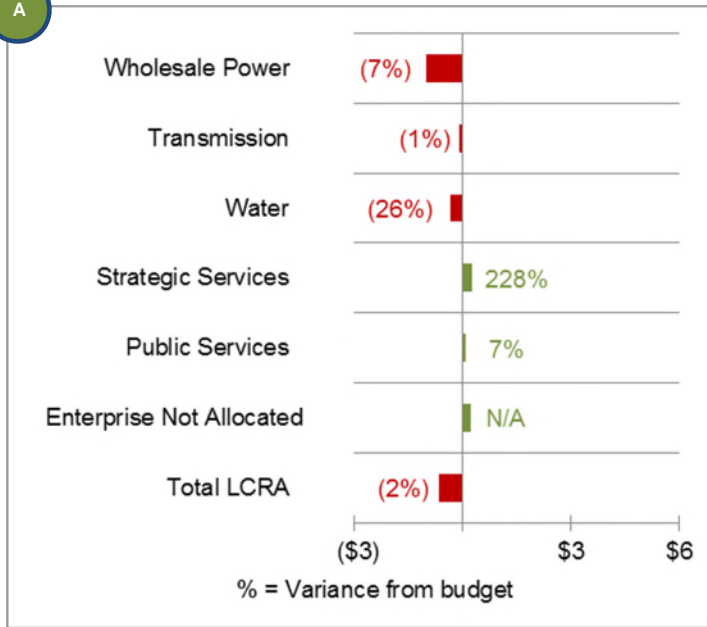
Lower Colorado River Authority

Sept. 30, 2017

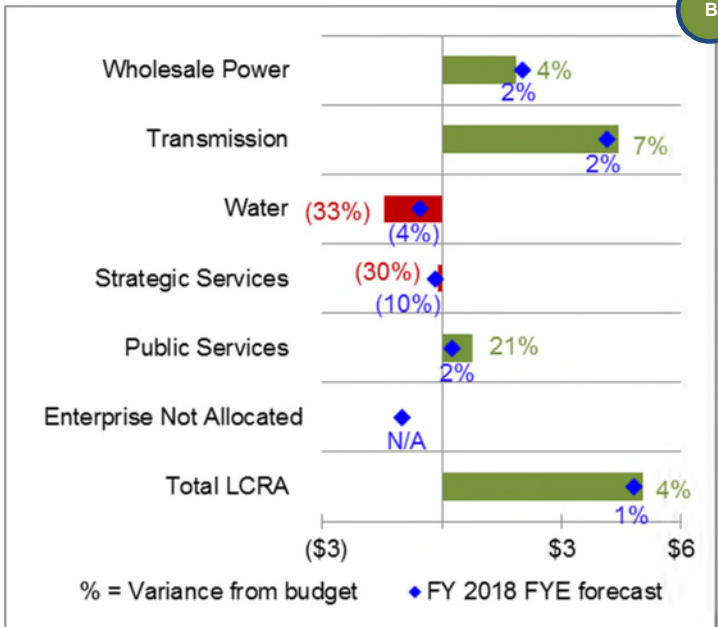
(Dollars in Millions)

Budget-to-Actual Highlights

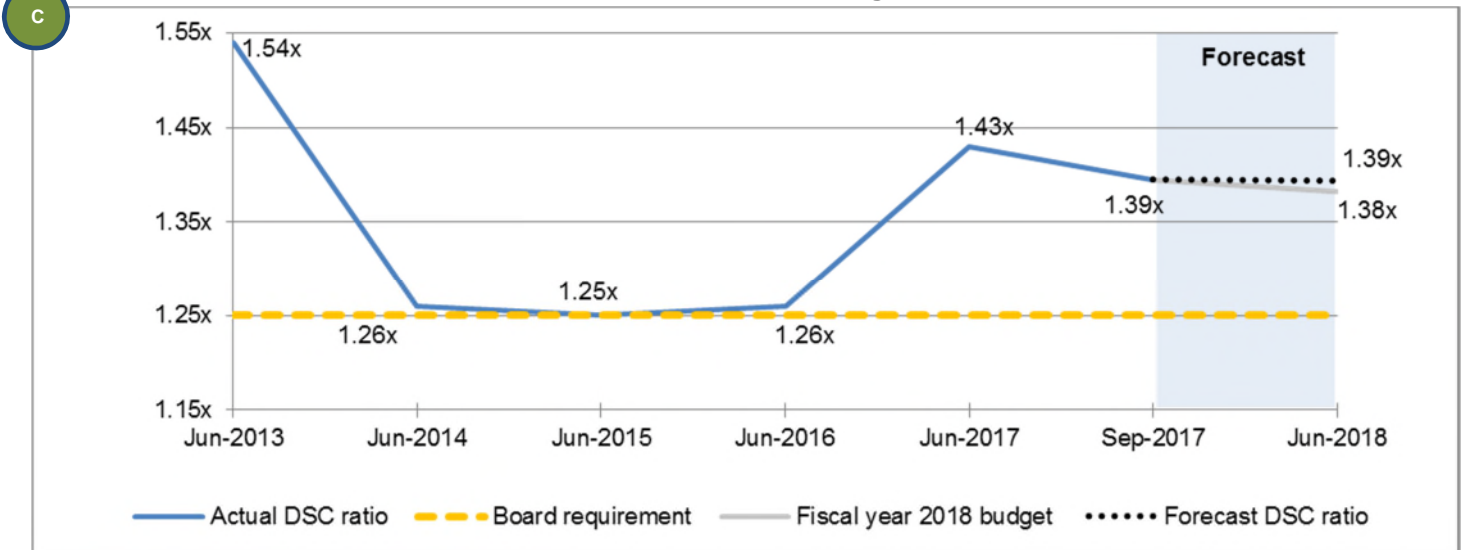
Net Margin Monthly Variances



Net Margin Fiscal Year-to-Date Variances



Debt Service Coverage



Key takeaways:

- Wholesale Power monthly performance was driven by lower-than-budgeted load. Year-to-date performance primarily was driven by higher-than-budgeted load. The year-end forecast is being driven by higher-than-budgeted interest income.
- Unbudgeted revenues from generation interconnect studies and a combination of lower expenses and timing differences drove the Transmission monthly, year-to-date and year-end forecast performances.
- Water monthly and year-to-date performances were driven by lower-than-budgeted irrigation revenues. The year-end forecast is driven by slightly higher-than-budgeted revenues and expenses related to the Sunset Advisory Commission review.
- The monthly performance for Strategic Services was due primarily to the timing of expenses. The year-to-date and year-end performances are due to less customer service work than budgeted.

Lower Colorado River Authority

Sept. 30, 2017

(Dollars in Millions)

Key takeaways continued:

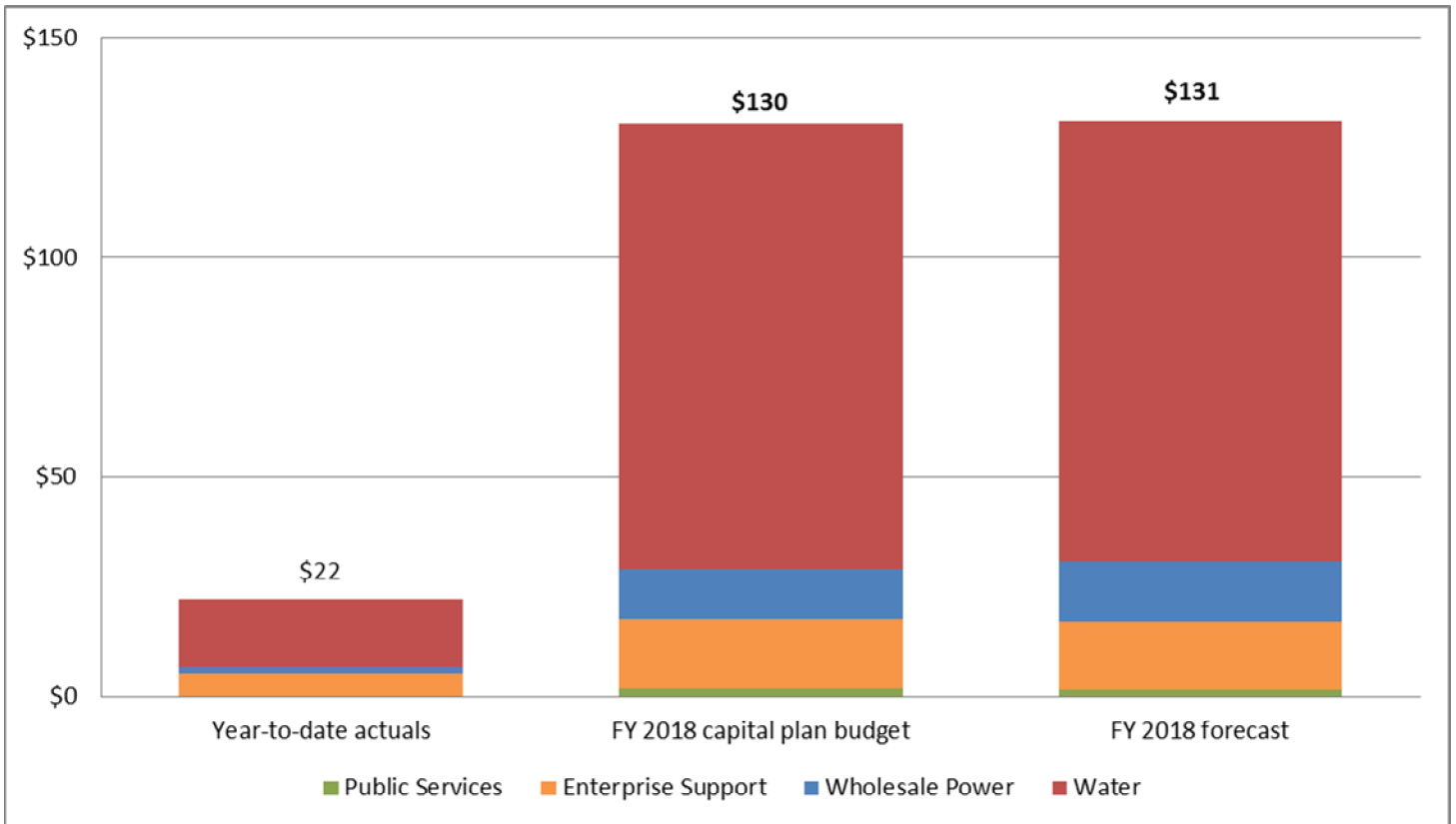
- The timing of expenses drove the monthly and year-to-date performances for Public Services. Slightly lower-than-budgeted expenses drive the year-end forecast performance.
- The monthly Enterprise Not Allocated variance is driven by the timing of expenses and is zero year to date. The year-end forecast consists solely of a donation for hurricane relief efforts.
- Debt service coverage is projected to be higher than budgeted due to positive performance in Wholesale Power and Transmission.

Lower Colorado River Authority

Sept. 30, 2017

(Dollars in Millions)

Capital Forecast



Business area	Year-to-date actuals	Percentage of budget spent	FY 2018 capital plan budget	FY 2018 capital forecast	Variance to forecast
Wholesale Power	\$ 1.5	13%	\$ 11.7	\$ 13.9	\$ (2.2)
Water	15.3	15%	101.3	100.1	1.2
Public Services	0.0	3%	1.7	1.5	0.2
Enterprise Support	5.2	33%	15.7	15.6	0.1
	\$ 22.1	17%	\$ 130.4	\$ 131.1	\$ (0.7)

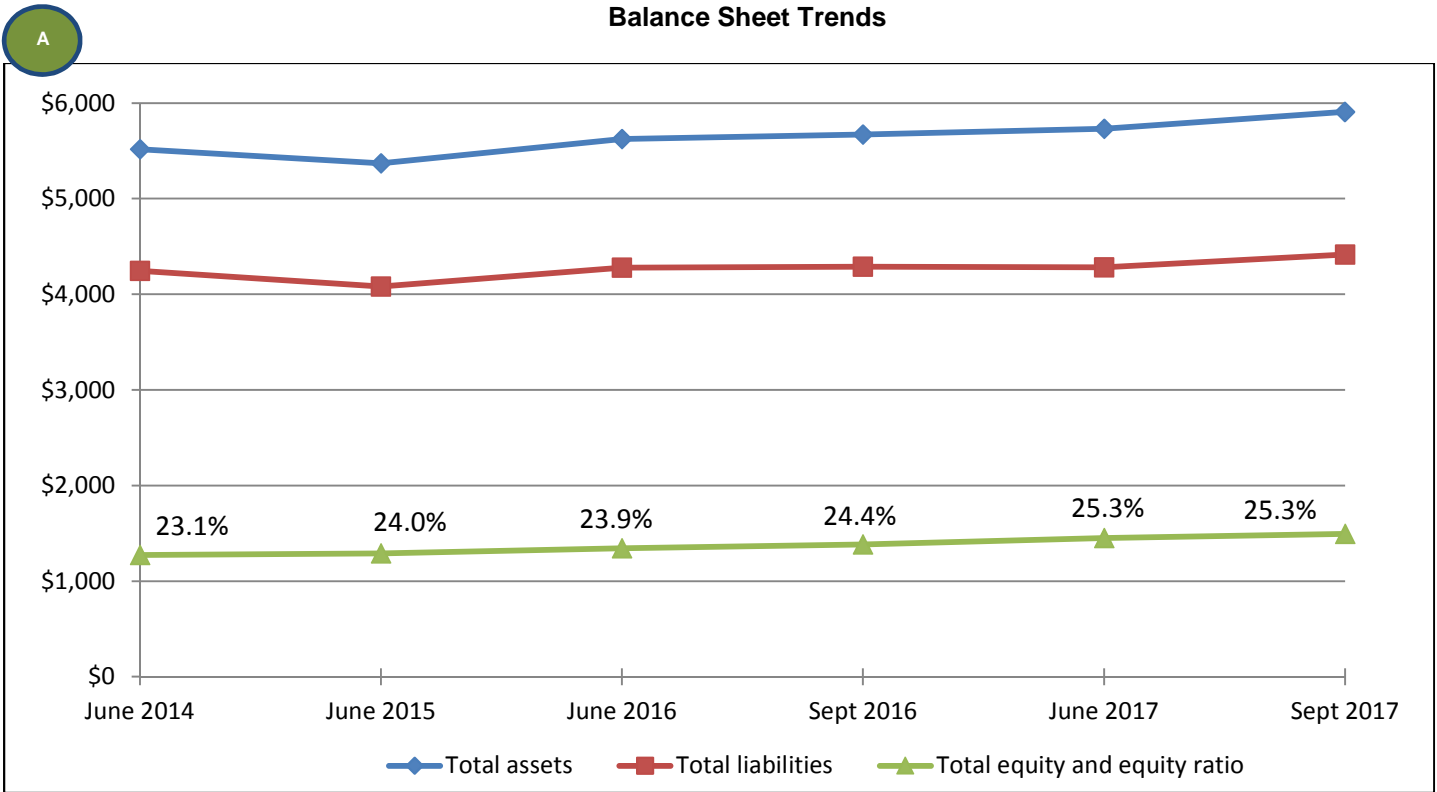
Note: Transmission Services' capital summary is found in the LCRA Transmission Services Corporation Financial Report.

Key takeaway:

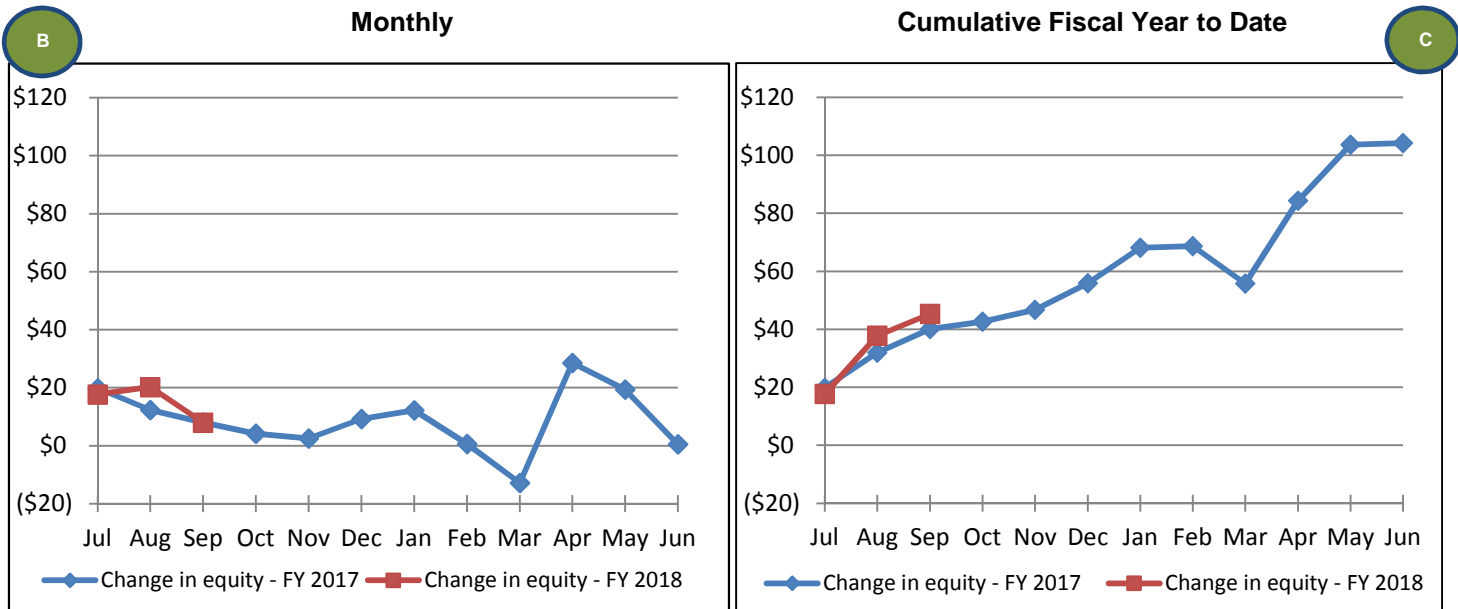
- LCRA currently is projecting that capital spending for FY 2018 will be \$0.7 million over the capital plan budget of \$130.4 million. Management and staff are discussing strategies to stay within the capital budget.

**Lower Colorado River Authority
Financial Statement Trends
Sept. 30, 2017
(Dollars in Millions)**

Balance Sheet Trends



Income Statement Trends



Key takeaways:

- The balance sheet trend remains steady from prior periods.
- Cumulative net income through September 2017 is higher as compared to September 2016 primarily due to the timing of long-term asset-related costs being deferred until planned recovery from customers in the future.

Lower Colorado River Authority

Sept 30, 2017

(Dollars in Millions)

Condensed Balance Sheets

	<u>Sept. 30, 2017</u>	<u>Sept. 30, 2016</u>
<i>Assets</i>		
Total current assets	\$ 692.3	\$ 716.7
Total long-term assets	<u>5,215.7</u>	<u>4,954.3</u>
Total Assets	<u><u>\$ 5,908.0</u></u>	<u><u>\$ 5,671.0</u></u>
<i>Liabilities</i>		
Total current liabilities	\$ 594.8	\$ 459.2
Total long-term liabilities	<u>3,819.1</u>	<u>3,828.2</u>
Total liabilities	<u>4,413.9</u>	<u>4,287.4</u>
<i>Equity</i>		
Total equity	<u>1,494.1</u>	<u>1,383.6</u>
Total Liabilities and Equity	<u><u>\$ 5,908.0</u></u>	<u><u>\$ 5,671.0</u></u>

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	<u>2018</u>	<u>2017</u>
Operating Revenues		
Electric	\$ 269.5	\$ 264.7
Water, wastewater and irrigation	5.3	7.6
Other	<u>6.5</u>	<u>9.7</u>
Total Operating Revenues	<u>281.3</u>	<u>282.0</u>
Operating Expenses		
Fuel	93.1	80.5
Purchased power	15.2	21.8
Operations	41.7	49.4
Maintenance	7.9	5.9
Depreciation, depletion and amortization	<u>40.8</u>	<u>40.2</u>
Total Operating Expenses	<u>198.7</u>	<u>197.8</u>
Operating Income	<u>82.6</u>	<u>84.2</u>
Nonoperating Income (Expenses)		
Interest on debt	(39.8)	(40.3)
Other income (expenses)	<u>2.6</u>	<u>(3.8)</u>
Total Nonoperating Income (Expenses)	<u>(37.2)</u>	<u>(44.1)</u>
Change in Equity	45.4	40.1
Total Equity - Beginning of Period	<u>1,448.7</u>	<u>1,343.5</u>
Total Equity - End of Period	<u><u>\$ 1,494.1</u></u>	<u><u>\$ 1,383.6</u></u>

Lower Colorado River Authority

Sept. 30, 2017

(Dollars in Millions)

Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2018	2017
Net cash provided by operating activities	\$ 124.4	\$ 115.0
Net cash provided by noncapital financing activities	5.3	0.2
Net cash provided by (used in) capital and financing activities	41.7	(50.1)
Net cash used in investing activities	(23.7)	(97.8)
Net Increase (Decrease) in Cash and Cash Equivalents	147.7	(32.7)
Cash and Cash Equivalents - Beginning of Period	314.0	382.8
Cash and Cash Equivalents - End of Period	\$ 461.7	\$ 350.1

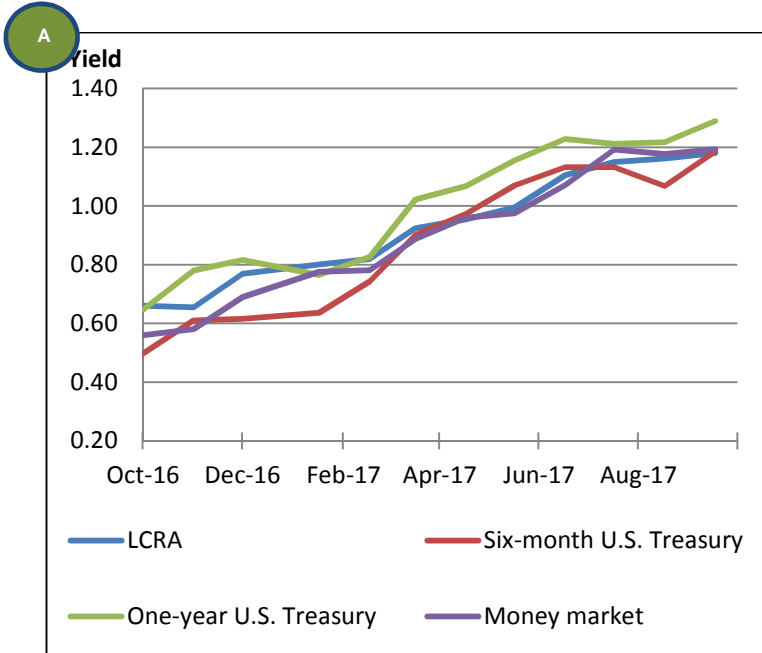
Lower Colorado River Authority

Sept. 30, 2017

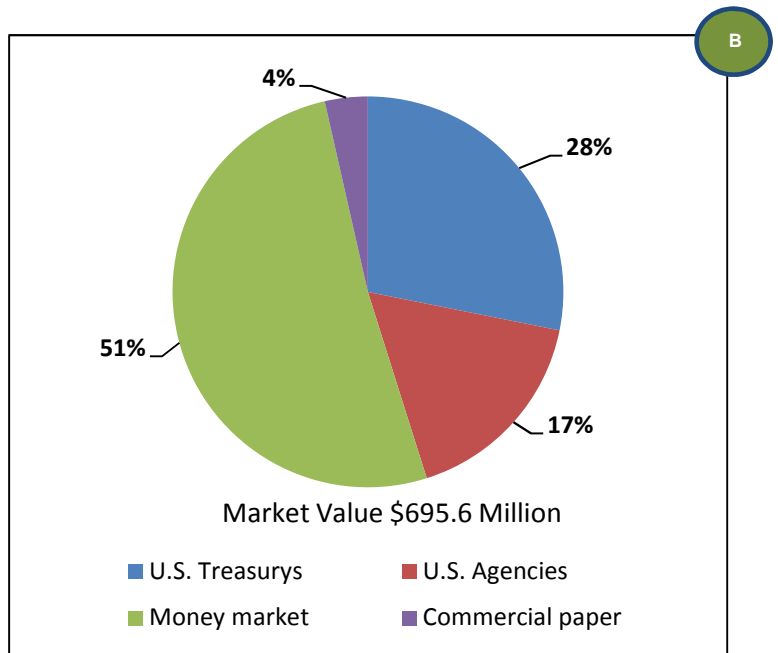
(Dollars in Millions)

Investments and Debt

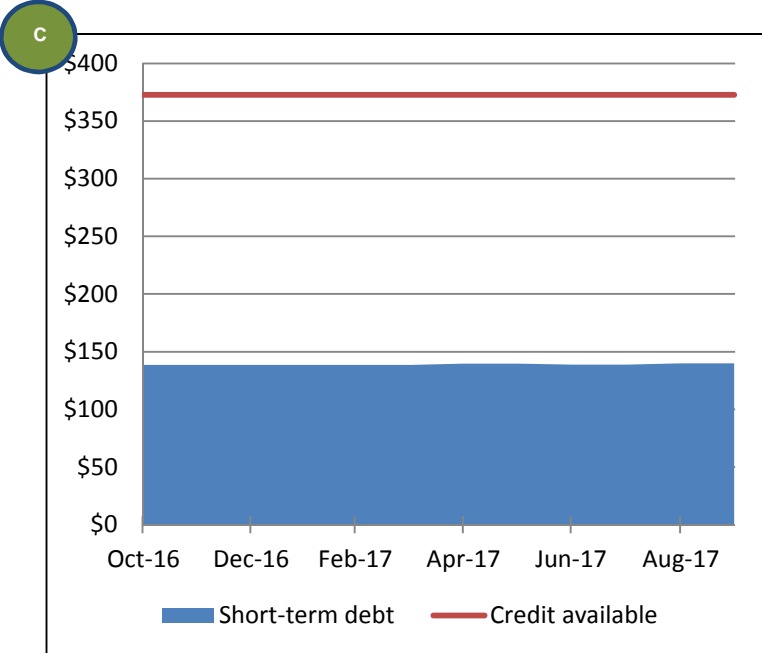
Investment Portfolio Yield



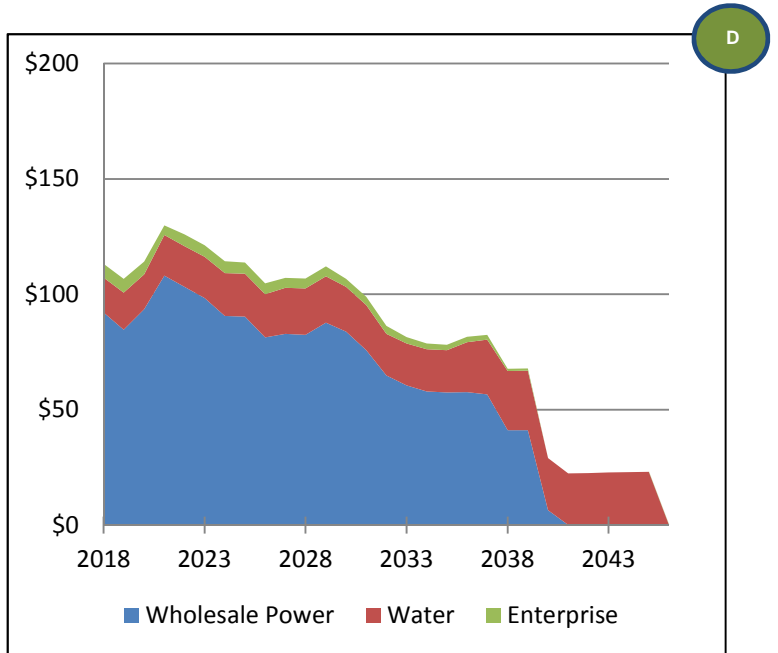
Investment Portfolio Composition



Short-Term Debt



Bond Debt Service



Key takeaway:

- The Federal Open Market Committee maintained its benchmark Federal Funds target rate at its July 26 and Sept. 20 meetings. There is a market expectation of an additional 25 basis point rate hike at the Dec. 13 meeting.

FOR ACTION

2. Fiscal Year 2017 Financial Statements and Independent Auditor's Report

Proposed Motion

Approve the fiscal year 2017 audited financial statements and authorize the filing of the audited financial statements with the executive director of the Texas Commission on Environmental Quality (TCEQ).

Board Consideration

The TCEQ, under authority granted to it within Section 49.194 of the Texas Water Code, requires river authorities such as LCRA to file with the commission an annual audit report approved by the Board of Directors.

Budget Status and Fiscal Impact

None.

Summary

The Audit and Risk Committee reviewed the audited financials with the independent audit firm at the October meeting. The Board received the audited financial statements under separate cover.

Presenter(s)

Julie Rogers
Controller

FOR ACTION (CONSENT)

3. Conveyance of Utility Easement in Burnet County (Parcels JE-01 and JW-01)

Proposed Motion

Authorize the general manager or his designee to convey to Pedernales Electric Cooperative (PEC) a permanent transmission line easement, being a 1.85-acre tract and a 4.29-acre tract for a total of 6.14 acres, across a portion of LCRA parcels JE-01 and JW-01 in Burnet County.

Board Consideration

Section 8503.020(b) of the Texas Special District Local Laws Code requires the approval of at least 12 members of the LCRA Board of Directors to convey any interest in real property. LCRA Board Policy 401 – Land Resources establishes guidelines for the acquisition, disposition, use and management of all LCRA land rights.

Budget Status and Fiscal Impact

The fiscal year 2018 business plan contains the administrative costs associated with the conveyance of this easement.

Summary

LCRA acquired JE-01 and JW-01 (Lacy and Hedges tracts) in 1949 for the purpose of creating Wirtz Dam and Lake LBJ. This property has frontage on both the north and south sides of Lake Marble Falls and is located just downstream of Wirtz Dam.

PEC requested this easement across LCRA land to formalize their transmission line's use of the land, which has been in place since the 1950s.

LCRA will not charge PEC for this easement as this transmission line has been in place for over 50 years and an easement should have been recorded at the time of construction.

The appropriate departments within LCRA reviewed the conveyance of this easement and determined the easement would have no adverse impact on LCRA operations. LCRA staff will complete environmental and cultural resource due diligence in accordance with Board Policy 401.403 – Land Disposition before the conveyance of the easement.

Exhibit(s)

- A – Vicinity Map
- B – Site Map

EXHIBIT A

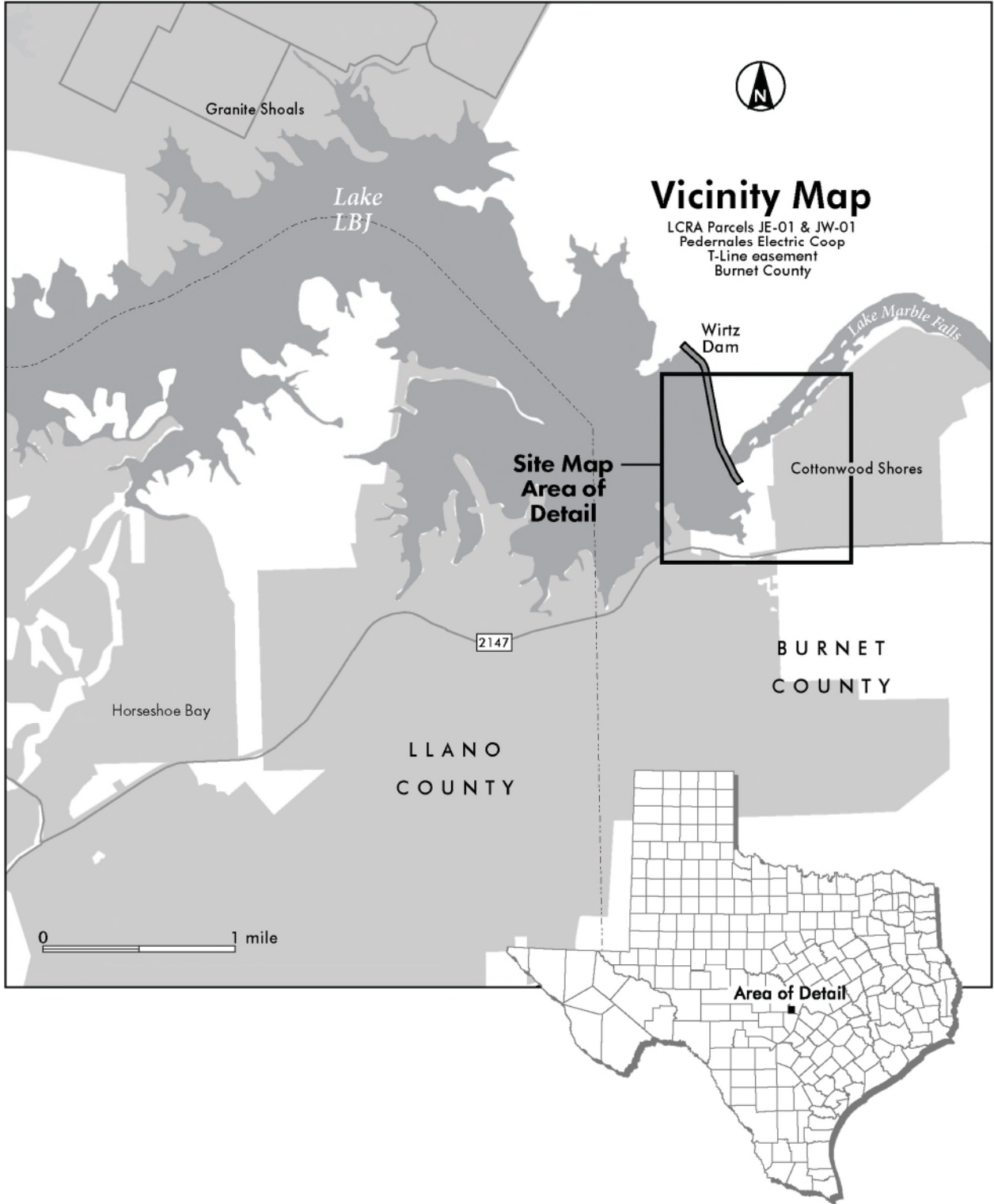
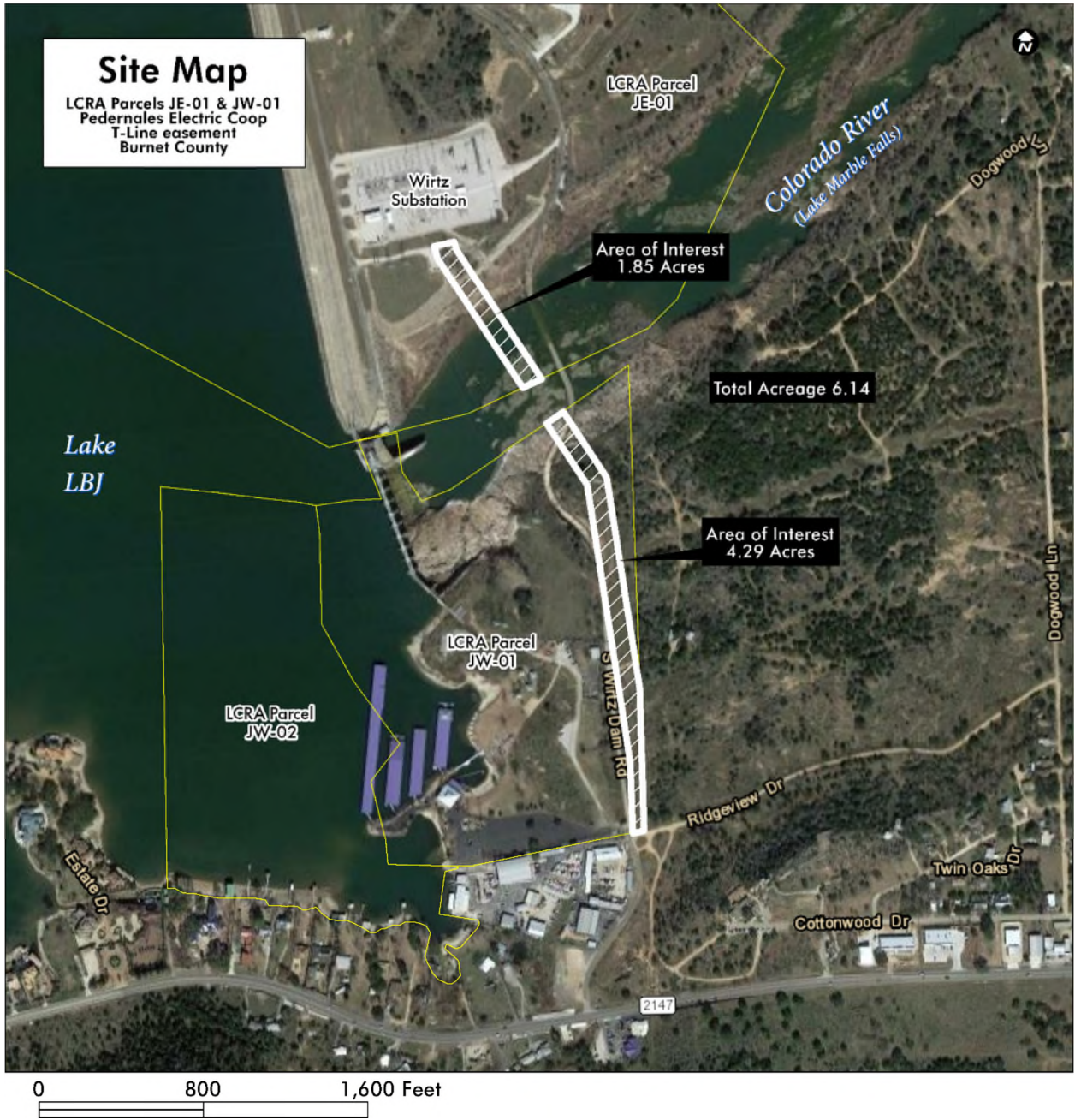


EXHIBIT B



FOR ACTION (CONSENT)

4. Amendment of Utility Easement in Wharton County (Parcel OCL-02)

Proposed Motion

Authorize the general manager or his designee to amend an existing permanent American Electric Power distribution line easement across a portion of LCRA Parcel OCL-02 and extending it to include a portion of LCRA Gulf Coast Irrigation District land in Wharton County, thereby defining a 28.56-acre easement.

Board Consideration

Section 8503.020(b) of the Texas Special District Local Laws Code requires the approval of at least 12 members of the LCRA Board of Directors to convey any interest in real property. LCRA Board Policy 401 – Land Resources establishes guidelines, disposition, use and management of all LCRA land rights.

Budget Status and Fiscal Impact

The fiscal year 2018 business plan contains the administrative costs associated with the conveyance of this easement.

Summary

LCRA acquired OCL-02 (Caravelas Tract) in 2013 for the purpose of building an off-channel reservoir adjacent to the Colorado River. This property has road frontage on the west side of State Highway 60.

AEP currently has a blanket easement across LCRA land to allow service to LCRA's pump station on the Colorado River. The amendment would redefine the easement from a blanket easement to a defined 28.56-acre easement along the route of the existing AEP distribution lines.

As this amendment benefits LCRA as well as AEP, no compensation will be required for the amendment.

The appropriate departments within LCRA reviewed the amendment of this easement and determined the easement would have no adverse impact on LCRA operations. LCRA staff will complete environmental and cultural resource due diligence in accordance with Board Policy 401.403 – Land Disposition before the amendment of the easement.

Exhibit(s)

- A – Vicinity Map
- B – Site Map

EXHIBIT A

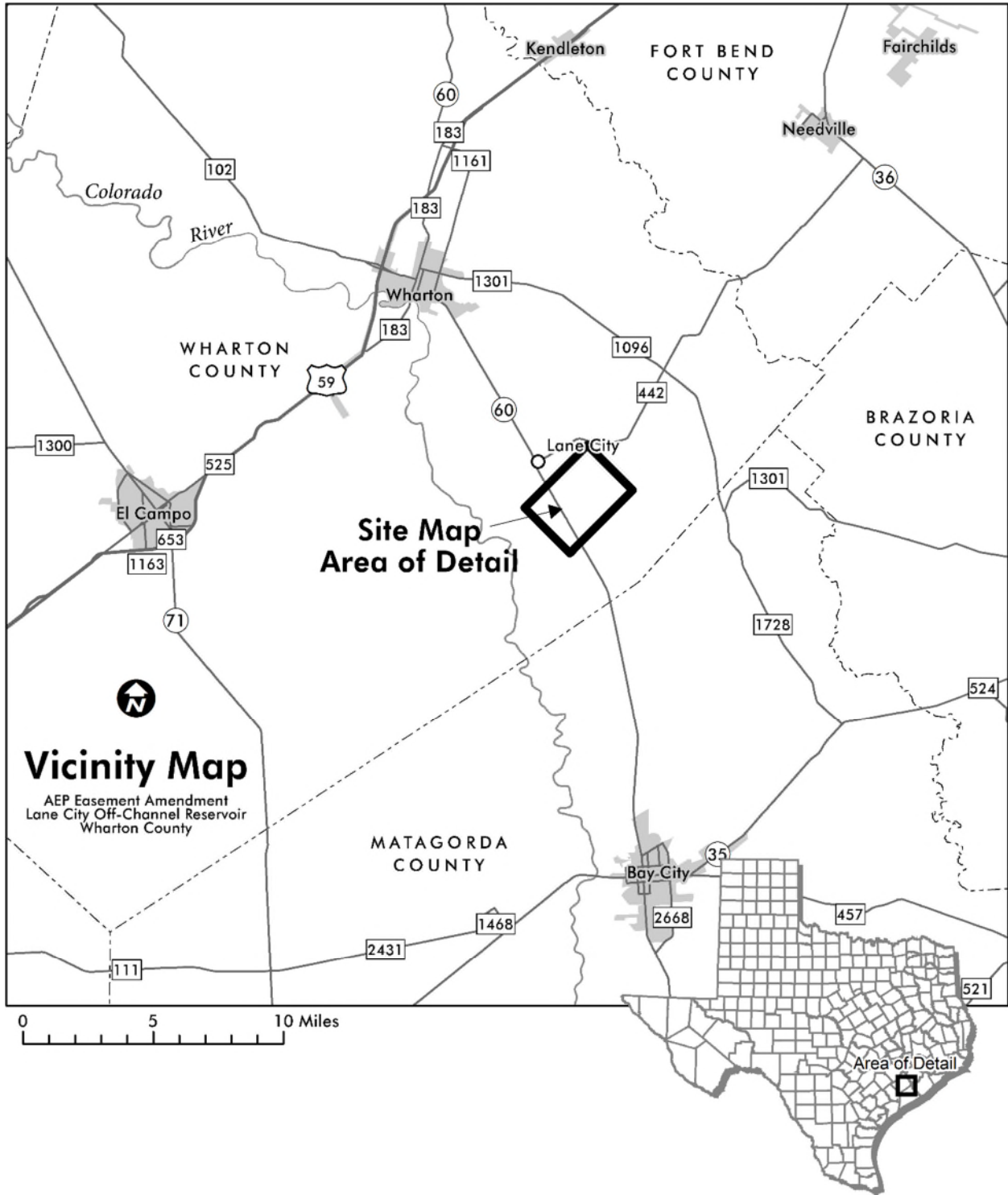


EXHIBIT B



FOR ACTION (CONSENT)

5. LCRA Board Policy 303 – Banking and Investments

Proposed Motion

Approve proposed changes to LCRA Board Policy 303 – Banking and Investments as shown in Exhibit A.

Board Consideration

Chapter 2256 of the Government Code (Texas Public Funds Investment Act or TPFIA) requires that a governing body of an investing entity review and adopt its investment policy and investment strategies annually.

Budget Status and Fiscal Impact

The fiscal year 2018 business plan anticipated this annual policy review.

Summary

The Board will fulfill its statutory requirements under the TPFIA for the annual review and adoption of the LCRA investment policy. Staff recommends approval of policy as modified, which includes:

- Clarifying the reporting requirement to the Board for changes in the TPFIA to include only changes that affect LCRA (Section 303.410),
- Changing the trading location for an approved broker/dealer, Jefferies (Appendix B) and
- Changing the limit of maturity for Money Market Mutual funds from 90 days to 60 days (Appendix C, No. 7) as directed by the 85th Texas Legislature.

Exhibit(s)

A – LCRA Board Policy 303 – Banking and Investments

EXHIBIT A

LCRA BOARD POLICY

303 – BANKING AND INVESTMENTS

~~Nov. 16, 2016~~ Oct. 18, 2017

303.10 PURPOSE

This policy establishes procedures for authorizing employees to disburse, transfer and invest LCRA funds in accordance with the LCRA enabling act, LCRA bylaws and other legal requirements. It states objectives and guidelines for investing LCRA funds and defines the types of investments in which LCRA may invest. The policy applies to activity involving LCRA funds, excluding the LCRA Retirement Benefits Plan and the LCRA 401(k) and Deferred Compensation Plans, which are not LCRA funds.

303.20 POLICY

LCRA will maintain reasonable internal control and approval procedures for the disbursement, transfer and investment of funds consistent with legal requirements.

LCRA's investments will be made in accordance with applicable laws, the LCRA enabling legislation, the LCRA bylaws, Board policies and current LCRA bond resolutions. Selection of securities firms or financial institutions must be approved by the LCRA Board of Directors. All such firms must provide certification forms asserting they have read and are familiar with the LCRA investment policy and reasonable procedures and controls have been implemented to preclude unauthorized transactions. Effective cash management is recognized as a foundation of this policy. The chief financial officer is responsible for implementing and ensuring compliance with this policy.

303.30 Banking Procedures

303.301 Signature Authority. In establishing any bank account, signature authority on the account must be provided to the bank in writing with a specimen signature for each officer and employee authorized. Any check, draft or other instrument that authorizes the disbursement or transfer of funds from any account may be signed without countersignature unless countersignatures are required by the GM/CEO and chief financial officer. Designation of positions with authority to countersign will be made in writing and approved by the GM/CEO and chief financial officer.

A complete file of authorized signatures pursuant to the requirements of this policy and facsimile signature impressions for each active demand account will be maintained by the treasurer at all times.

303.302 General Manager/Chief Executive Officer and Chief Financial Officer Designations for Disbursement and Transfer of Funds, and Check Signers. The GM/CEO and chief financial officer will designate the individuals authorized to disburse and transfer funds and to sign checks. Written authorization may be in the form of certificates of incumbency, signature cards or other bank documentation enabling designated individuals to perform fund movement activities. Designations will include limitations as to dollar amounts authorized to the designees to ensure reasonable controls over financial transactions.

303.303 Facsimile Signatures. The use of facsimile signatures, in lieu of manual signatures, for bank transactions is authorized for the chief financial officer and the treasurer without countersignature, except as otherwise required. An authorized copy of the manual signature and the facsimile signature will be furnished to each bank from which checks will be drawn.

303.40 Investment Procedures

303.401 Investment Objectives. The LCRA investment portfolio will be managed in compliance with Chapter 2256 of the Texas Government Code, as amended (the Public Funds Investment Act or TPFIA), primarily to be consistent with LCRA's responsibilities as a steward of the public trust and to take advantage of investment interest as a source of income for all funds.

LCRA will emphasize the following objectives, listed in order of importance:

Standard of care – LCRA will ensure that all LCRA personnel involved in the investment process act responsibly as custodians of the public trust in the preservation of LCRA capital. LCRA investments will be made with the exercise of judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of principal as well as the probable income to be derived.

Suitability – LCRA will ensure the suitability of the investment to LCRA's financial requirements.

Safety – LCRA will give priority to ensuring the preservation and safety of principal.

Liquidity – LCRA will maintain sufficient liquidity to provide adequate and timely availability of funds necessary to pay obligations as they become due.

Marketability – LCRA will consider its ability to liquidate an investment prior to maturity.

Diversification – LCRA will diversify its investments on the basis of maturity, type of instruments, financial institutions and securities firms.

Return on investment – LCRA will optimize return on investments within the constraints of safety and liquidity.

Maturity – LCRA will invest its funds in maturities sufficiently diverse and, in consideration of maximum maturity limits, to achieve safety of principal and adequate liquidity.

303.402 Individuals Authorized to Invest Funds. The GM/CEO and chief financial officer will submit to the Board a list designating the individuals authorized to purchase and sell securities. The Board will approve the list of designated persons and their respective dollar limits. The approved list will be attached as Appendix A. Each investment transaction must be reviewed for compliance with this policy by a person other than the individual executing the trade. The investment transaction will be in accordance with specified dollar limits determined by the GM/CEO and chief financial officer.

303.403 Authorized Instruments and Securities Firms. LCRA will purchase, from securities firms or financial institutions approved by the Board and listed in Appendix B, only those investment instruments authorized under this policy and listed in Appendix C, such list being from the TPFIA as periodically amended, with LCRA maximum maturities.

303.404 Designated Investment Officers. Responsibility for LCRA's investments and investing activity, as provided for in this policy, will be the responsibility of the designated investment officers: the chief financial officer and the treasurer of LCRA.

303.405 Officer Training. All designated investment officers, as well as all personnel responsible for executing investment transactions, must attend an investment training session not less than once each state fiscal biennium (the state fiscal year runs Sept. 1-Aug. 31), from an independent source approved by the Board and receive not less than 10 training hours as required in the TPFIA. LCRA employees must take training provided by the University of North Texas Center for Public Management, the Government Treasurers' Organization of Texas, the Government Finance Officers Association of Texas, Texas Municipal League or Texas State University.

303.406 Disclosure of Personal Business Relationships. All designated investment officers, as well as all personnel responsible for executing investment transactions, who have a personal business relationship, as defined in the TPFIA, or are related within the second degree by affinity (marriage) or by consanguinity (descended from the same ancestor), as defined in Texas Government Code Chapter 573, with any representative offering to engage in an investment transaction with LCRA, will file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the Board.

303.407 Safekeeping of Investments. LCRA will maintain safekeeping procedures to protect against potential loss or misapplication of investments. The chief financial officer or his or her designee will be responsible for procedures that secure LCRA assets. All investment activity will be accomplished on a "delivery-versus-payment" basis.

Investment instruments will be held in the name of LCRA and the LCRA fund being invested.

303.408 Collateralization. To the extent not insured by federal agencies that secure deposits, LCRA funds must be secured by collateral securities as stated in the Texas Public Funds Collateral Act, as amended. The total market value of the collateral securities will be an amount at least equal to the amount of the deposits of public funds, increased by the amount of any accrued interest and reduced to the extent that the deposits are insured by an agency or instrumentality of the United States government. Notwithstanding the foregoing, securities described in Section 2256.009(b), Texas Government Code, may not be used to secure deposits of LCRA funds.

A collateral depository agreement will be executed by any bank anticipated to hold LCRA funds in excess of federal deposit insurance and by any collateral safekeeping bank. Safekeeping receipts will be furnished by the safekeeping bank indicating the pledge of the securities to LCRA.

303.409 Depository Restrictions and Security of Funds. Other than for paying agent purposes, LCRA will use as depositories for its funds and investments only federal- or state-chartered banks or trust companies with their main office or branch located in the state of Texas in which deposits up to the maximum allowable limit are insured by federal agencies. Such depositories will be approved by the Board.

303.410 Periodic Reporting. Investment reports will be made as required by the TPFIA and will be provided to the Board as follows:

<u>General Context of Report</u>	<u>Schedule</u>
Investment portfolio summary	Quarterly
Portfolio composition and performance (investment yield versus benchmarks)	Quarterly
External financial audit (investment holdings, compliance)	Annually

All designated investment officers must sign the quarterly reports.

A report on changes to the TPFIA that affect LCRA will be made to the Board within 180 days after the last day of the regular session of the Texas Legislature.

303.411 Investment Strategies. In addition to the above LCRA corporate investment objectives and guidelines, the following detailed investment strategies are provided to address various LCRA funds on issues, including the following:

Revenue Funds – The Revenue Funds will include investments suitable for funds requiring a high degree of liquidity, and will be limited to an average maturity no greater than five years. Due to their short-term nature, involuntary investment liquidations are unlikely for the Revenue Fund; however, should they be necessary, the short-term

nature of the instruments would make material losses highly unlikely. Revenue Funds investments will be compared against appropriately competitive and reasonable benchmarks, including money market funds of similar makeups and maturities.

Construction Funds – The Construction Funds will include investments suitable to meet construction payment requirements for which the related funds were acquired. Investment maturities will be structured to meet construction payment requirements and will comply with federal tax regulations on spending terms. These short-term investments are benchmarked by the same process as the Revenue Funds investments.

Debt Service Reserve Funds – The Debt Service Reserve Funds will include investments suitable to provide reserves to meet any shortfalls in funds available to make required debt service payments. As Debt Service Reserve Funds are not to be used except in the case of insufficient revenues, average maturities in these funds can range from six months to 10 years. However, in no instance should an investment maturity exceed the latest established debt service requirement/payment date. Debt Service Reserve Fund investments will be structured to achieve the most competitive yields attainable given appropriate diversification and safety requirements, and will be compared against appropriately competitive and reasonable benchmarks, considering limitations on yield provided by federal tax law.

303.412 Monitoring Market Prices. Monitoring will be done monthly and more often as economic conditions warrant by using appropriate reports, indices or benchmarks for the type of investment. Information sources may include financial/investment publications and electronic media, software for tracking investments, depository banks, investment banks, financial advisors, and representatives/advisors of investment pools or money market funds. Monitoring of credit ratings will be done on a regular, ongoing basis and as often as economic conditions, market news or credit rating agency news releases warrant review of any specific security, type of security or security issuer. If a credit rating for a security or security issuer falls below the minimum allowable rating set by the TPFIA, LCRA will take all prudent measures that are consistent with its investment policy and TPFIA Section 2256.021 to liquidate the security.

303.413 Required Policy Compliance Audits. A compliance audit of management controls and adherence to this policy as it relates to LCRA's investments and investing activity will be performed on an annual basis in conjunction with the organization's financial audit. The compliance audit also will cover LCRA's depository or custodian with respect to investment securities and records for pledged collateral, as required in Chapter 2257 of the Texas Government Code, as amended (the Public Funds Collateral Act).

303.414 Periodic Review and Approval of Policy. This investment policy and its investment strategies will be reviewed and approved by the Board on at least an annual basis, as required by the TPFIA. The Board will record in writing its approval of existing policy and any changes to the LCRA investments policy and investment strategies.

303.50 AUTHORITY

LCRA enabling legislation, Chapter 8503, Special District Local Laws Code
Public Funds Investment Act, Chapter 2256, Texas Government Code
Public Funds Collateral Act, Chapter 2257, Texas Government Code

EFFECTIVE: December 1986. Amended March 19, 1987 (republished); Dec. 14, 1991; Oct. 22, 1992; Oct. 17, 1995; Oct. 23, 1997; Oct. 22, 1998; Aug. 18, 1999; Dec. 13, 2000; June 13, 2001; Nov. 20, 2002; Nov. 19, 2003; Oct. 20, 2004; Nov. 16, 2005; Nov. 15, 2006; Nov. 14, 2007; Dec. 17, 2008; Dec. 16, 2009; Dec. 15, 2010; Oct. 19, 2011; Nov. 14, 2012; Nov. 20, 2013; Nov. 19, 2014; and Dec. 16, 2015. Amended and combined with Board Policy 306 Sept. 21, 2016. Amended Nov. 16, 2016; and Oct. 18, 2017.

APPENDIX A

Authorization to Purchase and Sell Securities Individuals in Authorized Positions

Staff Authorized to Purchase and Sell Securities: Amended Aug. 17, 2016

Chief Financial Officer (Unlimited)	Richard Williams
Treasurer (Unlimited)	James D. Travis
Director, Treasury (\$75 million per day)	David Smith
Treasury Analyst (\$50 million per day)	Keri J. Whipple
Treasury Analyst (\$50 million per day)	Michael Prins

**APPENDIX B
APPROVED BROKER/DEALERS**

<u>Name of Firm</u>	<u>Headquarters</u>	<u>LCRA Trading Office</u>
Stifel Nicolaus & Company, Inc.	St. Louis	Houston
RBC Capital Markets	Minneapolis	Dallas
Merrill Lynch, Pierce, Fenner & Smith Inc.	Charlotte, N.C.	Dallas
Raymond James & Associates	Memphis	Austin
Wells Fargo Securities, LLC	San Francisco	Dallas
Cantor Fitzgerald & Co.	New York	Dallas
U.S. Bank N.A.	Minneapolis	Minneapolis
Jefferies LLC	New York	San Francisco <u>Los Angeles</u>

APPENDIX C
APPROVED INVESTMENTS OF PUBLIC FUNDS
AS OF ~~JUNE 17, 2014~~OCT. 18, 2017
(SECTION 2256, PUBLIC FUNDS INVESTMENT ACT OF 1987, AMENDED)

DESCRIPTION

1. Obligations of, or guaranteed by, Governmental Entities (Section 2256.009 of the Texas Public Funds Investment Act) Maturity Limit: 30 years
2. Certificates of Deposit and Share Certificates (Section 2256.010 of the Texas Public Funds Investment Act) Maturity Limit: three years
3. Repurchase and/or Reverse Repurchase Agreements (Section 2256.011 of the Texas Public Funds Investment Act) Maturity Limit: one year
4. Securities Lending Program (Section 2256.0115 of the Texas Public Funds Investment Act) Maturity Limit: one year
5. Banker's Acceptances – Rating/Definition (Section 2256.012 of the Texas Public Funds Investment Act) Maturity Limit: 270 days
6. Commercial Paper – Rating/Definition (Section 2256.013 of the Texas Public Funds Investment Act) Maturity Limit: 270 days
7. Money Market Mutual Funds – Permissions/Restrictions (Section 2256.014 (a) of the Texas Public Funds Investment Act) Maturity Limit: ~~90~~60 days
8. Guaranteed Investment Contracts (GICs) (Section 2256.015 of the Texas Public Funds Investment Act) Maturity Limit: three years
9. Investment Pools (Section 2256.016 of the Texas Public Funds Investment Act) Maturity Limit: 90 days

FOR ACTION (CONSENT)

6. 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 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 will fulfill the requirement under Section 603.80 of Board Policy 603 to review the policy annually and will approve the policy with no changes from the prior version. Staff has reviewed Board Policy 603 in conjunction with its review of the LCRA Energy Commodity Risk Control Program Policy, and it 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

~~Sept. 21, 2016~~ Oct. 18, 2017

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 risk management 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.

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 Board of Directors approval for directors' fees and expenses.

Budget Status and Fiscal Impact

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

Summary

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

FOR ACTION (CONSENT)

8. Minutes of Prior Meetings

Proposed Motion

Approve the minutes of the Aug. 15 and 16, 2017, meetings.

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 Aug. 15, 2017, meeting
- B – Minutes of Aug. 16, 2017, meeting

EXHIBIT A

MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF THE
LOWER COLORADO RIVER AUTHORITY
Austin, Texas
Aug. 15, 2017

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a special meeting to discuss the annual evaluation, compensation and goals of the general manager and general auditor at 11:42 a.m. Wednesday, Aug. 15, 2017, in the Board Room of the Hancock Building, at the principal office of LCRA, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Thomas Michael Martine, Vice Chair
Lori A. Berger
Stephen F. "Steve" Cooper
John M. Franklin
Raymond A. "Ray" Gill Jr.
Sandra Wright "Sandy" Kibby
Robert "Bobby" Lewis
George W. Russell
Franklin Scott Spears Jr.
Martha Leigh M. Whitten

Absent: Steve K. Balas, Secretary
Joseph M. "Joe" Crane
Pamela Jo "PJ" Ellison
Charles B. "Bart" Johnson

Chair Timmerman convened the meeting at 11:42 a.m. and then declared the meeting to be in executive session pursuant to sections 551.071 and 551.074 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Timmerman declared the meeting to be in public session at 12:02 p.m.

There being no further business to come before the Board, the meeting was adjourned at 12:02 p.m.

Steve K. Balas
Secretary
LCRA Board of Directors

EXHIBIT B

Minutes Digest
Aug. 16, 2017

- 17-20 Approval of a resolution honoring Ronald “Ron” Sulik, LCRA retiree.
- 17-21 Approval of the proposed calendar year 2018 LCRA Board and committee meeting dates.
- 17-22 Approval of charters for each of the following LCRA Board of Directors standing committees: Audit and Risk Committee, Executive Committee, Finance Committee, and Land and Community Resources Committee.
- 17-23 Approval of directors’ fees and expenses reimbursements.
- 17-24 Approval of the minutes of the May 10, 2017, meeting.
- 17-25 Approval of the expenditure of up to \$300,000 from the Agricultural Water Conservation Fund, and approval of the Capital Improvement Project Authorization Request for the Gulf Coast Wadsworth Gates Project.
- 17-26 Authorization for the general manager or his designee to negotiate and execute the following contracts and contract changes: Contract No. 4645 and No. 4657 (RPM Services Inc. and Alfred Conhagen Inc. of Texas); Contract No. 4658 (TurbinePROs LLC); Contract No. 3659, No. 4660, No. 4661, No. 4662, No. 4663 and No. 4664 (Power Engineers Inc., Burns & McDonnell Engineering Inc., Stanley Consultants Inc., HDR Engineering Inc., Pickett and Associates Inc. and Kleinfelder Inc.); Contract No. 4676 (Metropolitan Life Insurance Company Inc.); and Contract No. 4680 (Unum Life Insurance Company of America).
- 17-27 Adoption of a resolution approving the fiscal year (FY) 2017 performance evaluation, compensation and FY 2018 performance goals for General Auditor Charlie Johnson.
- 17-28 Adoption of a resolution approving the FY 2017 performance evaluation, compensation and FY 2018 performance goals for General Manager Phil Wilson.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LOWER COLORADO RIVER AUTHORITY
Austin, Texas
Aug. 16, 2017

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 9:48 a.m. Wednesday, Aug. 16, 2017, in the Board Room of the Hancock Building, at the principal office of LCRA, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Thomas Michael Martine, Vice Chair
Lori A. Berger
Stephen F. "Steve" Cooper
John M. Franklin
Raymond A. "Ray" Gill Jr.
Sandra Wright "Sandy" Kibby
Robert "Bobby" Lewis
George W. Russell
Franklin Scott Spears Jr.
Martha Leigh M. Whitten

Absent: Steve K. Balas, Secretary
Joseph M. "Joe" Crane
Pamela Jo "PJ" Ellison
Charles B. "Bart" Johnson

Chair Timmerman convened the meeting at 9:48 a.m.

General Manager Phil Wilson provided an update to the Board, including detailing safety-related accomplishments in fiscal year 2017 and giving a recap of LCRA's Safety Picnic in June. He highlighted other achievements from FY 2017, including Wholesale Power's continued focus on offering competitive rates, LCRA's effective execution of a capital plan, and remaining on time and on budget in constructing the Lane City Reservoir. Wilson discussed hirings for three key leadership positions at LCRA. He also gave examples of employees demonstrating the Colorado Commitment — "I will make every LCRA endeavor outstanding" — and showed a video highlighting that commitment.

17-20 General Manager Phil Wilson presented for consideration a staff recommendation that the Board approve a resolution [attached hereto as Exhibit A] honoring Ronald "Ron" Sulik, LCRA retiree. Upon motion by Director Spears, seconded

by Director Whitten, the recommendation was unanimously approved by a vote of 11 to 0.

Controller Julie Rogers presented the financial reports for June 2017 and July 2017 [Agenda Item 2].

The Board next took action on the consent agenda. Upon motion by Director Spears, seconded by Director Russell, the Board unanimously approved consent items 3, 4, 5 and 6 included on the Aug. 16, 2017, consent agenda by a vote of 11 to 0 as follows:

17-21 The proposed calendar year 2018 LCRA Board and committee meeting dates, as recommended by staff in Consent Item 3 [attached hereto as Exhibit B].

17-22 Charters for each of the following LCRA Board of Directors standing committees: Audit and Risk Committee, Executive Committee, Finance Committee, and Land and Community Resources Committee, as recommended by staff in Consent Item 4 [attached hereto as Exhibit C].

17-23 Directors' fees and expenses reimbursements, as recommended in Consent Item 5 [attached hereto as Exhibit D].

17-24 The minutes of the May 10, 2017, meeting [Consent Item 6].

17-25 Senior Vice President of Water Resources Karen Bondy presented for consideration a staff recommendation, described in Agenda Item 7 [attached hereto as Exhibit E], that the Board approve the expenditure of up to \$300,000 from the Agricultural Water Conservation Fund, and approve the Capital Improvement Project Authorization Request for the Gulf Coast Wadsworth Gates Project. Bondy noted that the Agricultural Water Conservation Fund Advisory Committee unanimously recommended that the LCRA Board approve the project and use of funds. Upon motion by Director Cooper, seconded by Director Berger, the recommendation was unanimously approved by a vote of 11 to 0.

17-26 Manager of Supply Management Laura Guillory presented for consideration a staff recommendation, described in Agenda Item 8 [attached hereto as Exhibit F], that the Board authorize the general manager or designee to negotiate and execute the following contracts and contract changes: Contract No. 4645 and No. 4657 (RPM Services Inc. and Alfred Conhagen Inc. of Texas); Contract No. 4658 (TurbinePROs LLC); Contract No. 3659, No. 4660, No. 4661, No. 4662, No. 4663 and No. 4664 (Power Engineers Inc., Burns & McDonnell Engineering Inc., Stanley Consultants Inc., HDR Engineering Inc., Pickett and Associates Inc. and Kleinfelder Inc.); Contract No. 4676 (Metropolitan Life Insurance Company Inc.); and Contract No. 4680 (Unum Life Insurance Company of America). Upon motion by Director Berger, seconded by Director Whitten, the recommendation was unanimously approved by a vote of 11 to 0.

Chair Timmerman declared the meeting to be in executive session at 10:19 a.m., pursuant to sections 551.071, 551.074 and 551.086 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Timmerman declared the meeting to be in public session at 12:05 p.m.

17-27 Upon motion by Director Kibby, seconded by Director Berger, the Board unanimously adopted a resolution [attached hereto as Exhibit G] approving the fiscal year (FY) 2017 performance evaluation, compensation and FY 2018 performance goals for General Auditor Charlie Johnson by a vote of 11 to 0.

17-28 Upon motion by Director Spears, seconded by Director Franklin, the Board unanimously adopted a resolution [attached hereto as Exhibit H] approving the fiscal year (FY) 2017 performance evaluation, compensation and FY 2018 performance goals for General Manager Phil Wilson by a vote of 11 to 0.

There being no further business to come before the Board, the meeting was adjourned at 12:09 p.m.

Steve K. Balas
Secretary
LCRA Board of Directors

FOR ACTION

9. Authority to Spend PRCLA funds

Proposed Motion

Authorize the expenditure of up to \$3.8 million from the Public Recreation and Conservation Land Acquisition (PRCLA) Fund for the repair and replacement of LCRA-owned park facilities in Bastrop, Fayette, Colorado, Wharton and Matagorda counties damaged due to Hurricane Harvey.

Board Consideration

LCRA Board Policy 301 – Finance requires Board approval for expenditures of funds from PRCLA.

Budget Status and Fiscal Impact

The PRCLA balance will be reduced by up to \$3.8 million. About 75 percent of that amount may be reimbursed by the Federal Emergency Management Agency. Staff will credit back to PRCLA any FEMA reimbursement for parks repairs. These expenditures to be funded from PRCLA were not budgeted in the fiscal year 2018 business and capital plans.

Summary

LCRA-owned parks in the five lower basin counties suffered damage due to Hurricane Harvey. Staff has assessed the damage and developed preliminary cost estimates for the repair or replacement of damaged facilities. The most current estimate is \$3,670,500; however, once actual work begins, it may be determined that more or less funding may be required. Staff expects to complete work on the facilities of most of the affected parks by spring of 2018.

LCRA has begun the process to apply for reimbursement from FEMA for park repairs. Based on recent experience seeking reimbursement from FEMA, staff believes LCRA may not receive funds from FEMA for a year or more. The amount of the reimbursement will be up to 75 percent of the amount spent by LCRA. Once funds are received, the money will be credited to the PRCLA Fund.

Staff will keep the Board apprised of the impacts on the FY 2018 business and capital plans and will provide a full accounting for the PRCLA expenditures once work is complete.

Presenter(s)

Phil Wilson
General Manager and CEO

FOR ACTION

10. Contracts and Contract Changes

Proposed Motion

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

Board Consideration

LCRA Board Policy 308 – Purchasing Contracts establishes requirements for contracts for the purchase of goods, services, construction and software.

Budget Status and Fiscal Impact

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

Summary

Each month the Board approves the contracts and contract changes in accordance with LCRA Board Policy 308. LCRA has two types of contracts, master and one-time.

- **Master Contract:** Establishes the terms and conditions under which LCRA may purchase goods and/or services during a fixed period of time to fulfill its business plan. These purchases are budgeted in the capital and operations and maintenance budgets. Master contracts are not commitments to expend funds. Rather, purchase orders placed against these master contracts are commitments to spend.
- **One-Time Contract:** A contract for the purchase of a definite quantity of goods or services during a fixed period of time. These contracts normally include commitments to expend funds.

Presenter(s)

Michael McGann
Vice President, Supply Chain

Exhibit(s)

A – New Contracts

EXHIBIT A

New Contracts

New contracts that require Board approval under Board Policy 308 are noted in Exhibit A. The contracts below have termination-for-convenience language should LCRA's needs change, unless otherwise noted. The amount reflects the projected spending need over the life of the contract(s).

Contract No. 4694
Contractor: Mabry Public Affairs LLC
Amount: Not to exceed \$102,000
Competition: Departure from the competitive process
Time: One year
Description: This one-time contract is for the provision of consulting and advocacy services in the area of major water infrastructure funding and authorization. This supports LCRA's long-term infrastructure funding strategy.

Process Integrity: This is a departure from the competitive process in order to acquire unique capabilities.

Contract Nos. 4700 and 4701
Contractor: Woolery Custom Fence Company and Metalink LLC
Amount: Not to exceed \$30 million
Competition: Full and open competition
Time: One base year with four one-year options to extend
Description: These master contracts are for the provision of installation, maintenance and repair for high-security and other fencing used across LCRA. Previous spend was \$7.4 million across five years. North American Electric Reliability Corporation requirements on security fencing are the primary driver of added cost, both for new and retrofitted old fencing, hence the increased value of the contracts.

Process Integrity: LCRA directly solicited 18 suppliers, in addition to posting the opportunity on LCRA's website. LCRA received and evaluated four vendor proposals. A team of evaluators weighted five criteria according to the nature of the category: 1) ability to perform/provide; 2) quality; 3) service; 4) cost; and 5) innovation. The highest weighted criterion was ability to perform. This criterion was evaluated based upon demonstrated project history and productivity. Based upon this evaluation and the contract concessions achieved through negotiations, staff recommends Woolery Custom Fence Company and Metalink LLC as the suppliers for this category. This contract amount represents the maximum shared sum from which these contracts may draw. Because each of these contracts has the potential to exceed the approval amount under LCRA Board Policy 308, all are submitted here for approval.

Best Value for LCRA: The proposed contract terms offer the best value among all the respondents.

FOR DISCUSSION

11. Colorado River Land Trust Annual Update

Summary

Land trusts have become an important tool for land conservation. Landowners are using land trusts to preserve their land for conservation and to protect open space, water quantity and water quality. LCRA established the Colorado River Land Trust in September 2012 to provide landowners in the Colorado River watershed another option to achieve these goals and to help LCRA fulfill its role as a responsible steward of the basin's natural resources.

Staff will give an update on CRLT.

Presenter(s)

John Miri
Chief Administrative Officer

Jeff Crosby
Land Conservation Manager

FOR ACTION

12. Sale of Land in Matagorda County (Parcel A-CR14(1))

Proposed Motion

Declare an approximately 984.6-acre tract of land, being a portion of LCRA Parcel A-CR14(1) in Matagorda County, nonessential, and authorize the general manager or his designee to sell the property to the Colorado River Land Trust (CRLT) and to do all things reasonably necessary to accomplish the sale.

Board Consideration

Section 8503.020(b) of the Texas Special District Local Laws Code requires the approval of at least 12 members of the LCRA Board of Directors to convey any interest in real property. Section 49.226 of the Texas Water Code authorizes LCRA to convey real property for fair market value without going through a bidding process. LCRA Board Policy 401 – Land Resources requires at least 12 members of the LCRA Board to declare the land to be no longer necessary or of beneficial use to the business of LCRA before conveyance. Additionally, Section 8503.020 of the Texas Special District Local Laws Code and LCRA Board Policy 401 require Board approval of the terms of all land sales before conveyance.

Budget Status and Fiscal Impact

The fiscal year 2018 business plan contains the administrative costs associated with the sale of this land. The proceeds of \$900,000 will be credited to the Public Recreation and Conservation Land Acquisition Fund.

Summary

The CRLT expressed an interest in purchasing an approximately 984.6-acre tract of LCRA land, which is a portion of Matagorda Bay Nature Park. The tract is priced at \$935,400 (\$950 per acre) based on an appraisal performed by James Jeffries, MAI, ARA, effective June 26, 2017. LCRA will receive \$900,000 at the time of the sale of the land.

As part of the transaction, CRLT will lease the property back to LCRA on a long-term lease for park and recreational purposes. The difference between the appraised value and the purchase price of the land will be credited as the rent due over the life of the lease.

The transaction will not affect LCRA's operation of the Matagorda Bay Nature Park.

LCRA staff will complete environmental and cultural resource due diligence in accordance with Board Policy 401.403 – Land Disposition before the sale of the property.

The property will be sold subject to the reservation of all presently held oil, gas and other mineral rights of every kind or character in, on and under the property, provided that LCRA shall not be permitted to drill or excavate for minerals on the surface of the property.

Presenter(s)

John Miri
Chief Administrative Officer

Steven Brown
Director, Real Estate Services

Exhibit(s)

- A – Vicinity Map
- B – Site Map

EXHIBIT A

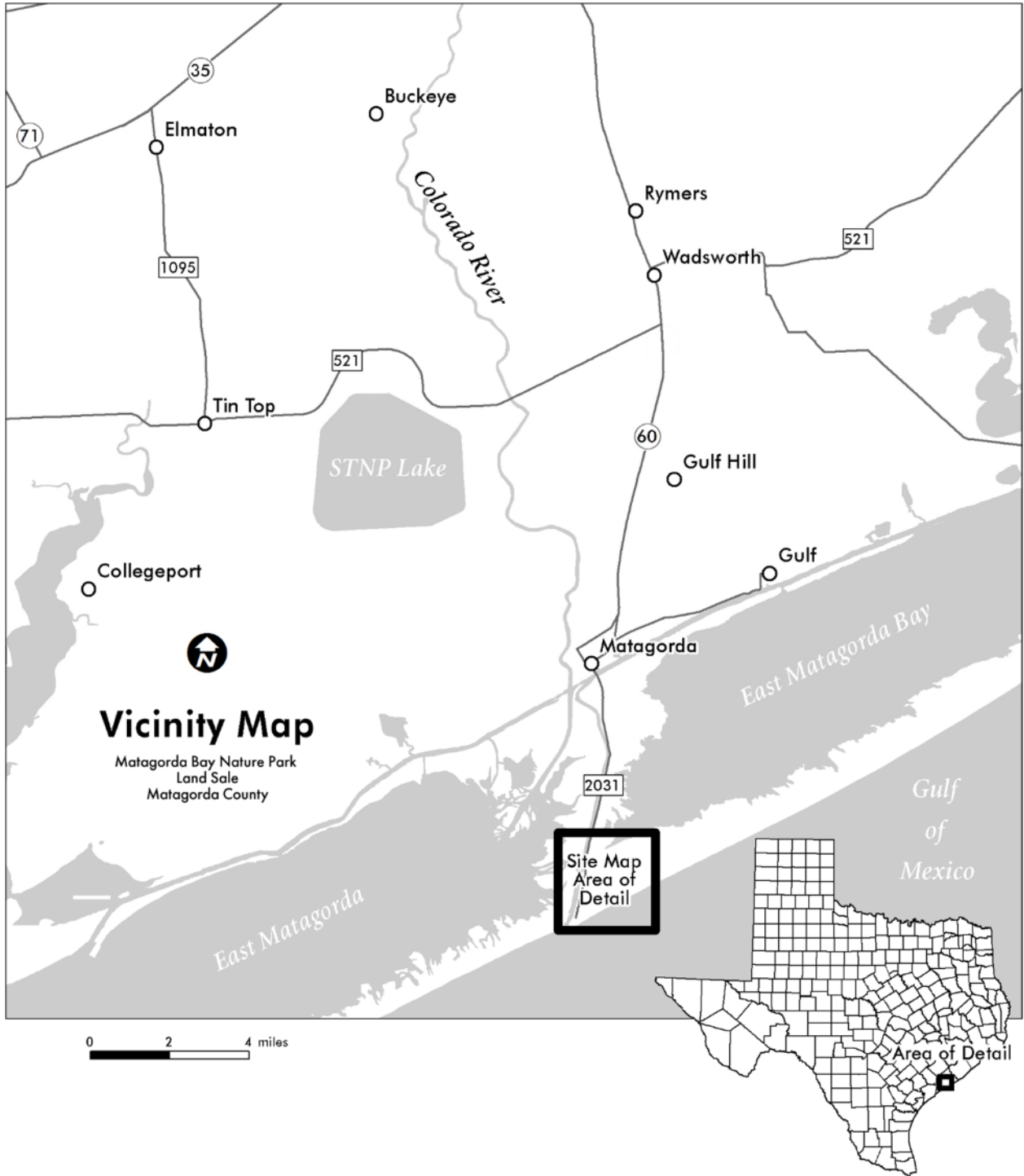


EXHIBIT B



FOR ACTION

13. Oil, Gas and Mineral Lease in Colorado County

Proposed Motion

Authorize the general manager or his designee to negotiate and execute an oil, gas and mineral lease on approximately 3.67 acres in Colorado County.

Board Consideration

Section 8503.020(b) of the Texas Special District Local Laws Code requires the approval of 12 members of the LCRA Board of Directors prior to the conveyance of any interest in real property.

Budget Status and Fiscal Impact

The administrative costs associated with the execution of this lease are contained within the fiscal year 2018 business plan. Any lease bonus and royalty revenues will be credited to the LCRA revenue fund. The projected lifetime revenue is anticipated to be up to \$30,278.

Summary

On Aug. 31, 1939, LCRA acquired 3.67 acres in Colorado County from Texas Power & Light Company (now TXU Energy) as part of a larger transaction. On Jan. 1, 2002, LCRA conveyed the tract, which is the site of the Pisek Substation, to LCRA Transmission Services Corporation, reserving the minerals but waiving the right to use the surface for mineral exploration or development. In May 2017, Pallas Energy Services contacted LCRA to make an initial offer to lease the oil, gas and minerals. LCRA staff negotiated with Pallas Energy, and the parties reached mutually agreeable deal terms.

Staff recommends entering into a lease with the following terms:

- Prohibit surface activity
- Market rate royalty
- Bonus up front without rentals
- Three-year term, but continuing as long as production exists

Appropriate due diligence assessment of the property will be conducted in accordance with Board Policy 401 prior to the execution of this lease.

Presenter(s)

John Miri
Chief Administrative Officer

Steven Brown
Director, Real Estate Services

Exhibit(s)

A - Vicinity Map
B - Site Map

EXHIBIT A

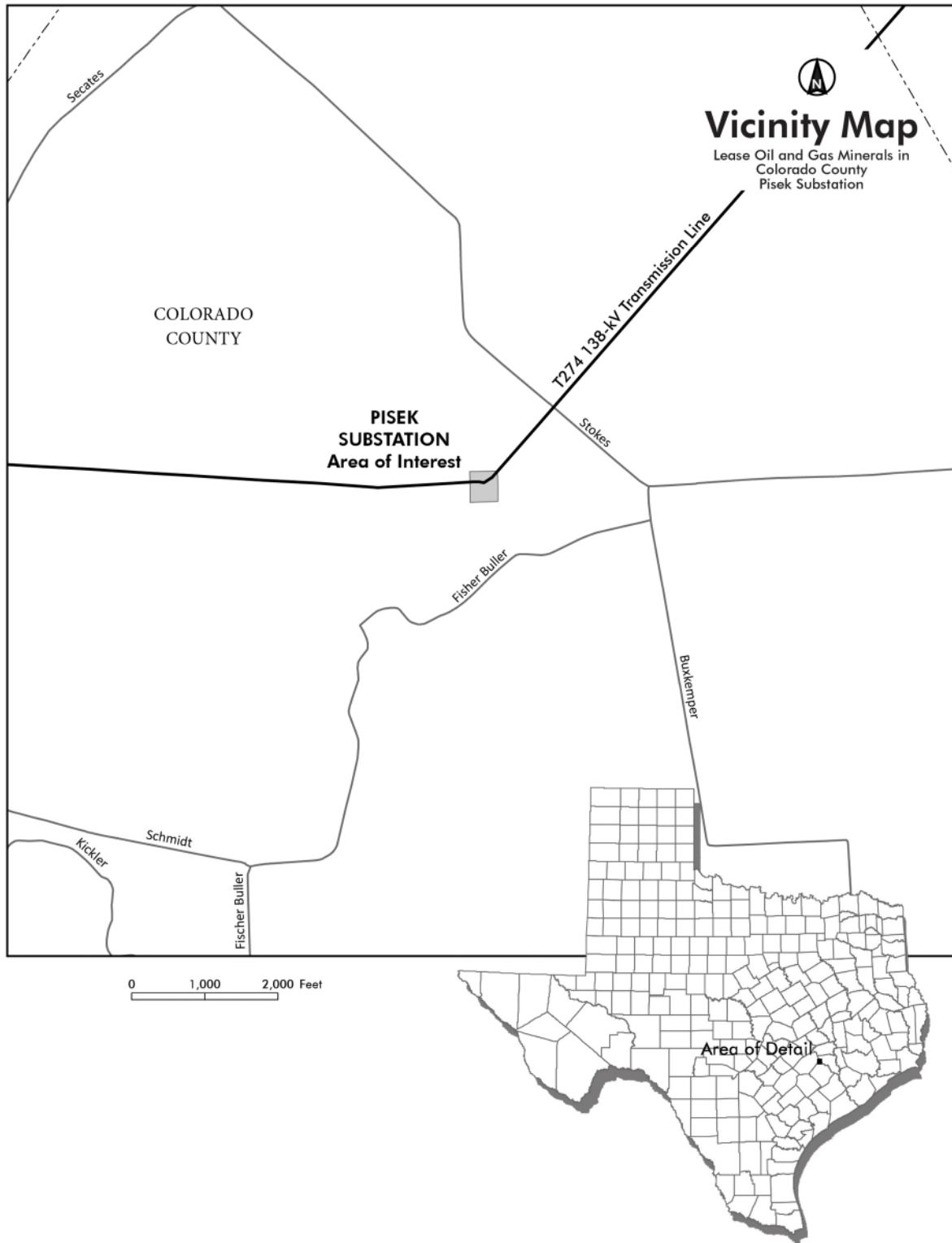


EXHIBIT B



FOR ACTION

14. Oil, Gas and Mineral Lease in Lavaca County

Proposed Motion

Authorize the general manager or his designee to negotiate and execute an oil, gas and mineral lease on approximately 1.26 acres in Lavaca County.

Board Consideration

Section 8503.020(b) of the Texas Special District Local Laws Code requires the approval of 12 members of the LCRA Board of Directors prior to the conveyance of any interest in real property.

Budget Status and Fiscal Impact

The administrative costs associated with the execution of this lease are contained within the fiscal year 2018 business plan. Any lease bonus and royalty revenues will be credited to the LCRA revenue fund. The projected lifetime revenue is anticipated to be up to \$10,400.

Summary

On May 16, 1947, LCRA acquired a 1-acre tract in Lavaca County, and later acquired an adjacent 0.26-acre tract for the Shiner Substation on April 7, 1952. On Dec. 3, 2001, LCRA conveyed the combined tract to LCRA Transmission Services Corporation, reserving the minerals but waiving the right to use the surface for mineral exploration or development. . In August 2017, Delago Resources contacted LCRA about leasing the oil, gas and minerals. LCRA staff has negotiated with Delago Resources, and the parties reached mutually agreeable deal terms.

Staff recommends entering into a lease with the following terms:

- Prohibit surface activity
- Market rate royalty
- Bonus up front without rentals
- Three-year, but and continuing it as long as production exists

Appropriate due diligence assessment of the property will be conducted in accordance with Board Policy 401 prior to the execution of this lease.

Presenter(s)

John Miri
Chief Administrative Officer

Steven Brown
Director, Real Estate Services

Exhibit(s)

A - Vicinity Map
B - Site Map

EXHIBIT A

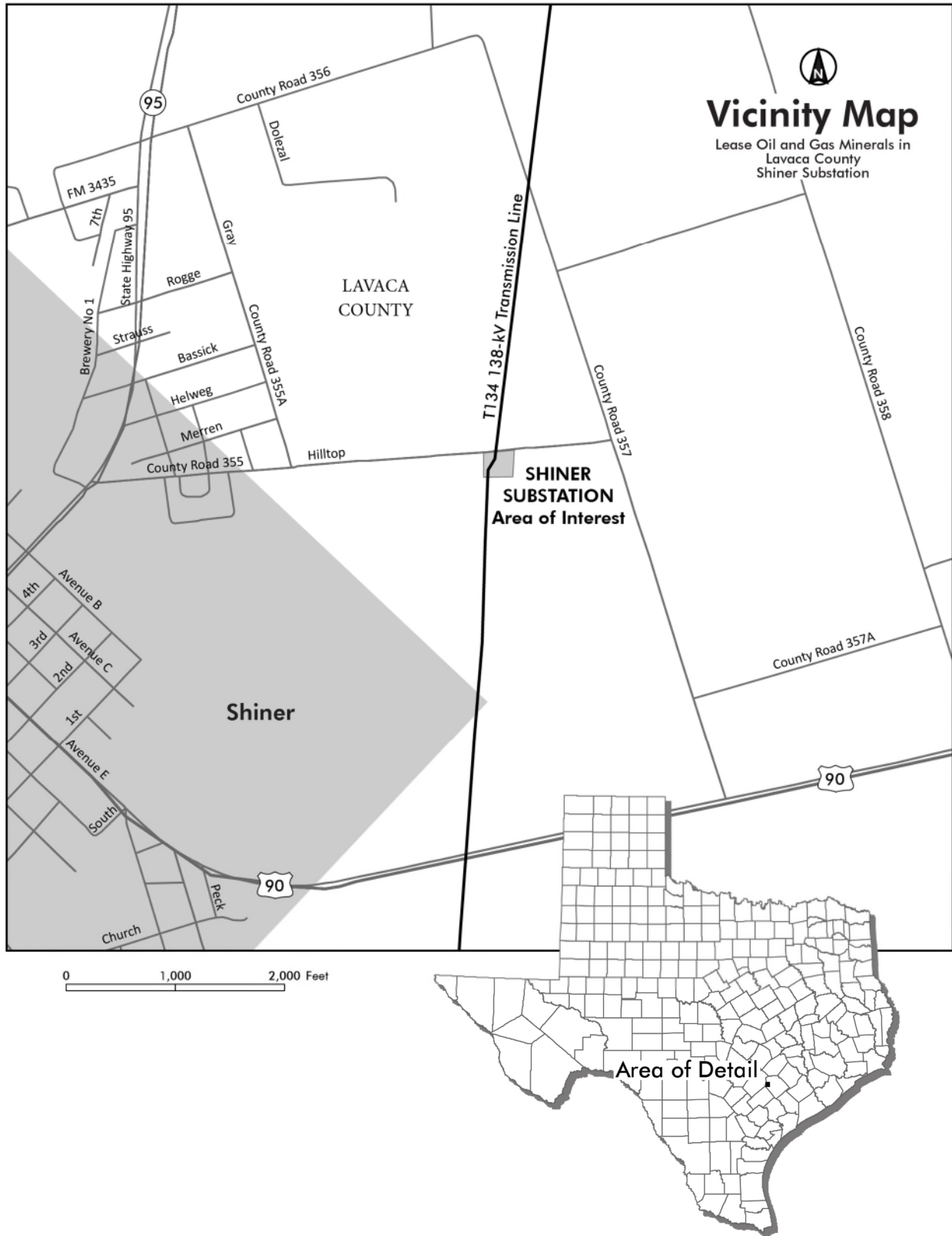


EXHIBIT B



FOR ACTION

15. Acquisition of Land in Travis and Burnet Counties

Proposed Motion

Authorize the general manager, or his designee, to negotiate and execute a contract for the purchase of approximately 116.4 acres of land in Travis and Burnet counties and to do all things reasonably necessary to accomplish the acquisition.

Board Consideration

LCRA Board Policy 401 – Land Resources requires Board authorization for any land acquisition exceeding \$600,000.

Budget Status and Fiscal Impact

- The fiscal year 2018 business plan contains the O&M administrative costs associated with the acquisition of this land.
- The fiscal year 2018 LCRA Business and Capital Plans does not include the project.
- Staff seeks approval for a total lifetime budget not to exceed \$1,264,240 to be spent in fiscal year 2018.
- Staff believes this additional spending can be managed within the existing fiscal year 2018 LCRA capital budget and currently does not request additional fiscal year capital budget authorization.
- The funds for this acquisition will come from the Public Recreation and Conservation Land Acquisition (PRCLA) Fund.

Summary

The Arthur family owns an approximately 116.4-acre tract of land that is surrounded on three sides by LCRA's Turkey Bend Recreation Area. The Arthur family is interested in selling its 116.4-acre property to LCRA. The Turkey Bend Recreation Area currently is approximately 1,315 acres. The purchase would increase it to 1,432 acres and, more importantly, it would eliminate a privately owned piece of land inside the park that has fragmented this LCRA tract since the late 1930s. Acquiring this tract would connect the east and west sides of Turkey Bend allowing staff and guests to move more easily around the park.

The Arthur family hired an independent appraiser to perform an appraisal of their property. The appraiser valued the land at \$1,222,000 or approximately \$10,500 per acre.

LCRA had an independent appraisal of the Arthur tract performed by appraiser Paul Hornsby and Company. This appraisal valued the land at \$930,000 or approximately \$8,000/acre.

Additionally, Mr. Hornsby appraised the Turkey Bend Recreation Area in its current configuration and as if assembled with the Arthur tract, a combined acreage of approximately 1,432 acres. The appraisal of Turkey Bend in its current state was \$13,820,000. The appraisal of Turkey Bend as if assembled was \$15,750,000. This indicates an added value of \$1,930,000 if the Arthur tract is acquired.

Staff recommends acquiring this 116.4-acre tract for a negotiated price of \$1,080,000.

LCRA staff will complete environmental and cultural resource due diligence in accordance with Board Policy 401.401 – Land Acquisition prior to the acquisition.

Presenter(s)

John Miri
Chief Administrative Officer

Steven Brown
Director, Real Estate Services

Exhibit(s)

A – Vicinity Map
B – Site Map

EXHIBIT A

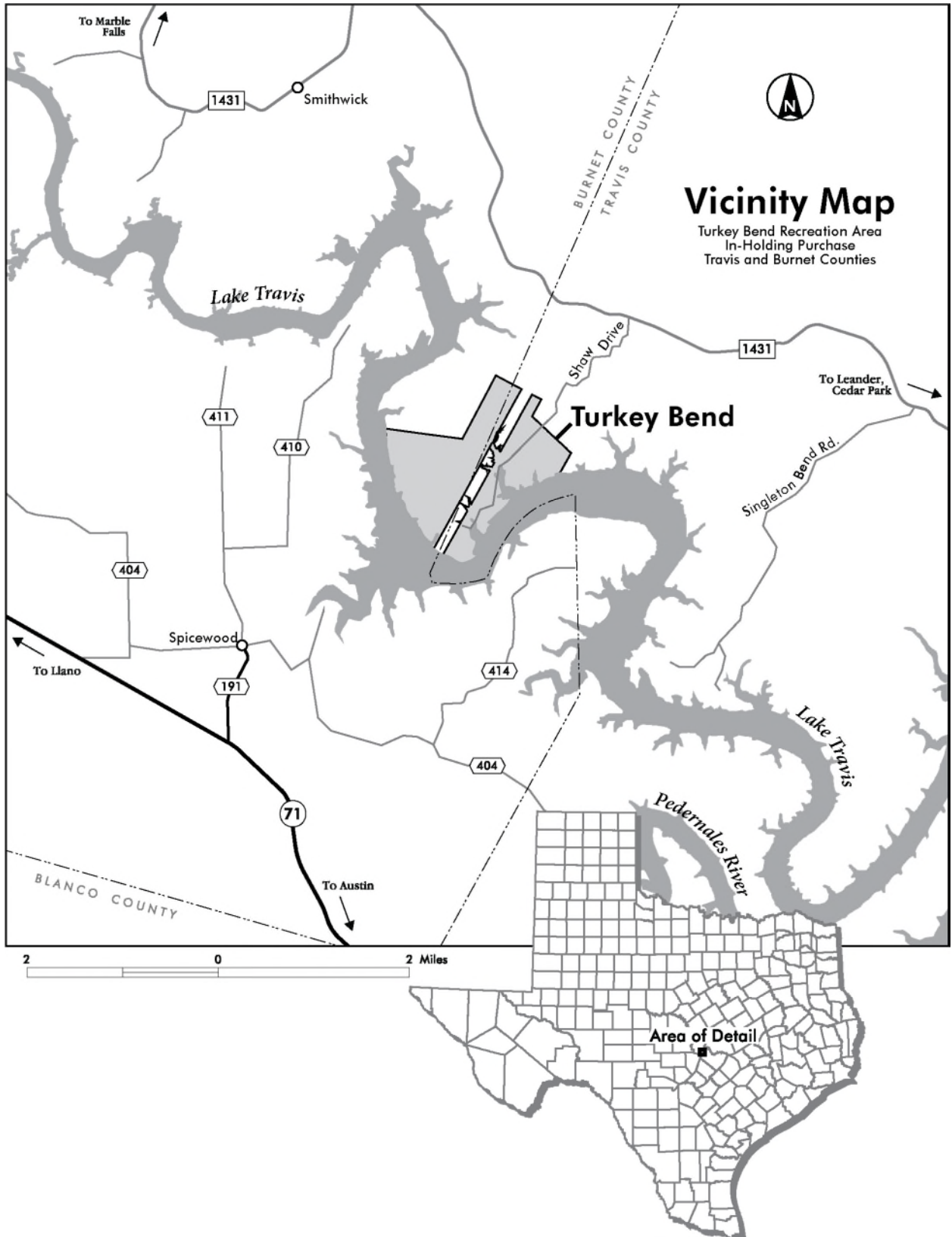


EXHIBIT B



FOR ACTION

16. Acquisition of Interests in Real Property - Use of Eminent Domain in Matagorda County

Proposed Motion

I move that the Board adopt the attached resolution; that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the properties described in exhibits A, B, A-1 and B-1 to the resolution for the acquisition of new easements on the LCRA Canal System in Matagorda County; and that the first record vote applies to all units of property to be condemned.

Board Consideration

LCRA Board Policy 401 – Land Resources and Section 2206.053 of the Texas Government Code require LCRA Board authorization prior to the initiation of eminent domain proceedings.

Section 2206.053 of the Texas Government Code provides that if two or more Board members object to adopting a single resolution for all units, a separate record vote must be taken for each unit of property. If two or more units of real property are owned by the same person, those units may be treated as one unit of property.

Budget Status and Fiscal Impact

The fiscal year 2018 business plan contains the O&M administrative costs associated with the acquisition of easement rights from Simon C. Cornelius Partnership, a Texas limited partnership, and Gavranovic Riverside Farms, LLC, a Texas limited liability company.

Summary

LCRA proposes to acquire two canal easements in Matagorda County. Hudgins-Groover Appraisal & Consulting of Wharton performed an independent appraisal of the interests in real properties to be acquired for use in determining just compensation to the landowners.

Staff made an initial offer to acquire the necessary interests in real property voluntarily from the landowners listed on Exhibit C, as required by Sec. 21.0113 of the Texas Property Code. Staff will continue to negotiate for the purchase of the interests in real property. Staff seeks Board authorization to proceed with condemnation in the event agreement cannot be reached with the landowners.

LCRA representatives will perform environmental and cultural due diligence studies and address all identified concerns. Staff requests the Board adopt the resolution in Exhibit D authorizing the initiation of condemnation proceedings on the first record vote for all units of property.

Presenter(s)

John Miri
Chief Administrative Officer

Steven Brown
Director, Real Estate Services

Exhibit(s)

A - Vicinity Map
B - Site Map
A-1 - Vicinity Map
B-1 - Site Map
C - Landowner List
D - Resolution

EXHIBIT A

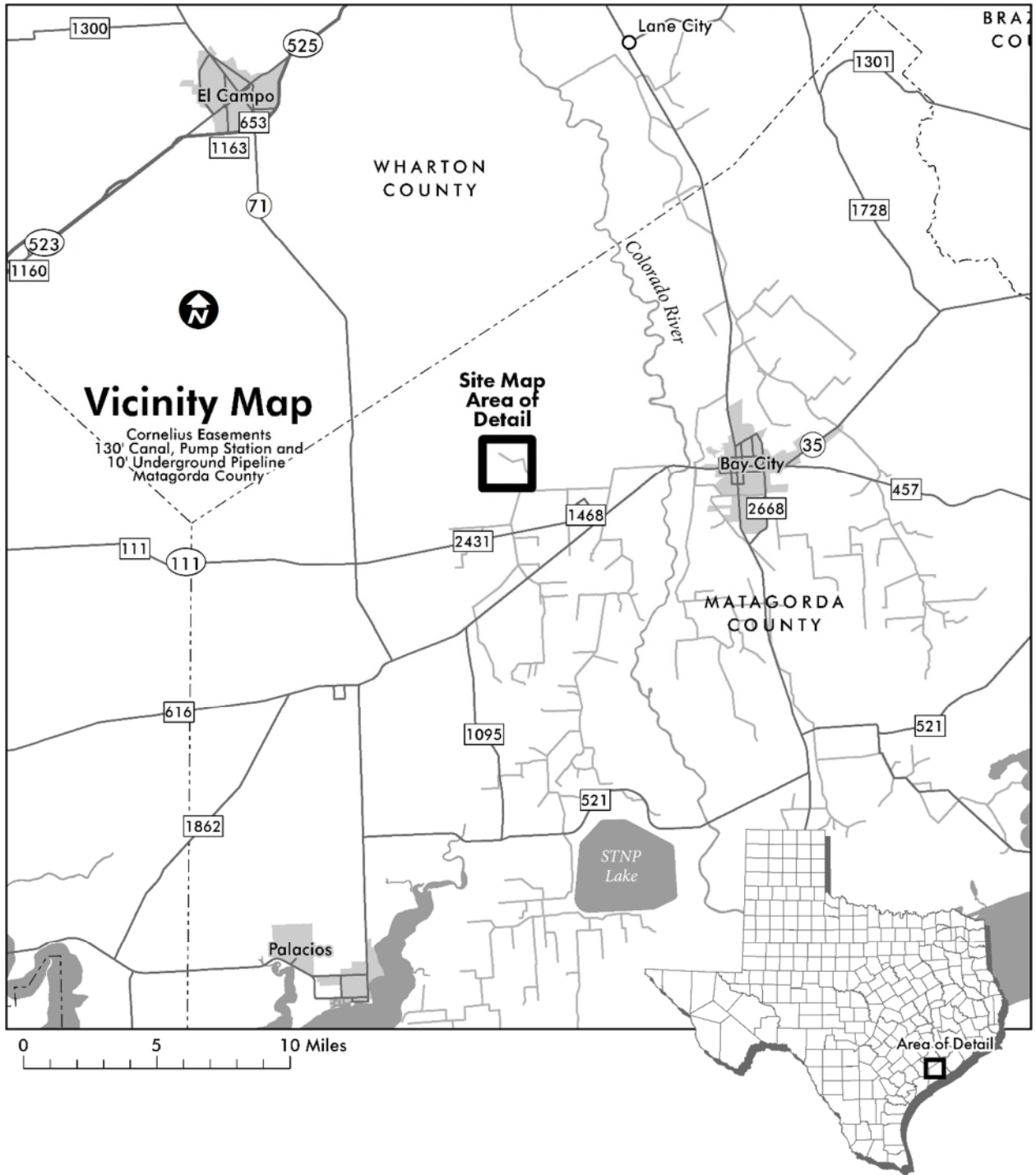


EXHIBIT B



EXHIBIT A-1

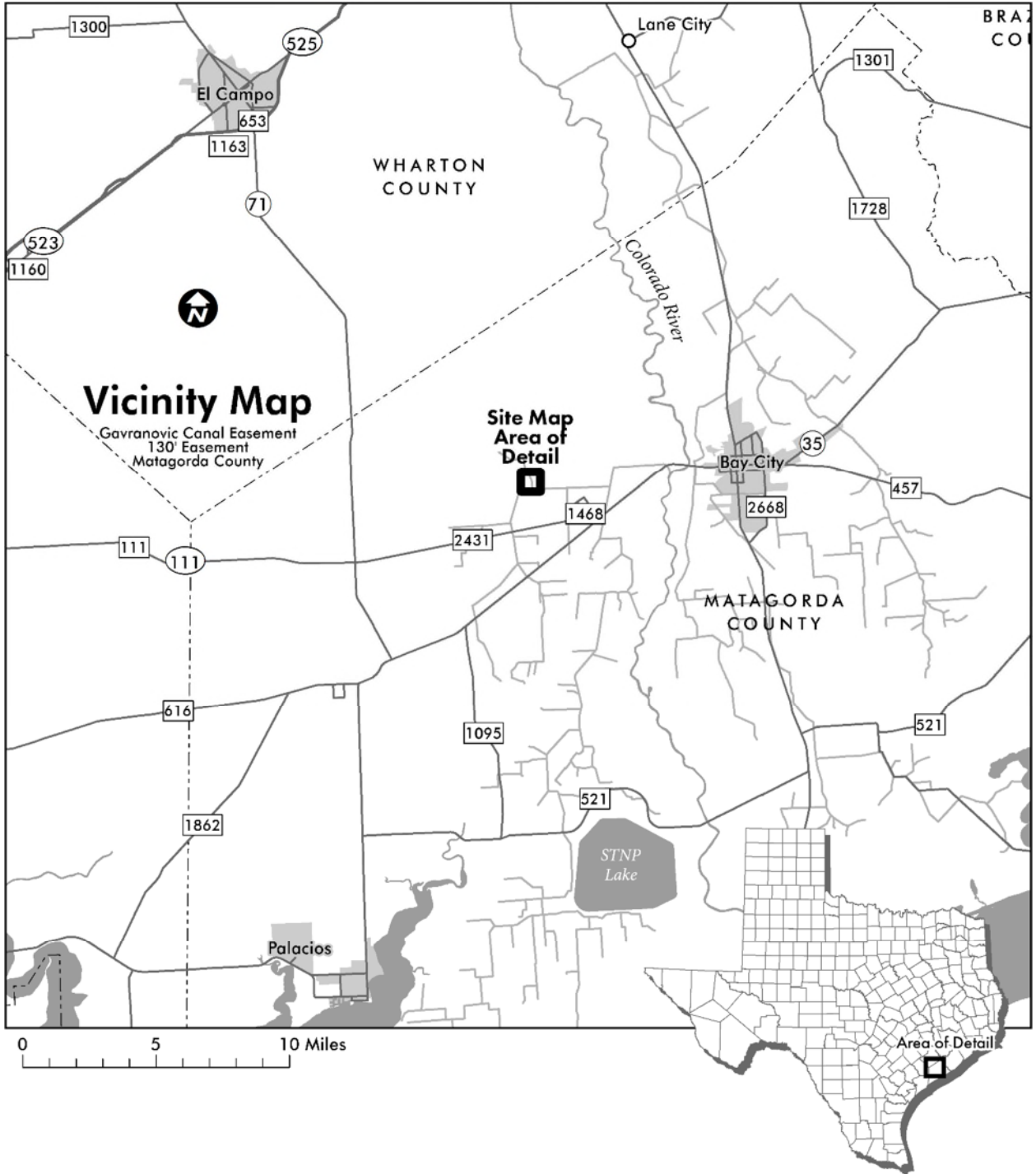


EXHIBIT B-1

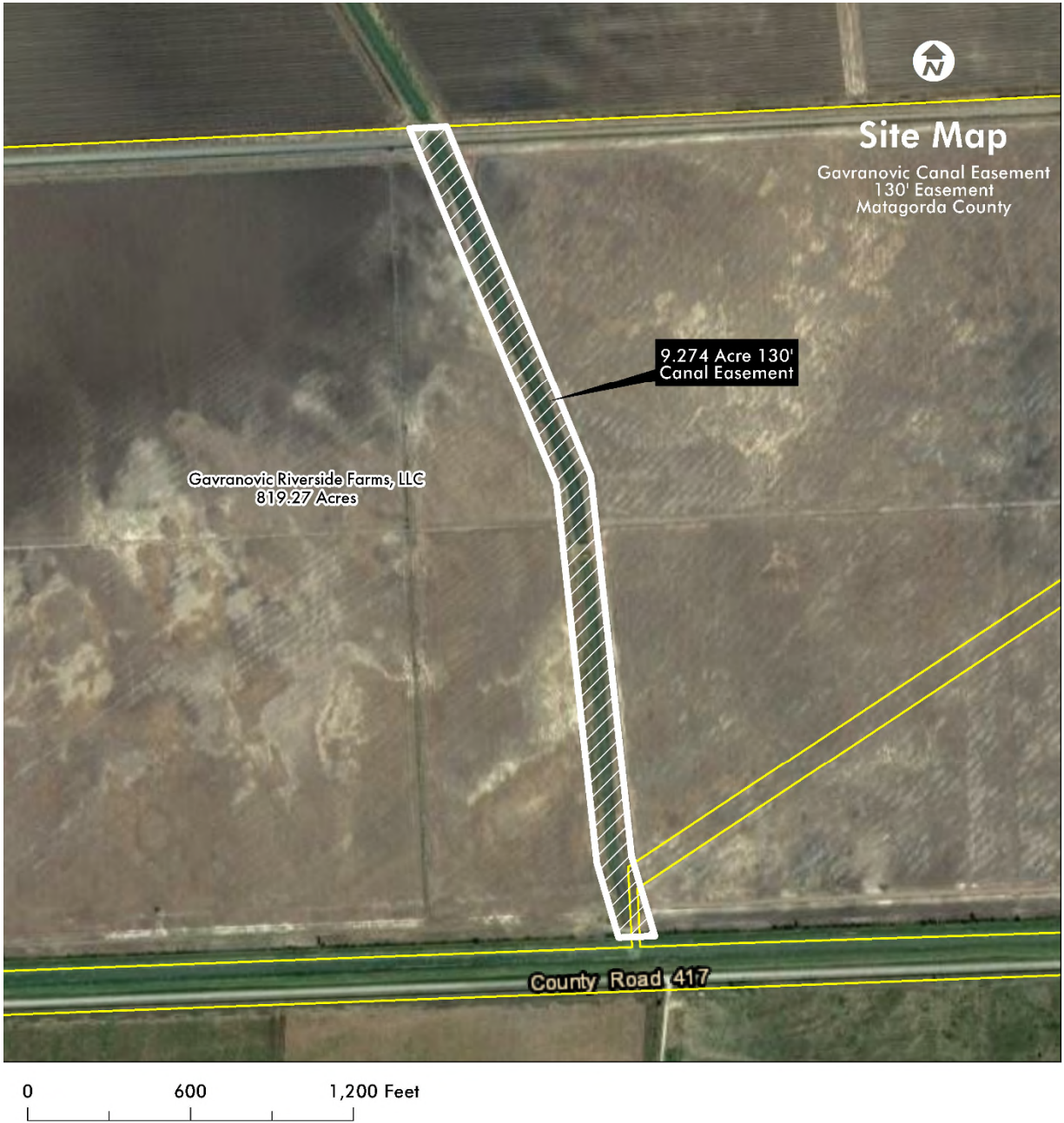


EXHIBIT C

	Tax Parcel ID	Landowners	Approximate Parent Tract Acreage	Land Rights	Approximate Acquisition Acreage	County	Approximate Value
1	13992 22978	Simon C. Cornelius Partnership, a Texas limited partnership	1,138.63	Easement	28.299	Matagorda	\$270,000
2	22981	Gavranovic Riverside Farms, LLC, a Texas limited liability company	819.27	Easement	9.274	Matagorda	\$384,000

EXHIBIT D

PROPOSED MOTION

I MOVE THAT THE LCRA BOARD ADOPT THE ATTACHED RESOLUTION; THAT THE BOARD AUTHORIZE BY RECORD VOTE THE USE OF THE POWER OF EMINENT DOMAIN TO ACQUIRE RIGHTS IN THE PROPERTY DESCRIBED IN EXHIBITS A, B, A-1, and B-1 TO THE RESOLUTION FOR THE LCRA CANAL SYSTEM EASEMENT PROJECT; AND THAT THE FIRST RECORD VOTE APPLIES TO ALL UNITS OF PROPERTY TO BE CONDEMNED.

RESOLUTION

AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY BY CONDEMNATION IN MATAGORDA COUNTY, INCLUDING CANAL, PUMP STATION, AND PIPELINE EASEMENTS

WHEREAS, the LCRA has determined the need to acquire the interests in real property necessary for the public uses of construction, operation, and maintenance of a canal, pump station, and pipeline in Matagorda County; and

WHEREAS, an independent, professional appraisal of the subject property will be submitted to the LCRA, and an amount will be established to be just compensation for the interests in real property to be acquired;

NOW, THEREFORE, BE IT RESOLVED that the general manager or his designee is authorized to purchase the interests in real property from the landowners listed as shown on the attached Exhibits A, B, A-1, and B-1 for the continued operations and maintenance of a canal, pump station, and pipeline; that the public necessity requires the condemnation of the interests in real property in order to acquire them for such uses; that LCRA does not intend to acquire rights to groundwater or surface water in the land; that LCRA will make a bona fide offer to acquire the interests in real property from the landowners voluntarily as required by Sec. 21.0113 of the Texas Property Code; and that at such time as LCRA has determined that the landowners and LCRA will be unable to reach an agreement on the fair market value of the subject interests in real property and that it should appear that further negotiations for settlement with the landowner(s) would be futile, then the general manager or his designee is authorized and directed to initiate condemnation proceedings against the owner of the property, and against all other owners, lien holders, and other holders of an interest in the property, in order to acquire the necessary interests in real property, and that this resolution take effect immediately from and after its passage;

BE IT FURTHER RESOLVED that the general manager or his designee is hereby authorized to do all things necessary and proper to carry out the intent and purpose of this resolution, including determination and negotiation of the interest in real property that are proper and convenient for the operation of the canal, pump station, and pipeline.

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