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BRAZOS RIVER AUTHORITY BOARD VOTES TO TAKE PUBLIC BIDS FOR AN ALL INCLUSIVE SALE OF PROPERTIES AT POSSUM KINGDOM LAKE

Waco, Texas – April, 29, 2008 -- Years of uncertainty and turmoil regarding the Brazos River Authority's (BRA) management of property at Possum Kingdom Lake (PK) are one step closer to a potential solution. The BRA Board of Directors voted to investigate an alternative form of property divestiture through an all-inclusive sale of the majority of BRA land holdings at the lake.

"The Board of Directors would like to investigate the possible all-inclusive sale of the Brazos River Authority holdings at Possum Kingdom Lake through a bid process as an alternative to sales of individual leaseholds," said Christopher DeCluitt, presiding officer of the BRA Board. "As a river authority, our primary responsibility is providing water resources to the people of the Brazos basin. We feel it is prudent and necessary that we explore every option for divestiture of property in order to remove the Authority from the burden of land management."

More than 65 years ago, the BRA began leasing tracts of land at PK for camping, fishing and other recreational activities. As time went on, individuals leasing these tracts constructed small cabins that were eventually replaced with more permanent structures ranging from cottages to multi-million dollar homes.

Over the years, lease rates for the tracts of land were increased minimally and arbitrarily beginning at as little as \$1 per acre annually in 1944 and reaching an average price of \$808 annually in 2007. There are currently 1,560 residential lessees at PK; about 16 percent of them make the lake their full-time home while the remaining 84 percent have built second or weekend homes at PK.

A land-use study conducted by the Tennessee Valley Authority in 1998 examined the leasing process at PK and encouraged the BRA to continue offering lease contracts. The same study advised that the leases were greatly undervalued in comparison to property at other Texas lakes and recommended raising lease rates to six percent of the property's value.

For the last eight years, the BRA Board of Directors and staff have worked diligently to accomplish this goal while attempting to balance the need for fiscal responsibility and the expectations of our lessees. Each attempt was met with greater consternation and opposition from lessees. As a result, in 2006, a group of PK lessees sought legislation that would force the BRA to sell the property to the current lease holders at a price greatly below market level.

Though the mandatory divestiture bill was not made law, the Authority Board of Directors acknowledged the legislatures' urging to remove the organization from the property management business. In July 2007, the Board directed BRA staff to determine if it would be possible to create a divestiture process similar to the one outlined in the failed legislation.

The BRA staff began creating a "to do" list of items that must be accomplished in order to sell the leased property. The list includes numerous issues such as platting and dedication of road ownership and maintenance, property surveys, appraisals and legal costs for the development and implementation of a policy.

As the list continued to grow, it became apparent to the Board that in attempting to extract the BRA from land management, the process would, in fact, require an expansion of property management duties.

As a self-funded, public entity whose main goal is to provide water for the Brazos basin, the BRA does not have the expertise or man power necessary for real estate management and development. Moreover, the potential expenses required, with no guaranteed method of cost recovery from sales, could affect the rates that the BRA would need to charge customers for water throughout the Brazos basin.

With this in mind, the Board noted that it would be prudent and necessary to explore every option for divestiture and passed a resolution directing the staff to investigate the option of an all-inclusive sale of the BRA-owned properties at PK through a public bid process.

The proposed bid will include all BRA-owned properties outside the Federal Energy Regulatory Commission (FERC) project areas and exclude any properties necessary for future operations at the lake. The Board also stipulated that the public bid should include protection for the current lessees' existing rights and provide a right for the lessees to purchase their leasehold. Once the proposed bid process is complete, the BRA Board will evaluate whether it wishes to further engage in the bid process.

An all-inclusive sale of BRA holdings at the lake could prove to be a win-win for all involved. Lessees would be protected and those interested in purchasing would be allowed to do so. Further, the sale of leased properties would then be streamlined and managed by real estate professionals knowledgeable in property sales and capable of working toward the positive growth of the community. Finally, the BRA would fulfill the will of the legislature by eliminating property management responsibilities.

Should an all-inclusive sale be completed, revenues would be used toward the implementation of the more than \$3 billion of water storage and infrastructure needed within the Brazos basin in the next 50 years to meet the projections set by the State Water Plan.

The BRA Board of Directors will keep the public informed throughout the information gathering process of alternative divestiture opportunities. The goal is to protect current lessees while allowing

the Brazos River Authority to manage its core purpose - providing water resources to the people of the Brazos basin.

About the Brazos River Authority

The Brazos River Authority, with headquarters in Waco, is the oldest river authority in Texas. Created by the Texas Legislature in 1929, the Authority's 42,000 square-mile territory includes all or part of 70 counties; extending from the Texas-New Mexico border west of Lubbock to the Gulf of Mexico near Freeport.

The Authority built, owns, and operates three reservoirs (Lakes Possum Kingdom, Granbury, and Limestone). In addition to these water supply reservoirs, the Authority contracts with the Corps of Engineers for the water supply storage space at eight federal multi-purpose flood control and water conservation reservoirs (Lakes Whitney, Belton, Proctor, Somerville, Stillhouse Hollow, Granger, Georgetown and Aquilla).

The Brazos River Authority owns and operates a regional wastewater system for the cities of Temple-Belton. The Authority also operates wastewater treatment plants for the cities of Georgetown, Dime Box, Clute-Richwood and Sugar Land. Through an alliance with the Lower Colorado River Authority, the Brazos River Authority operates wastewater treatment plants at Brushy Creek Regional Wastewater System in Round Rock, the city of Hutto and the city of Liberty Hill.

The Authority owns and operates water treatment systems at Lake Granbury (which supplies potable water to wholesale customers in Hood and Johnson Counties), and the City of Taylor. The Authority also operates a potable water treatment plant for the City of Dime Box. A water treatment plant for the City of Leander is operated by the Brazos River Authority through an alliance with the Lower Colorado River Authority.

The Authority also engages in water quality monitoring activities throughout the Brazos River basin. As a member of the Texas Clean River Program, the Authority samples and tests water from 157 locations throughout the basin on either a monthly or quarterly basis.

For further information on the Brazos River Authority, please contact Judi Pierce, Public Information Officer at 254-761-3103.