

**MINUTES OF MEETING
OF THE
BOARD OF DIRECTORS**

THE STATE OF TEXAS §
COUNTY OF GALVESTON §
GALVESTON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 12 §

The Board of Directors of Galveston County Water Control & Improvement District No. 12 (the “District”) met in regular session, open to the public, at its regular meeting place inside the boundaries of the District, on July 14, 2014; whereupon, the roll was called of the members of the Board of Directors, to-wit:

Linda Merryman	President
Ed Linck	Vice President
Nancy McDonald	Secretary
Terri Gale	Assistant Secretary
Bill Kerber	Director

All members of the Board of Directors were present except Director Kerber.

Also present were Chris Richardson of Strawn & Richardson, P.C.; Ed Holdgraf and Jalene Palmer of Municipal District Services, LLC; Michelle Lofton of ETI Bookkeeping Services; Wallace Trochesset of LJA Engineering; and Chief Brent Hahn of the KVFD; David Smalling, RBC Capital Markets, LLC.

Whereupon, the President called the meeting to order and evidence was presented that public notice of the meeting was given in compliance with the law.

1. **PUBLIC COMMENTS.** There were no public comments.
2. **DIRECTOR ANNOUNCEMENTS.** Director Linck discussed the “Friends Around the Bay” program initiated by the Galveston County Foundation; he stated he will be

organizing an event. He discussed the issue of contamination in the bay; he expressed his dismay about the purchase of the regular meters for replacement of old meters, rather than the purchase of "smart" meters.

3. **MINUTES OF MEETINGS.** The minutes of the meeting of June 9, 2014 were presented for the Board's review and approval. Following further discussion, it was moved by Director Gale and seconded by Director Linck that the minutes be approved, which motion carried unanimously, 4-0.

4. **KEMAH VOLUNTEER FIRE DEPARTMENT REPORT.** Chief Hahn presented the report. He described the calls in the District during the last month, with an average response time of 4:02 minutes; EMS calls had average response time of 3:48. He also described mutual aid calls and ongoing training efforts, as well as activities in the District. Chief Hahn described hurricane preparedness procedures for the upcoming season, and discussed the plan for TxDot to widen SH 146, which would remove approximately 8 feet from the front of the Fire Station property. Following further discussion, it was moved by Director Gale and seconded by Director Linck that the KVFD report be approved, which motion carried unanimously, 4-0.

5. **SERIES 2014 BONDS: APPROVE AWARD OF BID AND EXECUTE DOCUMENTS.** The Board considered the sale of the District's \$4,050,000 Unlimited Tax Bonds, Series 2014. David Smalling reviewed the bids received, with BOSC, Inc. being the lowest bidder at a net effective interest rate of 3.777%. Chris Richardson discussed the preparation of the transcript and review by the Attorney General. He stated the bond closing is set for August 14, 2014. The Board then reviewed the Bond Order and related Certificate for the Series 2014 Bonds. The Signature Identification and No-Litigation Certificate was presented to the Board. Following review, a motion was made by Director McDonald, seconded by Director Gale, and unanimously carried that the sale of the bonds be awarded to BOSC, Inc. as the low

bidder, that the Bond Order and Certificate be approved, that the Signature Identification and No-Litigation Certificate be approved and further to authorize the Attorney General to date said Certificate upon approval and attorney to date same at closing.

The Board next reviewed the General Certificate for the Series 2014 Bonds. The Certificate states, among other current information and facts, including that the District is in compliance with all applicable requirements of all regulatory agencies. A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried that the General Certificate be approved.

The Paying Agent Registrar Agreement with The Bank of New York Mellon Trust Company, N.A. was presented. The Escrow Agreement with Compass Bank was presented. A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried to approve the Paying Agent Registrar Agreement and the Escrow Agreement.

The Federal Tax Certificate was presented to the Board. Following review, a motion was made by Director McDonald, seconded by Director Gale, and unanimously carried to approve the Federal Tax Certificate and authorize attorneys to date same at closing.

The Certificate of Insurance was presented to the Board. A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried to approve and execute the Certificate of Insurance, approving the insurance commitment of Municipal Assurance Corp.

A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried to approve the Certificate for Official Statement and the DTC Book-Entry Agreement requirements.

The Board considered approving the Information Required by the Public Securities Procedures Act and authorize the execution and filing of same. A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried that the Information Required by the Public Securities Procedures Act be approved and filed.

A motion was next made by Director McDonald, seconded by Director Gale, and unanimously carried to approve and execute the Series 2014 Bonds.

A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried to authorize the attorneys for the District to submit the District's transcript and obtain approval of Attorney General of the State of Texas for the Series 2014 Bonds and secure registration by Comptroller of Public Accounts for such issue.

A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried to authorize attorneys for the District or the Paying Agent Registrar for the District to receive the Series 2014 Bonds from the Comptroller of Public Accounts after registration.

A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried that the underwriter be authorized to obtain CUSIP registration numbers for the Series 2014 Bonds.

The Board next considered authorizing the preparation and filing of IRS Form 8038-G. A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried that the IRS Form 8038-G be approved and filed with the Internal Revenue Service.

A motion was made by Director McDonald, seconded by Director Gale, and unanimously carried that all other necessary documents be executed and that all other necessary action be taken for the issuance of the Series 2014 Bonds.

6. **TAX ASSESSOR'S REPORT.** Chris Richardson presented the Galveston County Tax Assessor's reports for May and June, copies of which are attached as Exhibits "A" and "B", respectively. The District has collected 97.34% of its 2013 taxes.

7. **BOOKKEEPER'S REPORT.** Michelle Lofton presented the bookkeeper's report, along with the investment report, a copy of which is attached as Exhibit "C". The Board reviewed the checks presented for approval, investment report, budget, and energy usage. The Board discussed the overdue invoicing from the electricity provider; Ed Holdgraf said he would contact them.

Following further discussion, it was moved by Director Gale and seconded by Director McDonald that the bookkeeper's report, and those checks as listed thereon be approved, which motion passed unanimously, 4-0.

8. **OPERATOR'S REPORT.** Ed Holdgraf presented the operator's report, a copy of which is attached as Exhibit "D". There were 1659 connections and no excursions at the wastewater treatment plant. Water accountability was 82%. Mr. Holdgraf discussed a water line which was "valved off" near the waterfront, and which apparently had been flowing into to the storm sewer. This should improve accountability. He reviewed the preventative maintenance schedule and the accounts to be sent to collection. Mr. Holdgraf also reviewed the quarterly bio-testing at the wastewater treatment plant, all of which passed. He stated the District had backcharged Weimar Construction for damage to a waterline along FM 2094.

Mr. Holdgraf described the latest information from the GCWA; the thought is the Brazos River flow is sufficient for July and water will not need to be drawn from the reservoirs. Jalene Palmer presented the usage data broken down by type and area, as requested by Director Linck; Director Linck discussed possible ways to improve accountability based on the data. Director Gale asked about the Emergency Preparedness Plan; Mr. Holdgraf stated the operator does not

do a “dry run”, but they have a procedure for preparations to ensure facilities are ready, fuel is on hand, etc.

Following further discussion, it was moved by Director Gale and seconded by Director Linck that the operator’s report be approved; along with the items presented, which motion carried unanimously, 4-0.

9. **DISCUSSION OF CREDIT CARD PAYMENT FEES.** Jalene Palmer presented a breakdown of bids and information regarding fees from providers for credit payment services. She stated better data will be available at the end of the year and recommended waiting to make any decision for that data to arrive.

10. **ENGINEER’S REPORT.** Wallace Trochesset presented the engineer’s report, a copy of which is attached as Exhibit “E”. He discussed the Vivian Water Plant Ground Storage Tank, which is now complete and back online. He presented the final pay estimate for \$37,600 and certificate of acceptance.

Jim Bader of JMB Properties addressed the Board and asked about the \$80,000 tap fee for his three acre project on Winfield, and stated he likely could not develop at that price. Mr. Trochesset noted the commitment is for three connections’ worth of water and sewer capacity. Mr. Holdgraf noted there are two fire hydrants – which are required by the City, not the District—and the Rate Order calls for inspection fees and costs to be trebled.

Director Gale asked Mr. Trochesset to coordinate the waterline repairs in Lazy Bend with their street repairs.

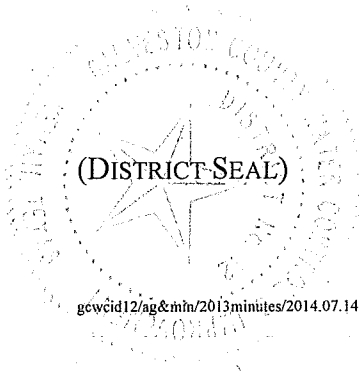
Following further discussion by the Board it was moved by Director Linck and seconded by Director McDonald that the engineer’s report and the items presented be approved; the motion passed unanimously, 4-0.

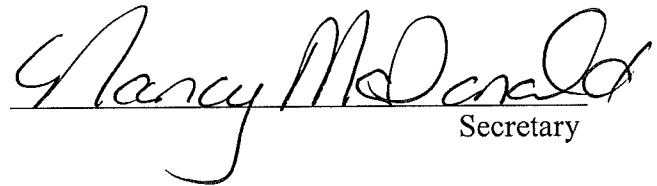
11. INTERLOCAL AGREEMENT (WATER WISE PROGRAM). Mr.

Richardson presented an Interlocal Agreement with the Harris-Galveston Subsidence District for District participation in the Water Wise Program, a copy of which is attached as Exhibit "F". Following a discussion, a motion was made by Director Gale, seconded by Director Linck that the Amendment be approved; the motion passed unanimously, 4-0.

12. ADJOURNMENT. There being no further business, it was moved by Director Linck, seconded by Director McDonald and unanimously carried that the meeting be adjourned.

PASSED, ADOPTED and APPROVED this 11th day of August, 2014.




Secretary