

**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 November 10, 2014; whereupon, the roll was called of the members of the Board of Directors, to-wit:

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

All members of the Board of Directors were present.

Also present were: Chris Richardson of Strawn & Richardson, P.C.; Ed Holdgraf of Municipal District Services, LLC; Michelle Lofton of ETI Bookkeeping Services; Wallace Trochesset of LJA Engineering; Chief Brent Hahn of the KVFD; Ivan Langford of the GCWA; Rick Beverlin of the City of Kemah; and John Knox and Glen Gordy, District residents.

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. **PRESENTATION OF GCWA.** Ivan Langford discussed methods for providing more water to the District, and to MUD 51 and other nearby areas; he stated he had met with Linda Merryman and Wallace Trochesset about these issues. Mr. Langford further

stated NRG is seeking to sell its water capacity and stated the GCWA would not be a party to the transaction. He noted Texas City, League City and others are interested. Mr. Langford stated NRG's price would include plant capacity and line capacity to Highway 96; they are asking \$5.5 million for all of their 1.934 MGD capacity. He stated the District would have to pay for any unused capacity it purchased under the current "take or pay" agreement, and would also need to pay to build a new water line to supply the additional water. He stated the current GCWA pipe is not large enough to add that much capacity, so 27,000 linear feet would need to be added in a parallel line in the same GCWA easement, which the District would need to pay for. Director Gale asked how much the line would cost; Mr. Langford stated that would depend on what size line the District chose to build.

Mr. Langford stated developers of MUD 51 at Highway 96 and SH 146 want the water, but MUD 51 is not a GCWA customer. He stated the GCWA could buy the water capacity back, but is not interested. He stated there are three to four customers interested, but the water could not be "wholesaled" to MUD 51; it could be "retailed". He stated this could be done as an out-of-district contract. Mr. Langford stated the District should consider buying water for its own in-District needs. He stated the District could purchase the water capacity and later figure out what to do with it.

The Board discussed the matter and agreed to hold a workshop on December 1<sup>st</sup> to further discuss the issue.

**2. DIRECTOR ANNOUNCEMENTS.** Director Gale stated Mrs. Shiver, a longtime District resident, had passed; also, Mrs. Dick Gregg, Jr. had recently passed. She also noted the recent Veteran's Day and the Marine Corps anniversary, thanking the armed forces personnel for their service.

3. **MINUTES OF MEETINGS.** The minutes of the meeting of October 13, 2014 were presented for the Board's review and approval. Following further discussion, it was moved by Director Merryman and seconded by Director Linck that the minutes be approved with revisions, which motion carried unanimously, 5-0.

4. **ENGAGEMENT OF AUDITOR FOR FISCAL YEARS ENDING DECEMBER 31, 2014 AND 2015.** Chris Richardson (on behalf of Joseph Ellis) presented the engagement letter for the preparation of the audit report for the fiscal years ending December 31, 2014 and 2015, by McCall, Gibson, Swedlund & Barfoot at an approximate fee of \$12,000 to \$15,000 per year. He reviewed the fraud questionnaire required by SAS 99 with the Board. Mr. Richardson asked the Board to contact Mr. Joseph Ellis with any questions or comments.

Following further discussion, it was moved by Director Kerber and seconded by Director Gale to appoint McCall, Gibson, Swedlund and Barfoot, PLLC as the auditor for fiscal years ending December 31, 2014 and 2015, which motion carried unanimously.

5. **KEMAH VOLUNTEER FIRE DEPARTMENT REPORT.** Chief Brent Hahn presented; the Board reviewed the written report. He described 35 calls, 25 of which were EMS calls; there was an average response time of 4:45 and 4:21 for EMS calls. He described a fire involving 3 boats at the Kemah Marina and stated the "Barktober" event had raised \$18,500. Following further discussion, it was moved by Director Linck and seconded by Director McDonald that the KVFD report be approved, which motion passed unanimously, 5-0.

6. **BOOKKEEPER'S REPORT/BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2015.** Michelle Lofton presented the bookkeeper's report, a copy of which is attached as Exhibit "A". The Board reviewed the checks, investments, budget, and energy usage for the month of October. She presented a draft of the budget for the fiscal year ending December 31, 2015; the Board discussed and offered changes.

Following further discussion, it was moved by Director Kerber and seconded by Director Gale that the bookkeeper's report, and those checks as listed thereon be approved, which motion passed unanimously, 5-0.

7. **OPERATOR'S REPORT.** Ed Holdgraf presented the operator's report, a copy of which is attached as Exhibit "B". There were 1666 connections and no excursions at the wastewater treatment plant. Water accountability was 94.1%. Mr. Holdgraf discussed a letter from the TCEQ regarding recent activities at the plant, and stated all activities are within acceptable norms; he reported all bacteriological samples were negative.

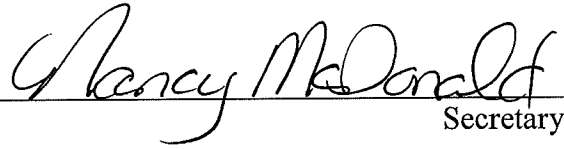
Following further discussion, it was moved by Director Kerber and seconded by Director Merryman that the operator's report be approved, along with the items presented, which motion carried unanimously, 5-0.

8. **ENGINEER'S REPORT.** Wallace Trochesset presented the engineer's report, a copy of which is attached as Exhibit "C". He reviewed the list of bond projects and the plans to begin work. He described the design for the Kemah Marketplace; Mr. Holdgraf recommended a single meter with private lines, rather than multiple meters and multiple lines. Mr. Trochesset offered a capacity request for 15 connections' worth of water and sewer capacity, from the Texas Beer Refinery in Clear Lake Shores.

Following further discussion by the Board it was moved by Director Kerber and seconded by Director McDonald that the engineer's report be approved; motion passed unanimously, 5-0.

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

*PASSED, ADOPTED and APPROVED* this 8th day of December, 2014.

  
Secretary

