

**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 7, 2016; whereupon, the roll was called of the members of the Board of Directors, to-wit:

Terri Gale	President
Linda Merryman	Vice President
Nancy McDonald	Secretary
Doug Meisinger	Assistant Secretary
Peyton Lumpkin	Assistant Secretary

All members of the Board of Directors were present except Directors Merryman and Lumpkin.

Also present were: Chris Richardson of Strawn & Richardson, P.C.; Ed Holdgraf of Municipal District Services, LLC; Kandy Pfeffer of ETI Bookkeeping Services; Josh Rambo of McCall Gibson Swedlund & Barfoot PLLC; and Wallace Trochesset of LJA Engineering.

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. **BOARD MEMBER ANNOUNCEMENTS.** Director Meisinger discussed the updates to the District website. Director Gale discussed the Halloween festivities in the City of Kemah.

3. **MEETING MINUTES.** The Board considered the minutes for the meeting of October 10, 2016. Following discussion, it was moved by Director Meisinger and seconded by Director McDonald that the minutes be approved, which motion passed unanimously, 3-0.

4. **ENGAGEMENT OF AUDITOR FOR FISCAL YEAR ENDING DECEMBER 31, 2016.** Josh Rambo presented the engagement letter for the preparation of the audit report for the fiscal year ending December 31, 2016, by McCall, Gibson, Swedlund & Barfoot, PLLC at an approximate fee of \$14,000 to \$15,000. He stated he would be forwarding the fraud questionnaire required by SAS 99 to the Board.

Following further discussion, it was moved by Director Meisinger and seconded by Director McDonald to appoint McCall, Gibson, Swedlund and Barfoot, PLLC as the auditor for fiscal year ending December 31, 2016, which motion carried unanimously, 3-0.

5. **BOOKKEEPER'S REPORT / BUDGET.** Kandy Pfeffer presented the bookkeeper's report, a copy of which is attached as Exhibit "A". She reviewed the use of bond proceeds and the budget. The Board reviewed the checks, investments, budget, and energy usage for the past month.

Ms. Pfeffer discussed the budget for fiscal year ending December 31, 2017 and noted the first draft is a negative budget, showing more expenses than revenues. She noted the Board should take the draft budget under advisement and adopt the budget prior to the end of the current fiscal year. The Board discussed the negative budget and Director McDonald presented rough numbers for a rate increase. She stated she believes a 3-tier rate structure would be best; she further stated she would develop the rate structure for distribution to the Board.

Following further discussion, it was moved by Director Meisinger and seconded by Director McDonald that the bookkeeper's report, and those checks as listed thereon be approved, along with the items discussed, which motion passed unanimously, 3-0.

6. **OPERATOR'S REPORT.** Ed Holdgraf presented the operator's report, a copy of which is attached as Exhibit "B". There were 1,702 customer connections. He stated the wastewater treatment plant experienced no permit excursions and operated at 48.7% of capacity. Water accountability was at 91.1%, and bacteriological samples were negative. He reviewed the preventative maintenance schedule.

Mr. Holdgraf stated a customer had asked for an adjustment to the bill when the auto-fill valve on the pool got stuck; only the sewer portion of the bill was adjusted. Mr. Holdgraf discussed the private line damages at the Brass Lantern Bed & Breakfast; the establishment is for sale and needs to repair their sewer lines.

Following further discussion, it was moved by Director Meisinger and seconded by Director McDonald that the operator's report be approved, along with the items presented, which motion carried unanimously, 3-0.

7. **ENGINEER'S REPORT.** Wallace Trochesset presented the engineer's report, a copy of which is attached as Exhibit "C". He discussed a possible water modeling proposal from CDM Smith at a cost of \$7,500, to determine whether the District's infrastructure would allow for an alternate source of water supply from League City. He discussed the Vivian Street Water Plant and presented Pay Estimate No. 5 in the amount of \$86,881.50, along with Change Order No. 3 in the amount of \$8,000 for an insertion valve. Mr. Trochesset also discussed the CDBG Waterline and Force Main project and presented Change Order No. 1 in the amount of \$4,895. He next discussed the City of Kemah issues with the private sewer line and three businesses attached to it; he reiterated that it is a private line and is not District property.

Mr. Trochesset presented requests for capacity:

1. Hugh Seeds	RV Resort	14 connections
2. Harry White	Bar	4 connections
3. Lee Atchison	Home	1 connection
4. John Collins	Home	1 connection
5. MUD 51	Phase I	176 connections

Mr. Trochesset stated that, after all of these requests are granted, the District would still have 95 connections' worth of capacity remaining, due to the subtraction of vacancies from the analysis in his report.

Following further discussion by the Board it was moved by Director Meisinger and seconded by Director McDonald that the engineer's report be approved along with the items presented; the motion passed unanimously, 3-0.

8. OPTIONS FOR ADDITIONAL WATER SUPPLY. Director Gale updated the Board. She stated the GCWA engineer is evaluating the booster pumps and thickness of the pipe to determine how much water can be delivered through the existing pipe. She stated the District will spend \$100,000 for engineering and the capital cost would be financed through the price of water purchased from the GCWA. She stated the GCWA is also evaluating "interruptible" supply of water to help until long-term, continuous water supply is in place. Director Gale also suggested extending the raw water purchase option with the City of Bryan for another year, at a cost of up to \$25,000; the Board agreed to extend the purchase option. Mr. Trochesset also reviewed the costs to build another water well, which could be used to back up the "interruptible" water supply, so the District would have the required capacity per TCEQ rules. The size of the well would be in proportion to the size of the contract for the "interruptible" supply.

Following further discussion by the Board it was moved by Director McDonald and seconded by Director Meisinger that the extension of the purchase option from the City of Bryan for an additional year at a cost of \$25,000 be approved; the motion passed unanimously, 3-0.

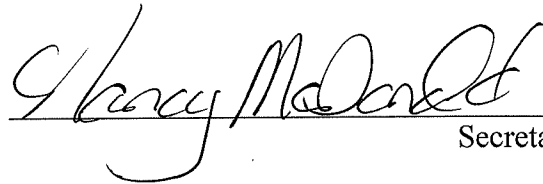
9. AUTHORIZE ANNUAL EMINENT DOMAIN FILING. Chris Richardson asked for authorization to complete the District's annual eminent domain filing with the State Comptroller's office. Following further discussion by the Board it was moved by Director Gale

and seconded by Director McDonald that the attorney be authorized to complete the annual eminent domain filing; the motion passed unanimously, 3-0.

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

PASSED, ADOPTED and APPROVED this 12th day of December, 2016.

(DISTRICT SEAL)


Secretary

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