

**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 December 12, 2016; whereupon, the roll of the members of the Board of Directors was called, 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.

Also present were: Chris Richardson of Strawn & Richardson, P.C.; Ed Holdgraf of Municipal District Services, LLC; Kandy Pfeffer of ETI Bookkeeping Services; and Wallace Trochesset of LJA Engineering; Kyle Burks of Kemah City Council.

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 tree-lighting and the parade in Kemah, which were well-attended. Director Gale wished Happy Holidays to All. Director Lumpkin stated he is looking forward to a prosperous 2017. Director

McDonald stated she had returned from her travels and spending time with family; Director Merryman also stated she has returned from her travels and is glad to be back.

3. **MEETING MINUTES.** The Board considered the minutes for the meetings of October 31, 2016 and November 7, 2016. Following discussion, it was moved by Director Meisinger and seconded by Director McDonald that the minutes be approved, which motion passed unanimously, 5-0.

4. **BOOKKEEPER'S REPORT / BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017.** 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.

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

Ms. Pfeffer discussed the budget for fiscal year ending December 31, 2017 and noted the budget is a negative budget, showing more expenses than revenues. She also noted the Board should adopt the budget prior to the end of the current fiscal year. She discussed projects which might affect the budget, as presented by the engineer. Ms. Pfeffer further discussed a possible bond election in May of 2017, for District projects and possible consolidation with MUD 51 and reimbursement of the developer. The projects also included a possible new water well for interruptible water supply, which perhaps could be moved forward into 2018. Director Gale noted the District may need to raise water rates, as discussed previously in November. She stated the Board should adopt the budget showing the shortfall, but plan a workshop to amend the budget and discuss any necessary rate increase. She also discussed use of surplus capital projects funds

from the 2014 Bond Issue, for eligible projects, to defray costs from the budget. The Board scheduled a rate and budget workshop for January 23rd.

Following further discussion, it was moved by Director Gale and seconded by Director McDonald that the budget be adopted with the deficit, and with the understanding that the Board intended to hold a budget and rate workshop to address the deficit on January 23rd, which motion passed, 4-1, with Director Merryman voting against.

5. **REVIEW OF INVESTMENT POLICY.** Mr. Richardson explained an annual review of the Investment Policy is required by the Public Funds Investment Act. He stated the only change recommended is to update the brokers list. Following a discussion, it was moved by Director Gale and seconded by Director Merryman to approve the Order Reviewing and Confirming Investment Policy with the updated brokers list, which motion carried unanimously. A copy of said Order is attached as Exhibit "B".

6. **OPERATOR'S REPORT.** Ed Holdgraf presented the operator's report, a copy of which is attached as Exhibit "C". There were 1,703 customer connections. He stated the wastewater treatment plant experienced no permit excursions. Water accountability was at 86.1%; Mr. Holdgraf stated the percentage is likely due to two transit meters which are out to contractors and which will be billed upon their return. He stated bacteriological samples were negative. He reviewed the preventative maintenance schedule.

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

7. **ENGINEER'S REPORT.** Wallace Trochesset presented the engineer's report, a copy of which is attached as Exhibit "D". He discussed the 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, and presented an agreement for execution.

Mr. Trochesset presented requests for capacity commitments:

1. Glen Gordy	Motel; 33 acres outside District	36 connections
2. Lloyd Thornton	7.8 acres outside District	20 connections
3. Frank Stutzman	7.8 acres outside District	20 connections
4. Del Campo	Duplex @ 708 Kipp; in-District	2 connections

Mr. Trochesset stated he would ask for \$5,000 deposits from the out-of District requestors, to cover annexation costs. He stated Teresa Case is also requesting a renewal of her previously-issued capacity commitment.

Following further discussion by the Board it was moved by Director Meisinger and seconded by Director Lumpkin that the engineer's report be approved along with the items presented and the approval of the capacity commitment requests; the motion passed 4-1 with Director Merryman voting against.

8. **AGREEMENT FOR CONSOLIDATION WITH GC MUD NO. 51.** The Board considered the Interlocal Agreement for Water and Sanitary Sewer Services and Consolidation of Districts, between the District and Galveston County Municipal Utility District No. 51. The Board discussed holding a consolidation election in May of 2017. Following a discussion, Director Lumpkin moved, and Director Meisinger seconded the motion, to approve and authorize execution of the Agreement, which motion passed unanimously, 5-0. A copy of the Agreement is attached as Exhibit "E".

9. **OPTIONS FOR ADDITIONAL WATER SUPPLY.** Kyle Burks updated the Board. He stated the interruptible water supply from GCWA could be online in January. He stated there would be up to \$700,000 of costs plus more than another \$100,000 for design, so that adding 1 Million gallons per day (GPD) of interruptible supply would cost about \$800,000. He

suggested the Board appropriate \$123,000 into the budget for design of the booster pump on FM 517, to enable the re-rate of GCWA capacity from the Thomas Mackey Water Plant. Following a discussion, it was moved by Director Gale and seconded by Director McDonald to appropriate \$123,000 into the budget for the design of the booster pump on FM 517 as discussed, which motion passed 4-1 with Director Merryman voting against.

10. **KVFD REPORT.** Director Lumpkin reviewed the report for the KVFD from May. There were 56 total calls, with 39 being for EMS; there were 2 mutual aid calls to Baycliff.

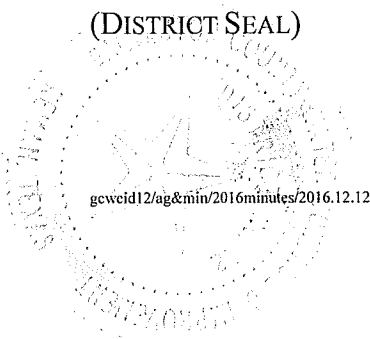
11. **TAX COLLECTIONS REPORT.** Director Merryman reviewed the November report for tax collections by Galveston County Tax Assessor/Collector Cheryl Johnson.

12. **ENGAGE ACS FOR REPORT ON SERIES 2005 BONDS.** Chris Richardson presented a letter agreement for the engagement of Arbitrage Compliance Services for required report on the District's Series 2005 Bonds; he explained federal law requires self-auditing and self-reporting of any arbitrage. Following further discussion, it was moved by Director Meisinger and seconded by Director Merryman that the letter agreement with ACS be approved, which motion carried unanimously, 5-0. A copy of which is attached as Exhibit "F".

13. **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 9th day of January, 2017.

(DISTRICT SEAL)




Secretary