

**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 February 13, 2017; 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.

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 Gale wished everyone a Happy Valentine’s Day and noted the recent heavy rains. Director Lumpkin stated he attended the recent AWBD conference and discussed smart meter technology, which he will share with the

Directors. Director Merryman discussed the water conservation issues from the conference, such as using “drip” systems instead of sprinklers.

3. **MINUTES.** The Board considered the minutes for the meeting of January 23, 2017. Following discussion, it was moved by Director Merryman and seconded by Director Meisinger that the minutes be approved, which motion passed unanimously, 5-0.

4. **BOOKKEEPER'S REPORT.** 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. She noted she had to move money from savings to pay the bills. She discussed the \$25,000 check to the City of Bryan for the extension of the option to purchase raw water rights. The Board reviewed the checks, investments, budget, and energy usage for the past month. Chris Richardson noted the use of funds for the 12” Waterline Project, and he recommended filing a Resolution Requesting Release of Escrowed Funds, with the TCEQ; the Board authorized filing. Director Gale noted the KVFD was to take over the lease payments on the fire truck.

Following further discussion, it was moved by Director Lumpkin 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, 5-0.

5. **OPERATOR'S REPORT.** Ed Holdgraf presented the operator’s report, a copy of which is attached as Exhibit “B”. There were 1,705 customer connections. He stated the wastewater treatment plant experienced no permit excursions. Water accountability was at 83%. He stated bacteriological samples were negative. He reviewed the preventative maintenance schedule. Mr. Holdgraf described an issue with two homes connected to the same line in Clear Lake Shores; the issue has been resolved.

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

6. **ENGINEER'S REPORT.** Wallace Trochesset presented the engineer's report, a copy of which is attached as Exhibit "C". He discussed the League City Water Modeling project to determine the cost of the interconnect and possible supply of additional water; CDM Smith will meet with the City on February 15th.

Mr. Trochesset presented Pay Estimate No. 7, in the amount of \$37,966, as well as Pay Estimate No. 8 and Final for the Vivian Water Plant, in the amount of \$11,583. He presented Pay Estimate No. 2 (\$178,695) and No. 3 (\$147,510) for the 12" Waterline Loop on FM 518, as well as Change Order No. 1 for the relocation of the waterline, from North to South.

Mr. Trochesset discussed the CDBG Project for the Kipp Waterline and Force Main; he stated Notice to Proceed was given on February 6th and the contractor is set to mobilize. He presented a Proposal for Bond Application Services in the amount of \$30,000 and noted the costs could be reimbursed from the bond funds after issuance.

Mr. Trochesset presented requests for capacity commitments:

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|------------------|----------------|------------------|
| 1. Bob Wright | 20 connections | Outside District |
| 2. Pat Mulhern | 1 connection | Inside District |
| 3. Dalayna Smith | 1 connection | Inside District |

The Board refused to consider a capacity request for 150 connections inside the District, for a possible apartment project, noting this may be a renewed request from the Starfleet Marina Hotel property. Mr. Trochesset asked for an extension of Teresa Case's capacity commitment.

Following further discussion by the Board it was moved by Director Merryman and seconded by Director McDonald that the engineer's report be approved along with the items presented and the approval of the noted capacity commitment requests; the motion passed 5-0.

7. **CONSOLIDATION WITH GC MUD NO. 51.** Director Gale discussed her conversations with developer Bill Monacelli. Mr. Trochesset presented the Bond Election Report, listing the projects to be financed with the bond proceeds. Director Gale noted the GCWA would finance the Booster Pump Agreement through the cost of the water delivered; the District would pay the engineering up front, so that item would be removed from the Bond Report.

8. **REIMBURSEMENT AGREEMENT WITH ZIRCON (MUD 51).** Director Gale discussed the reimbursement agreement for Zircon, which is the developer entity for GC MUD 51. She noted the agreement states the District will not raise taxes to pay the developer; the developer will have to produce in excess of \$140 Million in value to justify full reimbursement of projected costs. She stated the developer agreed to pay for the District's Consolidation and Bond Election costs; she stated she is happy with the outcome of the agreement.

Following further discussion by the Board it was moved by Director Lumpkin and seconded by Director Meisinger that the Reimbursement Agreement for Zircon/ MUD 51 be approved; the motion passed 5-0.

9. **OPTIONS FOR ADDITIONAL WATER SUPPLY.** The Board discussed the Booster Pump Agreement with GCWA which will add an additional 1 MGD through the existing pipe. The Board discussed the Interruptible Water Supply Agreement, also with the GCWA, which requires construction of an additional well as one of the Bond Report projects. The Board discussed the \$25,000 check to the City of Bryan for the extension of the Option to Purchase Raw Water, which can then be assigned to GCWA for treatment and delivery.

Following further discussion by the Board it was moved by Director Meisinger and seconded by Director McDonald that the Booster Pump and the Interruptible Water Supply Agreements be approved, along with the delivery of the check to the City of Bryan for the extension of the option to purchase raw water; the motion passed 5-0.

10. **ORDERS CALLING BOND AND CONSOLIDATION ELECTIONS.** The Board considered approving the Order Calling Bond Election and the Notice of Bond Election and the Order Calling Consolidation Election and the Notice of Consolidation Election, copies of the Orders are attached as Exhibits “D” and “E”. Mr. Richardson also recommended the Board authorize entering into an agreement with Galveston County for election services.

Following further discussion, it was moved by Director Meisinger and seconded by Director McDonald that the Order Calling Bond Election and Notice of Bond Election and Order Calling Consolidation Election and Notice of Consolidation Election be approved, to authorize entering into an agreement with Galveston County for election services, and further that the attorneys be authorized to post notice of the election as required by law, which motion carried unanimously, 5-0.

11. **ORDER DECLARING INTENT TO REIMBURSE.** The Board considered approving the Order Declaring Intent to Reimburse; a copy of the Order is attached as Exhibit “F”. Mr. Richardson explained the purpose is to enable the use of bond funds to pay for projects which have recently begun, before the bonds are issued. Mr. Trochesset noted some of the bond funds would be used to pay for the costs of the Force Main Project on Kipp Street.

Following further discussion, it was moved by Director Gale and seconded by Director Lumpkin that the Order Declaring Intent to Reimburse be approved, which motion carried unanimously, 5-0.

12. **KVFD REPORT.** Director Lumpkin reviewed the report for the KVFD. He noted the KVFD is considering hiring Brent Hahn as a full-time Fire Chief. The KVFD is also discussing whether the “Fire Boat” is truly necessary; the boat presents a rather large expense.

13. **TAX COLLECTIONS REPORT.** The Board reviewed the Tax Collections Report for December from Galveston County.

14. **ORDER SETTING 2017 TAX EXEMPTIONS.** Chris Richardson explained the District set a homestead exemption of 20% last year; this is the highest allowed by law. The District also set an exemption of \$45,000.00 for over 65 and/or disabled individuals last year.

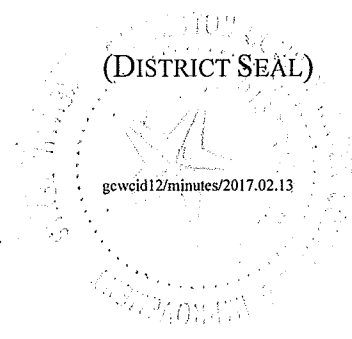
Following further discussion, it was moved by Director Merryman and seconded by Director McDonald that the Order Setting 2017 Tax Exemptions be approved, setting a 20% homestead exemption, and an exemption of \$45,000.00 for over 65 and/or disabled individuals, which motion carried unanimously, 5-0. A copy of said Order is attached as Exhibit "G".

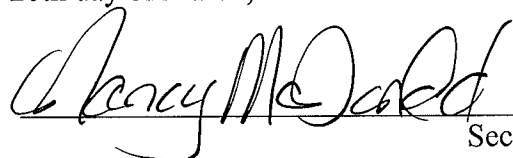
15. **ENGAGEMENT OF ARBITRAGE COMPLIANCE SPECIALISTS.** Chris Richardson discussed the requirements for self-reporting of any arbitrage with regard to previous bond issuances; he noted the necessity for the engagement of ACS for review of the Series 2015 Refunding Bonds. Following further discussion, it was moved by Director Merryman and seconded by Director Lumpkin that ACS be engaged to review and report on the outstanding Series 2015 Refunding Bonds, which motion carried unanimously, 5-0.

16. **RATIFY AMENDMENT TO RATE ORDER.** The Board discussed the recent amendment to the Rate Order. Following further discussion, it was moved by Director Lumpkin and seconded by Director Gale that the amendment to the Rate Order be ratified, which motion carried unanimously, 5-0.

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

PASSED, ADOPTED and APPROVED this 20th day of March, 2017.




Secretary