

**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 11, 2017; whereupon, the roll of the members of the Board of Directors was called, to-wit:

Theresa L. 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, David Smalling, Robert W. Baird & Co. Incorporated; and Scott Gale and Glenn Gordy, residents; Mitchell Wang of IHOP; also Kyle Burks and Wendy Gamble of the City of Kemah; and Fire Chief Brent Hahn.

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 announcements.

2. **BOARD MEMBER ANNOUNCEMENTS.** Directors Gale and McDonald discussed recent Christmas and Holiday events in the area.

3. **SALE OF DISTRICT'S SERIES 2018 BONDS.** The Board next considered the sale of the District's \$2,175,000 Unlimited Bonds, Series 2018. David Smalling reviewed the bids received, with Raymond James & Associates, Inc. being the lowest bidder at a net effective interest rate of 3.509896%. He stated the Series 2018 Bonds will be insured by Build America Mutual Assurance Company, and will likely receive a rating of "AA". Chris Richardson discussed the preparation of the transcript and review by the Attorney General. He stated the bond closing is set for January 9, 2018. Following a discussion of the bids, a motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried to award the sale of the 2018 Bonds to the low bidder, Raymond James & Associates, Inc.

The Board then reviewed the Bond Order and related Certificate for the Series 2018 Bonds. A motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried, that said Order and Certificate be approved and adopted.

The Signature Identification and No-Litigation Certificate was presented to the Board. Following review, a motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried 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 2018 Bonds. The Certificate states, among other current information and facts, the District is in compliance with all applicable requirements of all regulatory agencies. A motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried that the General Certificate be approved.

The Paying Agent Registrar Agreement with ZB, National Association, DBA, Amegy

Bank was presented. A motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried to approve the Paying Agent Registrar Agreement.

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

The Certificate Regarding Insurance was presented to the Board. A motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried to approve and execute the Certificate of Insurance, approving the insurance commitment of Build America Mutual Assurance Company.

A motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried to approve the Certificate for Official Statement.

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 Meisinger, seconded by Director Lumpkin, and unanimously carried that the Information Required by the Public Securities Procedures Act be approved and filed.

A motion was next made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried to approve and execute the Series 2018 Bonds.

A motion was made by Director Meisinger, seconded by Director Lumpkin, 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 2018 Bonds and secure registration by Comptroller of Public Accounts for such issue.

A motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried to authorize attorneys for the District or the Paying Agent Registrar for the District to receive the Series 2018 Bonds from the Comptroller of Public Accounts after

registration.

A motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried that the underwriter be authorized to obtain CUSIP registration numbers for the Series 2018 Bonds.

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

A motion was made by Director Meisinger, seconded by Director Lumpkin, and unanimously carried that all other necessary documents be executed and that all other necessary action be taken for the issuance of the Series 2018 Bonds.

4. **MINUTES.** The Board considered the minutes for the meeting of November 13, 2017. Following discussion, it was moved by Director Merryman and seconded by Director McDonald that the minutes be approved, which motion passed unanimously, 5-0.

5. **BOOKKEEPER'S REPORT AND BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2018.** Kandy Pfeffer presented the bookkeeper's report, a copy of which is attached as Exhibit "A". She reviewed the use of bond proceeds and other matters in her report. The Board reviewed the checks, investments, budget, and energy usage for the past month.

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, 4-0.

The Board reviewed the budget for 2017; Ms. Pfeffer stated the District is \$255,000 over budget through 11 months of the current year's budget. She noted the system revenues have been very low due to a rainy year. Ms. Pfeffer presented the draft budget for fiscal year ending December 31, 2018 and the Board discussed various revisions.

Following further discussion, it was moved by Director Lumpkin and seconded by Director Meisinger that the budget for the fiscal year ending December 31, 2018 be approved, along with the revisions discussed, which motion passed unanimously, 5-0.

6. 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 changes are recommended to track the changes in the statute, according to the most recent legislature of the State of Texas. Following a discussion, it was moved by Director Merryman and seconded by Director Lumpkin 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".

7. OPERATOR'S REPORT. Ed Holdgraf presented the operator's report, a copy of which is attached as Exhibit "C". There were 1,732 customer connections. Water accountability was at 88.6%; the wastewater treatment plant reported no permit excursions. Mr. Holdgraf reviewed the preventative maintenance schedule.

Mitchell Wang, dba IHOP, complained of a high water bill and stated his opinion that the meter was defective. Mr. Holdgraf stated the meter was actually reading low; he stated the meter has been replaced and the new meter is registering at the AWWA standard. He stated meters cannot register high; they are mechanical devices which only turn when water passes through.

Following further discussion, it was moved by Director Merryman and seconded by Director McDonald 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 "D". He introduced Chris Johnson and Ivan Lozina of GBT Realty, who addressed the Board regarding the development of Kemah Marketplace. They

discussed their proposal for a “fire pump”, rather than a water tank, for fire suppression purposes. They stated the water volume is there and the pressure is the issue; they stated they are looking to reduce the industrial appearance of a water tank. Mr. Trochesset stated the District has required a tank for every development, and he has never approved a “fire pump” like the one proposed. He stated the District has a history of breaks and pressure drops and he must recommend a tank. He stated the Board could allow a fire pump as an interim solution, to allow construction and for some of the shops in the development to open on time. Director Gale stated her preference for a water tank. She stated the Board will look at the data, but she requested an agreement from the developer to place the water tank at the site over time, specifically a year or less. Ivan Lozina stated he would like to do testing and show the tank is not needed. Director Gale stated GBT is free to do testing and show the results to the District engineer, but GBT must agree in writing to put a tank at the site. Mr. Trochesset reiterated his recommendation for a tank at the site. Director Gale stated the Board will allow the pump as an interim solution, but the long term requirement is for a water tank at the site for fire suppression services. The Board discussed the matter and stated it requires a one-year agreement for GBT to have a tank up and running, with financial penalties for noncompliance.

Wendy Gamble stated the City of Kemah is requesting 120 connections for the Hotel and Convention Center. She stated the rebate from the State “kicks in” when the hotel gets a certificate of occupancy. She stated the City needs to have a commitment of capacity “on the books” in order to move forward.

Glenn Gordy stated he is asking for 150 connections of capacity. Mr. Trochesset stated the District does not have that amount of water or wastewater to commit; Director Gale stated the Board cannot commit to capacity which it does not have. Mr. Gordy stated he has a promise of capacity from the late Mayor of Kemah, Ben Blackledge, signed decades ago. He stated he granted

the City an easement in exchange for that promise, and he asked for the documents by which the District took over Kemah's water system.

Mr. Trochesset discussed the potential expansion of the wastewater treatment plant. He stated the request from ZIRCON (the developer of the land which was formerly MUD 51, which has since been consolidated into the District) for 325 connections' worth of capacity will put the District at 95% of the plant's capacity. TCEQ rules require construction of the expansion to begin when the District is using 90% of the capacity. He noted a \$500,000 expansion of the plant is part of what was submitted to the voters and approved in the recent bond election.

Following further discussion by the Board it was moved by Director Lumpkin and seconded by Director Meisinger that the engineer's report be approved along with the items presented, including the requirement of a water tank at the Kemah Marketplace Development, with an agreement to include financial penalties for noncompliance; the motion passed 5-0.

9. LONG TERM WATER PLAN. Kyle Burks addressed the Board and discussed the GCWA – FM 517 Booster Pump Station. He stated construction shall begin in January and the station will be live by June. He stated the pump station will enable an additional 1 MGD of water through the existing pipe; an additional pump might enable even more flow in the future, through the same line. He discussed the District's need for an additional well, as a back up for "interruptible" water supply from the GCWA. He stated all of that infrastructure is aimed at increasing the District's water supply; the GCWA is having a re-rate of the Thomas Mackey water plant done, which should increase the capacity from 50 MGD to 57 MGD. The District is seeking an additional 1.5 MGD from that increase, and through the existing GCWA water line. He stated the District will need to finance the booster pump through a higher cost of water, which will need to be passed on to the District's customers through a higher water bill, possibly a "capital recovery fee" added to the bill.

10. KVFD REPORT. Chief Hahn stated the report for the month from the Kemah Volunteer Fire Department could not be printed due to power surges causing a computer shut-down. There were 62 total calls; 44 of them were for EMS.

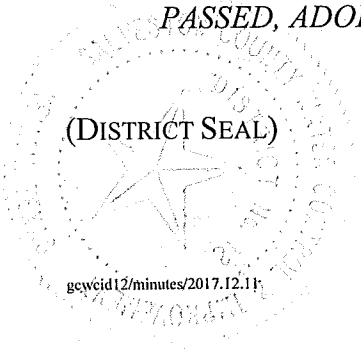
Director Gale stated her strong opinion that the District needs to re-acquire voting positions on the ESB Board. She noted the President of the District's Board was the President of the ESB, by contract, originally, and there were two voting members of the District's Board on the ESB, and that has changed over time. She stated there have been requests for increased funding from the District, and there are new challenges to come, including the funding for the fire truck and service to the new areas in the District. She stated the ESB is asking for the monthly charge on the water bills to go up to \$10.00, which is the maximum authorized by the voters; she stated all of these issues should be addressed together. Director Merryman stated her recommendation for 2 voting positions on the ESB for the District; she stated the District should seek a contractual amendment.

11. TAX COLLECTIONS REPORT. The Board reviewed the tax reports from Galveston County for November. The Board noted the 2017 collections have begun.

12. RENEWAL OF TWIA WINDSTORM INSURANCE. Mr. Richardson stated the renewal documents for the District's TWIA Windstorm Insurance have not arrived, but due to timing, the Board should authorize execution of the documents when they do arrive, contingent upon the attorney's review. Following further discussion, it was moved by Director McDonald and seconded by Director Meisinger that the execution of the renewal documents for the District's TWIA Windstorm Insurance be authorized, which motion carried unanimously, 5-0.

13. **ADJOURNMENT.** There being no further business, it was moved, seconded and unanimously carried that the meeting be adjourned.

PASSED, ADOPTED and APPROVED this 8th day of January, 2018.



[Handwritten Signature]
Secretary