

Bolivar Peninsula Special Utility District
Minutes of the Regular Meeting April 14, 2009

Directors Present

Lynette Johnson-Hardcastle, President
George Strong, Vice President
Al Altemus, Treasurer
Vicki Cartwright, Secretary
Jack Blume
Maria Skewis
Mary Ellen Smith
Dennis Stafford
Roger Welch

Staff Present

Jennifer McKnight, Gen. Mgr.
Barbara Cowie, Office Mgr.

Others Present

Guy Goodson
Rick Bourque
Gregory Lewis
Mike Keeny
Craig Lang
GinGee Stuart
Brenda Cannon Henley
Ted Henley
Hollis Gassen
Joanne Gassen
Jack Haigh
Beverly Palmer
John Ellis
Paula Quick

Item #1 Call to Order: President Johnson-Hardcastle declared a quorum present and called the meeting to order at 4:16 p.m.

Item #2 Pledge and Moment of Silence: The Pledge of Allegiance was cited by all present and a Mr. Blume led the invocation.

Item #3 Minutes: **Mr. Altemus made a motion to approve the minutes for the meeting held on March 11, 2009. Ms. Cartwright seconded the motion. Motion passed. (Unanimous)**

Item #4 Drought Contingency Plan: Ms. McKnight stated that the District is required by the Texas Commission on Environmental Quality to readopt and submit the District Drought Contingency Plan by May 1, 2009. Ms. McKnight stated that a requirement of the plan is to allow for public input on the plan prior to its adoption. Ms. McKnight gave a presentation on the plan that explained the definition of a drought, the stages that determine the responses that will be required, the timing for initiating the plan, the steps for rescinding the required actions, and the enforcement measures for noncompliance. Ms. McKnight stated that the District will accept public comments on the plan during the next item on the agenda.

Item #5 Public Comments: There were no public comments regarding the District Drought Contingency Plan. Mr. Craig Lang stated that he wanted to address the Board regarding the District's reinstatement fee. Mr. Lang stated that he had a rental property and the water was in the tenant's name. After the storm the tenant terminated the service. He stated that he thought he had a year to reinstate service with no fees and was not aware that this property was different because the account was not in his name. He stated he was busy repairing his other properties and did not hurry in to reconnect water service at this particular property. He stated that because it was without service for over 90 days he was told he would have to pay a \$450 reinstatement fee. He stated that he understands this fee relates to District bond requirements, but he was hoping the District could request a variance since there was a natural disaster.

Item #6 Committee Reports: Mr. Blume reported that the Audit and Finance Committee met and reviewed the check registers, invoices, and bank statements for March and found that all was in order.

Item #7 Manager's Report: Ms. McKnight presented the manager's report and discussed the following:

- System Operational Report and Director's Report.
- Trial Balance, Comparative Budget Report, and Account Balance Summary List.
- Insurance payments received for facilities damaged by Hurricane Ike.
- FEMA reimbursement issues and payments received for facilities and infrastructure damaged by Hurricane Ike.
- Ms. McKnight stated the District office has moved into a temporary trailer office in Crystal Beach. She stated the office in Winnie will permanently close on April 17, 2009.

Item #8 Drought Contingency Plan: **Ms. Cartwright made a motion to approve the District Drought Contingency Plan. Mr. Strong seconded the motion. Motion passed. (Unanimous)**

Item #9 2008 Annual Financial Audit Presentation: Ms. Charlotte Yeates, Certified Public Accountant with Edgar, Kiker and Cross, presented the annual financial audit for Fiscal Year 2008. Ms. Yeates stated that the District received an unqualified opinion and was found to be in good financial standing both in the regular audit and in the single audit required for the outstanding bonds. Ms. Yeates explained the significant deficiency the District received in the audit findings was the same as

was found last year. The deficiency is regarding an accounting standard that requires governmental agencies to have a separate certified public accountant (CPA) prepare their financial statements prior to the annual audit. She stated the financial statements are then reviewed by the auditing CPA. Ms. Yeates explained that the Board decided last year that the District will take the deficiency this year because it was not economically feasible to pay a second CPA. Ms. McKnight reminded the Board that proposals were accepted from other firms for financial statement preparation and the cost was about the same as the audit. Ms. Yeates stated that the District was allowed to respond to the deficiency and that the Audit and Finance Committee had prepared a statement and it is included in the audit. She also said that most small Districts and Cities are choosing to continue to allow the auditing CPA to prepare their financial statements and will accept the deficiency each future year in their audit. She stated that it will be costly to hire another CPA, but that the Board will need to decide if they want to continue receiving the deficiency or hire a second CPA firm to prepare financial statements for future annual audits. Ms. Yeates also stated that her firm determined that the District is in good shape for the next twelve months financially. She stated that next year's audit will again review the financial status of the District to determine if it will be able to continue financially after the storm.

Item #10 2008 Annual Financial Audit: Mr. Altemus made a motion to approve the Annual Financial Audit for Fiscal Year 2008. Mr. Blume seconded the motion. Motion passed. (Unanimous)

Item #11 Significant Deficiency in Audit: Ms. Smith made a motion to request qualifications for financial accounting consulting services to assist District management with internal controls over financial compliance. Ms. Cartwright seconded the motion. Motion passed. (Unanimous)

Item #12 Rodriguez Easement: Ms. Smith made a motion to approve the utility easement form submitted by Mark Rodriguez with the amendments made by legal counsel. Ms. Cartwright seconded the motion. Motion passed. (Unanimous)

Item #13 Office Building: Ms. Smith made a motion to approve the design by Lewis Design Group for an elevated 2200 square foot office building. Mr. Blume seconded the motion. Motion passed. (All for except Welch and Altemus against)

Item #14 Crystal Beach Super Plaza: Mr. Strong made a motion to approve a water agreement with the developer of the Crystal Beach Super Plaza. Ms. Cartwright seconded the motion. Motion passed. (Unanimous)

Item #15 Fee Waiver for FEMA: Ms. Cartwright made a motion to approve reimbursement of fees for service to FEMA for unoccupied housing sites at the High Island Group Living Site. Ms. Skewis seconded the motion. Motion passed. (Unanimous)

Item #16 FEMA Contract: Ms. Smith made a motion to approve a contract with FEMA for water bill payments for the High Island Group Living Site. Ms. Skewis seconded the motion. Motion passed. (Unanimous)

Item #17 Land Acquisition for Beachfront Roads: Ms. Smith made a motion to have the General Manager handle land needs on a case-by-case basis until the General Land Office sets building guidelines. Mr. Altemus seconded the motion. Discussion ensued and Ms. Smith withdrew her motion. President Johnson-Hardcastle requested that the General Manager draft an emergency line extension policy and the Policy Committee review the policy for the next meeting. **No action taken.**

Item #18 HGAC Contract Extension: Ms. Smith made a motion to extend the contract with Houston Galveston Area Council for four temporary worker positions through June 2009. Ms. Skewis seconded the motion. Motion passed. (Unanimous)

Roger Welch left the meeting at 7:05 p.m.

Item #19 TWIA Policy Renewal: Ms. Smith made a motion to approve renewing windstorm insurance with Texas Windstorm Insurance Agency with the removal of the office building and the Gulfhaven Plant site from the policy, with a 1% deductible, and with increased cost of construction in the policy. Ms. Skewis seconded the motion. Motion passed. (Unanimous)

Item #20 Red Flag Rule Policy: Mr. Strong made a motion to approve the District Red Flag Rule Policy. Mr. Blume seconded the motion. Motion passed. (Unanimous)

Item #21 Executive Session: Pursuant to §551.074 of the Texas Open Meetings Act the Board met in closed session at 7:25 p.m. to deliberate the appointment of a Director to fill vacant position.

Item #22 Reconvene Open Meeting: The open meeting was reconvened at 8:05 p.m.

Item #23 Action on Executive Session: **Ms. Smith made a motion to appoint Mr. Hollis Gassen to fill the vacant position on the Board of Directors. Mr. Altemus seconded the motion. Motion passed. (Unanimous)**

Item #24 Director's Comments Regarding Future Agenda Items: Mr. Strong asked that the grants administrator and the public adjuster provide updates at the next meeting. Guy Goodson informed the Board that there may need to be an item on the agenda next month for application submission to the Texas Water Development Board for bond deferral assistance. He stated staff and consultants will be meeting with them later this month to determine the best plan of action regarding the bonds.

Item #25 Next Meeting: The next meeting was set for Tuesday, May 12, 2009. President Johnson-Hardcastle asked Ms. McKnight to see if it is possible to have the next meeting at the Joe Faggard building or the Methodist Church in Crystal Beach and to let the Board know what time the meeting will be held.

Item #26 Adjournment: **Mr. Altemus made a motion to adjourn at 8:10 p.m. Mr. Strong seconded the motion. Motion passed. (Unanimous)**

CERTIFICATION

I, the undersigned, do certify the above to be a true and correct record of the meeting of the Board of Directors of the Bolivar Peninsula Special Utility District, April 14, 2009.

Vicki Cartwright, Secretary