

Bolivar Peninsula Special Utility District  
Minutes of the regular Meeting December 15, 2009

Directors Present

Lynette Johnson-Hardcastle, President  
George Strong, Vice President  
Dennis Stafford  
Hollis Gassen  
Jack Blume  
Larry Webb  
Roger Welch

Staff Present

Clifford Howard, Plant Mgr.  
Kenny Strimple, Field Mgr.

Others Present

Gregory Lewis  
Jack Haigh  
Darlene Nelsen  
Anton Nelsen

Item #1 Call to Order: President Johnson-Hardcastle declared a quorum present and called the meeting to order at 6:12 PM.

Item #2 Pledge and Moment of Silence: Pledge of Allegiance was cited by all present and a moment of silence was observed.

Item #3: Approval of November 13, 2009 Meeting Minutes: Dennis Stafford made a motion to approve the minutes of the meeting on November 13, 2009. Jack Blume seconded the motion. The motion was unanimously passed.

Item #4 Public Comments: There were no public comments.

Item #5 Committee Reports:

\* Audit & Finance: Mr. Stafford reported that the Audit and Finance Committee had met and reviewed the check registers, invoices, and bank statements for November and found that all was in order.

\* 2010 Budget: This was deferred to item number 8 on the agenda.

Item #6 Manager's Report: The manger's report was presented and the following items were discussed:

- \* System Operational Report and Director's Report.
- \* Trail Balance Comparative Budget Report, and Account Balance Summary List.
- \* Report on FEMA reimbursement issues and payments received for facilities and infrastructure damaged by Hurricane Ike.
- \* Report on insurance payments received for facilities damaged by Hurricane Ike.
- \* Report from Field and Plant Managers.

Discussion centered around the large November water losses. Beginning in January water meters that have not been reapplied for by the property owners will be pulled and their deposit refunded. The water district will apply existing rules and regulations for excessive water use is discovered when the meters are pulled.

Item #7 Consideration and Possible Action to Appoint President, Vice President, Secretary, and

Treasurer of the Board of Directors: The present Board Officers were polled to access if they would like to continue in office. All present officers were agreeable to continue in their present position. The other board members were polled to determine if they would be interested in a position. No one came forward. Jack Blume made a motion to retain the present Board Officers. Dennis Stafford seconded the motion. The motion was unanimously passed.

Item #8 New Budget for Fiscal year 2010:

Dennis Stafford presented the projected revenue for 2010.

The projected number of water connections for 2010 is 2,855. This drives annual revenue of \$1,610,400. Additional revenues are: FEMA reimbursements of \$380,522; and, reinstatement fees for water connections from January to March of \$157,000. Other items bring the projected 2010 revenue to \$2,611,142.

Hollis Gassen presented the projected expenses for 2010.

Water purchase is projected to be \$525,350. This is a 22% increase from the 2009 budget because of increase in chemicals and one full time LNVA employee assigned to BPSUD's account.

Depreciation costs are up by \$367,000. This is the result of four projects being completed and of placed in service. The depreciation costs for 2009 was zero. Water District 2010 salaries are projected to be \$607,586. This includes a 5% merit increase for the district. Audit expenses will increase from \$20,000 to \$21,000. Other items bring the projected 2010 expenses to \$2,962,926.

George Strong presented special expense items.

Capital items (1) \$70,000 for purchase and installation of a by-pass valve for the High Island Plant, and (2) \$375,000 for painting two surface tanks' interior and exterior surfaces.

For series Bonds 2009, 2009A, 2009B, the bond schedule payment will be for interest only for \$297,633. The District will be required to establish Special Provision for New Reserve Accounts. These can not be determined until the completions of four existing TWDB projects.

Deposit Reserves will be reset to reflect 2009 year end customer base.

LNVA has agreed to charge BPSUD \$5,000 per year for our debt services. BPSUD will be required to pay the balances in 2014. The district will have to accumulate the funds to make this payment.

George Strong made a motion to approve the budget for Fiscal year 2010 with the exception that the debt operating reserves will be included once the bonds are closed. Jack Blume seconded the motion. The motion was unanimously passed.

Item #9 Consideration and Possible Action to Approve Advertising for Bids for the Construction of the New District Office Building:

This item was tabled until the January meeting. Mr. Lewis will meet with the water district and board members to review plans for the building.

Item #10 Consideration and Possible Action to Approve Directors Attendance to the Texas Rural Water Association's Water Board Directors Governance Conference in Austin January 21 - 22, 2010.

TRWA's Water Board Directors Governance Conference will be held in Austin January 21 - 22, 2010.

The total cost of registration, meals and two night hotel stay is approximately \$825.00. Approximate mileage from Crystal Beach to Austin is \$385.00 bringing the estimated cost to be \$1,210.00 per person. The registration deadline is December 18<sup>th</sup>, so if the item is approved please contact the office by December 17<sup>th</sup> to allow time to meet the deadline.

George Strong made a motion to approve Directors attendance to the Texas Rural Water Association's Water Board Directors Governance Conference in Austin January 21 - 22, 2010. The motion was seconded by Larry Webb. The motion was unanimously passed.

Item #11 Consideration and Possible Action to Approve Merit Increases for District Employees Effective the First Pay Period Following January 1, 2010.

After discussion, Roger Welch made a motion to approve merit increases for District employees effective the first pay period following January 1, 2010. This motion was seconded by George Strong. The motion was unanimously passed.

Item #12 Consideration and possible action to approve District Holidays for 2010:

Dennis Stafford made a motion to approve District Holidays for 2010. The motion was seconded by Hollis Gassen. The motion was unanimously passed.

Item #13 Consideration and Possible Action to Accept Singing Sands to Port Bolivar Water Transmission Lines, Contract #1 and release retainage to Allco, Inc:

Dennis Stafford made a motion to accept Singing Sands to Port Bolivar Water Transmission lines, Contract #1 and release retainage to Allco, Inc. subject to any corrections made by the District's staff. The motion was seconded by George Strong. The motion was unanimously passed.

Item #14 Consideration and Possible Action to Accept Port Bolivar Water Lines, Contract #4 and release retainage to Allco, Inc:

Dennis Stafford made a motion to accept Port Bolivar Water Lines, Contract #4 and release retainage to Allco, inc. subject to any corrections made by the District's staff. The motion was seconded by George Strong. The motion was unanimously passed.

Item #15 Consideration and Possible Action to Accept Singing Sands and Port Bolivar Water Treatment Improvements, Contract #3 and release retainage to Placo, LTD:

Dennis Stafford made a motion to accept Singing Sands and Port Bolivar Water Treatment Plant Improvements, Contract #3 and release the retainage to Placo, LTD subject to any corrections made by the District's staff. The motion was seconded by George Strong. The motion was unanimously passed.

Item #16 Consideration and Possible Action to Approve an Agreement of Cooperation with Galveston County with them matching Funds of \$55,000 in a Joint Sponsorship of the Regional Wastewater Study for the Bolivar Peninsula:

George Strong made a motion to approve an agreement of cooperation with Galveston County with them matching funds of \$55,000 in a joint sponsorship of the regional wastewater study for the Bolivar Peninsula. The motion was seconded by Dennis Stafford. The motion was unanimously passed.

Item #17 Consideration and Possible Action to Approve an Engagement Letter with Edgar Kiker and Cross CPA's for Annual Financial Auditing Services for Fiscal Year 2009:

Jack Blume made a motion to approve an engagement letter for one year with the ability to extend for up to four years with Edgar Kiker and Cross CPA's for annual financial auditing services for Fiscal Year 2009. The motion was seconded by Hollis Gassen. The motion was unanimously passed.

Item #18 Consideration and Possible Action to Approve a Corrective Action Plan to Address the Significant Deficiency to Meet the Governmental Auditing Standards:

The TWDB is requiring the District to have a corrective action plan to take care of the significant deficiency for this fiscal year ended December 31, 2009. Mr. Dawes, CPA with LNVA has agreed to assist the District in eliminating the significant deficiency. Legal Counsel is drafting a document for this item. Larry Webb made a motion to approve a corrective action plan to address the significant deficiency to meet the governmental auditing standards. Dennis Stafford seconded the motion. The motion unanimously passed.

Item #19 Consideration and Possible Action to Approve an Additional Check Signer on the District's Moody Bank Accounts and the Texas first Bank Account:

Due to officers being unavailable to sign checks a request has been made to have an additional Director designated to be a signer on the District's bank accounts. George Strong made a motion to approve Brad Vratis as an additional check signer on the District's Moody Bank Accounts and the Texas First Bank Account. The motion was seconded by Larry Webb. The motion was unanimously passed.

Item #20 Report from Legal Counsel on Exchange Refunding of Series 2005, 2005A, 2007, and 2007A Water System Revenue Bonds of the District:

Attorney Goodson gave a report on exchange refunding of Series 2005, 2005A, 2007, and 2007A Water System Revenue Bonds of the District. The projects associated with these bonds are moving forward and are on schedule to be completed by year's end. To avoid paying the February 15<sup>th</sup> "full" semi-annual payment, the projects have to be completed and the bonds exchanged.

Item #21 Consideration and Possible Action to Approve AMENDED ORDER AUTHORIZING THE ISSUANCE OF BOLOIVAR PENINSULA SPECIAL UTILITY DISTRICT WATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2009, 2009A, 2009B AND 2009C (the "EXCHANGE REFUNDING BONDS" AND AUTHORIZING OTHER ACTION TO BE TAKEN IN CONNECTION WITH THE EXCHANGE REFUNDING BONDS:

This item was tabled until the January meeting.

Item #22 Ratify and authorize Board officers to execute the General Certificate, Signature Identification and No Litigation Certificate, Closing Certificate, and such other certificates, notices, resolutions, affidavits or documents as may be necessary for issuance on the Exchange Refunding Bonds:

This item was tabled until the January meeting.

Item #23 Executive Session: Meet in closed session as follows:

- (a) pursuant to paragraph 551.074 to deliberate the annual evaluations of the Office Manger, Field Manager, and Systems Manager:

The open session was suspended at 7:40 pm and the executive session commenced. The executive session ended at 8: 10 pm.

Item #24 Reconvene Open Session:

The open session reconvened at 8:12 pm.

Item #25 Possible Action Regarding the Executive Session:

A motion was made by George Strong to grade the office manager, field manager and systems manager performance as excellent and to grant each manager a 5% merit raise. The motion was seconded by Jack Blume. The motion unanimously passed.

Item #26 Director's Comments regarding future agenda items:

- 1) Need to schedule a meeting with the architect to review the new office building plans prior to the January meeting. This needs to be an item for the January meeting.
- 2) Need to have an item on the January meeting to address the large November water losses

Item #27 Set the Date for the Next Regular Meeting:

The date for the next regular meeting is January 12, 2010.

Item #28 Adjournment:

Hollis Gassen made a motion to adjourn the meeting at 8:17 pm. The motion was seconded by Larry Webb. The motion was unanimously passed.

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, December 15, 2009.

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Hollis Gassen, Board Director