

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

Directors Present

Lynette Johnson-Hardcastle, President
George Strong, Vice President
Al Altemus, Treasurer
Jack Blume
Mary Ellen Smith
Dennis Stafford

Staff Present

Jennifer McKnight, Gen. Mgr.
Barbara Cowie, Office Mgr.
Clifford Howard, Plant Mgr.
Kenny Strimple, Field Mgr.

Others Present

Guy Goodson
Rick Bourque
Greg Lewis
Darlene Leal
Anton Nelson
Aron Nance
Pat Vondra
Jim Vondra

Item #1 Call to Order: President Johnson-Hardcastle declared a quorum present and called the meeting to order at 6:09 p.m.

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

Item #3 Minutes: **Mr. Altemus made a motion to approve the minutes for the meetings held May 27, 2009, June 9, 2009, and June 26, 2009. Mr. Stafford seconded the motion. Motion passed. (Unanimous)**

Item #4 CCR: Ms. McKnight presented the 2009 Consumer Confidence Report (CCR) for 2008 data. Ms. McKnight explained that it is a State requirement that the CCR be provided to all District customers prior to July 1st each year and that the report was mailed to customers on June 25, 2009. She stated the report was also posted throughout town and on the District website. Ms. McKnight stated that the District met or exceeded the acceptable level for all constituents that were required to be samples throughout the year. She stated that the District is required to provide an opportunity for public input regarding the report and this will be done during public comments at the meeting tonight.

Item #5 Public Comments: Darlene Leal stated she would like to have the water sample she brought to the meeting sampled. She stated she understands there was a water line break due to a contractor hitting a line near her home, but that the water after the break was nonpotable. She stated she believes the District should have issued a boil water notice and this was not done. Ms. Leal also stated she is interested in what is going to happen to the District's bonds since so many customers were lost due to the hurricane. She stated the District should be publishing financial reports in the Beach Triton because the public does not have access to the reports.

Item #6 Committee Reports: *Audit and Finance Committee:* Mr. Stafford reported that the committee met to review check registers, invoices, and bank statements for May and June and found 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: Ms. McKnight stated there have been no additional insurance payments received.
- FEMA reimbursement issues and payments received for facilities and infrastructure damaged by Hurricane Ike: Ms. McKnight stated that over \$1.07 million has been submitted to FEMA for reimbursement to the District. To date a little over \$30 thousand has been paid to the District. Ms. McKnight stated she is hoping to have all project worksheets signed and submitted prior to her last day at the District. She said the District's FEMA representative committed to have the project worksheets ready for her signature before July 24, 2009.
- Depository Bank Overcharges: Ms. McKnight stated the depository bank, Moody Bank, finally reviewed the charges to the District since May 2008 and agreed they were overcharging for services. She stated Moody has credited the operations account \$16,492.45 and that monthly charges are now only about \$300 per month. Ms. McKnight stated the bank representative still had not provided an answer as to why these overcharges occurred but that she is planning to contact him again this month.

Item #8 Tank Repair Bid: **Ms. Smith made a motion to approve the bid from H2O Steel Contractors and award a contract in the amount of \$58,900.00 for repairs to tanks damaged by Hurricane Ike. Mr. Strong seconded the motion. Motion passed. (Unanimous)**

Item #9 final Plans for District Office: **Ms. Smith made a motion to approve the plans for a new District office submitted by Lewis Design Group. Mr. Altemus seconded the motion. Motion passed. (Unanimous)**

Item #10 Change Order: **Ms. Smith made a motion to approve the issuance by LNVA of Exchange Refunding Bonds for the LNVA Contract Revenue Bonds, Series 2000 in accordance with §8.3 of the Water Supply Contract between the LNVA and the District. Ms. Skewis seconded the motion. Motion passed. (Unanimous)**

Item #11 Update on Wastewater Planning Grant: Ms. McKnight stated that she and the engineer, Rick Bourque, submitted another request to the Texas Water Development Board for an extension of time to complete the study. She stated they submitted a revised scope of work and plan to see if funds for a wastewater system come available through a grant application submitted on the District's behalf by Galveston County.

Item #12 Revision to Wastewater Billing Agreement: Mr. Strong made a motion to approve amending the wastewater billing agreement with Bolivar Utility Services (BUS) to include a \$5.00 per adjustment fee for monthly adjustments to customer accounts. Ms. Smith seconded the motion. Motion passed. (Unanimous)

Item #13 Quarterly Investment Reports: Mr. Stafford made a motion to approve the first quarter and second quarter 2009 Quarterly Investment Reports. Mr. Blume seconded the motion. Motion passed. (Unanimous)

Item #14 Unclaimed Property: Mr. Altemus made a motion to approve remittance of unclaimed property in the amount of \$169.19 to the State Comptroller's office. Mr. Stafford seconded the motion. Motion passed. (Unanimous)

Item #15 Interim Purchasing Policy: Mr. Altemus made a motion to approve an interim purchasing policy to allow two supervisors to sign purchase orders over \$300 and up to \$15,000 without Board approval and to have the policy effective July 24, 2009 and terminate upon the employment of a new General Manager. Ms. Smith seconded the motion. Motion passed. (Unanimous)

Item #16 Interim Compensation for Supervisors: Mr. Altemus made a motion to approve a monthly lump sum payment to the Office Manager, Field Manager, and Utility Systems Manager for increased job duties in the amount of \$800 each until a new General Manager is employed by the District. Mr. Blume seconded the motion. Motion passed. (Unanimous)

Item #17 Vacation Pay Option: Ms. Smith made a motion to allow employees the option to receive a one-time payment of unused vacation time at the end of Fiscal Year 2009. Mr. Strong seconded the motion. Motion passed. (Unanimous)

Item #18 Utility Service Worker: Mr. Strong made a motion to approve opening a position for a Utility Service Worker. Mr. Altemus seconded the motion. Motion passed. (Unanimous)

Item #19 Public Information Officer: Mr. Altemus made a motion to appoint Ms. Barbara Cowie as interim Public Information Officer. Mr. Strong seconded the motion. Motion passed. (Unanimous)

Item #20 Director Resignations: Ms. Smith made a motion to approve the resignations from Directors David Fortenberry and Maris Skewis. Mr. Strong seconded the motion. Motion passed. (Unanimous)

Item #21 RFP for CPA: Mr. Stafford made a motion to approve the request for proposal form and to solicit a certified public accountant to assist the Board in reviewing end of year financial statements and journal entries as corrective action to significant deficiency in annual audit. Mr. Altemus seconded the motion. Motion passed. (Unanimous)

Item #22 Bond Order: Mr. Strong made a motion to approve Order authorizing the issuance of \$840,000 Bolivar Peninsula Special Utility District water system revenue refunding bonds, series 2009, \$1,200,000 Bolivar Peninsula Special Utility District water system revenue refunding bonds, series 2009a, \$5,070,000 Bolivar Peninsula Special Utility District water system revenue refunding bonds, series 2009B and \$2,360,000 Bolivar Peninsula Special Utility District water system revenue refunding bonds, series 2009C (the "bonds") and authorizing other action to be taken in connection with this exchange refunding of said bonds. Mr. Stafford seconded the motion. Motion passed. (Unanimous)

Item #23 Operations Reserve Fund: Ms. Smith made a motion to approve establishing and funding the Operations Reserve Fund pursuant to Texas Water Development Board Resolution #09-75. Mr. Altemus seconded the motion. Motion passed. (Unanimous)

Item #24 Paying Agent: Ms. Smith made a motion to approve Paying Agent/Registrar Agreement with Wells Fargo Bank, N.A. for the Bonds. Mr. Strong seconded the motion. Motion passed. (Unanimous)

Item #25 Bond Document Execution: Mr. Altemus made a motion to 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 in order to call for the issuance of the Bonds. Mr. Stafford seconded the motion. Motion passed. (Unanimous)

Item #26 LNVA Bond Exchange: Mr. Stafford made a motion to approve the exchange refunding of the LNVA Contract Revenue Bonds, Series 2000 in accordance with §8.3 of the Water Supply Contract between the LNVA and the District by issuance of the LNVA Water Supply Contract Revenue Refunding Taxable Bonds, Series 2009. Mr. Blume seconded the motion. Motion passed. (Unanimous)

Item #27 District Challenges Presentation: Ms. McKnight gave a presentation regarding challenges facing the District in the coming months. She discussed projects and issues that will need to be tracked in the coming months as follows:

Bonds

1. Exchange should be finalized by mid-August 2009.
2. Follow up with decision on consultant to Board for deficiency in audit.
3. Track progress on connections over next five years. We are right on track for 3000 connections by Dec. 31, 2009.
4. Review other methods of revenue and review fees and rates annually.
5. Communicate bond status with customers to alleviate concerns.
6. Need to maintain communications with TWDB as FEMA and insurance payments are received.
7. Need to ensure bond covenants are followed regarding reserve funds, rates, and other required information.
8. Maintain communications with TWDB regarding possible bond forgiveness as funds come available.

Budget & Rates

1. Rate review should occur after FY 2010 budget adopted (by end of fiscal year). A five-year budget projection was completed and submitted to TWDB by GM during bond exchange process. This can be used as a guide if needed.
2. LNVA required to submit their budget to the District for review prior to (their) Board approval.
3. District budget cannot be set until LNVA budget set (this is where we get our purchased water rates).
4. Rate review should occur by end of fiscal year.
5. Remember District policy requires 30 day notice of rate increase to customers. This is not a State requirement, but an adopted policy by the Board.

Sewer

1. Sewer is currently being installed by BUS without TCEQ plan submittal and without extending their CCN.
2. Galveston County is submitting an application for grant for sewer system in High Island with the intention of BPSUD owning and operating the system.
3. Galveston County has indicated they plan to apply for additional funds to purchase BUS system for BPSUD to own/operate.
4. Board needs to determine if the system in HI will benefit the District in any way and if they are willing to acquire BUS system in the future. Communicate issues with County.
5. Complete WW Planning Grant Study and ensure final report is aligned with decisions regarding Galveston County.

FEMA Public Assistance

1. Most project worksheets (PW) should be completed by July 24, 2009.
2. Signatory authority for PW and follow-up paperwork will need to be determined.
3. Continue tracking disbursements received. If actual costs are more than predicted costs, follow-up should ensue to see if additional payments can be received.
4. Outstanding PW's include fire hydrant repairs and auto-flusher repairs.

Insurance Claims

1. Public Adjuster (PA) is working on claims.
2. May want to request quarterly reports from PA as allowed by proposal from PA.

Elections

1. Election Order should be approved in August.
2. Will need to contact Galveston County for joint election.
3. Department of Justice (DOJ) pre-clearance is for a joint election with County. If change, will need to submit new pre-clearance request 60 days before election.
4. Four positions available in 2009.
5. All newly appointed and elected officers must complete training in Open Meetings Act and Public Information Act within 60 days of appointment/election to the Board. District must maintain a copy of certificates.
6. If interested in lowering number of Board members, will need to reduce by one member per year during elections. Legal counsel can provide guidance on this matter.

Rollover Pass

1. We have received about half the appraisals from Tercorp for property to acquire for Rollover Pass bore.
2. Offer letters for those appraised should be mailed out soon.
3. Funding for this project has still not been finalized. The Board will need to plan funding for land acquisition and construction.
4. Galveston County has not committed to submitting a grant application for this project although it is included in the list of eligible projects.
5. We have not been given a time-frame for TXDOT to decide what they are going to do with bridge. If bridge repairs occur before bore, coordination with TXDOT must be ensured or there will be no water to Peninsula. TXDOT only required to provide a 30 day notice for removal.

Office Building

1. We received full flood policy limits for office.
2. Windstorm still not received.
3. FEMA match increased to 90%, so flood more than covers District share of costs and will allow funds for new contents.
4. May want to consider storm shutters for office building and warehouse as a second line of defense.

Operational

1. Consider leak detection survey.
2. Consider Automatic Meter Reading.

3. Update Emergency Response Plan annually.
4. Update Monitoring Plan and submit to TCEQ.
5. Complete lead/copper project and finalize with TCEQ.
6. FEMA Park in High Island: need to determine HI School's intentions after close of park. If they are going to keep infrastructure and ask us to maintain it then a Road Access and Easement form must be filed with Galveston County. We have the signed form but agreed not to file it until they make this decision. Also, under the Prompt Payment Act, FEMA is allowed additional time for payment of monthly bills.

Item #28 Director's Comments Regarding Future Agenda Items: Ms. Smith stated she would like to thank Guy Goodson, Lynette Johnson-Hardcastle, and Jennifer McKnight for all the work they have put into getting the bond exchange accomplished. She stated she is grateful they did not give up and appreciates all the trips to Austin that they had to make.

Item #29 Next Meeting: The next regular meeting was set for Tuesday, August 18, 2009.

Item #30 Adjournment: **Ms. Smith made a motion to adjourn at 8:57 p.m. Mr. Blume 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, July 14, 2009.

George Strong, Vice President