

Bolivar Peninsula Special Utility District
Minutes of the Special Meeting April 19, 2011

Directors Present

Lynette Johnson- Hardcastle- President
George Strong – Vice President
Mary Ellen Smith - Treasurer
Brad Vratis
Roger Welch
Wayne Turk

Staff Present

Jo E. Ball – General Manager
Barbara Cowie – Office Manager
Clifford Howard – Systems Manager

Others Present

Sid Bouse
Chris Makin
Pat Vondra
William Comeaux
John Simsen
John Lee Jr.
Connie Nicholson

Item#1 Call to Order: President Lynette Johnson-Hardcastle declared a quorum present and called the meeting to order at 9:00Am.

Public Comments: There was one public comment. Prior to the comment Ms. Lynette Johnson-Hardcastle read the following statement, “Bolivar Peninsula Special Utility District Board of Directors must comply with the Texas Open Meetings Act. The Act states that Directors may only respond to the public comments and inquiries by making a statement of factual information by reciting existing policy by referring an issue to a staff member or by making a proposal to place an issue on a future meeting agenda.”

Mr. Sid Bouse made the following comment: Mr. Bouse stated he was a user of the District and a user of the BUS system at his office in Crystal Beach and wanted the Board to know he appreciates the District meeting in a special meeting to discuss the wastewater grant funding through the County. He also stated that he had thought long and hard and had several conversations with several people and asked what he would do in this situation. We have a project that needs to move forward that consist of approximately 19 million dollars to bring sewer to the Peninsula. He feels it should be vested into the Special Utility District. And he would love to see the operation of the plant be by BUS (Bolivar Utility Service). There are some issues with past history that would be eliminated with a steady income from the wastewater system. You have an investor owned wastewater system that they have gone way out on a limb to bring a service to the Peninsula and of course to make money on. And if there was an incorporation of the systems you would have the water company doing the water and a wastewater company doing the sewer then you would have a way for them to become an economical and viable company. Then the Peninsula would benefit. He feels that if the project goes through then the District would have the money to pay bills but would ultimately cut the heart out of BUS and we would be operating in BUS’s honey hole. It may put them in an uneconomical situation and the District would be operating a system on the whole Peninsula. In his own opinion the systems working together would be the best for the Peninsula. Ms. Hardcastle asked if there were any more public comments. There were none.

Item #2 Discuss and possible action to enter into an agreement with Galveston County to operate wastewater collection system. Mr. Strong asked if there were any experts in attendance besides our General Manager in the field of wastewater. Mr. Ball stated only information available was from the conversations with the engineer Mr. Bourque. Mr. Strong asked if we took Mr. Bouse advice could BUS legally operate the system. Mr. Vratis stated that if the District owned the plant that we could contract with anyone to operate it. And he also stated that the 19 million dollar asset would belong to the District.

Mr. Ball stated that if we owned it we could hire anyone to operate because there are a lot of companies out there that operate systems such as Severn Trent and Aqua Texas. Mr. Strong asked who would absorb the operating cost. Mr. Ball stated that the District would absorb the cost and pay the contractor to operate it and the income from the plant would come to the District. Mr. Strong asked how much it would cost to operate the plant so that the District wouldn't lose any money. Mr. Ball stated that there's no way to know what it will cost till you know how many customers is going to be on it and how long the plant will operate. The engineer can do a cost study during the design phase. Mr. Welch stated that the whole 19 million dollar investment would only be the Crystal Beach area and Mr. Vratiss also stated that it would be in High Island also. Mr. Welch stated that High Island already had a wastewater system up there. Mr. Ball stated that the system in High Island only had the school and a couple of school owned houses on it and the FEMA Park. Mr. Vratiss stated that it has no way of expanding. Mr. Ball stated that there probably are a lot of families that meet the low to moderate income levels so they would be able to get on the system for free through the grant. Mr. Ball stated that the plant in High Island will be an injection style plant where the effluent will be injected way down into the ground so there will not be a need for the effluent to go into the marsh. Ms. Mary Ellen Smith wanted to know if the consultants cost came out of the grant why he wasn't at the meeting. Mr. Simsen stated that until the grant was obtained the engineers weren't getting paid and that they have already put in a lot of free hours that they weren't being compensated for. Mr. Simsen stated that there were a lot of funds being obligated and that the main concern was the time line that we are facing. And that if the Peninsula wanted the money spent here we really needed to get everything going as soon as possible. Mr. Welch wanted to know what it would cost the District. Mr. Ball stated that the study wouldn't cost the District anything but our cost would come in when we apply for the CCN and that cost was estimated at \$120,000.00 but that was to CCN the entire Peninsula and that with the discussion he had with Halff Engineering they felt to get the CCN for the operating area would be about \$40,000.00. Mr. Welch wanted to know if the CCN application could be funded out of the grant money. Mr. Ball stated no that the money would have to come from the District. Mr. Ball stated that the money could be spent a little at a time and if the County or the citizens didn't want it then we would not be out the full amount at one time. Mr. Vratiss wanted to know if we could possibly get the engineering company that received the project or BUS to pay for the CCN application because if the project fails we would not be able to recover the funds. Ms. Mary Ellen Smith asked what would be in for BUS or the engineering company to fund this for us. Mr. Vratiss stated that they would make money off the project. Mr. Turk was concerned that we would operate it for the County but it was being explained that the District would own the plant and that the County would sign the asset over to the District. Mr. Turk was concerned that the original study was done the cost could be \$120 million to put sewer on the Peninsula, and it was explained that that was for 9000 customers and for the whole Peninsula and this one is for just the Crystal Beach area and High Island only. Mr. John Simsen introduced himself again and explain to the Board that all they needed from the District at this time was a commitment letter that The District would accept the asset if the County gives it to the District. Mr. Brad Vratiss made a motion that we send a commitment letter to the County in support of the wastewater system and shop for someone to pay for the CCN application. Second was made by Ms. Mary Ellen Smith. Ms. Hardcastle asked for any discussion. Mr. George Strong wanted to read an email from Mr. Dennis Stafford who was unable to attend the meeting. The email reads as follows: Conceptionally I support the funding for wastewater plants and we may never get a chance for outside funding but there's a lot of questions about the wastewater system that need to be answered such as location, design, cost regulations, etc. But most important is the residents and what it would cost them with connections, monthly and the ongoing maintenance cost per year he thinks it could be 2 to 3 million per year. Just like the buyout lots there's a bunch of questions and no answers. This Peninsula cannot possibly support two wastewater providers the District and BUS it will be hard enough for one to survive. Giving the financial challenges that face BPSUD in the future we cannot assume any additional operating expenses for the operation and maintenance of a wastewater system. BPSUD must get over the past and work with BUS and even partner with BUS to ensure their success because the residents of the Peninsula deserve a

wastewater treatment system. Maybe the District should own the system and work out something with BUS to let them use the wastewater plants for the benefits of the Peninsula. We also need the County Health Department to step up against the falling septic systems in the targeted service areas. And he looks forward to the thoughts of the other Board members. Mr. George Strong then states that he supports this because if we're going to get multiple housing and housing for moderate income families we will never get it without a way to treat the sewer. Mr. Welch is concerned about being able to go into the V-zones on the Peninsula. Mr. Simsen states that those questions will be answered during the environmental study. Ms. Hardcastle states we have a motion by Mr. Brad Vratis and a second by Ms. Mary Ellen Smith to write a letter of commitment that we will take on the operation and that we try to find someone to pay for the cost of the CCN application. The motion passed (unanimously).

Item #3 Adjournment: Mr. George Strong made a motion to adjourn second by Mr. Roger Welch. Motion passed (unanimously).

CERTIFICATION

I, the undersigned, do certify the above to be true and correct record of the meeting of the Board of Directors of the Bolivar Peninsula Special Utility District on April 19, 2011.

Jo E. Ball – General Manager