

**MINUTES OF THE BOARD OF DIRECTORS' REGULAR MEETING  
GREATER TEXOMA UTILITY AUTHORITY**

**MONDAY, MAY 15, 2006**

**AT THE ADMINISTRATIVE OFFICES  
5100 AIRPORT DRIVE  
DENISON TX 75020**

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Members Present: David Wright, Donald Skelton, Bill Johnson, Joe Henderson, Mark Kuneman and Paul Kirley

Members Absent: George Rowland and Everett Grantham

Staff: Jerry Chapman, Carolyn Bennett, Lynn Bowdry and Alan Moore

Visitors: Mike Wynne, Nall, Pelley, and Wynne, LLP  
Mark Gibson, City of Sherman

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I. Call to Order

President Wright called the meeting to order at 12:34 p.m.

II. Consent Agenda

The items marked with an asterisk (\*) are considered routine by the Board of Directors and will be enacted in one motion with the consent agenda. President Wright asked the Board if there were any items they wished to have removed from the consent agenda for discussion. There were no items requested by the Board of Directors to be removed from the consent agenda for discussion. Board Member Johnson made a motion to approve the consent agenda. The motion was seconded by Vice President Skelton and passed unanimously.

III. \*Consider and act upon approval of Minutes of April 17, 2006 Meeting

IV. \*Consider and act upon approval of accrued liabilities for April 2006

V. Citizens to be heard

No citizen comments were presented.

VI. Wastewater Activities

Receive reports on wastewater activities. General Manager Chapman reported a copy of the Interlocal Cooperation Agreement between the Cities of Melissa and Anna, approved by both city councils, has been received. For the convenience of the cities, the bonds for this sewer line project will be issued in two series totaling of \$7,300,000. This project will construct

a major trunk line along the west side of U.S. Highway 75 from Anna, through Melissa, and to the north side of the City of McKinney. Funding for the City of Pottsboro wastewater treatment plant project will close on May 23<sup>rd</sup>. Once the funds are received, the engineering will begin.

## VII. Water Activities

Receive reports on water activities. General Manager Chapman reported the test results for the City of Bells' new well show a high level of total dissolved solids but no major problems. The Collin/Grayson Municipal Alliance (CGMA) water transmission line project has been advertised, and bids for the Bloomdale pump station and the 30" water line will be opened on May 24<sup>th</sup>. The previously stated date of May 18<sup>th</sup> was moved to encourage additional bidders to participate. According to Freeman-Millican, the project engineers, 12 potential bidders have requested plans and specifications for these contracts. A pre-bid conference will be held on May 18<sup>th</sup> with potential bidders. Both bids will be opened in Melissa, since it is closest city to the pump station location. The Greater Texoma Utility Authority (Authority) was notified last Thursday that the Lake Texoma Reallocation Study will be forwarded to the Corps' central office in June, not May.

Consider and act upon Amendment No. 1 to Raw Water Lease Agreement with the North Texas Municipal Water District. General Manager Chapman informed the Board this amendment involves a Letter of Agreement between the Authority and the North Texas Municipal Water District (NTMWD), and relates to the recent amendment to Water Use Permit No. 4301 (Permit). The Authority received an interbasin transfer permit to move water from the Red River Basin into the Upper Trinity River Basin, allowing the City of Sherman to lease water to the NTMWD. Last year, the Board approved a 10-year agreement on behalf of the City of Sherman to lease the NTMWD 10,000 acre-feet of raw water, plus a variable additional amount, each year. This year, the City of Sherman determined 8,000 acre-feet of water was surplus to the City's needs and leased 18,000 acre-feet to the NTMWD, which is experiencing severe drought conditions in Lake Lavon and Lake Chapman.

Amendment No. 1 to the Raw Water Lease Agreement addresses certain provisions contained in the Amendment to Water Use Permit No. 4301 (Permit). The Authority and the NTMWD realize that the NTMWD can best perform the activities required by the Permit, since they will be responsible for the diversion of water from Lake Lavon. The NTMWD will provide the Authority with all of the information necessary to satisfy the Permit provisions. Board Member Henderson made a motion to approve the Amendment No. 1 to the Raw Water Lease Agreement with the North Texas Municipal Water District. The motion was seconded by Board Member Johnson and passed unanimously.

Consider and act upon bids received for Bolivar Water Supply Corporation Phase I water system improvements. General Manager Chapman informed the Board a good response was received to the invitation to bid on this water line project. The Bolivar Water Supply Corporation (Bolivar WSC) is one of the larger rural water providers in the area, with approximately 3,300 customers. Whitewater Construction, Inc., responded with the low bid. The difference in the high and the low bids was noted. The Authority spoke with low bidder to confirm their figures. Mr. Kerry Maroney of Biggs & Mathews, the consulting engineer, has worked with this firm on several previous projects and reports their work has been satisfactory.

Mr. Maroney has recommended awarding the contract to Whitewater Construction, Inc., and the Bolivar WSC Board of Directors has concurred. Vice President Skelton made a motion to award the contract to Whitewater Construction, Inc. The motion was seconded by Board Member Henderson and passed unanimously.

Consider and act upon a Resolution by the Board of Directors of the Greater Texoma Utility Authority requesting financial assistance from the Texas Water Development Board; authorizing the filing of an application for assistance; and making certain findings in connection therewith (City of Van Alstyne). General Manager Chapman reported the City of Van Alstyne made modifications to their water system to receive and utilize surface water provided by new CGMA water line. Mr. Reeves Hayter, city engineer, had recommended an extensive list of improvements totaling approximately \$3,200,000. The City refined the list to address the most urgent projects, reducing the anticipated project costs to approximately \$1,100,000. A reservation for the City of Van Alstyne has been made in the Drinking Water State Revolving Loan Program with the Texas Water Development Board (TWDB) at a rate of approximately 3.25%. One provision of this program requires solicitation of proposals for all services, such as financial advisor, bond counsel, and engineers.

General Manager Chapman reported he has a meeting scheduled for May 16<sup>th</sup> with the Van Alstyne Interim City Manager and the Mayor to review the water rates. The debt service for the water system improvements would require either an additional \$5.00 per water customer or an increase in the tax rate of about 3 cents. The Resolution before the Board will be contingent upon selection of rate structure to satisfy debt service. Board Member Johnson made a motion to approve the Resolution. The motion was seconded by Board Member Kirley and passed unanimously.

Consider and act upon Water Storage Contract relating to Lake Texoma – Water Resources Act of 1986. General Manager Chapman reminded the Board Lake Texoma is a U.S. Army Corps of Engineers (Corps) lake, and was originally built as a flood control structure. Congressman Sam Rayburn had to include hydroelectric power as a project purpose to increase benefits of the lake beyond its costs. In the early 1950's during a severe drought situation, citizens began to run out of water. Congressman Rayburn passed legislation to allow the City of Denison to have water storage capacity in Lake Texoma, and later did the same for the City of Sherman. The Corps set aside 150,000 acre-feet, or approximately 3% of the Lake's capacity, for municipal and industrial purposes.

Currently, all of the original 150,000 acre-feet have been allocated and no more water storage contracts can be executed. Any time water is allocated for municipal purposes, it is taken from the hydropower capacity. After a 1985 agreement with between the Corps, the Authority, and the NTMWD, Congressman Ralph Hall (TX) and Congressman Wes Watkins (OK) determined there was a need for additional water supplies. They placed a provision in the Water Resources Act of 1986 to provide an additional 150,000 acre-feet to each State, Oklahoma and Texas, and allocated 50,000 acre-feet of Texas' portion to the Authority.

The provision providing the additional allocation was not utilized for 16-17 years. In 2001, when the Authority issued bonds to construct water facilities for the City of Pottsboro, funds were allocated from that issue to purchase water storage in the future. It was agreed the

water Pottsboro was receiving from the City of Denison would be counted under Denison's allocation until such time as Pottsboro could obtain a Water Storage Contract, which would be after the Corps completed the Lake Texoma Reallocation Study.

General Manager Chapman informed the Board a Water Storage Contract could take approximately one year to complete. He requested permission to pursue a draft contract with the Corps on behalf of the City of Pottsboro and the Northwest Grayson Water Control and Improvement District No. 1 (Northwest Grayson WCID #1). Pottsboro has requested 3,000 acre-feet of water storage to serve the future needs of the City and the peninsula area. Northwest Grayson WCID #1 has requested 2,000 acre-feet to serve their future needs and new developments. They are located near Gordonville, and Mr. Kerry Maroney of Biggs & Mathews, Inc., is their engineer. Rapid growth is occurring in the northwest Grayson County area. A developer, Double Diamond, has visited with the Authority regarding Double Diamond's recent purchase of 1,300 acres and two marinas.

General Manager Chapman requested permission to begin negotiations for a water storage contract with the Corps. No contract can be finalized until the Corps completes the Lake Texoma Reallocation Study, and no payments for the water storage are required until a contract is executed. The entities utilizing the water storage will be responsible for providing the funding at the appropriate time. The Authority will need some legal assistance, and there will be some minor engineering involved in preparing the contract. Board Member Henderson made a motion to permit the General Manager to begin preparations and negotiations for a Water Storage Contract with the Corps. The motion was seconded by Board Member Kirley and passed unanimously.

Consider and act upon employment agreement with Lloyd Gosselink regarding Water Rights and Water Storage Contracts. General Manager Chapman indicated the Lloyd Gosselink firm of Austin, Texas, practices strictly in the environmental law area. Attorney Martin Rochelle has requested the Authority to sign a Letter of Agreement regarding their legal services in relation to additional Water Rights and Water Storage Contracts associated with Lake Texoma. The costs would be borne by the City of Pottsboro and the Northwest Grayson WCID #1 for activities related to their water storage contract. No major opposition is expected and there should not be a protracted hearing process. President Wright indicated this firm has done satisfactory work for the Authority in the past. Board Member Johnson made a motion to authorize the General Manager to execute the Letter of Agreement. Vice President Skelton seconded the motion, which then passed unanimously.

Consider and act upon Master Agreement regarding the schedule of repurchase of State Participation Program Loan for the Collin/Grayson Municipal Alliance water transmission line project. General Manager Chapman directed the Board's attention to the information provided by the TWDB for the Master Agreement. He reminded the Board that this is not a standard bond issue, as the State is becoming an equity partner in the water transmission line project. The Authority is agreeing to repurchase the State's equity position over time. Based on the proposed data, this repurchase begins in 2007 and ends in 2040. This arrangement lasts 33-34 years, longer than the standard bond issue's 20 years. No payments are required in 2007-08. This delay allows to recipients to build correctly sized facilities without pressure to service the debt immediately. It also allows two years to build up financial capability before payback begins. The

TWDB attorney would like the Board to be aware of these advantages and repurchase information, and to approve the proposed repurchase schedule. If the participating cities grow faster than expected, the repurchase could amortize quicker than schedule shows. Mr. Garry Kimball of First Southwest Company and Mr. Mark Westergard of Fulbright and Jaworski have reviewed the Master Agreement and indicated this a good repurchase agreement. If the Board approves the repurchase schedule for the Master Agreement, each CGMA city council will be asked to consider amending and restating their individual Water Supply and Sewer Service Contracts with the Authority, and approval of the Master Agreement, including the repurchase schedule. The TWDB will consider approval at their June meeting, and funding should be received shortly thereafter. The monies released will fund the contracts being bid on May 24<sup>th</sup>. Following a brief discussion of rates, Vice President Skelton made a motion to approve the repurchase schedule for the Master Agreement. Board Member Henderson seconded the motion, which then passed unanimously.

#### VIII. General Activities

\* Receive monthly financial reports

Receive Quarterly Investment Report.

#### IX. Executive Session

Pursuant to Government Code, Section 551.072, the Board of Directors adjourned into closed Executive Session at 1:15 p.m. to discuss the following:

Deliberation Regarding Real Property: Consider and act upon easement/right-of-way acquisition for Collin/Grayson Municipal Alliance Project

#### X. Regular Session

Consider and act upon items listed in Executive Session. The Board reconvened into Regular Session at 1:31 p.m. President Wright stated no action was taken on items discussed during Executive Session.

General Manager requested permission to direct Mr. Lewis Isaacks, the attorney assisting with easement acquisition in Collin County for the CGMA water transmission line project, to file an objection in District Court in relation to GTUA v. Central Blooms LP. The hearing was last Friday. Board Member Johnson made a motion authorizing the General Manager to direct the attorney to proceed with filing the objection. The motion was seconded by Vice President Skelton and passed unanimously.

General Manager Chapman then requested a motion on property owned by Billy Ed Powell, Garry Spencer and Sheila Faye Spencer. He indicated a settlement may still be possible, but he would like to have the option to take the matter to condemnation, if necessary.

Board Member Kuneman made a motion to approve a Resolution of the Greater Texoma Utility Authority (“GTUA”) declaring the necessity for acquiring by condemnation an

easement or fee simple title to certain described property for right-of-way purposes of the Collin/Grayson Municipal Alliance water transmission pipeline project, and ordering the condemnation of said property to proceed on the properties specified. General Manager Chapman specified the property as owned by Billy Ed Powell, Garry Spencer, and Sheila Faye Spencer. Board Member Johnson seconded the motion, which then passed unanimously.

General Manager Chapman reported on receipt of new Pictometry software from the Grayson Central Appraisal District. As a public entity, the Authority will be allowed to use this software, which provides current aerial pictures of Grayson County from several angles. Pictometry is compatible with the Authority's ArcView digital mapping software. Board Member Henderson requested a short presentation, or some other opportunity, at a future meeting to see the Pictometry software in action.

XII. Adjourn

Upon motion by President Wright, seconded by Board Member Johnson and passed unanimously, the Board adjourned at 1:35 p.m.

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Recording Secretary

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Secretary-Treasurer