

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

**MONDAY, JANUARY 22, 2007**

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

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Members Present: Donald Skelton, Bill Johnson, George Rowland, Joe Henderson, Mark Kuneman, Everett Grantham, Paul Kirley and Duane Hayes

Members Absent: David Wright (attended as a Guest only)

Staff: Jerry Chapman, Carolyn Bennett, Lynn Bowdry and Debi Atkins

Visitors: John Hunter Smith, Nall, Pelley, and Wynne, LLP  
Kristin Savant, Fulbright & Jaworski  
Tom Schalk and Judy Smith, Schalk & Smith  
Mark Gibson, City of Sherman

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I. Call to Order

President Skelton called the meeting to order at 12:30 p.m.

II. Administer Oath of Office to Duane Hayes

Administrative Assistant Bennett administered the Oath of Office to new Board Member Duane Hayes, representing the City of Anna.

III. Consider and act upon Resolution of Appreciation by the Board of Directors of the Greater Texoma Utility Authority for David Wright

President Skelton commended David Wright for his 16-year tenure on the Board of Directors and 12 years of service as President. Mr. Wright was presented with a gavel, commemorative plaque and pen. Vice President Johnson made a motion to approve the Resolution of Appreciation. The motion was seconded by Board Member Henderson and passed unanimously.

IV. 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 Skelton 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. Vice President Johnson made a motion to approve the consent agenda. The motion was seconded by Board Member Grantham and passed unanimously.

V. \*Consider and act upon approval of Minutes of December 18, 2006 Meeting

VI. \*Consider and act upon approval of accrued liabilities for December 2006

At this point, President Skelton moved out of the posted agenda order to X. General Activities - Consider and act upon audit of financial statements for the fiscal year ending September 30, 2006.

Consider and act upon audit of financial statements for the fiscal year ending September 30, 2006. General Manager Chapman introduced Mr. Tom Schalk and Ms. Judy Smith of Schalk and Smith, the Authority's independent auditors, to present the audit report. Mr. Schalk reported successful completion of the audit and stated his firm was able to render an unqualified opinion regarding the fiscal year ending September 30, 2006.

Mr. Schalk directed the Board's attention to the audit report, beginning with the Management Discussion and Analysis and proceeding through the document section by section. He mentioned the Collin/Grayson Municipal Alliance and the City of Anna have now joined the City of Sherman and the City of Gainesville in the major funds group, which is based on a percentage of total funds. In answering the Board's questions regarding the audit content, Mr. Schalk gave particular attention to the normal amortization period of debt, depreciation of assets and the collateralization of assets over the FDIC limits. He reminded the Board that Schalk and Smith found the Authority to have a clean operation with good internal controls.

Board Member Henderson made a motion to accept the audit for the fiscal year ending September 30, 2006. Board Member Kuneman seconded the motion, and the motion passed unanimously.

At this point, President Skelton moved back into the posted agenda order.

VII. Citizens to be heard

General Manager Chapman reported that all requested Certificate of Convenience and Necessity (CCN) map filings were completed by the December 31<sup>st</sup> deadline for water and sewer service providers in Cooke, Fannin and Grayson Counties. This majority of this task was accomplished by the excellent work of the Authority's Mapping Technician, Lynn Bowdry, who will be moving to Colorado in March.

General Manager Chapman informed the Board that the Texas Water Development Board (TWDB) and the City of Dallas are suing the Federal Government regarding a potential reservoir site southeast of Dallas, which is part of the Region C Water Plan. The U.S. Fish & Wildlife Department can designate certain areas as locations to be left undisturbed and protected, and they placed such a designation on the Fastrill potential reservoir site. The TWDB studied the matter and concluded, with Governor's concurrence, that potential reservoir sites need to be excluded from receiving this designation.

General Manager Chapman also reported to the Board that the Tarrant Regional Water District is suing State of Oklahoma for Oklahoma's moratorium on the sale of water to entities outside of Oklahoma. Copies of the newspaper articles describing these lawsuits were available for the Board's review. These water issues are increasing in number and significance, as the State of Texas experiences drought conditions and rapid growth in the North Texas area puts additional water supply pressures on our area.

Texas Water Day 2007 has been scheduled for February 6<sup>th</sup>-7<sup>th</sup> in Washington, DC. This event is an effort to educate Federal officials and gain congressional support for water issues such as the Water Resources Development Act, desalinization, project funding, status of the Lake Texoma Reallocation Study and partnering with other states on water projects. Following a brief discussion of the possibility the State Legislature may take up the issue of interbasin transfer permits during their next session and attempt to simplify the application process, General Manager Chapman requested approval to attend the event in Washington. The Board approved the request.

#### VIII. Wastewater Activities

Receive reports on wastewater activities. General Manager Chapman had nothing to add to the report contained in the agenda packet.

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 Anna sewer system improvements). General Manager Chapman reported that when the agenda was distributed, a specific funding method had not been chosen by the City of Anna, which had requested assistance in financing approximately \$3.9 million for several water and wastewater projects. A water project and a sewer project are already being undertaken, which precludes a bond sale to the TWDB for this portion of the financing. The City also needs additional water improvements and approximately \$2.5 million in sewer improvements. Financing the projects already under construction with the Texas Agricultural Finance Authority (TAFA) was explored, but the interest rate is not favorable at this time. The Authority is proposing to sell bond anticipation notes, which is a short-term financing mechanism for the two projects already underway. These notes could be refinanced next year.

General Manager Chapman reported the \$2.5 million necessary for the wastewater projects could be financed by selling bonds to the TWDB. The Board was requested to grant permission to proceed with the filing of an application for this portion of the Anna financing.

The third part of this financing for the City of Anna involves \$760,000 in water improvements, which already has a TWDB commitment. A resolution for the \$760,000 TWDB commitment will be placed on the agenda for the February Board meeting. General Manager Chapman reminded the Board that, prior to being brought to the Board for consideration, a bond resolution must be approved by the Authority's financial advisor (Garry Kimball of First Southwest Company), the TWDB and the Texas Attorney General's office. Prior to asking for these approvals, the Authority staff reviews an entity's most recent audit and current financial

information to determine if there is enough income to support the anticipated debt service. If a rate adjustment is needed, the entity is notified and a decision is made as to whether or not to proceed in seeking the appropriate approvals. Board Member Grantham made a motion to authorize an application to the TWDB to finance sewer projects in the amount of \$2,500,000. The motion was seconded by Vice President Johnson 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 Department of Agriculture/Texas Agricultural Finance Authority; authorizing the submission of an application, designating an official representative and matters related thereto (City of Anna water and sewer system improvements). General Manager Chapman reported that assistance from TAFE was not needed at this time and did not request the Board to take action on the Resolution. (See above item for discussion.)

#### IX. Water Activities

Receive reports on water activities. General Manager Chapman reported the Collin/Grayson Municipal Alliance (CGMA) contractors are moving toward conclusion of their work. The contractor for Contract A is slightly behind schedule due to the wet weather. The contractor for Contract B is also dealing with the adverse weather but is on schedule. Work on Contract C is finished except for testing and clean up. The Contract D construction should be finished by end of February. Sherman Director of Utilities Gibson reported the City of Sherman is still working on a right-of-way issue with the Texas Department of Transportation and a property owner for the FM1417/SH56 water line relocation project. No new information was presented regarding the Lake Texoma Reallocation Study.

Consider and act upon a Resolution by the Board of Directors of the Greater Texoma Utility Authority authorizing the issuance of "Greater Texoma Utility Authority Contract Revenue Bonds, Series 2007 (Collin/Grayson Water Transmission Project)" for the construction, acquisition and improvement of water supply system facilities and necessary appurtenances for use by the Cities of Anna, Texas, Howe, Texas, Melissa, Texas, and Van Alstyne, Texas; and the payment of all costs incident and related to the construction and financing thereof; prescribing the form, terms, conditions and resolving other matters incident and related to the issuance, sale, and delivery of said bonds; including the pledge of certain revenues to pay the principal of and interest on such bonds; and resolving provisions incident and related to the subject and purpose of this resolution. General Manager Chapman reminded the Board that this project was originally undertaken for approximately \$13 million. When the design was changed to accommodate an initial water supply from the south end of the water line, the cost increased to almost \$18 million. A \$2.8 million bond was issued for the engineering, right-of-way acquisition, and surveying activities, which are 98% complete. A State Participation Program loan in the amount of \$8.6 million was issued for the project's construction. Additional funds are needed to complete the project, and a commitment from the TWDB was received last fall in the amount of \$6.5 million.

Last October an arrangement was reached with the City of McKinney to access the City's water system at a location much closer to the Bloomdale pump station than originally anticipated. This new arrangement can be maintained for approximately two years and ensures

the project will be online for the City of Melissa by the summer of 2007. Bringing the CGMA cities online at staggered times prevents the triggering of the contractual minimum take-or-pay obligation and the pass-through expenses with regard to the City of McKinney water system. With these cost savings/cost postponements, the entire \$6.5 million commitment is not needed at this time, and taking the entire amount would place an unnecessary debt service burden on the CGMA cities. General Manager Chapman requested the Board approve the issuance of only \$5 million of the \$6.5 million commitment at this time. The remaining \$1.5 million will be issued later to pay for the construction of the east-west portion of the water line project. General Manager Chapman noted that, if the Authority delays the east-west construction, the developer of the Priority Development tract might proceed to construct part of the line, which would reduce the CGMA cost substantially.

Bond Counsel Kristin Savant reported this bond contains the same structure, and is secured by the same revenues, as the 2005 series. The closing is scheduled for Feb. 27<sup>th</sup> and will require city approval. Board Member Henderson made a motion to approve the Resolution, contingent upon the Cities of Melissa, Anna, Van Alstyne and Howe taking similar action at their next respective council meetings. The motion was seconded by Board Member Grantham and passed unanimously. President Skelton commended the staff for their efforts in identifying and implementing the cost reductions for this project.

Consider and act upon proposal for engineering and surveying services for City of Sherman Texoma Parkway waterline project. General Manager Chapman reminded the Board that the City of Sherman requested funding assistance last summer. The Texoma Parkway waterline project is the second project in Phase I. The City has selected Morris Engineers and Underwood Drafting and Surveying for the project engineering and surveying on this project. Mr. Tim Morris has provided the Authority with a proposal for engineering services for the Board's review. General Counsel Wynne has reviewed the proposal, and it is satisfactory. The Authority has used the services of both Morris Engineers and Underwood in past with success. Basic engineering services are to be covered in a lump sum amount with extra services being charged at an hourly rate. Board Member Henderson made a motion to approve the utilization of Morris Engineers to provide engineering services in the amount of \$18,000 and Underwood Drafting and Surveying to provide surveying services in the amount of \$3,750 for the City of Sherman Texoma Parkway waterline project. The motion was seconded by Vice President Johnson and passed unanimously.

Consider and act upon Change Order No. 3 to the contract with Whitewater Construction, Inc., for the Bolivar Water Supply Corp. Phase I water system improvements project. General Manager Chapman reported Change Order No. 3 will reconcile for actual quantities used on the project and will decrease the contract amount by \$6,921.40. The Bolivar Water Supply Corporation board approved Change Order No. 3 and will be asked to approve the project for closeout next month. Vice President Johnson made a motion to approve Change Order No. 3. The motion was seconded by Board Member Grantham and passed unanimously.

Receive report on Texas Commission on Environmental Quality's Priority Groundwater Management Area Update Study. General Manager Chapman reported the Gainesville City Manager has requested the Authority to assist the City in responding to the TCEQ's draft report relating to a priority groundwater management area (PGMA) update study

for the North Central Texas area, covering the Trinity and Woodbine aquifers. A map of current groundwater conservation districts (GCDs) was distributed to the Board members for their review. General Manager Chapman briefly reviewed the history of Texas groundwater law and the "Rule of Capture" that exists today in Texas. He indicated the TCEQ draft report has recommended, since 25% of entire State population now resides in North Central Texas, one or more GCDs, which are fee-funded entities, be implemented for the 13 counties whose groundwater supplies appear threatened. The Authority received the Notice of Draft Report Availability on December 21, 2006. The comment period ends January 31, 2007. The tight time frame does not allow for a sufficient review of the report or any opportunity to offer a considered response to the TCEQ regarding the report's contents.

Grayson County Judge Bynum called a special meeting of the Grayson County Commissioners Court on January 17<sup>th</sup> to consider this matter. Cooke County Judge Bill Freeman has scheduled a special meeting of the Cooke County Commissioners Court for January 22<sup>nd</sup>, and Fannin County Judge Hall has called a special meeting of the Fannin County Commissioners Court for January 23<sup>rd</sup>. The Authority contacted several water providers in Cooke, Fannin and Grayson Counties to ensure they were aware of the draft report and of the scheduled meetings. Serious opposition to the draft report's conclusions is growing. The three Commissioners Courts and many city councils are passing resolutions requesting a 180-day extension to the comment period to allow adequate review and response time on this critical issue of groundwater.

In addition to the City of Gainesville, the Authority is assisting local water providers in developing strategy to prevent the imposition of a GCD. General Manager Chapman informed the Board that several conversions from groundwater to surface water were not considered in the study. The current strategy is to get as many water providers as possible to request the TCEQ extend the comment period by 180-days by the January 31, 2007, deadline. The State Senators and Representatives will also be notified of these requests for an extension. If the report comes out in final form unchanged, the TCEQ will most likely impose a GCD.

Consider and act upon a Resolution by the Board of Directors of the Greater Texoma Utility Authority requesting financial assistance from the Texas Department of Agriculture/Texas Agricultural Finance Authority; authorizing the submission of an application, designating an official representative and matters related thereto (City of Anna water and sewer system improvements). General Manager Chapman reported that assistance from TAFE was not needed at this time and did not request the Board to take action on the Resolution. (See related agenda item in Wastewater Activities for discussion.)

#### IX. Executive Session

Pursuant to Government Code, Section 551.071 and 551.072, the Board of Directors adjourned into closed Executive Session at 1:41 p.m. to discuss the following:

Consultation with Attorney: Consider pending or contemplated litigation or a settlement offer for Collin/Grayson Municipal Alliance Project

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 1:48 p.m. President Skelton stated no action was taken on items discussed during the Executive Session.

XI. Adjourn

Upon motion by President Skelton, seconded by Vice President Johnson and passed unanimously, the Board adjourned at 1:48 p.m.

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Recording Secretary

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Secretary-Treasurer