

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

MONDAY, MARCH 19, 2007

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

Members Present: Donald Skelton, Bill Johnson, Everett Grantham, Paul Kirley, Joe Henderson, Duane Hayes

Members Absent: George Rowland, Mark Kuneman, David Wright,

Staff: Jerry Chapman, Carolyn Bennett, Carmen Catterson

Visitors: Michael Wynne, Nall, Pelley, and Wynne, LLP
Wayne Kuse, Wastewater Superintendent, City of Sherman
Traci Norton, President, Sherman Chamber of Commerce
David Howerton, Director of Utilities, City of Denison
Kevin Farley, City Manager, City of Pottsboro

I. Call to Order

President Skelton called the meeting to order at 12:32 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 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. Board Member Henderson made a motion to approve the consent agenda. The motion was seconded by Vice President Johnson and passed unanimously.

III. * Consider and act upon approval of Minutes of February 19, 2007 Meeting

IV. * Consider and act upon approval of accrued liabilities for February 2007

V. Citizens to be Heard: General Manager Chapman introduced several new guests including the new President of the Sherman Chamber of Commerce, Traci Norton, the City Manager for the City of Pottsboro, Kevin Farley, the Wastewater Superintendent for the City of Sherman, Wayne Kuse, and the Director of Utilities for the City of Denison, David Howerton.

VI. Wastewater Activities

Receive reports on wastewater activities: Administrative Assistant Bennett reported that the biological report for the Anna/Melissa project should be complete within a few days. The archeological report, however, is not complete. That report will be presented to the Board when it is received. The City of Gainesville project is complete until further instructions are received from the City. General Manager Chapman reported that the City of Pottsboro is concentrating on the wastewater improvements. Mr. Kendall King with Freese and Nichols will be the engineer for this project. Mr. King recommends that instead of expanding the wastewater plant, the \$400,000.00 available from the bond issue will be used to improve existing facilities. Mr. Kevin Farley, the city manager for the City of Pottsboro reported that the improvements will hopefully lessen the amount of violations with the Texas Commission on Environmental Quality (TCEQ) rules.

VII. Water Activities

Receive reports on water activities: General Manager Chapman reported that on March 5th through 7th, he and President Skelton attended the Texas Water Conservation Authority (TWCA) meeting in Austin, Texas. Several new bills were discussed at the meeting. In Senate Bill 3, which Senator Kip Everett is attempting to guide through the legislative process, several budget cuts would be restored that were made to the TCEQ and the Texas Water Development Board (TWDB) in past years. Another bill would reserve 19 water sites in Texas for future water development. This provision would modify condemnation laws in Texas.

General Manager Chapman also spoke on Priority Groundwater Management Areas (PGMAs). Recently, the Cooke County and Grayson County water providers met to discuss the possibility of a PGMA based on the Draft Report provided by the TCEQ. The consensus of the two meetings was that the water providers do not want to be controlled by another regulatory body. According to the TCEQ Report, each PGMA would require \$250,000.00 per year to operate. This cost would either be met by the people voting to raise property taxes to cover the cost, or the state would impose fees based on all water produced from each well. This fee would be based on the number of wells in the PGMA and the number of people. The Authority has been collecting data from Cooke, Fannin and Grayson counties for groundwater production over the last five years to determine if static water levels in wells are staying the same, decreasing or increasing. Larger water providers, including municipalities, are not using as much well water as in previous years as they are switching to surface water. The goal is to convince the writers of the report to exclude Cooke, Fannin and Grayson counties. However, if it is impossible to be excluded from a PGMA, the counties would begin to establish a structure independently of other counties. TCEQ will determine who is required to form a PGMA. The process will take at least two years, leaving plenty of time for the water providers to meet and discuss these issues.

General Manager Chapman also reported on the status of the Lake Texoma reallocation study, which began more than three years ago. The Army Corps of Engineers completed the study, which was delayed due to funding. One year ago, the Corps of Engineers forwarded the study to the central office in Washington, D.C. They promised the Authority would receive the report by April 2007. The Authority has been allocated 50,000 acre feet of

water storage in Lake Texoma to distribute. North Texas Municipal Water District (NTMWD) has applied for the other 100,000 acre feet. According to Colonel Kurka, the final study will be completed within this year.

Consider and act upon authorization for General Manager to advertise for bids for the City of Anna water transmission line project: General Manager reminded the Board that this project was approved at the February Board meeting and that the Authority needs approval to begin advertising for construction. The project is not ready to commence and will be several months before the plans and specifications are ready for the project.

Board Member Henderson motioned for the approval of authorization for the General Manager to advertise for bids for the City of Anna water transmission line project once plans and specifications have been completed by the consulting engineer. The motion was seconded by Vice President Johnson and passed unanimously.

Consider and act upon proposal for engineering and surveying services for City of Sherman Hillcrest waterline replacement project: Last fall, the Authority issued \$2,000,000 in bonds for the City of Sherman for water line improvements. The Hillcrest waterline replacement project is the third phase in the series. Morris Engineers has provided a proposal for engineering services for a flat fee of \$14,500.00 and Underwood Drafting and Surveying has provided a proposal for surveying services for a flat fee of \$5,520.00.

Vice President Johnson motioned for the approval of engineering services with Morris Engineering and surveying services with Underwood Drafting and Surveying for the City of Sherman Hillcrest water line replacement project. The motion was seconded by Board Member Grantham and passed unanimously.

Consider and act upon request for qualifications for bond counsel, engineering and financial advisory services for Pottsboro water: General Manager Chapman informed the Board that the request for qualifications was required due to the source of funding for the Pottsboro water project. This project utilized a Drinking Water State Revolving Fund (DWSRF) with a 3.2% interest rate. However, in order to receive this very low interest rate more procedures are required. The requirements include advertising and soliciting for engineering, financial, and legal advisory services proposals. The Authority issued the requests for qualifications and received two for engineering, two for financial advisory, and one for legal services. General Manager Chapman reviewed the proposals and discussed them with Mr. Kevin Farley, City Manager for the City of Pottsboro. Freese and Nichols has assisted the City of Pottsboro in previous projects and is very familiar with the City's water system. Fulbright and Jaworski have provided the Authority's legal counsel for more than 20 years, and First Southwest has been the Authority's financial advisor for over 20 years.

General Manager Chapman recommended that the Board accept proposals from Freese and Nichols for engineering services, First Southwest for financial services, and Fulbright and Jaworski for legal advisory services. The Bond Resolution will be available at the April Board Meeting.

Board Member Henderson motioned for the approval of the General Manager's recommendation for bond counsel, engineering and financial advisory service for the Pottsboro DWSRF project. The motion was seconded by Vice President Johnson and passed unanimously.

Consider and act upon approval of a resolution authorizing a bond application for Argyle Water Supply Corporation: General Manager Chapman met with Argyle WSC in Denton County regarding some upgrades recommended by Mr. Kerry Maroney with Biggs & Matthews, Inc. Mr. Maroney recommended that they upgrade their water system to meet pressing demands with \$1.6 million dollars of work to be completed immediately. The recommendations are in two series, for a total amount of \$5.1 million dollars. The Authority analyzed Argyle WSC's financial capability and the projections show that if they grow 3% annually and increase rates by 3% every 5 years, funding to pay off the debt service associated with these projects will be in place. This is one of the healthiest financial conditions the Authority has seen recently. Argyle WSC maintains a good financial base for funding a bond issue in a growing area of Denton County, with a well-established Board of Directors and management system. The project will be completed in two phases. The first series of the project will begin this summer. The second series will be held off due to right of way acquisitions. The bonds will be sold to the TWDB through the Rural Water Assistance Fund, which has an current interest rate of 4.78%. Argyle's Board has been provided with several payment plans to choose from including 20, 25, or 30-year amortization schedules. After approval of the resolution, the Authority will begin the preparation of the bond application.

Vice President Johnson motioned for the approval of a resolution authorizing a bond application for Argyle Water Supply Corporation. The motion was seconded by Board Member Grantham and passed unanimously.

Consider and act upon Change Order No. 1 to the contract with Fox Contractors, Inc., for the Collin/Grayson Municipal Alliance 30" water transmission line project: Mr. David Gattis of Freeman-Millican, Inc. provided Change Order No. 1 to the contract with Fox Contractors, Inc., for the Collin/Grayson Municipal Alliance Project. Fox Contractors, Inc. is responsible for the 30" concrete reinforced steel pipe that runs from the pump station to the City of Melissa. The total cost of the change order is \$17,290.00. Modifications to the delivery point for the City of Melissa are contained in the change order and these total \$9,240.00. After project began, the City realized the water line would extend through a future street system. The contractors had to extend the line 122 feet and adjust several other aspects. The Authority will bill the City of Melissa for these changes. The Change Order also includes several costs for accommodating existing underground utilities that do not have easements. These costs will also be billed to the City.

Board Member Grantham motioned for the approval of Change Order No. 1 to the contract with Fox Contractors, Inc. The motion was seconded by Board Member Henderson and passed unanimously.

Consider and act upon Change Order No. 3 to the contract with Red River Construction, Inc., for the Collin/Grayson Municipal Alliance water transmission line project: Mr. David Gattis of Freeman-Millican, Inc. provided Change Order No. 3 to the

contract with Red River Construction, Inc., for the Collin/Grayson Municipal Alliance Project. Red River Construction is building the pump station. This Change Order provides piping and valves to allow isolation of the ground storage tank and pump station. This would be very economical, as the cities would be able to receive water without using the pump station. This avoids electrical charges as well as other costs. Approximately \$6,300.00 will be saved by not utilizing the pump station until it is necessary. The costs for the proposed change order will be paid out of project funds. The Authority is currently exploring electrical rates from various providers.

Vice President Johnson motioned for the approval of Change Order No. 3 to the contract with Red River Construction, Inc. The motion was seconded by Board Member Grantham and passed unanimously.

VIII. General Activities

*Receive monthly financial reports

Receive report on Public Funds Investment/Collateral Acts: The Authority receives \$500,000.00 each month for various bond issues. The Authority is not required to provide collateral for the funds until they are credited to the Authority's accounts. Currently, the depository provides 10% more collateral than the deposit amount. The Authority is charged for additional collateral. An electronic transfer of the funds would help eliminate the need for additional collateral. Fulbright & Jaworski, the Authority's bond counsel, has reviewed this matter for the Authority. It is Fulbright & Jaworski's opinion that the Authority is already meeting requirements and may not need to make any additional changes. President Skelton stated that the Authority should trust Fulbright and Jaworski's opinion as our legal counsel and follow their advice. He also recommended that the Authority further research and possibly switch to electronic transfers.

IX. Solid Waste Activities: Semi-Annual testing was performed on the groundwater system at the Dripping Springs landfill on March 7th – 8th. The results continue to remain constant.

X Executive Session

General Manager Chapman informed the Board the hearing for the Powell/Bentley property took place on March 6th and was settled for \$25,000.00. The first appraisal was for \$9,400.00 and the second appraisal was \$11,500.00. The costs associated with contesting the \$25,000 awarded would be greater than the difference in the appraisal and the amount awarded.

The Board of Directors determined there was no need for a closed Executive Session and did not adjourn from the regular session.

XI. Regular Session

Consider and act upon items listed in Executive Session. (see explanation above)

XII. Adjourn

Upon motion by President Skelton, seconded by Vice President Johnson and passed unanimously, the Board adjourned at 1:31 p.m.

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Recording Secretary

Secretary-Treasurer