

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

MONDAY, JUNE 25, 2007

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

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

Members Absent: None

Staff: Jerry Chapman, Carolyn Bennett, and Carmen Catterson

Visitors: Michael Wynne, Nall, Pelley, and Wynne, LLP
David Gattis, Freeman-Millican, Inc.
Kevin Farley, City of Pottsboro
Karen Bomar, Northwest Grayson WCID #1
William Ray, Northwest Grayson WCID #1

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

III. * Consider and act upon approval of Minutes of May 21, 2007 Meeting

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

General Manager Chapman elaborated on a disbursement in the accrued liabilities for the City of Anna to purchase facilities from South Grayson Water Supply Corporation ("SGWSC"). These funds are from the \$2 million dollar bond series that was issued in 2005. The City grew rapidly in the area between Highway 75 and Highway 5. Due to the rapid growth, the customers in the area needed fire and sewer protection that SGWSC could not provide. Due to the demand for fire and wastewater service, SGWSC sold the area to the City of Anna. This transaction is only now being finalized. A similar transaction is pending between The City of Van Alstyne and SGWSC in an area of approximately 500 acres between CR 1106 and County Line Road. The area contains one service line owned by SGWSC

and 16 customers. This transaction will allow the City's water CCN area to correspond with the city limits.

V. Citizens to be Heard

No citizen comments.

VI. Wastewater Activities

Receive reports on wastewater activities: The City of Sherman staff is in the process of obtaining a railroad permit to proceed with the Ross Avenue sewer line project. Bids open for the Pottsboro wastewater improvement project on July 3rd at 3:00 p.m.

VII. Water Activities

Receive reports on water activities: Mr. David Gattis, the project engineer for the Collin/Grayson Municipal Alliance (CGMA) waterline project provided an update to the Board. All of the waterline projects are essentially completed; however, some work is still needed to close the contracts, such as final inspections. The pump station is not yet complete, due to delays receiving the valves. The valves should be received at the end of June or the first of July and the pump station will be completed in July. The system is far enough along that the City of Melissa could take water at any time, all that remains is to disinfect the line. However, the City of Melissa is not prepared at this time. The City of Anna has acquired their point of delivery site and is now waiting for the a road to be constructed to the site. The large amount of rain received is the reason that nothing further has been accomplished. The contractor will put in the pipeline this week unless the rainfall continues. The site is located approximately 275 feet from the waterline to the connection at vault.

There is no new information on Reallocation Study at this time. General Manager Chapman will be meeting the new Commander on Friday, June 29th, and will attempt to encourage the new Colonel to place this study high on his list of priorities. The House of Representatives and the Senate have passed the Water Resource Act of 2007. The Reallocation Study will not likely be completed until the Conference Committee passes the act. The difference of opinion regarding reimbursement for water rates between the Corps of Engineers and the Southwest Power Administration will result in a landmark decision. Whatever is decided on this case will become the baseline standard for this type of case. The Corps wants to use the old style of reimbursement; however, Southwest Power Administration wants to use the considerably higher market value.

Consider and act upon award of contract for Bells Water System Improvements: This project is one in a series of projects for the City of Bells and involves improving the pressure system. This project will improve the currently low water pressure by adding a 3,000-gallon tank. A bid tabulation was prepared and provided by Chad Pendley of RLK Engineering, the project engineer for this project. H2M Utility Construction, L.P., is the apparent low bidder for this project. H2M Utility Construction, L.P. has performed well in past projects, has submitted the low bid at a cost of \$125,182.00. The bid submitted came in under the engineer's estimate. Both the Bells City Council and the project engineer have approved awarding this contract to H2M Utility Construction, L.P.

Board Member Henderson motioned for the award of contract for the Bells Water System Improvements for a new 3,000-gallon tank to H2M Utility Construction, L.P. The motion was seconded by Board Member Grantham and passed unanimously.

Consider and act upon cost sharing for valve replacement at the Lake Texoma pump station: In the 1980s the Authority entered into an agreement with the North Texas Municipal Water District (NTMWD) on behalf of the City of Sherman for improvements to the Lake Texoma pump station. The cost sharing was based on the amount of water each party needed out of a total 1,000,000 gallons per day. NTMWD requested 80 million gallons per day while the Authority on behalf of the City of Sherman requested 20 million gallons per day. Both parties agreed to share all major expenses in the same manner; NTMWD would pay 80% of costs and the City of Sherman would pay 20%. Recently, several valves needed replacing at the pump station. NTMWD will pay 80% of the cost of repairs, but the Authority needs to pay the remaining 20%. The repairs will cost between \$25-\$30 thousand dollars. The Authority's share will be 20% of the cost. Funds are available in the City of Sherman account.

Vice President Johnson motioned for the approval of the cost sharing for valve replacement at the Lake Texoma pump station. The motion was seconded by Secretary/Treasurer Rowland and passed unanimously.

Consider and act upon policy for easements to other entities within easements obtained by the Authority: The Authority has acquired numerous easements over the years for projects. Most of the time, an easement is all that is obtained. However, for the Collin/Grayson Municipal Alliance (CGMA) project, the Authority purchased a large section of right of way. The Authority will receive many of requests for easements and encroachments to cross the easements and needs guidelines in place to allow these easements and encroachments. Provided is a first draft of a resolution to provide easements on land the Authority owns. At present time, one formal application from Energy Transfer Fuel, L.P., the company constructing the Ponder-Paris gas pipeline, has been received. This line will be located south of the City of Van Alstyne, almost to County Line Road. A second request for an easement south of the City of Howe has not yet been formally requested.

The Authority staff needs guidance for these situations. General Manager Chapman spoke with the CGMA Board and they advised that the rights of any company requesting an easement should be inferior to the Authority's. This was the basis used to draft the resolution. The Authority staff secured the policy statement that TxDOT utilizes for crossing roadways. However, the document was 84 pages long, which seemed excessive. The staff condensed the document and created a much smaller version. Mr. Mike Wynne, general counsel, provided comments and an updated draft. He advised that the Authority needs a policy and installation agreement to receive proposals and requests to cross easements and land owned by the Authority. A prepared resolution and form to request an easement would be helpful so that whenever the Authority is approached for an easement, the agreement and documents would be prepared in advance to ensure that the Authority's rights are protected. The agreement should include insurance requirements stating that if the company damages property, they either replace the property or pay to have it repaired. Mr. Wynne attempted to write the resolution in favor of the Authority.

The gas companies attempting to obtain easements have the right of private corporations with eminent domain. The Authority's concern, however, is not with allowing them an easement, but with protecting the right of way for future waterline use. Mr. Gattis, the project engineer for the CGMA

line recommended charging a fee to review applications since the process can be costly and time consuming.

It was the consensus of the Board that this item be tabled.

Consider and act upon Permanent Easement Agreement with Energy Transfer Fuel, L.P.:

Mike Wynne, the Authority's General Counsel, adjusted the document to be in the Authority's favor, rather than the utility company's favor.

It was the consensus of the Board that this item be tabled.

Consider and act upon a request for water storage from Lake Texoma for Northwest Grayson WCID: General Manager Chapman proposed addressing two agenda items at one time, since they address the same issue. The City of Pottsboro and Northwest Grayson WCID #1 have both requested water storage from the 1986 allocation. The Authority staff was previously informed all of this water storage had been allocated. However, recently the staff was advised 1,515 acre-feet have been reallocated from the sediment storage space in the 1986 allocation. This water storage will be available for purchase. The Authority staff sent letters to both the City and the District. Both entities have requested the water storage. The City requested 3,000 acre-feet while the District asked for 2,000 acre-feet. The Authority has an existing policy to divide the 50,000 acre-feet made available to the Authority in a provision of the 1986 Water Resources Act. However, no policy exists with guidelines to divide water storage made available from the original allocation. The water storage would be in the Authority's name, but would be reserved for the entity that receives the water storage. The sooner the storage is reserved, the lower the cost will be. 1,515 acre-feet of water storage are equivalent to 1.5 million gallons of water per day. If the water is divided based on the ratio of request, the City would receive 900 acre-feet while the District would receive 600 acre-feet.

Mr. Farley explained that Pottsboro has an agreement with the City of Denison that within 15 years, Pottsboro must acquire their own allocation. Pottsboro's request is driven by this agreement with Denison. By owning their own water storage, Pottsboro may be able to lower their rates because they will be able to negotiate with Denison for cost. Currently, the water purchased from Denison is restricted. By receiving the 1,515 acre-feet many restrictions would be eliminated.

Mr. William Ray explained that the Northwest Grayson WCID #1 was created by Grayson County to assist with the water supply. However, the problems have not been eliminated because the District is dependent upon groundwater. The District anticipates a great amount of growth in the near future and wants to secure the water storage before the District becomes desperate. The District has 670 customers, including a several large customer such as marinas. The District will build a desalinization plant as soon as they receive water storage. The District will also sell surface water to Two Way SUD and the City of Whitesboro.

General Manager Chapman commented that both water providers are very conscientious and bring strong cases. The City of Pottsboro has been requesting surface allocation for a long time. He recommended that the Board establish a committee to meet with both water providers to try to find a solution. President Skelton recommended that Board Vice President Johnson, Board Member Henderson, and Board Member Kirley form a committee and meet with both providers to decide who should receive the water storage.

It was the consensus of the Board that this item be tabled until next month.

Consider and act upon a request for water storage from Lake Texoma for the City of Pottsboro: General Manager Chapman addressed this item at the same time as the previous agenda item.

It was the consensus of the Board that this item be tabled until next month.

Consider and act upon Change Order No. 2 for Fox Contractors, Inc. for the Collin/Grayson Municipal Alliance Contract "B" water transmission line project: Mr. David Gattis, the project engineer, explained that the main item on the change order is the decrease in cost to remove disinfecting the waterline, since the Authority will disinfect the line after the entire CGMA project is complete.

Board Member Henderson motioned for the approval of Change Order No. 2 for Fox Contractors, Inc for the Collin/Grayson Municipal Alliance Contract "B" water transmission line project. The motion was seconded by Vice President Johnson and passed unanimously.

VIII. General Activities

*Receive monthly financial reports

Consider and act upon health insurance coverage: The Authority's health insurance coverage normally expires in May each year. The current carrier, United Healthcare, renewed at an increase of 20%. Subsequent to the increase in premium, the Authority staff solicited and received proposals from three providers. Aetna provided the highest quote of the three insurance providers solicited. Texas Water Conservation Association (TWCA) Risk Management Fund was requested to provide a quote. Their plan includes a difference in pharmacy costs and deductibles, but the physicians and providers will remain the same. The co-pays and deductibles are higher for the TWCA Risk Management plan, but the monthly cost would be less expensive.

Vice President Johnson motioned for the approval of TWCA insurance coverage for the 2007-2008 fiscal year for the Greater Texoma Utility Authority. The motion was seconded by Board Member Nichols and passed unanimously.

IX. Adjourn

Upon motion by President Skelton, seconded by Vice President Johnson and passed unanimously, the Board adjourned at 1:42 p.m.

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Recording Secretary

Secretary-Treasurer