

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

MONDAY, SEPTEMBER 15, 2008

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

Members Present: Don Skelton, Bill Johnson, George Rowland, Duane Hayes, Paul Kirley,
Mark Kuneman, Everett Grantham

Members Absent: Joe Henderson

Staff: Jerry Chapman, Carolyn Bennett, Alan Moore, Debi Atkins, Carmen
Catterson, and Melanie Howard

Visitors: Mike Wynne, Nall, Pelley & Wynne
Kevin Farley, City of Pottsboro
Mark Gibson, City of Sherman

I. Call to Order

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

III. * Consider and act upon approval of Minutes of August 18, 2008 Meeting

IV. * Consider and act upon approval of accrued liabilities for August 2008

V. Citizens to be Heard

VI. Wastewater Activities

Receive reports on wastewater activities:

General Manager Chapman stated there were some environmental requirements related to the sewer project on the North and West side of Sherman. The information has been sent to Freese and Nichols along with the rights of entry. As soon as this information is completed, construction can begin. Carolyn Bennett, Administrative Assistant, was asked to update the issue with the Texas Parks and Wildlife Department (TPWD). Karen Hardin, a TPWD representative, has advised the engineers how the project should be constructed. The method she has proposed is very expensive. Ms. Hardin's responsibilities do not include instructing the engineer how to design a project. The engineering firms want to take this action a step further with the TPWD. Freese and Nichols will use this scenario as an example and give to the Texas Water Development Board (TWDB). Some guidelines need to be established. The TWDB has advised that the Greater Texoma Utility Authority (Authority) is not the only entity with this problem. Vice President Johnson asked what the chances were of the proposal being supported while Board Member Kirley asked if Ms. Hardin has the power to stop a project from being constructed as the engineers proposed. A biological study will be performed and since this project is parallel to an existing line there should not be any problems. President Skelton asked when the biological study should be completed and General Manager Chapman advised the study should be completed in the near future, administrative action is all that remains. Board Member Grantham asked if this would delay the project. General Manager Chapman stated the City of Sherman is working on easements and the Authority should hear from Freese and Nichols by the time those easements are completed so there should not be any significant delays.

The Upper Trinity/East Fork sewer study was authorized by a grant from the TWDB. Currently, the Authority is receiving resolutions from participating cities. There are seven cities and the North Texas Municipal Water District (NTMWD). Hopefully all resolutions for contributions will be accomplished by the next board meeting.

Grayson County Judge Drue Bynum sent a letter which was received on September 11th. The letter advised that Grayson County has decided to take the On-Site Sewage Facility (OSSF) program back in-house effective October 1st.

Consider and act upon Change Order No. 1 to the contract with Whitewater Construction Co., Inc. for the construction of the Sherman Ross Avenue Sewer Main Replacement project

There was difficulty obtaining a permit from the railroad on this project. The contractor ceased operations and started working on other projects until a permit was approved. Change Order No. 1 reconciles for materials used and the remobilization fee due to the railroad permit. This change order reflects an increase of \$14,400.00. Mark Gibson with the City of Sherman has been involved with this project and recommends the change order.

Vice President Johnson motioned to approve Change Order No. 1 to the contract with Whitewater Construction, Inc. for the construction of the Sherman Ross Avenue Sewer Main Replacement project contingent upon the City of Sherman taking similar action.. The motion was seconded by Board Member Grantham and passed unanimously.

Consider and act upon Resolution by the Board of Directors accepting the contract with Whitewater Construction, Inc. as complete for the construction of the Sherman Ross Avenue Sewer Main Replacement project

Whitewater Construction, Inc. has completed the construction activities associated with the sewer main replacement project along Ross Avenue in Sherman. Chris Schmidt with Teague, Nall & Perkins, the consulting engineer, and Mark Gibson, the Director of Utilities for the City of Sherman have recommended closing this project.

Vice President Johnson motioned to approve the contract with Whitewater Construction, Inc. as complete for the construction of the Sherman Ross Avenue Sewer Main Replacement project. The motion was seconded by Board Member Grantham and passed unanimously, contingent upon similar action by the City of Sherman.

VII. Water Activities

Receive reports on water activities:

General Manager Chapman updated the Board that the contract with Crescent Constructors, Inc. for the Anna South Plant Pump Station has been resolved. A meeting was held and all parties decided to go forward. There is a change order on the agenda today.

The DART water line from the south plant to FM 455 in Anna was awarded and documents sent but there was an incorrect amount on the bonds. The contractor was asked to resubmit the bonds because periods were used instead of commas in the dollar amounts.

The Pottsboro City Council met on September 2nd and recommended the award of the contract to Whitewater Construction, Inc. for the water line along Pearce Dr. and Reeves Rd.

Cooke Concrete, LP has been awarded the contract for Texoma Pkwy – Frisco Rd. to Fallon Dr. The contract was sent without bonds or insurance, therefore, Morris Engineers sent the contract back for this to be corrected.

The City of Melissa asked the Authority to curtail water usage on the Collin-Grayson Municipal Alliance (CGMA) water line last week. Alan Moore, Operations Supervisor, worked through a weekend to get this line up and running and was able to get the chlorine residual correct. The line served the City of Melissa well in August. The line will be restored next spring and the City of Melissa is aware they will be responsible for the costs for disinfecting the line at that time. Vice President Johnson asked if the Authority is allowed to start and stop water usage. General Manager Chapman stated the City of Melissa will receive an invoice for costs involved. NTMWD is extending every effort to cooperate with the Authority. The City of Anna will be online by the end of May 2009. The Authority should expect an invoice from the NTMWD in January 2009.

Mark Gibson, City of Sherman, and General Manager Chapman are working with Freese and Nichols to increase the Lake Texoma raw water line capacity from 95 million gallons per day to 105 million gallons per day. NTMWD is proposing the line be taken out of service in

February 2009. Mr. Gibson has concerns about the timelines because they are longer than the City of Sherman had anticipated. NTMWD needs to examine the line because it has not been serviced since it was installed in 1999. Vice President Johnson asked how long the lines would be down and Mr. Gibson said eight days is the proposed time but may extend further than eight days. General Manager Chapman and Mr. Gibson are working on raw water line with Panda Energy, which has announced plans to locate in this area. The Authority has been asked to make an agreement with NTMWD to use the water line from the treatment plant site on FM 691 to FM 1417 and Moore Street near the CertainTeed plant.

A valve and “T” are proposed at this site with a butterfly valve installed after the “T” so the line can be closed. An agreement needs to be developed with NTMWD in order to meet Panda Energy’s raw water needs. Panda Energy is discussing a 5 million gallon per day contract. The contract needs to extend as long as Panda Energy’s demand exists. The Authority will deliver to that point. The only other option is to build another line, which is costly. Vice President Johnson asked if Panda Energy is using raw water for cooling. Panda Energy is aware of the water quality and no issues have been raised. Panda Energy’s personnel on site will perform any treatments needing to be performed to the water. Secretary/Treasurer Rowland asked if there is plenty of reserve raw water and General Manager Chapman stated that there is at this time.

Consider and act upon Change Order No. 1 to the contract with Crescent Constructors, Inc. for the South Plant Pump Station, City of Anna

This change order reflects a decrease of \$34,000.00. The contractor was forced to make changes because of a conflict with existing gas lines. Mr. Morris, the engineer on this project, the City of Anna, and the contractor have signed the change order.

Secretary/Treasurer Rowland motioned to approve Change Order No. 1 to the contract with Crescent Constructors, Inc. for the South Plant Pump Station, City of Anna. The motion was seconded by Board Member Kuneman and passed unanimously.

Consider and act upon award of contract for the 12” water line along Pearce Dr and Reeves Rd in Pottsville

Bids were opened on August 20, 2008 for this water line. There were a total of seven bids received. Whitewater Construction, Inc. submitted the lowest bid. They recently completed a job for the Authority in Sherman and another in Cooke County several years ago. Mr. Daniel Stoutenburg, Jr. of Freese and Nichols, Inc., the project engineer, has recommended that Whitewater Construction, Inc. be awarded the contract. Funds are available from a bond issue for this project. Vice President Johnson stated there is a wide range in bids. General Manager Chapman explained the wide range is because the bottom three companies have not customarily operated in this area and they are a little high. The usual companies are competitive. President Skelton asked why the overlay was not being included in the contract. Kevin Farley, Pottsville City Manager, stated the City of Pottsville realizes that at the end of the project there will be disruption on Pearce Dr and Reeves Rd and the overlay costs were included in the request for bids to give the City an idea of the cost for this aspect of the project. This will need to be repaired when the project is completed.

Board Member Grantham motioned to approve award of contract to Whitewater Construction, Inc. for the 12" water line along Pearce Dr. and Reeves Rd. in Pottsboro. The motion was seconded by Vice President Johnson and passed unanimously.

Consider and act upon authorization for General Manager Chapman to advertise for bids for pump station in Howe

The City of Howe has requested the Authority to move forward with construction of the pump station. During planning for the CGMA project the City of Howe agreed to shorten their delivery point from an original location on the northeast side of the City to a location on the south side of the City. The changed delivery point eliminated more than one mile of the waterline. Other CGMA participants welcomed this idea. As a consideration for the change of location, the ground storage tank was increased from a 250,000 gallon tank to a 500,000 gallon tank and a pump station will be installed. The pump station has not been constructed, but funds are available in the CGMA budget to do so. The estimate is two years old and the City of Howe will need to use it by the summer of 2009. The engineering will need to be completed and then the project can proceed. Steve McKay, Howe City Administrator, is concerned if we wait much longer inflation will increase the cost estimate of \$370,000. David Gattis, the project engineer, met with General Manager Chapman last week and Mr. Gattis feels he can complete the remaining engineering and ready to advertise by this fall. Hopefully, the project will be completed by June unless there are components that will require a longer lead time. President Skelton asked if the ground storage tank has been installed and it has. Funds in the amount of \$66,000 remain in the 1999 bond series to use in connecting from the pump station into Howe's system.

Vice President Johnson motioned to authorize General Manager Chapman to advertise for bids for pump station in Howe. The motion was seconded by Board Member Grantham and passed unanimously.

Consider and discuss the Administrative Law Judge's proposal for a decision regarding the Priority Groundwater Management Area hearing

The Administrative Law Judge who heard the contested hearing regarding the Priority Groundwater Management for North Central Texas in Austin in May had 60 days to complete her proposal for decision. On September 4, 2008, the Lloyd Gosselink firm received Judge Carol Wood's recommendation. Judge Wood recommends the remaining eight counties in the North-Central Texas area be included in one Groundwater Conservation District (GCD). General Manager Chapman advised the letter came at a good time because the water summit was being held on September 11th and the recommendation was discussed at that time. If actions are not taken quickly, an eight county district will be designated by the TCEQ. Judge Henderson of Fannin County wants to form a district with Grayson County. There was some interest shown from Cooke County in joining Fannin and Grayson counties. Senator Kip Averitt has advised there will be no more single county districts. State Representative Larry Phillips suggested the following members for the steering committee: Gainesville City Manager Barry Sullivan, Sherman City Manager George Olson, Whitesboro Mayor Dee Welch, Van Alstyne Mayor Mike Parker and several rural water suppliers. The committee is to report back in three weeks with some sort of constructive suggestions. November 5th is the date bills can begin to be filed for the 2009 legislative session. Representative Phillips can support on the House side but General

Manager Chapman believes Senator Estes will be the key player to support the bill. If the committee does not come to an agreement, the TCEQ will establish a standard GCD.

Consider and discuss additional water storage in Lake Texoma

The acquisition of additional water storage in Lake Texoma was initiated in 2000. Southwest Power Administration (SWPA) has been opposing this process every step of the way. The Corp of Engineers and SWPA wanted a concession that more water storage than permitted would not be used. The Authority's contract states the amount of water storage that can be used is 50,000 acre-feet. NTMWD and General Manager Chapman are going to Tulsa to discuss further meetings with SWPA. In 2000, when the original contract was submitted, 5,000 acre-feet of water storage were requested. Since this process has taken eight years, water providers were contacted to see what their future needs may be. The cities of Sherman, Denison, Pottsboro, Gainesville, and two larger water supply corporations are interested in additional water storage, and they realize they will need to make a commitment quickly. Vice President Johnson asked if the Authority foresees a problem with taking the entire 50,000 acre-feet and General Manager Chapman stated he would not bring a contract to sign unless there are contracts with entities saying they want to buy this additional water storage capacity. General Manager Chapman believes this would be the best route to take since the contract would be a long term rate with the government, which will be reset October 1st and will be financed over 30 years. The full first year payment is applied to principal, not interest. Vice President Johnson asked if SWPA is ready to call a truce and General Manager Chapman responded he has had from one source that SWPA is ready but the other source was not quite sure. The longer this goes on, the more resistant SWPA could become.

Discuss the Water Summit held on September 11, 2008

See above "Consider and discuss the Administrative Law Judge's proposal for a decision regarding the Priority Groundwater Management Area hearing"

VIII. General Activities

*Receive monthly financial reports:

Consider and act upon engagement letter for audit services.

Debi Atkins, Finance Officer, stated the fees increased from \$19,250 to \$20,250 from last year due to a refunding for the City of Sherman. Refunding issues are more complicated for the auditors. President Skelton inquired if the Authority sent out proposals this year for bids. Mrs. Atkins stated no because when proposals were sent in the past, there was not much interest. Vice President Johnson asked if the Authority is pleased with the services of Schalk & Smith and Mrs. Atkins confirmed there have been no problems with this firm.

Board Member Grantham motioned to accept engagement letter for audit services. The motion was seconded by Vice President Johnson and passed unanimously.

Consider and act upon budget for fiscal year ending September 30, 2009

The budget committee met last week and Board Member Kirley was asked to step in for Board Member Henderson, who was unable to attend. The first pages of the budget show various projects. The total column suggests the funds the Authority expects to receive during the fiscal year. Vice President Johnson inquired as to what "unrestricted" related to. General Manager Chapman replied this is revenues after reserve fund requirements are filled. Unrestricted funds can be used for construction projects, debt services, or other project costs. The general fund is found on the following page with a planned budget and the total supports the items shown on the budget. These include vehicle repairs, administrative staff, operational staff, including insurance and equipment. The committee reviewed all of these items. Mike Wynne has been the Authority's legal counsel for six years now and he has asked for his fee to be adjusted. Operator expenses decreased quite a bit because one position was eliminated since staff has been unable to find anyone with qualifications to fill that position. There were no changes in staff administration, therefore no adjustments were made. Dripping Springs Landfill post closure budget increased after reviewing the letter from the State of Texas indicating if the Authority participates in the risk management program, the testing of the water can stop. The Authority has talked to the cities of Sherman and Denison who support this effort. The engineers have looked at the site and suggested they would do a risk evaluation for \$35,000 and if the State of Texas accepts, testing can stop and that will save \$15,000 per year and be the first step toward closure. The risk evaluation takes 90 days to complete.

Debi Atkins, Finance Officer, noted there are a one or two items not in the general fund. The Authority needs to put in a handicapped accessible motorized door for the front door of the offices. The General Manager of the North Texas Regional Airport is willing to split the cost of \$3,500. The Authority has had handicap accessibility issues in the past but has modified the women's restroom, the driveway, and the ramp. The City of Gainesville has appointed a new board member, who is wheelchair bound, so the front door will need to be equipped soon. Carpet is also needed for the offices at an expense of \$5000. The North Texas Regional Airport is responsible for the roof and outside walls of the Authority's offices. They assisted with air conditioner repairs in the past and the boardroom because they hold their board meetings here also

General Manager Chapman failed to bring up with the budget committee the thought of reimbursement to the board members for the mileage driven to the board meetings, suggesting the Authority could help defer gasoline costs. President Skelton and Vice President Johnson do not have a strong opinion of a mileage reimbursement because they do not have to travel a long distance. President Skelton asked General Manager Chapman to contact local cities to see what practices they use

Consider and act upon obtaining Lloyd Gosselink, Attorneys at Law, to represent GTUA in legislative and regulatory matters, including the codification of GTUA's enabling legislation during the 81st Legislative Session.

The Texas Legislature will move all the approximately 600 water districts over to a new section of the water code during this session. The Authority needs legal representation to watch over legislation to ensure nothing negative occurs along the way. Several entities known to the Authority have obtained the Lloyd Gosselink firm as their counsel. President Skelton inquired if other companies would be interested in being represented with us and General Manager Chapman stated it would depend on which part of legislation is affected.

Vice President Johnson motioned to obtain Lloyd Gosselink, Attorneys at Law, to represent GTUA in legislative and regulatory matters, including the codification of GTUA's enabling legislation during the 81st Legislative Session. The motion was seconded by Board Member Grantham and passed unanimously.

Receive information from General Manager Chapman in reference to New Century Production Co. in regards to oil and gas leasing.

A copy of the draft lease agreement was received after the agenda was posted. General Manager Chapman will review as will Mike Wynne, legal counsel. This item will be tabled until the next meeting.

IX. Executive Session

Pursuant to Government Code Sections 551.071, the Board of Directors convened into Executive Session at 1:59 p.m. to discuss the following:

Consider and act upon evaluation and duties of Authority General Manger

President Skelton stated that no action was taken.

Board Member Kuneman motioned to give staff personnel a 4% cost of living increase with a discretionary fund amount of \$7,500 to be awarded per General Manager Chapman's recommendation for merit increases. The motion was seconded by Board Member Hayes and passed unanimously.

Board Member Kuneman motioned to award General Manager Chapman a 4% cost of living increase with a 1% merit bonus. The motion was seconded by Board Member Hayes and passed unanimously.

X. Regular Session

The Board of Directors convened into regular session at 2:19 p.m.

XI. Adjourn

Upon motion by President Skelton, seconded by Vice President Johnson and passed unanimously, the Board adjourned at 2:20 p.m.

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Recording Secretary

Secretary-Treasurer