

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

**MONDAY, OCTOBER 20, 2008**

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

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Members Present: Don Skelton, Bill Johnson, George Rowland, Duane Hayes, Joe Henderson, Paul Kirley, Everett Grantham, Clyde Yeatts

Members Absent: Mark Kuneman

Staff: Jerry Chapman, Carolyn Bennett, Alan Moore, and Carmen Catterson

Visitors: Bert Garcia, Nall, Pelley & Wynne

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I. Call to Order

President Skelton called the meeting to order at 12:32 p.m.

II. Administer Oath of Office to Clyde Yeatts

Administrative Assistant Bennett administered the oath of office to Board Member Yeatts who will represent the City of Gainesville on the Board of Directors.

III. 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.

IV. \* Consider and act upon approval of Minutes of September 15, 2008 Meeting

V. \* Consider and act upon approval of accrued liabilities for September 2008

VI. Citizens to be Heard

The Authority staff received communication from Martin Rochelle with the Lloyd Gosselink firm regarding a ruling by the Attorney General. The ruling advises to be more specific

on agendas for public agencies. General Manager Chapman plans to discuss this ruling with General Counsel Mike Wynne. Bert Garcia is sitting in since Mr. Wynne is in trial. Mr. Wynne and General Manager Chapman will need to determine what changes must be made to the agenda to comply with the ruling. Today's meeting will be more abbreviated than most because of the ruling. Mr. Garcia reported that Mr. Wynne promised to review the ruling by Wednesday and report to General Manager Chapman with any changes that need to be made to the agenda.

## VII. Wastewater Activities

### Receive reports on wastewater activities

General Manager Chapman referred the Board to the attachment in the agenda packet, but was hesitant to say much due to the Attorney General's ruling.

### Consider and act upon Change Order No. 3 to the contract with Four D Construction Co., Inc. for the construction of the Melissa-Anna Throckmorton Creek Sewer Phase II project

General Manager Chapman took this opportunity to discuss several issues that have arisen with this contractor on Phase II of the Melissa-Anna sewer project. Chapman received several telephone calls from suppliers for Four D over the last few months wanting to know when they could expect payment. The most recent inquiry came from Liberty Sand & Gravel, a company that has provided materials for this particular job. The co-owner called and said Four D owed them more than \$800,000, with \$136,000 of that debt for this project. Liberty Sand & Gravel sent copies of invoices to the Authority. This is the only job Four D is currently performing for the Authority. Four D has done good work in the past. Liberty Sand & Gravel and Four D have always had a good working relationship.

Liberty Sand & Gravel was holding post dated checks from Four D to pay for the materials on this project. When some of the checks were presented for payment, the bank reported the checks had stop payments issued. Liberty Sand & Gravel called the Authority to request assistance to receive payment. A provision exists in the contract to enable the Authority to ensure the suppliers are paid. At the end of the job, the contractor has to sign an affidavit specifying all debts were paid. In the past, the Authority has issued joint checks to the suppliers and the contractor. This way, when the contractor is paid, the contractor and the supplier must work together to determine how to cash the check.

Four D also owes Tucker oil Co. money. General Manager Chapman spoke briefly with Mr. Wynne and scheduled a meeting later in the week to discuss options. Alan Moore, the Authority's Operations Supervisor, was requested to investigate the invoices to make sure they were delivered to the job site properly. This activity is still in progress. Enough funds remain in the contract to cover the amount Four D owes Liberty Sand & Gravel. The engineer is now requiring certifications and proof that suppliers are paid. The Authority staff is not sure how this will impact Four D.

Liberty Sand & Gravel can file for payment under the payment bond. They have \$27,000 in invoices that are within the 60-day time limit. The only reason they did not file for the

previous amounts is because of the preexisting working relationship with Four D. After 60-days, the creditor loses protection from the payment bond if a claim is not filed. Future invoices from Four D will be reviewed for payment to contractors.

Change Order No. 3 to this contract is a change in the creek crossing on the Throckmorton Creek area. The project was designed to bore under the creek. However, the bore was not possible due to an error by the surveyor. The crossing is now a grade crossing with a concrete jacket. The change order results in a \$61,367.20 deduction to the contract amount. The change order has been recommended by the engineer and accepted by the contractor. The change order will be sent to the Cities of Anna and Melissa for similar action to be taken by the City Councils.

Vice President Johnson motioned to approve Change Order No. 3 to the contract with Four D Construction Co., Inc. for the construction of the Melissa-Anna Throckmorton Creek Sewer Phase II project, contingent upon similar action being taken by the Cities of Anna and Melissa. The motion was seconded by Board Member Grantham and passed unanimously.

Consider and act upon all matters incident and related to the approving and authorizing the execution of a Special Escrow Agreement for the defeasance of certain outstanding bonds and providing for redemption of certain outstanding bonds, including the adoption of a resolution pertaining hereto

This item is listed as both a water and a wastewater agenda item. The City of Anna grew rapidly over the last ten years. In the 2000 census, Anna had 1,200 residents. Now, the City has approximately 8,000 people. This large population increase required significant infrastructure improvements. The City's growth has slowed down due to the housing market decline and is causing financial concerns. The Authority staff is in the process of working with First Southwest Co. to restructure Anna's debt. The staff hoped to be able to restructure the debt this month, but the City requested the Authority to wait one more month. The City is scheduled to meet on November 10<sup>th</sup> and would like the Authority to act on the debt restructuring at the November 17<sup>th</sup> Board meeting. To restructure the debt, a special account will be established and certificates of obligation will be issued to that account to meet the debt service amounts. State and Local Government Securities will pay off the debt.

Board Member Henderson motioned to table this item until the November board meeting. The motion was seconded by Vice President Johnson and passed unanimously.

#### Receive report on On-Site Sewage Facilities Program

Grayson County requested the Authority provide a proposal for the On-Site Sewage Facility (OSSF) program last year. The contract was subsequently awarded to the Authority and we have been performing Designated Representative services for the County since December 2007. This year, at the budget hearing for the County, General Manager Chapman presented a budget for 2009. The Commissioners were very positive that the budget would be approved. After General Manager Chapman left the meeting, the Authority received notice that the County chose to take the program back in house. Jerry White took the Designated Representative class in October and will perform the duties in his spare time. The Authority will continue to perform the

OSSF services through October 31<sup>st</sup>, but then the County will take the program back. All original records will be returned to the County, along with an electronic copy. The Authority will retain electronic copies of our work so that we can recreate our records to verify when, how and why we did things. The Authority staff feels we operated a successful program that followed the State guidelines.

No action was requested at this time.

### VIII. Water Activities

#### Receive reports on water activities

General Manager Chapman referred the Board to the attachment in the Agenda packet.

#### Discuss application to the TWDB – WIF regarding Northwest Grayson WCID #1 for \$10 million

Applications for the Texas Water Development Board (TWDB) low interest rate Water Infrastructure Fund program applications were due by July 1<sup>st</sup>. Eight applications were approved for funding. Only one application submitted by the Authority was approved for funding. The application was for the Northwest Grayson WCID #1 and was due to their water conservation efforts and results. The Authority will be requesting the Board to adopt a water conservation plan next May. All the member cities will also be requested to adopt plans. There are not enough water resources in Texas to provide for the expected future population. The TWDB will grant financial incentives for entities who perform water conservation efforts and show results.

The project approved for funding is a reverse osmosis water treatment plant on Lake Texoma. The plant will serve users along the Hwy 377 corridor. Double Diamond purchased 1,500 acres of land and is constructing a golf course and development in that area. They have been drilling wells with no success. There is not enough groundwater available in the area to serve the development. Double Diamond has petitioned the Texas Commission on Environmental Quality to remove them from Northwest Grayson WCID #1's water Certificate of Convenience and Necessity. Mediation took place last Wednesday and the Authority staff has not received an update on the situation. The Authority and Northwest Grayson WCID #1 are reluctant to take on this project until the legal battle is complete. The staff would also like to see if other water providers in the area want to participate in this project.

The TWDB Water Infrastructure Fund program has two category options. The first requires the project to be completed in 12-months, while the second allows the project to be deferred. If the project is transferred to a deferred status, the Authority will have five years to plan the project and complete engineering. Repayment will not begin until after construction is complete. However, if the project is ready to begin construction before five years, the money will not be available. Many water users want money for projects, so all State funds are competitive.

Vice President Johnson motioned to authorize the General Manager to approach Northwest Grayson WCID #1's Board of Directors to discuss transferring the project to the

deferred project status. The motion was seconded by Board Member Grantham and passed unanimously.

Consider and act upon all matters incident and related to the approving and authorizing the execution of a Special Escrow Agreement for the defeasance of certain outstanding bonds and providing for redemption of certain outstanding bonds, including the adoption of a resolution pertaining hereto

This item was discussed previously during meeting under the Wastewater Section, Item VII C.

This item was tabled until the November Board meeting.

Discuss future actions of the Lake Texoma Raw Water Line

In 1984, the Authority on behalf of the City of Sherman entered into an agreement with the North Texas Municipal Water District (NTMWD) to build a pump station and waterline from Lake Texoma to Howe. The agreement specifies that the Authority owns 20% of the capacity of the pump station and line to FM 691 and the NTMWD owns 80%. South of FM 691, the Authority owns no capacity in the waterline. A provision in the agreement specifies that either party can modify the pump station, but has to notify the second party. The NTMWD notified the Authority earlier this year that they wanted to modify the pump station by adding two 6,000 horsepower pumps to increase the capacity in the waterline from 90 mgd to 125 mgd. However, this increase in capacity will cause 40 extra pounds per square inch of pressure in the line. The waterline has been in use for fifteen years with no inspections.

The waterline will need to be taken out of service and a machine rolled through it to determine what level of deterioration has occurred over the last fifteen years. If corrective actions need to be taken, they will be done as quickly as possible. This process will take between eight or nine days. This testing and repairing will be done in February 2009. The City of Sherman is concerned because they have not been without surface water since the line became operational. The City should be able to serve the high pressure plane with groundwater from the low pressure plane. The Authority staff will approach the City Council to inform the Council of the activities and ask permission to inform the industries of the testing so they can adjust their manufacturing requirements. Mark Gibson, Director of Utilities for the City of Sherman hired David Gattis and Terry Millican to do an analysis on groundwater. The City can serve their customers for a short period of time, but cannot sustain usage for a long period of time. The problem with serving the customers is the pressure since the area served by surface water requires high pressure. The fire department will also need to be notified, since only enough water can be stored for one day.

No action was requested at this time.

#### IX. General Activities

\*Receive monthly financial reports

\*Receive quarterly investment report

Consider and act upon nominations for places 4, 5, and 6 of the Board of Trustees of Texas Water Conservation Association Risk Management Fund

General Manager Chapman personally knows two of the three people nominated. General Manager Chapman recommends that the Board confirm the nominees.

Vice President Johnson motioned to approve casting a vote for the nominees of places 4, 5, and 6 of the TWCA RMA. The motion was seconded by Board Member Henderson and passed unanimously.

Consider and act upon revised Board Policy Manual

Administrative Assistant Bennett explained that the updated Board Policy Manual contains the new Board policies that were adopted over the last few years including adding the City of Anna as a member city, the policy regarding bonding requirements, an updated procurement policy and the award of contract policy. All new and updated policies have been incorporated into the new manual.

Board Member Henderson motioned to approve the updated Board Policy Manual as of October 20, 2008. The motion was seconded by Board Member Grantham and passed unanimously.

At this time, General Manager mentioned an article in the Amarillo Globe that was provided to the Board members. The article discusses water scarcity in Texas and explains what is happening with the scarcity in the Amarillo area regarding surface water. There is not enough rainfall to fill the lakes, so reservoirs stay between 8-10% full. The area is in the process of digging more wells. This type of situation is driving the State's need for Groundwater Conservation Districts. All water users need to increase water conservation efforts to ensure that enough water will be available in the future.

X. Adjourn

Upon motion by President Skelton, seconded by Vice President Johnson and passed unanimously, the Board adjourned at 1:43 p.m.

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Recording Secretary

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Secretary-Treasurer