

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

MONDAY, JANUARY 21, 2007

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

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

Members Absent: Duane Hayes, Joe Henderson, and Ray Nichols

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

Visitors: David Gattis, Freeman-Millican, Inc.
Mark Gibson, City of Sherman
David Howerton, City of Denison
Michael Wynne, Nall, Pelley & Wynne
Tom Schalk, Schalk & Smith
Judy Smith, Schalk & Smith

I. Call to Order

President Skelton called the meeting to order at 12:31 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 Kuneman and passed unanimously.

III. * Consider and act upon approval of Minutes of December 17, 2007 Meeting

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

V. Citizens to be Heard

No citizen comments were heard.

At this time, President Skelton moved out of agenda order and proceeded to General Activities, Items VIII-D, VIII-E and VIII-C.

VIII. General Activities

Present Certificate of Achievement: General Manager Chapman presented the Authority's 18th Certificate of Achievement from the Government Finance Officers Association for the 2006 fiscal year. This award was again received by and presented to Finance Officer Debi Atkins. President Skelton offered the Board's thanks and congratulations to Debi for her hard work.

Consider and act upon appointment of Officers for 2008 calendar year: As a member of the Nominating Committee, Board Member Grantham provided the Committee's recommendation for officers.

Board Member Grantham motioned for the appointment of Donald Skelton as President, Bill Johnson as Vice President, George Rowland as Secretary/Treasurer, and Jerry Chapman as Assistant Secretary as officers for the 2008 calendar year. The motion was seconded by Board Member Kuneman and passed unanimously.

Receive Independent Audit for Fiscal Year Ending September 30, 2007: General Manager Chapman introduced Tom Schalk and Judy Smith of Schalk & Smith, the Authority's independent auditors. Mr. Schalk reported he was able to issue a clean opinion regarding the fiscal year ending September 30, 2006.

Mr. Schalk reviewed the audit content with the Board and answered their questions from members of the Board of Directors. General Manager Chapman explained the City of Van Alstyne's debt defeasance. During 2007, the City of Van Alstyne issued Certificates of Obligation in order to refinance their existing debt with the Authority and shift the debt service from water/sewer revenue to taxes. These Certificates of Obligation were used to retire the 1995 GTUA/Van Alstyne series. The 1999 bond series will be paid off in 2009 when it can be retired. Funds to pay off the 1999 bond series have been placed in an escrow account. This eliminates the debt from the Authority and moves it to the City and causes the debt to be reflected as an expense.

General Manager Chapman also explained that the City of Denison/Pottsboro sewer study will be written off this year, since the study was completed but will not be implemented. Mr. Schalk then explained why the Authority has a negative net balance. Many projects are amortized with an amortization schedule that provides for smaller principal payments in the earlier years and larger principal payments in the later years. However, the projects are usually depreciated on a straight line basis over a 20 year period. In the early years of the amortization schedule, more depreciation is being recognized than the amount of the principal payments being made. The result is a negative balance on the accounting records. However, during the later years of this amortization schedule, the principal payments are larger than the depreciation being recognized. The result is the negative balance is offset so that at the

end of the 20 year amortization period, the net balance is zero. As many projects are still in the early stages, so the net balance will improve in later years.

The State Participation Agreement is an agreement with the State of Texas through the Texas Water Development Board (TWDB) that provides funding for projects, such as the Collin/Grayson Municipal Alliance (CGMA) project. This is an \$8.675 million commitment. Repayments will begin in the fall of 2008 and will last for 34 years, allowing the Cities to grow into the project.

Board Member Grantham motioned for the approval of the Audit for fiscal year ending September 20, 2007. The motion was seconded by Secretary/Treasurer Rowland and passed unanimously.

At this time, President Skelton returned to the posted agenda order and asked the Board to consider the items under Wastewater Activities.

VI. Wastewater Activities:

Receive reports on wastewater activities: No further information has been received from the TWDB on the sewer study grant application for the Upper East Fork Trinity River Basin that was submitted in December. The Authority staff expects to have more information on this matter by the February Board meeting.

Consider and act upon agreement for engineering and surveying services for US Highway 75 waterline from the Sherman Town Center to FM 691 for the City of Sherman: In July 2007, the Highway 75 waterline project was on the list of projects requested by the City of Sherman for the Authority to construct. The proposed engineering agreement with Freeman-Millican, Inc. is contained in the agenda. Mr. Mark Gibson with the City of Sherman has requested the Authority proceed with the agreement with Freeman-Millican, Inc. This item is to be considered at Sherman's February 4th meeting. Mark's letter and the Council's recommendation will be provided as soon as possible.

Vice President Johnson motioned for approval of an agreement for engineering and surveying services for the US Highway 75 waterline from the Sherman Town Center to FM 691 for the City of Sherman. The motion was seconded by Board Member Kirley and passed unanimously.

Consider and act upon authorization to advertise for bids for City of Anna Slater Creek Trunk Sewer project: Usually, authorization to advertise is requested when bonds are approved. However, this project was inadvertently overlooked at that time. The Anna Slater Creek trunk sewer project runs along FM 455 to the wastewater treatment plant.

Secretary/Treasurer Rowland motioned for the approval to advertise for bids for the City of Anna Slater Creek trunk sewer project. The motion was seconded by Board Member Grantham and passed unanimously.

VII. Water Activities

Receive reports on water activities: A Groundwater Conservation Hearing with the Texas Commission on Environmental Quality (TCEQ) was held in October. Groundwater providers were opposed to further regulation of groundwater. The groundwater providers approved a maximum of \$15,000 for Mr. Jim Mathew's services. Mr. Mathew's requested mediation at the hearing and the judge agreed. Mediation with the TCEQ was supposed to begin in January, but has not. Further direction is needed from the groundwater providers, as they are paying the cost to contest the TCEQ's recommendation. A hydrologist may be needed to provide an expert witness testimony. A memo has been provided to the groundwater providers for approval. More information will be provided as soon as the water providers decide what direction they want to pursue.

Alan Moore, the Authority's operations supervisor, attended the Groundwater Management Area 8 meetings for the Authority. Mr. Moore clarified that at the last meeting Desired Future Conditions were established for minor aquifers including the Woodbine. No Desired Future Conditions were established for any major aquifers, including the Trinity.

General Manager Chapman reviewed the Water Resource Development Act of 1986 to verify information for the Lake Texoma Reallocation Study. The Act provided additional water storage to Texas and Oklahoma for municipal use. 150,000 acre-feet were granted to Texas and another 150,000 acre-feet were granted to Oklahoma to comply with Red River compact. This portion comes out of the hydropower allocation. The Authority will receive 50,000 acre-feet from the reallocation and the North Texas Municipal Water District has requested the remaining 100,000 acre-feet. Mr. Chapman visited the Tulsa District of the Corps of Engineers on January 15th and spoke with Colonel Funkhouser and his staff. The Colonel wants the Reallocation Study to be finalized as well. A 45-day period will be required to send all documentation from the Tulsa District to the central Corps of Engineers office in Washington, D.C. General Manager Chapman proposed addressing the related Congressmen at Texas Water Day in February. This would be a good opportunity to receive the attention of Senator Hutchison's staff, Congressman Hall's staff, and Senator Cornyn's staff. The water storage is needed to supply Pottsboro, Northwest Grayson WCID and the Municipal Utility Districts approved at the last legislative session in Gunter. General Manager Chapman also proposed that any Board member who would be able to provide support at Texas Water Day on February 5th attend as well.

Vice President Johnson motioned for the approval for the General Manager to coordinate with the North Texas Municipal Water District and attend the Texas Water Day 2008 at Washington, D.C. along with a representative from the Board of Directors. The motion was seconded by Board Member Kuneman and passed unanimously.

Consider and act upon award of contract for 12" and 18" distribution line for Argyle Water Supply Corporation: This is a project in Denton County. Seventeen (17) bids were received on a project below \$500,000. This is evidence that the market has slowed down. Fox Contractors is low bidder. This contractor was also responsible for the first phase of the CGMA

waterline project. The Authority had a good experience with this contractor. Argyle WSC's board met Thursday night and recommended approval of the contract with Fox Contractors.

Secretary/Treasurer Rowland motioned for the award of contract for the 12" and 18" distribution line for Argyle Water Supply Corporation. The motion was seconded by Board Member Grantham and passed unanimously.

Consider and act upon award of contract for station #7 ground storage tank for Argyle Water Supply Corporation: This is also a project in Denton County for Argyle WSC. Three (3) bidders submitted bids, which is a respectable showing. Texas AquaSource was the low bidder and has done work in the area previously. They specialize in bolted and glass lined tanks and built the previous ground storage tank for Argyle WSC in 2001.

Vice President Johnson motioned for the award of contract for the award of contract for the ground storage tank for the Authority at the Argyle Water Supply Corporation. The motion was seconded by Board Member Grantham and passed unanimously.

At this time, General Manager Chapman updated the Board on the gas system at the landfill. The system is in need of repairs to keep it safe. Alan Moore verified that the wiring has become compromised and needs to be repaired. It can be used, but needs to be replaced as soon as possible. Until the gas levels around the perimeter reach less than 5%, the state will not allow the Authority to reduce the number of tests per year

VIII. General Activities

*Receive Monthly Financial Reports

*Receive quarterly investment reports: General Manager Chapman briefly reviewed the investment report with the Board.

IX. Adjourn

Upon motion by President Skelton, seconded by Board Member Grantham and passed unanimously, the Board adjourned at 1:26 p.m.

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Recording Secretary

Secretary-Treasurer