

**Minutes of the Bartonville Water Supply Corporation  
Board of Directors Meeting  
Monday, March 15, 2004  
Bartonville Water Supply Corporation Office  
1911 East Jeter Road  
Bartonville, Texas 76226**

**1. Call to Order.**

Vice-President Greaves called the meeting of the Board of Directors of Bartonville Water Supply Corporation to order at 7:07 p.m. on Monday, March 15, 2004 at the corporation office, 1911 East Jeter Road, Bartonville, Texas.

**Directors in Attendance**

Thomas Greaves, Vice-President  
Larry Kaufman, Secretary-Treasurer  
Lloyd Hanson  
Dale Mutschler  
Kevin Alberts  
Scott Kilpatrick

**Directors Absent**

Michael Paulson, President

**Consultants in Attendance**

Jennifer Drury, CPA  
Dan Tonn, CPA  
Wayne Ginn, PE

**Staff in Attendance**

Jim Leggieri, General Manager  
Rena Vincent, Utility Billing

**6. Discussion and Action on the Draft of the 2003 Audit Report.**

Dan Tonn, CPA from Hankins, Eastup, Deaton, Tonn & Seay, stated that there were no significant adjustments and the Independent Auditor's report is an unqualified opinion. Tonn stated this was a very positive report. The largest adjustment made was to record an additional \$200,000 in accounts payable for work performed on the Hilltop Road project in December 2003 along with the 5% retainage, which had little effect on the income statement because it was construction in progress. The current assets include the CCN releases, primarily from Lantana and a small portion from Highland Village. The Income Statement includes interest income primarily from Lantana notes. Income was above budget due to the current period new member additions, primarily from Taylor Oaks. Water sales were a little above budget. Expenses were close to being within budget considering that water sales were above budget, you would expect cost to be a little over budget. The Statement of Cash flow is very positive from operations. Investing activities for new system improvements had a positive cash flow. Financing activities had a positive cash flow primarily from collection for the Lantana CCN release. The principal payments on long-term debt are more than normal because the Board approved early pay-off of UTRWD note. Net increase in cash is a

little over half a million dollars. Footnotes include the note to GMAC Commercial Mortgage, operating lease on copy machine, required disclosures on Retirement Plan, CCN Release and Concentrations, primarily bank situations. Tonn stated that BWSC was in a healthy financial condition overall.

Hanson asked if there were any exposures that the Board needed to be aware of? Tonn stated that the biggest exposure would be the remaining receivables, for permitted lots in the Lantana development, of \$2.3 million dollars. Lantana still needs to sell 2400 lots for BWSC to receive all their money. Drury stated that Ronnie Phillips, legal counsel for BWSC, made sure that the fee was tied to the lots not necessarily Lantana. If Lantana sold to someone else BWSC should still receive the money from these lots. Tonn stated that there were 2,968 lots left in the Lantana development for the contract to be fulfilled. Kilpatrick asked Drury what the history of payment from Lantana has been. Drury stated that the history has been very good and that the last payment received was over \$20,000. They had a big boom during the summer and have slowed down somewhat but are still going strong at about a 70% occupancy rate.

Kilpatrick asked about separation of duties, handling of funds and general financial operations. Tonn stated that there is some limit due to the size of staff but he believes that the procedures that are being implemented in the office are adequate and that BWSC does have a good separation of duties with 3 different positions in the accounting area in terms of taking the payments, posting payments and making bank deposits. On the purchasing side Leggieri gets involved in the approval of bills and Board members sign the checks. Tonn believes based on the size of the staff that the procedures are appropriate.

No action.

## **2. Executive Session Concerning:**

**Greaves announced at 7:22 p.m. that the Board would convene in Executive Session concerning:**

- a) All Matters Concerning the R.O.W. for the Hilltop Road Waterline, Pursuant to Government Code, Section 551.072.**
- b) All Matters Concerning the Stargate Pump Station / Stoney Ridge R.O.W., Pursuant to Government Code, Section 551.072.**
- c) All Matters Concerning the Securing of the Waterline Easement/ Thornhill Ranch Estates, Block A Lot 9, Pursuant to Government Code, Section 551.072.**
- d) All Matters Concerning Personnel, Pursuant to Government Code, Section 551.074.**

**The Board took no action and reconvened in Open Session at 7:55 p.m.**

**3. Public Forum**

No one was present.

**4. Approve the Minutes of the February 10, 2004 Board Meeting.**

Motion by Kilpatrick and second by Kaufman to approve Minutes of the February 10, 2004 Board Meeting. Motion approved with Kilpatrick abstaining.

**5. Approve the February 2004 Disbursements and Financial Report.**

Drury stated that the Income Statement was slightly low on the consumption and there was only one new member. Alberts asked if the meters were in at Taylor Oaks. Leggieri stated that the boxes and angle stops were in place. Alberts stated that BWSC needed to budget more than 40 members due to the Taylor Oaks subdivision. Drury stated that the budget was adjusted for the current budget year.

Motion by Kilpatrick and second by Kaufman to accept the February 2004 Disbursements and Financial Report. Motion carried unanimously.

**7. Discussion and Action on Awarding a Change Order to E.M Construction Company for the Installation of a Water Line to the Stargate Site.**

Presented with Agenda Item #8.

Motion by Kilpatrick second by Hanson to award the change order to E.M. Construction Company for the installation of a water line to the Stargate Site. Motion carried unanimously.

**8. Discussion and Action on Awarding a Contract to Lang & Mitchell for the Construction of Stoney Ridge Access Road to the Stargate Site.**

Wayne Ginn, P.E. stated that this project involves building half a road from FM 407 into the Stargate site and running a water line. Ginn stated that G&A consultants prepared the plans, and that the plans were reviewed and revised in order to get Mr. Buck Monroe to grant the easement. Mr. Monroe agreed to grant the easement provided that the first 600 feet were done by the end of December 2003 and the remainder being completed by July 2004. These easements were not granted until January 2004. Ginn explained that there was a delay in getting soil samples due to the boring rigs getting bogged down in mud. As of March 15, 2004 Ginn stated he still did not have copies of the soil reports but has received verbal reports. When G&A prepared the plans, Ginn asked for an estimated breakdown for the road, which was \$211,400. Ginn stated that he met a contractor, Lang & Mitchell doing work for TU Electric and was impressed with their work. Ginn requested Lang & Mitchell prepare a bid to construct the road. Lang's bid was approximately \$200,000. The soil is soft in the first 600 feet and it will be necessary to excavate about 3 feet deep and bring in 3 feet of soil fill, which is about 3,000 cubic yards. Lang's bid now becomes \$255,712.

Ginn stated that the roadwork should be done in two phases. Lang will start the roadwork, BWSC will pay for this work, then EM Construction will come in to finish water line and Lang will come back to finish roadwork.

Ginn asked E.M. Construction to send a lien waiver stating that all labor and materials had been paid for on the FM 407/Hilltop project. Ginn also asked that E.M. Construction increase the liability insurance by \$410,000 due to the cost of materials involved with the water line project to the Stargate Site. Ginn stated he had received both documents.

Ginn stated that he did not go out for competitive bids due to timeliness. He stated that if he went out for bids, it would require getting the soil reports, advertising and awarding the contract. The work may not start until June and has to be completed by July.

Kilpatrick asked if approved, what has it bought BWSC. Ginn stated that he could not get the soil-boring rig up to drill the foundation for the ground storage tank until this site is cleared.

Kaufman asked Leggieri if according to BWSC by-laws, was it acceptable to approve a contract with Lang if there were no other outside bids. Leggieri stated that he spoke with Ronnie Phillips, Esq. and that he recommended that BWSC get other bids due to the magnitude of this project. Ginn stated that in the past they have always gone out for other bids except in the case of emergencies or extenuating circumstances. Ginn stated that previous boards have approved situations like these without going out for other bids. Ginn stated that he is trying to meet the deadline of July 2004. Mutschler asked how long it would take to get bids. Ginn stated it would be 30 days to be able to go before the board to award the contract and would probably end up at 60 days to start work. Ginn stated that if another company came in with a lower bid, the question would be how soon could they get started. Alberts stated the importance at this time was having more than one bid.

Kaufman stated that he thought the Board could document enough reasoning for going ahead with the project without going out for bids.

Ginn stated that EM Construction had ordered the material for the water line to avoid an 8% increase in material cost. Ginn stated that he was worried if BWSC waited for bids on the roadwork that EM Construction may get involved in another project and not be able to start the water line after the first phase of the roadwork was completed.

Kilpatrick stated that due the possibility of a wet spring he would prefer to document the reasons for not taking bids and get on with the project. Ginn stated that he allowed 90 days for the roadwork to be completed. Ginn stated that bids might not be good after 30 days.

Motion by Kilpatrick second by Hanson to award a contract to Lang & Mitchell for the construction of the Stoney Ridge access road to the Stargate site with documentation for reasons why another bid should not be obtained.

Hanson stated that he was concerned about risk of violating the BWSC By-Laws. Kaufman stated that based on earlier conversation there was not a risk. Kilpatrick stated that he feels at

risk if BWSC doesn't go ahead with the project due to the timeline and contract with Buck Monroe. Kilpatrick and Hanson asked for staff opinion from Drury and Leggieri and what they would recommend. Drury stated that good business practice requires at least a letter bid as recommended by Phillips. Ginn stated that letter bids tend to be higher than competitive bids and would prefer to go out for competitive bids. Kilpatrick stated that BWSC needs competitive bids or to document reasons for letter bids. Kilpatrick stated that he disagreed. Kilpatrick feels the Board is a collective group of people who make good business decisions. Kilpatrick stated that Phillips deals with risk management and of course would recommend going out for bids. Kilpatrick stated that under normal circumstances he would agree with the normal bid process. Ginn stated that if the Board would be uncomfortable about awarding the contract to Lang & Mitchell without another bid then he would withdraw his recommendation and go out for bids. Ginn stated if he needed to go out for bids he would like to withdraw his recommendation for the change order to E.M. Construction.

Kaufman stated that there might need to have a special board meeting if the Board votes for Ginn to go out for bids. Kaufman stated that he did not have a problem going ahead with Lang & Mitchell due to the timeline for the project to be completed.

A vote was called to award the contract to Lang & Mitchell for the construction of Stoney Ridge access road to the Stargate Site. Three votes for: Kilpatrick, Hanson, Kaufman, three votes against: Greaves, Alberts, Mutschler. Motion did not carry.

Kilpatrick asked the directors who voted against to state an action plan. Alberts stated that Ginn needed to go out for bids.

Ginn stated that he would see if E.M. Construction would honor their change order due to the time it would take to get bids.

**9. Discussion and Action on All Matters Regarding the Renewal of the Certificate of Deposit with NorthStar Bank of Texas.**

Drury stated that the CD at NorthStar bank is up for renewal in April and is currently at a rate of 2.3%. Most banks at this time are only offering 1%. NorthStar Bank will guarantee the two-year rate for another 6 months.

Drury explained the only problem she had was tying up the money with the current projects that BWSC has going at this time. Kaufman stated if needed, BWSC could pull from the line of credit. Drury asked if the Board wanted to roll the CD plus the interest or just the CD. Board agreed to roll the CD plus interest.

Motion by Kaufman and second by Alberts to renew the certificate of deposit with NorthStar Bank and to roll the interest in with the CD. Motion approved unanimously.

**10. Discussion and Action on All Matters Regarding the ITU Committee's Report.**

Leggieri stated that he had a meeting with Greaves, Kaufman and Drury on March 4<sup>th</sup> regarding the ITU project with CoServ. Leggieri stated that he had the Orchid Hill,

Stonewood and 407 pump stations completely off beginning March 1<sup>st</sup> with the 2,000,000 gallon drought storage tank being empty and pulling just from the 300,000 storage tank and so far no problems have occurred.

Leggieri stated that the committee agreed, starting April 1<sup>st</sup>, to have I&C Sales tag times on selected pump stations not to come on during the hours of 6-8 am and 3-8 pm. In the interim BWSC is waiting on the hydraulic analysis from Paul Lipscomb, P.E. Leggieri stated that the hydraulic analysis could show if there would be any problems with water pressure if the Stonewood pump station were off during August. Also, Leggieri stated that he would like to create a model of drought year 2000 against a normal year, 2001, to proactively look at as a planning tool.

Hanson asked when hydraulic reports would be available. Ginn state that Lipscomb briefed him on the hydraulic analysis and that Lipscomb built a model based on mapping information supplied to him by Spatial Logic and flow information provided by BWSC. Lipscomb would like to give a presentation at the April Board Meeting to show how the model works with a final acceptance at the May board meeting. Ginn stated that at this point the project was  $\frac{3}{4}$  of the way complete and  $\frac{1}{2}$  the way through budget.

Kaufman asked Leggieri if BWSC charged for water to fight a fire. Leggieri stated no. Kaufman thought it might be a good idea to check with CoServ to see if they would give a break on electricity for the pump stations if it were necessary to run them to put out a fire.

Leggieri stated that he is on a rate committee with Upper Trinity Regional Water District and that the TCEQ is close to setting a maximum quantity of water that a person can use.

Kaufman told Drury that he would like to see her report on the financials how this project is progressing with savings.

No Action.

## **11. Discussion and Action on All Matters Regarding Upgrading the SCADA System.**

Leggieri stated that the part for the Jernigan pump station is in and just needs to be put back on the pipe to start getting data.

Leggieri stated that Census checked the meter for the Shiloh pump station and they said the meter was as accurate as any meter, so it did not need to be replaced. The other problem with Shiloh was a two connection head that is no longer available and needed to be converted to a four connection head. These problems actually had nothing to do with WHF or I&C Sales.

Leggieri stated that the other issue had to do with the Windows NT program. There is currently not an upgrade available for the program. Joe Kotrla, PE informed Leggieri that he agrees with what I&C Sales has suggested. The SCADA system will need a new computer when the Stargate satellite station is added. Leggieri stated that what BWSC would like to

do is replace the SCADA computer and give the current SCADA computer to Robert Sillaway, Water Superintendent, since his computer needs to be replaced.

Leggieri stated that the upgrade would cost about \$18,000 and Drury stated there would be savings of replacing one computer instead of two.

Kaufman asked if we were unable to do some things because of the current system or will the new system do more than what we currently want or plan on using. Kaufman stated he would rather use what we have since it is working instead of upgrading at this time. Kilpatrick stated that he feels there would be less risk in upgrading before the Stargate pump station comes on line rather than after. Leggieri stated he is still learning more on the SCADA system since Tony Mauldin is no longer with BWSC. Leggieri stated that BWSC could use the current system and maybe upgrade before Stargate came on line.

Leggieri stated that I&C Sales have requested payment of \$1,965.00 for fixing rewiring problems that were done by WHF. They were willing to support any problems with the Motorola program. Leggieri stated that he would send a request to Graycon asking for reimbursement of this amount since WHF should have wired the equipment properly. Kilpatrick requested that Leggieri include money for his and Mauldin's time spent in repairing the system.

Motion by Kilpatrick second by Mutschler to approve payment of \$1,965.00 to I&C Sales for rewiring of SCADA equipment. Motion approved unanimously.

**12. Discussion and Action on All Matters Concerning the R.O.W. for the Hilltop Road Waterline.**

No discussion. No action.

**13. Discussion and Action on All Matters Concerning The Stargate Pump Station / Stoney Ridge R.O.W.**

No discussion. No action.

**14. Discussion and Action on All Matters Concerning the Securing of the Waterline Easement / Thornhill Ranch Estates, Block A Lot 9.**

No discussion. No action.

**15. Staff Reports.**

Drury explained to the Board that a new health plan policy had been negotiated with Blue Cross/Blue Shield HMO. The current plan with CBSA has been increasing the rates up to 35% every 6 months. BCBS will guarantee their rates for a year. This should have a savings to BWSC of about \$21,000 a year with better benefits for the employees.

**16. Consultants Reports.**

No discussion. No action.

**17. Review Future Agenda Items, Activities, Announcements, Set the Time and Date of the May 2004 Meeting.**

A special board meeting will be scheduled once Ginn e-mails everyone that bids are complete for the Stoney Ridge access road to the Stargate site.

Next Board meeting is scheduled for May 17, 2004.

**18. Adjournment.**

Motion by Alberts and second by Mutschler to adjourn the meeting. Motion approved unanimously. The meeting adjourned at 9:46 p.m.

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Recorded by Rena Vincent, Utility Billing

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Certified by Larry Kaufman, Secretary-Treasurer