

**Minutes of the Bartonville Water Supply Corporation
Board of Directors Meeting
Tuesday, June 14, 2005
Bartonville Water Supply Corporation Office
1911 East Jeter Road
Bartonville, Texas 76226**

1. Call to Order

Michael Paulson, President called the meeting of the Board of Directors of Bartonville Water Supply Corporation to order at 7:13 P.M. on Tuesday, June 14, 2005 at the corporation office, 1911 East Jeter Road, Bartonville, Texas.

Directors in Attendance

Michael Paulson, President
Lloyd Hanson, Vice President
Larry Kaufman, Secretary-Treasurer
Scott Kilpatrick
Bill Wilkinson
James McKinney

Consultants in Attendance

Jennifer Drury, CPA
Wayne Ginn, PE, The Ginn Corporation
Ronnie Phillips, Esq.

Staff in Attendance

Jim Leggieri, General Manager

Others in Attendance

Richard Cook, Town of Double Oak Mayor
Tracy Miller, Town of Double Oak Mayor Pro-Tem
Mike Donnelly, Town of Double Oak Council Member
Keith Walter, Double Oak Resident
Charlie Cummings, Bartonville Resident
Gracie Egan, Bartonville Resident

2. Executive Session

President Paulson announced that the Board would immediately convene in Executive Session concerning:

- a. **All Matters Concerning Upgrades to Existing Pump Stations, Including a Possible Site Exchange at the Chinn Chapel Site, Pursuant to Government Code, Section 551.072.**

b. All Matters Regarding Mereken Energy Corp's Oil & Gas Lease Proposal/Stargate Pump Station Site, Pursuant to Government Code, Section 551.072.

The Board took no action and reconvened in open session at 8:05 p.m. Phillips left the meeting immediately following executive session.

3. Public Forum

Richard Cook, Mayor of Double Oak, advised the Board that he wanted to speak for Mr. Walter for the open position on the board. Mayor Cook stated that he realizes that each area has a certain amount of representation and in his view he thinks that the folks from Double Oak are used to representing everybody. He believes that Walter will do a good job looking after everybody's water and on the board. Mayor Cook's position and advice is that Walter would be a valuable member on the board. Michael Donnelly, Town of Double Oak Council Member, just wanted to speak on half of Walter again and offer his support to him. Mr. Donnelly asked for the board's consideration. He thinks that Walter would make a great addition working with the board. Mr. Donnelly thanked the board for its time and consideration. Tracy Miller, Mayor Pro-Tem for Town of Double Oak, asked that the board remember his comments from last time. He restated Kilpatrick's comment that the directors represent not only the communities that they live in but also the overall interest of the coalition of cities. One thing that he has learned over the last couple of months from being involved in this and being involved with the Upper Trinity is that water is a complex situation and the board has an interesting and difficult job because it is the next oil, especially here in Texas. He supports Walter and expressed no disregard to anyone else considering the position. He thinks Walter would compliment the board as they make tough decisions going forward and represent all of the members.

4. Discussion and Action on Appointment of a Director to Fill Vacancy on the Board

President Paulson asked the candidates to speak on their behalf and say why they would be interested in sitting on the Board. Mr. Walter stated that he thinks that water is an important issue here in Texas and he has reached a point in his career where he has enough free time that he can devote more time to civic duties and giving back to the community. He stated that he is new to this area and wants to try and help this area be successful. Gracie Egan stated that she lives in Bartonville and has been a member of the Argyle ISD School Board for the last two years so she has been a public servant and has served on boards in the past. She has also been on the Town of Bartonville's Planning and Zoning as an alternate. She is currently the Board of Adjustments chairperson. She has sat in Denton County as the Grand Jury Commissioner. A lot of the positions she has held in the public eye have been on a voluntary basis as she does have the time. Egan stated that she is interested in water and understands the needs of water here in Texas. She stated that she has been following what has been going on and following what the state wants to do as far as regulating more of the water. She stated that she definitely would like to serve her community in the capacity as a public servant and she is interested in serving on this board. Charlie Cummings stated that he lives on Porter Road in Bartonville and he has been there eleven years. He has been self-employed for twenty-five years and is willing to give his time and his best effort to serve.

President Paulson told all the candidates that whichever candidate is selected does not mean that they are rejecting the other ones. They just have to choose who they think is the best for the board. He also told them that vacancies happen pretty frequently for various reasons and if they don't get appointed tonight, please feel free to come to the meetings.

After opening comments from Paulson and each of the candidates, Paulson inquires of the board how they wish to handle the vote, by ballot or in some other way. Kaufman stated that the board usually takes nominations and then votes. Paulson asked, "Do you want to do that?" Kilpatrick agrees and asks for discussion.

Wilkinson states, "I nominate Keith Walter." Wilkinson stated that his nomination is based primarily on the fact that he has known Walter for a long time. Wilkinson further stated that the other candidates certainly look good; he just doesn't know them as well as he does Walter. He certainly knows that Walter is very capable and he is sure the others are also. Wilkinson stated that he really was kind of surprised that at the last meeting the only candidates who applied were Walter and Cummings. Wilkinson gave a little history. Back in April when the annual meeting was held, Thomas Greaves turned his resignation in. Paulson asks Wilkinson if he is making a motion. Wilkinson replied that he was commenting. Kaufman requested a second. James McKinney seconded the nomination. Wilkinson continued with his discussion that there was only one candidate when Thomas Greaves left and that was James McKinney. Wilkinson stated that for Dale Mutschler last month, the board kind of went back to the 30-days thing that caught him by surprise because the 30-days part of the policy and rules was repealed on June 14, 1999, so it is null and void. Wilkinson stated that he asked an attorney about this and according to that attorney he said it is null and void, although, the Board has the discretion because the by-laws are very limited on what they say. Wilkinson read from the corporation's by-laws, which state, "that upon the death or resignation of a director the successor shall be elected, by majority of the directors remaining, to serve out the remaining portion of the term that is vacated." Wilkinson stated that he believes this leaves it very loose on what you do but he did not think the Board would ever want to go back and pick up something that was repealed, like the 30-day thing, unless you picked up the entire thing. Wilkinson stated that the Board would not want to pick and choose on what portion of something that was repealed to go to. Kaufman explained that some time ago the Board had a provision that stated that for the first 30-days the Board would give consideration to a candidate from the same area and then the second 30-day period was open to candidates from all areas. The Board was advised by their attorney that since the individuals sitting on the board represent every body that the 30-day policy for a particular area was in violation so he recommended that the Board terminate that and that's what they have done. So now they still have the 30-day wait, it is simply for the 30-day application period, but they do not give preference any more to the location. Paulson stated that they just feel that they need to wait 30-days after they notify the community to get all the candidates and this is evidence that that was a good decision because the board has more candidates now.

Kaufman nominates and Kilpatrick seconds the nomination of Gracie Egan. Wilkinson then states that he has a motion on the floor that needs a vote. There was an outburst from the audience demanding a vote because there is a motion on the floor. Kaufman states that nominations are made and then the board votes. Kaufman asks Wilkinson if he wants to vote up or down on each candidate. Kilpatrick states that he has more discussion before any vote is taken.

Paulson states that there is a motion and a second before the board. Paulson said that discussion should continue and the board would decide if it would pass that motion.

Kilpatrick recommended that the board consider Ms. Egan for several reasons; one because he thinks that the diversity on the board would be very healthy and also a candidate from the Bartonville area would be helpful. McKinney asked Mr. Cummings what his business is. Cummings responded that it is oil and gas. Kaufman stated that one of the reasons he supports Egan is because he has been a big proponent of no more than two candidates from any given area. Because the board serves a large area and he likes to see candidates come from all areas. Right now the board has three areas with two members and this adds another member from another area.

McKinney suggests to the Board that since all three candidates are well qualified, that the board vote either by ballot or by putting the candidates' names in a box and draw, so as to not make it a territorial situation. There is further discussion regarding how voting was done in the past.

Paulson calls for a vote. As heard on the audio tape, Paulson asks for all in favor. Wilkinson voted for Walter and he gave his reason for his vote as Double Oak uses 58% of water approximately and only has two representatives on the board. But yet they have always used in the neighborhood of 58% and have always been under represented and so it seems to him that it is time that if they are going to look at it from an area issue... Wilkinson referenced Kilpatrick's position that the board represents everyone and they shouldn't look at that. Wilkinson stated either they do or don't. Kilpatrick reiterated that his first point was diversity and nothing to do with geography. McKinney voted aye.

Almost immediately, Kilpatrick starts to make a motion, however, he is corrected by Kaufman that "the voting isn't over yet." There is an unintelligible statement on the tape by Paulson, a pause, and Paulson announces that the motion doesn't carry. Three "nay" votes (Hanson, Kaufman, and Kilpatrick) were recorded in the hand written notes of the meeting by Jennifer Drury. There was no objection raised by any of the directors as to the voting results at the meeting.

AYE: Wilkinson, McKinney
NAY: Hanson, Kaufman, Kilpatrick
Motion not carried

McKinney again suggests that, so it is not territorial, they put the names in a box and draw them out.

Motion by Kilpatrick and second by Kaufman to elect Ms. Gracie Egan to the Board.

AYE: Hanson, Kaufman, Kilpatrick
NAY: Wilkinson, McKinney
Motion carried

Tracy Miller advised the Board that at the next meeting the Board should be prepared to substantiate the vote according to the by-laws, those that were repealed and otherwise, not that Ms. Egan would not make a good candidate but in fact according to the by-laws they

should have made the vote last meeting and she was not a viable candidate at that time. Miller advised the Board that they may want to check with their attorney, in all due respect, and they would work with the board as individuals to put on the agenda to discuss it at that time.

President Paulson invited Ms. Egan to join the board.

Paulson advised that they have a recommendation from one of the board members that they go into Executive Session. Paulson announced that the board would go into executive session at 8:29 p.m.

Board came out of Executive Session at 8:32 p.m. No discussion. No action.

President Paulson announced that there would be a 5-minute recess.

President Paulson reconvened the meeting at 8:40 p.m.

5. Approve the Minutes of the May 19, 2005 and June 1, 2005 Board Meetings.

Motion by Kilpatrick and second by Wilkinson to approve the minutes of the May 19, 2005 and June 1, 2005. Aye: Hanson, Kaufman, Kilpatrick, McKinney, Wilkinson. Egan abstained due to not being present. Motion carried.

6. Approve the May 2005 Disbursements and Financial Reports.

Paulson asked about water costs. Drury stated that the SCADA system was not upgraded and for that reason BWSC was using UTRWD, which in turn put water cost over budget. The budget allocations for expenses are based upon last year's consumption and it is difficult to be exactly on budget. Drury stated that the corrections have been made to the well water vs. UTRWD flow. Hanson questioned the actual current income calculation. Motion by Kilpatrick and Second by Kaufman to table approval of the May 2005 Disbursement and Financial reports until next month due to corrections that are needed. Motion approved unanimously.

7. Discussion and Action on All Matters Concerning Upgrades to Existing Pump Stations, Including Chinn Chapel Site and All Relevant Additional Property Acquisitions.

No discussion. No Action.

8. Discussion and Action on All Matters Regarding Mereken Energy Corp's Oil & Gas Lease Proposal/Stargate Pump Station Site.

No discussion. No Action.

9. Discussion and Action on an Amendment to the Corporate Authorization Resolution with NorthStar Bank of Texas.

Drury explained that this would allow her to upload files for payroll and bank drafts for members to pay their bills and give Drury access to discuss checking, money market, and

CD accounts. Motion by Hanson and second by Kilpatrick to approve Jennifer Drury to act as the agent for the Bartonville Water Supply Corporation in accordance with the requirements of NorthStar Bank of Texas. Motion approved unanimously.

10. Discussion and Action on All Matters Regarding Strategic Planning for Long Range Water Supply.

Kilpatrick suggested that considering the discussion in executive session perhaps the board wants to recollect the document provided to the board by The Ginn Corporation. Ginn stated that the document is not carved in stone; that it is just an overview of when they visited the sites with Mr. Dillard and kind of how they see the long range heading up to 4,000 customers and now they need to ultimately plan on 5,000 or so. Kilpatrick asked they go back into executive session to discuss this.

President Paulson announced that the Board would go back into Executive Session at 8:51 p.m. concerning:

- a. All Matters Concerning Upgrades to Existing Pump Stations, Including a Possible Site Exchange at the Chinn Chapel Site, Pursuant to Government Code, Section 551.072.**

The Board came out of Executive Session at 8:57 p.m.

11. Staff Reports

Ginn stated that the pre-construction conference for Broome Road is scheduled for Friday, June 17, 2005. BWSC will give notice to H2M to proceed on or before July 1, 2005. This is a 120-day contract that is scheduled to be complete on or before October 28, 2005 with a penalty of \$200.00 per day thereafter for liquidated damages provided there is no contract extension due to weather or other circumstances. Ginn stated that he has a clearer and better understanding about the board wants on the sites and Leggieri and he will work on that before the next board meeting.

Egan inquired about the pre-construction meeting, asking if a contractor had already been chosen. Ginn explained that BWSC took competitive bids and this was the low bidder. Egan asked if these were sealed bids. Ginn responded that yes and H2M were the low bidder. Leggieri stated that Carla Anderson, the Town of Bartonville liaison for the water supply, will attend and the property owner that has the lion share of the easement, Mr. Rock, has been invited to attend. Wilkinson clarified that there was a shared cost with the Town of Bartonville. Ginn explained the purpose of the pre-construction meeting.

Leggieri gave the Board an update on the Thornhill/Taylor Oaks connection. In regard to the SCADA system Leggieri referred to the e-mail from David Smith, the President of Prime Controls, giving an update on the SCADA system issues. Some of the issues seem to be related to the type of pipe used and go back to the original installation by WHF. Leggieri stated that they have found that the meters are not calibrated for the type of pipe used. Leggieri advised that the updates to the SCADA system are in progress and this is going well. Kilpatrick suggested that BWSC staff systematically, in a planned matter, audit what is being done to collect the data and make sure it is accurate. And if it is not accurate have

an action plan to make corrections as soon as possible. Leggieri stated that Prime Controls is working hard to fulfill Board/Staff expectations. Hanson asked, "What is the estimated time of completion?" Drury stated that the software upgrade has been converted and Prime Controls is working aggressively to work out the problems in the system. Leggieri stated that by the end of this month he expects the problems to be corrected. Kilpatrick requested that at the next meeting Leggieri give an update to the Board on the progress of the SCADA system.

Ginn advised the Board that the ground water problem at Copper Hill is due to roots that appear to be affecting the french drain. The staff is getting prices from H2M and one other contractor to have this corrected and the prices will be brought before the Board as soon as possible.

12. Engineers Report

13. Review Future Agenda Items, Activities, Announcements, and set the date for the July 2005 Meeting.

The next regular Board meeting will be scheduled for July 12, 2005 at 7 p.m. Future agenda items should include SCADA updates until the system is running as expected. Egan suggested a representative from Prime Controls be present at future meetings until all SCADA issues are resolved. Executive Session items will include Board of Directors activities as far as elections of Directors and the Board will review the by-laws with Ronnie Phillips, Esq.

Motion by Kilpatrick and second by Hanson to adjourn the meeting. Motion approved unanimously. The meeting was adjourned at 10:06 P.M.

Recorded by Jennifer Drury

Certified by Larry Kaufman, Secretary-Treasurer