

**Regular meeting
April 25, 2006**

**APPROVED MINUTES OF REGULAR MEETING OF THE BOARD OF
DIRECTORS
Of
EL PASO WATER COMPANY, INC.**

April 25, 2006

The regular meeting of the Board of Directors of El Paso Water Company, Inc. convened in the City Council Chamber, 611 Mulberry, Derby, Kansas at, 9:02 p.m. following adjournment of the City Council meeting.

The following Directors were present and constituted a quorum:

Dion Avello
Lori Payne
Ken Mulanax
Cheryl Bannon
Charlie Schwarz
Chuck Warren
Steve Ashley
Jim Meidinger
Jim Craig

Others in attendance:

Kathy Sexton, Chief Executive Officer
Pat Swaney, President
Phil Alexander, Vice President
Jean Epperson, Secretary-Treasurer

Mr. Avello called the meeting to order.

EXECUTIVE SESSION

Mr. Craig moved to recess to executive session for 15 minutes to discuss the rate structure in matters privileged in the attorney-client relationship, seconded by Ashley. The motion was approved by vote of 8 in favor and 0 opposed.

The Board returned from executive session at 9:20 p.m. and Mr. Warren stated that no binding action was taken.

APPROVAL OF MINUTES

Mr. Warren moved to approve the minutes of the regular board meeting of February 28, 2006. The motion was seconded by Payne and passed by a vote 8 in favor, 0 opposed, the minutes of such meeting were approved.

NEW BUSINESS

Declaration of Dividend

The Board received a report concerning the calculation of a dividend proposed to be declared and paid to the City of Derby, Kansas as sole stockholder of the Company. The proposed dividend was calculated in accordance with the pertinent City bond resolution by subtracting an amount sufficient to meet the Company's operations and maintenance requirements for the next 60 days from the amount on hand at the beginning of the current month. The proposed dividend of \$97,087.13, together with other dividends declared and paid from time to time, will be accumulated and used by the city to meet debt service on its General Obligation Water System Refunding Bonds Series 2004A.

Staff answered Board member's questions concerning the payment of debt service out of the surplus account when the monthly requirement exceeds the declared dividend; and the comparison of expenditures in the 2005 and 2006 financials.

Upon motion made by Warren, seconded by Mulanax and passed by vote of 8 in favor and 0 opposed, the following resolution was adopted:

BE IT RESOLVED, that a dividend in the amount of \$97,087.13 be declared and paid forthwith to the City of Derby Kansas, as the sole stockholder of the Company.

Amendment of By-Laws

The Board received a staff report of the proposed confirmation of Kathleen B. Sexton to serve as Chief Executive Officer and the election of Philip H. Alexander to serve as Vice President.

Several members of the Board suggested changes to the proposed amendment that would create the office of chairman of the Board in the by-laws to be held by the Mayor; clarify the role of the chairman of the Board – such as calling special meetings; and to clarify Item 8 of the resolution relative to reimbursement of expenses of attendance at board meetings.

A motion was made by Warren, seconded by Mrs. Payne to:

Amend Articles III and IV of the By-laws of the Corporation, providing for management of the affairs of the Corporation by a Board of Directors, establishing officers of the Corporation and prescribing the duties of each; and repealing original Articles III and IV of such By-Laws, as the same may have been from time to time amended, and further instruct the Staff to incorporate those items that have been identified as troublesome and return to the Board wording for incorporating the Chairman's position with all of its duties.

The motion was amended to direct staff to add the position of Chief Operating Officer, and to attach this position to the President. This motion failed by a vote of 4 in favor and 5 opposed.

The original motion was then approved by a vote of 7 in favor, and 1 opposed.

Confirmation of CEO and Election of Vice President

Upon motion made by Craig, seconded by Bannon and passed by vote of 8 in favor and 0 opposed, the following resolution was adopted:

BE IT RESOLVED, the confirmation of Kathleen B. Sexton as Chief Executive Officer and the election of Philip H. Alexander as Vice President of the Company and authorizing such officers to sign checks and electronic transfers of funds on behalf of the Company.

Discussion of Rock River Rapids water charges.

The Board received a staff report substantiating various scenarios for the billing of water charges to the Rock River Rapids Aquatic Park. Upon motion by Schwarz, seconded by Ashley, the Board voted to accept scenario #2. The motion passed by a vote of 5 in favor and 3 opposed. Scenario #2 provides that Rock River Rapids will be billed pursuant to current rate schedule but the initial fill of the pool will be free.

Additional Discussion Items

Mrs. Bannon inquired about the regulatory actions section on page 26 of the draft rules and regulations and several items that might need revision during the review process. Ms. Sexton reminded the Board that this is not the final draft, but an initial document that will let them know that staff is working on a draft.

Mr. Meidinger commented that at one time the El Paso Water Company had a check off for a dollar a month to go for a pool; he questioned where that money went.

Mr. Swaney advised that \$181.00 was paid to the city, which is the amount they received in 90 days.

ADJOURNMENT

There being no further business to come before the meeting, upon motion made by Warren seconded by Schwarz and passed by a vote of 8 in favor, 0 opposed, the meeting was adjourned at 10:37 p.m.

Jean Epperson, Secretary