

**Regular meeting
August 28th, 2007**

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

August 28th, 2007

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 9:48 p.m. following adjournment of the City Council meeting.

The following Directors were present and constituted a quorum:

Dion Avello
Cheryl Bannon
Charlie Schwarz
Chuck Warren
Jim Craig
George Arnold
Mark Staats
Jim Meidinger

Others in attendance:

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

Mr. Avello called the meeting to order.

APPROVAL OF MINUTES

MOTION: Warren moved to approve the minutes of the July 24th 2007 board meeting. Schwarz seconded.

VOTE: Craig yea, Arnold yea, Warren yea, Schwarz yea, Staats yea, Bannon yea, Meidinger yea, Avello yea, Johnson absent, 8 yea, 0 nay, 1 absent, motion carried.

DECLARATION OF DIVIDEND

Jean Epperson, Secretary/Treasurer presented the staff report.

MOTION: Warren moved to adopt a resolution declaring and directing payment of a dividend for the month of July in the amount of \$80,986.73 to the City of Derby, Kansas, as the sole stockholder of the Company. Craig seconded.

VOTE: Craig yea, Arnold yea, Warren yea, Schwarz yea, Staats yea, Bannon yea, Meidinger yea, Avello yea, Johnson absent, 8 yea, 0 nay, 1 absent motion carried

PROPOSED AMENDMENTS TO THE CORPORATE BY-LAWS

Jean Epperson, Secretary/Treasurer presented the staff report.

MOTION: Warren moved to adopt the corporate by-laws as presented. Schwarz seconded.

VOTE: Craig yea, Arnold yea, Warren yea, Schwarz yea, Staats yea, Bannon yea, Meidinger yea, Avello yea, Johnson absent, 8 yea, 0 nay, 1 absent motion carried.

GENERAL DISCUSSION:

Mr. Craig asked if the board would be receiving an update on their request from the law firm about the water company.

Ms. Sexton advised that is scheduled for the next meeting, the September water board meeting. They should have information on the appraisal that they had hired to be done as well as the legal opinions from the attorneys about the income tax status and that sort of thing.

Mr. Meidinger stated that since the El Paso Water Company is a separate entity from the City of Derby, the El Paso Water Company should have priorities because the City of Derby shouldn't set priorities for the El Paso Water Company should they? Even though it's the same group of people, technically we are two different units. The one he is talking about is the sale of water, he thinks if the El Paso Water Company is a functional business they should have priorities and goals and we don't, we just kind of treat it as a another department. Therefore the CEO is held accountable for certain things the El Paso Water Company is doing.

Ms. Sexton advised they will do whatever the board wants. At this point in time you are absolutely right, we have one priority list and water stuff are certain items on that priority list. You might be two boards but you are really the same people and we are one staff, however you want to set priorities is certainly fine with her.

Mr. Meidinger stated that since we are a profit and loss company and we are responsible for debt he thinks we should have priorities.

Mr. Avello suggested that be set up for discussion at the next water board meeting.

Ms. Sexton asked for clarification, does the board want an item on the agenda asking to pull the priorities regarding water issues off of the city council priority list and put it on a separate list?

Mr. Avello advised to create two lists, one for the city and one for the water company and have that as a discussion item or action item.

Mr. Craig added that he believes that when we get some of the information back from the valuation assessment and from the law firm outlining some things about the legal aspects of the company that will probably set the tone for what our priorities will be as we try to market the water that we have in the ground that we don't use.

Mr. Avello stated he has received his water bill and has seen a reduction in cost of water without changing watering habits. We have gone through some heat and he has still seen some substantial savings on his water rates.

ADJOURNMENT

MOTION: Schwarz moved to adjourn at 10:00 p.m. Bannon seconded.

VOTE: Craig yea, Arnold yea, Warren yea, Schwarz yea, Staats yea, Bannon yea, Meidinger yea, Avello yea, Johnson absent, 8 yea, 0 nay, 1 absent motion carried.

Jean Epperson, Secretary