

**Regular meeting
February 26th, 2008**

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

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 8:35 p.m. following the City Council meeting.

The following Directors were present and constituted a quorum:

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

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.

APPROVAL OF MINUTES

MOTION: Schwarz moved to approve the minutes of the January 22nd, 2008 regular board meeting. Meidinger seconded.

VOTE: Avello yea, Craig yea, Meidinger yea, Nun yea, Warren abstain, Schwarz yea, Bannon yea, Staats abstain, Arnold yea, 7 yea, 0 nay, 2 abstentions, motion carried.

DECLARATION OF DIVIDEND

Jean Epperson, Secretary/Treasurer presented the staff report.

MOTION: Craig moved to adopt a resolution declaring and directing payment of a dividend for the month of January in the amount of \$34,971.07 to the City of Derby, Kansas, as the sole stockholder of the Company. Arnold seconded.

VOTE: Avello yea, Craig yea, Meidinger yea, Nun yea, Warren yea, Schwarz yea, Bannon yea, Staats yea, Arnold yea, 9 yea, 0 nay, motion carried

RESOLUTION TERMINATING AXA RETIREMENT PLAN

Pat Swaney, President presented the staff report.

MOTION: Warren moved to a adopt a resolution terminating the retirement plan agreement with AXA Retirement Plan Services. Staats seconded.

VOTE: Avello yea, Craig yea, Meidinger yea, Nun yea, Warren yea, Schwarz yea, Bannon yea, Staats yea, Arnold yea, 9 yea, 0 nay, motion carried

PROPOSED WATER CONSERVATION PROGRAM

Pat Swaney, President presented the staff report.

DISCUSSION:

Mr. Craig believes the city should take the step first to be the example. For that type of savings he doesn't think anyone will have an objection. He does think we need to consider how we go about it and maybe we can give some incentive to "buy and comply". There was an example provided that if 1,000 customers had irrigation systems at \$25.00, that is \$25,000 but it would be revenue. He asked if there was anything that would prevent us making this mandatory for new irrigation systems that use city water.

Mr. Swaney advised there are cities that already do that, making it mandatory for systems installed after a certain date to be installed with a rain sensor device.

Ms. Sexton clarified that there is nothing keeping the city from making it mandatory, we just have to pass an ordinance to do that. It is similar to the trade codes passed last week and would be for all new construction.

Mr. Craig believes the ones that will benefit most are the commercial ones that have their systems set on a periodic basis that run rain or shine. He advised staff to move in a direction to build an ordinance and bring it back to us. He thinks it is well worth the investment, especially for new ones and we will try to get people to get excited about it voluntarily, if they don't then we can take other action. He does believe we can offer them some incentive through their water bill.

Mr. Swaney advised he had visited with our building inspector and in the plumbing ordinance, it references irrigation systems. It references only the backflow device and some other plumbing codes but he does know other cities have added the mandatory sensors.

Mr. Craig indicated he did not want this to turn into a conversation. This is more important than the backflow device, although he knows we have to have. The sensor actually saves more money.

Mr. Warren stated there is a part of him that has an aversion to mandating something every time we see a good idea. He doesn't really have a problem with new installations, if we want to add to the code that if any new sprinkler systems go in to require sensors from that standpoint. From an incentive standpoint, if the city bought these in bulk hopefully we could get a pretty good price on them so if we became the ones to distribute them out people could get a good price. If somebody wanted one on their sprinkler system we could just incorporate that on their water bill. They won't have to come in and pay, we could just add the cost to their water bill. If they are simple to install, could we just install it instead of giving \$25.00 back. He asked if that would be more expensive than a \$25.00 credit.

Ms. Sexton advised that would take a lot more time. If we are doing a bulk purchase and then re-selling them we are putting ourselves in a retail business so to speak and there might be some retailers that may object to that because we are essentially cutting into profit margins. If you think about the guy at the hardware store who can explain to a person how to install it, they do provide a value added for their profit. It's a reasonable marketplace kind of situation. If we are buying in bulk we have to find a place to store them, as you well know every inch of this building is full. We don't have storage space and we would have to store them if we bought them. Then we would have to work with each customer that comes in and explain it to them or install them.

Mr. Warren advised his fear is that people will find it is more complicated than they want to do. If it is as simple as Mr. Swaney says then it won't be a problem, but if it is more complicated then that it may be a problem.

Mr. Swaney stated that any lawn irrigation person can install it at a reasonable cost. If it's the one you use to do your winterizing and start up he is sure it is even more reasonable. The unit he is showing is a top dollar line and is \$38.00. Ms. Sexton is correct, if we buy them in bulk and hand it out who would be responsible if it fails? The

people that work in the sprinkler system business have to have certified personnel and we don't have that.

Mrs. Bannon indicated she is thrilled to see Mr. Swaney excited about this and that people really do listen to her sometimes. She believes this should be mandatory for all commercial businesses, as well as the city and school district. She also believes it should be mandatory for all new systems. It is incumbent upon all of us to conserve our resources. We are not talking about a high dollar item and it is fairly simple to install. She suggested maybe we partner with a local business or two that could order these in bulk and people could purchase these locally at a lower cost.

Ms. Sexton advised that Mr. Swaney has talked to Lowe's and a local sprinkler company and told them we have put this information on our website and asked if they had these in stock, do they work, and asked what their experience was with them. If we are going to make it mandatory we will go back and talk to them again as well as the rest of the sprinkler system companies and give them a date so everyone can start stocking them and get their staff up to speed to answer questions. Ms. Sexton asked if Mrs. Bannon meant mandatory for all commercial, not just new.

Mrs. Bannon advised she meant all commercial. At home, before her husband waters he checks the rain and the wind, if it's blowing too hard he's not going to waste the water. As Mr. Swaney said, when you have a commercial building you don't have anyone on site to check those. Will they grunch a little that the city is telling them something else to do? Perhaps, but when they get their water bill and they've saved all this money for a \$40 investment, it's a win win for everybody. As far as she is concerned commercial is mandatory.

Mr. Swaney commented that he thinks this is something businesses are going to want to put in, they realize what they pay for water because they call and ask us to verify their readings but they don't shut them off when it rains and they know what happens. He thinks you will see more and more of them do it and not say a thing about it. You may have the little shop down the corner that has 15-feet of green area that may not think it's worth it and maybe you can make exceptions for the square feet of area they are watering.

Mrs. Bannon advised she thinks it's a great idea and the sooner we move ahead with this before the sprinkler season of this year kicks in the better.

Mr. Swaney asked if this needed to be on the city side or the water company side.

Ms. Sexton advised that if we are going to make things mandatory we are definitely asking for input tonight and certainly if anyone else has any ideas let us know, otherwise we would proceed with what has been said so far. We will draft up the documents and bring them to either the council or the board, whatever the city attorney decides. She asked if we wanted to provide incentives for homeowners or not.

Mr. Meidinger stated he did not think the city should get in the retail business of these things, he thinks that would be a nightmare. He also thinks that these should be mandatory for commercial. Especially when you look at the school system and our park systems because these are large areas and you get a lot of visible traffic by that. When we have our water on and the school district has theirs on, that is a lot of waste. If we are talking about incentives, what about the people who have wells, are we talking about incentives for them also?

Mr. Swaney stated that to him an incentive is the money savings of not watering when it rains. He realizes that what Mr. Meidinger is talking about is the rebate program other communities have offered because they needed to conserve water and they need to do it now.

Mr. Meidinger asked if the incentive is being offered to people who have water wells as well as the people who use El Paso Water to irrigate.

Mr. Swaney advised that was a good point because that would be conserving water.

Mr. Meidinger commented that from this point on he believes all new irrigation systems should have this system.

Mr. Swaney added that should be the case whether it is well or city water.

Mr. Meidinger agreed. He asked what type of system it is going to be, are we going to say they have to get a certain brand?

Mr. Swaney advised there are numerous different brands available.

Mr. Meidinger clarified that we are going to have a mandatory ordinance, is that what we are going to do?

Mr. Avello advised that was correct.

Mr. Meidinger clarified it would be for commercial and all new residential.

Mr. Swaney used the golf course as an example. When they are watering and you are driving down 63rd and the wind is blowing 30 mph it causes a hazard. That is something that can be controlled by sensors.

Mr. Warren advised that when they went to Nevada last year one of the things he saw that was big in other parts of the country were rain barrels that tied into the guttering systems. He asked if that is something that wouldn't work here because of our freezing weather, or is that something that would be another option.

Mr. Swaney stated that would be another option to put out there.

Mr. Warren indicated he would like some information on those kinds of things, just from an education standpoint.

Mr. Swaney advised the ones he has looked at just bury a large plastic container in the ground that holds 2,000-3,000 gallons, then they pump it out to irrigate their yard and hope it rains in between to refurbish it.

Mr. Warren stated the ones he saw were actually above ground, maybe 55-gallon barrels that had hoses attached to water with.

Council Member Arnold indicated that the average person here in Derby is fairly intelligent and if we do a marketing job and tell them how much it is going to save them they would be more than willing to spend the \$40 - \$60 to install this piece of equipment when you consider what their water bills are in the summertime.

Ms. Sexton clarified that the majority of the board wants an ordinance drafted to make it mandatory for all new irrigation systems, all current commercial and institutional properties with irrigation systems and possibly some desire to make this apply to well water as well as the city system. The city should take the lead and set the example with our own properties, but we should not write an ordinance with a financial incentive for current homeowners to install the device and the city will also do marketing and promotion.

ADJOURNMENT

MOTION: Warren moved to adjourn at 9:02 p.m. Schwarz seconded.

VOTE: Avello yea, Craig yea, Meidinger yea, Nun yea, Warren yea, Schwarz yea, Bannon yea, Staats yea, Arnold yea, 9 yea, 0 nay, 0 absent, motion carried

Jean Epperson, Secretary