

**Regular meeting
February 27th, 2007**

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

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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 10:00 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
Loren Johnson
Jim Meidinger
Jim Craig
Ken Mulanax

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: Bannon moved to approve the minutes of the January 23rd, 2007 board meeting. Craig seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren yea, Schwarz yea, Mulanax yea, Bannon yea; Avello yea, 8 yea, 0 nay, motion carried.

MOTION: Bannan moved to approve the minutes of the January 30th, 2007 special board meeting. Craig seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren abstain, Schwarz yea, Mulanax abstained, Bannan yea; Avello yea, 7 yea, 0 nay, 1 abstention; motion carried.

DECLARATION OF DIVIDEND

Jean Epperson, Secretary/Treasurer presented the staff report.

MOTION: Bannan moved to adopt a resolution declaring and directing payment of a dividend for the month of January in the amount of \$82, 420.77 to the City of Derby, Kansas, as the sole stockholder of the Company. Mulanax seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren yea, Avello yea, Schwarz yea, Bannan yea, Mulanax yea, 8 yea, 0 nay, motion carried.

APPROVE PAY PLAN

Kathy Sexton, Chief Executive Officer presented the staff report and recommended the board adopt the pay plan as presented.

Background/Discussion:

- On Sept. 26, 2006, the City Council approved a new pay plan for full-time city positions based on a market survey of similar positions in the region and in cities across Kansas.
- At that time, it was noted that the next project in Human Resources would be a similar study for Water Company positions and part-time city positions, then a comprehensive review of City personnel policies and procedures (with the intent of implementing for the water company too), and finally an update to the performance evaluation system (also with the intent of using the same system for the city and the water company).
- Although the history of how the Water Company compensates its employees differs from that of the City's, one of the basic purposes of the pay study is to bring uniformity to the two systems. Another purpose is to ensure employees are being paid equitably when compared to the market.
- Thirty-two (32) organizations were surveyed using a similar process as with the City's survey. Between 9 and 13 comparisons were received for each position, which ensured reliable data. Market minimum and maximum rates were collected, and the market actual hourly rate was used to create the recommended minimum (85%) and maximum (115%), which is the same methodology used for the city survey. The company president position was treated like city department directors

at 80% and 120%, which was the formula recommended by the Austin Peters Group.

- Because the data collected was for 2006 salaries, the 2% general pay adjustment (GPA) was then added to create the 2007 pay plan. This GPA is equal to that approved by the Council for city positions.
- Once approved by the Board, employees currently compensated at a rate lower than the minimum of the new pay plan for their position classification will be brought up to the minimum level of their position.
- Employees also will receive 30% credit for their years of service to ensure against wage compression problems in the pay plan.

Financial Considerations:

- Implementation of the pay plan and GPA effective March 1, 2007 for all 10 positions will cost \$19,448. Because the Water Company is in the process of changing its health insurance provider (Blue Cross Blue Shield) to use the City's contract with Preferred Health System, savings of \$15,940 are available in the budget to use for the bulk of the pay plan cost.

MOTION: Craig moved to adopt the 2007 El Paso Water Company pay plan as presented. Warren seconded.

DISCUSSION:

Jim Craig commented that he knows this task took a lot of time and he is sure the entire council appreciates the detail that goes into completing something like this. We still have a long way to go on some other things but it is a good sign that we are doing things in the best interest of our employees and keeping them on par with other industries that have the same skills. He thanked Ms. Sexton and city staff for diligently pursuing this because he knows it is a difficult job.

Ms. Sexton thanked Mr. Craig and also thanked Jenny Thrush, the human resources manager and Pat Swaney, president of the water company who put a lot of hours in on this in comparing job descriptions from one water department to another and making the job descriptions very clear. They put a lot of effort into it and she commended them.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren yea, Avello yea, Schwarz yea, Bannon yea, Mulanax yea, 8 yea, 0 nay, motion carried.

ADJOURNMENT

MOTION: Warren moved to adjourn at 10:10 p.m. Craig seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren yea, Avello yea, Schwarz yea, Bannon yea, Mulanax yea, 8 yea, 0 nay, motion carried.

Jean Epperson, Secretary