

**Special meeting  
May 23, 2006**

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

**May 23, 2006**

The regular meeting of the Board of Directors of El Paso Water Company, Inc. convened in the City Council Chambers, 611 Mulberry, Derby, Kansas at, 7:25 p.m. during the City Council meeting.

The following Directors were present and constituted a quorum:

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

Others in attendance:

Kathy Sexton, Chief Executive Officer  
Pat Swaney, President  
Phil Alexander, Vice President

Mr. Avello called the meeting to order.

**APPROVAL OF MINUTES**

Ms. Bannon moved to approve the minutes of the regular board meeting of April 25, 2006. The motion was seconded by Ashley and passed by a vote 6 in favor, 0 opposed.

**NEW BUSINESS**

**El Paso Water Company Audit Report**

The Board received a report concerning the audit presented by Marvin Nye with Peterson, Peterson and Goss. He explained the audit went very well and speaks

for itself. There were no reportable conditions noted in the management letter. There was however one small suggestion for change which he believes is going to be made.

Staff answered Board members' questions regarding unremitted sewer charges.

### **Amendment of By-Laws**

The Board received a staff report of the proposed further amendments of articles 3 & 4 that were suggested at the last meeting 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. They also suggested that the CEO preside over stockholder meetings, although it would be a rare occurrence where we would have a stockholders meeting. In the amendments it was also added that a corporate officer could be removed by action of the board at any time, which was just some clean up language.

A motion was made by Bannon, seconded by Craig and passed by a vote of 5 in favor, 1 opposed.

To adopt resolution amending Articles III and IV of the Bylaws of the Corporation, providing for management of the affairs of the Corporation by a Board of Directors and 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 have been heretofore amended.

### **Revision to operating policies and procedures.**

The Board received a report regarding revisions to the operating policies and procedures and gave the Board an update of what has been done to this point.

Staff answered comments regarding proposed revisions to the operating policies and procedures.

A motion was made by Craig to accept the report as presented and await the final version, seconded by Bannon and passed by a vote of 6 in favor, 0 opposed.

### **Additional Discussion Items**

Mr. Avello asked if there was a dividend this month. Ms. Sexton and Mr. Swaney stated there was not and explained why there would not necessarily be one every month.

Mr. Craig pointed out there is a document dated May 17, 1999 and thought there should be a more up to date document to use for comparison of operating expenses in today's terms.

Ms. Sexton said that was not a problem and would be taken care of.

Mr. Schwarz asked about the accrued sewer charge and if that was something that was paid to the City of Derby.

Mr. Swaney responded that that was something they collect and pay to the city. If they are not able to collect them they are written off and the city attempts to collect the money.

Ms. Bannon asked about the cost reported for leasing the folding machine and questioned if it would be cheaper to purchase one.

Mr. Swaney explained that it was more profitable to lease the machine and have maintenance available because of the high use of the machine.

There was general discussion as to whether there would be two separate documents explaining the policies and procedures of the water company, one for public viewing and one for private viewing. Mr. Alexander explained they are working towards having one document that would be open to the public.

### **ADJOURNMENT**

There being no further business to come before the meeting, upon motion made by Craig seconded by Mulanax and passed by a vote of 6 in favor, 0 opposed, the meeting was adjourned at 7:50 p.m.

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Jean Epperson, Secretary