

**Regular meeting  
November 27<sup>th</sup>, 2007**

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

**November 27<sup>th</sup>, 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 9:25 p.m. during a recess of the City Council meeting.

The following Directors were present and constituted a quorum:

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

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 October 23rd, 2007 regular board meeting. Schwarz seconded.

VOTE: Craig yea, Arnold yea, Warren yea, Nun yea, Bannon yea, Meidinger yea, Avello yea, Schwarz yea, Staats abstain, 8 ea, 0 nay, 1 abstention, motion carried.

## **CANCELLATION OF DECEMBER 25<sup>TH</sup>, 2007 MEETING**

**Jean Epperson**, Secretary/Treasurer presented the staff report.

MOTION: Bannon moved to cancel the December 25<sup>th</sup>, 2007 regular board meeting and call a special meeting for December 11<sup>th</sup>, 2007. Staats seconded.

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

## **REVIEW OF BOARD PRIORITIES**

**Kathy Sexton**, Chief Executive Officer presented the staff report.

### DISCUSSION:

**Mr. Meidinger** commented regarding marketing of water assets. To him, this is the primary reason we bought the El Paso Water Company. We bought it for the water rights, we bought it to make money. We have this asset sitting across the river and we are not doing anything with it. Now we have the opportunity legally to sell this water. He thinks that should be the top priority because this could be a tremendous income for the City of Derby. If we don't do something with it we really made a big mistake by buying El Paso Water Company. We bought not only blue sky but no water. He would like to have some type of proposal on how we are going to sell that water.

**Ms. Sexton** explained that is why it's on the list as a priority. In terms of the reason why it was bought she can't obviously comment on, but she is sure some would say there are several other reasons why it was purchased as well. What she is picking up is that while marketing of the water is important, there is also a lot of other things going on that are important to create efficiencies within the department that we have and to make sure we are making good decisions for the running of the company we have and providing the water and the service to our current customers.

**Mr. Meidinger** stated that the water is provided by Wichita and he thinks there is no question that the customers are getting good service. He thinks the customers need to get some good payback from the investment that the city made in buying El Paso Water Company. What he would really like to see is a recap of what the city purchased, inventory wise, from El Paso Water Company. In other words, did we buy six tanks, two buildings, etc., then you would get down to the fact that we paid a tremendous amount for these water wells that we aren't using. What really concerns him is the fact that those water wells could be contaminated by the salt in the not too distant future. There was concern about the water being contaminated because of some type of a salt bloom that was moving towards those wells. If we sit there and don't do anything and all of a

sudden the water is of no value then we've really made a major mistake by purchasing the water company. Now the ball is in our court and we have to do something with that water. He understands all these things up here are nice, but he understands Bloomberg's report that you can't run cities like government, or whatever he said. This is a strict business decision, we have the water, we should be selling it.

**Mr. Avello** asked Mr. Meidinger if he were suggesting that we move Item D and move it up.

**Mr. Meidinger** indicated he is suggesting it should be AA. He thinks the most important reason we bought the water company was to sell water, not to buy water from Wichita.

**Mr. Avello** advised we did buy the water company for self defense and to make money, that is correct and then the state came in and advised we had to give them our water because we were pumping too much. He agrees that we need to sell it or do something with it and he doesn't have a problem moving it up on the priority list. We are going to have to address it sooner or later.

**Mrs. Bannon** stated that Item A, given the timing, because that almost has to happen at the end of the year to go from one company to another. After that she has no problem moving marketing water assets to Item B, with the understanding that a lot of these items can probably be done concurrently and she would imagine that was staff's plan. It's not like staff works on just one item at a time. We have waited a long time for the official "blessing" that we could go ahead and sell this water asset and it's a good time to move on that as quickly as possible. As far as the assets, she is sure Mr. Craig has a copy of the Green Team Report that he would be happy to loan Mr. Meidinger and it has a listing of the assets and it's a very informative document. She does not see the purpose of us going back over the inventory and assets, we have already done it.

**Mr. Meidinger** stated the reason he was asking for that was to show what we bought and what we have.

**Mr. Craig** agrees with Mr. Meidinger in the fact that is a business situation so it obviously will require a business plan. Item B is very important also and we have discussed that as far as equity buy in for water and that some people piggy back without any buy in after we have already run a water line out to an island annexed part which he is still concerned about because there are people that can do that and we don't have anything that will draw revenue from them after hooking on to our sewer and water line. He encourages us moving those up to the top priorities. Integrating personnel into the city, that is already in being because it is in italics. The 30-day performance period has an end date of December 31<sup>st</sup> so that has been targeted. He asked if some of the things already done for the city employees can be piggy backed, such as the job description updates and performance evaluation system?

**Ms. Sexton** advised the performance evaluation system will be one piece of software, training all staff at the same time. The job description updates have already been done last year before the pay study that was approved.

**Mr. Craig** advised if we are looking for a return on an investment, those things kind of float to the top as far as he is concerned. He would leave Item A as it is and put marketing water assets as Item B, equal with equity buy in for the water because that is important to us as far as making development pay for itself, which was one of our core elements that we talked about a long time ago.

MOTION: Craig moved to move “Marketing Water Assets” to Item B. Meidinger seconded.

**Mr. Warren** advised he has no problem moving that up but really thinks to a large extent it is a lot of rhetoric. Marketing our water assets is something that sounds great, but the reality is we have a very limited number of potential buyers. Rural Water District #3 is a possibility, possibly Rose Hill but he doesn’t know if they have a need for water. The list grows short real quick, developing a list of who our potential buyers are will come together pretty quick. Then it becomes a matter of “what price”, if we drop the price low enough we might entice someone to come in and want to buy our water if we drop the cost down low enough. The thing that keeps us from expanding our list of buyers would be the cost of delivering the water to them. He is not opposed to taking a look at it and finding out what our options are but he can tell right now the options are going to be very limited. Outside of Rural Water District #3 he has a hard time thinking of anyone that needs our water right now. It is an asset and he’s glad we have it, he thinks the day will come but it’s really a situation where the market comes to you rather than going out and forcing the market. Developers do that quite often with land; they buy the land knowing it’s not going to sell for a while. That may be the situation with our water asset. He doesn’t think it’s going to happen very quick, no matter how bad we want to market it.

**Mr. Meidinger** advised he has no argument with what Mr. Warren is saying, the simple fact is we need to go out and find out. If it’s of value then we take action, if we don’t, we don’t, but you have to find out what the market is. You just can’t sit here and say “well it might be worth something and it might not”. The world might come to an end tomorrow but let’s find out what the water is worth.

**Ms. Sexton** clarified the motion; adopt the list as presented except for moving marketing Item D to Item B and renumber thereafter.

**Mr. Craig** stated that if you wait 10-years to find out what you can do you won’t have it, guaranteed.

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

MOTION: Craig moved to approve the board's list of priorities.  
Meidinger seconded.

VOTE: Craig yea, Arnold yea, Warren yea, Nun yea, Bannon yea,  
Meidinger yea, Avello yea, Schwarz yea, Staats yea, 9 yea,  
0 nay, 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 October in the  
amount of \$\$88,891.74 to the City of Derby, Kansas, as the  
sole stockholder of the Company. Meidinger seconded.

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

#### **ADJOURNMENT**

MOTION: Craig moved to adjourn at 9:55 p.m. Meidinger seconded.

VOTE: Craig yea, Arnold yea, Warren yea, Nun yea, Bannon yea,  
Meidinger yea, Avello yea, Schwarz yea, Staats yea, 9 yea,  
0 nay, 1 absent, motion carried.

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Jean Epperson, Secretary