

**Regular meeting
November 28th, 2006**

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

November 28, 2006

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 9:15 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 October 24th, 2006 board meeting. Craig seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren yea, Schwarz yea, Mulanax yea, Bannon yea; 8 yea, 0 nay, 1 absent, motion carried.

DECLARATION OF DIVIDEND

MOTION: Schwarz moved to adopt a resolution declaring and directing payment of a dividend for the month of October in the amount of \$110,946.97 to the City of Derby, Kansas, as the sole stockholder of the Company. Warren seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, 8 yea, 0 nay, 1 absent, motion carried.

2007 Operating Budget

Kathy Sexton, CEO presented the 2007 budget information for El Paso Water Company. She pointed out some items to note, beginning with Line 407, laboratory testing item that went up 460%, making it a \$21,000 item. The reason for that is that we are budgeting enough for some new testing that was not previously required, but is now required by the EPA and Kansas Department of Health and Environment. We may not have to do all that testing, but we are budgeting enough to make sure we have the funds to do all of the testing that may be required. Another item of note is in Line 433, Professional Fees that went up 64%. Professional fees include \$9,000 for the water rate study, which we budget for every year, but we did not in 2006, so that number was lower in 2006 for that reason. The \$37,000 is a one time special item for appraisal. We have talked about hiring a company to do an appraisal of water company assets. We do not know how much it is going to cost yet because we have not bid it, but we have been identifying companies to solicit for that and have been writing the RFP. We put in \$37,000 because that is what was paid in 1999 for the appraisal the Water Company had done at that time and that estimate may be low, or it may be high. This budget is for the board's information; it does not have to be adopted and does not fall under the state requirements like the city budget does. It can be approved if the board chooses, but it has been a receive and file item in past years. She also pointed out that professional fees also includes \$2,500 for a financial consultant, which is significantly less than in 2006. In 2006 it was an additional \$20,000. It has been a monthly set fee in the past, now if we need a consultant we will work on an hourly basis.

DISCUSSION:

Mr. Craig pointed out that the appraisal in 1999 was never completed. It was an evaluation unless there was a different one that was done.

Ms. Sexton explained this was the price from the water company appraisal, not the one that the city did.

Mr. Craig asked who did the appraisal.

Mr. Swaney advised it was Bartlett.

Mr. Craig asked about line item 406, are we adding chlorine to the water. He thought it was fully treated water and that was Wichita's responsibility.

Mr. Swaney explained that Wichita's responsibility is to the point of entry.

Mr. Craig asked if something had to be done to the water after it gets here.

Mr. Swaney advised they have to rechlorinate to maintain the residuals in the system.

Mr. Johnson asked how much testing we are required to do.

Mr. Swaney explained that we do bacteriologicals, THM's, and there is a new stage 2 THM. We were not adding chlorine until 2004, when we began taking 48 samples in 4 quarters, at \$385.00 per sample, then we get reduced back to the same monitoring we have been doing. It is a new EPA ruling, even though Wichita takes THM samples we are a continuation system and are required to take our own.

Mr. Johnson asked what the purpose of the appraisal was.

Mr. Swaney advised it was for valuation.

Ms. Sexton stated that they may have to brief Mr. Johnson on that separately. Some of the other council members may remember some executive sessions we did a few months ago as to the advisability of an appraisal.

Mrs. Bannon asked if the chlorination was required due to a state law.

Mr. Swaney advised it was, we have to maintain over 1 part per million chlorine residual throughout the system.

Mrs. Bannon asked if Wichita came to us at that rate.

Mr. Swaney stated it comes at different rates. We have a machine that senses what they put in it and we maintain out of that plant 2.8 to 3 parts per million so we have at least 1.5 to 1 part to serve the south end of the city.

Mrs. Bannon asked if that was because of the distance it was going, or because of old lines.

Mr. Swaney advised it was the distance. When Wichita went to ozone to get rid of the algae bloom odor, the chlorine does not retain in the system as long, all we do is kick it up a ½ part to 6/10 to maintain what the state requires we maintain.

Mr. Craig asked about replacing a 1992 truck in 2006, and asked about replacing a 2000 model in 2007.

Mr. Swaney advised the money was put in there to replace it, but we don't always replace one.

Mr. Craig asked if the trucks were just for reading meters, or do they have multiple purposes.

Mr. Swaney advised they are used for many things; hauling equipment to job sites, reading meters, service work, etc.

Mr. Craig asked if that work requires a full size pickup.

Mr. Swaney advised it did, we have tried smaller ones and they were in the shop more than they were in the road.

MOTION: Warred moved to receive and file the proposed operating budget for the year 2007. Bannon seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, 8 yea, 0 nay, 1 absent, motion carried.

DISCUSSION:

Mr. Avello asked Mr. Johnson about his request for an executive session.

Mrs. Bannon suggested that Mr. Johnson get with Ms. Sexton and work that out.

Mr. Johnson advised that was fine with him.

Cancellation of December 26, 2006 regular board meeting.

MOTION: Craig moved to cancel the December 26, 2006 regular board meeting and call a special meeting to be held on December 12, 2006. Schwarz seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, 8 yea, 0 nay, 1 absent, motion carried.

DISCUSSION:

Mr. Craig asked if there was a reason the water board meeting was held after the second council meeting of the month.

Ms. Sexton explained that it was sometimes difficult to have the financials done from the previous month.

ADJOURNMENT

MOTION: Schwarz moved to adjourn at 9:30 p.m. Mulanax seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, 8 yea, 0 nay, 1 absent, motion carried.

Jean Epperson, Secretary

