

**CROSS TIMBERS WATER SUPPLY CORPORATION
MINUTES of the BOARD OF DIRECTORS MEETING
MONDAY, JANUARY 16, 2017**

1. Call to Order

Mr. McDonald called the meeting of the Board of Directors of Cross Timbers Water Supply Corporation to order at 7:00 p.m. on Monday, January 16, 2017, at the Cross Timbers Water Supply Corporation offices, 2032 E Hickory Hill Rd, Argyle, TX 76226.

Directors in Attendance:

Patrick McDonald, President
Larry Kaufman, Vice President
Robert Stegmaier, Secretary-Treasurer
Susan Crawford
Michael Paulson
Dean White
Garry Granger

Staff in Attendance:

Lloyd Hanson, General Manager
Paul Hightower, Water Superintendent

Consultants in Attendance:

None

Others in Attendance

David Cole

Board Members Not in Attendance

None

4. Mr. McDonald announced that we would discuss Agenda Item 4 – Discussion and Action to Appoint a New Board Member

Mr. Dean White, Board Member since 2010, announced that he was resigning from the Board. After Board Members expressed their appreciation for his service and contributions to the Board during these past six years, motion by Michael Paulson and second by Robert Stegmaier to appoint David Cole as a Board Member to serve the remaining term of Mr. White, who will be up for re-election in 2018. Motion approved unanimously. Mr. White then relinquished his seat at the Board table and Mr. Cole assumed his position as a Board Member.

2. Mr. McDonald announced that the Board would go into Executive Session at 7:07 p.m. The Board came out of Executive Session at 7:45p.m.

3. Public Forum for Non-Agenda Items – No one spoke

5. Discussion and Action to Approve the Minutes of the December 12, 2016 Board Minutes

Motion by Larry Kaufman and second by Robert Stegmaier to approve the minutes of the December 12, 2016 Board Meeting. Motion approved with Michael Paulson, Susan Crawford, and David Cole abstaining.

6. Approve Financial Reports

a) Approve the December 2016 Financial Reports

Mr. Hanson provided commentary and answered questions on the December 2016 Financial Statements. Motion by Larry Kaufman and second by Susan Crawford to approve the December 2016 Financial Statements. Motion approved unanimously.

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b) Discussion and Action on Changes to the Restricted Cash Account for 2016

Mr. Hanson provided the detail showing the receipt of funds and the capital improvements paid in 2016. Receipt of financing funds and new Member equity buy-in funds exceeded the cost of capital improvements in 2016 resulting in an increase in the Restricted Cash account of \$85,051.32. Mr. Hanson and the Board discussed retaining those funds in the Restricted Cash account. Hearing no objection, the Restricted Cash account will be increased to \$2,857,243.84 as of the end of the year 2016. No action taken.

c) Discussion and Action to Approve the 2017 Franchise Agreement with the Town of Bartonville

The Town of Bartonville adopted Ordinance 614-16 effective January 1, 2017 extending a Franchise Agreement with Cross Timbers Water Supply Corporation. Cross Timbers WSC is required to approve and accept the Franchise Agreement in accordance with the terms of the Ordinance. Motion by Larry Kaufman and second by Susan Crawford to accept the Franchise Agreement with the Town of Bartonville for 2017. Motion approved unanimously.

7. Consulting Engineer's Report - No report and no action taken

8. General Manager's Report

a) Discussion and Action on General Manager's Report

Copper Creek Estates is finalizing construction plans and was not prepared to apply for water service. A new restaurant in Bartonville, Marty B's, has applied for water service. Several parties continue to discuss new subdivisions in the CCN for Cross Timbers. A new school is being developed on property located on Copper Canyon Road and Cross Timbers WSC may have to extend a water line to service it. Details are being obtained as to the water needs for the school. No action taken on the above items.

b) Discussion and Action on Water Superintendent's Operational Report

Mr. Hightower provided an update on the operations for the month of December and noted further operational discussions will take place on Agenda Items 13 – 15 below. No action taken.

9. Discussion and Action on all Matters Concerning Construction of an Elevated Water Tank at the Stargate Site

No action taken.

10. Discussion and Action on All Matters Concerning Litigation

Cause No. CV-2014-02339 has been settled. A new condemnation has been filed against the Saddlebrook Estates Homeowners Association and its members regarding water facilities being developed. No action taken.

11. Discussion and Action on All Matters Concerning Real Estate

No Action Taken.

12. Discussion and Action on All Matters Concerning Personnel

The Board requested Staff to examine prior Minutes regarding personnel actions taken in 2013 or 2014 for the Staff. No Action Taken.

13. Discussion and Action on Replacement of Water Meter Bodies

Meter bodies have a normal life of 10-15 years and we have about one-third of our system with meter bodies in the 20+ year life. Staff recommended that they conduct a test of approximately 100 small, medium and large water use accounts to determine if replacements are economically feasible. However, the Board asked that additional analysis be done on that aspect as there is no firm support that the water meter bodies are consistently malfunctioning after certain periods. The Staff noted that the meter reading software has reached the end of its useful life and is no longer being supported by the provider. The

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Board asked that a proposal be prepared for the next Board Meeting on new meter reading software for consideration. No action taken.

14. Discussion and Action on Replacement of VFD Equipment at Copper Hill and Stonewood

The Board and Staff held extensive discussions on the replacement of variable frequency drive equipment at Copper Hill and Stonewood well sites. Motor Control units for two of the three high service pumps at Copper Hill are no longer functioning and parts for repair and replacement are no longer made. These control units have been in place for 18 plus years. Staff answered questions from the Board regarding equipment, timing, cost, and vendors. Motion by Michael Paulson and second by Larry Kaufman to approve the replacement of the Motor Control Units at Copper Hill at a cost of \$79,960.00 per the proposal from Wallace Controls and Electric. Motion approved unanimously.

The pump motor drive at Stonewood is not a variable frequency drive. The current starting unit puts additional stress on the pump and motor as well as causing a high demand charge from CoServ. Staff discussed the use of refurbished VFDs versus new and reviewed the cost and warranty issues with the Board. Boret Equipment is the recommended choice as it is comparable to the equipment used at Stargate for the same sized well and motor. Motion by Michael Paulson and second by Robert Stegmaier to approve the purchase and installation of a refurbished Boret Equipment VFD at Stonewood per the proposal from Central Texas Water Well at a cost of \$68,050.00. Motion approved unanimously.

15. Discussion and Action on Replacement of the SCADA System

Staff and the Board discussed the variety of options available for the ongoing SCADA issues. Our original contractor who installed the equipment has lost licensing from Motorola, the supplier of the equipment, and is no longer available to work on the system. Our previous contractor who installed the original SCADA system is unwilling to work on an installation of our size, instead opting to work only on large installations for major municipalities. Motorola has no one available in the area familiar with the equipment and would need to bring in a contractor from Mississippi with no assurance the contractor could repair the system. Accordingly, Staff have reviewed replacing the Motorola equipment with a Windows-based system from GE. Board and Staff reviewed proposals and costs and determined that replacing the existing equipment would be advantageous for the long term. Motion by Larry Kaufman and second by Garry Granger to approve the upgrade of the SCADA system in accordance with a proposal from Wallace Controls and Electric at a cost not to exceed \$75,000. Motion approved unanimously.

16. Discussion and Action on an Application for Water Service for Copper Creek Estates and Marty B's

Copper Creek Estates has not applied for water service at this time. Marty B's has provided preliminary plans for the development of a restaurant at the intersection of I.T. Neely Road and FM407 in the Bartonville Town Center. Plans have been reviewed and approved. Fees for the Preliminary Plat have been received along with a request for water service. In addition to the request for water service, Cross Timbers WSC has an agreement with the owner of the property to reimburse Cross Timbers WSC for costs incurred in the installation of a water line at that location. Recovery of Pro Rata funds occurs when water service is requested and approved for new development utilizing that water line. Motion by Michael Paulson and second by Susan Crawford to approve the Preliminary Plat and request for water service for Marty B's. Motion approved unanimously. Final Plat fees and acceptance of water service will be required when the Final Plat is submitted for filing in Denton County.

17. Discussion and Action to Approve the Materials for the Annual Meeting Election of Board Members

Two Board Members, Larry Kaufman and Garry Granger, are up for re-election at the Annual Meeting in 2017. In accordance with the By-Laws and Procedures for Conducting an Annual Meeting, applications are due by March 10, 2017 for Board Member. Since the Board will not meet prior to the time application materials must be distributed to the Membership, Staff requests that Application materials be approved at this Board Meeting. Motion by Susan Crawford and second by Michael Paulson to approve the Annual Meeting Election of Board Members materials. Motion approved unanimously.

18. Review Future Agenda Items, Activities and Announcements

The next regularly scheduled Board Meeting will be on February 13, 2017. Agenda items may include updates on capital improvements, operational reports, construction, litigation, meter reading software, financials, personnel, Appointment of an Election Auditor, review of Annual Meeting Materials, Attorney items, and other items.

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19. Adjournment

Motion to adjourn by Larry Kaufman and second by Michael Paulson and approved unanimously. The meeting adjourned at 9:58 p.m.

TRANSCRIBED BY LLOYD HANSON

CERTIFIED BY ROBERT STEGMAIER, SECRETARY-TREASURER