

CROSS TIMBERS WATER SUPPLY CORPORATION
MINUTES of the BOARD OF DIRECTORS MEETING
MONDAY, MARCH 13, 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, March 13, 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
David Cole
Garry Granger – arrived 7:30 p.m.

Staff in Attendance:

Lloyd Hanson, General Manager
Paul Hightower, Water Superintendent

Consultants in Attendance:

Dan Tonn, Auditor

Others in Attendance

James Ball
Richard Armev – arrived 7:35 p.m.

Mr. McDonald announced that the Board would take Agenda Item 5 b) Discussion and Action on the 2016 Annual Audit first.

b) Discussion and Action on the 2016 Financial Audit

Mr. Dan Tonn of Hankins, Eastup, Deaton, Tonn & Seay presented the financial audit results for the calendar year 2016. He reviewed the information related to the audit for the Board and presented the financial report. In their opinion, the financials statements present fairly, in all material respects, the financial position of Cross Timbers Water Supply Corporation as of December 31, 2016 in accordance with accounting principles generally accepted in the United States of America. Motion by Michael Paulson and second by Susan Crawford to accept the 2016 financial audit as presented. Motion approved unanimously.

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

4. Discussion and Action to Approve the Minutes of the February 13, 2017 Board Minutes

Motion by Larry Kaufman and second by Michael Paulson to approve the minutes of the February 13, 2017 Board Meeting. Motion approved with Garry Granger and Robert Stegmaier abstaining.

5. Approve Financial Reports

a) Approve the February 2017 Financial Reports

Mr. Hanson provided commentary and answered questions on the February 2017 Financial Statements. Motion by Larry Kaufman and second by Michael Paulson to approve the February 2017 Financial Statements. Motion approved unanimously.

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c) Discussion and Action on the Corporate Insurance Renewal

Mr. Hanson provided preliminary information on the renewal of the Corporate Insurance policies. Pricing and terms and conditions are being obtained that are similar to the 2016-17 policy term. Final numbers will be available for the April Board meeting scheduled for immediately following the Annual Meeting for approval. The insurance policies expire on May 7, 2017.

d) Discussion and Action on the Catastrophic Water Loss Policy

Mr. Hanson provided the Board with the revenue impact of offering the Catastrophic Water Loss (CWL) Policy for the past five years. The Staff are proposing a change to the policy wherein the CWL Policy remains in place, but the rate for water used be changed from the first tier to a flat rate of \$5.00 per 1,000 gallons. The Board reviewed the information and proposed that Staff consider using the second tier (currently \$5.30 per 1,000 gallons) rather than a flat rate. The Board tabled the topic and will review it again in May prior to the start of the heavy irrigation season.

6. Consulting Engineer's Report - No report and no action taken. Mr. Maroney continues to work on updating requirements for the USDA Loan.

7. General Manager's Report

a) Discussion and Action on General Manager's Report

Staff and Mr. Maroney met to review the extension of an existing water line to service a new school being relocated to the Scruggs property on Copper Canyon Road. The school has purchased 10 acres of property and several buildings on the property that will be remodeled into classrooms for the Selwyn School. This will necessitate an extension of our existing eight inch water line down Copper Canyon Road to service the existing buildings and provide for service to future planned buildings at that location. Motion by Michael Paulson and second by Larry Kaufman to approve the extension of the existing water line to the new properties. Motion approved unanimously. Staff and Mr. Maroney will take bids for the construction of this water line and bring them to the Board for action. In addition, the Board will need to address with the property owner sharing in the cost of this line extension in accordance with the Corporation's Pro Rata Charges and Credits.

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

Mr. Hightower provided an update on the operations for the month of February and the status of the water lines at Terracina Phase III and Hat Creek Estates. Materials have been ordered for the VFD panel at Stonewood, the MCC at Copper Hill and the SCADA upgrade. No action taken.

2. Mr. McDonald announced that the Board would go into Executive Session at 7:55 p.m. The Board came out of Executive Session at 8:20 p.m.

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

No action taken.

9. Discussion and Action on All Matters Concerning Litigation

Oral arguments to the Second District Court of Appeals are scheduled for April 25, 2017 in Fort Worth. No action taken. The condemnation proceedings continue with final letters sent to all condemnees in March.

10. Discussion and Action on All Matters Concerning Real Estate

No Action Taken.

11. Discussion and Action on All Matters Concerning Personnel

No action taken.

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12. Discussion and Action on Meter Reading Software

Mr. Hanson and Mr. Hightower presented information regarding software upgrades to our meter reading program. Existing meter reading software provided by Badger is no longer supported and the Corporation retains some risk should that software fail. Staff have reviewed both Badger and Neptune meter reading software and provided cost proposals. The Board registered concern that existing meter registers be able to be read by the new software as the Corporation is not intending, at this time, to replace all the registers in the system (approximately 2300). Staff met with vendors and confirmed costs, meter reading capabilities, and interfaces to our existing billing and accounting system. Staff recommended moving to the Neptune N Sight software to handle new installations of Neptune meters and meter registers while keeping the Connect system for existing Badger meters. At some point in the future, the Corporation may want to address transitioning the remaining Badger meter registers to Neptune registers when economic conditions permit. Motion by Susan Crawford and second by Larry Kaufman to purchase the Neptune N Sight software and begin the transition to Neptune water meters and registers for all new installations. Motion approved unanimously.

13. Discussion and Action on an Application for Water Service for Copper Creek Estates

Copper Creek Estates has not applied for water service at this time and will delay this project until summer. No action taken.

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

There were no additional applicants for the two open Board positions other than the two incumbents. Therefore, no election is necessary at the Annual Meeting. Motion by Michael Paulson and second by David Cole to approve a Resolution Declaring Unopposed Candidates of Cross Timbers Water Supply Corporation elected. Motion approved unanimously. Mr. Hanson then presented the Annual Meeting materials, including an Agenda and Official Notice of 2017 Annual Member Meeting, for approval by the Board. Motion by Susan Crawford and second by Michael Paulson to approve the Annual Meeting materials as submitted. Motion approved unanimously. Mr. Hanson was directed to mail out the Notice and Agenda for the Annual Meeting scheduled for April 20, 2017 at the Corporation's offices.

15. Review Future Agenda Items, Activities and Announcements

The next meeting of the Board is scheduled for immediately following the Annual Meeting on April 20, 2017. Agenda items will include election of officers, renewal of the insurance program, discussion on the awarding of a contract for a water line extension, litigation, and other matters.

16. Adjournment

Motion to adjourn by Michael Paulson and second by Susan Crawford and approved unanimously. The meeting adjourned at 8:47 p.m.

TRANSCRIBED BY LLOYD HANSON

CERTIFIED BY ROBERT STEGMAIER, SECRETARY-TREASURER