

Public Water Supply District #2 of St. Charles County, Missouri
Minutes of the August 1, 2017 Special Board Meeting

Denis Raab, President
John Cook, Vice President
Jim Inghram, Director
Kay Schnurr, Director
Vicky Steinkamp, Director

The Special Meeting of the Board of Directors of Public Water Supply District #2 of St. Charles County, Missouri, was held on August 1, 2017 at the Water District Offices, 100 Water Drive, O'Fallon, Missouri, at 5:00 PM.

Denis Raab called the meeting to order. Kay Schnurr served as Clerk of the meeting. The following Directors were present: Denis Raab, John Cook, Jim Inghram, Kay Schnurr, and Vicky Steinkamp.

Denis Raab inquired if there was any business that would require an executive session. Jim Inghram stated there was a matter for which the Board should convene in executive session pursuant to Section 610.022(1) and Sections 610.021(1) and (2) RSMo to discuss matters involving legal actions, confidential and/or privileged communications between District Officials, its representatives and its attorneys, and/or leasing, purchase or sale of real estate. Jim Inghram motioned to close the regular session and convene to an executive session; seconded by Denis Raab. Kay Schnurr called a roll call vote: Denis Raab voted yea, John Cook voted yea, Jim Inghram voted yea, Kay Schnurr voted yea, and Vicki Steinkamp voted yea, motion carried.

After discussion, Jim Inghram moved to close the executive session. Denis Raab seconded the motion. Kay Schnurr called a roll call vote: Denis Raab voted yea, John Cook voted yea, Jim Inghram voted yea, Kay Schnurr voted yea, and Vicky Steinkamp voted yea, motion carried.

Denis Raab opened discussion with Alliance Water Resources. In attendance from Alliance Water Resources were Tim Geraghty, Vice President and Director of Operations, and Dale Wagner, owner and President of Alliance Water Resources. Also in attendance was Craig Biesterfeld of Husch Blackwell representing Alliance Water Resources. In attendance representing PWSD #2 was Joshua Mourning and Adam Hirtz from Lowenbaum Law. Mr. Raab requested status from Alliance Water Resources on compiling the data requested for audit on June 7, 2017.

Mr. Biesterfeld replied that he has conversed with Mr. Mourning and Mr. Hirtz and will have Alliance Water Resources' auditor contact PWSD #2's auditor, Jeanette Bax-Kurtz of Mueller Prost. The two auditors can meet and agree upon procedures for the audit. Mr. Raab agreed to this action. It was brought up that the two auditors may have already spoken to each other and are trying to find a time to meet but it could be up to two weeks away due to other conflicts. Mr. Raab stated it is not the Board's goal to audit the entirety of Alliance, only the portion applicable to PWSD #2. The Board requires the audit information from Alliance Water Resources in order to set the next fiscal year budget and therefore timing is critical. Mr. Raab also stated that the Board has no ax to grind with Alliance as their work is good. Mr. John Cook disagreed to some extent to that statement.

Mr. Mourning stated that Ms. Bax-Kurtz is willing to review Alliance Water Resources' records

and set the audit procedures in Alliance Water Resources' auditor's office(s).

Mr. Cook asked why it took so long for Alliance Water Resources to respond to PWSD #2's audit request letter of June 7, 2017. Mr. Biesterfeld took partial blame for the delay because the initial request letter did not go directly to him. Mr. Mourning explained that he could not have had knowledge of Mr. Biesterfeld's relationship with Alliance Water Resources and it was up to Alliance Water Resources to either forward the letter to Mr. Biesterfeld or make Mr. Mourning aware of Mr. Biesterfeld's position.

In response to a question from Mr. Cook, Mr. Wagner replied that PWSD #2 is Alliance Water Resources' largest client and Alliance Water Resources does value PWSD #2 as a customer.

Mr. Biesterfeld stated the audit will be completed in a timely fashion and PWSD #2's auditor will have free access to all required data. He stated that some requested data may not exist but PWSD #2's auditor will have free access to all data. Ms. Schnurr stated that milestones and a schedule be developed when the audit procedures are set so tracking of the audit's progress by the Board can be done.

Mr. Biesterfeld stated that Alliance Water Resources does not want their data and work product in the public record. Mr. Mourning stated that the final report may have to be public record under the Sunshine law but supporting data will be protected to the greatest extent possible.

Mr. Biesterfeld stated that a confidentiality agreement will be necessary.

Mr. Inghram explained that he is Director of Subdistrict #4 which includes Lake St. Louis. Because of complaints from the rate payers in his Subdistrict, this audit can restore the trust of the rate payers.

Mr. Raab stated that secondary issues, such as the contract between PWSD #2 and Alliance Water Resources, can be discussed after the audit is complete.

Mr. Cook stated that he has a big trust problem with Alliance Water Resources stemming from the Lake St. Louis Improvement plan, which was a fiasco.

Mr. Raab stated that this audit should have been done in the past but it will be done on a regular basis in the future.

Ms. Schnurr motioned to pay travel and expenses for PWSD #2's auditor to set the audit procedures and during the conduct of the audit. Ms. Steinkamp seconded the motion. All yea, motion carried.

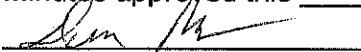
Mr. Raab motioned to adjourn the meeting. Ms. Steinkamp seconded the motion. All yea, motion carried.

Minutes approved this

13th

day of

September





Denis Raab, President

Kim Cantrell, Clerk

