

MINUTES OF THE BOARD MEETING OF THE BOARD OF DIRECTORS OF THE DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT

A regular meeting of the Board of Directors of the Denver Southeast Suburban Water and Sanitation District was held on Wednesday, April 11, 2012 at the main office, the time and place of the meeting according to the posted notices. Present were Chairman Robert Chapman, and Directors David Eyre, Walt Partridge, Heidi Tackett and Rod Bergholm. Also present were District Manager Charlie Krogh, District General Counsel-Jim Folkestad, District Accountant-Kevin Collins, and District staff-Bill Morgan and Susan Saint Vincent. Resident Bob Greene was also in attendance.

Chairman Robert Chapman called the meeting to order at 6:00PM and established the presence of a quorum. At Chairman Chapman's request Ms. Saint Vincent recorded minutes.

Minutes for the March 14, 2012 Regular Board Meeting were read and approved.

PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

No Comments were provided.

DIRECTOR'S BUSINESS

- Director Eyre had a constituent query last month regarding the District's septic program, stating that the District currently has no information regarding this on the website and recommended that staff be more proactive on the septic program. Director Eyre requested that staff examine the program and review for future efficiencies and compliance. Mr. Krogh responded that staff met earlier this week and discussed sending out packets to homeowners with septic. Ms. Tackett requested that this process and topic be discussed at a future Board training session.
- Director Eyre and other Board members received a letter regarding Rueter Hess Reservoir. He expressed concern about administration and future influences of the reservoir. The Board requested that Mr. Krogh review the letter and provide comments at the May Board meeting.
- Director Eyre spoke in general regarding the level of customer service that the District is currently providing. He expressed his concern about the District's involvement with CCWPA and WISE and feels that it may be distracting staff from providing "true customer service".
- Director Tackett reported that she and Ms. Saint Vincent attended a healthcare/wellness conference in Denver yesterday, and looks forward to discussing suggested programs and concepts presented at the conference with fellow Directors in the future.

Mr. Krogh noted that he is testing an iPad as a recording device during the meeting, in addition to the usual tape recorder.

ITEMS FOR BOARD ACTION AND DISCUSSION

CHERRY CREEK PROJECT WATER AUTHORITY UPDATE

Ms. Saint Vincent provided a brief history and summary of current plans/projects regarding the Cherry Creek Project Water Authority as it relates to the District. Topics included current water court cases, Walker Reservoir progress and scheduling, and various maintenance/management projects.

WISE UPDATE

Mr. Krogh presented an update on the WISE project for Board discussion. In summary, the Pinery Board approved the cost sharing agreement in January 2012. Since that time, a Cost Sharing Group has been formed and they are meeting weekly. Mr. Krogh discussed those entities who are included in the agreement, including, Dominion Water and Sanitation District, Centennial and Castle Rock, as well as eight other members participating at a lesser subscription amount.

The Group is tasked with:

- Defining pipeline configuration (new and/or existing),
- Finalizing of the WISE Participation Agreement (legal structure, operations, protection against default by a member)
- Finalize Water Delivery Agreement with Denver and Aurora, and other Agreements (CRCA, Denver Water/Aurora Water Agreement, Pipeline Agreement)
- Rueter-Hess Permit to allow storage of WISE water

Discussion ensued regarding scheduling, cost comparisons, and response to customer concerns regarding the Pinery's role in the project.

CONSIDERATION OF REQUEST FROM PARKER TASK FORCE FOR CONTRIBUTION

Information was provided from the Parker Task Force on a current fund raising effort. The PTF is seeking contributions, and indicated that other water providers have routinely supported their efforts. The District has not contributed to this program in past years. In 2011, the PTF provided assistance to eleven District customers for payment of their water bills totaling approximately \$2500. Additional information was provided from the PTF website for the Director's review. Concerns and impacts of such a donation were discussed.

Following discussion, a motion was entered to donate at the \$750 sponsorship level.

Motion: Walter Partridge

Second: Rod Bergholm

Vote: All Directors present voted 2-3 (Directors Tackett, Eyre and Chapman voted against, Directors Partridge and Bergholm voted in favor).

Director Tackett suggested that the Board have future discussions regarding the big picture issue of the District making donations. Items to be addressed include the purpose/use of donated funds and possibly the creation of a formal policy within the legal boundaries.

Chairman Chapman introduced the concept of creating a District fund for customers in need of assistance to pay their bill. Mr. Folkestad expressed legal concerns in this regard.

ATTORNEY'S REPORT

District Legal Counsel Jim Folkestad provided a memorandum to the Board summarizing a list of matters that his firm is currently working on, on behalf of the District.

Additionally, Mr. Folkestad provided a Memorandum to the Board, dated April 4, 2012 regarding the previously introduced Directors' Compensation Withholding topic. In the past month, Mr. Folkestad consulted with multiple firms and associations regarding the issue, and he is now recommending that Director's be paid through payroll, including the reporting of income on a W-2. Kevin Collins also spoke in support of the recommendation and provided related tax impacts of W-2 versus 1099 income. Payments will continue to be processed in arrears after attending a meeting; however, be paid based on the normal payroll cycle.

A proposed Initiatives #3 & #45 memorandum, dated April 4, 2012, was provided by Mr. Folkestad for the Director's information. He stated that the proposed initiatives are not yet on the November ballot; Water Congress and other parties are working hard to keep them off the ballot. Mr. Folkestad discussed various "what if" scenarios regarding possible passage of the Initiatives and the impact on personal and public interests.

ACCOUNTANT'S REPORT

Accountant Kevin Collins of CliftonLarsonAllen, LLP presented the District's Financial Statements as of February 29, 2012. Additionally, Mr. Collins explained the variances with regard to the water, sewer and non-operating expenses, noting that the water revenues compared to 4-year history are up due to the conversion to monthly billing and the addition of the water supply project fee (applicable in March 2011). Sewer user charges are at 22% of budget. Sewer System-R&M is at 46% of budget (video & line cleaning is responsible for this variance). Non-operating revenue and expense variances were discussed, including the insurance and salvage recovery of a District vehicle following an accident, and replacement of water meters. Mr. Collins also discussed recent information provided regarding long term versus short term investments for funds.

TREASURER'S REPORT

Director Bergholm presented the Treasurer's Report for Board approval for the month of April 2012. Discussion ensued regarding flume and flow meter expenses in dewatering building

(wastewater), a workers compensation claim (no lost time injury) and the status of expenses for the meter replacement program.

A motion was then entered to issue checks as written in the amount of \$274,019.66 and the Interim Report in the amount of \$3,454.26.

Motion: Rod Bergholm

Second: Bob Chapman

Vote: All Directors present voted in favor, 5-0.

DISTRICT MANAGER'S REPORT

Mr. Krogh provided a written summary of updates on various projects that the District is currently working on, and highlighted the following:

- Updates on the Well I project were described, including moving of trees and electrical line, installation of an IREA transformer, and soils testing.
- Progress continues to be made in regard to obtaining easements for the Well H/A-16 project.
- Plans are being finalized on the Castle Rock Interconnect on the part of Castle Rock staff. Construction is yet to be scheduled.
- Comments have been received regarding the Skyway Towers cell tower request; Counsel will be finalizing review of the cell tower agreement.
- Regarding Well A, staff is awaiting a land acquisition response from the landowner.
- The District's auditor has completed the fieldwork and he is available to meet with staff and Board members to review the results. He plans to have the final report available for consideration by the Board in May. Mr. Krogh will coordinate a meeting with Director Bergholm and Auditor, Paul Goedecke.
- The Managers of the various participating CCAMP water providers along Cherry Creek met on April 5th and are working on a cost sharing agreement for the next phase of modeling work.
- District Augmentation Water Court Case – The draft decree and engineering report were submitted to objectors on April 2nd.
- An updated status of the Broe property with regard to the County designating this parcel as open space was discussed. The Douglas County Commissioners have stated that they are not interested in designation *any* open space parcels at this time.
- Mr. Krogh discussed a previous request by the Board to track fracking rules in the county. The Coalition of Douglas County Governments is currently doing an outreach to the water providers to discuss potential impacts of fracking. Local governments cannot regulate any of the technical aspects of oil and gas drilling, but can impose regulations regarding land use and transportation requirements that are reasonable. State regulations,

technical aspects (e.g., casing through aquifers), and jurisdiction as related to regulation have been topics for discussion.

- The South Metro Water Supply Authority has hired a new Executive Director to start May 1st. Eric Hecox from the CWCBC has a good track record of working collaboratively and has good connections statewide.
- A copy of the Mulhern report was provided to incoming Director Bob Greene for reference.
- Mr. Krogh provided additional 2012 snowpack graphs that show relativity to previous years, including 2002. Based on the trends, communications to District customers, related to drought conditions are anticipated at this time.
- Staff continues to work on an appropriate communication to District customers who have been identified as having a leak in their water system. This is a follow-up item from the March board meeting.
- At the May Board meeting, three Directors will be sworn in at the beginning of the meeting.

Director Tackett followed up on the previously discussed Red Oak memorandum and requested revision to the use of a 63-day period as it relates to the 2-month billing cycle. The Directors agreed that the figure for calculations should be revised for accuracy and the memorandum updated appropriately. She further suggested that the memorandum be posted on the District's website following revision and forwarded to District customer Ken Smith as a follow up to his previous correspondence with the District.

A final "THANK YOU" was expressed to Director David Eyre by Manager Krogh who described the sixteen years of Director Eyre's service to the District have been "interesting and active". Director Eyre is being honored with an engraved plaque in appreciation for his years of service to the District.

There being no further business to come before the Board, Chairman Robert Chapman closed the meeting on Wednesday, April 11, 2012 at 9:07PM.



ROBERT W. CHAPMAN, CHAIRMAN OF THE
BOARD OF DIRECTORS, DENVER SOUTHEAST
SUBURBAN WATER & SANITATION DISTRICT

ATTEST:



WALTER PARTRIDGE, SECRETARY