

**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 December 11, 2013 at the main office, the time and place of the meeting according to the posted notices. Present were District Board Members – Robert Chapman, Walt Partridge, and Heidi Tackett, New District Manager - Heather Beasley, Outgoing District Manager Charles Krogh, General Counsel - Jim Folkestad, District Accountant - Kevin Collins, and District staff –Rhonda Lancaster, Patty Britton, Kevin Clark and Dan Hammann. Director Greene and Director Bergholm had excused absences from the meeting.

Chairman Chapman called the meeting to order at 6:00 pm and established that a quorum of the Board was present.

Minutes for the November 13, 2013 Regular Board Meeting were approved as written.

Motion: Walt Partridge

Second: Heidi Tackett

Vote: All Directors present voted in favor.

PUBLIC RESPONSE

Timbers residents, Ray Venoski and Sara Light, members of the Timbers Coalition were present and asked the Board and staff how the District acquires water and how Districts can continue to agree to serve developments like Timbers 30A and the Pinery West development if everyone is looking to buy water. Chairman Chapman explained to the customers that both of the areas that are being developed were included in the original District boundaries years ago and the District is in the business to serve. Manager Beasley added that there is an active State Water Supply Initiative (SWSI) and the Colorado Foundation of Water Education (CFWE) that is involved in water issues and demands state wide. She also urges customers to become educated about water issues through organizations such as the CFWE that publishes several citizen guides to water rights, water conservation and water law. Mr. Venoski asked if the District will be putting water restrictions in place next year. Mr. Krogh said that if the drought conditions continue that the District will need to ask for help from its customers to conserve next year as well.

Customer Michelle Hawkins addressed the Board with her concern over her very high water bill that occurred in September due to a malfunction of her water feature. Staff initially came in contact with Ms. Hawkins during the week of October 14th when the extremely high meter reading was discovered. She shared with the Board that she thinks the District does not have adequate process control and that she feels she should have been notified much sooner about the high usage. Mr. Krogh explained to Ms. Hawkins that the District acted on investigating the reading soon after the meter readings for September were uploaded and looked at. Since the District bills monthly, meters are only read once a month and she was notified as quickly as

possible. The Board added that it has been very generous in helping reduce her large bill using the one-time credit policy the Board has in place for these kinds of incidences. Pinery customer Uta Dierker asked the Board and staff if they would be willing to offer a pilot program for testing the wireless technology that would allow a customer to monitor their water usage on a daily basis. She is very concerned that customers are using too much water and need to be more conservative. Manager Beasley and staff will be looking into this idea.

DIRECTOR'S BUSINESS

None

ITEMS FOR BOARD ACTION AND DISCUSSION:

RESOLUTION 2013-13 SETTING RATES AND FEES FOR 2014

This Resolution establishes the 2014 Rates and Fees based on the 3% rate increase, which also includes the top tier of the rate structure to achieve the District's conservation goal. This increase has been discussed by the Board and staff and is recommended by the most recent rate study done for the District. A motion was entered to approve Resolution 2013-13 effective January 1, 2014. General Counsel Jim Folkestad added that adequate notice has been given to all District customers.

Motion: Heidi Tackett

Second: Walt Partridge

Vote: All Directors present voted in favor.

RESOLUTION 2013-14 SETTING TAP FEES FOR 2014

There are no increases to the District's tap fees for 2014, also recommended by the Rates and Fees Study. A motion was entered to approve Resolution 2013-14 setting Tap and Connection Fees for 2014.

Motion: Heidi Tackett

Second: Walt Partridge

Vote: All Directors present voted in favor.

PUBLIC HEARING ON 2014 BUDGET

Chairman Chapman opened the Public Hearing to take public comment. No public was present to comment on the proposed 2014 Budget. Chairman Chapman then closed the public hearing and proceeded with adopting the 2014 Budget:

- **RESOLUTION 2013-15 ADOPT THE BUDGET**
- **RESOLUTION 2013-16 APPROPRIATING FUNDS**
- **RESOLUTION 2013-17 CERTIFYING THE MILL LEVY**
 - ✓ This Resolution states that the District is certifying a tax of zero mills to the County Commissioners of Douglas County.
 - ✓ The accountant will file the budget with the Division of Local Government and the mill levy with the Board of County Commissioners of Douglas County.

Motion: Robert Chapman

Second: Heidi Tackett

Vote: All Directors present voted in favor.

RESOLUTION 2013-18 APPROVING LETTER OF ENGAGEMENT WITH BURNS, FIGA & WILL, P.C. AS SPECIAL WATER COUNSEL

As the District continues to be involved in Water Court cases it is important to continue with the services of Burns, Figa & Will, P.C. for water rights related issues. A motion was entered to approve the agreement with Burns, Figa & Will, P. C. for 2014.

Motion: Heidi Tackett

Second: Robert Chapman

Vote: All Directors present voted in favor.

RESOLUTION 2013-19 APPROVING LETTER OF ENGAGEMENT WITH FOLKESTAD, FAZEKAS, BARRICK & PATOILE, P.C., AS GENERAL COUNSEL

Mr. Folkestad has once again kept his rates for the District the same for 2014. He and his staff provide essential legal advice on behalf of the Board and District. A motion was entered to approve the agreement with Folkestad, Fazekas, Barrick and Patoile, P. C. for 2014 general legal counsel.

Motion: Robert Chapman

Second: Heidi Tackett

Vote: All Directors present voted in favor.

RESOLUTION 2013-20 APPROVING LETTER OF ENGAGEMENT WITH CLIFTON, LARSON & ALLEN, LLP, FOR ACCOUNTING SERVICES

The Board was asked to approve the resolution accepting the accounting services that Kevin Collins and his staff provide to the District. A motion was entered to approve Resolution 2013-20 - agreement with CliftonLarsonAllen for 2014.

Motion: Heidi Tackett

Second: Walt Partridge

Vote: All Directors present voted in favor.

RESOLUTION 2013-21 APPROVING PROFESSIONAL SERVICES AGREEMENT WITH MULHERN MRE, INC.

This is a general agreement for on-call engineering services and assistance. It will be key to have in place in 2014 for support in helping to keep the many planned District projects on schedule. Under this agreement anything other than general engineering services will require a separate scope of work and fee schedule to be contracted through a task order. A motion was entered to approve the Professional Services Agreement with Mulhern MRE, Inc. Director Partridge urged Manager Beasley to continue to look for ways to keep costs down for outside services.

Motion: Heidi Tackett

Second: Walt Partridge

Vote: All Directors voted in favor.

APPROVAL OF PURCHASE OF TWO-WAY RADIO EQUIPMENT

The Board was asked to approve the purchase of new two-way radio equipment to replace the obsolete radio system the District had to abandon prior to January 1, 2013. This includes replacing the repeater and purchasing 8 portable radios, 2 for the main office, one for the Wastewater Treatment office, and 5 to be used by staff as needed. While the use of cell phones among staff is the most used form of communication, having the radio system enables more staff members to be part of one call out, especially in the event of an emergency. The number of radios being purchased is on a smaller scale than what the District had in place previously so staff will assess how this is working at the end of 2014. Two firms provided quotes – Communications Solutions who came in at \$9,579.46 and Wireless Advanced Communications with a bid twice as much. A motion was entered to approve the purchase of the new radio equipment through Communications Solutions not to exceed the budgeted amount of \$10,200.00.

Motion: Robert Chapman

Second: Heidi Tackett

Vote: All Directors present voted in favor.

ATTORNEY'S REPORT

Attorney Jim Folkestad presented active matters of interest to the Board:

- Forestar Subdivision Improvements Agreement – Mr. Folkestad and his staff are working on a response back to the reply from Forestar's legal counsel on the agreement. Manager Beasley updated the Board with what is going to be proposed to the Developer on Friday this week. In lieu of accepting \$800,000.00 up front, the District will ask the Developer to commit to a consistent flow of revenue for the District in the form of a Letter of Credit representing 32 water taps.
- Reservoir 2B – Negotiations with The County Attorney and County Park and Open Space Department Directors continue regarding access easements near this site.
- Rules & Regulations – Getting closer to a final draft – Charlie has submitted his comments which are being added to a second draft for review.

ACCOUNTANT'S REPORT

Accountant Kevin Collins presented the October 31, 2013 Financials.

- Water Project Fee total year to date through October 31, 2013 is \$547,739. The balance available at October 31, 2013 is \$1,609,034.
- Water expenses are below the four year budgeted amounts, however legal expenses are over budget because of costs for the augmentation plan and ongoing water rights court cases.
- Sewer revenues are consistent with the four year average budgeted amounts.
- Sewer expenses are under the four year average budgeted amounts. Through October 31, 2013, sewer operations continue to show a loss. This prompted a short discussion about whether sewer rates should be considered for an increase in the next rate study. Charles Krogh informed the Board that the District will be receiving sewer revenues in the form of Readiness to Serve Fees from the Town of Castle Rock for the lots in

Cobblestone Ranches that have not been built out. This will start happening sometime in the next 2 or 3 years.

- Non-operating revenues are over the four year average budgeted amounts because of the higher number of tap fees collected so far.
- Non-operating expenses are consistent with the four year average budgeted amounts.
- Debt service expenses are under the four year average due to earnings credits passed on by the Colorado Water Resources & Power Development Authority.
- Capital Outlay is below the four year average budget. In 2013 the District purchased property in the Pinery West Commercial Development for the future site of a water treatment plant, and for the existing pump station and Well A.
- The total restricted cash as of October 31, 2013 is \$5,304,678. Included in this are the rate stabilization reserve, monies collected for Ground Water Protection and the Water Project Fee, and funds set aside for medical benefits.

TREASURER'S REPORT

Charles Krogh presented the Treasurer's Report for Board approval for the month of November 2013. A motion was entered to issue checks as written in the amount of \$275,427.84 for disbursements and \$3,108.66 for the interim report. Accountant Kevin Collins noted that the payment for the District's 2014 Property and Liability Insurance was included in these payables.

Motion: Walt Partridge

Second: Heidi Tackett

Vote: All Directors present voted in favor.

DISTRICT MANAGER'S REPORT

Manager Beasley updated the Board on items of importance to the District:

- **Customer Bill Assistance** – Manager Beasley reported back to the Board on her meeting with the Director of the Parker Task Force. This service is in place to offer short term relief for food and utility bills. Director Partridge had requested that the District look into providing a more long term form of assistance for struggling customers. Manager Beasley offered an idea to communicate with the District's customers via mail to inform them of the opportunity they have to help needy people in their community by donating to the Parker Task Force. Director Partridge suggested that the District could look into matching donations made by customers also. LEAP program was discussed, and it was agreed that if the District took on a program such as this, it would be burden on staff to maintain. After a lengthy discussion, the Board decided to bring this issue back at the next meeting. General Counsel Jim Folkestad added that he can come back with legally acceptable ideas as well.
- **Revision to Safe Drinking Act** – Water Superintendent Dan Hammann did a good job notifying his staff regarding the new regulation for no lead, low lead regulations being put into effect January 1, 2014. He has also taken measures to ensure that the District is complying with those new regulations. Dan added that the Colorado Senate is set to vote this week to stop the EPA from adding fire hydrants to the new regulation.

- **Backhoe Insurance Claim** – Manager Beasley reported the findings of looking for a comparable used backhoe within the \$38,000 the insurance company will award for the damaged one. None were found in that range that would be acceptable for the District’s use, but staff found one at Wagner Equipment for \$67,000. After a brief discussion, which included considering looking at the cost of a new backhoe, the Board directed staff to go ahead with the purchase of the used backhoe at Wagner Equipment provided they use the damaged one for trade-in.

Motion: Heidi Tackett

Second: Walt Partridge

Vote: All Directors present voted in favor.

- **Meeting time change** - Manager Beasley asked the Board if they would consider moving the Regular monthly meetings to a different time of day. The Board would like to discuss this matter when all five of the members are available.

EXECUTIVE SESSION

At 8:15pm the Board entered a motion to move into Executive Session pursuant to State Statute C.R.S. 24-6-402(4) (f) to discuss personnel matters involving staff bonuses and not related to any individual.

Motion: Walt Partridge

Second: Robert Chapman

Vote: All Directors present voted in favor.

At 9:24 pm the Board moved to adjourned from the Executive Session and re-enter into the Regular Board Meeting session.

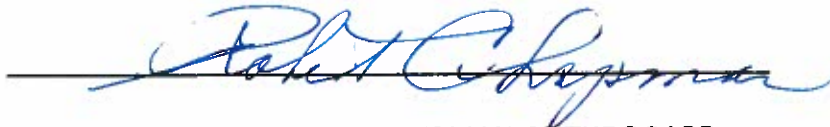
Motion: Robert Chapman

Second: Walt Partridge

Vote: All Directors present voted in favor

The discussion in the Executive Session constituted a privileged attorney-client communication and therefore, no record or electronic recording was required to be kept of that discussion. The Board did not adopt any proposed policy, position, resolution, rule, regulation, or formal action with respect to the matters discussed during the Executive Session.

There being no additional business to come before the Board Chairman Chapman adjourned the meeting at 9:25 pm.

A handwritten signature in blue ink, appearing to read "Robert Chapman", is written over a horizontal line.

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

ATTEST:

A handwritten signature in blue ink, appearing to read "Walter Partridge", is written over a horizontal line.

WALTER PARTRIDGE, SECRETARY