

**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 January 12, 2011 at the main office, the time and place of the meeting according to the posted notices. Present were District Board Members - Robert Chapman, David Eyre, Walter Partridge, Heidi Tackett and Rod Bergholm, District Manager - Charles Krogh, District General Counsel - Jim Folkestad, District Accountant - Kevin Collins, and members of the District staff - Bill Morgan, Rhonda Lancaster, Tim Richard, and Patty Britton.

Chairman Chapman called the meeting to order at 6:00 p.m. and established the presence of a quorum.

Minutes of the December 8, 2010 Regular Board Meeting were read and approved as amended.

PUBLIC RESPONSE

None

DIRECTOR'S BUSINESS

Director Eyre opened Director's Business with a request for the group to discuss the email Manager Krogh received from Timbers Resident Mr. Smith regarding the conservation rate in the District's tiered structure. The Board and staff entered into a brief discussion, and then Chairman Chapman asked the Board to consider tabling this discussion until next month and add it to the agenda. The Board directed Manager Krogh to send a response to Mr. Smith to inform him that the Board and staff have received his email and that the board plans to discuss it in the future.

ITEMS FOR BOARD ACTION AND DISCUSSION:

PRESENTATION ON SEWER INSPECTION AND REPAIR

The Board requested a presentation on the recent sewer lining project that was contracted out to Wildcat Civil Construction by the District. Tim Richard of the Wastewater staff presented the Board with before and after videos of the 10" sewer line repair that was completed. The repair was done using a liner that is water cured at high temperature that becomes a fiberglass pipe within the original sewer pipe which seals cracks and holes. The video also showed root

growth that had penetrated the sewer lines and how the cleaning process cuts through the roots with high pressure water. Root X is available for sale to any customers. Mr. Richard explained the cost effectiveness of the District's maintenance program that schedules one third, or 80,000 ft of the District's sewer lines at a time per year to be inspected, then cleaned, and repaired as needed in the older portions of the District. One fifth of the newer lines are inspected each year. The regular inspections provide important documentation of the condition of the lines, so that when other entities come in and bore through and damage District sewer lines they are easy to identify. The District has nearly 2,300 manholes and all have been surveyed and are on the GIS system, along with the 86 miles of sewer lines. The 2011 Budget includes \$40,000 for these yearly inspections. The Board was invited to do a sewer line inspection/cleaning field trip the next time an inspection is scheduled.

RESOLUTION 2011-1 SETTING TIME AND LOCATION FOR BOARD MEETINGS AND ESTABLISHING LOCATIONS FOR POSTING OF NOTICES

The Board entered a motion to approve Resolution 2011-1 designating meeting time and location and posting locations for 2011. Director Tackett asked if the 6pm meeting time was set for a reason and Manager Krogh explained that the Board and staff had moved the time from 7pm to 6pm a few years ago, as the 6pm time was more convenient for staff.

Motion: David Eyre

Second: Rod Bergholm

Vote: All Directors present voted in favor.

RESOLUTION 2011-2 ESTABLISHING A WATER PROJECT FEE TO FUND WATER SUPPLY PROJECTS

The Board was asked to approve the Water Project Fee Resolution that was discussed at the December 2010 meeting. The fee will become effective March 1, 2011. The fee schedule will be \$25 per billing period for Residential customers, and for Commercial customers the fee will be according to meter size. (See attached Exhibit A) Revenue from the Water Project Fee shall be segregated from other District revenue and used for projects and financing for eligible water supply projects. A motion was entered to approve Resolution 2011-2 establishing a Water Project Fee to fund water supply projects.

Motion: David Eyre

Second: Robert Chapman

Vote: All Directors present voted in favor.

AMENDMENT TO ENGINEERING AGREEMENT FOR PUMP STATION 4 IMPROVEMENTS

Dewberry-Integra Engineering has requested an increase in their contract amount to cover three tasks that were required during the design phase that were outside the scope of work. The Board entered a motion to authorize the

District Manager to increase the Dewberry-Integra engineering services agreement for Pump Station 4 by \$4,665.00.

Motion: David Eyre

Second: Robert Chapman

Vote: All Directors present voted in favor.

DISCUSSION OF COMMENTS AND ACTION ITEMS FROM THE EXPENSE AUDIT COMPLETED IN NOVEMBER 2010

Director Tackett suggested that the Board and staff discuss a few of the items from the Expense Audit that was completed in November, 2010. Chairman Chapman opened the discussion with a reflection on what the District was like during its first 20 years of history. Mr. Chapman went on to say that the audit comments about legal costs, but wants to point out that it has taken years to get caught up with matters of the District that had been neglected in the past. He added that the same can be said for the accounting costs. Much structure has taken place over the recent past, and that the information from this audit can help District staff and the Board start with a new baseline going forward. Chairman Chapman stated that he believes the audit was a good exercise, one which allows the District to see how it compares and differs with others. He also wants the study to be used as a reference document and to use items of interest for future agendas. Director Tackett would like to make sure the recommendations of interest are kept in mind for further discussion. Director Eyre pointed out that in the past a firm was hired to do an audit and that resulted in several projects and improvements to the District, and that it would be a good idea to continue on with that idea to make improvements. Manager Krogh commented that the study should be used to make sure the District is performing within the expected range, and it will be a helpful tool in making the District more efficient. Director Bergholm would like the District to address VFD efficiency possibilities for electric costs in 2011. Manager Krogh will direct staff to work on setting up an energy audit to see if there is a chance of changing the rate structure that are a part of each pump station's contract with IREA. With respect to the VFD issue, Manager Krogh stated that there is money in the 2011 budget to study the benefit of VFD's in various locations.

ATTORNEY'S REPORT

Attorney Jim Folkestad presented the Board with a list of matters that are currently active and of interest to the Board:

- Canyons South – A foreclosure date is scheduled for April 27, 2011. The current Letter of Credit Amendment 9 expires February 12, 2011 and legal staff is in contact with Canyons South regarding renewing the Letter of Credit. If it is not renewed at least 15 days prior to expiration, the District is entitled to call the entire amount of the Letter of Credit.
- Mr. Folkestad is working on the IGA with the newly formed Colorado Horse Park Metro District.

- A sewer line easement has been drafted for Pinery Filing 28B. Legal staff is working on obtaining title insurance and will forward the proposed easement for High Prairie Farms Metro District legal counsel.
- Legal staff is waiting for executed documents that convey Reservoir 7 and Well N Site to the District. Once these documents are received, the District can grant certain easements to High Prairie Farms Metro District.
- Legal staff is in the process of incorporating the numerous amendments to the District Rules and Regulations that have occurred since 1998.
- Reata South conduit easement – Legal staff is in the process of contacting the new owners of the properties that were previously owned by WL Homes regarding the proposed easement.
- Notification Letter to Property Owners with Outstanding RTS fees for 2011 Certification to Treasurer – A list is being prepared of property owners within the District with outstanding fees. This will be addressed at the February Board meeting.
- Senior Corp. Parcels to High Prairie Farms - The Board was presented with two quit claim deeds for signature.
- Senior Corp. Parcels to Pinery HOA – PHOA is requesting that parcels be conveyed as common elements to avoid issues with property taxes.
- Senior Corp. Parcels to Douglas County – Board of County Commissioners to approve an executed deed in January, 2011.

Director Eyre urged the new Board members to arrange to visit Mr. Folkestad's office and meet their staff that works on District matters.

ACCOUNTANT'S REPORT

Accountant Kevin Collins of Clifton Gunderson provided an overview of selected significant variances compared to the three year average through November 30, 2010, along with the District's Financial Statements as of November 30, 2010. Mr. Collins reported that the November numbers are tracking very well with graphs and history. Director Eyre asked for the confirmed amount of the 2010 Ground Water Protection fee monies that will be added to the Ground Water Insurance Fund line item for 2010. Mr. Collins confirmed that the amount will be \$17,196.00 for 2010.

TREASURER'S REPORT

Director Bergholm presented the Treasurer's Report for Board approval for the month of December 2010. A motion was entered to issue checks as written in the amount of \$826,040.31, and \$5,902.95 for the interim report.

Motion: Rod Bergholm

Second: David Eyre

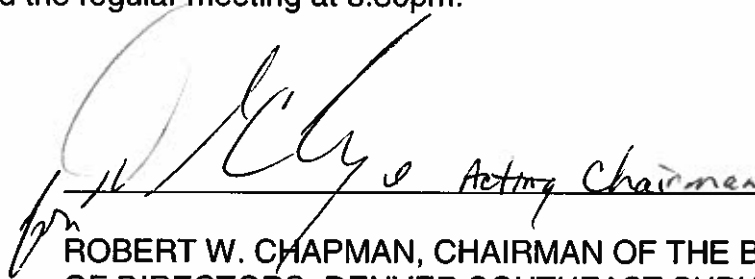
Vote: All Directors present voted in favor.

DISTRICT MANAGER'S REPORT

District Manager Krogh updated the Board current events of interest to the District:

- Manager Krogh reported that there is good progress in the WISE Project negotiations. A breakfast presentation is scheduled for February 28, 2011 at 7:30am at the Inverness Hotel.
- CCPWA filed a sizable water rights application in December.
- The District has received one tap fee so far for 2011.
- Castle Rock has offered to assist the District with a conservation program.
- Manager Krogh updated the Board on the District employee who suffered an eye injury at work a few weeks ago. He has fully recovered and the injury did not result in missed work days.
- Manager Krogh is meeting with Accountant Kevin Collins to reformat the District's financials.
- HRS Water Consultants, Inc. has provided the District with an Auqifer Storage and Recovery summary. The Board and staff were provided with a copy of this report.
- Copies of the new Rate Study completed by Red Oak were presented to the Board.

There being no further business to come before the Board, Chairman Robert Chapman closed the regular meeting at 8:30pm.



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

ATTEST:



WALTER PARTRIDGE, SECRETARY