

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 August 10, 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 District staff –Rhonda Lancaster and Bill Morgan. Douglas County Commissioner Jill Repella was in attendance at special invitation of the Board.

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

PUBLIC RESPONSE

Commissioner Repella addressed the Board regarding the need for regional cooperation on renewable water supply projects. She read a resolution recently adopted by the County Commissioners (attached) expressing support for the WISE project as an important step in addressing the water needs of the County. In her presentation she emphasized how we are all linked economically and that all the water districts need to work together so that no individual district fails. A failure by any of the districts would negatively impact property values County wide. Commissioner Repella also stated that Governor Hickenlooper believes that Douglas County needs a good water project for the future and that our many small water districts are difficult to work with. The WISE project is important and the County very much wants to see it succeed. The Commissioner also stated that Douglas County is in a favorable position financially as the County has cut staff and expenses during the recession and she feels that with a regional water project that the County is in a position to attract business.

Chairman Chapman expressed that the District has great interest in the WISE project but that he is concerned about the cost to our rate payers. That sentiment was echoed by Director Partridge. Director Eyre stated the water providers in the area all need to be on the “same page” and not have separate agendas.

The Board thanked Commissioner Repella for attending the meeting and for her support for the WISE project.

ITEMS FOR BOARD ACTION AND DISCUSSION:

WISE PROGRESS REPORT

Manager Krogh gave an update to the Board on the status of the WISE project. In summary, the WISE agreement draft is near final with only a few remaining issues to be negotiated. The WISE participation agreement is also coming along and has been distributed to the SMWSA members for comment. The agreement to purchase the ECCV pipeline is progressing with the issue of resolving the ownership interests of the Meridian Metropolitan District and the Cottonwood Water and Sanitation District being the single largest issue remaining.

The offer from Denver Water and Aurora Water will be for a total of 10,000 AF/yr average deliveries and the District will need to determine its desired subscription level. The District is in the SMWSA master plan as desiring 500 AF by 2020 and 1000 AF by build-out. The Board expressed a preference for subscribing to the lower number now. Given the likely schedule of the agreements it is projected that the Board will need to make a decision on the subscription level and make a commitment to fund the District's portion of the project at the October Board meeting.

POTENTIAL OPEN SPACE ACQUISITION – BROE PARCEL

The Broe parcel is for sale and Douglas County Open Space is exploring acquiring the parcel as open space. The parcel is in the District, it is currently zoned as agricultural, and it is in the District's groundwater protection zone. The District has participated in two open space acquisitions in the past; the Hungry Horse and Grange properties. Both properties were in the District's groundwater protection zone and the Board found that it was in the best interest of the District to remove the properties from potential development. The Broe property is similarly situated. The Board discussed the potential for the parcel to become open space and expressed that any participation of the District would need to fall within our authorized governmental powers. The Board then directed the Manager to work with Douglas County to further explore this potential open space.

Commissioner Repella left the meeting following this discussion and the Board took a short break.

Upon resuming the meeting, the Board returned to the beginning part of the agenda.

The Minutes of the July 13, 2011 Regular Board Meeting were read and approved.

DIRECTOR'S BUSINESS

Director Chapman restated his position that he is not interested in having the EPA sample sediments in Bingham Lake. Manager Krogh reminded the Board of

the contact by the USGS on behalf of the EPA expressing interest in including Bingham Lake in a potential 2012 sampling program. At this point in time it is only a proposed sampling program and if it becomes a funded program the USGS (or EPA) will need to gain access approval from the Board before sampling could occur. It is at that point where the Board would make a decision to allow the sampling or not.

ENGINEERING SERVICES FOR WELL W PROJECT

The District is planning on drilling Well W this winter and it is time to hire an engineering firm for the design of the well facility. The District requested a proposal from Dewberry-Integra for the design, preparation of bid documents and construction phase services. Dewberry has done a number of similar projects for the District including wells R, S, T, and V and pump station 4 upgrades.

A motion was entered to authorize the District Manager to accept the proposal submitted by Dewberry Engineering for Well W design, bidding, and construction services and authorize expenditure not-to-exceed \$95,000. The Board noted that the well will feed into an existing raw water pipeline that is adjacent to the well site reducing the pipeline costs.

Motion: David Eyre

Second: Rod Bergholm

Vote: All Directors present voted in favor.

PROPOSAL FOR APPRAISAL OF LOT IN PINERY WEST DEVELOPMENT

The Pinery West Development would like to begin the process of dedicating 2 parcels of land within their development to the District, and they would like to proceed with the sale of a lot to the District. The first step will be to determine the value of the parcels. The cost of the appraisal is \$2,500 which will be split between the developer and the District. A motion was entered to authorize the Manager and General Counsel to put together a letter agreement with the Pinery West Developer for an appraisal of 2 tracts of land within their development that are to be dedicated and the one lot that is to be sold to the District, and approve the engagement of Ketcham and Company to perform the appraisal.

Motion: Robert Chapman

Second: David Eyre

Vote: All Directors present voted in favor.

APPOINTMENT OF 2012 BUDGET DIRECTOR

The Board was asked to begin the 2012 budget process by appointing a budget director to prepare the draft budget prior to the October 15th statutory deadline. A motion was entered to appoint the District Manager as Budget Director.

Motion: David Eyre

Second: Heidi Tackett

Vote: All Directors present voted in favor.

AGREEMENT WITH THE TOWN OF CASTLE ROCK FOR CONNECTION OF WATER SYSTEMS

Manager Krogh introduced the the Board to the Castle Rock Interconnect project that will provide emergency connection between the Town of Castle Rock's potable water system in Cobblestone Ranch development and the District's potable water system in the Pradera development. Manager Krogh pointed out that the project would provide mutual benefit for both sides in case of an emergency situation where one District would need water if their existing system failed. Construction and maintenance costs would be shared 50/50 between the Town and the District. The District's portion of the project costs would be approximately \$50,000. There would be minimum monthly utility costs for electricity to run SCADA readings for the connection. Currently there is a fire easement in place for the area, but no District easement. Manager Krogh is seeking comments and concerns from the Board at this time with the topic being an action item for a future board meeting.

ATTORNEY'S REPORT

Attorney Jim Folkestad, general counsel for the District provided an update to the Board on current projects he and his staff are working on for the District:

- The Public Hearing for the unpaid RTS accounts will be held on September 7, 2011.
- Liens – 5 Liens were filed during July and 5 existing liens were released in July.

ACCOUNTANT'S REPORT

Accountant Kevin Collins with Clifton Gunderson presented the June 30, 2011 financial statements to the Board.

- **Water** – Water operating revenues and expenses are consistent with the four year average budgeted amounts. Other income for water includes a water conservation grant in the amount of \$6,115.00. Legal expenses are over budget due to a water rights case 01CW59 for the Augmentation Plan Amendment.
- **Sewer** – Sewer operating revenues are consistent with four year average budgeted amounts and sewer expenses are below the budgeted average. Repairs and maintenance system is scheduled for later in the year. Sludge disposal costs are greater than budget through June, but should be within budget by year end.
- **Non-operating** - Non operating revenues are above the four year average budgeted amounts. Late charges are again above budget for 2011. The proceeds from the sale of two company vehicles at auction is listed under the "proceeds from asset disposition"

A motion was entered to approve the June 30, 2011 financial statements as presented.

Motion: David Eyre

Second: Rod Bergholm

Vote: All Directors present voted in favor.

TREASURER'S REPORT

Director Bergholm presented the Treasurer's Report for Board approval for the month of July, 2011. A motion was entered to issue checks as written in the amount of \$374,106.19 and \$154,973.66 for the interim report.

Motion: Rod Bergholm

Second: David Eyre

Vote: All Directors present voted in favor.

Director Partridge requested that there be a work order type of report to be included in the monthly water report that would list the service line breaks and leaks that the District calls EPR in to repair.

DISTRICT MANAGER'S REPORT

Manager Krogh presented the Board with an update on what is going on around the District:

- The District is involved in an insurance claim with the homeowner at 7695 Hillgate Way. The property suffered sewer damage. The cleaning company estimate is \$4,000.00. The District has a \$10,000 no fault coverage clause. Attorney Jim Folkestad spoke with the insurance company asking for a release from liability form for this size of claim against the District.
- Water main break on Lakeshore Drive – repairs started this week. WWTP Project update – Manager Krogh met with Garney Construction superintendent today. They will begin work at the end of August.
- Well W – Manager Krogh and District staff met with Pinery Glen HOA board and sent letters to the customers that will be affected by the well drilling project. Director Tackett would like communication through our newsletter to the customers letting Pinery Glen homeowners know about the upcoming winter project.
- Well H – District staff is meeting with a property owner adjacent to the site to gain an easement for the project.
- Water meter replacement – 36 new Badger water meters have been installed to date. This has occurred as normal meter replacement/change out for bad meters. The installation of the 600 meters approved as the beginning of the radio-read conversion will begin in late August/
- Chlorine vs Chloramine – Aurora uses chloramines in their water system because they last longer in the distribution system. This is not compatible with the chlorine that the District uses. If an adjustment is not made when taking WISE water into the District's system we could experience water quality issues. CH2MHill has been asked to give the District an estimate on using the Reservoir 9 site as a treatment site. Most large distribution systems use chloramine. It is more complicated and more costly to use.

- New phone system at WWTP – The old phone system at the Wastewater Treatment Plant office was struck by lightning. There are no replacement parts for the old system. The new phone system will cost between \$3,000 and \$4,000.
- Aurora Water Tour – Manager Krogh will be attending the tour on August 11th and 12th. Elected officials will also be present on the tour. Director Tackett expressed an interest in attending future tours, other board members expressed interest as well.
- SDA conference – Manager Krogh reiterated to the Board that their interest in attending is beneficial for the District. It is a good training experience for the Board and a chance to network with Board members of other Districts.

EXECUTIVE SESSION

At 8:56pm the Board voted to move into Executive Session pursuant to C.R.S. Section 24-6-(4)(e) to determine the District's position on matters that may be subject to negotiations and for developing strategy for negotiations concerning the District's Wastewater Treatment Plant Draft Permit Comments and the WISE program.

Motion: Robert Chapman

Second: Rod Bergholm

Vote: All Directors present voted in favor.

After the Executive Session, Jim Folkestad stated that all of 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. Jim Folkestad further stated that 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.

At 9:45pm a motion was entered to adjourn from Executive Session and re-enter into public session.

Motion: Robert Chapman

Second: David Eyre

Vote: All Directors present voted in favor.

There being no further business to come before the Board, Chairman Robert Chapman closed the regular meeting at 9:46pm.



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

ATTEST:



WALTER PARTRIDGE, SECRETARY