

**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, November 9, 2011 at the main office, the time and place of the meeting according to the posted notices. Present were Robert Chapman, David Eyre, Walter 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.

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 October 12, 2011 Regular Board Meeting were read and approved.

PUBLIC RESPONSE

None

DIRECTOR'S BUSINESS

- Director Eyre reported on his recent meeting with Mr. Krogh and Alix Joseph of Burns, Figa and Will, providing his personal recommendation that she be retained as water counsel for the District.
- Chairman Chapman commented that there is a great deal of activity going on in the media, state and nationally regarding natural gas extraction and specifically the process of fracking. Discussion ensued regarding the challenges of fracking as it relates to water wells.
- Director Tackett questioned Mr. Krogh whether the Parker Water & Sanitation District website data comparing the Pinery's water billing rates to other districts had been corrected.

ITEMS FOR BOARD ACTION AND DISCUSSION

PUBLIC HEARING ON THE 2012 BUDGET

By agreement of the Board, Chairman Chapman officially opened the Public Hearing at 6:12PM regarding the Denver Southeast Suburban Water and Sanitation District 2012 budget. There being no public present, the Hearing was closed by the Chairman at 6:13PM. The hearing was properly posted in the Douglas County NewsPress as required by statute.

Mr. Collins provided a report to the Board analyzing the revenues and expenses of the District for the years 2002 through 2012, including estimated revenues and expenses for 2011 and projections for 2012. As part of the analysis, revenues and expenses were allocated to operations and new capital. In conclusion, Mr. Collins stated that the charges for water and sewer operations are adequate to cover the expenses of those operations. However, he added that the District while in compliance with the rate covenant is not in compliance with the additional bonds test and recommended that the District would need to increase rates in 2012 by 3% to come into compliance.

The discussion turned to factors that should be considered in establishing water and sewer service rates for 2012 including:

- Bond covenant rules and associated requirements in the budget document
- Inclusion of the above revenue/expense analysis findings
- Previous findings and recommendations from the 2010 Red Oak rate study
- Impacts on funding of future water development projects
- Impact of a change on this year's rate in relation to future years

Mr. Krogh responded to questions from the Directors regarding capital projects and how they relate to the initial draft budget document. He also commented on the status of the Cherry Creek Project Water Authority and South Metro Water Supply Authority budgets and how they might impact the District's budget. Following discussion, the Board suggested that staff work to decrease the 2012 operations budget by a targeted goal of 3% as opposed to consideration of a water and sewer rate increase for 2012.

Resolution 2011-5

A motion was made to approve Resolution 2011-5, suspending previously approved Resolution 2006-8 which established automatic rate setting tied to the CPI plus 4%.

Motion: David Eyre

Second: Rod Bergholm

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

Additional discussion included the establishment of a District policy and fee schedule for copying of documents and completion of research as requested by outside customers and entities. Sample policies and documents were provided from other Counties and Districts.

A motion was entered instructing Manager and staff to prepare a policy and recommended fee schedule for production of file material and research requested by outside customers and entities.

Motion: David Eyre

Second: Robert Chapman

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

REQUEST FOR VACATION OF LOT LINE

The District has received a written request from Dave Perkins & Associates to consider vacation of the lot line between 5240 and 5280 Golden Ridge Court. A Google earth picture and copy of the District's rules and regulations were provided for the Directors' reference. In addition, the District has been asked to consider providing two service connections to the new larger lot and revise the sewer/septic service as described by Mr. Krogh. Following discussion, the Board instructed Mr. Krogh to draft a response to the customer acknowledging that the Board is not opposed to such a change; however, additional information (e.g., an engineering study, design details) is necessary to make sure District requirements are met. Furthermore, clarification by the customer regarding responsibility for the current septic, lift station and general sewer service will be included in a formal Agreement and recorded with the County. All documents are subject to review by Counsel.

EMPLOYEE BENEFITS DISCUSSION

The District's medical benefits expire at the end of November; other benefits (dental, vision and life/LTD) expire at the end of December 2011. Prior to consideration of a future benefit package, the Director's initially reviewed Resolution 2010-1, which documents the Board's philosophy with respect to benefits. Discussion included a PowerPoint presentation by staff recommending the current plan be extended through

December 2011, and an alternative plan through the County Health Pool (SDA) be initiated in January 2012.

Following discussion, a motion was entered to approve the benefits plan for 2012 and authorize the Manager to enter into agreements to extend the 2011 plan for the month of December 2011, and to enter into agreements for the 2012 plans with the County Health Pool (including medical, dental, life and vision coverage).

Motion: Walter Partridge

Second: Rod Bergholm

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

Director Tackett stated that with all the upcoming changes to the benefit program and increased administrative responsibilities, she was comfortable with phasing in the wellness provisions after the first of the year.

ATTORNEY'S REPORT

District Legal Counsel Jim Folkestad provided a memorandum to the Board stating the current terms for the individual Directors as it relates to the 2012 election. Directors Chapman and Partridge are not scheduled for re-election until 2014. Directors Eyre, Bergholm and Tackett will be up for election in 2012. Additionally, Mr. Folkestad described the various term lengths for the 2012 election (2 versus 4 year terms). The following items were provided by Counsel in report form to the Board:

- An updated foreclosure listing for the District
- Updates of various projects that Mr. Folkestad is working on including the Canyons Assignment and Assumption Agreement; Certification of outstanding RTS fees; the Emergency connection and reimbursement agreement with Castle Rock; Completion of easement agreements for Well H; and the Timbers Subdivision Improvements Agreement.

ACCOUNTANT'S REPORT

Accountant Kevin Collins of Clifton Gunderson presented the District's Financial Statements as of September 2011. Additionally, Mr. Collins provided a summary list of local banks and their associated CD rates for consideration of a future investment of funds (i.e., funds from a CD which matured in October 2011).

Following discussion, a motion was entered to invest recommended available funds in a twelve (12) month Certificate of Deposit at Citywide Bank.

Motion: Heidi Tackett

Second: Rod Bergholm

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

Mr. Collins summarized the financial statement notes provided to the Board, focusing on the final payment of the 1989 CWRPDA made in August 2011; a official statement to this regard was provided to the Directors.

Effective January 2012, Clifton Gunderson will be finalizing a business merger and will be changing their name to, "CliftonLarsonAllen".

TREASURER'S REPORT

Director Bergholm presented the Treasurer's Report for Board approval for the month of November 2011. A motion was then entered to issue checks as written in the amount of \$1,171,750.27 and the Interim Report in the amount of \$6,243.27.

Motion: Rod Bergholm

Second: Walt Partridge

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

DISTRICT MANAGER'S REPORT

- Mr. Krogh provided an update on the Well W (later to be known as Well "T") construction project, including scheduling and communications with the neighboring properties. To date, this project has been well received in the area and has been on schedule for the target completion date.
- The Well H and A-16 project is currently out to bid and staff is working on the necessary easements from Douglas County, Trinity Lutheran Church and Thunder LLC. Although the State Engineer has denied the District's well permit for Well A-16, water counsel is currently working through the issue.
- The interconnect with the Town of Castle Rock is progressing with final plans under review. Changes in the plans will require some modification of the Agreement with Castle Rock.
- Staff is working with the Pinery West Developer for an easement regarding the new location of Well A.
- An update on the clarifier and handrail project at the wastewater treatment plant was provided. Mr. Krogh stated that this has been an extremely successful project, all aspects going as originally planned.
- Water meter replacement has been completed in Pradera and staff is now working on the Pinery townhomes. Subsequently, the next area for meter change outs will be in Timbers.
- Review of plans for the completion of Raintree Drive will be provided for Celebrity Development. Construction is planned to begin in spring 2012.

- The District has received the amendment to the WWTP permit effective November 1, 2011.
- Representatives of the Franktown area met with Mr. Krogh and staff this week, beginning discussion regarding development in the area and asking whether the District would be interested in providing sewer service. Previous meetings with individuals from Franktown were held in 2006 in this same regard. Following discussion, Mr. Chapman stated that financing such a project at this time was not in the best interest of the District, but felt that continued discussions on the topic had merit.
- An update on the WISE project was provided, noting that continuing meetings are scheduled with Denver and Aurora over the next weeks.
- Regarding the ongoing sewer line project contracted with DRC, Mr. Krogh commented that they are making positive progress on the project.
- A meeting has been set for Wednesday, November 16th with the Colorado Horsepark regarding plans for the RV lot.
- In recent election news, it was noted that Stonegate overwhelmingly voted down inclusion into the Parker Water and Sanitation District.
- Mr. Krogh asked for guidance regarding possible 2011 performance bonuses for District employees as well as 2012 salary increases. Following discussion and recommendations by Mr. Krogh, the Board agreed to creating a pool of funds for 2011 staff bonuses, and assigned determination of the bonus pool amount to Directors Partridge and Tackett which will be provided to Mr. Krogh. Salary increases will be further discussed at the December Board meeting in conjunction with the 2012 budget finalization.

There being no further business to come before the Board, Chairman Robert Chapman closed the meeting on Wednesday, November 9, 2011 at 9:57PM.


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

ATTEST:


WALTER PARTRIDGE, SECRETARY