

**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 14, 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 via phone, 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. Timbers resident Hal Brewer was also present.

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

Minutes for the November 9, 2011 Regular Board Meeting were read and approved.

PUBLIC RESPONSE

Timbers resident Hal Brewer addressed the Board with a question about the \$25 water project fee asking for verification that the fee is indeed being restricted to projects and what the cap is on the amount to be collected. Manager Krogh explained to Mr. Brewer that the District has a plan to raise \$40 million for projects which have not been sufficiently defined yet. The project fee could be replaced with a mil levy in the future, but that would require a vote of the residents of the District. Mr. Brewer was also concerned about the foreclosure status within the District and asked if the numbers are high enough to be causing a revenue issue for the Water District. Finally, Mr. Brewer asked the Board if the District has been asked to take a position regarding fracking that is taking place in Colorado. Manager Krogh replied that the District has not been approached by anyone to take a position, and that the State of Colorado is currently working on a set of rules and regulations regarding fracking in the state. Also, the Board had asked in the November Board meeting that the District begin to compile information on Fracking and to track projects that are nearby.

DIRECTOR'S BUSINESS

Director Tackett reported that she watched the video presentations given to the Town of Castle Rock on the WISE project, and the other three projects they are examining. She commented that the RFP information was very helpful to her in learning more about the various projects. Director Tackett suggested to Manager

Krogh about having the District's Board schedule a work session to review the information provided in the videos.

ITEMS FOR BOARD ACTION AND DISCUSSION:

2012 BUDGET

The Board was presented with the Budget for 2012 along with a memo describing changes made since the November Board meeting, the 2012 project list, and copies of the SMWSA and CCPWA budgets. A table showing a ten year capital plan was also included. A motion was entered to adopt the 2012 Budget and Appropriate Sums of Money.

Motion: Robert Chapman

Second: Heidi Tackett

Vote: All Directors present voted in favor.

A motion was then entered to adopt the Resolution to set the Mill Levy at zero.

Motion: Robert Chapman

Second: Walt Partridge

Vote: All Directors present voted in favor.

Director Partridge complimented Manager Krogh for his hard work on the Budget and making the cost reductions that the Board requested.

2012 RATES AND FEES

The Board was presented with a Resolution affirming rates and fees for 2012. The only changes to the 2012 fee table are to show modifications for monthly billing, the addition of the Water Project Fee and the addition of charges for public records research.

Motion: Robert Chapman

Second: David Eyre

Vote: All Directors present voted in favor.

RESOLUTION TO JOIN THE COUNTY HEALTH POOL FOR HEALTH BENEFITS

The Board was asked to approve the Resolution to join the County Health Pool so that the District can purchase health insurance benefits through them for 2012. A motion was entered to approve the Resolution.

Motion: Walter Partridge

Second: Rod Bergholm

Vote: All Directors present voted in favor.

LETTER OF SUPPORT FOR MODIFICATIONS TO THE RUETER-HESS RESERVOIR PERMIT CONDITIONS TO ALLOW STORAGE OF WISE WATER

Manager Krogh drafted a letter for the Board to approve to be sent to the U.S. Army Corps of Engineers showing the District's support of the proposed amendment to Parker Water and Sanitation District's permit for Rueter-Hess

Reservoir. Without this amendment, future plans for storage of water from the WISE project will not be allowed. A motion was entered to approve the letter to be signed by Chairman Chapman.

Motion: Walter Partridge

Second: Rod Bergholm

Vote: 4 Directors voted in favor. Director Eyre abstained from the vote.

LETTER TO CUSTOMERS ON MONTHLY BILLING

The District will be converting to monthly billing in 2012 and customers will need to be notified of this change. Manager Krogh presented the Board with a letter he drafted to go to the District's customers in January. A motion was entered to approve the letter to District customers.

Motion: Robert Chapman

Second: Heidi Tackett

Vote: All Directors present voted in favor.

ATTORNEY'S REPORT

Attorney Jim Folkestad, general counsel for the District provide an update to the Board regarding the latest on current projects he and his staff are working on for the District reporting that Canyons made their scheduled payment of \$133,032.91 on December 7, 2011 and the Letter of Credit was adjusted accordingly. The Pinery 28B – Tract A – Sewer Line Easement is completed.

ACCOUNTANT'S REPORT

Accountant Kevin Collins with Clifton Gunderson presented the October 31, 2011 financial statements to the Board.

Water: As of October 31, 2011 water operating revenues are consistent with four year average budgeted amounts. Expenses are slightly below average.

Sewer: As of October 31, 2011 sewer operating revenues and expenses are consistent with four year average budgeted amounts.

Non-operating: Non-operating revenues are above the four year average budgeted amounts mostly due to water and sewer tap fees coming in higher than budgeted amount. Late charges continue to be above budget for 2011. Non-operating expenses are consistent with the four year average budgeted amounts.

Kevin Collins also provided the Board with an Analysis of Changes in Funds Available for the ten months from January 1, 2011 through October 31, 2011. Manager Krogh pointed out that there is a sizable amount of money in the C-Safe 2010 Project Fund. A request was made to move \$1.8 million from C-Safe to Wells Fargo to repay the accounts for the Well V, Well W, and Well H projects.

TREASURER'S REPORT

Director Bergholm presented the Treasurer's Report for Board approval for the month of November, 2011. A motion was entered to issue checks as written in the amount of \$611,543.23 and \$118,880.67 for the interim report.

Motion: Rod Bergholm

Second: Heidi Tackett

Vote: All Directors present voted in favor.

DISTRICT MANAGER'S REPORT

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

- Well W – High winds in November blew down a section of the sound wall at the well site that fell into a homeowner's lot fence. No injuries occurred and the fence has been repaired at the driller's expense.
- Sewer Lining Project – work has been delayed because the contractor had to be pulled away on an emergency repair. Work should be completed by early 2012..
- Director for Castle Rock Utilities Ron Redd has offered to present to our District the results of their evaluation of the 4 competing water projects which are WISE, United Water & Sanitation, ReNew Strategies, and Stillwater Resources.
- CCAMP – This project is receiving interest again and those heading it up are looking to figure out how to split costs among the entities along Cherry Creek to cover enhancements to the model that was done a few years ago. The hope is that the model results will be used to settle water rights disputes and to maximize use of the available water supplies along Cherry Creek.
- District staff has met with Optimum Networking to review the security of the District's computer system with the goal to improve on system security.
- Manager Krogh requested that the Board approve time for an Executive Session at this meeting for advice from legal counsel on a District matter.

CONTINUATION OF ACTION ITEMS

EMERGENCY INTERCONNECT AGREEMENT WITH THE TOWN OF CASTLE ROCK

The agreement between the District and the Town of Castle Rock is ready for approval from the Board. This agreement represents the emergency connection of Castle Rock's potable water system in the Cobblestone Ranch development which lies at the southwest end of the District's boundaries with the Pinery's potable water system in the Pradera development. Construction and maintenance costs of the 400 feet of 12" water line will be shared 50/50 between the Town of Castle Rock and Pinery Water District. A motion was entered to approve the Emergency Connection and Reimbursement Agreement.

Motion: Walter Partridge

Second: Heidi Tackett
Vote: All Directors present voted in favor.

CREDIT CARD FEE

The Board was asked to authorize the District to enter into a service agreement with Point & Pay, LLC as the merchant services provider to District customers who wish to pay their bill by credit or debit card. The Board determined that the District customers will pay 100% of the transaction fees charged by the credit card merchant. A motion was entered to authorize the District into the service agreement with Point & Pay, LLC and to establish a policy stating that District customers will pay a bracketed transaction fee based on payment amount.

Motion: Walter Partridge
Second: David Eyre
Vote: All Directors present voted in favor.

FOLKESTAD RETENTION LETTER

Jim Folkestad, legal counsel for the District, presented his 2012 Engagement Letter for the Board to consider. A motion was entered to approve the annual retention letter.

Motion: David Eyre
Second: Heidi Tackett
Vote: All Directors voted in favor.

PARTICIPATION AGREEMENT FOR COST SHARING OF THE WISE NEGOTIATION AND ENGINEERING COSTS

The Board and staff held a discussion regarding the District's participation in the WISE project, and the next step in the process which is agreeing to cost sharing among the 15 water providers who are participants for engineering, legal, rate consulting, and other items needed to finalize negotiations with Denver Water and Aurora. The Board agreed to use the monies collected for the Water Project Fee to fund the District's \$25,000 share.

Motion: David Eyre
Second: Heidi Tackett
Vote: All Directors present voted in favor.

CONSIDERATION OF A REQUEST BY USGS FOR SAMPLING OF BINGHAM LAKE

Manager Krogh received an email request from the USGS seeking permission to take samples from Bingham Lake for their USEPA National Lakes Assessment. The Board considered the request and chose to deny the request with a motion.

Motion: Walter Partridge
Second: David Eyre
Vote: All Directors present voted in favor.

EXECUTIVE SESSION

At 8:15 pm Manager Krogh requested that the meeting move into Executive Session to discuss a District matter. The Board voted to move into Executive Session pursuant to C.R.S. Section 24-6-(4)(b) and (e), to seek legal advice and to determine the District's position on matters that may be subject to negotiations and for developing strategy for negotiations.

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 8:39 pm a motion was entered to adjourn from Executive Session and re-enter into public session.

Motion: Robert Chapman

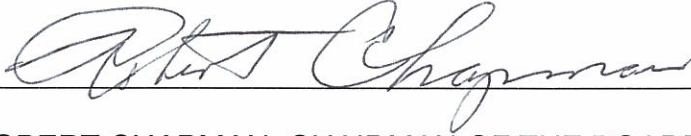
Second: David Eyre

Vote: All Directors present voted in favor.

Manager Krogh presented a letter to the Board to be signed by each Director addressed to District staff to be included with the next pay checks.

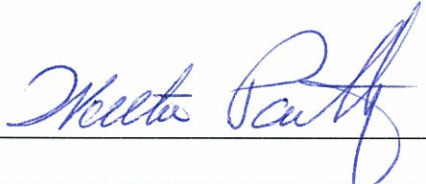
The Board verified their approval of the 3.2% raise for District staff for the 2012 year, noting that no raises have been given since 2008.

There being no further business to come before the Board, Chairman Robert Chapman closed the regular meeting at 8:40 pm.



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

ATTEST:



WALTER PARTRIDGE, SECRETARY