

**MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
SOUTHGATE WATER DISTRICT
ARAPAHOE AND DOUGLAS COUNTIES, COLORADO**

July 14, 2009

The Board of Directors of the Southgate Water District, Arapahoe and Douglas Counties, Colorado, met in regular joint session with the Board of Directors of the Southgate Sanitation District on Tuesday, July 14, 2009, at the office of the Districts, 3722 East Orchard Road, Centennial, Colorado 80121. The meeting was called to order at 4:00 p.m., by the President and Chairman, John J. Herbolich. These minutes reflect the proceedings of the Board of the Southgate Water District.

Notice of the meeting was duly posted as required by law. The agenda for this meeting was posted at the District office more than 24 hours before the meeting convened. The purpose of the meeting was stated to be for consideration of any and all business that may come before the Board of Directors of the Southgate Water District.

The following Directors were present:

David Bickham
John J. Herbolich
Terry Kirkpatrick
George J. MacDonald
Don E. Winslow

Also present were:

Duane Tinsley, Manager
Bill Diones, Resident
Thomas Mansfield, Operations Supervisor
Alphonso Nevarez, Operator

-3640-

Approval of Agenda:

Director Herbolich MOVED to approve the agenda as presented. Director MacDonald SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Public Comment:

Chairman Herbolich extended welcome to Mr. Diones and invited comment. Mr. Diones spoke of his residency within the District, his interest in learning more about the utility operation, and his desire to talk with staff regarding risk management (specifically a new insurance program for service line repairs).

Consent Matters:

Chairman Herbolich identified the items to be considered under "Consent Matters" and asked if any Director wished to pull any item for discussion. Director MacDonald noted that the level of investment remains high in the investment trusts and asked if they are being drawn down as previously discussed. Manager Tinsley indicated that the trusts are being drawn down as capital costs are incurred and the goal is to reduce the trust balances to an aggregate of \$1 million per District. There was clarifying discussion regarding several aspects of the monthly financial statements.

There being no further questions or discussion, Director MacDonald MOVED to approve the consent matters, consisting of:

1. Minutes June 9, 2009 - Regular
2. W09-06(A) Investments - June, 2009
3. W09-06(B) Financials - June, 2009
4. W09-06(C) Improvements Agreements: None.

Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Public Hearings/Scheduled Visits:

Southgate Operations (09-XX)

Operations Supervisor Mansfield briefed the Board regarding: 1) the mission and functions of the Operations group, 2) staffing matters (sufficiency, proficiency, training, cross-training, certification, functional lead persons, and performance), 3) the affirmative commitment to "curative" maintenance in the context of "preventative" maintenance activities (whereas the historic focus was on preventative maintenance and deferred response to curative needs), 4) current matters of interest (leak detection, intent to purchase leak detection equipment, odor control, and grease control), 5) appreciation for the geographic information system, and 6) progress on the work management system.

There was discussion of the extent of interaction and cooperation between the Operations group and the Engineering group. There was discussion of the frustrations resulting from the new work in right-of-way regulations implemented by the City of Centennial. It was agreed that the Centennial permitting issue would be further discussed at the August Board meeting. Supervisor Mansfield introduced Operator Nevarez with indication that: 1) both recently attended Water Environment Federation training on grease control and enforcement, 2) both are working with representatives of the BiCity Wastewater Treatment Plant as both agencies rebuild their grease enforcement programs, and 3) Operator Nevarez will have primary responsibility for grease enforcement in Southgate. Operator Nevarez spoke of the recent training, co-ordination with the BiCity representatives, and readiness to launch the reconstituted Southgate inspection/enforcement program.

Supervisor Mansfield shared several examples of operations work experiences and practices. Wide ranging discussion followed. There was detailed discussion of grease enforcement, odor control and leak detection/leak detection equipment.

The Directors expressed appreciation for Mr. Mansfield's briefing and committed opportunity for such visits in the future.

Supervisor Mansfield and Operator Nevarez departed at this point.

Engineering and Capital Projects:

Project Status Reports (08-05):

Manager Tinsley provided brief status reports on the following projects:

- County Line & S. Yosemite Waterline & Valve Replacement - The contractor has experienced worse than expected utility conflicts but continues to push through toward completion of the water line improvements. Final connections, line loading, disinfection/testing, and tench patch are pending. Staff continues to push the contractor.
- Geographic Information System - Phase III - GIS is up and running. Data entry by staff continues with good progress. City Works (work management) is in the testing phase and operational launch is expected within the next several weeks. The effort will then turn to full implementation of field accessibility.
- Fire Hydrant/Valve/Pressure Reducing Valve Replacement Program - Litigation status was briefly reviewed.

Bill Diones departed at this point.

Engineering - Special Reports: Nothing further.

Recess:

Director MacDonald MOVED to recess at 6:00 p.m. Director Herbolich SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

The meeting was reconvened at 6:45 p.m.

Administrative:

Cash Receipts and Expenditures (09-06-D):

The Board reviewed and discussed the cash receipts and expenditures for June, 2009. Director MacDonald MOVED to approve the expenditures in the amount of \$307,007.21 as set forth in the disbursement schedule attached hereto. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Organizational Assessment (09-10):

Chairman Herbolich reported on the efforts of the Organizational Assessment/Compensation Sub-committee (consisting of Directors Herbolich and Kirkpatrick) including: 1) solicitation of consultant proposals, 2) review of responses with the Board as a whole (at the June Board meeting) where a short list was selected and the Sub-committee authorized to interview and engage as determined, 3) interview with SBC Associates and Redoak Consulting, and 4) engagement of SBC Associates. Sub-committee members Herbolich and Kirkpatrick briefly reviewed their reactions through the interview process, critical evaluation of the comparative consultant staffing and approach to work, and critical evaluation of the comparative costs. There was discussion of the final scope of services. It was recommended that the Board ratify the engagement of SBC Associates.

Director MacDonald MOVED to ratify the actions of the Organizational Assessment/Compensation Sub-committee in the engagement of SBC Associates in the amount of \$25,000 (costs to be shared equally between the Southgate Water District and the Southgate Sanitation District) for the conduct of an organizational assessment and compensation study in conformance with the final scope of services. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

The Board commended the efforts and actions of the Sub-committee. There was brief discussion of the Manager's effort to provide background materials to the consultant and of the probable time frame for commencement of the consultant's work.

Easement Release (09-12)

Manager Tinsley reported that an unused stub-out at the Park Meadows Town Center has been eliminated. It is now time to release a portion of the old water easement. He directed the Board's attention to the release document in the packet and recommended approval.

Director MacDonald MOVED to approve the release of easement as submitted. Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Greenwood Plaza Water District (09-13)

Manager Tinsley reported that from time to time the Greenwood Plaza Water District has approached Denver Water for connection to their water resources. Denver Water consistently refused to consider issuing a new distributor contract but expressed willingness to consider service through the Southgate Water District.

Southgate has consistently communicated the following considerations/ expectations: 1 - There be no adverse impact upon the Southgate citizens, 2 - Determination of Denver Water willingness, and availability of water resource, to serve, 3 - Hydraulic analysis relative to necessary connections and system upgrades (if any), 4 - Inclusion of properties to SGWD, (not consolidation or merger), 5 - Conveyance of standard compliant easements (or as near as practical), 6 - Construction of necessary connections and resolution of any hydraulic deficiencies, 7 - Payment for replacement value of expended useful life of previously existing facilities to be conveyed, and 8 - Payment of SGWD System Charges. 9 - No ongoing complications.

Greenwood Plaza recently submitted a new analysis and proposal for consideration by Southgate and Denver Water. It quickly became apparent that there was foundation upon which agreement could be reached. On May 20, 2009 the Manager communicated the following to Denver Water and Greenwood Plaza:

"As to Denver Water willingness/water resource - I understand that: 1) the subject properties are within the Combined Service area, and 2) Denver Water has expressed willingness and sufficiency of water resource.

As to hydraulic analysis - I understand that Denver Water hydraulics staff, the SGWD Engineer, and Johnston Engineering have previously reviewed the hydraulic needs of this proposal. Determination should be made as to the need for any additional analysis or update. Through the "Greenwood Plaza Water District Sustainability Analysis" it appears that we need to determine what additional fire protection improvements are needed.

As to Inclusion to SGWD - 1) all properties currently served potable water by GWP will be included to SGWD and that there will be no non-potable irrigation upon such properties, 2) GWP will continue to exist for purposes of project design/funding/construction; and that Greenwood Metro (GWM) will continue to provide non-potable service in the area, (but not upon the subject properties), 3) there should be a Statutory compliant intergovernmental agreement relative to

the overlapping service areas, and coordination of services, of SGWD, GWP and GWM, and documentation of the terms and responsibilities of the GWP to SGWD deal.

As to conveyance of standard compliant easements - DW, SGWD, and GWP will need to review the sufficiency (form/accessibility/width) of the current easements, the extent to which new easements are required, and the manner in which the easements would be conveyed.

As to construction of necessary connections and resolution of any hydraulic deficiencies - GWP will be expected to: 1) prepare improvement plans in conformance with the hydraulic analysis/ SGWD standards/DW standards, 2) have those plans reviewed and approved by SGWD and DW, and 3) be responsible for bidding/funding/construction of said improvements, (subject to inspection by SGWD and DW).

As to conveyance of facilities - There needs to be determination of: 1) which existing lines/appurtenances will be conveyed, 2) the manner through which the newly constructed facilities and the previously constructed facilities will be conveyed from GWP to SGWD, and 3) the payment for replacement value of expended useful life of previously existing facilities to be conveyed. As to the latter SGWD would prefer lump sum payment, but if worse comes to worse I would be willing to recommend that the SGWD agree to a spread payment of principal with interest. We will need copies of the as-built drawings for all conveyed facilities.

As to payment of SGWD System Charges - The normal tap sale process through SGWD and DW will be followed. License application can be made only upon completion and conveyance of facilities. Charges at the time of license application will be imposed.

As to their 2010 service target - every thing will need to fall cleanly into place. It was recommend that all of the above move in parallel rather than sequential fashion. GWP early start to inclusion process was encouraged. "

The attorneys for Greenwood Plaza have subsequently coordinated with Southgate Attorney Lyons regarding inclusion via the election process permitted by State Statute. Attorney Lyons advises that: 1) such procedure is not uncommon where there are multiple ownerships in the affected area, 2) Greenwood Plaza has committed to do all of the work associated with the election and incur all of the costs, 3) only the non-corporate property owners in the affected area will be involved in the election process, and 4) there is no involvement of the Southgate citizens in the election process. He further advises that the process is:

"1. Our board preliminarily adopts a resolution proposing inclusion of the area and sets a hearing date/time/place to finally consider the resolution calling for inclusion. 2. Notice is given by mail and publication regarding, the date/time/place of the hearing on the resolution.

3. At the hearing, the board determines whether inclusion would be in the best interests of the district and if so, passes a resolution calling for an election on the issue of inclusion and ordering inclusion contingent upon the success of that election ..

4. We file the board's resolution with the court asking for an election. This would be a special election which we can hold in September."

With desire to pursue parallel proceedings, (progress on inclusion as the technical and financial details are resolved), the Greenwood Plaza attorneys prepared the attached resolution and Attorney Lyons has reviewed and approved same. It is contemplated that the initial resolution would be approved 7/14/09, that a hearing of affected property owners would be conducted 8/11/09, that the election resolution would be considered 8/11/09, and that a mail ballot election would be conducted at a later date to be determined by the District Court.

It was recommended that the Board discuss the proposed inclusion and service; and, as determined, act on Water Resolution 2009-02

In following discussion it was apparent that the Southgate Directors are willing to objectively consider the proposal. There was, however, significant concern regarding:

- 1 - The extent to which the current customers of GWP will be informed/educated prior to the conduct of a public hearing, so as to avoid a room full of un-informed and angry GWP customers. The GWP customers must be clearly informed that the SGWD proceedings are responsive to GWP request.
- 2 - The un-resolved/un-documented matters pertaining to: hydraulics, facilities to be constructed/improved/conveyed, existing facilities to be conveyed and the condition of same, easements, quantification of the necessary capital contribution and the proposed manner of payment, quantification of the system charges and the manner of payment, the intergovernmental agreement, reasons that SGWD should consider this to be a benefit to the citizens of SGWD and not a liability.

With those concerns it was the consensus of the Board that the matter be tabled until such time that there is definitive response to the above. There was additional indication that there was difficulty reading the boundary map provided for the resolution. The many colors were difficult for some to interpret. A black and white boundary map showing the boundaries of the property to be included to SGWD and the relationship to the existing SGWD boundaries to be provided.

Administrative - Special Reports: Nothing additional.

Legal - Special Reports: Nothing additional.

Finance - Special Reports:

The Board's attention was directed to the Auditor's monthly letter in the packet.

Board:

Directors - Special Reports:

Chairman Herbolich advised of attendance by himself, Director Kirkpatrick, Director MacDonald and Manager Tinsley at the Special Districts workshop on special districts finances. There were no significant observations or findings to report.

Chairman Herbolich advised of attendance by himself, Director Kirkpatrick and Manager Tinsley at the American Water Works Association conference and exposition. Brief conference reports were provided by the attendees. Chairman Herbolich spoke highly of the Public Official Certification program and reference materials available through the Association, (with particular reference to a publication entitled "Water Basics for Decision Makers"). It was agreed that a supply of the Water Basics publication be purchased and made available to the Directors. There was encouragement for participation in the Public Official Certification program. There was suggestion that newly elected directors would benefit from attendance at the Association conference in the first year following their election.

Training:

Directors Bickham, MacDonald and Winslow have committed to attend the Water Environment Federation conference in October.

Given the fact that the Federation conference is the same week as the normally scheduled Board meeting, and that a quorum will not be available, there was discussion of the need to reschedule the October Board meeting and issue notice. It was agreed that rescheduling would be determined at the August Board meeting.

Adjournment:

There being no further business to come before the Board of Directors, Director MacDonald MOVED to adjourn the meeting. Director Kirkpatrick SECONDED the motion. By UNANIMOUS vote the meeting was adjourned at 8:08 p.m.

Director

President & Chairman

Director

Director

Director