

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

December 8, 2009

The Board of Directors of the Southgate Sanitation District, Arapahoe and Douglas Counties, Colorado, met in regular joint session with the Board of Directors of the Southgate Water District on Tuesday, December 8, 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 Sanitation 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 Sanitation District.

The following Directors were present:

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

Also present were:

Duane Tinsley, District Manager
Konad Krori, Engineering Manager

Approval of Agenda:

Director MacDonald MOVED to approve the agenda as presented. Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted

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"AYE", and the motion was declared UNANIMOUSLY PASSED.

Public Comment:

No public comment was offered.

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. At the request of Director Kirkpatrick there was brief discussion of the trust fund balances and the Manager's efforts to draw the balances down. Manager Tinsley advised that Treasurer MacDonald had requested a tabulation of reserve fund balances (monthly) over the last year and that he had committed to develop and provide same. Director Herbolich suggested that a percent variance be added to the monthly financial statements.

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

1. S09-06(A) Investments - November, 2009
2. S09-06(B) Financials - November, 2009
3. S09-06(C) Improvements Agreements: None.

Director Winslow 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: None.

Engineering and Capital Projects:

Project Status Reports (08-05):

Engineering Manager Krori and District Manager Tinsley provided brief status reports on the following projects:

- 2006 Sewer Improvement Program - Slow but still moving forward with a mutual commitment for completion. Details and considerations were discussed.
- Geographic Information System - Phase III - Essentially complete. Focus is now on Phase IV Asset Management.

Engineering - Special Reports:

Engineering Manager Krori advised of his effort to bring the hydraulic models into Southgate control, (from the consultants who developed and have been maintaining the models on Southgate's behalf). He commented upon the increasing numbers of rezonings along the Interstate-25 corridor and the resulting higher densities. Such rezonings will need to be modeled for impact upon the Southgate system and determination of service

sufficiency or developer improvement responsibility.

Administrative:

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

The Board reviewed and discussed the cash receipts and expenditures for November, 2009. There being no questions or discussion, Director Winslow MOVED to approve the expenditures in the amount of \$316,227.11 as set forth in the disbursement schedule attached hereto. Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

2010 Budget (09-21):

District Manager Tinsley stated that: 1) a public hearing was conducted in November, 2) final assessed valuations have been received, 3) Tabor calculations have been updated, and 4) the budget has been revised as follows: i) a slight increase in property tax revenues and county treasurer expenses and an adjustment in interest earnings between the District and the Enterprise as a result of the final assessed valuations and final calculation of the Tabor limits and ii) addition of \$5,000 toward the replacement of the network file servers.

District Manager Tinsley briefly reviewed the 2009 Reserve Resolution, 2010 Budget Adoption/Appropriations Resolution, Resolution Levying Property Taxes, and Resolution amending the District's Rules and Regulations.

He recommended approval.

Director Herbolich asked about the frequency of fees adjustment. District Manager Tinsley reported that the System Charge and the Service Charge are subject to annual adjustment and the remainder were last updated four or five years ago. Director MacDonald asked about the sufficiency of the capital improvement line items. District Manager Tinsley and Engineering Manager Krori discussed the capital proposals and the basis for the budget forecast; with further reference to the enlarged provision for contingency funding.

There being no further questions or discussion, Chairman Herbolich called for action on the 2010 budget resolutions.

Director Kirkpatrick MOVED to adopt and approve Resolution 09-03 Increasing Reserves for Administrative Expenses, Operations and Capital Outlay. Director MacDonald SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE," and the motion was declared UNANIMOUSLY PASSED.

Director Kirkpatrick MOVED to adopt and approve Resolution 09-04 Summarizing Expenditures and Revenues, Adopting the Budget (as modified), and appropriating funds

for 2010. Director MacDonald SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE," and the motion was declared UNANIMOUSLY PASSED.

Director Kirkpatrick MOVED to adopt and approve Resolution 09-05 setting the 2009 General Property Tax Levy, (for the 2010 budget), at 0.544 mills, (0.540 mills for operations and maintenance and 0.004 mills for abatement recovery). Director MacDonald SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE," and the motion was declared UNANIMOUSLY PASSED.

Director Kirkpatrick MOVED to adopt and approve Resolution 09-06 Amending the Rules and Regulations of the Southgate Sanitation District and Establishing Rates, Fees and Charges for 2010. MacDonald SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE," and the motion was declared UNANIMOUSLY PASSED.

Strategic Plan (09-25):

Chairman Herbolich advised of a status inquiry from Michael Smith (SBC & Associates) and invited discussion of Mr. Smith's proposal for facilitation of the review and update of the District's Strategic Plan. Director MacDonald expressed belief that the proposed scope of services is appropriate and asked if the consultant's fees would be a problem with any of the Directors. Director Kirkpatrick expressed some concern given his uncertainty (having re-read the current Strategic Plan) of what needs to be changed and then what consulting services might be necessary. He suggested that a meeting of the Directors with the District Manager, District Legal Counsel and District Auditor could help determine the strategic vision and that determination could help define the extent of necessary consultant services. Director MacDonald indicated no disagreement. In following discussion there was agreement that there was uncertainty of what should, or should not, be included in a strategic plan and that the above recommended meeting with the Manager, Legal Counsel and Auditor could help define such necessary content. Director Herbolich suggested that Director observations and suggestions be forwarded for consideration and that the Organizational Assessment Sub-committee (Directors Herbolich and Kirkpatrick) meet with Legal Counsel and Auditor to obtain their input and any available copies of strategic plans developed for other agencies. Director MacDonald expressed belief that any Director comments be brought without distillation for consideration at the envisioned meeting and that all Directors be present for the discussion with Legal Counsel and Auditor. Director Herbolich expressed concern with the costliness of the SBC proposal. Director Bickham expressed belief that there is "homework" to be done before engaging a consultant and that given the resources available at Southgate a consultant may not be necessary.

It was the consensus of the Board that a Special Meeting, (involving the Directors, Legal Counsel, Auditor and Manager), be scheduled for the latter part of January, 2010 to

receive and discuss the Directors' comments/suggestions and discuss District "futures", necessary plan content and approach to the plan update. The Manager will poll all parties for schedule availability and report the outcome of that polling.

2010 Election (09-26)

Manager Tinsley advised that it is now time to act on an election resolution as prescribed by the Colorado Department of Local Affairs and the Colorado Secretary of State. The resolution will: 1) identify the directors whose terms of office will expire, 2) specify the number of seats and terms of office to be filled, 3) set the date and time of the election, 4) designate the election official, 5) specify that the election will be by walk-in polling places (two precincts and two polling places), 6) specify mail-in ballot, self-nomination, and write-in procedures and time-frames, 7) direct the designated election official to cancel the election following a specified date if there is no greater number of candidates than seats to be filled, and 8) specify other election expectations. The proposed resolution was presented for consideration.

Director MacDonald asked if there had been clarification with regard to the need to send out "mail-in voter" ballots. District Manager Tinsley indicated that the recently approved amendments to section 32-1-809 of the Colorado Revised Statutes make it clear that we will have to send such ballots. There followed discussion of election planning and of steps for determination of final polling place locations.

Director MacDonald MOVED to approve Resolution 09-07 designating Duane Tinsley as the Election Official for the regular district election scheduled for the 4th day of May, 2010, specifying several aspects of the election, and authorizing the Designated Election Official to cancel the election under certain circumstances. Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Personnel Policies - Nepotism (09-27)

Manager Tinsley, (in response to concerns raised through the Organizational Assessment), presented an amendment to the nepotism provisions of the District's Personnel Policies. Discussion followed. Director MacDonald suggested a grammatical clarification.

Director Herbolich MOVED to approve the amendment to the District's Personnel Policies as submitted and modified. Director MacDonald SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Administrative - Special Reports:

Director Herbolich asked if it would be possible to expand the tap sale report to include years preceding the economic downturn such that the overall pattern would be more evident.

Legal - Special Reports: None.

Finance - Special Reports:

The Board's attention was directed to the Auditor's monthly letter and staff's concurrence with the recommendations contained therein. Discussion followed.

Board:

Directors - Special Reports:

Director Herbolich commented upon the April 15th deadline for filing of reports on gifts received.

Director Winslow advised of recent conversations with Senator Penry and an attorney regarding the Supreme Court decision in the Denny vs. Denver Water case, leading to significant exposure to "consequential damages". Both recommended aggressive action in the Southgate vs. Mile High litigation. He suggested that Southgate push the Mile High case to the ultimate outcome. The Board concurred. District Manager Tinsley reported that Southgate will have a "consequential damages" waiver in any future construction contract and there has been discussion with the Southgate Trial Attorney and the Denver Water General Counsel regarding Senator Penry's expressed willingness to sponsor "consequential damages" legislation in this, or the next, legislative session.

Director Winslow reported that one of the "Tinsley Trail" signs is down. District Manager Tinsley indicated that he would take care of it.

Director Winslow expressed concern for physical/intruder security at the Southgate offices and during the Board of Director's meetings. There was consensus that security measures be evaluated and implemented as possible. District Manager Tinsley will work with Director Winslow in the initial evaluation and will then report to the full Board.

Director MacDonald, with consideration of the late hour and remaining duties, offered to postpone his asset management presentation to the January meeting.

Training:

There was review of upcoming training opportunities and record of expressions of attendance.

The value of Director attendance at national and state level conferences/workshops was re-affirmed. There was, however, concern that three Directors registered for the Water

Environment Federation conference and the resulting lack of quorum necessitated reschedule of a regular Board meeting. In following discussion there was comment regarding: 1) whether or not directors should register for conference attendance near the end of their term of office, 2) the need to ensure sufficient attendance at regularly scheduled Board meetings, 3) having diversity of attendance amongst the various conferences, and 4) ensuring that everyone knows what is going on. There was discussion of whether or not a formal policy should be developed. Following discussion it was agreed that sufficient communication and coordination can be achieved by re-establishing the practice of attendance determination at a regularly scheduled Board meeting. It was suggested that Manager Tinsley add a registration target date for each conference on the monthly training roster. Manager Tinsley agreed to do so.

Chairman Herbolich suggested that the Board goals be added to the January agenda for review and update. The Board concurred.

Recess:

Director Herbolich MOVED to recess at 6:26 p.m. Director Winslow 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 7:00 p.m.

Executive Session:

Director Herbolich MOVED and Director MacDonald SECONDED a motion to adjourn to executive session pursuant to 24-6-402(4)(f) of the Colorado Revised Statutes for purposes of discussing personnel matters. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED. The Board adjourned to executive session at 7:01 p.m.

The Board reconvened in regular session at 7:51 p.m., at which time Chairman Herbolich announced that only personnel matters had been discussed during the executive session.

The audio record (tape) of the Executive Session was delivered to the Secretary of the Board for safekeeping.

Director Herbolich MOVED to direct that personnel actions be implemented as discussed in executive session and that copy of the annual personnel evaluations/performance plans be placed in the individual personnel files. Director Kirkpatrick SECONDED the motion. Upon call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Adjournment:

There being no further business to come before the Board of Directors, Director Herbolich MOVED to adjourn the meeting. Director Kirkpatrick SECONDED the motion. By UNANIMOUS vote the meeting was adjourned at 7:58 p.m.

Director

President & Chairman

Director

Director

Director