

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

January 12, 2010

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, January 12, 2010, at the office of the Districts, 3722 East Orchard Road, Centennial, Colorado 80121. The meeting was called to order at 4:03 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, District Manager
Richard Lyons, Southgate Attorney
Matthew Dalton, Greenwood Plaza Water District, Attorney

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 "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. District Manager Tinsley reported that he has removed a significant amount of money from the investment trusts and invested same in longer term securities. The remaining trust balances will continue to be drawn down, (to normal cash flow levels), as the capital projects are completed. Director MacDonald noted that the Yosemite/County Line Improvements line item in the financial statements is significantly under budget and asked about further expenditures from that line item. District Manager Tinsley reported that the project is complete and retainage has been set aside. There may or may not be relatively small additional costs through the end of project "balancing change order". Most of the favorable variance will remain due to the very favorable bid and contract results. Any budgeted amount remaining at the end of the 2009 fiscal year will revert to the district reserves, (not carried forward for 2010 expenditure). Director Herbolich asked if the District's financial obligation for the Lincoln Avenue repaving, (associated with Conduit 139), is fully satisfied. District Manager Tinsley responded in the affirmative.

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

1. Minutes November 10, 2009 - Regular Meeting
2. Minutes December 8, 2009 - Regular Meeting
3. W09-06(A) Investments - December, 2009
4. W09-06(B) Financials - December, 2009
5. W09-06(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:

Greenwood Plaza Water District - Inclusion (09-13):

Chairman Herbolich opened the public hearing at 4:10 p.m.

District Manager Tinsley reported that at the December, 2009 Board meeting the

Board of Directors approved Resolution No. 2009-03 (proposing inclusion of the Greenwood Plaza Water District customers and setting the date for a public hearing on the proposed inclusion). The Board also approved and executed an intergovernmental agreement by and between the Southgate Water District and the Greenwood Plaza Water District. The intergovernmental agreement has since been executed by the Greenwood Plaza Water District and returned to Southgate. The deposit of System Charges (\$1,153,570) with Southgate Water as required by the intergovernmental agreement has been completed. The notice of public hearing on the proposed inclusion has been published and mailed. He closed with recommendation that the Board conduct the public hearing on the proposed inclusion and consider action on Water Resolution 2010-1 (calling for an election on the proposed inclusion).

Chairman Herbolich called for public comment in support of, or in opposition to, the proposed inclusion. No person was present to comment upon the proposal and no written comment had been received.

Chairman Herbolich closed the hearing at 4:12 p.m.

Director Herbolich MOVED, and Director Kirkpatrick SECONDED, a motion to adopt Water Resolution No. 2010-01 (calling for an election on the proposed inclusion). Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Mr. Dalton advised that the necessary paperwork would be filed with the District Court on Wednesday January 13, 2010 and asked for authorization to sign the filing on the District's behalf. The Board concurred.

Mr. Dalton departed at this point.

In response to a question from Director Herbolich, District Manager Tinsley committed to let the Board know of significant events through the inclusion and customer conversion process.

Executive Session:

Director Herbolich MOVED and Director MacDonald SECONDED a motion to adjourn to executive session pursuant to Sections 24-6-402(4)(b) and 24-6-402(4)(f) of the Colorado Revised Statutes for purposes of discussing litigation and personnel matters, (respectively). 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 4:20 p.m.

The Board reconvened in regular session at 5:07 p.m., at which time Chairman Herbolich announced that only litigation and 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.

Chairman Herbolich, with regard to the special meeting on strategic planning, advised that; 1) Mr. Lyons has offered to work with the District Manager to develop an "alternative futures" document, 2) Mr. Bondi has indicated that he will not be able to attend the strategic planning session, and 3) Directors MacDonald and Kirkpatrick will try to meet with Mr. Bondi ahead of that planning session such that Mr. Bondi's observations/suggestions could be considered.

Engineering and Capital Projects:

Project Status Reports (08-05):

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

- Yosemite & County Line Waterline & Valve Replacement - The work is complete and arrangements are underway for publication of final settlement.
- Geographic Information System - Staff and Woolpert are putting the finishing touches on the Phase III work. The Manager has reviewed the Woolpert proposal (\$185,000) for Phase IV Asset Management work, directed the consultant to focus on the core functions of asset management, and tighten the proposal. It is anticipated that the proposal will be available for Board consideration at the February meeting. It is currently anticipated that the work will be complete within five months of award of contract. Discussion followed. Manager Tinsley discussed his interpretation of asset management and his understanding of Southgate's needs. The Board concurred.

Yosemite and County Line (09-08)

District Manager Tinsley presented and reviewed a memorandum from Engineering Manager Krori and proposed Change Order No. 1. The change order relates to un-anticipated conditions, additional work and compensation for non-returnable water line fittings. It was recommended that the Board approve Change Order No. 1 in the amount of \$4,961.40, bringing the contract amount to \$226,691.40.

Director Kirkpatrick MOVED to approve Change Order No. 1 in the amount of \$4,961.40, bringing the contract amount to \$226,691.40. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Administrative:

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

The Board reviewed the cash receipts and expenditures for December, 2009. Director Kirkpatrick asked about the Intermountain Sales expense. Manager Tinsley reported that Intermountain is the source of the previously discussed leak location

equipment. There being no further questions or discussion, Director MacDonald MOVED to approve the expenditures in the amount of \$141,709.22 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.

Posting of Notice (10-01):

Manager Tinsley advised of the statutory requirement for annual resolution regarding the locations for posting notice of regular and special meetings. The designated places at which notice of meetings are posted include: the District Office, Greenwood Village City Hall, Koebel Library, Castlewood Library, Lone Tree Library, and Lone Tree Offices. They are also posted at the offices of the Clerk and Recorder in Arapahoe and Douglas Counties.

Director MacDonald MOVED to approve Water Resolution 2010-02, designating the places for posting of regular and special meetings. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Manager's Employment Contract (10-02):

Manager Tinsley introduced the Manager's Contract with revisions as discussed at the December, 2009 meeting, (change of compensation and effective dates). Approval was recommended.

Director MacDonald MOVED to approve and execute the Manager's Contract as revised. Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Board Goals (10-04)

Manager Tinsley reported that the Directors, at their last meeting, directed that the Board Goals be scheduled for review and update. The Directors' attention was directed to a copy in the meeting packet.

Director MacDonald asked how far the Board wishes to go before the consultation meetings with the Attorney and Auditor and before the special meeting on alternative futures and strategic planning.

In following discussion there was: 1) recognition that several of the goals have been completed, 2) consensus that "completion of the strategic plan update" and "evaluation of the QualServ peer review process" be considered to be an interim update to the Board goals, and 3) consensus that the remainder of the goals be updated following completion of the strategic plan update.

Administrative - Special Reports:

Manager Tinsley briefly discussed the personal strengths profile process used by SBC Associates. There was brief discussion on the status of the District Engineer recruitment.

Finance - Special Reports:

The Board's attention was directed to the Auditor's monthly letter. The Directors again expressed appreciation for same.

Board:

Training:

There was review of upcoming training opportunities and record of expressions of attendance. It was the consensus of the Board that Directors Herbolich, Kirkpatrick and Winslow be registered for the American Water Works Association conference in June.

Recess:

Director MacDonald MOVED to recess at 5:58 p.m. Director Kirkpatrick 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 6:25 p.m.

Attorney Lyons departed at this point.

Directors - Special Reports:

Director MacDonald spoke highly of the asset management sessions at the recent Water Environment Federation conference; and of one in particular. That session was entitled "Improving the Selection of Sewer Mains for Treatment Using GIS and Asset Management Systems" and presented by Roy Brander (P.E.) of the City of Calgary Water Resources Department. Using Mr. Brander's Power Point slide show and session notes, Director MacDonald: 1) spoke highly of Southgate's decision to move the geographic information system on to the ESRI platform, 2) stressed the importance of systematic maintenance, faults tracking, record of condition observations (such as sewer video inspection), 3) evaluation of "Probability of Failure vs. Age" (a.k.a. "useful life"), 4) statistical evaluation of the net present value of facilities replacement, 5) and importance of "risk/criticality" evaluation. The Directors expressed appreciation for Director MacDonald's presentation and re-affirmed their commitment to implementation of a formal asset management evaluation tool in 2010.

There was request that Jeff Cooper be scheduled to give an update on the geographical information system/work management system implementation.

Adjournment:

There being no further business to come before the Board of Directors, Director Herbolich MOVED to adjourn the meeting. Director Winslow SECONDED the motion. By UNANIMOUS vote the meeting was adjourned at 7:05 p.m.

Director

President & Chairman

Director

Director

Director