

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

August 10, 2010

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, August 10, 2010, at the office of the Districts, 3722 East Orchard Road, Centennial, Colorado 80121. The meeting was called to order at 4:02 p.m., by the President and Chairman, George MacDonald. 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, arrived as noted below.
Terry Kirkpatrick
George J. MacDonald
Don E. Winslow

Also present were:

Duane Tinsley, District Manager
Christopher Sheffer, District Engineer, arrived as noted below.
Neil Waud, Investments Manager

Approval of Agenda:

Director Kirkpatrick MOVED to approve the agenda as presented. Director Winslow 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.

Public Hearings/Scheduled Visits:

Investments - Investment Manager (10-06(A)):

Chairman MacDonald introduced Mr. Neil Waud (Cutwater) who serves as the District's Investments Manager and indicated that it is the District's practice to meet with the Investments Manager no less often than once a year, and more often as circumstances may warrant.

Director Herbolich and Engineer Sheffer arrived at this point.

Mr. Waud distributed and discussed a report entitled "Investment Management Program Review". He provided a very thorough briefing regarding the economy, the investments market, and the District's portfolio performance/strategies. Commercial Paper, Certificates of Deposit and investment trusts (CSAFE and Colotrust) were briefly discussed. Federal agency instruments were discussed at length. Director MacDonald asked about investment in municipal bonds. Mr. Waud indicated that the tax exempt status of such bonds and the maturity greater than five years make it such that there would be very little opportunity for such investments. Mr. Waud will keep his eyes open for such opportunities.

Following several questions regarding the relatively short average weighted maturity of the portfolio there was discussion of the risks and rewards of going out longer with our investments. That lead to discussion of "yield risk", cash flow management, and the District's practice of "hold to maturity", with opportunity for "net gain swaps" (active trading). An alternative practice known as "total return" management, (used by several of Mr. Waud's clients), was discussed. Mr. Waud was invited to submit further information and recommendations on the subject.

Mr. Waud then reviewed broker/dealer relationships and bank credit analysis.

As to the investment policies Mr. Waud indicated that there are no proposed updates, clarifications or revisions under consideration at this point. The anticipated consideration of "total return" management may or may not lead to policy revisions.

Director Kirkpatrick MOVED to approve the investments report for July, 2010. 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 expressed appreciation for Mr. Waud's services, presentation and counsel.

Mr. Waud departed at this point.

Consent Matters:

Chairman MacDonald identified the items to be considered under "Consent Matters" and asked if any Director wished to pull any item for discussion. As to the Heritage Hills improvements agreement: 1) Director Herbolich expressed surprise at the length of pipe to be installed in such a small geographic area, and 2) Director Kirkpatrick expressed similar surprise at the number on man-holes to be installed. Manager Tinsley reported that the quantities were pulled from the improvements plan and that the quantities would be double checked. There being no further questions or discussion, Director Herbolich MOVED to approve the consent matters, consisting of:

1. Minutes July 13, 2010 - Regular Meeting
2. S10-06 (B) Financials - July, 2010
3. S10-06 (C) Improvements Agreements:
 - Celebrity Custom Homes, Inc., "Heritage Hills Filing 1-N Sanitary Sewer Construction Plans".

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

Recess:

Director MacDonald MOVED to recess at 5:30 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 6:00 p.m.

Engineering and Capital Projects:

Engineering - Project Status/Team Report (10-05A):

District Engineer Sheffer directed the Board's attention to the capital project/engineering report in the meeting packet. As to the 2006 Sewer Improvement Program, he reported that: 1) Twin Peaks is no longer associated with the project, and 2) the surety, through their local construction management firm, continues to make progress on the punch list items. It appears that the project will be completed in September.

Director Kirkpatrick asked about the expressed need for sewer main invert elevations. Engineer Sheffer reported that such information was not included in the global positioning work effort because a different approach to measuring is required. That approach will begin with reference to as-built plans and then field verification using an old fashion survey rod. The approach for acquiring the data was briefly discussed.

Director Kirkpatrick asked for clarification regarding the annual costs for global position (GPS) data acquisition. Engineer Sheffer reported that the GPS data acquisition has been an ongoing effort for several years, that the 2010 budget provided \$40,000 for additional data acquisition, that the consultant has been awarded work in the amount of \$30,000 thus far in 2010, and that it was anticipated that funding would be budgeted in

2011 for any remaining work. With the desire to establish hydraulic modeling the need for completion of GPS data acquisition has become a higher priority. It has been determined that the data acquisition to completion would run \$20,000. That would mean using the remaining \$10,000 in the 2010 budget and authorization to expend an extra \$10,000 in 2010. The Board concurred with the proposal.

There was discussion of several development projects in the District. In that regard, Engineer Sheffer reported that the sewer flow meters have been purchased and flow measurement will commence in the near future, with emphasis on the drainage basins below the IKEA and Kaiser project locations. This led to discussion of impact fees upon projects which would have adverse impact upon downstream sewer facilities.

2006 Sewer Program - Phase III (06-15)

District Engineer Sheffer presented and reviewed proposed Change Order No. 7. The change order deletes a portion of the Preserve project element and a portion of the work at the Willow Springs open space project element. This results in a contract deduction in the amount of \$367,687.00 and a time deduction in the amount of 35 days. The contract will go from \$4,758,449.28 to \$4,390,762.28. The deadline for substantial completion, (upon which liquidated damages will be assessed), will move back from December 25, 2009 to November 20, 2009. It was recommended that the Board approve Change Order No. 7.

Following discussion, Director Herbolich MOVED to approve Change Order No. 7 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.

Administrative:

Administrative Project Status (10-05B):

The following status reports were made:

- Special District Elections - Director Herbolich and Manager Tinsley advised of the progress on the special district director elections initiative. A legislative proposal "white paper" was prepared and distributed for review by the Directors. The proposal was edited and then delivered for review by the Arapahoe and Douglas clerk and recorders, (with constructive and encouraging response) . With further refinement the proposal was submitted to the Executive Director of the Colorado Special Districts Association. We are now awaiting their response. Informal discussion with the Director of Elections at the Colorado Secretary of State's office generated a cautious but encouraging response. Next steps were briefly discussed.
- Workforce Project - Manager Tinsley, in response to questions raised at the July Board meeting, reported that: 1) the "Get Into Water" studies have determined that as many as 4,325 operators will be needed by the Arapahoe/Douglas/Denver/Boulder utilities through 2016, 2) the "Get Into Water" program is focusing upon water and

wastewater introductory course work at the high school level, [the curriculum has been developed, certified and accepted in the Boulder County School District and effort is underway to achieve implementation in one or more additional school districts], 3) preliminary contact has been made with the Director of water and wastewater training at the Red Rocks Community College with the goal of establishing a “partnering” relationship. Review of the studies offered at Arapahoe Community College and Metro State College revealed no partnering opportunities. Director Herbolich suggested that the Pikes Peak Community College be considered for additional partnering.

Cash Receipts and Expenditures (10-06-D):

The Board reviewed and discussed the cash receipts and expenditures for July, 2010. There being no questions or discussion, Director Winslow MOVED to approve the expenditures in the amount of \$417,500.75 as set forth in the disbursement schedule attached hereto. Director Bickham SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

2010 Ballot Issues (10-10)

At the July Board meeting there was consensus that: 1) Southgate should adopt a resolution of opposition to Proposition 101, Amendment 60, and Amendment 61, 2) the Southgate resolution should be communicated to the citizens via the Southgate website and newsletter, 3) the resolution needs to be short and focused upon Southgate, 4) all Directors will review the MacDonald and Winslow/Kirkpatrick drafts and communicate their wishes by email, 5) Chairman MacDonald and Manager Tinsley be authorized to integrate the responses and deliver a final resolution, soonest possible, for execution, and 6) return the final resolution to the August Board meeting for ratification.

Such review, final revision, and execution was completed July 19, 2010.

It was recommended that the Board ratify Sanitation Resolution 2010-2 by motion and vote. Director Kirkpatrick MOVED to ratify Sanitation Resolution 2010-2. Director Herbolich SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Administrative - Special Reports:

Manager Tinsley directed the Board’s attention to the report in the packet.

Director Kirkpatrick requested clarification regarding the root cutting percent completed in relationship to the large accounts payable root cutting check approved above. Manager Tinsley expressed belief that the work included in the August 10th payment would be for progress beyond the 30% completion reflected in the July 31st performance statistics.

Legal - Special Reports: None.

Finance - Special Reports:

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

Board:

Directors - Special Reports:

Director Kirkpatrick advised of Southgate staff participation in the Walnut Hills "America's Night Out" event. He indicated that the event was well attended and the ambassadorship of Dennis Whiting and Michael Schlanger was "great". He spoke of the aging of the service lines in Walnut Hills, knowledgeable comments from Dennis Whiting regarding service line repair alternatives, and the potential for communication of same through the Southgate newsletter. The Manager committed to do so. Director Winslow spoke of the various videos available regarding sewer service line repairs and to potential for posting of links on the Southgate website to those videos. Director Winslow offered to help the Manager find such videos.

Director MacDonald spoke of an article in the latest issue of the Opflow newsletter regarding the debut of a new utility "Risk and Resilience Management Standard". Director Herbolich spoke of an article in the latest Risk Management newsletter relative to "Electrical Preventative Maintenance". The Manager committed to look into both.

Director Kirkpatrick spoke of one of the sessions at a recent conference and asked if the Southgate employees have digital cameras in their vehicles to document situations as appropriate. Manager Tinsley responded in the affirmative.

Training:

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

Manager Tinsley indicated that it is time to begin the registration process for the Special Districts Association conference. Director Herbolich expressed disappointment that his suggestions to the Association, regarding specific conference topics, were not implemented.

Director Winslow offered his services, (and his Segway vehicle), as a volunteer at the 2011 Joint Management Conference in Denver.

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Adjournment:

There being no further business to come before the Board of Directors, Director Winslow MOVED to adjourn the meeting. Director Herbolich SECONDED the motion. By UNANIMOUS vote the meeting was adjourned at 7:46 p.m.

Director

President & Chairman

Director

Director

Director