

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

August 10, 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, 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 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, 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. There being no questions or discussion, Director Herbolich MOVED to approve the consent matters, consisting of:

1. Minutes July 13, 2010 - Regular Meeting
2. W10-06 (B) Financials - July, 2010
3. W10-06 (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.

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.

Director Kirkpatrick asked about the approach to water reservoir repairs. Engineer Sheffer indicated that the reservoirs will be taken down one at a time and that service to the community will not be affected.

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. This led to discussion of impact fees upon projects which would have adverse impact upon upstream water facilities.

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.

- Water Service Charge - Manager Tinsley and Director MacDonald advised of a recent meeting with Denver Water representatives regarding the proposed Southgate service charge. The meeting seems to have increased the priority at Denver Water and Information Technology/Finance reviews are expected to be complete by August 23, 2010. Follow up is planned.
- 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 \$108,878.21 as set forth in the disbursement schedule attached hereto. Director Herbolich 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 Water Resolution 2010-3 by motion and vote. Director Kirkpatrick MOVED to ratify Water Resolution 2010-3. 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.

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 Winslow reported pavement settlement around a valve box at 9105 S. Lost Hill Drive. Manager Tinsley indicated that he would have it taken care of.

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".

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.

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