

RECORD OF PROCEEDINGS

CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS

September 21, 2010

The regular meeting of the Board of Directors of the Cherry Creek Valley Water and Sanitation District was held at the District Offices, 2325 S. Wabash Street, Arapahoe County, Colorado at 7:00 P.M. on September 21, 2010.

PRESENT

Paul Hanley – Chairman
Sheldon K. Ginsberg – Vice Chairman
Paul Thayer – Secretary/Treasurer
Louis D. Halsell Jr. - Director
Jorge-Ayn Riley – Director

OTHERS PRESENT

John R. Warford – Manager
Lisa Desmond – Administrative Assistant
Carmine Iadarola – AquaSan Network
Jacob James – McLaughlin Rincon
Darryl Farrington – Semple, Farrington & Everall P.C
Jonathan Fung - Bernstein
J.M. Fay – Resident

ABSENT

Chuck Buchanan – Maintenance Supervisor
Ron Dvorak – McLaughlin Rincon

Mr. Hanley, Chairman of the Board, called the meeting to order at 7:00 p.m.

Mr. Hanley asked if there were any corrections or additions to the minutes of the August 24, 2010, Board meeting. There were none. Mrs. Riley made a motion to approve the minutes as presented. Mr. Halsell seconded the motion. Motion carried.

Next on the agenda was the Treasurer's Report and Bills Payable. Mr. Warford stated Check # 21780 is to Wagner Equipment for \$11,000.00. We purchased a bucket with grappling hooks and a mower for the skid loader. Check # 21782 is to Arapahoe County for the DCJE detention pond. The bid for this was estimated at \$46,000.00 it turned out to be only \$27,000.00. Check # 21812 to Westfire is for the annual fire system inspection. Mr. Hanley asked if there were any other questions regarding the Treasurer's Report and Bills Payable. There were none. Mr. Ginsberg made a motion to receive the Treasurer's Report and to pay the Bills. Mr. Thayer seconded the motion. The motion carried.

Mr. Hanley then opened the meeting for public comments. Ms. Fay offered a written comment which Mr. Farrington read to the Board. 1) Last month and earlier this month we had a stuck valve that stopped water from flowing in my unit. We were here four times to deal with this, to find out what we needed to do and to arrange times for Friday. On that Friday there was a water pipe leak and right before that there were sewer issues at Smart Co., so the plumber had to wait 30 minutes for John to come back to turn the water back on. The plumber needed the water back on to check for leaks, check the pressure and make sure the toilet was working right and none of that could be done until the water was turned back on. During this time Chuck was on Holiday,

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someone else was reading meters and John was it. Hard to believe that at his age John is still working so many hours and the district can not afford to have an extra person on staff, even part time, to assist him. Meanwhile it cost us \$47.00 more for our plumber's bill, due to your lack of staff. Someone here forgot to call Ali at our HOA, after John told us he would do so. The only other option was for John to turn the water off at the meter and only he could turn it back on. We are asking for reimbursement for the \$47.00. 2) We are still seeing a lot of problems at new developments with regards to sprinklers. It really needs to be dealt with; the district should stop them from watering areas that are not landscaped.

Mr. Warford asked if he could respond. He stated that there was a problem with Smart Co. grocery store and he was up all night dealing with that problem. The situation with Hunter's Run Development, which is where JM Fay lives, is that generally each building has a shut-off valve. Mr. Warford indicated he had advised Ms. Fay to contact the maintenance person to try to turn it off in the building and she was reluctant to do so. He said that if Ms. Fay can't get them to shut it off he would turn it off at the meter. He told her to set up a time with her plumber and he would come out and turn it off. He prefers to have the HOA or building management operate the shut-off valve, because then it is their responsibility to notify the residents. Once the District gets involved he feels it is the District's responsibility. Mr. Warford acknowledged that it had taken him 30 minutes to an hour to get back to Ms. Fay, but he did not think that is unreasonable. He said it is not reasonable to expect any District employee to be "on call" so that someone can come immediately when a plumber is finished with a job. He indicated he did not believe the District could be held responsible for plumber's fees in this situation.

There being no other public comments Mr. Hanley went to the next item on the agenda Mr. Iadarola's report.

- **Wabash Complex**—(i) There are two clerical errors in the District's decree that are in the process of being corrected. The corrections have been checked and double checked. The motion to correct has been filed with the water court, but not all objectors have signed off yet. It is hoped that the final decree will be received by the next Board Meeting. (ii) The District has to reapply for a decree for ALV#2 because of an incorrect well location outside the District's easement. After brief discussion of responsibility for the incorrect location of the well, it was agreed to defer that matter until the October Board meeting. (iii) PS Systems has won its legal battle to be recognized as the owner of a patent on a popular type of underground storage system. If the District uses that type of system for storage under the surface of the Cherry Creek Country Club golf course, the District will need to reach an agreement with PS Systems.
- **Denver** - Denver Water issued 11 rebates to CCV Customers in August. Denver Water's quarterly budget came out and they have \$20 million more in expenses than projected. The majority of these funds are for work that they have done with the RTD Fast Tracks Project. Denver Water has projected a 7% rate increase for Master Meter Distributors. The new rate schedule should go into effect March of 2011.
- **Southern Delivery System** – One of Colorado Springs own city councilmen has filed an objection to this project due to the expense and the projected effect of that on rates. He feels there should be more study on this project. The cost to Colorado Springs for storage in the pueblo reservoir will be \$30 per acre-foot.
- **Misc** – The EPA is studying the method of extracting natural gas by hydraulic fracturing of underground rock formations. The information they receive will be used to determine the potential threat to drinking water posed by this extraction method.

Mr. Hanley asked if there were any comments regarding Mr. Iadarola's report. There were none

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so Mr. Hanley gave the floor to Jonathan Fung with Bernstein.

Mr. Fung stated that in the past 12 months the investment with Bernstein have grown by 8.8%, which includes the appreciation from holdings as well as interest received. Going forward without any appreciation, he expects to grow the portfolio by 4.5% this year. He does expect some appreciation on the portfolio as well. A 9% return for Municipal Bonds is very good, and the District cannot expect to see that high of a return every year going forward. There are a lot of investors that are investing in bonds now because of the safety & stability. Some new items in the District's portfolio are the Build America Bonds. They are Municipal Bonds that pay a higher rate of return because they are not tax-exempt like traditional municipal bonds. For the District these bonds are a great opportunity because they give a higher rate of return and the District does not have to pay taxes on the interest. There have not been any down grades on any of the bonds but some have been upgraded to higher credit qualities. When considering whether to advise selling an upgraded bond at a profit to capture the unrealized gain, Mr. Fung considers the risk of weather or not the bond could be down-graded again. Then he considers what other investment the District could purchase and whether or not the new investment is likely to do better then the bond we are currently holding. The bond market in general continues to be an area that investors are flocking to, and Mr. Fung expects that to continue. Economic analysts are not seeing a very high likelihood of a double dip recession -- probably only about a 10% chance. The risk of defaults is likely to be less in the future than in the recent past. Now the main concern is the possibility of interest rate increases. When interest rates rise the price of bonds fall. By studying the history of the bond market, we can project that there is only a 3% chance that the interest rates would increase enough in one year to even cause a 2% loss. Over two years there is only a 3.1% chance of that 2% loss. Mr. Fung has been working to insulate the portfolio against these losses by shortening the duration of the bond portfolio. As bonds mature the District is buying new bonds with shorter duration. And longer term bonds are being held to let that duration shorten. So in the next couple of years the average duration in the District's bond portfolio will be about 2.5 to 3 years. Mr. Fung's suggestion to increase returns would be to move more funds out of cash and to increase investments with Bernstein and look at the possibility of adding high quality triple A or double A corporate bonds which he stated the District's mandate does allow. He said the returns on corporate bonds are about double that of Municipal bonds.

Mr. Hanley asked if there were any questions regarding Mr. Fung's report. There were none so they moved on to the Manager's Report.

Mr. Warford gave the Board the Draft 2011 Budget. At the next meeting we will have the public hearing. The estimate of the Wabash project is between \$3 & \$5 million. We will probably want increase the water rates next year based Denver's projected rate increase. John wanted to caution the Board on investing in corporate bonds; he does not feel it is worth the risk.

Mr. Warford stated the work on the Wabash Bridge is moving right along. They have not started on the detention pond yet. We have a bid from the current contractor of about \$72 thousand to do the alignment and compaction of the new line across the school detention pond. At this point we have not awarded any contract. We will be getting other bids. McLaughlin has filed for permits, retained CTL Thompson soil engineers to do the soil testing for the pond and we will be meeting with the Corp of Engineers to go over the project again. Mr. Jacob James with McLaughlin stated that the project is in it second round of resubmitting. The only lingering issue is if the County is going to require us to remove the existing storm water outfall. The outfall is still being utilized by the District as a point of augmentation. We are expecting that the permit will be issued in the next month or so. CTL Thompson should be on site to start on Monday or Tuesday then their report to us should come in about a month. The first phase of soil testing is to analyze what type of material is out there and weather or not they have value. They will also be placing monitors to see where ground water is and how it fluctuates. Mr. Warford went back to the statement on the outfall to say that an agreement was made between the District and the County for the District to be able to use that outfall. But when we talked to the County they did not recall that agreement.

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John's suggestion was to plug the outfall at the manhole and retain the right of way to the creek so that we do not have to go back to the City and County of Denver to get an easement to do our augmentation plan. Hopefully the County will agree to this.

Ms Fay brought up the resolution opposing Amendment 60, 61 and Proposition 101. Mr. Hanley asked whether any director wished to make a motion to pass such a resolution. Mr. Halsell moved to pass a resolution opposing Amendments 60 and 61 and Proposition 101, seconded by Ms. Riley. Mr. Farrington stated that he had prepared a resolution based upon the form and content on the SDA website. By consensus the Board incorporated that language into the motion. All directors' present voted "aye" and the resolution was declared adopted, as follows:

CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT

Resolution Opposing Amendments 60, 61 and Proposition 101

Whereas, Three measures appearing on the November 2010 statewide ballot would significantly damage Colorado's special districts and prevent other state and local governments from funding their most basic level of services related to safety, water, sanitation, fire protection, education, hospitals, rural health care, and transportation; and

Whereas, These measures drastically limit government's ability to construct new building and infrastructure, and

Whereas, The ability to finance long-term capital improvements like water and wastewater treatment plants, fire stations, recreational projects and other public facilities would be significantly impaired by the restrictions on debt financing as proposed by Amendment 61; and

Whereas, Amendments 60 & 61 would slash at least \$1 billion annually in state taxes, cutting in half the property tax dollars schools currently receive; and

Whereas, One of the many components of Amendment 60 would overturn election decisions made by voters over the last eighteen years, creating financial chaos for local communities; and

Whereas, One of the many components of Amendment 61 eliminates any practical means for state and regional governments to make future road, highway and bridge improvements, or other capital improvements to their districts, such as DIA, FasTracks, the Anschutz Medical Center, colleges and universities, water conservation districts; or improvements to public schools, cities and counties; and

Whereas, Proposition 101 reduces the vehicle registration fee (annual license plate fee) to a level which would devastate Colorado's ability to maintain safe roads and bridges, by lowering the fee to the assessment rate from the year 1919; and

Whereas, These measures individually and collectively significantly reduce or otherwise restrict both state and local revenues in a number of different ways, including but not limited to: specific ownership taxes, telecommunication taxes, state income taxes, state-shared revenues to assist municipalities with local street and transit improvements, other state grants and loans to help local government, and property taxes; and

Whereas, The cumulative and destructive nature of the three measures ensures that Colorado will surrender its competitive standing to attract large and small employers alike, resulting in little to no economic growth for the state and a steady decline in property values and erosion of the state and local tax base; and

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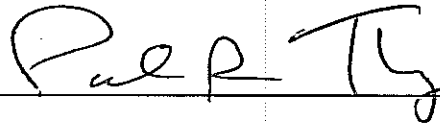
Whereas, State voters will have the opportunity on November 2, 2010 to protect the fiscal health of Colorado by defeating Proposition 101, Amendment 60 and Amendment 61.

Now Therefore, the Cherry Creek Valley Water and Sanitation District Board of Directors has taken an official position opposing Amendments 60, 61 and Proposition 101, and urges citizens statewide to preserve the Colorado way of life by voting NO on all three-ballot measures.

ADOPTED AND APPROVED this 21st day of September, 2010.

There being no further matters to come before the Board Mr. Hanley called for the Board to adjourn. Ms. Riley moved to adjourn, seconded by Ginsberg. Motion carried. Mr. Hanley declared meeting adjourned at 8:06p.m.

READ AND APPROVED



DATED

10-19-10