

RECORD OF PROCEEDINGS

CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS

June 21, 2011

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 June 21, 2011.

PRESENT

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

OTHERS PRESENT

John R. Warford – Manager
April Clendenin – Accountant
Chuck Buchanan – Maintenance Supervisor
Carmine Iadarola – AquaSan Network
Ron Dvorak – McLaughlin Rincon
Jacob James – McLaughlin Rincon
Darryl Farrington – Semple, Farrington & Everall P.C
J.M. Fay – Resident

ABSENT

None

Mr. Hanley, Chairman of the Board, called the meeting to order at 7:02 p.m.

Mr. Hanley announced that Mr. Ginsberg has passed away. He said that Sheldon Ginsberg had served the Board for faithfully and admirably for many years. He said that his contributions will be missed. Mr. Hanley asked for everybody to observe a moment of silence in honor of Sheldon Ginsberg, which lasted approximately one minute. Mr. Warford asked if the Board would like to make a modest financial contribution to one of the charities that Mr. Ginsberg was involved with.

Mr. Hanley and Mrs. Riley expressed interest, and Mrs. Riley volunteered to speak directly with Mr. Ginsberg's widow to narrow down the list to exactly which charity Mr. Ginsberg's family would like them to contribute to.

Mr. Hanley asked Mr. Farrington about the legal process that follows this vacancy. Mr. Farrington stated that the Board has to acknowledge the vacancy, and that the Board has sixty days from the date of the occurrence of the vacancy (in this case, Mr. Ginsberg's death) to fill the position by appointing a new director of the Board's choosing. Mrs. Riley suggested that the Board begin the search for a replacement as soon as possible, given the time constraints, starting with people who have already expressed interest to the Board who have already heard of the opening before tonight's meeting. She expressed that she wants it to be as open as possible to all who are interested, but at the same time she is concerned about possibly having a large number of applicants to search through – that may take too much time, since the decision on who to appoint needs to be made by the date of the next board meeting. Mrs. Riley asked for clarification on what the criteria are for an individual to serve on the Board. Mr. Farrington answered that the individual would need to be a registered voter in the State of Colorado and either own property in the District or live within the District. Various procedures were discussed as to what the best method of collecting applications might be. The Board agreed that the deadline for any procedure should be before the next Board meeting, and that a special meeting may be necessary before the next regular Board meeting to interview candidates if there are a large number of qualified individuals for consideration by the Board.

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Mr. Hanley stated that Mr. Ginsberg was the Vice-Chairman, so the Board needs to appoint a Vice-Chairman tonight. Mr. Hanley asked for volunteers. Mrs. Riley expressed interest. Mr. Hanley asked if any of the other directors were also interested, they both said that they were not. Mr. Halsell made a motion for Mrs. Riley to become the Vice-Chairman. Mr. Thayer seconded the motion. Motion carried. Mrs. Riley asked if there are any extra duties she needs to know about. Mr. Hanley answered that she will need to run the Board meeting if he is absent. Mr. Thayer added that she would need to know parliamentary procedures. Mr. Warford said that the Board generally operates under Robert's Rules of Order.

Mr. Hanley asked if there were any corrections or additions to the minutes of the June 21, 2011 Board meeting. There were none. Mr. Halsell made a motion to approve the minutes as presented. Mrs. Riley seconded the motion. Motion carried.

Next on the agenda was the Treasurer's Report and Bills Payable. Check # 22366 is to Wilson Brothers Construction for \$2,610 for repairing a water main break near the Denver Campus for Jewish Education. Check # 22372 is to Layne Christensen for \$6,975 for updating and repairs on one of the alluvial wells. Mr. Warford added that it has been about 10 years for this well. He said that the going theory on these wells is that it will likely last about 10 years. Previously, he had been told that they should last about 18-20 years. The Cherry Creek Country Club recently updated their deep aquifer well, and they received bids from \$70,000 to \$100,000. Alluvial wells are a lot less costly to work on than deep aquifer wells. Check # 22397 is to Haynie and Company for \$4,500 for a progress billing of the audit work performed. There was also a glitch in the printer equipment and caused several of the checks to have to be voided and reprinted. Mr. Hanley asked if there were any other questions regarding the Treasurer's Report and Bills Payable. There were none. Mr. Thayer made a motion to receive the Treasurer's Report and to pay the Bills. Mr. Halsell seconded the motion. The motion carried.

Mr. Hanley then opened the meeting for public comments. There being no public comments Mr. Hanley went to the next item on the agenda, Mr. Iadarola's report.

- **Wabash Complex** – The Substitute Water Supply Plan (SWSP) for Cherry Creek Valley Water's alluvial well # 2 (ALV2) was approved last month. It has been operating nicely since late May, except for some accounting problems that Mr. Iadarola and Mr. Board have worked out. The SWSP is good thru the end of the watering year – October 31, 2011. It's available to help meet the District's demands of the summer irrigation months.

Regarding the application requesting a change of water rights for ALV-2, the engineering exhibits and other attendant documents are to be submitted by July 8th. The objectors have until September 30th to comment. Cherry Creek Valley Water & Sanitation District (CCV) will have until November 8th to respond to those comments. And then the negotiations will begin. CCV may not have the application approved by the summer of 2012. In anticipation of a potential delay in obtaining the decree, CCV will be preparing a new SWSP over the next month for next summer's irrigation season. CCV is hopeful that their water rights application will be approved and a new SWSP will not be needed in 2012 – the Water Court appears to be running a much tighter schedule than it had in the past, holding all parties responsible for responding on time and with the appropriate comments.

- **Denver Water Rates** – Denver Water staff has said that they are going to review all the assumptions they have been using for the last 15 years in developing their Cost of Service Water Rate Study Model. Specifically, they are examining the assumptions for the Outside Combined Service Area (OSCA) rate modeling; Split Allocation Method; and the WISE project financing model. There is significant discussion about Denver serving outside of the Combined Service Area. The Combined Service Area is the area of existing distributors – roughly north of C-470, CCV is the farthest part east in Arapahoe

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County, basically the existing distributors are the old suburbs of Denver. Douglas County has been requesting service from Denver for a number of years, for several of its communities – Sterling Ranch (which is in northwest Douglas County); Castle Rock; Parker; Castle Pines North; etc. And there is interest in the northern areas, such as up by Commerce City. Denver is looking at providing water service to those entities. Their contract would be much different from the contract that CCV has with Denver. CCV's contract guarantees CCV water for the build out of the District. It is uninterruptable – CCV receives water service using the same conditions and restrictions that Denver is served. If there is a curtailment of services in Denver, then there is also a curtailment in services to the distributors as well, such as CCV. The new contract for the new distributors would be interruptible – in dry years, they would need to find another source of water. The other difference would be that they would pay a significantly different water rate than CCV; their tap fees and rates would be significantly higher. Denver is trying to determine how to allocate their costs to service between the existing Inside Combined Service Area and the potential OCSA customers. How they choose to allocate costs will have a significant impact on CCV; Denver has a lot of new programs to create new water and they are very expensive projects. Also, there is more expense to get more water with the payments to the Western Slope under the Colorado River Cooperative Agreement. This is water that CCV does not need, and therefore do not want to share in paying the costs for the new water. It will be the job of the Rates and Fees Technical Advisory Committee (TAC) to oversee the work being done by Denver Water's staff and to protect the interests of existing distributors. The TAC needs to be recognized by Denver Water and included in Denver Water's discussions with the distributors. Denver Water wasn't including them at first, because they thought that the TAC didn't represent all the distributors. This misunderstanding has been cleared up, Denver Water knows that the TAC does actually represent all the distributors, and now the TAC is being included in the discussions. The TAC is probably the only entity with technical knowledge about Denver Water's rate-making models outside of Denver Water and is the most valuable asset for negotiating rates that the distributors presently have. Mr. Warford said that the rate setting models (methodology and allocations) used by Denver Water are not widely used. Mr. Warford said that Denver is one of only a couple or three major cities in the US that uses the same methodology. Mr. Warford said that CCV contested it by court action previously. Mr. Warford said that the distributors also tried to approach it by working with Denver Water directly, to try to convince them to change their models, and it appeared to start to work until the recent changes at Denver Water. He said that since there has been some changes to staff and leaderships over at Denver Water recently, it will likely cause a little more difficulty and time to get Denver Water back on track again. Mr. Warford stated that he feels it is unreasonable as to how they allocate, especially with regards to capital improvements. He feels that the TAC has done a very good job in responding to what Denver Water's rate-basing methodology is doing. He added that if Denver Water does serve Douglas County and other areas, it must be a different set-up than what we pay. Mr. Warford also expressed that there are other concerns with this too, such as how will they utilize their back-up storage since water could be drastically impacted by any water quality legislation and if they pledge their back-up storage to OCSA entities, there could be shortages to the original customers and distributors. Mr. Iadarola added that the Denver Water Board has a tough situation, they represent less than 50% of their customers (currently about 55% are distributors). If they add Douglas County, then they'd represent only about 1/3 of its customers. They have a responsibility to protect the City and County of Denver, and another responsibility to their existing distributors like CCV which they have contracts with, and then they might also have this new distributor group such as Douglas County – it is difficult to manage all of the groups. Mr. Thayer asked if Denver Water continues to serve Denver-based companies that move, in and out of Denver. Mr. Iadarola said that the license is with the property, not the person or company. As a specific example, Mr. Thayer asked about National Western. It's moving out close to Aurora, but the ground it will be on is technically Denver ground. Mr. Iadarola said that if they are still in Denver, their license will be transferred and

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transferred and Denver Water will have to serve them. If it were outside of Denver, then the license would be at the old property, for the next owner of that property to be serviced from Denver Water.

- **Denver Water Conservation** – In 2010, CCV customers received 391 water conservation rebates. CCV customers represented about 1.8% of all rebates that Denver Water issued.

Denver Water's water conservation program for this year is based on the "Use Only What You Need" advertising campaign. Their goal this year is outdoor summer watering – specifically, they are targeting the top 30% water users, which are perceived to be water-wasters. A significant number of this top 30% are Spanish speaking households. Their advertising this summer will be geared more toward Spanish speaking population within Denver Water's service area.

Mr. Halsell asked if the high water usage for the Spanish speaking households is caused by overwatering their lawns, or if it's some other reason, such as higher population density or older, less maintained plumbing with more leaks. Mr. Iadarola answered that he understood it to be specifically higher summer water usage, which is usually due to lawn irrigation. Mrs. Riley asked Mr. Iadarola to specifically ask Denver Water in order to clarify this matter for the Board so that the Board is not making assumptions and is clear on who is using the most water and what it is being used for. Mr. Warford added that in CCV's service area, the people who rent, such as in the apartment complexes are less likely to maintain the facilities, and one big thing that affects CCV is that they put more grease in the disposal, clogging up the sewer lines. People who own the property tend to be more careful than renters about how they use it.

Mr. Hanley asked if there were any further comments regarding Mr. Iadarola's report. There were none. Mr. Hanley thanked Mr. Iadarola for the report, and then moved on to the Manager's Report.

Mr. Warford reported that CCV is under construction with filling of the detention reservoir on the Denver Campus for Jewish Education (DCJE). Construction started about a week ago. The rain delayed a few things, but the overall project should still be running on schedule.

Mr. Warford reported that the Wabash Street bridge will be opening any day now. The Cunningham Fire Department is going to be hosting a gathering related to that.

Mr. Warford reported on the infiltration gallery and the wells. Mr. Warford asked Mr. James to speak on the progress made on that project. Mr. James said that they contacted the Army Corps of Engineers and they said that in order to do the project, CCV would have to become a member of the South Platte Water Related Activity Program (SPWRAP). Mr. James added that it is a program directed at depletions on tributaries of the South Platte River. Any 404 permit that the Army Corps of Engineers issues now, they require the permit-holder to be a member of the SPWRAP if the applicant is influencing any waters of the South Platte River. CCV is attempting to track down Kevin Urie at Denver Water who runs the SPWRAP. CCV will talk to him and see what CCV needs to do in order to get into the SPWRAP and get that squared away before the application is submitted for the 404 permit. CCV has requested an easement from Arapahoe County. The County hasn't given a response on it yet. After these two items are completed, the project will move forward again, likely with some more geo-tech investigation and then the design. Mr. Hanley asked exactly what the term "infiltration gallery" refers to and Mr. James answered that it is a diversion off of the Cherry Creek – the diversion point for the reservoir. Mr. Warford added that CCV has submitted several permit applications related to the reservoir already. The number and cost of the applications are high – one of the permits was around \$16,000, many other were in the hundreds and some in the thousands. Mr. Warford has a new application coming up to be done tomorrow morning.

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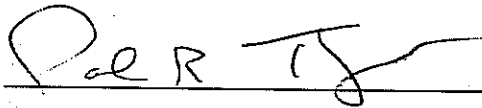
Mr. Warford reported that the rain yesterday had affected the County's Jewell Avenue project. They have had a big problem with the compaction of the soil. They are going to try putting down a different base to stabilize the soil, which is fly ash in concrete. The road will be open to local traffic only, while they re-stabilize the base. Mr. Hanley asked if CCV's project in that area has been done. Mr. Warford answered that CCV is done. They have hit CCV's sanitary sewer and valve boxes, but that's on-going – they've been put on notice and CCV is monitoring it.

Mr. Warford reported that CCV has about \$650,000 in earnings from the investments, which he said is pretty much in line with the predicted budget for income. Mr. Hanley asked about how much was being held in cash. There's about \$4.3 million in cash. Mr. Warford is leaving it there until it is known as to when the permits will allow CCV to proceed with the reservoir. Mr. Warford also expressed his continued concerns about holding federal agency bonds, with the talk about whether or not the federal government would back them in a restructure, if that happens. Mr. Hanley suggested having a representative from Smith Barney come in and give a report to the Board about any elevated risks with agency bonds. Mr. Warford said he will be talking to him, and will see if he can come to the next meeting, or the one after that.

Mr. Warford reported that CCV is in the process of supplying Denver with water at two different locations. The one on Iliff Avenue is pretty much complete; the meter was being set today. It's a backup supply for them for the southeast corridor, which includes Kennedy Golf Course. The other area is the Breakers, which will also be a back-up supply.

Mr. Hanley asked if there was any additional business. There being no further matters to come before the Board, Mr. Hanley called for the Board to adjourn. Mrs. Riley moved to adjourn, seconded by Mr. Halsell. Motion carried. Mr. Hanley declared meeting adjourned at 7:46 p.m.

READ AND APPROVED



DATED 7-19-11