

RECORD OF PROCEEDINGS

CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS

NOVEMBER 15, 2017

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 November 15, 2017.

PRESENT

Paul Hanley – Chairman
Mark Lampert – Vice Chairman
William MacPhee – Secretary/Treasurer
Bradley Rastall – Director (by phone)

OTHERS PRESENT

John Warford – Manager
Lisa Glenn – Office Manager/Accountant
Chuck Buchanan – Maintenance Supervisor
Darryl Farrington – Semple, Farrington & Everall, P.C.
Eric Hein – Merrick & Company
Greg Kennedy – Morgan Stanley

ABSENT

Frederick Norman – Director

Chairman Hanley called the meeting to order at 7:04 p.m.

The first item on the agenda was approval of the agenda. The Board unanimously approved the agenda.

Next on the agenda was the investment report from Greg Kennedy with Morgan Stanley. Mr. Kennedy said the District is on track for income just over 2% for 2017 and estimates a 2.5% yield for 2018. About \$500,000 will be maturing in December and \$7 million in 2018. All investments maturing after 2022 have an escalating coupon meaning if interest rates go higher, the interest paid out will be higher. Morgan Stanley expects the Fed's deleveraging of the balance sheet to increase interest rates and there will be a surplus of issuance supply in 2018. The \$7 million coming due should be invested in short-term corporate bonds and GSE step-ups when appropriate. The yields on the new investments are expected at just over 3%. A short-term recession is expected in 2019. As interest rates and inflation increase, the portfolio will be

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down on paper, but the income stream will remain intact. If any funds are taken out of the portfolio for expenses, a different strategy may be needed. Mr. Kennedy requested a copy of the investment policy the Board adopted in September, which Mrs. Glenn will email. The Board thanked Mr. Kennedy for his time and he left the meeting at 7:17 p.m.

The Board unanimously excused Director Norman's absence.

The Board unanimously approved the consent agenda approving the October 30, 2017 minutes, the October 2017 financial report and October 2017 payment of bills.

Chairman Hanley opened the meeting for public comment at 7:23 p.m. There were no members of the public present, therefore the public comment period was closed at 7:23 p.m.

The Engineering Report from Mr. Hein included the following topics:

- Developer Project Updates – Iliff Avenue Townhomes, Dayton Street Townhomes, Hunter's Run Fireline, Sierra Vista Fireline, and Sky Mark Apartments.
- Tiered Rate Study - Merrick met with Mr. Warford and Mrs. Glenn on October 26th to obtain the necessary information for the tiered rate study. The process will take a couple of months. The rates will be based on an economic and engineering based principals and present to the Board. At that time the Board may adjust the rates for any political or non-economic factors. Chairman Hanley asked how the tiers would be set. Mr. Hein said the rate break points must be justifiable. The base rate must be set up so the District can function and the revenue stream doesn't disappear in times of drought and conservation. The base rate funds the District and tiered rates promote conservation and are justifiable based on things like procuring water rights or wear & tear on infrastructure due larger volumes of water conveyed in the lines. Chairman Hanley would like to encourage the highest users to decrease their water usage and not penalize those users that are using acceptable amounts. There are various sized lots in the District and the highest users are not necessarily using water inefficiently. Possibly looking at how other Districts have structured their tiered rates may be helpful, like Greenwood Village or Cherry Hills Village. Mr. Lampert said maybe check the rates at East Cherry Creek Valley Water and Arapahoe County Water and Waste Water. Mr. Hanley directed Mrs. Glenn to put together a chart for Merrick on different water rates. This project may take six months to complete and if new rates are adopted, they likely won't take effect until 2019.

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- Iloff Corridor - Merrick met with the District, Mr. Negretti from the County and the Utility Coordinating Engineers for the Iloff widening project. Coordination will be ongoing and the purpose of Merrick's coordination is to minimize relocations.

Next on the agenda was the Attorney's report from Mr. Farrington:

- Metro Wastewater Connector - Mr. Farrington reviewed the most recent 2008 version of Metro Wastewater's special connector agreement. There are no provisions which address the possibility of changing from a special connector to a voting member. Mr. Warford said becoming a member may not be effective since the Metro Board has thirty-six members and our one vote may not be heard. Chairman Hanley was concerned with the increase in rates from Metro to the District but noted that Metro Wastewater has increases in their operating costs and capital expenditures. The Board agreed to table the issue for now.
- Parks & Recreation - Mr. Farrington researched water and sanitation district's authority to provide park and recreation services. The statute states that a water district or a water and sanitation district may provide park and recreation improvements and services in connection with a *water reservoir owned by the district* and adjacent land if such improvements and services are not already being provided by another entity with respect to the reservoir and adjacent land. CRS 32-4-502(4) states that a "water reservoir" means "structures, facilities, and appurtenances for the impounding, transportation, and release of water for the replenishment or replacement in periods of drought or at other necessary times." It's unknown if a rapid infiltration basin could be construed as a reservoir. Chairman Hanley said converting to a metro district could solve the issue of the District's authority to provide park and recreation services near a rapid infiltration basin.

The following items were discussed in the Manager's report from Mr. Warford:

- Cathodic Protection - Mr. Warford is checking into using cathodic protection on the 24" steel line in Iloff and the 36" ductile line coming in from the H1 Vault. The protection can add up to 25 years of life to a water line. Chairman Hanley requested a cost and benefit analysis.
- 2018 Budget - The rates approved by the Denver Water Board today were what was expected and already taken into account in the current draft of the 2018 Budget. The Budget Hearing was opened at 8:06 p.m. There were no members of the public in attendance. Mrs. Glenn stated that the budget will need to be revised for two items. Mr. Warford decided to replace only about half of the water line in Dallas St. next year,

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so the estimate in capital outlay will decrease in the proposed budget. Mrs. Glenn just received the 2017 TVing and jetting bill from Guildner Pipeline. They TV'd and jetted much more than was expected for 2017, so the repair & maintenance for sewer will increase in the 2017 column and the amount for 2018 will be substantially less. The budget will be revised and approved at the next regular Board meeting. There were no other comments on the budget. The Budget Hearing was closed at 8:07 p.m.

- Education Center - Vice Chairman Lampert reiterated his comment from the last Board meeting that the Board needs to come up with an idea for the education center before an interior designer is hired for the project.
- Parks Project - Mr. Warford and Mrs. Glenn met with Shannon Carter with Arapahoe County Open Space to discuss creating a park in the flood plain area west of the District office. Mr. Carter was interested in the idea and will talk with his staff and get back to the District. Vice Chairman Lampert said he would strongly suggest open space look at that area in the flood plain and possibly have them purchase the land. Mr. Warford said the intake off the creek and the settling basin will be constructed in the flood plain area next year. If the property was sold, the District could reserve an easement for the intake and settling basin.
- Solar Project - Mr. Warford has a meeting with Xcel Energy this coming Friday to discuss using solar panels to reduce the District's electric usage on all facilities.
- Check Signing - All Board members must sign the authorization certificate allowing Mrs. Glenn to sign checks on the District's Wells Fargo accounts. All Board members present signed the form and the rest will be obtained at the next Board meeting.
- Financial Plan - Mrs. Glenn will contact Ehler's to get a special meeting date set up for the financial analysis plan.
- Customer Benefit Programs - Mr. Warford has a meeting with the Center for Resource Conservation on Monday November 20th regarding the customer water assessments.
- Iliff Corridor - Mr. Farrington, Mr. Warford and Mrs. Glenn met with Art Negretti, Brian Love, Brian Weimer and County Attorney Bob Hill, to discuss the Iliff median agreement. Generally, the County agreed to most of the changes except the mediation/arbitration provision. Mr. Farrington explained that the District's financial commitment to the median landscaping would be too significant to risk arbitrary unilateral decision-making by the County, with no possibility of any appeal or recourse by which the District could challenge the decision. The County is concerned because the safety of the road is their main priority. The County said that decisions concerning the medians will be in

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accordance with a specific County regulation. If a decision by a County employee is made that was inconsistent with the regulation, the District could sue for breach of contract if the issue couldn't be resolved. Mr. Warford suggested that the County install the landscaping based on the District's design and the District would fund the installation. The County could contract Aurora for the maintenance similar to the situation with the Cheyenne/Arapahoe and Welch Parks. Mr. Negretti said he would check into this. In the meantime, Mr. Hill had sent Mr. Farrington a number of revisions to the draft agreement and Special Conditions that were focused on the original concept in which the District would install the landscaping and have the ongoing maintenance obligation. The Board did not want to consider those changes at this time, and directed Mr. Farrington get back to the County attorney and let him know that the Board supported Mr. Warford's suggestion.

There being no other business to discuss, the Board unanimously voted to adjourn. Chairman Hanley declared the meeting adjourned at 8:39 p.m.

READ AND APPROVED  DATED 12/20/2017

