

RECORD OF PROCEEDINGS

CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS

FEBRUARY 21, 2019

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 February 21, 2019.

PRESENT

Paul Hanley – Chairman

Mark Lampert – Vice Chairman

William MacPhee – Secretary/Treasurer – attended by phone

OTHERS PRESENT

John Warford – Manager

Lisa Glenn – Office Manager/Accountant

Darryl Farrington – Semple, Farrington, Everall & Case PC

Eric Hein – Merrick & Company

Jonathan Fung – Bernstein

Olivia McCracken – Harris Kocher Smith – representative for Quebec and Colorado development.

ABSENT

Fred Norman – Director

Bradley Rastall – Director

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

The Board unanimously approved the agenda.

The Board unanimously excused the absence of Directors Norman and Rastall.

The first item on the agenda was the public hearing for the inclusion in the District's boundaries of the parcel at S Quebec St and E Colorado Ave, also know as 7210 E Colorado Ave. The public hearing opened at 7:06 p.m. The only comment was from Vice Chairman Lampert that the development just went through the 4 Square Mile process. The public hearing was closed at 7:06 p.m.

Mr. Farrington prepared a written report for the Board summarizing the inclusion process. If the

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order of inclusion and inclusion agreement is approved by the Board, Mr. Farrington will file a motion and order of the inclusion with Arapahoe County. The order should be issued by the County after a few days and that order will be recorded in the County's records. The parcel will be served by a total service agreement between the District and Denver Water. The inclusion is dependent on Denver Water providing the final total service agreement and exhibit to the District, approved and signed. Denver Water will own the water mains, bill the customers, and will be the customer service contact. The Board unanimously approved the inclusion (conditioned upon Denver Water approving the Total Service Contract for the included property) and signed the inclusion agreement as amended and the conditional inclusion order. Vice Chairman Lampert was unanimously elected to act as Secretary/Treasurer since Secretary/Treasurer MacPhee attended the meeting by phone. Ms. McCracken left the meeting at 7:08 p.m.

The next item on the Agenda was the District's investments. Jonathan Fung from Bernstein distributed a written report to the Board. He went over how the District's funds were allocated between the three remaining investment accounts, after the transfer of investments from Morgan Stanley to Bernstein in October 2018. He also recapped account earnings since inception and outlook for 2019. Bernstein expects the Federal Funds Rate to increase a quarter percent twice in 2019. The Board thanked Mr. Fung for his time, and he left the meeting at 7:48 p.m.

The minutes from January 17, 2019, the January 2019 financial report, and the January 2019 payment of bills were unanimously approved by the Board.

Chairman Hanley opened the meeting for public comment at 7:48 p.m. There were no members of the public present; therefore, the public comment period was closed at 7:48 p.m.

The Board unanimously adopted the privacy policy drafted by Mr. Farrington pursuant to the Protections for Individual Data Privacy Act, H.B. 18-1128. The policy can be revised later if necessary.

The Board signed the resolution that was unanimously approved last month for the 2019 Board meeting schedule and posting locations.

Mr. Hein presented his engineering report:

- Developer Projects – Solera water main installation is close to completion. Iliff Ave Townhomes has tied into the water main on Wabash. Highline East initial plan review with Merrick and the District is in process. Xenia St Townhomes plan review is in

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process with Merrick and Denver Water. Parc at Cherry Creek clubhouse renovation plan review with Merrick is just about complete. Cherry Tree Estates water plans are being reviewed by Denver Water since this will be a total service area in the District. Merrick is reviewing the sewer plans. Sewer will discharge to Denver Wastewater.

- Capital Improvement Projects – Galilee Church water main and Dallas St water main Phase II (Alton to Evans) surveys are complete. Design will be submitted to Denver Water in the next few weeks.

Mr. Warford presented the Manager's report:

- The Board discussed the landscaping at the old District office building. A xeriscape demonstration could be installed to highlight the District's brick work. Mr. Warford said the developer for the Iliff Ave Townhomes will participate in landscaping the area where their water main was just installed for the tie in at Wabash.
- KeyBank Agreements – Mr. Farrington had made some revisions to the KeyBank agreements, mainly regarding indemnity and jurisdiction in Colorado not Ohio. KeyBank did not accept any of the recommendations by Mr. Farrington. The Board and Mr. Farrington agreed that other banks' agreements are similar to KeyBank's and it's likely that other banks would not change their agreements as well. The Board unanimously voted to have Mr. Warford to sign the KeyBank agreements.
- Adoption of 2019 Water & Sewer Rates – Mrs. Glenn prepared an analysis of rate and service charge increases for the Board's review. The analysis is based on 2018 water usage; increases to rates of \$4.30, \$4.35, and \$4.40 per thousand gallons; increasing the District's service charge by 100% and 200%; and sustaining that percentage increase in revenue in future years. The analysis also assumed Denver Water increasing rates to the District by 4.0% per year and Metro Wastewater increasing rates to the District by 5.0% per year, both based on 10-year historical averages. Other operating revenue and expenses were assumed to increase by 3.0% per year. The analysis also assumed no increases in sewer rates to customers since the District's operating income for sewer operations is about \$800,000 for 2018. The District's net operating loss for water in 2018 is about \$(740,000). The Board's main objectives are to keep rates low for customers, equalize water and sewer operating income over time, and increase service charges more over time to create a fixed source of income not based on variable water usage. This concept is being used by Denver Water and other distributors. The analysis revealed that tripling the service charge and increasing water rates to \$4.35 or \$4.40 per thousand gallons will decrease the water net operating loss over a 7-8 year period and decrease the excess sewer operating net income over the same period. The District does not charge a sewer service fee as many other Districts do. The Board unanimously

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adopted raising water rates to \$4.35 per thousand gallons, tripling the service fee to customers, and no changes to sewer rates effective March 1, 2019. With this rate increase, the District still has some of the lowest water and sewer rates and service fees in the metro area.

- Slow the Flow – Resource Central provided a recap of the 2018 water audits conducted in the District. The Board would like to request to use page 5 of the report in marketing for 2019. The page details recommendations of watering times, efficiency test results and sprinkler problems found. Participant feedback was positive for 2018.
- Parker and Iliff Water Main Break - Mr. Warford mentioned the water main break at Iliff and Parker last Friday. The break was Aurora's. The District's main is close in proximity to Aurora's. Mr. Warford and the maintenance staff were quick to respond and key to troubleshooting the break with Aurora.

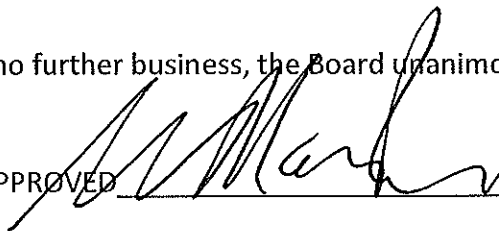
The Board unanimously voted in favor of going into executive session to discuss individual employee salaries and wages at 8:51 p.m. Legal Counsel Mr. Farrington stated the executive session is authorized by CRS 24-6-402(4)(f), "personnel matters." Mr. Hein, Mr. Farrington, and Mrs. Glenn left the meeting at 8:51 p.m.

Chairman Hanley declared the Board out of executive session at 9:14 p.m.

The Board unanimously voted to increase District personnel salaries and wages for 2019 as discussed in executive session.

There being no further business, the Board unanimously voted to adjourn at 9:19 pm.

READ AND APPROVED

 DATED 21 Feb 2019