

# RECORD OF PROCEEDINGS

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## CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT

### REGULAR MEETING OF THE BOARD OF DIRECTORS

AUGUST 16, 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 August 16, 2017.

#### PRESENT

Paul Hanley – Chairman  
Mark Lampert – Vice Chairman  
William MacPhee – Secretary/Treasurer  
Frederick Norman – Director

#### OTHERS PRESENT

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

#### ABSENT

Bradley Rastall – Director

Mr. Hanley, Chairman of the Board, called the meeting to order at 7:08 p.m.

The first item on the agenda was the investment report from Mr. Kennedy at Morgan Stanley. Mr. Kennedy made comments on the District's investment policy draft prepared by Mr. Farrington.

- Second bullet point on page two - Authorized investments should include other government sponsored enterprises: Freddie Mac, Farmer Mac, and Jenny May Funding Corps which were recently changed in 2014. Mr. Farrington will include those items in the investment policy after verifying those securities are listed in the Colorado Statute.
- Page two fourth bullet point - There is no longer an FSLIC. It was folded into the FDIC in 1989.
- Page three - The Board may want to clarify that the Board extended the maximum

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### MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT OF AUGUST 16, 2017, CONTINUED

investment period to ten years on government backed securities versus corporate and municipal bonds.

- Page three - The internal control won't impair Morgan Stanley's ability to transact business for the District by contacting a Board member for approval. Chairman Hanley stated that the intent was that Mr. Kennedy would make an investment suggestion to The District manager who would consult with the accountant and if the amount is over \$500,000, also consult with a Board member. Mr. Warford suggested the investment decisions be made by Board committee and authorize Mr. Warford to make the investments. Chairman Hanley pointed out that would put a large burden on the Board members that are only paid \$100 per Board meeting. Director Lampert arrived at 7:20 p.m. This discussion will be deferred until the next Board meeting when all Board members are present.
- Page four - If a security falls out of compliance, for example down-graded, Morgan Stanley informs Mr. Warford right away. This should be written into the policy and state the period of time the District has to cure the problem.

Mr. Kennedy discussed relevant items related to the District's current portfolio; current value, estimated income depending on the amount interest rates increase, and touched on the unwinding of the Fed's balance sheet starting in September. Mr. Kennedy would like to come back in October to discuss the District's investment strategy after the Fed's tapering has started. The Board thanked Mr. Kennedy and he left the meeting at 7:46 p.m.

Next the Board unanimously approved the agenda and unanimously approved the consent agenda approving the July 19, 2017 minutes, the July 31, 2017 minutes, the July 2017 financial report and July 2017 payment of bills.

Chairman Hanley opened the meeting for public comment at 7:47 p.m. District Resident Mr. Gross had questions about what's involved and what are the benefits of the District converting to a metro district, which will be discussed later in the meeting. The public comment period was closed at 7:48 p.m.

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

- 2017 CIP Projects – Dayton Street waterline replacement – awaiting insurance forms and signed and attested agreement and bonds from C&L Water Solutions. Creekside waterline replacement – awarded to lowest bidder Ricor at \$137,427. Dayton Street and Creekside will probably start in the last week of August or the first week in September. 2016 Florida Sewer CIPP – Merrick is reviewing the laboratory results to

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### MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE CHERRY CREEK VALLEY WATER AND SANITATION DISTRICT OF AUGUST 16, 2017, CONTINUED

make an assessment if the liner meets District specifications and then recommend acceptance and payment.

- Developer Project Updates – Iliff Avenue Townhomes, Iliff Avenue Single Family Homes, Denver Jewish Senior Living, Xenia Street Townhomes, Dayton Street Townhomes, and Hunter’s Run Fireline.
- NFPA Code 13D for single family residences – Merrick will review Mr. Farrington’s draft of the Rules and Regulations on this code and provide feedback.
- Asset Plan Update will be discussed later in the meeting.

Mr. Farrington presented his draft of the District’s rules and regulations regarding NFPA Code 13D for single family residences. Automatic fire suppression in single family homes is a requirement of the fire department or Arapahoe County. Cunningham Fire Department may require this type of system if access or hydrant locations are a problem. Mr. Warford is concerned with the demand of more of these fire suppression systems on the District’s system. Mr. Farrington found that Westminster and Pueblo have both options to tap directly off the main or tap off the domestic service line for the fire suppression system. Mr. Farrington will make some revisions to the draft and get comments from Mr. Hein.

Next on the agenda was the Manager’s report from Mr. Warford:

- The investment policy was discussed during Mr. Kennedy’s report.
- Security cameras were purchased for District property and will be installed shortly.
- The 2018 draft budget will be in the Board packets for the next regular Board meeting.
- A District employee was terminated last week and the District is seeking a replacement.
- Check number 27308 for C&L Water Solutions for \$11,081.92 was for the water main break on Iliff and check number 27307 for Browns Hill Engineering for \$12,927.00 was for pump station upgrades and communication. The communication system for the H1 Vault on Yosemite is having problems. Browns Hill is working on the solution.

Chairman Hanley stated that infrastructure replacement relates to the metro district conversion and there has been ongoing disagreements on District reserves needed for infrastructure replacements. Chairman Hanley asked Merrick to update the 2014 Asset Plan they had prepared with current costs. Mr. Hein clarified that the map of replacements in the Board room represents the replacements that are known to need replacement by District staff in the near future. The Asset Plan is a spreadsheet estimating when replacements will need to be made in the future for all infrastructure in the District. Mr. Hein stated that the spreadsheet could be used as a planning tool but the better approach is to use District personnel knowledge

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as to what needs to be replaced in the near future. The spreadsheet makes very broad assumptions like all cast iron pipe has a life of 80 years when in reality some have a 40 year life and some have a 100 year life. The Board is aware of these broad assumptions and Chairman Hanley believes the District needs both tools for short-term and long-term planning. Chairman Hanley feels the District needs a financial plan and spoke to partners at work in finding a company to prepare a financial plan for the District. He contacted Mr. Harrington at Ehlers and had them prepare a proposal to prepare a financial plan for the District. Mr. Harrington went to West Point, is a financial advisor mostly advising Districts and Municipalities on their municipal bond issuances used for infrastructure projects, and was a financial advisor for the Cherry Creek School Board. Ehlers will provide a long-term financial management plan for the District at a maximum fee of \$20,000. If the Board decides to approve the proposal, Ehlers can direct Mr. Hein on what they would need for the financial plan.

Mr. Warford inquired if this proposal was being done to support converting to a Metro District. The District has the funds necessary to keep the District running on a long-term basis in its current state as a water and sanitation district. Mr. Warford also stated that the Board must determine what funds can be used legally for a Metro District from the Water and Sanitation District. Chairman Hanley said the proposal will help determine if a Metro District conversion would be appropriate. Mr. Lampert said that he wasn't sure about Ehlers recommending rates since the District has costs from Denver Water and Metro Wastewater that drive the District's rates. He also questioned how long it will take Ehlers to complete this project. Chairman Hanley replied that Ehlers would probably recommend a rate based on all District costs and once Ehlers has the infrastructure replacement costs from Merrick, it shouldn't take too long. Mr. Farrington pointed out that the proposal does not state that the scope includes determination whether conversion to a metro district would be advantageous or not. Chairman Hanley said Ehlers was only looking at how much money was going to be needed for the operation of the Water and Sanitation District. Mr. Lampert stated that this plan gives the District the transparency that a financial plan will validate what the District is doing and Chairman Hanley added that the plan can be used for many years down the road. The Board thus unanimously approved contracting with Ehlers to provide a financial management plan for the District at a maximum contract amount of \$20,000.

The Board unanimously voted to appoint Director Norman as temporary secretary/treasurer to sign the minutes from July.

Since Director Norman missed the Metro District conversion discussion last month and the Board would like to have a more detailed record of that discussion, Chairman Hanley asked

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Mrs. Glenn to prepare a more detailed record of the Metro District discussion from the regular Board meeting last month for next month's meeting.

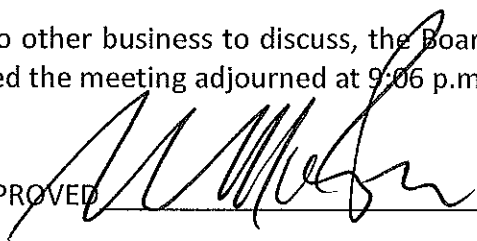
The customer benefit programs were next on the agenda. Mrs. Glenn prepared a report showing water use in the last year between all different users in the District, i.e. Commercial, Multi-Family, Residential and Irrigation Only. Chairman Hanley reiterated what Mr. Baker at the City of Aurora stated at the last special meeting and what is common knowledge in the water distribution business - tiered rates promote water conservation. He directed Mrs. Glenn to break down this type of data on a monthly basis by customer type and apply tiered rates to the data to see how the District's revenue would change. Mr. Warford added that a drought year should be included. Mrs. Glenn stated there are only three years of data in their billing system to work with, but this analysis could be done whether by Mrs. Glenn or a consultant.

Chairman Hanley would like to use a variance program similar to that of the City of Aurora for all of the District's multi-family accounts. Mr. Baker mentioned at the July special meeting that this was their most successful program and would be happy to help the District any way they could. Therefore, the Board requested that Mr. Warford or Mrs. Glenn contact Mr. Baker about setting up an intergovernmental agreement where their people would perform the assessments of all the multi-family users and the top ten percent of the residential and commercial users. The District should send out notices to the top ten percent residential water users to inform them we will be performing a water assessment and offer them a rebate for almost the full price of the controller. Later after all the initial assessments are done, a letter can be sent out to all other customers informing them the availability of this service and may participate. District residents may also attend the Aurora classes and the District will send out the schedule for next year.

There has been no update from Arapahoe County on the revisions Mr. Farrington made to the landscape agreement for the Iliff corridor.

There being no other business to discuss, the Board unanimously voted to adjourn. Chairman Hanley declared the meeting adjourned at 9:06 p.m.

READ AND APPROVED

 DATED 20 Sept-17