

RECORD OF PROCEEDINGS

MINUTES OF JOINT REGULAR MEETING

BOARD OF DIRECTORS

SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT

AND

PLATTE CANYON WATER AND SANITATION DISTRICT¹

Friday
October 26, 2018
Jefferson County, Colorado

The regular joint monthly meeting of the Board of Directors of the Southwest Metropolitan Water and Sanitation District (“Southwest”) and the Board of Directors of the Platte Canyon Water and Sanitation District (“Platte Canyon”) convened on Friday, October 26, 2018, at 8:30 a.m. in the Districts’ office located at 8739 West Coal Mine Avenue, Littleton, Colorado 80123. Although jointly conducted, a portion of the meeting pertained solely to one District or the other and, accordingly, at times only the vote of one Board or the other was required.

The following Southwest Directors were in attendance, to-wit:

Anthony M. Dursey
Kenton C. Ensor, Jr.
George E. Hamblin, Jr.
Chuck Hause
Bernard J. Sebastian, Jr.

The following Platte Canyon Directors were in attendance, to wit:

William Buckner
Anthony M. Dursey
Louis J. Fohn
George E. Hamblin, Jr.
Richard Rock

The following Platte Canyon staff members were in attendance: Patrick J. Fitzgerald, manager; Cynthia Lane, assistant manager; Vanessa Shipley, financial

¹ and each District’s Water and Sanitary Sewer Activity Enterprise.

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administrator; Scott Hand, operations supervisor; Tony Cocozzella, construction, plan review and special projects coordinator; Alyssa Quinn, administrative assistant; and Tayler Newkirk, communication and administrative services coordinator.²

Also, in attendance were Brad Simmons, a resident of Southwest who was attending the meeting for information purposes only; and Timothy J. Flynn, from Collins Cockrel & Cole, P.C., legal counsel for both Districts.

CALL TO ORDER

The meeting was called to order by Southwest President, Anthony M. Dursey, who presided as Chair.

APPROVAL OF SOUTHWEST AGENDA

Following a brief discussion, a motion was made by Southwest Director Hause and seconded by Southwest Director Sebastian to approve, as presented, the Southwest agenda. The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

SOUTHWEST CONSENT AGENDA ITEMS

1. **Approval and Ratification of Southwest Payables.** The Boards reviewed a list and supplemental list of Southwest vouchers paid and payable for the month of October, 2018, in the aggregate amount of \$234,542.14 represented by Southwest check numbers 19261 through 19299, inclusive together with various electronic payments for employee salaries, utility payments and other authorized electronic fund payment vendors. A motion was made by Southwest Director Hause and seconded by Southwest Director Sebastian to approve the payables, including those checks written by the manager pursuant to prior Board authorization for less than \$2,500. The Chair called for a vote of the Southwest Board, and the vote was as follows:

² Southwest has no employees. The above-named personnel are Platte Canyon employees who, pursuant to contract with Platte Canyon, provide management, operation and maintenance services for Southwest.

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Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

2. **Southwest Investment/Deposit Transaction Report**. The Board reviewed the schedule of investment principle activity for Southwest for the month of September, 2018, which reflects the following transactions:

- a) **New Purchases**. No treasury notes or agency securities were purchased by Southwest during the month; and
- b) **Redemptions**. No investment securities were redeemed or sold by Southwest during the month; and
- c) **Renewals**. No certificates of deposit were renewed or rolled over during the month by Southwest.

Following a brief discussion, a motion was made by Southwest Director Sebastian and seconded by Southwest Director Hamblin to accept the Southwest investment principle activity report for the month of September 2018. The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

SOUTHWEST ACTION ITEMS

1. **Approval of Emergency and Non-Emergency Maintenance Agreement with C&L Water Solutions**. The manager reviewed a proposed form of Emergency and Non-Emergency Maintenance Services Agreement with C&L Water Solutions, the contractor that has provided routine excavation and emergency response excavation and water and sewer main repair services to Southwest for over twenty years. For 2019 C&L has requested a rate increase with respect to some of the firm's standard hourly rates. The manager explained that through negotiations C&L Water Solutions has agreed to keep the rates for 2019 in effect also for 2020. Following a discussion and based upon the manager's recommendation, a motion was made by Southwest Director Hause and seconded by

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Southwest Director Sebastian to approve the C&L Water Solutions Emergency and Non-Emergency Maintenance Services Agreement and to authorize appropriate officers of Southwest to execute the Agreement on Southwest's behalf. The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

2. **Approval of Asphalt/Concrete Restoration Agreement with Metro Pavers, Inc.** The manager explained that for several years Metro Pavers has contracted with Southwest to provide asphalt and concrete restoration services. Metro Pavers has maintained their pricing for the past three years and is not proposing a rate increase for 2019.

Like the C&L Water Solutions Agreement, the Metro Pavers Agreement may be renewed for two consecutive years upon agreement of both parties. Prices may increase each year based upon the Consumer Price Index for Denver, Aurora and Lakewood.

Based upon the manager's recommendation, a motion was made by Southwest Director Sebastian and seconded by Southwest Director Hause to approve the Asphalt/Concrete Restoration Services Agreement with Metro Pavers, Inc and to authorize appropriate officers of Southwest to execute the Agreement on Southwest's behalf. The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

SOUTHWEST INFORMATION/DISCUSSION ITEMS

1. **Proposed 2019 Southwest Budget.** To facilitate, all Board members and in particular, the Southwest Board's understanding of the Southwest proposed 2019 Budget, Vanessa Shipley provided a comprehensive overview of the Budget she prepared. The overview included a review of the services provided by Southwest, a summary of Southwest anticipated revenues and expenditures, including capital expenditures for 2019,

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a discussion of Southwest Reserves and Southwest updated 10-year Financial Plan. As part of her presentation, Vanessa Shipley noted the total number of people served by Southwest, the services provided, and various Budget highlights including the length of water and sewer lines maintained by Southwest.

The 2019 Southwest Budget projects a deficit of \$310,181 between total revenue amounting to \$1,913,431 and total expenses of \$2,223,612. The excess of expenditures over revenue will be paid from Southwest reserves.

Capital expenditures for 2019 are budgeted at \$335,154, which is less than the average capital expenditure over the last three years (\$964,566). This is because the District has now completed the significant multi-phase rehabilitation of its sewer interceptors. Over the next 10 years, capital expenditures are projected to average only \$205,741 per year. This will help, but not eradicate the annual financial deficit without future service fee increases.

The 2019 Budget proposes, at least initially, an increase in the water and sewer service fee from \$5 per month for each $\frac{3}{4}$ inch equivalent water tap to \$7 per month for each $\frac{3}{4}$ inch equivalent water connection effective January 1, 2019.

Vanessa Shipley also briefly reviewed the 10-year Financial Plan for Southwest which identifies a reserve fund balance amounting to \$23,831,845 at the end of 2018. This fund balance, however, is projected to decrease \$310,181 to \$23,521,644 at the end of 2019. Over the 10-year planning period the reserve balance is projected to decrease by \$732,966 to \$22,788,698 at the end of 2028. After reviewing the 10-year Financial Plan Vanessa Shipley noted that the District does not receive property tax revenues and that its service fee revenue is not meeting its operating expenses on an annual basis. She noted that the deficit is being made up out of the District's investment income. She then turned the meeting over to the District's manager who reviewed various policy issues that the Southwest Board needs to consider in connection with the adoption of the Southwest 2019 Budget.

The manager noted that the initially the water and sewer service fee was projected to increase only at the rate of \$1.00 per year per SFE after 2019. At the present time, Southwest is utilizing investment income to subsidize the operations and maintenance expenses. The alternative would be the increase in service fee revenue to cover Southwest operation and maintenance expense. It was noted that going forward it is anticipated that Southwest will have some significant capital expenditures and that those expenditures could deplete the targeted fund balance over time. The increased capital expenditures will

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most likely will result from the implementation of the addition of new policy criteria by which water pipelines are evaluated for rehabilitation or replacement.

At the conclusion of the discussion, the staff was directed to obtain additional information as to projected future operation and maintenance expense and capital needs. The Southwest Board generally believes that Southwest's service fee revenue should be sufficient to pay operation and maintenance expense over time without depleting investment income which should be utilized for capital expenditures and maintaining the Southwest's fund balance.

The Board was also asked to revisit the District's cash reserve policy. Basically the 2019 – 2048 Financial Plan indicates that based on current revenue operating expenses and asset replacement assumptions, cash reserves will not drop below \$14,000,000 and will be \$24,000,000 in 2048. The question was posed for the Board as to whether they want to continue to base the capital reserve portion of cash reserves on 10% of the replacement cost of District assets suggested for inflation or consider using a higher or lower percentage. It was noted that the current capital reserve component is the greater of 10% of the replacement cost of each asset adjusted for depreciation or the total of the first five years of projected capital expenses identified in the most recent 10-year Financial Plan. District staff are revising the criteria by which water pipelines are evaluated for rehabilitation or replacement. This work should be completed in late 2018 or early 2019 and will result in changes to the District's Capital Master Plan and 10-year Financial Plan. It is noted that projected capital expenditures for the next ten years may increase significantly as a result of the revision in the criteria utilized to evaluate rehabilitation/replacement of water mains.

2. **2019 – 2028 Capital Master Plan.** Tony Cocozzella reviewed with the Board the Southwest Capital Master Plan for the 2019 – 2028 planning period. Over the 10-year planning horizon the Capital Master Plan proposes expenditures of \$238,000 in 2019 and \$1,963,594 during the entire 10-year planning period. Mr. Cocozzella noted that the purpose of the Capital Master Plan is to itemize and schedule water and wastewater facility expansion, rehabilitation, and replacement projects. The Capital Master Plan improves the accuracy and effectiveness of budgeting and cash flow analysis. One of the most beneficial aspects of the Capital Improvement Plan is to allow the District to be proactive, rather than reactive, when dealing with rehabilitation needs. The Capital Master Plan was presented to the Board as background for its review of the Budget expenditures and policy issues discussed earlier. It will be presented for approval at the Board's Budget Hearing.

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SOUTHWEST NEW BUSINESS

There was no new business to come before the Southwest Board.

JOINT PARTICIPATION PORTION OF THE MEETING

Southwest President Anthony M. Dursey continued to act as Chair for the joint participation portion of the meeting.

APPROVAL OF JOINT MEETING AGENDA

Following a brief discussion, a motion was made by Platte Canyon Director Buckner and seconded by Southwest Director Hause to approve the joint meeting agenda, as presented. The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

The Chair then called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

JOINT MEETING CONSENT AGENDA ITEM

1. Approval of September 28, 2018 Joint Regular Meeting Minutes.

Following a brief discussion, a motion was made by Southwest Director Hause and seconded by Southwest Director Ensor to approve, as written, the minutes of the Boards' September 28, 2018 Joint Regular Meeting. The Chair called for a vote of the Southwest Board, and the vote was as follows:

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Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

The Chair then called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

The approved minutes of the Boards' September 28, 2018 joint regular meeting were then presented to the members of each Board for signature as further evidence of ratification, confirmation and approval.

JOINT MEETING INFORMATION/DISCUSSION ITEMS

1. **Maintenance Goals for 2019.** Scott Hand then reviewed the maintenance goals for Platte Canyon, Southwest, the Bow Mar Water and Sanitation District, the Columbine Water and Sanitation District, the Lochmoor Water and Sanitation District and the Valley Sanitation District for calendar year 2019. The maintenance goals are prepared to facilitate the scheduling of water and wastewater facility maintenance for these Districts, utilizing labor, equipment and material in the most efficient and cost-effective manner. Mr. Hand described the quality assurance procedures Platte Canyon has in effect, and how Platte Canyon utilizes a computerized maintenance system to schedule maintenance, generate work orders and record all maintenance activities in each District. The maintenance plan/goals for 2019 maintain the current maintenance schedules and job standards that have been established over the years by Platte Canyon and Southwest. It was noted that the maintenance goals include both general scheduled maintenance and general unscheduled maintenance which arises during the year due to circumstances beyond each District's control.

The 2019 maintenance goals will be presented to the Boards for acceptance at their November meeting.

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2. **Financial Matters.**

(a) **Platte Canyon Financial Statements.** The following Platte Canyon financial statements, prepared by Vanessa Shipley, for the nine-month period ending September 30, 2018, were presented to the Boards:

(i) Statement of Net Assets, dated September 30, 2018, showing Platte Canyon's Assets, Liabilities, and Net Assets;

(ii) Statement of Revenue, Expenses and Changes in Net Assets for the nine-month period ending September 30, 2018;

(iii) Schedule of Revenue and Expenditures – Budget & Actual CM/YTD Actuals Compared to Annual Budget for the nine-month period ending September 30, 2018; and

(iv) Schedule of Revenue and Expenditures – Budget & Actual CM/YTD Actuals Compared to CM/YTD Budget for the nine-month period ending September 30, 2018.

Vanessa Shipley reviewed briefly the above-referenced financial statements pointing out to the Board where there were variances in the year-to-date budgeted line items versus actual line items. A motion was then made by Platte Canyon Director Buckner and seconded by Platte Canyon Director Rock to accept the Platte Canyon financial statements, as presented. The Chair called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

(b) **Southwest Financial Statements.** The following unaudited Southwest financial statements, prepared by Vanessa Shipley for the nine-month period ending September 30, 2018, were presented to the Boards:

(i) Statement of Net Assets, dated September 30, 2018, showing Southwest's Assets, Liabilities, and Net Assets;

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(ii) Statement of Revenue, Expenses, and Changes in Net Assets for the nine-month period ending September 30, 2018;

(iii) Schedule of Revenue and Expenditures – Budget & Actual CM/YTD Actuals Compared to Annual Budget for the nine-month period ending September 30, 2018; and

(iv) Schedule of Revenue and Expenditures – Budget & Actual CM/YTD Actuals Compared to CM/YTD Budget for the nine-month period ending September 30, 2018.

Vanessa Shipley brought to the Southwest Board’s attention those year-to-date expenditures for such things like remedial repairs and office improvements that have exceeded the budgeted line item amount. After explaining the reason for the variance, a motion was made by Southwest Director Hause and seconded by Southwest Director Sebastian to accept the Southwest financial statements, as presented. The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

(c) **Platte Canyon Investment/Deposit Report.** The Boards reviewed a list of Platte Canyon’s investments in U.S. Government treasury notes, agency securities, certificates of deposit, and money market funds, together with a report showing the funds Platte Canyon has in approved state depositories and authorized local government investment pools. As of September 30, 2018, Platte Canyon’s investments and deposits totaled \$10,545,118.92, itemized as follows:

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<u>Description</u>	<u>Amount</u>	<u>Percentage</u>
Checking	\$132,083.60	1.25%
Certificates of Deposit	\$994,000.00	9.43%
ColoTrust-Prime	\$0.00	0.00%
ColoTrust-Plus	\$3,374,062.47	32.00%
ColoTrust-Trust Account	\$1,049,379.95	9.95%
Treasury Bills	\$0.00	0.00%
Treasury Notes	\$0.00	0.00%
U.S. Government Agencies and Instrumentalities	\$4,995,574.90	47.37%
TOTAL	\$10,545,118.92	100.00%

The average yield on Platte Canyon’s investments for the month of September 2018, as calculated by staff, was 1.8551% per annum.

Following a brief discussion, a motion was made by Platte Canyon Director Rock and seconded by Platte Canyon Director Buckner to accept the Platte Canyon Schedule of Deposits and Investments, as presented. The Chair called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

(d) **Southwest Investment/Deposit Report.** The Boards reviewed a list of Southwest’s investments in U.S. Government treasury notes, agency securities, certificates of deposit, and money market funds, together with a report showing the funds Southwest has in approved state depositories and authorized investment pools. As of September 30, 2018, Southwest’s investments and deposits totaled \$23,971,633.45, itemized as follows:

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<u>Description</u>	<u>Amount</u>	<u>Percentage</u>
Checking	\$9,164.67	0.04%
Certificates of Deposit	\$2,360,692.27	9.85%
ColoTrust-Prime	\$0.00	0.00%
ColoTrust-Plus	\$5,491,187.53	22.91%
ColoTrust-Trust Account	\$76,096.20	0.32%
Treasury Bills	\$0.00	0.00%
Treasury Notes	\$6,114,771.76	25.09%
U.S. Government Agencies and Instrumentalities	\$19,721.02	41.08%
TOTAL	\$23,971,633.45	100.00%

The average yield on Southwest’s investments for the month of September 2018, as calculated by staff, was 2.2377% per annum.

Following a brief discussion, a motion was made by Southwest Director Sebastian and seconded by Southwest Director Hause to accept the Southwest Schedule of Deposits and Investments, as presented. The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

3. **Management Information Report.** Due to the lateness of the hour and the remaining Agenda items that needed to be covered, neither the manager nor the assistant manager reviewed any items in the Management Information Report. They both offered to answer any Board member questions. There were none and the joint meeting proceeded to the next Agenda item.

4. **Operations and Maintenance Summary Report.** Scott Hand reviewed the Operations and Maintenance Summary Report dated September 2018. During the September 2018 reporting period, neither Platte Canyon nor Southwest had any sewer service interruptions. Platte Canyon experienced one water service interruption on September 23, 2018 and Southwest experienced a water service interruption on September 17, 2018. A brief PowerPoint presentation showing the repair activities that were undertaken was presented to both Boards. The service interruptions were caused by an

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electrolysis failure in the case of Platte Canyon and by a leak at a fitting at a ¾ inch inch bypass valve in Southwest.

The Scott J. Morris Pump Station fence installation work is complete with the exception that Platte Canyon is waiting for materials to be delivered for the gate on the Ken Caryl Avenue side of the Pump Station. Pictures of the installed fence were presented and all Board members commented on how attractive the stone fence is. Mr. Hand also noted that the SCADA system and communication system upgrades for Platte Canyon and Southwest have been completed to staff's satisfaction. Final payment will be made to the contractor soon.

5. **Construction Project Report.** Tony Cocozzella reviewed with both Boards the Capital Projects Information and Construction Status Report for both Platte Canyon and Southwest. The report updated the Boards as to the status of all Platte Canyon and Southwest projects, including developer and District-specific projects. As part of his review, Mr. Cocozzella addressed those projects that are in the design phase at the present time.

NEW BUSINESS

The only new business to come before the joint participation portion of the meeting was the scheduling of both Districts' November and December meetings. Due to the Thanksgiving and Christmas holidays a motion was made by Southwest Director Dursey and seconded by Platte Canyon Director Hamblin to hold a special joint meeting on Thursday, November 29, 2018, at 8:30 a.m. in the District's office and to cancel the December meeting. The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

The Chair then called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye

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George E. Hamblin, Jr.	Aye
Richard Rock	Aye

PLATTE CANYON ACTION ITEMS

CALL TO ORDER

The Platte Canyon Action Items portion of the joint regular meeting was called to order by Platte Canyon President Richard Rock, who presided as Chair.

1. **Approval of Platte Canyon Agenda.** A motion was made by Platte Canyon Director Buckner and seconded by Platte Canyon Director Fohn to approve, as presented, the Platte Canyon agenda. The Chair called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

PLATTE CANYON CONSENT AGENDA ITEMS

1. **Platte Canyon Accounts Payables.** The Board reviewed a list and supplemental list of Platte Canyon vouchers paid and payable for the month of October 2018, in the aggregate amount of \$278,107.39, represented by Platte Canyon check nos. 32055 through 32116, inclusive, together with various electronic payments for employee salaries, utility payments and other authorized electronic fund payment vendors. A motion was made by Platte Canyon Director Buckner and seconded by Platte Canyon Director Dursey to approve the payables including those written by the manager pursuant to prior Board authorization for less than \$2,500. The Chair called for a vote of the Platte Canyon Board, and the vote was as follows:

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William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

2. **Platte Canyon Investment/Deposit Transaction Report.** The Board reviewed the schedule of investment principle activity for Platte Canyon for the month of September 2018, which reflects the following transactions:

- a) **New Purchases.** No treasury notes or agency securities were purchased by Platte Canyon during the month; and
- b) **Redemptions.** No investment securities were redeemed or sold by Platte Canyon during the month; and
- c) **Renewals.** No certificates of deposit were renewed or rolled over during the month by Platte Canyon.

Following a brief discussion, a motion was made by Platte Canyon Director Dursey and seconded by Platte Canyon Director Fohn to accept the Platte Canyon Investment Principle Activity Report for the month of September 2018. The Chair called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

PLATTE CANYON ACTION ITEMS

1. **Approval of Emergency and Non-Emergency Maintenance Services Agreement with C&L Water Solutions.** The manager reviewed a proposed form of Emergency and Non-Emergency Maintenance Services Agreement with C&L Water Solutions, the contractor that has been providing routine excavation and emergency response excavation and water and sewer main repair services to Platte Canyon for over twenty years. For 2019 C&L has requested a rate increase with respect to some of the firm's standard hourly rates. The manager explained that through negotiations C&L Water Solutions has agreed to keep their rates for 2019 in effect also for 2020, except for any increases caused by increased fuel prices.

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Following a brief discussion and based upon the manager's recommendation to approve the Agreement, a motion was made by Platte Canyon Director Buckner and seconded by Platte Canyon Director Fohn to approve the C&L Water Solutions, Inc. Emergency and Non-Emergency Maintenance Services Agreement and to authorize appropriate officers of Platte Canyon to execute the Agreement on the District's behalf. The Chair called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

2. **Approval of Asphalt/Concrete Restoration Services Agreement with Metro Pavers, Inc.** Like Southwest, Platte Canyon has contracted with Metro Pavers for several years to provide asphalt and concrete restoration services. Metro Pavers has maintained their prices for the past three years and is not proposing a rate increase for 2019.

The proposed Agreement, which was reviewed by the manager, may be renewed for two consecutive years upon agreement of both parties. Prices may increase each year, but only to the extent of the increase in the Consumer Price Index for Denver, Aurora and Lakewood.

Based upon the manager's recommendation, a motion was made by Platte Canyon Director Hamblin and seconded by Platte Canyon Director Fohn to approve the Asphalt/Concrete Restoration Services Agreement with Metro Pavers Inc. and to authorize appropriate officers of Platte Canyon to execute the Agreement on Platte Canyon's behalf. The Chair called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

PLATTE CANYON INFORMATION/DISCUSSION ITEMS

1. **Proposed 2019 Platte Canyon Budget.** To facilitate all Board member, and in particular the Platte Canyon Board's understanding of Platte Canyon's proposed 2019 Budget, Vanessa Shipley provided a comprehensive overview of the preliminary Budget

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she prepared. The overview included a review of the services provided by Platte Canyon, a summary of Platte Canyon's anticipated revenues and expenditures including capital expenditures for 2019, a discuss of Platte Canyon's reserves and Southwest's updated 10-year Financial Plan. As part of her presentation, Vanessa Shipley noted the total number of people served by Platte Canyon, the services provided, and various Budget highlights including the length of water and sewer mains maintained by Platte Canyon and the administrative operations and maintenance services Platte Canyon provides to Southwest, Bow Mar, Columbine and the Lochmoor Water and Sanitation District, as well as the Valley Sanitation District. The 2019 Budget projects revenue of \$3,345,488 and expenses of \$4,244,144 which will result in a proposed deficit of \$898,656 which will come from Platte Canyon's reserves reducing the current reserve level from \$9,471,114 to \$8,572,458.

The Platte Canyon property tax mill levy will remain at 7.104 mills, the same mill levy that has been assessed since 2005.

It was noted that Platte Canyon will continue to provide administrative and maintenance services to Southwest, Bow Mar, Columbine, Lochmoor Water and Sanitation Districts as well as the Valley Sanitation District. The revenues received from these services which are provided pursuant to intergovernmental agreement is projected to be \$1,379,360 or approximately 41.3% of Platte Canyon's total revenue.

Vanessa Shipley also briefly reviewed Platte Canyon's 10-year Financial Plan which projects a reserve fund balance of \$9,471,113 at the end of 2018. As noted above, the reserve fund balance is projected to decrease to \$8,572,458 at the end of 2019. Over the 10-year planning period the reserve fund balance is projected to decrease to \$6,530,500 primarily due to capital projects for water and wastewater services. The Board reviews the fund balance every year to determine the adequacy of reserves to fund District administrative operation, maintenance and capital projects. Vanessa Shipley also reviewed the various assumptions that are included in the financial plan, including the yield on District investments. That yield is projected to be 1.85% in 2019, 2% in 2020 and then increase by 0.25% per year thereafter to a maximum of 3%. Investment revenues projected to produce approximately 5.4% of total District revenue over the 10-year planning period.

Revenue from the intergovernmental operating agreements that Platte Canyon has with Southwest, Bow Mar, Columbine, Lochmoor and Valley is expected to produce approximately 41.9% of future District revenue. It is assumed that this revenue will grow at the rate of 3.1% per year throughout the 10-year planning period. Property taxes produce the largest amount of Platte Canyon's revenues over the 10-year planning period with a total projected revenues of \$18,408,107 or 48% of the total revenue.

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After reviewing the Budget and 10-year Financial Plan, Vanessa Shipley turned the meeting over to the District's manager who reviewed various policy issues that the Boards need to consider in connection with the adoption of Platte Canyon's 2019 Budget.

The manager noted that over the 10-year period which is a part of the District's 10-year Financial Plan the Platte Canyon's reserve fund balance will decrease from \$9,947,113 at the end of 2018 to approximately \$6,530,530 in 2028. At the present time Platte Canyon has no fee income to offset the reduction in reserves that is occurring. The manager reviewed the options the Board had to address this situation, including the imposition of a fee or the incurrence of debt to fund future capital projects.

At the conclusion of the discussion, staff was directed to obtain additional information regarding the imposition of a service fee that would be collected by Denver Water on the water bill that is sent to each Platte Canyon customer. Platte Canyon will develop a proposed fee for the Board to consider at the Board's November 29, 2018 meeting.

2. **2019-2028 Capital Master Plan.** Tony Cocozzella reviewed with the Board the Platte Canyon Capital Master Plan for the 2019 – 2028 Planning Period. He reviewed the capital projects planned for 2019 which projects four water projects and one sewer project in 2019. He noted that Platte Canyon recently implemented a new rating process that was developed to prioritize the replacement of water mains over the 10-year planning horizon. This process expands upon the previous used analytical objective rating process to include a more comprehensive assessment to incorporate a wider range of factors. As a result of that, a larger number of water line projects are included in the 10-year Capital Master Plan in order to be proactive, as opposed to reactive, in addressing the District's future capital project needs.

The 10-year Capital Master Plan for Platte Canyon proposes expenditures of \$1,721,028 in 2019 and \$11,443,088 during the 10-year planning period. This compares with last year's 10-year Capital Master Plan projected expenditures for 2019 amounting to \$390,531 and 10-year expenditures totaling \$4,078,598. The 2019-2028 Capital Master Plan projected expenditures are \$7,354,490 greater than the previous 10-year Capital Master Plan due largely to the re-evaluation of all District water assets and the focus on becoming more proactive and replacing water facilities prior to incurring large major repair expenditures.

The Capital Master Plan was presented to the Board as background for its review of the 2019 Budget and policy issues discussed earlier. It will be presented to the Board for approval at the Board's November 2018 Budget Hearing.

RECORD OF PROCEEDINGS

PLATTE CANYON NEW BUSINESS

There was no new business presented to the Platte Canyon Board.

ADJOURNMENT

There being no further business to come before this joint regular meeting of the Platte Canyon and Southwest Boards, a motion to adjourn was made by Southwest Director Hause and seconded by Platte Canyon Director Buckner. The Chair then called for a vote of the Platte Canyon Board, and the vote was as follows:

William Buckner	Aye
Anthony M. Dursey	Aye
Louis J. Fohn	Aye
George E. Hamblin, Jr.	Aye
Richard Rock	Aye

The Chair called for a vote of the Southwest Board, and the vote was as follows:

Anthony M. Dursey	Aye
Kenton C. Ensor, Jr.	Aye
George E. Hamblin, Jr.	Aye
Chuck Hause	Aye
Bernard J. Sebastian, Jr.	Aye

Whereupon, this joint regular meeting of the Platte Canyon and Southwest Boards of Directors adjourned at approximately 11:30 a.m. The next joint regular meeting of the Boards will be a special meeting to be held on Thursday, November 29, 2018, at 8:30 a.m. in the Districts' office, located at 8739 West Coal Mine Avenue, Littleton, Colorado 80123.

Respectfully submitted,

Timothy J. Flynn, Recording Secretary

RECORD OF PROCEEDINGS

THE MINUTES OF THIS JOINT REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT AND THE BOARD OF DIRECTORS OF THE PLATTE CANYON WATER AND SANITATION DISTRICT ARE HEREBY RATIFIED, CONFIRMED AND APPROVED BY THE FOLLOWING NAMED INDIVIDUALS WHO, INDIVIDUALLY AND AS MEMBERS OF THE BOARD OF DIRECTORS OF SAID DISTRICTS, WAIVE ANY AND ALL NOTICE THAT MAY BE REQUIRED BY THE STATUTES OF THE STATE OF COLORADO PERTAINING TO THE CONVENING AND THE CONDUCTING OF THIS SPECIAL MEETING OF THE DISTRICTS' BOARDS OF DIRECTORS; AND THE UNDERSIGNED DO HEREBY CONSENT TO THE SAID MEETING BEING HELD ON THE DATE, AT THE TIME AND AT THE PLACE AS HEREINABOVE SET FORTH.

SOUTHWEST METROPOLITAN
WATER AND SANITATION DISTRICT

PLATTE CANYON WATER AND
SANITATION DISTRICT

Anthony M. Dursey

William D. Buckner

Kenton C. Ensor, Jr.

Anthony M. Dursey

George E. Hamblin, Jr.

Louis J. Fohn

Chuck Hause

George E. Hamblin, Jr.

Bernard J. Sebastian, Jr.

Richard Rock