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# RECORD OF PROCEEDINGS

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## Minutes of the Special Meeting Of the Board of Directors of Cornerstone Metropolitan District Nos. 1 & 2 November 18, 2019

A Joint Special Meeting of the Boards of Directors of the Cornerstone Metropolitan Districts Nos. 1 & 2 Montrose and Ouray Counties, Colorado, was held at 10:00 a.m. Monday, November 18, 2019 at 929 Courthouse Peak Lane, Montrose, Colorado, in accordance with the applicable statutes of the State of Colorado.

### Attendance

The following Directors were present and acting:

- Marijo Ache - District No. 1 and No. 2
- Warren Ache - District No. 1 and No. 2
- Bill Fugazzi - District No. 1 and No. 2
- Pam Fugazzi - District No. 1 and No. 2
- Jason Stroehlein – District No. 1

Director Ross Hauck – District No. 2 was absent and excused.

Also present or in attendance via phone as indicated were:

- Heather Hartung, White Bear Ankele Tanaka & Waldron - via phone
- Eric Weaver, Marchetti & Weaver, LLC – via phone
- Rick Gonzales, Marchetti & Weaver, LLC – via phone

### Call to Order

The Joint Special Meeting of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 was called to order by Director Bill Fugazzi on November 18, 2019 at 10:02 a.m. noting a quorum was present for Districts Nos. 1 & 2.

### Combined Meetings

The Boards of Directors of the Districts have determined to hold joint meetings of the Districts and to prepare joint minutes of action taken by the Districts in such meetings. Unless otherwise noted herein, all official action reflected in these minutes shall be deemed to be the action of both Districts. Where necessary, action taken by an individual District will be so reflected in these minutes.

### Disclosure

Ms. Hartung reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State's Office and the Boards at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Boards. Ms. Hartung inquired into whether members of the Boards had any additional disclosures of potential or existing conflicts of interest with regard to any matters scheduled for discussion at the meeting. No additional disclosures were noted. The Boards noted, for the record, that these disclosures are restated at this time with the intent of fully

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complying with laws pertaining to potential conflicts. Additionally, the Boards determined that the participation of the Directors present was necessary to obtain a quorum or otherwise enable the Boards to act.

**Public Comment** No public was in attendance.

**Agenda** The Agenda was approved as amended to 1) move Item 6E – Update on status of roadways for executive session under Item 6A and 2) to delete Item 8A – continuation of public hearing and consideration of 2020 budget and 2019 budget amendment for district’s 1 & 2 as the public hearing was held at the prior meeting held November 4.

**Legal Matters  
Executive Session** Upon motion duly made and seconded it was unanimously

**RESOLVED**, to enter into executive session pursuant to C.R.S. §24-6-402 CRS, conference with an attorney for the board of directors to receive legal advice. Pursuant to C.R.S. §24-6-402(2)(d.5)(II)(b) no record will be kept of the portion of this executive session that, in the opinion of the Districts’ attorney, constitutes privileged attorney-client communication pursuant to 24-6-402(4)(b).

The Board adjourned from executive session.

**Minutes** Upon motion duly made and seconded it was unanimously

**RESOLVED** to approve the minutes for the meeting held November 4, 2019 as amended to reflect the Board’s discussion of delay in payments for water from Cornerstone Acquisition Group/Cornerstone Club LLC.

**Legal Matters** The Board engaged in discussion about the independent contractor agreement for snow removal. Director Stroehlein informed the Board that labor rates doubled from the prior year’s rates and are now more reflective of market rates. He also informed the Board that with the new, more efficient, plowing equipment, plowing time should be lower than the prior year’s. Director Stroehlein also informed the board that the new equipment should be in by mid-December.

Ms. Hartung informed the Board that there has been no progress regarding the Pond 4 Easement or Road Easement Agreement as she is still waiting

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for responses from other parties to the agreements.

Ms. Hartung informed the Board that additional letter requests were sent to prior owners of 499 and 599 Maverick Lane in hope of having the owners cooperate with the District to avoid potentially costly quiet title actions required in order to satisfy the title company's requirements. One party has not responded and the other has indicated they have no intention of assisting the District. Quiet title actions will be initiated by Ms. Hartung's office.

Ms. Hartung reminded the Board that the real estate purchase agreement with Cornerstone Acquisition Group ("CAG") regarding 499 and 599 Maverick Lane has a closing date of December 31, 2019. The Board discussed various issues related to the lots and agreements including tax certificates and the timing of quiet title actions. No action was taken by the Board and the topic will be discussed at the next meeting.

### **Operations**

The Board discussed the reserve study and determined that it would be more efficient to review the study in detail at a work session. A work session date will be determined at the end of this meeting. No further action was taken by the Board.

Director Stroehlein informed the Board a new motor was installed in Pump Station 5 and that Ryan Bartashius is researching a replacement of the radio system needed to remotely monitor the water level in the storage tank.

Director Bill Fugazzi informed the Board that the following items will need to be included in the budget for expenditures in 2020: 1) funds for the radio system replacement and to complete the SCADA system upgrade at \$26,000; 2) replacement of one pump stack and related electronics estimated at \$23,000 3) \$10,000 budget for leak repairs.

### **Financial**

Mr. Weaver reviewed the 2019 financial statements and 2020 budget. The 2020 budget anticipates a partial restructuring of commercial water rates so that the District's base electrical pumping expenses can be recovered in the first 15 million gallons delivered, which is offset in a lower per gallon rate thereafter. The rate restructure is in part due to the conversion of utility Charges now being based on demand rates. Director Stroehlein will work with San Miguel Power Authority ("SMPA") to see if it is possible to not pay for electricity based on demand rates if pumping times can be

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modified. The Board agreed with the restructuring of water rates and Director Bill Fugazzi will inform CAG of the change.

Mr. Weaver reported that because of higher water expenses the budgeted mill levy has been kept at 110 mills. Mr. Weaver informed the Board that the financials and budget assume that the currently outstanding water bills to CAG are paid in full before the end of 2019. If this is the case, then reserves will be approximately \$600,000. The Board engaged in a discussion of the status of unpaid water bills from CAG. Director Bill Fugazzi will reach out to CAG to inform them that payment of outstanding water bills is due no later than December 13<sup>th</sup>,

Mr. Weaver informed the Board that only 50% of the water and sewer operation expenses are allocated to golf operations even though most water operations are golf related. The Board engaged in discussion of the expense allocation and determined to not make any changes for the 2020 budget year.

Director Stroehlein left the meeting at this time.

Director Pam Fugazzi reported that Ryan Bartashius has taken courses to acquire his Class D license for water and sewer system management but has not yet taken the related tests. Mr. Bartashius must have two years experience under a Class D license in order to earn his Class C license, which would eliminate the need for an outside contractor. In the meantime the District will retain an outside contractor with the required licenses.

Mr. Weaver reported on the status of the 2019 budget and following discussion by the Board and upon a motion duly made and seconded it was unanimously

**RESOLVED**, to approve the Cornerstone Metropolitan District No. 1 Resolution To Amend The 2019 Budget.

The Boards then considered the 2020 budget and upon motion duly made and seconded unanimously

**RESOLVED**, to approve Resolutions of Cornerstone Metropolitan District Nos. 1 and 2 To Adopt 2020 Budget, Set Mill Levies and Appropriate Sums Of Money.

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Mr. Weaver then presented the fee schedule for 2020. Fees for 2020 are proposed to be those presented in the 2020 budget. Rates related to collections reflect updated fees charged by legal counsel as part of the collection process. Upon a motion duly made and seconded it was unanimously

**RESOLVED**, to approve the 2020 Fee Schedule as presented.

Mr. Weaver presented the Accounts Receivable Report. No action was taken by the Board.

Mr. Weaver presented the Accounts Payable Report to the Board and upon motion duly made and seconded it was unanimously

**RESOLVED** to approve the Accounts Payable Report for claims paid from November 1, 2019 through November 15, 2019 in the amount of \$22,329.30

### **Next Meeting**

The Board set a work session meeting date of Monday, December 9, 2019 at 929 Courthouse Peak Lane, Montrose, CO, the Ache Residence.

The next meeting of the Board will be at 10:00 A.M. Monday, December 16, 2020 at 929 Courthouse Peak Lane, Montrose, Colorado.

### **Adjournment**

There being no further business to come before the Board and upon motion duly made and seconded it was unanimously

**RESOLVED**, to adjourn the meeting.

Respectfully Submitted  
Rick Gonzales  
Secretary to the meeting

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**Joint Special Meeting  
Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2  
November 18, 2019**

**Attorney Statement**

**REGARDING PRIVILEGED ATTORNEY-CLIENT COMMUNICATION**

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as general counsel to Cornerstone Metropolitan District No. 1 and Cornerstone Metropolitan District No. 2, I attended the executive session meeting convened on November 18, 2019, held pursuant to §24-6-402(4)(b), C.R.S., conference with an attorney for the purpose of receiving legal advice related to specific legal questions. I further attest it is my opinion that all of the executive session discussion constituted a privileged attorney-client communication and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.

Signature: \_\_\_\_\_  
Name and Title: \_\_\_\_\_  
Date: \_\_\_\_\_

As President of the Board of Directors of Cornerstone Metropolitan Districts Nos. 1 and 2, I attest that the portion of the executive session that was not recorded was confined to the topics authorized for discussion in executive session pursuant to §24-6-402(4), C.R.S.

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President