
RECORD OF PROCEEDINGS

**Minutes of the Joint Regular Meeting
Of the Boards of Directors
Cornerstone Metropolitan District Nos. 1 & 2
March 26, 2013**

A Joint Regular Meeting of the Boards of Directors of the Cornerstone Metropolitan District Nos. 1 & 2, Montrose and Ouray Counties, Colorado, was held March 26, 2013 at the Fugazzi Residence, 896 Birdsong Lane, Montrose, Ouray County, Colorado, in accordance with the applicable statutes of the State of Colorado.

Attendance

The following Directors were present and acting:

- Warren Ache- District No. 1 and No. 2
- Bill Fugazzi- District No. 1 and No. 2
- Marijo Ache- District No. 2
- Pam Fugazzi, arrived at 10:35 a.m. - District No. 2

Also in attendance were:

- Eric Weaver, Robertson & Marchetti, PC (via phone)
- Kathy Lewensten, Robertson & Marchetti, PC (via phone)
- Gary White, White, Bear & Ankele (via phone)
- Clint Waldron, White, Bear & Ankele (via phone)
- Brian Wallin, Land Mgmt & Metro Dist Consulting, LLC

Call to Order

The Joint Regular Meeting of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 was called to order by Chairman Fugazzi on March 26, 2013 at 10:00 a.m. noting a quorum was present.

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 Matters

The Directors reviewed the agenda for the meeting, following which each Director confirming the contents of any written disclosure previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Each director also confirmed that nothing appeared on the agenda for which disclosure certificates had not been filed. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts. Additionally, the

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Boards determined that the participation of the Directors present was necessary to obtain a quorum or otherwise enable the Boards to act.

Public Input

No public comment was offered.

Agenda

No changes were made to the agenda.

Minutes

The Board considered the minutes of March 13, 2013. It was noted names and dates had been transposed on page 3. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the March 13, 2013 joint minutes with revisions noted.

Operations Matters

Water Treatment

Options:

It was reported Mr. Simons was not able to attend today's meeting. No updates were available so the matter was tabled.

Pond 4 Pumping

The Board discussed matters related to pumping water to pond 4 for irrigation use this summer noting no request for pumping has been received. Mr. Weaver stated in the past the District began pumping now to fill the pond to ensure adequate water would be available for the summer months. The District is only able to pump 500K gallons per day to the pond; however, at times the course used up to 1 million gallons per day. In the past, approximately 56 million gallons of water was consumed by the golf course over the season. Considering the added risks of the potential for the water supplier to impose water restrictions or the system breaking down or having issues, there is an added urgency to filling the pond prior to the beginning of the season.

In addition, the account is currently past due. The two parties that share responsibility for the account, CSPE028 and Mr. Thompson, have been reluctant to pay the past due balances. The Board requested Mr. Weaver draft a letter to CSPE028 to request CSPE028 notify the District as soon as possible as to the irrigation plans for the upcoming season. The letter will also explain the District is ready, willing and able to commence pumping into Pond 4, subject to (i) the current outstanding charges for golf course water and related overhead are brought current and, (ii) prepayment of estimated 2nd quarter water charges in the amount \$180,000 (based on an estimated minimum second quarter consumption of 15

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million gallons). Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 1 to authorize Mr. Weaver to draft a letter to CSPE028 as discussed with a requested response date of April 15, 2013.

Water Ops Location

The District's water operations equipment and computer are currently located in Flowers Cabin. Mr. Thompson has requested removal of the equipment from the cabin. The welcome center was discussed as a good location for the equipment and computer. The Board expressed a willingness to pay for the welcome center utility costs moving forward, but not for any past due balances. The Board directed Mr. Wallin and Mr. Harrel to schedule the move to be complete by April 15, 2013 if possible. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 1 authorization for White, Bear and Ankele, PC to notify CSPE028 regarding the District's intent to move the water operations into the Welcome Center.

Disconnection of Services

As discussed at the last meeting, the District received an e-mail from Mr. Thompson's representative requesting disconnection of service. The Board discussed procedures and costs related to requests for disconnection and reconnection of services. Reasonable disconnect/reconnect fees were proposed. Mr. White recommended drafting a standard Disconnection Agreement for use by the District. It would describe the process, associated fees and note any District or owner responsibilities. The disconnect agreement would include language that would state the District has no responsibility related to fire protection if service was disconnected. After discussion the Board determined the following:

- A fee will continue to be charged after disconnection based on a philosophy similar to an availability of service fee where the fee would be ½ of base rate for water and ½ of sewer fee.
- The Disconnection Agreement would be recorded against the property
- The disconnect fee will be required to be paid up front and all outstanding fees, including operations fees, will need to be paid through the end of the quarter in which the agreement is signed.
- The ½ rate would become effective the next quarter after the agreement is signed.

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- There will be a \$100 disconnection fee (per fee schedule)
- The reconnection fee will be 10% of the then current water tap fee at time of reconnect.
- Conditionally allowing for ½ rate fees, unless account becomes delinquent at which time the full fees will then apply.

As this relates to Mr. Thompson's request, due to the particular facts and circumstances as discussed by the Board, the District will only require full fees through March 31, 2013 even though a disconnect agreement may not be signed until the 2nd quarter. The District would still collect ½ of the fees for the second quarter at signing.

Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 1 to establish Disconnect procedures and fees as discussed above, and

FURTHER RESOLVED by CMD No. 1 authorization for White Bear and Ankele to draft a standard Disconnect Agreement.

Out of District Service

Mr. Wallin explained the District's agreement with Tri-County Water allows for out of district water service requests if the District has excess capability available. The District has received an inquiry regarding providing Out of District service. The Board discussed the matter. At this time the District is not in a position to know if there is excess capacity available for the long term so is not able to approve any out of district service.

Legal

Collection Policy: Mr. Waldron referred to the draft collection policy which had been included in the packet. This policy would apply to the general operations fee. He recommended adopting a policy to provide consistent and fair treatment of delinquent accounts. The Board discussed the particulars such as interest rate and late fees. It was determined the late fee would be \$15 with a 12% interest rate. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the Joint Resolution of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 Concerning Collection Policies and Procedures as revised, a copy of which is hereby attached to become part of the minutes.

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Independent Contracts: Mr. Waldron reported on the status of several independent contractor agreements:

Flying V: Has provided weed control for the District in the past. Mr. Wallin stated he has begun discussions with them as to what level of weed control is expected this year. The Board would like to limit any services to an as needed basis up to a maximum of \$5,000.

Water Operator - Mr. Harrell: The need to indemnify Mr. Harrell and the District and the best way to do so is being researched. Mr. Harrell has reported that individual insurance costs appear to be prohibitive. Mr. Weaver has contacted the District's insurance carrier to see if there are any options. The Board requested negotiations be opened with Mr. Harrell concerning his hourly rate and expected hours to see if there are any cost saving that could be realized.

Land Management Consulting: The proposed agreement is for 20 hours of service per month for a \$2,000 fee. The hours can be averaged with any minor shortfall in hours provided in future months. If there are excess hours they will be reimbursed at a rate of \$100 per hour up to a maximum of \$3,000 per month. The scope of services will be provided to Mr. Waldron for inclusion in the agreement. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 1 approval of the Independent Contractor Agreement with Land Management and Metro District Consulting LLC as revised and subject to review by counsel.

Horsefly Volunteer Fire Protection Association: The Boards referred to the letter which had been included in the packet regarding Wildland Fire Protection. The Districts have contracted with HVFPA in the past for these services. The cost to the Districts is \$2,000. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve payment of \$2,000 to Horsefly Volunteer Fire Protection Association.

Joint Privilege/Confidentiality Agreement: Mr. White recommended the Districts approve a Joint Privilege/Confidentiality Agreement with the other Cornerstone entities. In light of the various legal matters under discussion, such an agreement would allow most exchanges between the

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various entities attorney's and boards to remain confidential and privileged. He noted the agreement is still being drafted and reviewed but expects it to be in final form in the near future. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve entering into a Joint Privilege/Confidentiality Agreement subject to review of the final agreement by counsel.

Executive Session No executive session was necessary.

Financial Statements

Mr. Weaver reviewed the preliminary February 2013 financial statements which had been included in the packet. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the preliminary February 2013 Financial Statements.

Accounts Payable The Board reviewed the accounts payable list included in the packet. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve and ratify the accounts payable listing as presented.

Accounts Receivable Aging Report

Mr. Weaver referred to the accounts receivable aging worksheet which was included in the packet. The collection procedures approved earlier in the meeting will be utilized to collect the unpaid balances.

Board Member Compensation

The Directors discussed compensation. Board members may receive compensation up to \$1,600 per year. The annual administrative resolution will be amended to reflect the members will be receiving compensation. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 1 to compensate the Board members \$100 per meeting up to a maximum of \$1,600 per year, and

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FURTHER RESOLVED by **CMD No. 2** to compensate Board members \$50 per meeting up to a maximum of \$1,600 per year, and

FURTHER RESOLVED by **CMD Nos. 1 & 2** to amend the Annual Administrative Resolution to allow for Director Compensation as noted above.

Future Meeting

Dates:

The next regular meeting date is scheduled for April 23, 2013 at the same time and place.

Adjournment

Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the Joint Regular meeting of Cornerstone Metropolitan District Nos. 1 & 2.

Respectfully Submitted
/s/ Kathy Lewensten

Kathy Lewensten
Secretary to the meeting