
RECORD OF PROCEEDINGS

Minutes of the Joint Special Meeting Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2 July 12, 2013

A Joint Special Meeting of the Boards of Directors of the Cornerstone Metropolitan District Nos. 1 & 2, Montrose and Ouray Counties, Colorado, was held July 12, 2013 at the Ache Residence, 700 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- District No. 2

Also in attendance were:

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

Call to Order

The Joint Meeting of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 was called to order by Chairman Fugazzi on July 12, 2013 at 8:00 a.m. noting a quorum was present. It was noted the location of the meeting had been noticed as 896 Birdsong Lane but was being held at 700 Birdsong Lane and a note was left at 896 Birdsong Lane to inform anyone attending in person of the change.

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 Boards noted, for the record,

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that these disclosures are restated at this time with the intent of fully 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 Input No public comment was offered.

Agenda No changes were made to the agenda.

Minutes Upon motion duly made and seconded it was unanimously

RESOLVED to approve the March 26, 2013 and May 29, 2013 minutes as presented.

Water System Study The water report the District had requested from Mr. Simons had been included in the packet. The matter was tabled.

Water operations Director Fugazzi reported he had met with Mr. Harrell and based on the report of Mr. Simons has directed Mr. Harrell to operate the system based on 60K gallons of water in the tank. This level reduces flushing needs and keeps the purification levels up, yet allows sufficient water to meet fire flow standards. Several hydrants in undeveloped areas have been bagged so they will no longer require testing nor flushing, however they do remain operational. Upon motion duly made and seconded, it was unanimously

RESOLVED to ratify the direction given to Mr. Harrell regarding tank levels.

Accounts Receivable

Operations Fee: Mr. Weaver referred to the accounts receivable report included in the packet. Mr. Waldron and Mr. White reported on collection matters. They reported the notices of intent to lien had been sent to past due accounts. The 10 day waiting period will be up on Monday at which point the liens can be filed. The Board discussed the next steps in the collection/foreclosure process.

It was reported several accounts paid the operations fee but not any late fees or interest. After discussion the Boards determined the late fees and interest will not be waived. The Board directed Mr. Weaver to draft a letter requesting payment of the late fees and interest within 30 days

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noting the District will actively pursue collection of the amounts due after 30 days as allowed by state statute.

Mr. Waldron presented the Joint Resolution related to collection procedures and authorizing foreclosure on delinquent accounts. He explained the costs and timeline related to foreclosures. The lien is only released upon full payment of the account not for partial payments. Any costs associated with collections are added onto the accounts. The Board agreed the Thompson and Cobalt accounts, based on the large combined balances of the multiple properties, should continue through the foreclosure process. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the Joint Resolution Forgoing Certain Collection Procedures and Authorizing Foreclosure on Delinquent Accounts.

Water/Wastewater fees: The Board turned its attention to the delinquent water/wastewater accounts. Mr. Waldron explained procedures related to disconnection of service due to non payment. The account holder is given 10 days notice of shut off. To keep service the account holder must pay the past due balance and prepay one month's fees. Upon motion duly made and seconded it was unanimously

RESOLVED to authorize sending notices of termination of service to delinquent accounts.

It was noted Thompson had requested disconnection several months ago for several accounts. The Board directed the request be acknowledged with the disconnection agreement being provided to Thompson for the related accounts. The second quarter fee may be credited on these accounts if the necessary paperwork is received.

Legal

Director Fugazzi asked about the conditional water rights matter being handled by Brownstein. It was reported it has been filed with the water court but not yet acted on.

Service Plan Amendments: Mr. Waldron reported discussions have been initiated with Montrose and Ouray Counties regarding a service plan amendment. The amendment being proposed would remove the operations mill levy cap to help cover operational and maintenance costs.

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The Districts currently have appropriate voter authorization to seek this amendment.

2012 Audits

Mr. Weaver reported the 2012 audits that were emailed to the Board prior to the meeting. He noted that both Districts have received an unqualified or “clean” opinion. Due to budget constraints he recommended requests for proposals be put out for next year’s audits for price comparison. The Board directed RFP’s be sent. Upon motion duly made and seconded, it was unanimously

RESOLVED to accept the 2012 Audits for Cornerstone Metropolitan District Nos. 1 & 2.

Executive Session No executive session was necessary.

Financial Statements

Mr. Weaver presented the May 2013 preliminary financial statements. He explained the 2014 budget was preliminary at this point. He referred to the cash flow projections work paper that was in the packet. He noted he will be updating the projections in the next few weeks with some additional revenues that were received. He pointed out that pumping costs were based on projected golf course irrigation needs. With the loss of the irrigation needs there are base utility demand charges that are not being covered by the current rates. He noted future rates for services may need to be adjusted if irrigation needs are not expected to resume. The Board expressed a desire to keep owners informed as to any expected fee or rate increases as the 2014 budget discussions are held. Director Fugazzi stated he would recommend the District seek bids for snowplowing services for the coming year. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the May 2013 preliminary financial statements.

Wells Fargo Security Agreement

Mr. Weaver explained this agreement was related to the bond fund accounts. Upon motion duly made and seconded it was unanimously

RESOLVED to authorize execution of the Wells Fargo Security Agreement.

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Accounts Payable Upon motion duly made and seconded, it was unanimously
RESOLVED to approve and ratify the accounts payable listing as presented.

Adjournment Upon motion duly made and seconded, it was unanimously
RESOLVED to adjourn the Joint Special meeting of Cornerstone Metropolitan District Nos. 1 & 2.

Respectfully Submitted
/s/ Kathy Lewensten

Kathy Lewensten
Secretary to the meeting