
RECORD OF PROCEEDINGS

Minutes of the Joint Special Meeting Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2 November 25, 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 November 25, 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- District No. 2

Also in attendance were:

- Eric Weaver, Robertson & Marchetti, PC (via phone)
- Clint Waldron, White, Bear & Ankele (via phone)
- Kathy Lewensten, Robertson & Marchetti, PC (via phone)
- Robert Star, Property Owner (via phone)
- David Jaynes, Property Owner (via phone)

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 November 25, 2013 at 3:00 p.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 confirmed 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, 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

Upon motion duly made and seconded it was unanimously

RESOLVED to approve the October 29, 2013 minutes.

Operations

Snow Plowing: The Board considered the Addendum to Seaborn Farms LLC Snow Removal Contract. Director Fugazzi explained there will be cost savings to the District as a portion of the fixed costs will be shared with an adjoining property. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 1 to ratify the Addendum to Seaborn Farms LLC Snow Removal Contract.

Land Exchange: Director Fugazzi reported there was no new information regarding the land exchange between the US Forest Service to a private party that had been reported at the last meeting. It is expected the private party may approach the District with new terms for an easement that exists on land that is part of the exchange.

**Accounts
Receivable**

Lien and Foreclosure Status: No new action has been taken.

Overdue Water fees: Mr. Weaver began discussion on remaining past due water accounts. A Resolution Certifying Delinquent Water and Sewer Fees to the Ouray County and Montrose County Treasurers for Collection had been included in the packet. The District can certify balances that are over \$150 and at least 6 months past due to the Counties. He noted Ouray County has a deadline of December 1 for certification of the past due amounts for collection the following year. None of the delinquent properties are located within Montrose County. The County adds a collection fee on top of the amount certified by the District. Once collected the County provides the funds to the District along with the normal property tax transfers. It was noted that if amounts are certified they are not able to be paid directly to the Districts, nor can settlement

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amounts be negotiated on certified balances. After discussion it was determined only the conforming past due balances related to individual accounts O13L13 and Golf Cabin #5 would be certified to Ouray County for collection. Upon motion duly made and seconded it was unanimously

RESOLVED by CMD No. 1 to approve the Resolution Certifying Delinquent Water and Sewer Fees to the Ouray County and Montrose County Treasurers for Collection as discussed.

Executive Session No executive session was necessary.

Financial Statements

Mr. Weaver presented the October 2013 preliminary financial statements including the 2014 preliminary budgets. Upon motion duly made and seconded, it was unanimously

RESOLVED to accept the October 2013 preliminary financial statements.

Robert Star left the meeting at 4:00 p.m.

2014 Budget

Mr. Weaver continued discussion on the 2014 budgets. Several options were presented based on assumptions, mill levy's, and operations fees. As expected, the assessed valuation for CMD No. 2 decreased significantly. He reported several properties had not sold at the county tax sales therefore it is expected the 2013 ending fund balances will be minimal.

For the 2014 budget CMD No. 2's mill levy for debt service will need to be increased from 32 mills to 40 mills. An increase in CMD No. 2's service mill levy from 20 mills up to 80 mills was presented, which was now allowable after having the operations portion of the mill levy cap removed from the service plans with both Montrose and Ouray Counties. Due to a larger percentage decline in property values of vacant land as compared to constructed units, property taxes paid by homeowners would increase but would decrease for most vacant lot owners. Operation expenses have been budgeted at minimal levels. In addition, an increase in CMD No. 1's general operations fee will be necessary to help cover operations costs. It was noted the homeowners are bearing a higher portion of the costs between the proposed increases in property tax rates and operations and use fees than vacant lot owners.

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The timing of receipt of the various property tax and fee revenues and cash flow needs were discussed. It was suggested the District may want to consider billing the operations fee in installments. The Board referred to the preliminary water and sewer rates and fees schedule that had been included in the packet. The schedule has been looked at annually as part of the budget process. The Board continued further discussion of the proposed increased fees to the December 16th meeting.

The Board asked to continue discussion on the 2014 budget to the December 16th meeting. Mr. Weaver reopened public hearing for the 2014 budgets. No public comment was offered and the hearings were continued to December 16th at 10:00 a.m.

Mr. Weaver stated the deadline for certifying the mill levy to the counties was December 13th which is before the next meeting. He then requested CMD No. 2's Board consider certification of a mill levy rate today. The Board discussed the mill levies and recommended that the service mill levy be reduced from 80 mills to 70 mills. Mr. Weaver stated that the budget would still balance at 70 mills if the contingency and ending fund balances were reduced. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 2 to Set and Certify the Cornerstone Metropolitan District No. 2 mill levy at 40 mills for debt service and 70 mills for IGA service obligations.

It was suggested a review of District matters be presented at the Owners Association Annual Meeting on December 16th at 1:00 p.m. to help educate the owners regarding the increased mill levy, proposed increased operations fee and proposed water/sewer fee and use rate increases. Mr. Weaver will plan on attending to make a presentation and answer questions.

Bond Fund Withdrawal

Mr. Weaver reported he was reviewing the 2010 bond funds structure to see how to cover a shortfall in funding for the bond payment due on December 1, 2013 for the 2010A bond. Property taxes collected in 2013 are not sufficient to cover the entire December 1 payment. He is anticipating funds are available for draw from other bond fund accounts held by the Trustee to cover the shortfall. He requested approval from the

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Board to take the necessary action to move available funds. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 2 to direct Mr. Weaver to take necessary transfers of bond funds as allowed to cover the 2010A December 1, 2013 bond payment.

Accounts Payable Upon motion duly made and seconded, it was unanimously

RESOLVED to 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