
RECORD OF PROCEEDINGS

Minutes of the Joint Special Meeting Of the Boards of Directors Cornerstone Metropolitan Districts No. 1 & No. 2 November 7, 2012

A Joint Special Meeting of the Boards of Directors of the Cornerstone Metropolitan Districts No. 1 & No. 2, Montrose and Ouray Counties, Colorado, was held November 7, 2012 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:

- Brian Wallin
- Susan McIntosh
- Warren Ache
- Bill Fugazzi

The following Director was absent and excused:

- Stephanie Wallin

Also in attendance via conference call 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)
- Pam Fugazzi, property owner
- Tim Harrell, water system operator

Call to Order

The Joint Special Meeting of the Boards of Directors of Cornerstone Metropolitan Districts No. 1 & No. 2 was called to order by Chairman Wallin on November 7, 2012 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

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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 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 September 18, 2012 and September 24, 2012 joint minutes as presented.

Operations Matters Community Status Update: It was reported the various Cornerstone Entities (LLC, POA & the Districts) may be receiving a proposal regarding the transfer of ownership of certain golf course assets such as the club house and maintenance facility. Mr. Thompson is having a professional appraisal done to establish the value of the assets as he may be interested in proposing a transfer of the assets to one of the Cornerstone entities. The potential loss of property tax income and cost of insurance for the assets would need to be considered. Mr. White pointed out the various land use or development agreements, service plans and bond documents will need to be reviewed to determine the implications of a change in ownership. He noted bond counsel would also need to review the matter if a proposal is received. The Board directed Mr. White to begin an initial review of the agreements.

Water Treatment Options: Mr. Harrell reviewed the information provided in his memo with the Board. Currently the water is purchased pre-treated then distributed throughout the system. With the reduction in usage it becomes necessary to flush the distribution system occasionally to keep the water at acceptable cl levels. One option suggested was to use the water tank as storage with re-treatment next to it. Mr. Harrell explained this type of re-treatment is not compatible with the type of treatment the water currently receives. He pointed out access to the water tank in the fall and winter is by snowmobile or dirt bike making treatment at the site more difficult. Mr. Waldron offered to put Mr. Harrell and Director Wallin in touch with a former Colorado Department of Health water engineer to see if he may offer any other suggestions.

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Fire EMS: Director Wallin reported he had spoken with Susan at the County Dispatch Center regarding the agreement with Cornerstone to provide on-site personnel. With the club shut down there are no staff available to be first responders and therefore the radios that the District owns need to be deprogrammed and the agreement with the County will be suspended with no fees being owed by the District.

Pond 4 Water: It was reported the level of pond 4 has become shallow enough that when the pond freezes over it will freeze the top of the pump, causing significant damage. It was recommended to increase the level by approximately 2 feet as a preventative measure to protect the pump and distribution equipment from damage over the winter. The Board discussed ownership of the equipment noting it is not owned by the District however it seems prudent to protect it. Mr. White stated the District is allowed to act in the public interest in a manner in which a reasonable person would act. The cost of the water would be charged, but not due until a request was received from the golf course in the spring. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 1 with a corresponding recommendation from CMD No. 2 to add approximately 2 feet of water to pond 4 to protect the equipment from damage and to defer the due date for the water until a request is received from the golf course in the spring.

Flowers Cabin Water Equipment: Mr. Harrell reported on the anticipated relocation of the antennae and computer from the flowers cabin to the welcome center. He noted it may be necessary to update the software to accommodate the move. He estimated the cost would be in the range of \$800 to \$900 and could be completed shortly after authorization was received to enable access to the Welcome Center.

Financial Statements

Mr. Weaver reviewed the preliminary September 2012 financial statements that had been included in the packet. He reported that the taxes on a large parcel in Montrose County were not collected at the August closing and the County was not able to send it to tax sale due to issues with the title. This will leave CMD No. 2 property tax collections short for 2012. The short collection will impact CMD No. 1 operations funding by reducing available funds by a net of approximately \$16,000.

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It is anticipated CMD No. 1 will need to purchase a snowmobile to allow winter access to the water facilities and the cost is estimated to be \$5,000 and will be added to the 2012 forecast. CMD No. 1's water fund reflects \$100,000 in uncollected fees at the end of 2012 so a transfer from the general fund to cover the shortfall has been budgeted. The Board discussed roadway shoulder work that needs to be done to prevent further erosion. It was determined \$5,000 should be added to 2012 to complete this work to prevent damage to the roadway.

2013 Budget

Mr. Weaver referred to the 2013 budget summary memo included in the packet. In CMD No.2 the debt service mill levy will reflect a slight increase in 2013 to cover debt service on the 2010A bonds. The 2010B bond payments will be made from reserve funds. The Board discussed the 4 operations fee options presented. The rates for water, sewer and operations fees will need to increase for 2013. It was noted the Owners Association dues will be increasing for 2013 also. With that in mind the Board wanted to keep any changes in District rates or fees realistic so the totality of the costs per property owner do not become prohibitive. After discussion the Board agreed that for purposes of the budget it should be anticipated that the residential water fees will be increased to \$400 for Tier 1 up to 18,000 gallons per quarter, \$15/1000 gal for Tier 2 and \$20/1000 gal for Tier 3; the commercial water fee will be increased to \$10/1000 gal base rate; the sewer use fee for a 4 inch line will be increased to \$300, and for a 6 inch line will be increased to \$1,125. The new rates will be presented for official adoption at a later meeting once the cost to purchase water from Tri-County is known.

Mr. White discussed the ability of the District to impose a fee. The Board reviewed in general terms a fee pointing out maintaining the functionality of the facilities would benefit all properties in the Cornerstone area. The Board continued the matter to November 27th at 11:00 a.m. to allow Mr. White time to draft a fee resolution for consideration.

Mr. Weaver noted the meeting had been published as the public hearing for the 2013 budgets. The public hearings for the 2013 budgets were opened. No public comment was offered and the hearings were continued to November 27th at 11:00 when it is anticipated the Boards would adopt the budgets.

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2012 Audit

Engagement Letters Mr. Weaver presented the 2012 Audit engagement letters from Haynie & Company. The fees will remain the same as 2011. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the 2012 audit engagement letters with Haynie & Company for both Districts.

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

RESOLVED by CMD NO. 1 to approve and ratify the accounts payable as presented.

Accounts Receivable Aging Report

Mr. Weaver noted homeowner payments for water and sewer fees are mostly current. He noted the unpaid receivable balance primarily consists of the overhead and club water that was invoiced to Mr. Thompson with no payment received at closing or thereafter.

CSafe Disclosure Letter

Mr. Weaver referred to the disclosure letter received from CSafe which had been included in the packet. This letter relates to the CMD No. 2 funds held in the bond fund accounts at CSafe. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 2 to approve execution of the CSafe Disclosure letter.

Legal

Annual Administrative Resolution: Mr. Waldron presented the Annual Administrative Matters Resolution, which details how the Districts will meet all of the requirements of the State and other entities for the upcoming year. Item 17 addresses the regular meeting date, and the Board decided to continue scheduling on the last Tuesday of the month at noon. Upon a motion duly made and seconded it was unanimously

RESOLVED to approve the Annual Administrative Resolution by both Districts as discussed.

Public Records Policy: Mr. Waldron presented the Public Records Policy for consideration. He explained this updated the current policy. Upon motion duly made and seconded, it was unanimously

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RESOLVED to approve the Public Records Policy by both Districts.

Flowers Cabin Lease: The lease will terminate at the end of the year and will not be renewed. As reported earlier in the meeting the water computer and antennae will need to be relocated.

Operations Management: The independent contractor agreement would engage Land Management and Metro District Consulting, LLC to provide day to day oversight of the Districts operations including financial management and administrative needs. The cost would be \$3,000 per month. The cost would be shared between CMD No. 1 (two thirds) and the POA (one-third). The effective date was discussed with November 1 being determined as an appropriate start date. The Board tabled the agreement to the November 27th meeting.

Water Operations: The independent contractor agreement would confirm the engagement of Mr. Harrell for water operations. Mr. Waldron reported receiving several comments from Mr. Harrell which need to be reviewed. One item of concern is insurance coverage. The Board tabled the agreement to the November 27th meeting

Wastewater Operations: The First Amendment to Independent Contractor Agreement updates the fee schedule in the current contract for wastewater operations. Upon motion duly made and seconded, it was unanimously

RESOLVED by CMD No. 1 to approve the First Amendment to Independent Contractor Agreement with Mr. Robert Lamm.

Other Operations Agreements: Mr. Waldron referred to the service contracts summary sheet included in the packet. In the past Flying V has provided weed control services. No weed control was done in 2012. The Board indicated a desire to have at least the absolute necessary weed control performed in the spring and fall in 2013. The cost is generally split between the District and the Association. The Board agreed to continue with Flying V for weed control services, the scope of which will need to be further evaluated and joint funding obtained from the Association.

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Amended Rules and Regulations: Mr. Waldron referred to the Amended Rules and Regulations which had been included in the Board Packet. He noted the revisions deal primarily with collection and delinquency matters. Upon motion duly made and seconded, it was unanimously

RESOLVED to adopt the Joint Resolution Amending the Rules and Regulations.

Termination of the Facilities Management Contract: Mr. Waldron recommended CMD No. 1 provides written notification of termination of the Agreement. The agreement is from 2009 and was originally between the District and Hunt. Upon motion duly made and seconded, it was unanimously

RESOLVED to provide Notice of Termination of Facilities Operations Agreement.

Snowplowing

Director Wallin reported on preparations related to snowplowing this season. The District does not own any equipment for snowplowing making it more difficult to hire a person directly to provide the service. In the past the District has contracted with Seaborn Farms for the snowplowing. They were told the District anticipated continuing their services for this season, however there is the possibility for negotiation related to the level of service. The level of service was discussed, and which roads and the related distances would need to be determined. If the roads aren't plowed one concern would be how difficult it might be to "catch up" if there was a need for access. In the past the roads were plowed when there was 2 inches or more of snow, it may be possible to adjust that to 4 inches or more. One option may be to plow one lane of roadway instead of both. It was reported that Jason may be interested in providing some services over the winter as his position with the golf operations has ended. The Board discussed the potential for cost sharing arrangements between the different entities for Jason's fee. If suitable equipment could be located he may be able to provide some snowplowing support as well as support for the water operations.

Continuation

Upon motion duly made and seconded, it was unanimously

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RESOLVED to continue the Special Joint meeting of Cornerstone Metropolitan District Nos. 1 & 2 to Tuesday, November 27, 2012 at 11:00 a.m.

Respectfully Submitted
/s/ Eric Weaver
Eric Weaver
Secretary to the meeting