
RECORD OF PROCEEDINGS

Minutes of the Special Meeting Of the Board of Directors of Cornerstone Metropolitan District Nos. 1 & 2 November 02, 2020

A Special Meeting of the Board of Directors of the Cornerstone Metropolitan Districts Nos. 1 & 2 Montrose and Ouray Counties, Colorado, was held at 10:00 A.M. Monday, November 02, 2020. The meeting was held as a teleconference meeting in accordance with the applicable statutes of the State of Colorado, Public Health Order 20-23, and the state of emergency declared by the Governor of Colorado March 10, 2020.

Attendance

The following Directors were present and acting via teleconference:

- 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
- Ross Hauck – District No. 2

Also present or in attendance via teleconference were:

- Ryan Bartashius, Water & Wastewater Systems Operator
- Bob Aisner, CAG member and resident
- Heather Hartung, White Bear Ankele Tanaka & Waldron
- Eric Weaver, Marchetti & Weaver, LLC
- Erin McCauley, Marchetti & Weaver, LLC

Call to Order

The Meeting of the Board of Directors of Cornerstone Metropolitan Districts Nos. 1 & 2 was called to order by Director Fugazzi on November 02, 2020 at 10:02 A.M. noting a quorum was present for both districts.

Combined Meetings

The Boards of Directors of the Districts Nos. 1 & 2 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 Board at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board. Ms. Hartung inquired into whether members of the Board had any additional disclosures of potential or existing conflicts of interest with regard to any matters scheduled for discussion at the meeting. No

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additional disclosures were noted. 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 Board determined that the participation of the Directors present was necessary to obtain a quorum or otherwise enable the Board to act.

Agenda The Agenda was discussed and upon a motion duly made and seconded it was unanimously

RESOLVED, to approve the agenda as presented.

Minutes The minutes of the September 28, 2020 special meeting were reviewed. Director Ache noted one minor change. Upon a motion duly made and seconded it was unanimously

RESOLVED, to approve the minutes of the September 28, 2020 special meeting as amended.

Public Comment Mr. Aisner requested an update regarding Cornerstone Acquisition Group's ("CAG") request for additional Board representation. Discussion was held regarding potential upcoming Board vacancies, requirements for qualifications and the process for appointment of Board members.

Director Stroehlein provided information regarding sewer connection to the cabins to be built in Montrose County in the village area, stating that the most cost-effective option is to install a new sewer line below several of the lots which would connect to the existing main line. This would require the creation of an easement on the lower end of the lots and the sub-main would be constructed and paid for by the developer. Upon completion, ownership of the sewer line would transfer to the District.

Mr. Aisner exited the meeting at this time.

Legal Ms. Hartung provided an update on the First Amendment to the Road Easement Agreement. Revisions to the Agreement and Exhibits were received and are under review. Ms. Hartung is currently working with

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Bob Thomas, counsel for the land owner, on updating the exhibits and identifying Exhibit A vs. Exhibit B.

Ms. Hartung led a discussion regarding the request to provide water services outside of the District's service area. This would begin with engineering and determining if the District has the capacity to provide water service to additional units. Director Stroehlein provided information on the topic as well, CAG is in negotiation with Eldron for water that would be used to water the golf course, hence decreasing the demand that would be placed on the Districts system. No agreements have been made at this time.

Ms. Hartung informed the Board the November 1st installment payment is in process, December 1st is the last scheduled payment and the Board will need to discuss payment of the interest at that time.

The 2021 Joint Annual Administrative Resolution was reviewed by Ms. Hartung, upon a motion duly made and seconded it was unanimously

RESOLVED to approve the 2021 Joint Annual Administrative Resolution.

The Joint Amended and Restated Public Records Request Policy was reviewed by Ms. Hartung, upon a motion duly made and seconded it was unanimously

RESOLVED to approve the Joint Amended and Restated Public Records Request Policy.

Ms. Hartung noted the 2020 Legislative Memo was included in the packet for the Board's review.

Operations

Mr. Bartashius gave a report on the water systems noting that 8 VFDs and 4 PLCs are in need of replacement. After discussion, it was decided to include the costs for 5 VFD's and 4 PLC's in the 2021 budget.

Mr. Bartashius is scheduled to discuss the water engineering needs with the CDPHE this week, it is possible modifications will be needed in 2021, but since the District is expecting to be adding additional homes to the system it may change the need for the changes.

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Underground hydrant repair needs were brought to the attention of the Board by Mr. Bartashius as well as waste water treatment meter reading issues which are under investigation.

Director Bill Fugazzi inquired about Mr. Bartashius' wastewater operation certification. Mr. Bartashius will check into State requirements.

Financials & 2021 Budget Hearing

The 2021 preliminary budget was distributed with the Board packet and made available to the public. Mr. Weaver provided a review of 2020 Financials and the Proposed 2021 Budget for Districts 1 & 2. Discussion was held regarding anticipated operating expenses to include in the 2021 proposed budget. Mr. Weaver reviewed the 2020 water revenue and rates, as well as proposed water rate increases for 2021, for both residential and golf course. It was noted that 2021 will be the next revaluation year (for taxes collected in 2022). Mr. Weaver reviewed the proposed fee schedule for 2021, noting a 5% increase in water and sewer rates and a higher increase for golf course due to the capital replacements contemplated for 2021. Mr. Weaver opened the public hearings on the 2021 Budgets and 2020 Budget Amendment and hearing no comments the hearings were continued to the next meeting on November 16, 2020 at 10:00am.

Audit Engagement Letters

The 2020 Audit Engagement Letters for Districts No. 1 and No. 2 from Chadwick, Steinkirchner, Davis & Co, PC were provided in the Board packet. Upon motion duly made and seconded it was unanimously

RESOLVED to engage Chadwick, Steinkirchner, Davis & Co, PC to conduct the 2020 audit.

Mr. Weaver reviewed the Accounts Receivable noting that several non golf-course water accounts for CAG are delinquent.

Accounts Payable

The Accounts Payable report was presented and upon a motion duly made and seconded it was unanimously

RESOLVED, to approve the accounts payable as presented.

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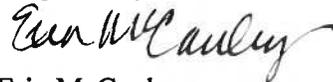
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Next Meeting The next meeting of the Board is scheduled for November 16, 2020, and is anticipated to be a telephonic meeting because of the conditions and restrictions related to the Covid-19 pandemic.

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



Erin McCauley
Secretary to the meeting