

**MINUTES OF THE BOARD OF DIRECTORS
COLORADO CENTRE METROPOLITAN DISTRICT
REGULAR MEETING**

Thursday, February 22, 2007 at 5:00 PM
4770 Horizonview Drive
Colorado Springs, CO 80925

Board Members Present:

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|----------------|-------------------------------|
| Michael Cantin | President, Chairman |
| Floyd Edwards | Treasurer |
| Shawn Eccles | Secretary |
| Michael Terry | Assistant Secretary/Treasurer |

Also Present:

Dr. Alvaro Testa, Paul Anderson, Cynthia Monroe and Sandy Goad

I. **Preliminary**

- A. Call to Order
Director Cantin called the meeting to order at approximately 5:06 pm.
- B. Roll Call - Determination of a Quorum.
A Quorum was present. Director Ingraldi was absent.
- C. Acknowledgment, Notice and Consent to Regular Meeting-Entered with the minutes.

II. **General Business Items**

- A. Approval of the Minutes of the Regular Meeting of January 25, 2007.

The Board reviewed the minutes presented. Director Terry inquired about the \$70,000 deposit liability and Dr. Testa explained that the amount is refundable residential and commercial deposits and is considered a liability. Cindy Monroe further explained that some of the deposits include an extra \$100 for a habitually delinquent residential accounts and commercial meter deposits which are \$500.

A motion was made and seconded to approve the minutes of the Regular Meeting of January 25, 2007. Upon a voice vote, the motion passed unanimously.

- B. Review of District Finances

Dr. Testa reported that the District has approximately 2 million dollars in funds with approximately \$1.9 million unencumbered. The Fire Protection IGA account has approximately 957 thousand dollars. Those monies have been invested earning 5.21 percent. Customer deposit liabilities are approximately \$70,000. The monies for landscape escrow (\$2,794.42) will be expended this year for the parks.

Two ColoTrust transfers were approved and signed by the appropriate Board members. The monies are from the Rolling Hills and Lorson account for expenses incurred and for wastewater capital outlay.

The Budget comparison was reported on at this time. The General Fund opened the year with \$8,942 and is ahead in January in the amount of \$3,107 with a YTD balance of \$12,049. Interest earned in January in the Reserve Fund is \$5,736. The Debt Service Fund opened the year with \$4,850 and January is \$4,713 with a YTD of \$9,563.

revenue

The Governmental Fund Enterprises are IGA Lorson, IGA Rolling Hills and IGA Cuchares. Expenses for IGA Lorson were \$37,579 leaving an ending balance of \$438,421. Expenses for IGA Rolling Hills were \$37,044 leaving an ending balance of \$438,956. The Cuchares District has not been formed as yet so there is no budget action YTD.

The Water Fund-General had total revenues of \$19,699 and total expenses of \$58,169 leaving an ending deficit of -\$38,470. This will even out as the year progresses because there are one-time, beginning of the year payments that need to be expensed. To date there are no expenses in the Water Fund-Capital. When the wells are completed they will be expensed from this account.

The Wastewater Fund-General had revenues of \$33,370 and expenses of \$31,071 leaving a balance of \$2,299. There will be expenses for February incurred because of problems with the aging pumps. The Wastewater Fund-Capital opened the year with \$46,310. The loan of \$250,000 came into this fund and expenses were \$36,445. Most of the expenses were for Lower Fountain. The Wastewater Fund-Capital has an ending balance of \$234,101 for January and \$280,411 YTD.

C. Approval of Payables

A motion was made and seconded to approve the current list of payables as presented. Upon a voice vote, the motion passed unanimously.

Director Terry asked for clarification regarding the 2.00% interest on the First Community CD's. Director Cantin and Dr. Testa explained the Collateral Fund loan and the arrangement of getting a loan for 3.00 percent for the Fire Engine, earning 2.00 percent for the CD's with a net outlay of 1.00 percent for the loan. The loan basically has a one percent differential. Dr. Testa explained that when a substantial amount of the principal is fulfilled on the fire engine loan then the monies are released from the CD's and are deposited into higher interest accounts.

D. Legal Report

Mr. Anderson reported that a Notice of Default letter was sent to Colorado Springs Utilities and the City of Colorado Springs regarding the annexation

agreement. The City and CSU had until today (February, 22, 2007) to respond or cure the default and to date there has been no response. Mr. Anderson and Dr. Testa will meet tomorrow to review the Complaint one more time. Mr. Anderson has a draft of an additional claim claiming breach of the annexation agreement by the City of Colorado Springs and Colorado Springs Utilities with a Notice of Default letter. This draft will be reviewed by Dr. Testa and Mr. Anderson at their meeting tomorrow. The additional claim concerns the proposed regional park which is not going to be a park but will be a reservoir. The annexation agreement provides that within five years of the annexation, the City must prepare a Park Master Plan. To Colorado Centre's knowledge, no such plan exists, or if it does exist it was not provided to Colorado Centre as an Annexor party for review and approval. If no approved Park Master Plan exists, Colorado Centre will be requesting a letter from the City Council and CSU stating that no reservoir will be constructed on the Jimmy Camp Creek Regional Park property without the Annexor parties' approval as required by the Annexation Agreement. Mr. Anderson inquired if Colorado Centre participated in any way in the donation of the property. Dr. Testa clarified that Colorado Centre had no part in this donation and that the former Saudi owner donated the property on behalf of Banning Lewis Ranch. Dr. Testa added that now the City wants the developers (Banning Lewis) to also pay for most of the Southern Delivery System including the possible reservoir seven miles north of Colorado Centre. The second Notice of Default letter will be sent and if there is no response from the City and CSU, Mr. Anderson will seek to add the complaint to the Lower Fountain matter.

Dr. Testa reported that he attended a meeting today that was called by the State of Colorado Water Resources to discuss the Lower Fountain/Colorado Springs regional plant issues. Jim Heckman from Lower Fountain was also in attendance. It was a very productive meeting and Colorado Springs Utility put forth some very positive movement. Dr. Testa reiterated that an agreement must be put forth in which CSU will not "manhandle" Lower Fountain. Dr. Testa explained that Colorado Centre is moving ahead with the claim with the purpose of protecting the word "Regional". The Board agreed that Colorado Centre needs to continue with the claim against Colorado Springs and CSU. Director Cantin expressed that it is important to protect any rates applied to Colorado Centre and to get the same treatment given to other CSU customers.

Director Terry asked Mr. Anderson what he feels the possible outcome will be of the claim filed. Mr. Anderson's perspective is that the first three claims are "slam dunks". The claims are all based on the annexation agreement and all request declaratory judgment that the Lower Fountain site is the regional site, the site has not been legally changed and the letter that was sent out by CSU did not affect a legal change because it was not done in compliance with the legal annexation agreement. Mr. Anderson will expedite this process and as soon as the period passes for filing an answer, he will file a motion for judgment on the pleadings for partial summary judgment. The claims are purely legal determinations and there are no facts to dispute. If a positive judgment is made this will give Lower Fountain legal leverage. An Environmental Assessment will possibly be

triggered, but according to Mr. Anderson and Dr. Testa this may slow the process but will not cause any problems regarding going ahead with a regional plant.

Director Terry asked about funding for the lawsuit and what fiscal responsibility lies with Colorado Centre. Mr. Anderson relayed that Lower Fountain adopted a resolution stating that they will reimburse Colorado Centre for expenses incurred.

In regards to Cuchares ranch, Mr. Anderson and Dr. Testa met with Steve Meylan this morning primarily to identify potential well sites. They identified locations and determined some may need to be re-drilled. The permits are still active. Mr. Meylan understood that some of the lots may need reconfiguring.

Mr. Anderson reported that the Cuchares Ranch service plan for the proposed Cuchares Ranch Metropolitan District was filed at the end of January, 2007. All comments must be in by the first part of March, 2007. The comments must be either accepted and incorporated into the service plan or worked out with the County. The County ultimately has the final say as to what should be deleted or included to make an acceptable Service Plan. Mr. Anderson doesn't foresee any major obstacles to this process. After this process, the Plan will go to the Planning Commission and then to the County Commissioners for approval. Once the Plan is approved a petition will be filed by the property owners to formalize the District.

Dr. Testa included a confidential copy of the Rules and Regulations with the proposed changes for the Board to review. He would like any suggestions, comments, etc. The Cuchares District for all purposes will be a reflection of Colorado Centre, therefore adoption is essential before the Cuchares District is formed. Per the IGA, the Cuchares District must adopt Colorado Centre's Rules and Regulations.

Mr. Anderson and Dr. Testa will be meeting at the County Attorney's office to discuss the water supply issues which the County feels is the biggest issue in regards to the formation of the Cuchares District. Colorado Centre is ready and able to commit the water right now. Another option would be to purchase water from CSU on an interim basis. As soon as the period for filing any objections to the water application expires, the case will be referred to the water Judge who will set a trial date. This will probably occur within a year.

Director Cantin inquired about the benefits of going with 2.5 MGD instead of 2 MGD at the proposed wastewater treatment plant. Dr. Testa explained that going with 2.5 MGD means "all needs will be met" and there would be no necessity for any more expansion. The Lower Fountain site approval is moving forward.

E. District Operations

Lonnie Inzer, Fire Consultant, reported that he has been going through the screening process for fire fighters and will be hiring within the next month. Mr. Inzer has consulted with the State Pension Board and confirmed that there are no issues with retired and/or older firefighters being hired and consequently participating in another pension plan. Director Cantin inquired about the frequency requirements for the Fire District. Mr. Inzer explained that the Fire District will most likely be going with the County system. Jim Reid will work with us on that issue. A resident asked about the insurance liability and how that is paid. Dr. Testa explained that the insurance is provided through Colorado Centre with the entities paying the premiums. Mr. Anderson, Dr. Testa and Mr. Inzer will set up a meeting with Jim Reid regarding what, if any, are the requirements for setting up a "Fire Code" for the Fire District.

Director Edwards inquired about the status of the addition to the Fire Station. Dr. Testa explained that there will be a new entrance to the Board Room and a hallway to the lounge area. There will be two bedrooms and storage. We will advertise for bids and construction should commence around the middle of April. The fire engine will arrive around the middle of May.

Dr. Testa reported that in regards to operations everything is going well. Work is continuing on the wells and the electrical system. The District purchased approximately 124,000 gallons of water from Widefield and produced 4,738,000 gallons in January, 2007. Water loss was 172,399 gallons which is a water loss of 4 percent. Our systems are aging but to date are working properly. Wastewater pumped was 4,101,205 gallons.

Dr. Testa also reported that the annexation issue came up again with the City of Colorado Springs and CSU. The Board will put together discussion sessions and pros and cons and present the question to the residents for input. This will be tabled until a later date.

F. Ayres Hearing

Mr. Mickey Ayres, a resident of Colorado Centre, requested a hearing by the Board regarding consideration for adjustment of his 2007 sewer base rate. After the Board heard Mr. Ayres case, they voted unanimously to disallow his request because the reasons expressed in his claim as having caused the high water consumption during the months of December and January were all within the resident's control and are the type that can happen anytime during the year without a customer being caught during those other months.

A motion was made and seconded to deny Mr. Ayres request for adjustment of his 2007 sewer base rate. Upon a voice vote, the motion passed unanimously.

Dr. Testa will prepare a formal reply of the Board's decision to mail to Mr. Ayres.

G. Spring Cleanup

Director Cantin would like to schedule a Spring cleanup to take place in mid May. This cleanup would be a disposal of larger items that aren't typically picked up during the weekly trash pickup. Dumpsters would be available at Colorado Centre for residents to bring their trash to during this one-day pickup. No hazardous waste will be allowed. The date decided for this pickup will be May 19, 2007. Two or three waste facilities will be contacted for estimates on roll-offs, etc. Bids will be taken for three delivered at 8:00 a.m., two on standby and all picked up by 6:00 a.m. Mr. Inzer suggested that possibly some firefighters could participate to help monitor hazardous materials. After the pickup is organized, notices will be placed in the newsletters for March, April and May.

H. Public Comments

Director Edwards suggested that the flag should be flown again outside since the firemen will be here. This will be put into place. Also, Director Edwards would like some type of 911 magnetic sticker be given away at the Fire Station opening.

Director Terry would like to address the issue of a getting a traffic light at Grinnell and Powers. Dr. Testa will contact Commissioner Hisey regarding this issue. Director Edwards will be presenting the road repair survey letters to the County Commissioners and the Colorado Springs City Council in March. There was an excellent response from the residents.

III. Adjournment

A motion was made and seconded to adjourn the regular meeting at approximately 7:10 p.m. Upon a voice vote, the motion passed unanimously.

Respectfully Submitted,

Michael Cantin, President

Shawn Eccles, Secretary