

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

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

Board Members Present:

Michael Cantin	President, Chairman
Floyd Edwards	Treasurer
Frank Ingraldi	Vice-President, Vice-Chairman
Shawn Eccles	Secretary

Also Present:

Dr. Alvaro Testa, Paul Anderson, Cynthia Monroe

I. **Preliminary**

A. Call to Order
Director Cantin called the meeting to order at approximately 5:10 pm.

B. Roll Call - Determination of a Quorum.
A Quorum was present. Director Terry was absent.

- Request by Mr. Terry to be excused

Director Eccles arrived at 5:12 pm.

A motion was made and seconded to excuse Director's Terry absence due to work related matters but this acceptance comes with the stipulation that the Board has concerns regarding Director Terry's frequent absences in the past. Upon a voice vote, the motion passed unanimously.

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 February 22, 2007.

The Board reviewed the minutes presented. Mr. Anderson would like the language changed on page 2, second paragraph, last sentence. The sentence should read "The Debt Service Fund opened the year with \$4,850 and January "revenue is" \$4,713 with a YTD of \$9,563.

A motion was made and seconded to approve the minutes of the Regular Meeting of February 22, 2007 with the appropriate changes recommended by Mr. Anderson. Upon a voice vote, the motion passed unanimously.

B. Review of District Finances

Dr. Testa relayed to the Board that Jim Giblin of Hoelting & Company will be retiring after our 2006 audit. The Board and staff all expressed that he will be hard to replace and will discuss options for the 2007 audit.

- Letter from Auditor

Discussion continued regarding a letter from our auditor, Hoelting & Company which explains recent developments in the auditing profession that may affect Colorado Centre's 2006 audit. The American Institute of Certified Public Accountants issued a new auditing standard that must be followed when the auditors communicate certain internal control related matters. This communication will be part of the audit of the financial statements for the 2006 audit. The new Standard requires auditors to evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses. Also the Standard requires auditors to communicate in writing to management and those charged with governance (such as the board of directors, audit committee, governing body or equivalent body), as part of each audit, control deficiencies that are considered significant deficiencies or material weaknesses, including those identified in previous audits that have not yet been remediated. The letter explained that as Hoelting & Company performs the 2006 audit and identifies control deficiencies, if any, they will discuss each item with Colorado Centre to determine if any mitigating controls exist. A decision will then be made as to how the item should be classified under the new Standard.

- Bank Balances

Cindy Monroe gave the report on bank balances at this time. Ms Monroe reported that as of March 20, 2007 the District has \$2,083,043.59 in funds with \$2,005,950.89 unencumbered. Approximately \$120,000 in taxes was brought into the District in February. The Fountain Mesa retainer balance is at \$4,775.50. A request will be sent to Fountain Mesa for replenishment of that account. The Fire Protection IGA account has approximately 887 thousand dollars. Those monies have been invested earning 5.17 percent. Customer deposit liabilities are approximately \$70,000. The monies for landscape escrow (\$2,794.42) will be expended this year for the parks.

- Budget Review

The Budget comparison was reported on at this time by Ms. Monroe. The General Fund tax revenue is at 34% because February tax revenue was substantial bringing in approximately \$120,000. The street lights decreased over last month because the residents were incorrectly billed at the rate of \$2.75 and the 2007 street light fee per the approved budget was reduced to \$2.00 per month.

An adjustment of \$0.75 per customer was made on the February billing. The Culture & Recreation expenses were a little higher because the field personnel have started working on the sprinkler systems and clean-up of the common/park areas. At the end of the month the General Fund has approximately \$115,000 which is a substantial portion towards the first bondholder's payment on July 1, 2007. Dr. Testa explained that the General Fund opened the year with an excess and that excess will be paid to the B Bondholders.

Ms. Monroe further reported that the Reserve Fund earned interest of approximately \$5,600 closing at approximately \$661,000. The Debt Service Fund brought in \$12,510 in developer taxes with an ending balance of approximately \$22,000.

The Governmental Fund Enterprises are IGA Lorson, IGA Rolling Hills and IGA Cuchares. Expenses for IGA Lorson were \$18,110 leaving an ending balance of \$420,311. Expenses for IGA Rolling Hills were \$17,395 leaving an ending balance of \$421,561. Most of the expenses were for loose fire equipment. The Cuchares District has not been formed as yet so there is no budget activity YTD.

The Water Fund-General had total revenues of \$18,163 and total expenses of \$15,046 leaving an ending deficit of -\$35,353. This will even out as the year progresses because there are one-time first of the year payments that need to be expensed. Revenue will substantially rise as we approach the summer watering season. 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 \$32,657 and expenses of \$27,743 leaving a balance of \$7,213. Most of the expenses were for Lower Fountain in the Wastewater Fund-Capital and these expenses are approximately \$34,000 a month. The Wastewater Fund-Capital has an YTD ending balance of \$267,292.

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.

D. Legal Report

- Cuchares IGA

Mr. Anderson reported that at this point we are working on "nailing down" the water sufficiency status in order for the plats to proceed to final approval. He is in contact with the State Engineer's Office and clarification issues need to be addressed in order to receive the sufficiency finding which he feels is forthcoming within the next week.

Dr. Testa, Mr. Anderson and Lonnie Inzer met with the County Fire Marshall, Jim Reid regarding Cuchares fire protection issues. County Planning did not think that the Cuchares Ranch project was covered with fire protection. Mr. Anderson stated that essentially a letter needs to be written to Mike Garrett of County Planning stating that "Colorado Centre is prepared to provide fire protection service once the Cuchares Ranch District is formed and the IGA signed. Dr. Testa said that it is stated in the service plan and IGA but a separate declaration would be appropriate for clarification issues. The Plat approval is moving forward and should be consented to by El Paso County Commissioners once fire protection and water sufficiency issues are resolved. The service plan is going to County Planning on April 17th and tentatively before the El Paso County Commissioners on May 24th.

- Regional Sewer Plant Court Case

Mr. Anderson reported that there was no answer filed to the Complaint by CSU or the City of Colorado Springs. He filed a Motion for Default Judgment yesterday and submitted proposed orders along with the Motion for Default Judgment. The Proposed Order and Judgment basically recites the Complaint allegations as factual findings. 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. Mr. Anderson included an award for Attorney's fees and costs.

- Jimmy Camp Creek Park Site Case

A letter was sent to the City of Colorado Springs on February 23, 2007 regarding Notice of Default per the Annexation Agreement dated September 23, 1988. The City had 20 working days from receipt of the letter to cure the default and to date there has been no answer. A satisfactory cure to Colorado Centre would include a copy of a Park Master Plan (which the City, per the Agreement, needed to prepare within the five-year period following annexation of the Banning Lewis Ranch property). The Park Master Plan needs to show the proposed reservoir and indicate that the plan was approved by the Annexor parties to the Agreement. If no approved Park Master Plan exists, a letter signed by Mayor Rivera on behalf of the City Council and the Colorado Springs Utilities Board needs to be written 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.

Rolling Hills

Dr. Testa asked Mr. Anderson to review the ~~Lokson~~ Agreement to clarify that the Agreement meets the IGA requirements and is legal. Also, clarification needs to be made in the Agreement regarding fire protection in the District. Mr. Anderson will review the agreement and report back to Dr. Testa and the Board.

E. District Operations

- Water and Sewer Operations

Dr. Testa reported that in regards to operations everything is going well. The District produced 4.4 million gallons and sold 4.2 million gallons February, 2007. The negative water loss indicates that all water produced is either sold or stored. Our systems are aging but to date are working properly. Wastewater pumped was 4.1 million gallons. Impeller problems at the lift station required us to buy more impellers. The Booster station is completed except for the ceiling. The ceiling will be completed at a later date. All the materials are here to replace the park fence which will be completed in the near future.

- Well 214 and 217 Construction and Pump Installation

Dr. Testa requested that the Board authorize payments for purchase of pumps for Well 214 (\$7,798) and 217 (\$5,137). The Board authorized these payments.

- Well 214 Collection line

A motion was made and seconded to approve the payments to Hamacker Well works for the construction of wells 214 and 217, the installation of the pumps and the collection line to well 214. Upon a voice vote, the motion passed unanimously.

The larger, better producer Well 214 needs to be hooked up to Well 211. The collection line will be approximately 540 feet. With the four wells in production we will be producing 600 gallons per minute which is a substantial amount of water.

Director Eccles inquired about sewer backups and the likelihood of this occurring in Colorado Centre. Dr. Testa relayed that this had occurred many years ago because a construction crew left a plug connected. He said that many construction crews actually have left wood planks, etc. in the sewer line and debris eventually plugs the line causing a backup. We do check the manholes yearly and it is unlikely that we will have any problems. If the District can ever afford the sewer cleaning equipment this could eventually be purchased. The cleaning equipment is very expensive and until we can justify the purchase, that equipment or service can be retained through companies that clean sewer lines.

Dr. Cantin inquired about the possibility of building a manganese and hardness plant. Dr. Testa relayed that a dual treatment plant could cost over \$500,000. We could do at least one type of treatment depending on funding of LFMSDD. If Cuchares happens and LFMSDD is funded by Cuchares' Improvement fees, we could possibly build a dual manganese/hardness plant. With the Widefield School District transportation center tap/improvement fees coming in the Reserve Fund

will have a surplus at the end of the year. It would be beneficial to target a project. If we could build the manganese plant CCMD would save on All Clear and possibly reduce rates. A manganese plant would not substantially reduce the Reserve Fund. A goal to reach would be to build the manganese plant and research the possibility of adding the hardness removal plant. The hardness plant could possibly happen with the Cuchares tap/improvement fees.

Director Ingraldi believes a larger park would greatly improve the community. Dr. Testa suggested that CCMD reclaim the banks of Jimmy Camp Creek. The bank has to be secured before planning can continue. Dr. Testa will research the possibility of this project.

- Augmentation Report

Dr. Testa reported on the augmentation report for period November 2004-October 2005. Colorado Centre Metropolitan District has already over paid 24.73 acre feet this year. CCMD is trying to use this credit to allow development to happen. The State authorizing CCMD to utilize the credit for Cuchares' development will prevent future negotiations on augmentation credits being used for development.

F. Fire Station

- Improvements

Only two companies attended the bid process walk-thru. They were Aztec General Contractors and T-Bone Construction. Dave Cocolin's preferred contractor never attended the bid walk-thru. Both companies are very well qualified. The proposals are due on March 30, 2007 at Noon. The proposals are cost plus proposals which means they will propose a percentage over certain items (payroll and benefits). CCMD will buy materials and equipment and allow a percentage markup. As the contractor, they will be the construction manager plus the builder. If subcontractors are used, they must get three bids and they will be marked up also. Part of the proposal includes supplement items and special consultants. No performance or payment bond is required as we have full control of the project because we are on-site. Bonds would be an unnecessary cost. Non-binding total costs of labor/material were requested to be provided to enable us to see the projected cost of the entire project. Dr. Testa was very pleased with the bid process. He is looking at the possibility of adding a driveway in the back if funds permit. Dr. Testa requested that a concrete pad be installed behind the fire station to store equipment safely behind a fenced in area. Director Ingraldi said this would cause a theft problem. Covered storage would increase expenses. Director Cantin and Edwards suggested getting some type of shed for storage. There are six parking spaces included on the architect's plans. Dr. Testa will research the costs of a concrete pad and fence plus some type of storage building. He will report back to the Board.

- Hiring and Equipment progress

Lonnie Inzer, Fire Consultant, reported that he is holding back on the hiring process at this time. We will be getting an 8 to 10 week notice of Fire Engine

completion, therefore he will start the hiring process at the time of completion notice. He stated that County and City radios are required therefore the fire fighters will have a single radio and two pagers.

Mr. Inzer met with the El Paso County Fire Marshall, Jim Reid, and they discussed a mutual aid agreement that all County Fire Chiefs will enter into. This is a voluntary agreement. There is a need to explore a mutual aid agreement with the Fountain Fire Department and complete a more formal agreement with them. We need to meet with the City of Colorado Springs and formulate an IGA from Colorado Springs in which they agree to maintain all the equipment in exchange for CCMD's response to Colorado Spring's emergencies. An IGA with the City should take into consideration that by having them service the truck every six months should be no inconvenience for the City compared to the hours saved with CCMD responding to City emergencies.

G. Spring Cleanup – Proposal

The "Spring Fling" cleanup has been scheduled for May 19, 2007. US Waste and Bestway would not supply curbside service and their roll-off services were considerably more cost-wise than curbside service proposed by Waste Management. The proposal from Waste Management includes 2 trucks and 4 Staff, one pass through the neighborhoods for \$1,300 plus Fuel and Environmental Surcharges. The surcharges will be approximately \$100 and possibly less. The staff will make one sweep through the neighborhood at 8 a.m. and pickup non-hazardous household trash at the end of each driveway. No liquids and special wastes will be picked up and no carryout services will be provided. Waste Management is Director Ingraldi's employer.

A motion was made and seconded to approve the proposal from Waste Management for the May 19, 2007 Spring Fling Clean-up. Upon a voice vote, the motion passed with Director Ingraldi abstaining because of conflict of interest issues.

H. El Paso County Water Authority – Minutes and Legislative Report

The Minutes and Legislative Report (by Pat Ratcliff) will be provided to the Board in order for them to keep better advised of the progress of the EPCWA. Dr. Testa will highlight any items that have special impact on Colorado Centre. Efforts are still ongoing to appoint EPCWA as the controlling entity for the Transit Loss Model for Fountain Creek. Colorado Springs Utilities (one of the biggest users of Fountain Creek) has no objection to EPCWA being the

controlling entity. The Legislative Report by Pat Ratliff (Lobbyist for EPCWA) includes key bills pending consideration in the State Legislature.

I. Fountain Mutual Irrigation Company – Minutes

Fountain Mutual Irrigation Company Minutes were also provided by Dr. Testa. The major issue is renewal of the Colorado Springs Utility lease of the Big Johnson Reservoir. Dr. Testa disputed the renewal as base rate is the same as the prior agreement which was seven years ago. The renewal motion passed 3 to 1 with Dr. Testa opposed. T-Bone Construction is going to remove the sludge at no cost to FMIC which will give FMIC additional storage. This additional storage is worth a lot of money in relation to water rights.

J. Lower Fountain Metropolitan Sewage Disposal District – Minutes

Minutes from LFMSDD were also provided by Dr. Testa. Director Cantin reported that not a whole lot was covered at the last meeting. He is puzzled by Colorado Springs cooperation at recent meetings. Dr. Testa is thinking that Colorado Springs is trying to work out a mutual agreement with us but he doesn't think they have the ability to give Lower Fountain what it needs as an entity plus it would be approximately 18 percent more cost wise. Dr. Testa still believes that the best way to go is on our own. Paul Anderson reported that Jim Heckman attended the last Water Quality Management Association meeting and relayed to him that the regional plant issue was on the agenda but not for approval or disapproval. The Board wants to hold a Special Meeting on March 30, 2007 to clarify a specific up/down vote. Eighteen percent is significant due to the enormous cost of the regional plant project. Guidelines of the Water Quality Control Division are that if it costs 30 percent more to regionalize, the entity is exempt from consolidating. LFMSDD is moving forward and still trying to understand CSU's motives and agenda.

K. Public Comments

Dr. Testa reported that Lloyd had a heart attack. He is expected to make a full recovery if he follows the Dr.'s advice especially when it comes to not smoking and diet.

Director Edwards took the road repair/trash petitions to Dennis Hisey and Margaret Radford's offices. He included a CD slide show of all the damaged areas and the trashed areas in and around Colorado Centre. To date there has been no response from either office.

Director Cantin has concerns about trash along Horizonview Drive. He would like something put in the newsletter requesting that community members pick up trash as they walk and in areas around their homes. Director Cantin also has concerns about the excessive amount of tumbleweeds. Dr. Testa will check with the

County to see if some type of permit could be obtained to have a controlled burn with the condition that the firefighters would be on-site with their equipment.

III. Adjournment

A motion was made and seconded to adjourn the regular meeting at approximately 7:00 p.m. Upon a voice vote, the motion passed unanimously.

Respectfully Submitted,

Michael Cantin, President

Shawn Eccles, Secretary