

**MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE
CASTLE PINES METROPOLITAN DISTRICT**

Held: Friday, January 15, 2010 at 7:30 a.m., at 5880 Country Club Drive, Castle Rock, Colorado.

A regular meeting of the Board of Directors of the Castle Pines Metropolitan District, Douglas County, Colorado, was called and held as shown above and in accordance with the applicable statutes of the state of Colorado, with the following Directors, constituting a quorum, present and acting:

Joe Gschwendtner

Jack Ostrowski

Tom Kahn

Jackie Sundquist

(Director McCarthy attended part of the meeting via teleconference.)

Also present were: Paul Dannels, Susan Seamark, Jon Gray, Sue Mantz and Phil Hunt, District Staff; Drew Grant, Chief, Castle Pines Emergency Services (CPES); Al Dugan, resident and Board member, Castle Pines Homes Association (CPHA); Jerry Spradling, resident; Doug Windes, Cash Management Solutions, LLC (CMS, LLC); and Chuck Carpenter, Fairfield and Woods, PC, District Counsel.

Potential Conflict of Interest Disclosures

District Counsel Carpenter reported that the directors' conflict of interest disclosures were filed with the Secretary of State's office.

Review of Agenda

The agenda was reviewed. A suggestion was made to move the cash management discussion item ahead of the treasurer's report / payables action so that Mr. Windes could leave the meeting. The agenda was approved with this change.

Director McCarthy was called and teleconferenced into the meeting.

Approval of Meeting Minutes

Director Ostrowski made a motion to approve the regular minutes of the December 10, 2009 board meeting as written. Director Sundquist seconded the motion, which was unanimously approved.

Discuss Cash Management

Mr. Windes reported that he worked with staff members to review the District's updated cash flow through 12/31/09. Based on this information, he felt that the following amounts of money could be moved into different investments in order to increase the interest yield on the funds: \$1 million from the general fund, \$500,000 to \$1 million from the enterprise fund, and \$500,000 from the debt service fund. He stated that the certificates of deposit (CDs) the District placed funds into in 2009 were yielding between 1% and 2.2% interest.

He reported that one of the investment banks was down rated due to the completion of an audit where some of the bank's assets were re-labeled. However, the District's funds were all collateralized and were not in jeopardy. When the District learned of this matter, the Investment Committee (IC) met to discuss the situation and after confirming that all of the District's investment funds were properly collateralized at each of the institutions, and that each bank's reports were current and in good standing with the Public Deposit Protection Act (PDPA), the IC decided to leave the funds as placed. Director Ostrowski asked if there was a way to determine the banks' commercial real estate exposure, should the commercial market be hit by the economy like the residential market. Mr. Windes said that the District could check the banks' standing with the PDPA, contact the banks themselves for the information, and contact the Colorado State Treasurer's office for information.

Regarding the additional money identified as available for investment, Mr. Windes said that the District might have to look at other alternatives due to the fact that smaller banks were losing interest in public deposits due to the cost to collateralize the funds. He said that Metro could look at smaller investment amounts spread out over more institutions, or could explore other types of investment opportunities with longer maturities. Board members were in favor of the IC scheduling a meeting with Wells Fargo to learn more about other opportunities, and then verify Metro's available funds and make a recommendation at the February Board meeting.

Approval of Payables

Director Kahn made a motion to approve the December payables. Director Sundquist seconded the motion. Director Kahn reported that he met with staff to review the payables and the revenue / expense report and found everything to be in order. He said that staff was continuing to collect final expenditures for 2009. Ms. Mantz review miscellaneous line items from the payables report and staff members answered questions. Director Gschwendtner called this motion to vote and the Board unanimously approved payment of the general fund and manual check expenditures in the combined amount of \$110,990.98, and the enterprise fund expenditures in the amount of \$154,104.33.

Ms. Mantz then reviewed the revenue / expense report, highlighting variances by fund.

Approve Proposed Mail Ballot Plan for the May 4, 2010 Regular Election

Director McCarthy made a motion to approve the proposed Mail Ballot Plan for the May 4, 2010 regular election. Director Sundquist seconded the motion. Ms. Seamark, Designated Election Official (DEO) noted that the Secretary of State's Office supplied a uniform document for use by special districts, which was very helpful, and that she used this fillable template to

prepare Metro's Mail Ballot Plan (MBP). She stated that she needed to get a couple of pieces of information and would complete the MBP and submit it to the Secretary of State by or before February 26, 2010 deadline. Director Gschwendtner called the motion to vote and the Board unanimously approved the MBP as proposed.

Authorize Purchase of New District Vehicles

Director Sundquist made a motion to authorize the purchase of two new vehicles for operational use, as budgeted in 2010. Director Gschwendtner seconded the motion. Mr. Hunt reviewed the three price quotes and explained that after receiving the new trucks, the District planned to auction three vehicles, which would reduce the net cost. Mr. Hunt said that staff recommended buying the trucks from Weld County Garage, who offered the lowest purchase price. A suggestion was made to include the estimated auction or trade in value on future purchase memos to illustrate the net cost. The motion was called to vote and the Board unanimously approved the purchase of two new GMC trucks from Weld County Garage.

Approve Water Resource Consultant Agreement

Director Kahn made a motion, seconded by Director Sundquist to approve entering into a Water Resource Consultant Agreement with Jack Ostrowski.

Director Gschwendtner reported that this Agreement was meant to allow Jack Ostrowski to continue to serve the District as a water resource consultant to provide continuity for this effort after Director Ostrowski's Board member term expired in 2010. He stated that all the directors were in favor of this idea, and provided their input for the Agreement prior to this meeting. Director Kahn suggested that the word "employ" in the first paragraph be changed to "engage." Mr. Carpenter stated that due to the complexity of the water resource needs and issues facing the District, and Mr. Ostrowski's experience, interest and expertise on this subject, the Agreement was developed and proposed to commence on February 1, 2010, with Director Ostrowski resigning his Board seat in February as well. Mr. Carpenter acknowledged that there was a minor risk of the Douglas County Commissioners appointing a qualified person to fill this vacancy within the statutory timeline. Mr. Dannels stated that the number of water resource related meetings outside the District was increasing as projects and opportunities were being identified, and he would appreciate some help in this area. Director Ostrowski said that he was interested in the Agreement because of his love for the Castle Pines Village Community and its future, and as a way to continue to pursue his passion for water issues.

Director Gschwendtner called this motion to vote and the Consultant Agreement with Mr. Ostrowski was approved, as modified above, with four votes in favor. Director Ostrowski abstained.

Approve 2010 Fairfield & Woods, PC Engagement

Director Sundquist made a motion, seconded by Director Gschwendtner, to approve the engagement letter from Fairfield & Woods, PC for legal services in 2010. Mr. Carpenter informed everyone that the 2010 monthly retainer remained the same as the 2009 retainer, with some minor rounding off changes in the 2010 hourly rates applying on special matters or projects. The motion was called to vote and approved unanimously.

Confirm Next Board Meeting

The date for the February 2010 Board meeting was discussed. Calendars were reviewed and it was decided that the February meeting would be held on Thursday 2/25/10 at 7:30 am at Metro's office.

Project Status Report

Water Resource Planning – Director Ostrowski reported that the Douglas County Commissioners wanted to remain apprised of all water projects being reviewed by the South Metro Water Supply Authority (SMWSA). He stated that the SMWSA members, on average, owned 43% of their water rights in renewable sources. He stated that the Black and Veatch and CDM Agreements were signed by all interested participants and were proceeding. Director Ostrowski recommended against pursuing any interest in the Flaming Gorge water project due to the minimal amount of water Metro needed, and the fact that the project could take 25 or more years to develop. He stated that the WISE Agreement might yield 5000 acre feet (AF) of surface water by 2012, but there were no details available yet.

Director Ostrowski distributed an Attorney-Client privileged memo from Burns, Figa and Will, PC regarding the status of the 2004 water rights application. He asked the directors to read the information and call him with any questions and then to either return the memo to him or destroy it.

Chatfield Reallocation / Reservoir Expansion – Director Ostrowski reported that the final draft of the Environmental Impact Statement (EIS) for the project was due in June, but that there was no information included to address the consequences of not expanding Chatfield. He stated that 50% of the per AF expansion construction cost could be attributed to environmental mitigation due to such matters as replacing habitat for the Prebles mouse. He reported that the Corps may need to purchase additional land to implement the environmental mitigation. He suggested the District send representation to Washington in the fall to provide support regarding Chatfield's funding allocations in the future. Director Kahn asked whether it was still feasible for Metro to continue to pursue affiliation with the Chatfield expansion and Director Ostrowski pointed out that there were no other viable alternative projects at this time.

Water Storage Tank Leak Status – Mr. Hunt reported that the second plug installed in the drain inside the water storage tank did not stop the leak. The next step was for divers to perform dye leak tests inside the tank to identify any leaks, which was scheduled for the following week. Staff members would report on this effort in February.

Chateau Ridge Development Status – Mr. Gray reported that he provided Douglas County with the quote he received to complete erosion control repairs in Chateau Ridge and that he would schedule a meeting with County staff to review the information and discuss a schedule for finishing this work.

CPMD / CPHA Joint Task Force Status Report

Hwy 85 / Atrium / I-25 Interchange – Director Gschwendtner reported that the option of Union Pacific Railroad moving its tracks in order to accommodate an Atrium Drive interchange location was no longer viable.

Happy Canyon Road Roundabouts – Director Gschwendtner reported that he and staff members met with a group comprised of Douglas County Commissioners, representatives from the Happy Canyon subdivision, Sedalia, the Village Marketplace, and The Castle Pines Connection, to review and discuss the proposed roundabouts and medians on Happy Canyon Road. He felt the meeting went well and addressed some initial objections, and dispelled some misinformation. The Commissioners endorsed moving ahead with the project. Additional public meetings were pledged in the future.

Traffic Mitigation Plan – Metro embarked on the development of a traffic mitigation plan for Castle Pines Village in order to address numerous concerns expressed by Village citizens after the 2009 Douglas County School District transportation changes. One meeting was held with interested residents to listen to their feedback about a variety of traffic concerns throughout the Village. This feedback was intended to be evaluated to identify valid traffic problems, and to respond to perception issues. Mr. Gray complimented Chief Grant and CPES staff members for their improved enforcement activities. Chief Grant stated that in 2009 CPES officers wrote the second highest number of traffic related summonses ever. Mr. Gray said that the next step was to have Fox-Higgins Transportation Group complete its evaluation of the traffic flows and identify valid problem areas in order to offer a variety of practical solutions that could be implemented to solve the problems. Mr. Gray expected to provide a report on this matter at the February board meeting.

Review Staff Matters

Administration – Ms. Seamark reported that the content for the February Village Reporter was due on 2/19, and she reviewed the intended Metro articles. She stated that the Kimball water rights deeds were recorded on 12/11/09. She reported that Metro met the SB09-087 compliance requirements by mailing the Transparency Notice with the December water / sewer bills the first week in January, as well as posting it on the website. No questions or comments were received about the Notice.

Ms. Mantz reported that staff members from Bondi & Co, LLC would be at Metro February 3 to 5 to complete the review of the last six months of the District's financials. She stated that she and Ms. Gonzales were working to gather information about a credit card payment option for the District's customers.

Operations – Mr. Hunt reported that snow removal work in early January went smoothly. Staff was currently involved with ice mitigation due to the thaw and freeze that was occurring with the remaining snow. He reported that the acid washing of well A4R was in the final stage and took longer than expected. He stated that a video was made of the well condition before and after the acid wash, which could be viewed at the February meeting.

Mr. Gray reported that he planned to meet with Chateau Ridge and Douglas County representatives to define completion of the erosion control work in Chateau. He also said that a meeting of the Beautification Committee was planned in February to discuss continuing the restoration of road right-of-way areas throughout the Village.

Liaison Reports

PCWA – Director Ostrowski reported that the Town of Castle Rock (TCR) was interested in purchasing 115 acres of property from PCWA for its use. He stated that no guidelines existed within current agreements for buying or selling PCWA assets or capacity. Mr. Dannels reported that PCWA members were reviewing the Establishing Agreement in order to clarify conflicting view points regarding capacity and other matters. He stated that PCWA was continuing to work to fill open staff positions.

WCC – Director Gschwendtner reported that Metro received conditional approval of its Water Conservation Plan from the Colorado Water Conservation Board, and that the Committee planned to meet in February.

There being no further business to come before the Board, and upon motion duly made, seconded and unanimously carried, the Board adjourned the regular meeting at 9:43 a.m.

The Board of Directors approved the foregoing minutes on the 25th day of February 2010. The preceding constitutes a true and correct copy of the minutes of the above-referenced meeting.

Co-Secretary