

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

Held: Thursday, April 22, 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  
Tom Kahn  
Jackie Sundquist

Tim McCarthy was absent and excused from the meeting.

Also present were: Paul Dannels, Susan Seamark, Jon Gray, Sue Mantz and Jeff Coufal, District Staff; Jack Ostrowski, Water Resource Consultant (via teleconference); Bert Bondi and Evelyn Law, Bondi & Co LLC; Mark Larson, Manager, Castle Pines Homes Association (CPHA); Bruce Thompson, Director and Acting Manager, Castle Pines North Metropolitan District (CPNMD); Karl Krueger, and Jerry Raskin, residents; Drew Grant, Chief, Castle Pines Emergency Services (CPES); Jake Schroeder, VSW Inc.; Kyra Hahn, Castle Pines Library; Dan Roth, CPHA Director; and Chuck Carpenter, Fairfield and Woods, PC, District Counsel.

Potential Conflict of Interest Disclosures

District Counsel Carpenter stated that the directors' conflict of interest disclosure statements were filed with the Secretary of State's office.

Review of Agenda

The agenda was reviewed and approved as written.

Approve Audit Engagement with Bondi & Co, LLC

Bert Bondi was present at the meeting to review an engagement proposal for performing fiscal year 2010 audit services. He stated that the services and pricing for the audit work remained the same as 2009 and expressed a continuing interest in working with the Metro District. Director Kahn made a motion, seconded by Director Sundquist to engage Bondi & Co, LLC for audit services in 2010. The motion passed unanimously.

## Receive Draft Audited Financial Report, Fiscal Year 2009

Ms. Mantz distributed a DRAFT of the Comprehensive Annual Financial Report (CAFR) for fiscal year 2009 and Mr. Bondi stated that the financial review process undertaken by Bondi staff with Metro staff was smooth and that there were no exceptions to report in the numbers. He then reviewed pages 18 and 19 of the report (Statement of Net Assets and Statement of Activities, respectively), which provided a numerical synopsis of the audit report. He offered to field any questions from the directors.

Ms. Law presented the Report to Governance and reviewed a list of improvements made by Metro since 2008, as well as a list of recommendations for continued fiscal and policy improvement. Director Kahn noted a billing error that was detected by Bondi staff during the audit process. Metro staff learned that the District's billing software had a calculation design flaw. This error was reported to the software company and was corrected. The nineteen customers that were affected by the error were reimbursed for over charges they had paid. Mr. Bondi acknowledged Metro staff members ability to meet Bondi's request to present the CAFR in April versus May and expressed his appreciation for the same.

*Mr. Ostrowski was connected to the meeting by teleconference.*

## Request for Wastewater Treatment Capacity

Mr. Thompson, Director and acting manager for CPNMD, addressed the Board. He reported that CPNMD approved the inclusion of the Lagae North parcel into its boundaries in 2008. He stated that the developer was now ready to develop 22 residential lots in this property, creating a need for additional wastewater treatment capacity. Mr. Thompson said that a new sanitary sewer lift station was also needed; an asset the developer was responsible to fund. He reported that at build out, Lagae North needed the equivalency of approximately 550 to 600 residential units of wastewater treatment capacity (EQRs). At this time, he was asking if Metro would be willing to sell CPNMD 50 EQRs for near future use. He stated that he understood Plum Creek Wastewater Authority (PCWA) was completing a comprehensive analysis of its wastewater treatment capacity and the value of the same, and that CPNMD would expect to pay the appropriate amount for any purchased capacity.

Mr. Dannels stated that Metro believed it owned a certain amount of excess wastewater treatment capacity in PCWA (possibly as much as 800 EQRs). A better calculation could be completed after PCWA completed its analysis and valuation. Mr. Dannels expressed a concern for the capacity in the interceptor sewer line running from CPNMD to Metro to PCWA. He stated that CPNMD exceeds its ownership capacity in this collection line at least two times per year, and another interceptor sewer line might be necessary to accommodate any additional sanitary sewer flows from CPNMD. Mr. Thompson said that he understood Mr. Dannels concerns about the interceptor line and felt that any additional infrastructure needed to meet development demands from Lagae North would be a requirement of the developer, which would be a non-issue to Metro.

He asked if Metro would commit to selling CPNMD 50 EQRs of wastewater treatment capacity. Mr. Ostrowski stated that a meeting was scheduled on May 3 regarding amending the Establishing Agreement of PCWA, with the intent of clarifying total wastewater treatment

capacity at PCWA and the ownership interests of its members, Metro, CPNMD and the Town of Castle Rock (TCR). Once this work was completed, better information would be available. Director Gschwendtner asked Mr. Thompson to put a formal request in writing to Metro, and to allow 30 more days to work on this matter. Mr. Thompson accepted.

### Water Resource Report

Mr. Ostrowski updated the Board on the following water resource matters:

**Chatfield Reservoir Reallocation** – He stated that a sub-committee was scheduled to meet with the Colorado Water Conservation Board (CWCB) to discuss who would be responsible for overseeing the construction of the Chatfield expansion. An entity comprised of SMWSA members hoped to be able to assume this responsibility versus CWCB. Mr. Ostrowski reported that the State Parks Division was still resisting the expansion due to water levels and timing of withdrawals during the summer that could interfere with recreational activities at Chatfield. He reiterated that Brighton relinquished its interest in the expansion and that Brighton's capacity was being offered to the other members, some of whom were expressing interest. Mr. Ostrowski asked Mr. Dannels to review the Chatfield agreements regarding how the forfeited capacity would be offered to upstream and downstream user members. Director Kahn asked if it made sense for Metro to take a more serious look at participation in Reuter Hess. Mr. Dannels said possibly, it would depend on whether or not some of the other water resource projects developed.

**Other Water Resources** – Mr. Ostrowski reported that the East Cherry Creek Valley (ECCV) water line could be a great utilization opportunity for the members of the WISE agreement. He stated that Camp Dresser McKee (CDM) suggested there might 5000 acre feet of surface water available in this pipeline to share by 2012.

He also reported that the Palmer Divide Group was proposing to drill a well field near Greenland to store surface water, but he had no details about this project.

He stated that he was trying to schedule a meeting with Courtney Hemenway, an expert on aquifer storage / recharge (ASR), and would keep the Board posted on any development.

**Water Rights Decrees** – Mr. Ostrowski reported that a meeting was held with CPNMD and TCR to discuss everyone's 2004 water rights cases and draft stipulations were written.

This concluded Mr. Ostrowski's input and the teleconference was terminated.

### Approval of Meeting Minutes

Director Sundquist made a motion to approve the regular minutes of the March 25, 2010 board meeting as written. Director Kahn seconded the motion, which was unanimously approved.

### Approval of Payables

Director Kahn said that he met with staff members to review the payables. He explained that some of the expenses appeared to be high for the year, due to completing budgeted work ahead of schedule. He made a motion to approve the March payables. Director Sundquist seconded the motion. Ms. Mantz reviewed miscellaneous expenditures from the March report. Mr. Kahn noted that staff members were using a more affordable asphalt patching technique and made some road repairs, and that new fencing was completed at the well site near Prospect and Mirage. A vote was called and the Board unanimously approved payment of the general fund and manual check expenditures in the combined amount of \$203,571.29, and the enterprise fund expenditures in the amount of \$172,310.99.

Ms. Mantz proceeded to review the Revenue and Expenditure Report for the first quarter of 2010. She noted that variances with the budget were mostly positive. Director Kahn stated that staff members would be keeping a close eye on property tax and water revenues for the rest of the year with the economy rebounding slowly. Mr. Dannels stated that he and staff members were working on projections anticipating reductions in property tax revenues due to lower assessed valuations, and on reductions in water revenues due to water conservation and economic indicators.

### Authorize Replacement of Pump and Motor at Well De-10

Mr. Coufal reported that well De-10 was inoperable due to equipment failing, a problem identified during an operational evaluation of all of Metro's wells completed in 2009. Staff members budgeted \$80,000 to replace the pump and motor in the well. Staff members obtained three bids on the equipment and recommended awarding the project to Hydro Resources (a merger of AmWest Well and Pump and Henkle Drilling) at a price of \$60,295. Director Sundquist made a motion to award the job to Hydro. Director Gschwendtner seconded the motion, which passed unanimously.

### Confirm Next Board Meeting

The date for the May 2010 Board meeting was confirmed on Thursday 5/20/10 at 7:30 am at Metro's office. Ms. Seamark explained that the newly elected directors would be sworn into office at the May meeting and officially begin their terms.

### Project Status Report

**Happy Canyon Road Roundabouts** – Director Gschwendtner reminded everyone of the Information Open House about the roundabouts scheduled at Sedalia Elementary from 7 to 9 pm this evening. He passed out a copy of an opening statement he planned to make and asked for feedback from the directors. Mr. Carpenter and Mr. Raskin said they thought the text was too conciliatory and offered some suggestions. Jon said that after the opening statement, he planned to introduce the Douglas County staff in attendance and then direct members of the public to five information stations to learn about the project allowing for question and answer time. Jon then introduced a letter from CPHA asking for Metro's participation to relocate the guard house at

Gate 1 during the roundabout construction. Mr. Dannels stated that the work comprised stabilizing the roadway, relocating the water and sanitary sewer infrastructure and facilitating access control relocation (meaning installing conduit) for a future new guard house. Director Kahn noted that funding for this CPHA requested site work was not included in the approved 2010 budget and could require funneling money out of the roadway CIP budget, or a supplemental appropriation to the budget.

**Traffic Mitigation Study** – Mr. Gray shared that Metro and CPHA prioritized eight areas identified in the Traffic Mitigation Study as needing a variety of improvements. These areas would be considered for mitigation in 2010, budget allowing. Chief Grant thanked Metro and Jon for their assistance with the traffic mitigation issue. He reported that enforcement violations were reduced by 50% since January.

#### CPMD / CPHA Joint Task Force Status Report

**Hwy 85 / I-25 Interchange** – Director Gschwendtner reported that TCR recently deemed Castlegate Drive the preferred location for the Hwy 85 / I-25 Interchange road to be constructed. He said that Castle Pines Village now needed to work with TCR to mitigate any damage to the Village from this planned roadway, such as noise and light pollution, and negative property value impacts. Mr. Dannels stated that Metro and CPHA intended to provide separate feedback for the Environmental Assessment (EA) on this project. Each entity had its own set of concerns to express. Mr. Raskin said that responding to the EA was important in order to exercise the right to comment and illustrate the potential impacts to the Village. Director Gschwendtner stressed that Metro had a number of unrelated collaborative interests with TCR and did not want to be adversarial in its feedback on the interchange project. The deadline to respond to the EA is May 7<sup>th</sup> and both entities agreed to have their comments complete by that time.

#### Review Staff Matters

**Administration** – Ms. Seamark updated the Board about the election, noting that 2575 mail ballot packets were sent to the active registered voters in the Village on April 15. Returned ballots would be logged in each day and secured until Election Day on May 4<sup>th</sup> when the election judges would convene and count the votes. Ms. Seamark also briefly summarized the health insurance plan renewal to take place July 1, 2010.

Ms. Mantz reported that the Investment Committee met and decided against moving available funds into investment vehicles due to an unfavorable market. A Wells Fargo representative agreed to watch the market performance for Metro and notify the Committee when rates of return started to improve.

**Operations** – Mr. Gray reiterated Douglas County's commitment to repair erosion in Chateau Ridge. Mr. Larson informed everyone that Hearthstone transferred some Chateau Ridge properties into other companies which may cloud the ownership and lien recovery of past due amounts owed to CPHA. Mr. Carpenter noted that Metro's liens filed against any Chateau properties stayed with the property, not the owners. Mr. Raskin added that Renaissance Homes was getting out of development in Chateau Ridge and that the undeveloped lots in the property

might be foreclosed. He said that Hearthstone might deed the common areas to the Chateau Ridge Homes Association.

Mr. Coufal reported that Metro had the opportunity to purchase a number of trees from Boulder at a very good price and bought 115, which staff members would pick up and plant throughout the District's area of responsibility in the Village. He stated that staff members completed water leak detection in four sections of the distribution system, and that irrigation start-up was in process. He complimented Metro's operations team saying that he felt the staff members were a fantastic crew and he appreciated all the work they complete for Metro and the community. He concluded by saying he expected to defer some capital project work related to booster pump water pressure matters by planning to attempt to resolve the issues operationally, first, before purchasing additional equipment.

### Liaison Reports

**PCWA** -- This topic area was covered earlier in the meeting.

**WCC** -- Director Gschwendtner reported that the Water Conservation Committee (WCC) met recently and that implementation of the conservation opportunities was in process, with Ms. Coll doing a great job of advertising the available rebate programs. Mr. Raskin said that he found Ms. Coll to be very knowledgeable while working with her on a rebate opportunity at his home.

**VCC** -- Ms. Seamark noted that the next Village Reporter would be mailed the first week in June and she mentioned some possible article content from Metro.

### Other Discussion

Mr. Roth said that he felt CPHA and Metro were in sync with their approach to respond to the EA for the TCR Castlegate roadway. He stated that he felt the Castle Pines Village community needed to advocate for damage mitigation and the construction of a complete road spanning from Meadows to I-25 versus Meadows to Hwy 85 only, which everyone feared would force more traffic flow onto Happy Canyon Road while waiting for the Hwy 85 to I-25 connection to be constructed.

Mr. Dannels called attention to an email message from Mr. Carpenter about potential November general election ballot measures -- Amendments 60 and 61, and Proposition 101. Mr. Carpenter said that these measures appeared to be citizen efforts to limit the powers of government. He noted that Amendment 60 could undo the "de-Brucing" question Metro's voters approved in 2000, which allowed Metro to retain and use all property tax revenues without increasing the mill levy. He added that Proposition 101 would severely reduce specific ownership taxes and Colorado state income tax rates, which could hobble revenue streams for the State and special district budgets. Ms. Hahn said that the Douglas County Library representatives would make a presentation to CPNMD about these impacts to the Libraries at a meeting the evening of April 27<sup>th</sup>. Mr. Krueger suggested that Metro include some information about these ballot measures in future Village Reporter articles.

Director Gschwendtner stated there was no need for an executive session at the meeting.

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 9:55 a.m.

The Board of Directors approved the foregoing minutes on the 20th day of May 2010. The preceding constitutes a true and correct copy of the minutes of the above-referenced meeting.

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Co-Secretary