

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

Held: Thursday, May 20, 2010 at 7:00 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

Karl Krueger (new director)
Jerry Spradling (new director)

Also present were: Paul Dannels, Susan Seamark, Jon Gray, Sue Mantz and Jeff Coufal, District Staff; Jack Ostrowski, Water Resource Consultant; Mark Larson, Manager, Castle Pines Homes Association (CPHA); Bruce Thompson, Castle Pines North Metropolitan District (CPNMD); Don Diones, and Craig Sundquist, residents; Jake Schroeder, VSW Inc.; 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. He asked Messrs. Krueger and Spradling to remain after the meeting in order for him to review the procedures regarding filing Conflict of Interest Disclosures.

Review of Agenda

The agenda was reviewed and approved as written.

Approval of Meeting Minutes

Director Sundquist made a motion to approve the regular minutes of the April 22, 2010 board meeting as written. Director Gschwendtner seconded the motion, which was unanimously approved.

Approval of Payables

Director Kahn said that he met with staff members to review the payables, which were in order. He made a motion to approve the payables as presented. The motion was seconded by Director Sundquist. Ms. Mantz reviewed miscellaneous expenses listed on the payables report. Director Kahn suggested that once the District's 2004 Water Rights are decreed, it might be a good time to interview other water engineers for the District. A vote was called and the Board unanimously approved payment of the general fund and manual check expenditures in the combined amount of \$316,525.14, and the enterprise fund expenditures in the amount of \$170,818.46.

Ms. Mantz proceeded to review the Revenue and Expenditure Report for the month of April, noting the fund balances. Director Kahn brought up a few matters related to repair and maintenance under the enterprise fund. He noted that well De-10 required replacement of the pump and motor, a budgeted expense, plus an acid wash treatment to remove iron bacteria and improve the well's performance, a non-budgeted expense. He questioned the life of the equipment in the well and Mr. Coufal stated that this particular pump and motor was moved from a different well into De-10 and experienced an 8-year life span, which was acceptable. Mr. Dannels added that the District was recently experiencing the need to perform acid washes in wells when the pumps and motors are replaced and that staff members would budget for this expense when anticipating such equipment replacement in the future. There was some discussion about a plan to defer some budgeted costs related to maintenance work at the Aslan Booster Pump Station and Director Kahn wondered whether the work was necessary at all if staff felt comfortable with a deferral. Mr. Coufal explained that after the 2010 budget was approved, staff members learned that there may be an operational modification that staff members could use to improve the performance of the Booster Station, which they were going to try. If the effort did not yield the hoped for results, the mechanical changes could still be necessary, and were budgeted.

Approve Comprehensive Audited Financial Report

Director McCarthy made a motion, seconded by Director Sundquist to approve the Comprehensive Audited Financial Report (CAFR) for fiscal year 2009 as prepared by Bondi & Co, LLC. Ms. Mantz stated that after the draft CAFR was presented in April, she received comments from Mr. Carpenter which were either answered or incorporated into the final version. There was some conversation about whether or not the CAFR could be formatted in a more clear way, and Ms. Mantz and Bondi representatives reported that a good portion of the document's formatting was pursuant to compliance requirements of the Government Finance Officer's Association (GFOA). Ms. Mantz noted that part of the formatting requirement illustrated the general fund expenditures in such a way that the District could receive a violation notice from the State Auditor's Office because the presentation made it look like the District over-expended the general fund, which was not the case. If a notice was received, Bondi & Co would prepare the reply.

This matter was called to a vote and the District's 2009 CAFR was unanimously approved.

Administer Oaths of Office for New Directors

Director Gschwendtner, as Chairman, administered the Oaths of Office to Jackie Sundquist, Karl Krueger and Jerry Spradling who were each elected to serve four-year terms at the May 4th Regular Election. Everyone offered congratulations and welcome to the new directors. Mr. Carpenter thanked Ms. Seamark for a job well done running the election.

Director Gschwendtner then recognized Director McCarthy for his eight years of service as a Metro Board member. All directors, Mr. Carpenter and staff members thanked Mr. McCarthy for his dedication citing many of his leadership qualities like level headedness, good problem solver, great diplomat, wonderful sense of humor, athleticism and his commitment to the Castle Pines Village Community. Mr. McCarthy congratulated the new directors and thanked each of the other directors individually for their expertise. He also thanked District staff members for the high quality of service they provide to the community saying that he learned a lot from the staff members during his tenure. He thanked Mr. Carpenter for providing legal guidance to the District, and thanked Mr. Larson for fostering a cooperative relationship between CPHA and Metro. He said that he hoped the Board of Directors and staff would continue to operate with the high level of respect and collegiality that existed. Mr. McCarthy was presented with a plaque acknowledging his service and a thank you gift. Mr. McCarthy left the meeting.

Elect Board Officers

Director Gschwendtner reviewed the officer positions for the Board members. After some discussion, Director Gschwendtner made a motion, seconded by Director Krueger to approve the following:

Joe Gschwendtner, Chairman / President
Jackie Sundquist, Vice-Chairperson / Vice-President
Tom Kahn, Treasurer
Jerry Spradling, Secretary
Karl Krueger, Director
Paul Dannels, Co-Secretary

The following people were appointed as liaisons to committees:

Water Conservation Committee – Jackie Sundquist primary, Jerry Spradling, alternate
Plum Creek Wastewater Authority Board member – Jerry Spradling, primary, Tom Kahn, alternate.
Investment Committee – Tom Kahn, Jackie Sundquist
CPHA / Joint Task Force Liaison – as needed
Water Resources – Karl Krueger

A vote was called and the above positions were unanimously approved.

Request for Wastewater Treatment Capacity

Mr. Thompson, representative from CPNMD, reported that since the April meeting, he met with the Lagae North developer, HF Holdings, who determined that they currently needed 120 to 140 wastewater residential equivalents (EQRs), which took into account a

temporary lift station and a planned expansion of the private school on Lagae Road. He stated that the next phase of development would require 240 wastewater EQRs and the construction of a new sanitary sewer interceptor line. He said the total estimated need for Lagae North was 800 wastewater EQRs and the developer wanted Metro to provide an availability to serve pledge for this amount, but, didn't want to have to pay for the wastewater EQRs at this time.

Mr. Thompson was questioned about the amount of available wastewater capacity in the existing interceptor sewer line and he claimed that the Castle Pines North portion of the interceptor line had sufficient capacity to carry flows from the first phase of the Lagae North development, but that an analysis of the section where the interceptor merged with Metro's collection would need to be completed to determine available capacity from that point to PCWA's facilities. Mr. Dannels noted that PCWA was still in the process of completing its internal evaluation of wastewater treatment capacity, the amount of capacity owned by each member, and the per EQR value of the capacity. Mr. Ostrowski mentioned that PCWA's Establishing Agreement was going to be amended, too. Mr. Dannels expected more information to be available by the end of May and suggested this matter be continued to the June Board meeting and Mr. Thompson agreed.

Confirm Next Board Meeting

The date for the June 2010 Board meeting was confirmed on Thursday 6/17/10 at 7:30 am at Metro's office.

Project Status Reports

Chatfield Reservoir Reallocation – Mr. Ostrowski reported that Centennial Water and Sanitation District (CWSD) reserved all of the 1500 acre feet (AF) of storage capacity relinquished by Brighton. He said that Metro could make an offer to purchase some of this capacity being offered at \$400 per AF and that a letter of intent could be sent to both CWSD and Brighton. Mr. Dannels suggested Metro offer to buy 125 AF of capacity which would bring the District to approximately 800 AF of storage capacity or 50% of the renewable goal. Director Krueger asked how much the existing capacity cost the District and Mr. Ostrowski said the first 500 AF cost \$500 / AF, and the next 154 cost \$700 / AF. The new cost was the most favorable to date. Mr. Ostrowski was asked about the risks of spending money to purchase this future capacity and he said that there was no means of distribution to take the water out of storage, but that the District could potentially withdraw some of the water via augmentation exchange, the future WISE pipeline project, or could sell it to other users. The biggest risk was if the Chatfield Expansion did not get built, we would not recoup the expenses. The Board consented to writing a letter of intent to purchase some of the Brighton capacity to both entities as suggested.

Mr. Ostrowski reported that a proposal to run the mitigation for the Chatfield Expansion was being developed and the parties (members of the South Metro Water Supply Authority – SMWSA) were meeting the second week in June to continue these discussions. A new non-profit corporation with a five-person Board of Directors was the organizational concept. Once formed, this entity would negotiate with the Division of Natural Resources, the Division of Wildlife and the Parks Department to achieve a unified position on the Chatfield Expansion.

He also stated that the Army Corps of Engineers was working to create public relations information promoting the benefits of the Chatfield Expansion.

Other Water Resources – Mr. Ostrowski reported that a meeting was scheduled on June 21 to review the preliminary costs and water quantities that could be available to the WISE Agreement participants. He stated that while he and Mr. Dannels were talking to other parties about miscellaneous water opportunities, nothing else was viable at this time.

Water Rights Decrees – Mr. Ostrowski reported that a meeting was held with CPNMD and TCR to finalize the stipulations to everyone’s 2004 water rights cases. He said that augmentation requirements were being reviewed and a date on the docket of the Water Court would be forthcoming.

Happy Canyon Road Roundabouts – Director Gschwendtner said that Sedalia and Happy Canyon residents continued to express opposition to the roundabouts on Happy Canyon Road. Mr. Gray showed the video of the “Roundabout Rodeo” staged at the Douglas County Fairgrounds. He was pleased to report that every vehicle tested in the Rodeo was able to navigate the design without incident. He said the next step was to create the final project design and develop construction documents. Best case scenario, the roundabouts could be built in July. He stated that Metro needed to emphasize the positive safety aspects of the project, and the avoidance of traffic lights. Mr. Dannels said that he continued to feel very positive about the roundabouts and reminded everyone to attend the Open House informational meeting for the Village on May 26th from 7 to 9 pm in CPHA’s community room.

Traffic Mitigation Study – Mr. Gray shared that he was pricing out the highest priorities identified in the Traffic Mitigation Study and would include these improvements in the 2010 roadway CIP work as the budget allows. He expected to be able to complete the trail near Tolland Drive and work near Handies Peak to minimize traffic conflicts.

CPMD / CPHA Joint Task Force Status Report

Hwy 85 / I-25 Interchange – Mr. Gray reported that Metro and CPHA met the deadline for providing responses on the Environmental Assessment for the Town of Castle Rock’s North Meadows Extension project. Each entity had its own set of concerns itemized in the responses.

Discuss Legislative Amendments Forthcoming on the November Ballot

The meeting packets included some information obtained from the Special District Association’s website campaigning against Amendments 60 and 61 and Proposition 101 planned on the November general election ballots. Staff members were asked whether the District could take a position on these measures that everyone agreed could be financially detrimental if passed. Mr. Carpenter stated that according to the Fair Campaign Practices Act, District monies could not be expended to take a position on these ballot matters. After some discussion, it was decided that Mr. Carpenter would work with staff members to propose a Resolution that the Board could adopt regarding these measures, and the Resolution could be posted on the District’s website and in the Village Reporter as public information.

Review Staff Matters

Administration – Ms. Seamark summarized the success of the May 4th election thanking the staff and community members who assisted. She explained how the new directors were compensated for meeting attendance and Director Sundquist added that these payments were reported via 1099 forms at the end of the year. She stated that final election paperwork would be processed and sent to the required agencies.

She reported that all of the seasonal positions were filled.

Ms. Mantz reported that 510 households were using the District's auto pay service. Director Krueger asked if the District could email monthly water / sewer bills to customers and Ms. Mantz said not at this time, but that staff members were researching a credit card payment option which might allow for emailed statements. Ms. Mantz stated that there were 26 past due accounts in the lien process. She added that there were 24 properties in foreclosure in the Village and 54 rental properties. She said that staff members were sending monthly water / sewer bills to the rental property owners and tenants to insure that all concerned parties were notified of the amounts due.

Operations – Mr. Coufal stated that staff members were working with the State Water Engineer's office to learn how to take over some of the monthly water reporting previously being completed by Jehn Water Consultants, and that this was an on the job training type of issue. He reported that he was seeking quotes to complete the well De-10 acid wash and would report to the Board in the future. He noted that the brush collection was finished and the collected materials would be mulched in early June and would then be available for residents' use. He noted the illustration of the water leak detection recently completed at one location in the Village and reiterated that staff members monitor for leak detection throughout the year.

Mr. Gray reported that Douglas County recently became more motivated to complete the erosion work in Chateau Ridge after the developer attempted to demand the County return the money held in escrow for this work. He said that the right-of-way drainage rehabilitation underway in The Summit was nearly complete.

Liaison Reports

PCWA – Mr. Dannels reported that the new interceptor sewer line proposed to be located under Happy Canyon Road to carry the Lagae South development flows was being discussed again. Mr. Larson said that CPHA wrote a letter of opposition to this project to Douglas County last December, but received no response. Mr. Dannels was aware that the Castle Pines Golf Club also opposed the project.

WCC – The water conservation status report was contained in the Operations Report and nothing was added.

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 10:10 a.m.

The Board of Directors approved the foregoing minutes on the 17th day of June 2010. The preceding constitutes a true and correct copy of the minutes of the above-referenced meeting.

Co-Secretary