

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

Held: Friday, December 9, 2011, 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:

Jackie Sundquist
Joe Gschwendtner
Karl Krueger
Jerry Spradling
Tom Kahn

Also present were: Paul Dannels, Susan Seamark, Sue Mantz, Jeff Coufal , Jon Gray, District Staff; Jan Myers, Wells Fargo Insurance Services; Mark Larson, Manager, Castle Pines Homes Association (CPHA); Bob Tomz, Resident; Jack Ostrowski, Water Resource Consultant; 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 with the addition of one discussion item.

Public Hearing – 2011 Proposed Budget

Director Gschwendtner made a motion, seconded by Director Krueger, to open a public hearing for the purpose of receiving comments on the District's proposed 2012 Budget. The motion passed unanimously. No comments were submitted by any meeting attendants. Director Krueger made a motion, seconded by Director Spradling, to close the public hearing and return to regular session. This motion passed unanimously.

Approval of Meeting Minutes

Director Krueger made a motion to approve the minutes of the November 17, 2011 regular board meeting with one typographical correction requested by Director Sundquist. Director Gschwendtner seconded the motion, which passed unanimously.

Approval of Payables

Director Krueger made a motion, seconded by Director Kahn to approve payment of the November expenditures as presented, with the knowledge that a subsequent list of expenses would be submitted for approval before the end of December, with this approval being ratified at the January 2012 meeting. Ms. Mantz reviewed miscellaneous expenses. There was some discussion about permanent fencing versus temporary delineators along improved road rights-of-way and the appropriate uses for the same applications. It was noted that some of the recently installed road edge delineators were removed from Castle Pines Drive North, and after discussion, it was agreed that they would be re-installed. Director Sundquist mentioned the charges submitted by RubinBrown for providing information about a one-fund accounting structure and directors recommended that staff members request a better estimate of time and effort for such non-contracted services so that fees could be identified in advance. The motion was called to a vote and the board members unanimously approved payment of the November expenditures in the following amounts: general fund \$191,140.36, enterprise fund \$142,973.93 and manual checks \$50,644.18.

Approve 2012 Budget Resolutions

Ms. Mantz stated that she incorporated the changes from the November board meeting into the final version of the proposed 2012 budget, and reduced the expense for the future water storage tank by 50%, and increased the anticipated water revenue after adjusting water conservation consumption from 10% to 5%.

Director Krueger made a motion, seconded by Director Spradling to adopt the resolution summarizing the expenditures and revenues for each fund, and adopting the budget for the District for fiscal year 2012 as presented. The motion passed unanimously.

Director Krueger made a motion, seconded by Director Gschwendtner to adopt the resolution levying property taxes for the year 2011 (to be collected in 2012) to help defray the costs of government for the District with a general fund mill levy of 25.434 mills and a debt service fund mill levy of 8.400 mills (for a total mill levy of 33.834 mills) to be applied to all taxable property within the District's service boundaries. Metro's total mill levy has remained the same since 2001. The motion passed unanimously.

Director Krueger made a motion, seconded by Director Gschwendtner to appropriate sums of money to the various funds and spending agencies of the District in the amount and for the purposes set forth in the 2012 budget. The motion passed unanimously.

Approve Renewal of Commercial Lines of Insurance

Ms. Seamark introduced Jan Myers with Wells Fargo Insurance Services, Metro's broker for commercial lines of insurance. Ms. Myers presented the renewal package for the District's property and liability and workers compensation coverage for 2012. She noted that Wells Fargo would be going out to market for the 2013 coverage years, but that in the meantime, they compared the coverage and pricing offered by the Special District Association Property and

Liability Pool and found that the Pool continued to offer very good insurance products and very good prices including miscellaneous types of coverage the market didn't offer at all. She noted that the insurance market place was starting to see some pricing increases after a number of soft years. She summarized the renewals by saying that both sets of 2012 premiums were lower than the renewal rates in 2011. From the property side, the reduction was related to the property valuation adjustments completed in mid-2011, and from favorable claims experience. On the workers' compensation side, the premium reductions were related to changes in the overall market state wide, and adjustments to work classification codes. She warned that the workers' comp marketplace may see 4 to 5% rate increases over the next few years. There was some discussion about Metro pursuing a safety certification with Pinnacle to receive additional premium discounts and staff working with Ms. Myers to complete a cost / benefit analysis for the same. Director Spradling made a motion, seconded by Director Krueger to approve the property and liability and workers' compensation insurance renewals for coverage year 2012 as presented. The motion passed unanimously.

Approve Water Rate Changes in the Village Lake Subdivision

Director Spradling made a motion, seconded by Director Gschwendtner to approve the application of Metro's sub-association tiered water rates to the property in the Village Lake subdivision pursuant to existing agreements, and as previously discussed in board meetings and with Village Lake representatives. These rates will take effect January 1, 2012. This motion passed unanimously, and Ms. Mantz noted that this change would generate approximately \$8,000 additional water revenue from this area.

Adopt an Election Resolution for the May 2012 Regular Election

Ms. Seamark noted the proposed Election Resolution included in the meeting packets and offered to act as Designated Election Official for the District's May 8, 2012 Regular Election. Two board members will be decided at the Election. Director Gschwendtner made a motion, seconded by Director Kahn, to adopt the Resolution as presented and to name Ms. Seamark as the DEO. The motion passed unanimously and Director Sundquist presided over Ms. Seamark taking the Oath of Office for the DEO position. Mr. Carpenter commended Ms. Seamark for her diligence in managing the District's elections.

Approve Renewal of the Management and Operations Agreement with PCWA

Mr. Spradling stated that he feels Plum Creek Wastewater Authority is a well run organization and he recommended continuance of the Management and Operations Agreement between Metro and PCWA. Mr. Dannels also recommended renewing the M & O Agreement, and he and Ms. Seamark briefly reviewed the work they do that is represented in the Agreement fees from Metro. Director Krueger made a motion, seconded by Director Spradling to renew the M & O Agreement with PCWA for another two years. The motion passed unanimously.

Approve Implementation of the GASB 54 Standard

Ms. Mantz reported that included in RubinBrown's Report to Governance from the District's 2010 CAFR, is a recommendation to adopt the GASB 54 Fund Balance Classification requirements for fiscal year ending 12/31/2011. After a brief discussion, Director Krueger made a motion, seconded by Director Gschwendtner to implement the GASB 54 standard, which will provide clearer fund balance classifications in Metro's annual financial statements beginning with the 2011 CAFR. The motion passed unanimously.

Confirm Next Board Meeting

The January regular board meeting date was discussed and confirmed on Thursday, January 19, 2012 at 7:30 a.m. at Metro. Director Kahn disclosed that he will be absent and excused from this meeting.

Project Status Reports

Water Resource Status Update – Mr. Dannels reported that the due diligence efforts regarding the Meadow Ditch / Lambert Reservoir water rights are continuing. Mr. Gray added that Deere & Ault was consigned to complete an engineering inspection of these facilities and that their comments would be provided to Scott Clark for review. One thing Metro learned is that the ditch water rights may be subject to a "futile call" meaning that the water flows in the ditch may not reach East Plum Creek, which means that there might be times when Metro could not use these rights for storage / exchange purposes. We also learned that there is a rancher who is a 25% partner in the Meadow Ditch rights who has the first call on 3 cubic feet per second of water flows during the summer months. When the review of these rights is complete, within the 90 day time frame, and if Metro doesn't feel there is value in pursuing the development of the rights, the District can terminate the process and have the \$50,000 deposit reimbursed.

Mr. Dannels also reported that Metro was approached again about the availability of Garber Creek water rights on West Plum Creek near Sedalia. He stated that the price on these rights is high, and would require a decree change in water court from agricultural to municipal, and would require storage in order to fully use the water. He stated that Metro was also approached by the Tasso Co. regarding some rights it has for sale, but at first look, the rights don't seem promising. Metro will remain open to potential water resource opportunities that become available.

Chatfield Reallocation Project Update – Mr. Ostrowski reported that, on average, Metro will be able to utilize 300 acre feet per year (AFY), which will be augmented and exchanged with the pending East Plum Creek decreed water rights. The District's maximum ownership in Chatfield's Reallocation at this time is 800 AFY. Mr. Ostrowski said that Metro will need to more closely analyze the firm yield expected from the EPC decree in order to use that information in a Request for Proposal regarding the costs to build the facilities that will be necessary to create an optimal renewable water solution for the District. He noted that the Colorado Water Conservation Board plans to purchase any unspoken for storage capacity in Chatfield when it becomes available, and that CWCB will fund the mitigation with the State Parks authority. Mr. Ostrowski stated that there has been no progress made in the negotiations

with the Division of Natural Resources or the Marina vendor. He said that construction on the Chatfield expansion is expected to begin in spring 2014.

(Director Kahn left the meeting at this time. A board quorum remained.)

Lagae South Development – Mr. Larson reported that A & A Investments withdrew its request for annexation from Castle Pines Homes Association consideration. Mr. Ostrowski mentioned that some members of the community approached him with questions about Metro’s position on the Lagae South development. Director Krueger questioned this approach and after some discussion, Mr. Ostrowski was asked to direct such inquiries to the Board or to Metro staff members.

Happy Canyon Road Roundabout Status Update – Mr. Larson announced that Gate 1 would be open to full access the following morning with some building interior and some exterior rock work to be completed. Mr. Gray reported that the District’s portion of landscape work at the roundabouts would be complete within a couple of weeks, weather permitting. There was discussion about the sod damage that was caused by an errant driver outside of Gate 3, but there were no witnesses to this occurrence.

Roadway CIP Status Update – Mr. Gray reported that all of the 2011 roadway CIP work was complete. There is \$350,000 in the 2012 budget for the same, but \$100,000 of this money is pledged as Metro’s portion of the cost to complete the train whistle modification project, leaving \$250,000 for roadway improvements. Mr. Gray noted that the District’s roadway CIP Program started in 2002 and that if the full \$350,000 worth of work is applied to the roadways in 2013, the Village roads will be in very good shape.

Long Range (Water) Master Plan Update – Mr. Dannels stated that he started the conversation with Castle Pines Golf Club regarding the idea of using the Club’s conservation easement property south of Happy Canyon Road as the site for Metro’s future water storage tank. He reported that this matter would need to be part of an agenda for a future CPGC meeting. A new storage tank will be an integral piece of Metro’s renewable water acquisition and utilization plan. Mr. Gschwendtner noted that he learned that the King property adjacent to Metro’s complex on Country Club Drive might be for sale and wondered if it made sense to explore acquiring the same for use by Metro. Mr. Dannels said that a broker recently contacted Metro about some King-Lagae property and that he will keep the Board informed if this matter develops.

Review Staff Matters

Operations – Mr. Coufal reported that Metro’s snow plow drivers were going to push snow into the middle of cul-de-sacs this year to prevent storing snow in yards. Hopefully, this procedure will eliminate some of the snow plow complaints. He said that Metro was approached by the Village Forestry Committee asking Metro to consider purchasing a small wood chipper to chip and slash beetle infested trees that are felled between annual brush collections in an effort to prevent beetle spread. After some discussion, Mr. Coufal said that staff members will secure the tub grinder earlier in the year (before July) so that felled trees don’t sit for a long time. Mr.

Larson added that CPHA will begin an aggressive beetle kill campaign in the Village, as recommended by Mike Bain, CPHA's forestry consultant. It was suggested that Mr. Bahn be invited to a future Metro Board meeting to make his forest management presentation. Mr. Tomz noted that the Starbuck sub-association contracts to spray / kill beetles each year on its 1000 trees and that Starbuck still has to remove approximately 5 to 10 infested / dead trees each year as part of the forest management efforts. Director Krueger suggested that Metro and CPHA merge their respective tree survey data so that everyone is fully informed about forestry management efforts.

Mr. Gray reported that Metro received the development sketch plans for Filing 38 (parcels R-47 and R-49) showing 53 homes built on ¼ acre lots (2.2 units/acre density). The plans specify a looped water system, a detention / flood control pond, and roads constructed by the developer. Mr. Gray said that this proposed development may help motivate CDOT to install some I-25 sound mitigation amenities in this vicinity. Mr. Coufal reminded everyone that Metro identified a future well site near this property and to keep this in mind while reviewing and approving development plans. There was some discussion about the movement afoot in the Village to persuade CPHA to build a guardhouse facility at Gate 2, and it was noted that this additional development may create more impetus for such a project. Director Sundquist reminded everyone of Metro's interest in creating a mechanism for reimbursement from developers when new roadways are constructed, dedicated to Metro and then torn up once construction begins sometime after road development. Mr. Dannels said that this matter is on the staff task list.

Liaison Reports

PCWA – Director Spradling was pleased to report that the Amendment to PCWA's Establishing Agreement was fully executed, and that PCWA's Board meeting was scheduled on the following Tuesday. Mr. Dannels reported that he and Director Spradling met with Jack Vickers, III and Jake Schroeder to discuss selling A & A Investments 700 EQRs of Metro's sanitary sewer treatment capacity, and informed them that Metro has to sell its excess capacity to another PCWA member. Mr. Dannels committed to contacting Castle Pines North Metro District about this matter.

Water Conservation Committee – Director Spradling said that he is excited about the new approach the WCC is taking with the intermittent meter reading procedures. He reported that the project vendor AmCoBi will review its preliminary analysis from the pilot period with the WCC in January and that this information will be shared with the Board as well.

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 10:55 a.m.

The Board of Directors approved the foregoing minutes on the 19th day of January 2012. The preceding constitutes a true and correct copy of the minutes of the above-referenced meeting.

Co-Secretary