

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

Held: Thursday, June 16, 2011 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:

Jackie Sundquist
Joe Gschwendtner
Karl Krueger
Jerry Spradling
Tom Kahn

Also present were: Paul Dannels, Susan Seamark, Sue Mantz, Jeff Coufal and Jon Gray, District Staff; Mark Larson, Manager, and Al Dugan, Director, Castle Pines Homes Association (CPHA); Bert Bondi and Evelyn Law, Bondi & Co, LLC (now known as RubinBrown, LLP); Matt Buster and 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.

Review of Agenda

The agenda was reviewed and approved as presented.

Accept Comprehensive Annual Financial Report 2010

Mr. Bert Bondi and Ms. Evelyn Law were in attendance to present the Comprehensive Annual Financial Report (CAFR) for fiscal year 2010. Mr. Bondi spoke about the independent auditor's report where Bondi & Co audited the financial information provided by the District, which was found to fairly represent the District's financial position. Bondi & Co issued a clean audit opinion to the District. He went on to review pages 18 and 19 of the CAFR, which summarized all of the other reports contained in the CAFR. He noted that the financials illustrate a positive fiscal performance with an equity increase of \$3.4 million. He mentioned the statewide reduction in assessed valuation, which may result in property tax revenue reductions that will need to be anticipated.

Ms. Law presented the Report to Governance, a review of the District's internal control systems. She noted improvements made from the prior year, especially the fact that no adjustments to journal entries were required, and that the capital assets tied to the financials. She then reviewed a few recommendations for continued improvement.

There was some time spent discussing the fact that a draft of the CAFR was not provided to the Board in advance of this acceptance. The consensus was to provide such a draft in future years as was the practice in prior years. Director Gschwendtner made a motion, seconded by Director Krueger to accept the 2010 CAFR as presented. The motion passed unanimously. Ms. Mantz was commended for her excellent work contributing to the CAFR. Mr. Bondi dropped off an engagement letter for consideration at the July board meeting.

Approval of Meeting Minutes

Director Kahn made a motion to approve the regular minutes of the May 19, 2011 board meeting as written. Director Gschwendtner seconded the motion, which passed unanimously.

Approval of Payables

Ms. Mantz requested consideration of a change to the payables by adding \$158,100.42 to the enterprise fund total in order to pay Layne Christensen for work completed on well A-12. Director Krueger made a motion to approve the May payables including this adjustment. Director Gschwendtner seconded the motion. Ms. Mantz explained a number of expense items. Several questions were asked and answered. Ms. Mantz also reviewed the May Revenue / Expense report, highlighting miscellaneous line items. She noted that all fund balances showed positive variances at this time. Vote was called and payment of the May expenditures in the following amounts was unanimously approved: general fund \$233,527.08, enterprise fund \$378,757.13, and manual checks \$45,919.67.

Confirm Next Board Meeting

The July 2011 Board meeting was confirmed for Thursday, July 21 at 7:30 a.m. in the Board Room at Metro. CPHA requested a Joint Task Force work session meeting directly following the board meeting for the purpose of sharing its five year operating plan with the District. It was agreed that this meeting would be held from 10:00 am to 12:00 pm in Metro's Board room.

Project Status Reports

Renewable Water Resources – Mr. Ostrowski was absent from the meeting. Mr. Dannels reported that the South Metro Water Supply Authority was circulating a participation agreement for the WISE project. He said that Metro was not too excited about this project due to the potential costs. A participation decision will be due in October. Mr. Carpenter added that the new WISE participation agreement was very different from the prior version, and left many unanswered questions. Mr. Dannels also noted that the Town of Castle Rock issued a Request

for Proposal seeking a renewable water supplier – an interesting approach to gaining these resources.

Chatfield Reservoir Reallocation – Mr. Dannels stated that agreements with the marina vendor at Chatfield and with the Division of Natural Resources (DNR) remained to be reached.

Long Range Water Plan Executive Summary – Director Gschwendtner reported that the LRWP Committee met with United Water, a special district, to review UW's renewable water and storage opportunities. He noted that he asked Bondi & Co to spend a few hours reviewing UW's financial records. UW has revenues, but no customers. UW representatives most recently presented information about a renewable water pipeline from the South Platte to East Plum Creek, which could be beneficial to Metro. UW will make another presentation (still at no cost) to the District on July 29th, followed by a formal presentation to the Board. Director Spradling concluded by saying that Metro is proceeding with caution on this matter.

Well Project Status Update - Mr. Coufal reported that the rehabilitation of well A-12 was complete, and that the acid wash at well LDA-10R was also complete. There was some discussion about the ongoing acid wash procedures staff members are implementing based on recommendations from Jehn Water and independent lab testing.

Happy Canyon Road Roundabout Status Update – Mr. Gray reported that the Roundabout construction started on June 6th. Staff members are still trying to resolve a dispute about the final asphalt mix specifications from the County. He said that Metro hired Murray McBride to perform construction management services and that he was proving helpful. Mr. Gray noted that while no pay applications were submitted yet, the GESC work was complete and would yield some pay requests. The site plan east of the existing Gate 1 guardhouse was being prepared for the installation of a temporary guardhouse within the next couple of days. Trees are being removed from the work site area and if possible transplanted in other locations. A number of them were moved to Gate 5 enhancing this entrance. Mr. Gray reported that everyone was attempting to find cost reductions where possible in the field. For instance, by using existing paved areas for the temporary detour lanes. Any such reductions might be able to offset other cost increases. He reminded everyone that from time to time, some of the gated entries will need to be closed to all traffic. The goal is to be able to notify everyone about these changes one week prior. He noted that Douglas County Commissioners were receiving complaints from Sedalia area residents claiming that the roundabouts are a veiled attempt at closing Happy Canyon Road. He suggested we all be prepared to be contacted by media types who might be chasing misinformation. These calls should be forwarded to Mr. Dannels.

Roadway Improvement Status Update – Mr. Gray reported that both the Gate 5 and Anaconda Drive roadway improvement projects were completed. Gate 5 work was slightly delayed due to County requirements. He expects the cost of the Anaconda repairs to come in a little higher than planned due to the need to remove additional asphalt in order to properly repair this road damage. These expenses will be paid in July.

Mr. Gray stated that the remaining funds in the 2011 Roadway CIP budget will be used to improve Castle Pines Drive North from Gate 3 up to the intersection with Country Club

Parkway, and some of the roads in Filing 15D that are deteriorating. There was some discussion about these roads being newer roads that shouldn't require repair work. Mr. Gray explained that the roads were finished and then accepted by the District in advance of individual lot construction, which was the cause of some of the failed areas. Mr. Buster said that he felt some of the road damage was the result of builders not properly scheduling for large construction vehicles to be on the lot and allowing too many vehicles at the same time, causing damage to the road edges. Mr. Larson stated that CPHA requires builders to provide parking plans for their construction vehicles in an attempt to reduce parking construction vehicles on the asphalt areas. Staff members reviewed the development and acceptance process and there was a suggestion to add a roadway damage deposit amount to Metro's site plan permit process in order to collect money in advance of future repair work. Mr. Gray said that he would research this matter and return to the Board with a recommendation in the future.

Review Consultant Policy – Procedure

Director Gschwendtner referred to copies of a policy and procedures adopted by the Board in 2009 regarding engaging and using consultants. He said that he feels the District has grown complacent about these guidelines and he would like to see them adhered to. There was some discussion about specific consultants with examples given. Director Gschwendtner offered to work with staff members to insure that the policy and procedures are being consistently followed.

Discuss a Long Range Water Plan Public Information Process

Director Gschwendtner said that he thinks it will be useful for Metro to develop a public information process to communicate Metro's efforts and eventual costs to secure long term water resources. Ms. Seamark offered to locate previously published articles for review and discussion at the July meeting.

Review Staff Matters

Administration – Ms. Seamark mentioned the dismissal of a staff member and stated that steps were being taken to fill the duties of this position. She noted Metro's participation in the weekly Roundabout E-blast content. She reported receiving a dividend payment from Pinnacol due to Metro's continuing commitment to safety and claims management. She said that this dividend, combined with the prior premium refund is expected to create a positive variance in this budget line item in 2011.

Ms. Mantz reported that the Investment Committee will meet the following week and will report to the Board afterward.

Operations – Mr. Coufal reported that Metro's operations crews are very busy working throughout the Village. He noted that native mowing phase one (of three) was complete, and that Metro was involved with preparing the Canyon Club and Summit Club pools for opening, which went very smoothly.

Mr. Gray reported that he received some preliminary sketch plan information about proposed development in parcel R-47 on the south side of the Village next to I-25. Development documents will be forthcoming as the plans progress.

Liaison Reports

PCWA – the PCWA Board meeting is scheduled for next week. Work is still progressing toward completion of the Amendment to the Establishing Agreement, especially Section 8.02 and Exhibit A. Mr. Dannels reported that the Town of Castle Rock believes it owns more wastewater treatment capacity than on record with PCWA, even though TCR was provided with copies of all of the historical PCWA documents and can't provide any evidence to support its claim. He went on to note that the issue of Castle Pines North Metro District's pending dissolution is headed for Douglas County District Court for resolution. He thanked Mr. Carpenter for his assistance with reviewing relevant information on this matter.

Water Conservation Committee – Director Sundquist reminded everyone of the Spring Fling in the Garden to be held that evening at the newly planted Serenity Garden next to Village Lake. She stated that the next WCC meeting was pending.

Other Discussion

Director Gschwendtner reported that he was contacted by Jack Vickers III about Metro's interest in serving his proposed development in Lagae South. Everyone reviewed two letters that were sent to Mr. Vickers in 2009 when he first approached Metro with this matter. No responses to these letters were provided by Mr. Vickers. Messrs. Buster and Schroeder said that correspondence from Mr. Vickers was not necessary, that he prefers to meet with all parties to put all the issues on the table. Director Kahn said that CPHA is considering annexing the Lagae South property into its service area. Mr. Buster said, at a meeting, he could provide new information about assessed value projections and renewable water for the development. Mr. Dugan stated that CPHA has not taken any position on this matter, and he encouraged Metro to talk with Mr. Vickers. After some continued conversation, it was decided that Directors Kahn and Sundquist and Mr. Dannels will try to schedule a meeting with CPHA representatives and Mr. Vickers within the following week. An update will be provided at Metro's July board 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 10:30 a.m.

The Board of Directors approved the foregoing minutes on the 21st day of July 2011. The preceding constitutes a true and correct copy of the minutes of the above-referenced meeting.

Co-Secretary