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## RECORD OF PROCEEDINGS

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### **Minutes of a Special Meeting Of the Board of Directors Cotton Ranch Metropolitan District April 13, 2021**

A Special Meeting of the Board of Directors of the Cotton Ranch Metropolitan District, Eagle County, Colorado, was held on April 13, 2021 at 4:00 p.m., with participants attending via Zoom, in accordance with the applicable statutes of the State of Colorado.

**Attendance** The following Directors were present and acting:

- Chris Meister (Via Zoom)
- Beric Christiansen (Via Zoom)
- Bob Rulon (Via Zoom)
- David Nordin (Via Zoom)
- Michael Pritchard (Via Zoom – Arrived at 4:28 p.m.)

Also in attendance were:

- Ken Marchetti, Marchetti & Weaver, LLC (Via Zoom)
- Cheri Curtis, Secretary for the Meeting (Via Zoom)

#### **Call To Order**

The Special Meeting of the Board of Directors of the Cotton Ranch Metropolitan District was called to order by Director Meister on April 13, 2021 at 4:07 p.m. noting a quorum was present.

#### **Disclosure of Potential Conflicts of Interest**

The Board discussed the requirements pursuant to Colorado Revised Statutes to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board of Directors and to the Secretary of State. Director Meister requested that members of the Board disclose any potential conflicts of interest regarding any matters scheduled for discussion at this meeting.

It was noted that there had been filed with the District and Secretary of State a disclosure of potential conflict of interest statement for Chris Meister and that the statement had been filed in accordance with statute, indicating that Mr. Meister is the owner of Meister Builders, Inc., a building, operations and management firm and this company provides services to the District managing and operating the District's raw water irrigation system.

There are certain business transactions between the District and Cotton Ranch Homeowners Association (CRHOA) and Directors Christiansen and Nordin are also members of the Executive Board of CRHOA. While both the District and CRHOA serve substantially the same constituency, transactions between the two

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entities could constitute a potential conflict of interest. The Board noted, for the record, that these disclosures are reported at this time with the intent of fully complying with laws pertaining to personal conflicts.

**Agenda** Letter indemnifying Meister Builders for utility locates was added to the agenda.

**Minutes** The Board reviewed the Minutes of the December 12, 2020 Special meeting. By motion duly made and seconded it was unanimously

**RESOLVED** to approve the December 12, 2020 Special Meeting minutes as presented.

**Public Input** There was no public input.

#### **Administrative**

**Resolution** The Annual Administrative Resolution was provided to the Board for review. Director Meister noted the Resolution states the Board members are considered employees for IRS reporting purposes and the 2020 audit will need to be revised to reflect that Board members are employees. By motion duly made and seconded it was unanimously

**RESOLVED** to adopt the Annual Administrative Resolution as presented, which is incorporated herein by this reference.

#### **340 Timberwolf**

**Easement** The Board had previously received a request to allow for landscaping in the District's easement. Staff is evaluating alternatives for potentially piping or lining the ditch in that area and recommended tabling this while more information is being gathered.

#### **Country Club**

**Cottages** The Board reviewed the information presented on the Country Club Cottages 2020 water usage. Staff determined Country Club Cottages has always had two meters and water usage increased in 2020. The Board agreed to combine the water for the two meters under one account and allow double the water per tier for the combined usage. By motion duly made and seconded it was unanimously

**RESOLVED** to allow for one account including both meters with double the amount of water allowed for each tier. The overage charges for 2020 will be waived.

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#### **Broken Meter**

##### **Letters**

Director Meister has been researching digital mag meters with no moving parts. Sending the broken meter letters will be tabled until a replacement meter is approved. AmCoBi also providing information on the meter system they are using for other entites. The information and costs will be reviewed to determine the best option for the District. Board members questioned whether all users would be required to replace current meters. Currently the plan is to have broken meters replaced with the approved meters on an as-needed basis.

Director Pritchard joined the meeting at 4:28 p.m.

#### **Planning for Replacement of the Raw Water System**

The Board discussed the eventual need to replace the entire raw water irrigation system. The costs to replace the system in the easement in front of the houses will be more expensive due to the need to bore under driveways. A less expensive option might be to replace the system in the easements behind houses. The District will need to issue bonds to replace the system, which will require voter approval. A rough estimate of the cost to replace the system is \$5 million. Debt service on \$5 million with a 25-year repayment term at the District's current assessed value that will take approximately 17 mills. The District's current debt will be paid off in approximately 2035 (perhaps sooner but no later than 2037). The current debt service mill levy rate is approximately 43.5 mills. If the current system can be kept until the current bonds are repaid and assuming voter approval is obtained, the District could issue bonds using 17 mills of the current debt service mill levy and reduce the mill levy by the remaining 26 mills. If the system needs to be replaced before the current bonds have been retired, the District could possibly issue bonds earlier with principal payments deferred until the current debt is repaid but interest on the new bonds will need to be paid during that time. Interest on \$5 million is approximately \$150,000 per year requiring approximately 9 mills to pay. The current plan is to make the current system last as long as possible, hopefully until the current bonds are paid off.

#### **Financial and Long-Range Report**

The March 31, 2021 financial statements were included in the packet. Mr. Marchetti noted the preliminary assessed value could increase to \$16.8 million in 2021, which could require the District to convert the remaining 2002A bonds to General Obligation bonds.

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#### **2020 Amended**

**Budget** The meeting was published as the public hearing on the proposed 2020 amended budget. The hearing on the 2020 amended budget was opened for public comment. Hearing no public comment, the public hearing was closed. By motion duly made and seconded it was unanimously

**RESOLVED** to approve the 2020 amended budget as presented.

#### **2021 Bond**

**Issuance** Mr. Marchetti presented a calendar for the opportunity to refinance the District's current bonds. Currently the bonds are issued at 3.45% interest. Rates are currently in the 2.45% – 2.95% range. Per the ANB Bond documents for the current bonds, the District would need to close new bonds on December 1, 2021 if the ANB loan is to be repaid. Director Christiansen stated the Board should not consider refinancing the bonds unless the interest rate is under 3%. The Board was in agreement. If interest rates remain low, an RFP will be sent in early August. The next meeting would be September 14, 2021 to review bank proposals.

#### **2020 Audited**

##### **Financial**

**Statements** The 2020 audited financial report was distributed to the Board. It was noted the earlier discussion that per IRS regulations, the Board members are considered employees and all other services are provided through independent contractors. The audit footnotes will be updated to show this correction. By motion duly made and seconded it was unanimously

**RESOLVED** to approve 2020 audit with the described correction above.

#### **Water Line**

**Deposits** The list of construction deposits for water line damage was reviewed. Ms. Curtis requested an update on the deposits subject to refund. By motion duly made and seconded it was unanimously

**RESOLVED** to allow Director Meister approve the refunding of the water line damage deposits based on completed construction.

#### **Accounts**

##### **Receivable**

The list of outstanding accounts was reviewed. It was noted there were two accounts certified to Eagle County Treasurer for collection with property taxes.

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#### Payments of Claims

The Board reviewed the payment of claims lists. By motion duly made and seconded, it was

**RESOLVED** to ratify approval of the December 13, 2020 through April 13, 2021 payment of claims, as presented.

#### Operations Report

Cotton Ranch Pond No.1 was dredged by the Town of Gypsum with limited financial participation by the District. A new vault, screen, and intake were installed in connection with dredging. The Sky Legend Pumphouse intake filter was replaced. The Red Fox ponds are continuing to fill. The raw water irrigation system should be charged and operating properly by the week of April 19, 2021.

#### Replacement Meters

Director Meister reiterated that he is researching the use of mag meters including options for remote readers and in-person reading. The expectation is that the District will purchase meters in bulk to obtain a wholesale price and sell them to constituents for replacement of defective meters.

**Line Locates** Mr. Marchetti noted the District's irrigation system was installed in many cases without proper tracer wires or the tracer wires have been broken or damaged. Accordingly, the District will need to indemnify any contractor for mislocates of the District's system. Mr. Marchetti recommended the Board approve a letter of indemnification for Meister Builders. Director Nordin requested confirmation this would not be a blank indemnification. By motion duly made and seconded it was

**RESOLVED** to have legal counsel draft the indemnification letter for locates to be distributed to Board for review. Director Meister abstained from voting.

Comcast will be continuing installation of fiber optic lines in Cotton Ranch in 2021 but most of 2021's work is installation of lines from the main lines to each home and those lines are typically buried less than one foot deep.

#### Action Item List

Director Meister contacted the Town of Gypsum regarding completing AutoCAD of water rights and points of diversion. The Town is not willing to assist in completing the process on the paper files. Director Pritchard requested electronic copies of the plans. Mr. Marchetti suggested taking plans to Rocky Mountain

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Reprographics to convert the existing plans to electronic format, to be done at a time that will be convenient for Director Meister.

The Board requested that Mr. Marchetti research which water rights cover the pond evaporation. It was noted that the Wolford Lease was not available to cover pond evaporation when there was a State Engineer instream call on the Eagle River in 2018. Director Meister suggested possibly working with the Town of Gypsum for a water lease on the LEDE Reservoir to protect the District at full build-out. [The Board subsequently decided to not proceed with the LEDE Reservoir water lease at the September 14, 2021 Special meeting.]

#### **Tap Fees**

**Schedules** The schedule of new tap fees received was included in the Board packet.

**Next Meeting** Unless there is a reason to call a special meeting, the next meeting is scheduled for September 14, 2021.

#### **Adjournment**

There being no further business to come before the Board and by motion duly made and seconded it was unanimously

**RESOLVED** to adjourn the Special Meeting of the Cotton Ranch Metropolitan District Board of Directors held this 13th day of April, 2021.

Respectfully submitted,



Cheri Curtis

Secretary for the Meeting