
RECORD OF PROCEEDINGS

Minutes of the Special Meeting Of the Board of Directors Cotton Ranch Metropolitan District November 8, 2016

A Special Meeting of the Board of Directors of the Cotton Ranch Metropolitan District, Eagle County, Colorado, was held on November 8, 2016 at 3:00 p.m., at the offices of Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, Eagle County, Colorado, in accordance with the applicable statutes of the State of Colorado.

Attendance The following Directors were present and acting:

- Chris Meister
- Craig Jagger
- Beric Christiansen
- Chris Sauro

The following Director was absent and excused:

- Tom Pohl

Also in attendance were:

- Jeremy Hughes
- Jon Lovins
- Ken Marchetti, Marchetti & Weaver, LLC
- Cheri Curtis, Secretary for the Meeting
- Matt Dalton, District General Counsel (by telephone)

Call To Order

A Special Meeting of the Board of Directors of the Cotton Ranch Metropolitan District was called to order by Director Meister on November 8, 2016 at 3:00 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

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and this company provides services to the District managing and operating the District's raw water irrigation system. The Board noted, for the record, that this disclosure is restated at this time with the intent of fully complying with laws pertaining to personal conflicts.

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 Sauro and that the statement had been filed in accordance with statute, indicating that Mr. Sauro is a principal of Sunnyside Gardens, a landscaping firm and this company provides services to the District managing and operating the District's raw water irrigation system. The Board noted, for the record, that this disclosure is restated at this time with the intent of fully complying with laws pertaining to personal conflicts.

Changes to the Agenda

There were no changes presented.

Minutes

The Board reviewed the Minutes of the September 29, 2016 Special meeting. Director Meister noted the existing equipment in the pump house is outdated and there are no feasible options for monitoring the existing pump system. The cost to replace the equipment is approximately \$200,000. The Board determined the cost to update the equipment could not be justified at this time. After discussion and by motion duly made and seconded it was unanimously

RESOLVED to approve the September 29, 2016 Special Meeting minutes as revised.

Public Input

Jeremy Hughes questioned the reason for the 2017 rate increase and whether the District would be providing clean irrigation water. Director Meister explained the District continues to repair breaks in the existing lines and as the system continues to age, the Board is building a reserve fund to replace the main lines. Director Meister explained the District recently replaced and purchased an additional pump for the lower pump house. The District does not treat or filter the water in the irrigation system.

Mr. Hughes showed the Board the sediment that regularly collects on the filter for his irrigation system. Director Meister offered to look at the problem at the Hughes property and try to determine a solution. The location of the scrubber valve on Mr. Hughes property was discussed.

Director Meister explained the District recommends using lower pressure to blow out the individual irrigation systems to avoid melting the plastic in the meters.

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Water Disputes

Jon Lovins was present to discuss the Board's decision to waive 50% of the overage charges once in brings his property into compliance. Mr. Lovins explained the issues with his landscaping and the prior usage. The Board discussed the square footage limits in the DRC guidelines and the philosophy on limiting the square footage. Mr. Lovins would like to work with the District to stay within the irrigation limits. By motion duly made and seconded it was unanimously

RESOLVED to waive the overage charges on the Lovins July 15, 2016 meter reading noting that forgiveness for the excess usage charges is only available one time.

Trash Service

Jon Lovins suggested contacting the Town of Gypsum to provide trash services in Cotton Ranch. Director Meister agreed to discuss trash services options with the Town of Gypsum. The Board discussed snowplowing services on private roads within the District.

Refunding of 2006 Bonds

The information on the bond refunding was presented to the Board. Director Meister questioned whether the cost of issuance was included in the projected savings to the District. Mr. Marchetti confirmed the savings included the costs of issuance. The Board discussed the impact of the subordinate bonds on the mill levy and whether to negotiate the subordinate bonds during the refunding process. Mr. Marchetti stated the forecasts project the subordinate bonds will convert and the District will be responsible for the accrued interest. The District is required to assess a 35 Gallagherized mill levy. Director Christiansen questioned when the bonds were restructured in 2013 if it was estimated the accrued interest would not be paid by the District. Mr. Marchetti reviewed the debt service portion of the financial report to show how the assessed value has increased which is expected to cause the District to now be required to pay on the accrued interest. Mr. Marchetti presented the case to contact the current bond holders to buy out the existing bonds, including the accrued interest at a negotiated value.

The Board called Zach Bishop with D.A. Davidson to review the material and discuss the strategy to restructure the bonds. The Board questioned the DA Davidson rate, the projected assessed values, and the variable options. The Board requested D.A. Davidson provide best case and worst case scenarios as tools for the Board to determine how to proceed and what the effects would be on the District. The Board's goal is to keep the District's mill levy in the 45 mill range.

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Grants Ms. Curtis reported she has obtained information on the Colorado River District grant process. These grants are typically only available for domestic water systems with demonstration of need and hardship and are not typically available for raw water irrigation systems.

Operations Director Meister reported 2016 was a good year without a lot of operational issues. The raw water irrigation system will be blown out on November 9, 2016.

Pump & Pump House

Issues Plywood will be installed in the lower pump house, with an access panel to blow in insulation.

2016 Audit By motion duly made and seconded it was unanimously

RESOLVED to approve 2016 Audit engagement with Chadwick, Steinkirchner, Davis & Co. at \$5,250.

2017 Meeting

Schedule The Board approved the proposed 2017 meeting schedule. Based on input from property owners, the Board agreed to hold the November meeting at a public location in Gypsum during evening hours.

Financial

Statements Mr. Marchetti presented the October 31, 2016 financial report. It was noted the debt service mill levy is being reduced by 7 mills. Mr. Marchetti anticipates the mill levy will increase in 2018.

2017

Budget Today's meeting was published as the public hearing for the 2017 budget. The public hearing on the 2017 budget was opened for public comment. Hearing no public comment the public hearing was closed. After review and by motion duly made and seconded it was unanimously

RESOLVED to adopt the 2017 budget; to set the debt service mill levy at 1.345 mills, and the operating mill levy at 39.885 mills for a total mill levy of 41.230 mills; and to appropriate funds for spending in 2017, all as documented in the formal budget resolution but subject to minor adjustment for any further adjustments to the assessed values. A copy of the formal budget resolution is incorporated herein by this reference.

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Rate Increase

Hearing Today's meeting was published as the public hearing for the 2017 rate increase. The public hearing on the 2017 rate increase was opened for public comment. Hearing no additional public comment the public input session was closed. The Board agreed to keep the tap fees at \$2,600 for 2017. By motion duly made and seconded it was unanimously

RESOLVED to approve increasing monthly usage fees to \$66 for the Valley Floor and \$33 for Sky Legend.

Delinquent

Accounts The list of delinquent irrigation accounts was presented. By motion duly made and seconded it was unanimously

RESOLVED to adopt the resolution to Certify Delinquent Accounts for Collection by the County Treasurer. A copy of the formal resolution is incorporated herein by this reference.

Accounts

Payable The Board reviewed the November 2016 accounts payable lists. By motion duly made and seconded, it was

RESOLVED to approve the November accounts payable list, as presented.

Action Items

List The action item list was reviewed.

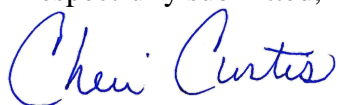
Reports The tap fee schedules and billing register were reviewed.

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 this 8th day November, 2016.

Respectfully submitted,



Cheri Curtis
Secretary for the Meeting