

APPROVED

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS

OF

CONSOLIDATED METROPOLITAN DISTRICT

Held Thursday, the 28th day of June 2007 at 9:00 a.m. at 398 Arroyo Drive, Battlement Mesa, Colorado.

Attendance

A regular meeting of the Board of Directors of the Consolidated Metropolitan District, Garfield 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 present and acting:

Bill Nelson
Fred Inman
George Cathey
Frank Lancaster
Bill Wilde

David Smith, Nick Massaro, Anne Huber, Bob Jasper, Roger Bulla and Sandy Yeager were also in attendance.

Call to Order

Director Inman called the meeting to order at 9:00 a.m. and established that a notice of the meeting had been posted as required by statute. Director Inman noted that a quorum was in attendance.

No potential conflict of interest disclosures were noted or filed on behalf of any of the Directors.

David Smith

David Smith, attorney for Grace Homes presented his concerns with possible changes to the District's Rules and Regulations regarding the proposed water rights dedication policy. Section #1 states "applicants shall, as a condition of water service, dedicate and convey to the District those water rights historically serving the land to be developed." Mr. Smith's concerns were: 1) those developers who have water rights must dedicate and convey without compensation; 2) if a developer has no water rights to convey, this policy is not equitable to the developer who has rights that must be conveyed to the District.

District Manager Jasper interjected that the well rights on the Grace Homes property well, as well as their ditch rights, have not been used for many years. He believes the value is in the ditch rights and Grace Homes could sell those rights to someone else, but the District would protest the sale. He also mentioned that, to date, Grace Homes has not used any of the water from the well or the ditch. He also reported that Grace Homes proposed the District give them \$36,000 in taps in exchange for the rights and Mr. Jasper refused this offer and referred them to the District's attorney. Mr. Jasper stated that Grace Homes should have brought all their research to back up their \$36,000 request, to show the value of the water rights. Director Wilde asked, what makes us think we can take those rights for water we do not need.

Director Wilde stated that when this issue was discussed two months ago, this was not the direction the Board took. He stated that he is very much against the proposed policy, saying he thinks it is absolutely horrible. He also mentioned that nothing in the proposed capital plan addresses new water rights with regard to storage, pump stations, etc. Director Wilde also mentioned that the BMP land upstream to the Grace Homes development has ditch rights and that they may use the water for irrigation of small ranchette lots and may not want to convey and dedicate those rights to the District.

District Manager Jasper responded by saying that he is trying to put this together with his interpretation of the Board's direction and all he can do is make his best recommendations. He also stated that there will come a time when this District will need to be a part of the water rights discussion group with the water commission. Mr. Jasper reported that this concept is standard for the majority of water districts. Director Wilde responded with we are not standard, never have been.

Director Inman asked if the District should agree on a price to purchase water rights. Director Wilde stated that if we can demonstrate the need and use of those rights into our system, then yes, we should seek to purchase those rights. Purchasing additional Reudi rights, where all the infrastructure is already in place makes sense to him. Buying fragmented rights that are not integrated into our system now does not make sense to him and does not seem right. Director Wilde added that we need a comprehensive study of all the rights in the area. Weirs are in place on all ditches now so this should not be a complicated thing to do.

Director Nelson asked why the wording in section #1 could not be changed to not be so black and white, allowing the District to use its discretion on whether rights are required to be dedicated and conveyed as a condition of water service. If there is value to the District, then we will compensate the developer for the rights.

Director Lancaster voiced his support for Director Nelson's suggestion. Director Cathey voiced that he only wants to deal with the present situation and to work with Grace Homes and then work on the rest of the issues at a later time. Director Wilde agreed that we should not impede the progress of Grace Homes. Director Lancaster then agreed that we should take care of Grace Homes first. He also asked if we can even get water out of Grace Homes rights. David Smith will provide information on the water availability related to the rights. It was agreed that the Board will try to finalize this at the next Board meeting.

May 2007 Meeting
Minutes

A motion was made by Director Wilde to accept the May 24, 2007 meeting minutes as presented; Director Nelson seconded the motion and the motion carried unanimously.

April 2007 & May
2007 Financial
Statements

The April 30 and May 31, 2007 financial statements were reviewed. A motion was made by Director Wilde to accept the financials as presented, subject to audit; Director Nelson seconded the motion and the motion carried unanimously.

Activity Center
Information

Progress on the weight room is slow right now. Waiting for the electrician, who should be here next week. Anne and Larry Huber are looking at weight room equipment.

The advisory committee recommendations were presented as follows: 1) keep the assessment at \$205 and make up the difference in revenues in other ways. This approach will have less impact on those who do not use the center and on BMP, the largest assessment customer the District has; 2) divide the assessment into four equal monthly payments for those who wish to pay this way; 3) impose an activation fee beginning January 1, 2008; 4) raise daily admission fees for adults from \$7 to \$8 and keep the child daily rates at the current levels; 5) eliminate the guest pass beginning January 1, 2008; 6) improve the discounted punch pass to benefit residents and extend the expiration date on punch passes from six to twelve months; 7) impose a transfer fee, per unit, when address changes are made; 8) raise the adult monthly rate and reduce the annual family rate.

Director Wilde remarked that he thought the activation fee should be \$20 each year and should not be reduced to \$10 after the first year. Ms. Huber will bring this suggestion to the committee. Following adoption at the July meeting, an article will be published in the Sun Newspaper that will recognize the committee members and will outline the changes that will go into effect in 2008. A mailing to all residents will also be sent. Director Inman thanked the committee for their efforts and their creative ideas in funding the Center.

2006 Audit Draft

The preliminary draft of the 2006 audit was presented for review. Director Wilde requested the following changes: 1) on page D7 under the heading of Interest Rate Risk, he requested the paragraph be reworded to reflect that the District has cash on deposit in a bank and with C-Safe and does not have investment in securities; 2) on page D14 he mentioned that the paragraph of Related Party be reworded to state that none of the five Board members are affiliated with the developer; 3) on page D14 the second paragraph under Related Party, he questioned if this was included as a paper trail, if not it should be removed.

The final audit will be presented by Jerry McMahan, McMahan and Associates, at the July meeting.

District Manager
Report

District Manager Jasper reported that Nathan Sims has been hired as the Compliance/Lab Technician, a newly created position for the water and wastewater departments.

The proposed purchasing policy was presented and reviewed. A motion was made by Director Wilde to adopt the purchasing policy as presented; Director Cathey seconded the motion and the motion carried unanimously.

The request from John Lyons was discussed. Director Cathey moved that the District work with Mr. Lyons, but the wildlife habitat at the Colorado River will be maintained as it is; Director Wilde seconded the motion and the motion carried unanimously.

The proposal from Rippy's Utility Locating Services for storm drain cleaning was reviewed. Director Nelson moved to accept Rippy's proposal as presented; Director Cathey seconded the motion and the motion carried unanimously. The work will be scheduled to begin after July 22.

Capital Plan

District Manager Jasper presented the proposed Capital Plan and explained that it is a planning tool only, and any purchases/repairs will be authorized at budget preparation. This gives the Board time to set the charges for the new system development fee. He mentioned there are several ways to finance capital improvements: 1) everyone pays the same fee; 2) outside developments pay the entire cost of infrastructure; 3) by saving the money to pay for future improvements; 4) borrowing the money. Mr. Jasper prefers option #1.

Anne Huber reported that for the Activity Center capital plan, she and Larry Huber walked through all areas of the Center and tried to visualize how it would look in the future. She wants to keep it nice and comfortable for our guests. Director Wilde noticed that about 40% of the improvements for the Center are located in the outdoor areas, including volleyball courts, basketball courts and an outdoor education center in the naturally existing amphitheater located out the back side. An elevator is being looked at to assist in the control of who enters the Center. Ms. Huber will research elevator options for presentation at a later date.

Regarding water and wastewater capital improvements, the summary page for each item was found to be helpful. However, Director Wilde suggested that following the brief description of each category, an explanation of what the improvement will accomplish would also be helpful. Director Inman suggested that a time frame for each item be included so the Board will know which projects have priority over the others.

Director Wilde also pointed out that all references to Battlement Mesa Metro need to be deleted.

Overall, the Board agreed that a great job had been done on the capital improvement plan.

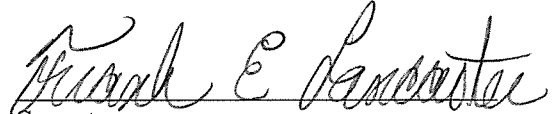
Reudi Reservoir Rights

District Manager Jasper reported that some water rights to Reudi Reservoir are still available. He would like to pursue the purchase of an additional 200 acre feet, at a cost of \$1,000/acre foot, which could serve 5,000-6,000 homes during a drought period. The Board agreed that Mr. Jasper should look into it.

Adjournment

There being no further business to come before the Board, and upon motion made and seconded and unanimously carried, the meeting was adjourned at 12:10 p.m.

The foregoing constitutes the true and correct minutes of the above referenced meeting and was approved by the Board of Directors of the Consolidated Metropolitan District on the 26th day of July, 2007.


Secretary