

APPROVED

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS

OF

CONSOLIDATED METROPOLITAN DISTRICT

Held Thursday, the 27th day of September 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 Wilde
Frank Lancaster
George Cathey
Bill Nelson

Roger Bulla, Lynn Shore, Bob Jasper, Anne Huber and Sandy Yeager were also in attendance.

Call to Order

Director Nelson 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 Nelson noted that a quorum was in attendance.

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

August Meeting
Minutes

The August 23, 2007 meeting minutes were reviewed. Director Wilde requested that on page three, second paragraph from the bottom, the last sentence be clarified to read: this model of system development fee is one where everyone pays the same fee, rather than one where the developer pays for all new capacity infrastructure improvements. A motion was made by Director Wilde to accept the minutes as presented, with the above amendment; Director Lancaster seconded the motion and the motion carried unanimously.

August 2007
Financial Statements

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

Activity Center
Information

Anne Huber reported that a bid packet was put together for the housekeeping services at the Center and the request for proposals was published in the Glenwood Post Independent and the Daily Sentinel. U.S. Cleaning Professionals made no changes to their proposal from last month. Clean Dudes submitted a proposal which was higher than U.S. Cleaning Professionals. Director Wilde asked if the service costs more or less than the current housekeeping staff and Ms. Huber's response was that it is \$12-\$15,000 more than the staff. She mentioned that they are just getting by at this time and she may not be able to staff the department in the near future. Directors Cathey and Lancaster voiced their concern over the large difference between the two proposals that were received. No decision will be made on the contract award until the 2008 budget workshop is held to address the Center's budget shortages for next year.

Ms. Huber reported that weight room equipment has been ordered and the room should be ready by the end of the year.

District Manager
Report

District Manager Jasper reported that since the discussion with Thomas Kennedy, who determined that our water use is too high, we have tried different things to tighten it up. A gauge in the river pump has been replaced and this brought us to about a 10% loss on average, down from 20-25%. He mentioned that a loss of 10% is acceptable, based on national averages. He also reported that Thomas Kennedy has left Zancanella & Associates and has started his own business and he would like to continue to work with the District as our main water advisor.

Mr. Jasper reported that Steve LaBonde is ill and that he has been talking to other engineers at WestWater Engineering. No one there has looked at the school district plans.

Mr. Jasper reported that dumping of asphalt on our property behind the service center has been halted since a locked gate has been installed. He is unsure what property belongs to the District and what belongs to Battlement Mesa Partners, as he cannot locate the pins that mark the property boundaries. Bookcliff Surveyors, who did the survey a few years ago, is coming to set stakes in order to define whose property is whose.

Mr. Jasper reported that the storm drains have been cleaned and that he is happy with Rippy's work.

Mr. Jasper reported that the 2008 preliminary budget is a rough draft and changes are needed. He reported that a 5% increase in water and sewer charges and the system development fee have been built into it. He also reported that a new capital fund for the SDF will be set up. Significant salary increases have also been added to raise the lower scale employees to standards normal for this area. These include a 10% increase for the lower utility technicians and 25% for lifeguards, BMAC front desk and housekeeping staff. Large expenditures for repairs and maintenance include the RV lift station and the repair of three manholes. Under capital expenditures, the biggest expense is doubling the size of the biosolids drying beds. Director Wilde suggested that a budget workshop be held which would focus only on the budget. He is concerned with the BMAC fund showing that they are falling short again for next year, and he does not believe water and sewer rates should be increased to subsidize the BMAC, roads and other areas not related to the water and sewer departments. A budget workshop will be scheduled. A motion was made by Director Wilde to accept the 2008 preliminary budget as presented; Director Lancaster seconded the motion and the motion carried unanimously.

District Manager Jasper reported that Garfield County would give the District \$200,000 the first year for road maintenance and this amount would increase by 5.5% in subsequent years. They were hoping that a January 1, 2008 deadline could be met, but the Board does not think this is possible. Mr. Jasper suggested that the Board meet with the County Commissioners to work on our taking over road maintenance. Director Nelson read a memo from Garfield County on the projected costs of road maintenance in Battlement Mesa and the costs were much higher than \$200,000/year. Mr. Jasper pointed out that the District would be taking over only residential streets from the County. Battlement Parkway and Stone Quarry Road would remain with the County. He also mentioned that any new subdivisions that are developed would be responsible for their own street maintenance, which could be a problem because most homeowner associations do not maintain their streets very well. Lynn Shore pointed out that Mesa Ridge, The Fairways and Canyon View subdivisions maintain their own roads and they do a better job at it than the County does on Battlement Mesa's other residential streets. Director Wilde asked Mr. Jasper how he could be negotiating the road issue when he doesn't know the

condition of the roads. He thinks the \$200,000 per year in estimated costs is far too low. We should be looking at \$500,000 - \$1,000,000 to just buy equipment and to staff the road department. He also suggested we have a private engineer, not Garfield County's engineer, evaluate the condition of the roads prior to our making an agreement with the County. Director Wilde also mentioned to Mr. Jasper that the Board needs a line-item budget for road maintenance. Mr. Jasper asked the Board what they want him to do. Director Cathey suggested that he slow down on this issue. Mr. Jasper will get back to Ed Green and let him know we need more time to work with the Service Association and to define the costs.

Out-of-District Water
Sales

District Manager Jasper reported that he had received an email from water commissioner, Dave Berry, which stated the District can sell water to out of District users. Director Lancaster mentioned that this would be a good public service and Director Cathey stated that he can see no reason not to sell to out of District users. A motion was made by Director Lancaster to sell water to out of District users, on a case by case basis; Director Cathey seconded the motion and the motion carried unanimously.

System Development
Fee

District Manager Jasper reported that the requested changes have been made to the System Development Fee. Director Wilde thanked Mr. Jasper for the breakout of repair and replacement, but he still only answered about one-third of what he asked for. Director Wilde mentioned that Mr. Jasper did not let the Board know if we can fund the capital plan at the current \$6,000 or if we need \$9,000 or \$12,000. Mr. Jasper responded by saying he tried to use previous BMP plans for development, and he took a rough number as he does not know how many units their new plan allows for. After discussion of the SDF, a motion was made by Director Lancaster to adopt the System Development Fee as presented; Director Cathey seconded the motion and the motion was carried with Directors Lancaster, Cathey and Nelson voting in favor of and Director Wilde voting against the Resolution.

Purchase of Grace
Homes Water Rights

District Manager Jasper reported that Grace Homes will not accept less than \$10,000 for their ditch rights. A motion was made by Director Wilde to deny the purchase of the ditch water rights from Grace Homes; Director Cathey seconded the motion and the motion carried unanimously.

Public Hearing for
School District 16
Inclusion

The public hearing for the School District 16 Inclusion Resolution was opened at 12:10 p.m. There being no public input or comments, the hearing was closed at 12:12 p.m. A motion was made by Director Wilde to adopt the Resolution for Inclusion of School District 16 into the Consolidated Metropolitan District as presented; Director Lancaster seconded the motion and the motion carried unanimously.

John Lyons Request
to Vacate County
Road 300A

District Manager Jasper reported that he had received a notice from John Lyons in which he is requesting Garfield County vacate County Road 300A. This road is our access to three areas of the District: a well feed, a pump station and a lift station. The Board may be interested, however, we need easements as part of the agreement. Director Wilde stated he has no problem with it as long as we get the full-blown dedication we need and as long as our rights for access are not hindered. The vacating of this county road will most likely enhance our plant security. Before a decision is made, Mr. Jasper will meet with the Battlement Mesa Service Association and the trails committee for their input.

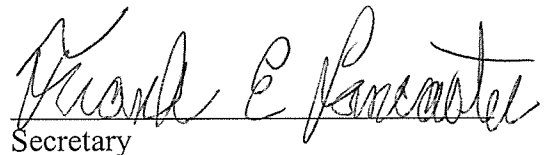
Executive Session

A motion was made by Director Cathey to postpone the scheduled executive session until the October meeting; Director Lancaster seconded the motion and the motion carried unanimously.

Adjournment

There being no further business to come before the Board, and upon motion made by Director Wilde and seconded by Director Cathey and unanimously carried, the meeting was adjourned at 12:25 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 25th day of October, 2007.


Secretary