

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE STONEGATE VILLAGE METROPOLITAN DISTRICT HELD AUGUST 17, 2016

A regular meeting of the Board of Directors of the Stonegate Village Metropolitan District was held on Wednesday, August 17, 2016, at the Stonegate Community Center, 10252 Stonegate Parkway in Parker, Colorado at 5:30 p.m.

ATTENDANCE:

Present were Directors:

Lisa Hyvonen
Greg Sanford
Roger Husbands
Mary Sanner

Also in attendance were:

Matthew R. Dalton, Esq.; Spencer Fane
Darin Pytlik, Providence Infrastructure Consultants
Daniel Rice, Providence Infrastructure Consultants
Bill Goetz; TST Engineering
Ron Lambert, Mulhern MRE
Charles Wenger; Colorado Landscape Services & Facilities Manager
Steve Williams, iSpark Communications
John Simmons, CPA; Simmons & Wheeler; P.C.
John Wright, CPA; Raftelis Financial Consultants, Inc.
Sarah Sjobakken, SVMD Office/Billing Manager
Sean Chambers, SVMD General Manager
Bob Cole, Esq.; Special Counsel, Collins Cockrel & Cole – by telephone

CALL TO ORDER:

The meeting was called to order at 5:34 p.m. by Director Hyvonen. It was noted that I traveling and his absence excused.

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST:

Directors Hyvonen, Sanford, Husbands, and Sanner declared that they have no conflicts of interest and District General Counsel stated that the required disclosure statements have been filed.

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APPROVAL OF AGENDA:

Director Husbands moved that the agenda be approved as a limited amendment to reorganize by moving Providence Infrastructure's discussion of the Re-Use project up the agenda to get them in and out; and noted for the executive session, Mr. Cole would appear by telephone. Upon motion duly made, seconded by Director Sanford, and unanimously carried, the agenda was approved as amended.

PUBLIC COMMENT:

Director Hyvonen opened the floor for public comment(s):

Hearing no interest from the general public, public comments was closed.

Re-Use Project Permitting and Engineering Update:

Daniel Rice and Darin Pytlic of Providence Infrastructure Consultants presented an update on the Re-Use project to the Board, starting with an overview of the Reclaimed Water Conveyance Evaluation and Alternative No. 5 plans to construct additional re-use conveyance pipeline and pump station facilities and collaborate with the use of Parker Water & Sanitation District facilities to get the reclaimed treated effluent water up to a point of discharge into Cherry Creek where it can be diverted and pumped in partnership with Parker up to Rueter-Hess Reservoir to be stored in Stonegate Village Metro District's water storage capacity.

The Board appreciated the update, notes on CDPHE site approval, and the project timeline that would suggest that once permitting and IGA with Parker W&S are in place that the project could go out to bid in spring of 2017.

District management, Providence and the Board noted the importance of fully using and utilizing indirect potable reuse of our non-renewable groundwater resources from the Denver Basin. It was further noted that re-use of the future renewable water delivered from WISE partnership via Aurora's Prairie Water Project, will be best utilized under the proposed alternative no. 5 indirect potable reuse project that will allow successive uses of return flows.

EXECUTIVE SESSION PER CRS SEC. 402(4) (b) and (e)

Director Husbands moved that the Board enter into Executive Session with special counsel, Mr. Cole, to discuss confidential terms of the final contract and the negotiations, strategies, and to receive focused legal advice regarding the proposed final draft of the agreement with Compark Business Campus Metro District (CPBCMD) per CRS Sec. 402(4)(b) and (e). Upon motion duly made, seconded by Director Sanford, a vote was taken and the motion carried unanimously.

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Mr. Bob Cole, Esq. appeared by telephone and led the discussion regarding the Regional Water & Wastewater Service Agreement proposed to replace and update the Regional Facilities Agreement by and between Stonegate Village Metro District and Compark Business Campus Metro District

Upon Conclusion of the Executive Session discussion, **Director Hyvonen moved that the Board exit executive session. Upon a second by Director Sanford, a vote was taken and the motion carried unanimously.**

Director Hyvonen made a **Motion to approve the Amended and Restate Regional Water and Wastewater Service Agreement; contingent upon the finalization of mapping Exhibits and development of refined final calculations by District engineering consultants on the quantification of the appropriate active taps (presently estimated at 601), in the municipal water and wastewater systems within the range of 400-650 Single Family Equivalents (SFE) in CBCMD; and hereby authorize the Board President and Secretary to sign and formally execute the Agreement once all Exhibits are appropriately refined and in place with the refined SFE calculations for current and prior years as required by the Agreement. Upon a second by Director Sanford, a vote was taken and the motion carried unanimously.**

NEW BUSINESS:

Consent Agenda:

Minutes: Review and approval of the July 20, 2016 minutes and August 3, 2016 Special Meeting Workshop minutes.

Agreements: Ratification of Point & Pay Service Agreement.

A motion was made by Director Husbands to approve the consent agenda items and minutes as submitted. Upon a second by Director Hyvonen, a vote was taken and the motion carried unanimously.

Professional Service Agreement: Professional Services Agreement for Water, Wastewater & Tap Fee Rate Study scope of work with Raftelis Financial Consultants, Inc.

The Directors discussed the sense of urgency to get the Cost of Service Water & Wastewater Fee and Rate Study work commenced in advance of the budget and 2017 rate setting discussions that need to take place in late fall to early winter. It

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has been projected that a water rate increase is likely needed, as there has not been such an increase to water rates in more than ten years, and the WISE water and related infrastructure project will create additional water fund expenses necessary for shoring up water supply and introducing conjunctive use with renewable water.

Mr. Goetz reminded the Board of the importance of reviewing rates annually and always adjusting rates to cover increasing expenses, new regulatory compliance, and cost of business inflation so that rates keep pace with actual expenses and the need to replace aging infrastructure.

Director Sanford made a motion to approve the Cost of Service Rate and Fee Study as presented. Upon a second by Director Hyvonen, a vote was taken and the motion carried unanimously.

STAFF AND CONSULTANT REPORTS:

Manager's Report:

Mr. Chambers presented the manager's report along with some additional items for Board information and consideration.

Mr. Chambers noted that the District's customer service and billing team have done an excellent job juggling their professional administrative duties as we learn the software and systems while providing high quality customer service and follow up with the customers. The staff have been working through the high and low consumption reports, contacting residents to make sure they don't have leaks, cleaning up delinquent payment plans where over past due accounts need firm arrangements to cleaned up before year end. The Highlands HOA through communication with the District office staff and management are not getting payments made and billing is being brought up to current. There remain many walk in customer who don't know the difference between the Metro District and our role and areas of responsibility and the HOA's role and responsibilities; and therefore staff will develop a SVMD specific newsletter to go out in monthly billing to raise customer knowledge and information about the District's business.

Mr. Chambers reported on the ongoing work with staff and consultants and planning for the 2017 budget, noting the importance of a cost of service rate study and review of the tap fee structure.

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STAFF AND CONSULTANT REPORTS (CONTINUED):

Colorado Water Systems Report:

A written report and graphs were included in the Board packet. Ger Whelen, ORC, was out of town, so Mr. Goetz filled in and reported on the required lead and copper sampling, additional requirements from CDPHE, current water demands at approximately 3,000,000 gallons per day; and the Chloramines conversion project. Bill updated the Board on the late September conversion timeline, noting that control programming and inspections have delayed the conversion. CWC has talked with other WISE participants who have made the switch and collected feedback on lessons learned; with that info in hand, a plan is being developed with TST and Black & Veich to ensure an effective and orderly conversion that requires a minimal amount of hydrant flushing to move water through the system.

Mr. Goetz noted the need to update the District Rules and Regulations and observed that there are more and more pressure reduction valve and copper plumbing failures in the older areas of the District each year that his team responds to troubleshoot and often turn off at the curb.

Mulhern MRE District Engineering Report:

A written report was provided. Ron Lambert discussed the Compark South development area, the increased workload, and Douglas County approvals that are not exactly consistent with SVMD Rules and Regs., which is yet another reason to complete the District's update to its Rules and Regulations that set forth guidance for development and site specific connection.

TST Infrastructure Engineering Report:

A written report was included in the Board Packet and Bill Goetz discussed the WISE connection pipeline project with an update on construction in Keystone and timeline before school starts along with subjects on the Infrastructure Master Plan and WWTP capacities.

Landscape Operations:

Mr. Wenger updated the Board on the landscape maintenance, fence maintenance, graffiti issues, non-potable pump station pump issues gypsum addition to irrigation water for healthy trees and the tennis court power broom purchased to do more in-house maintenance. Mr. Wenger will be developing a tree replacement plan that fits into the District's \$40K/yr. budget for replacing trees, which is more important as the older trees mature.

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FINANCIAL ITEMS:

Claims for Payment:

Mr. Simmons reviewed the claims presented for payment in the amount of \$73,656.22. Director Husbands moved that the Board approve the claims for payment as presented. Upon second by Director Olson, vote was taken and motion carried unanimously.

Financial Statements:

Mr. Simmons noted that water revenues were up as expected for the peak of the irrigation season. General repair expenses were less than expected and that the water fund balance was reasonably healthy at \$2.3M, but that more needs to be done to protect that fund balance as WISE ramps up and further WISE phase 2 infrastructure is scheduled to be built in 2019.

Mr. Simmons noted that the District would need a 2015 Budget Amendment Hearing and action by the Board before the audit could be formally completed. Mr. Dalton and Mr. Chambers agreed to work towards getting that formally notices and added to the next regular meeting agenda.

OLD BUSINESS:

Operations and Community Ctr. Reservations:

A variety of policy issues were discussed, mostly noting that CRS was not incentivized to be strictly enforcing the community center rental policies and that there was now order applied to the operation, and that staff would be assuring that reservations either get used or cancelled in time to make the time slot available to other paying citizens. Further, only those who are truly non-profits or school organizations will have their fee waived, and there will be no waiver of the \$15 inspection fee that is charged to the District after each reservation by the inspector who checks in to ensure cleanliness.

The Customer Service staff further described the volume of work related to real property transactions, title company estimates, and rental properties changing hands over the summer months. The workload created is nearly a full time equiv. position; and staff is brainstorming on tools and policy revisions that would create efficiency and limit the workload.

Further, there is a demographic change happening with the sale of residential property and we know we need to do better at introducing the District to new customers so they understand what they pay for and who to bring their questions to when issues don't add up. Customer Service and Billing manager suggested a welcome package that has a magnet with District contact info on it and then a variety of information that is useful to a new resident and informs them of the services we provide.

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Mr. Chambers recommended this type of outreach noting that it had a high degree of impact in his experience and is always greatly appreciated by new residents. The Board appreciated the suggestion and tasked staff with developing the info and materials that would go into such a package.

ATTORNEY'S ITEMS:

Attorney Report:

The report on General Counsel's legal items was presented by Mr. Dalton. Upon limited discussion of the outstanding not-potable irrigation bills that appear to be a result of failure to read 2 of the LPMD non-potable meters over the past two plus years and estimated billings from CRS that fell far short of the actual metered consumption, Mr. Dalton recommended that further discussion of the situation and the best way to work through what may develop into litigation would be best handled inside executive session. Mr. Dalton recommended an executive session be added to the end of the agenda to further discuss the approximately \$60K in outstanding non-potable irrigation water bills.

BOARD UPDATES AND DISCUSSION:

District Communications: Mr. Williams addressed the Board with his monthly report, noting that more needs to be done to inform the general customers and residents on the District's core business, the size and complexity of the operations and the strong business logic and efficiencies in operating with a full time on-site management and customer service team.

Mr Williams discussed the Stonegate Messenger content, open house content, supporting staff in their work on a billing newsletter and a Facebook page. Further, Mr. Williams reminded the Board of plans to implement Constant Contact or Mail Chimp communication tools to better reach our customer base and its different sectors with targeted information. Given the complexity of serving SVMd, LPMD, CBMD and Dove Ridge; there are a variety of ways different communication would address the needs and concerns of different customer groups.

EXECUTIVE SESSION PER CRS SEC. 402(4) (b) and (e)

Executive Session:

Based upon the earlier discussion of the outstanding non-potable water debt, **Director Sanner moved that the Board enter into Executive Session with its**

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general legal counsel, Mr. Dalton, to discuss legal strategies and the potential for litigation over the outstanding balances due per CRS Sec. 402(4)(b). Upon motion duly made, seconded by Director Husbands, a vote was taken and the motion carried unanimously

Director Olson made a Motion to come out of executive session and upon second by Director Hyvonen, a vote was taken and the motion carried unanimously.

The Board gave direction to Mr. Chambers to communicate and work with LPMD on the past due amount, helping them to understand how the balance built up and how it could be paid off with terms over a reasonable period of time; knowing they would not have budgeted for such a large single year excess expense.

ADJOURNMENT:

There being no further business for the Board's consideration, Director Hyvonen moved that the Board adjourn the meeting at 8:42 p.m. Upon second by Director Sanford, a vote was taken and motion carried unanimously.

Signed at the Direction of the Board

By: Lisa Hyvonen

Director: David Sanford

Respectfully prepared and submitted,

Sean P. Chambers

By Sean Chambers