

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PAINT BRUSH HILLS METROPOLITAN DISTRICT HELD JULY 17, 2014

A regular meeting of the Board of Directors (referred to hereafter as "Board") of the Paint Brush Hills Metropolitan District (referred to hereafter as "District") was held on Thursday, the 17th day of July, 2014, at 7:00 p.m. at the Paint Brush Hills Metropolitan District Office, 9830 Liberty Grove Drive, Falcon, Colorado 80831. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Kim Griffin
Calvin Pollard
Doug Burrer
Floyd Roberts
John Bruszenski

Also In Attendance Were:

Leon Gomes; Special District Management Services, Inc.

Jennifer Gruber Tanaka, Esq.; White Bear Ankele Tanaka & Waldron, P.C., (via speakerphone)

Mitchell Downs; Osborne, Parsons & Rosacker

See attached sign-in sheet for additional attendees.

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential or Existing Conflicts of Interest: The Board discussed the requirements pursuant to Colorado law to disclose any potential or existing conflicts of interest to the Board of Directors and to the Secretary of State. Attorney Tanaka reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State's Office and the Board at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board and are attached hereto. Mr. Gomes noted that a quorum of the Board was present and inquired into whether members of the Board had any additional disclosures of potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No additional disclosures were noted.

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ADMINISTRATIVE MATTERS

Agenda: Mr. Gomes reviewed the proposed agenda for the District's Regular meeting.

Following discussion, upon motion duly made by Director Burrer, seconded by Director Pollard and, upon vote, unanimously carried, the Agenda was approved, as amended.

Public Comments: Ms. Bonilla queried the Board regarding District policy for displaying the United States Flag. She noted that there is, at present, no lighting on the flag flown over the community entranceway. Ms. Bonilla then inquired of the Board whether the District is following the water conservation policy in its landscape irrigation along Londonderry Drive. Ms. Bonilla remarked that Board Meetings are statutorily required to be recorded. Attorney Tanaka clarified that no such statutory requirement exists and recommended against utilizing any electronic recording method for District Board meetings with the exception of executive sessions as required by the Open Meetings Law. Ms. Bonilla further remarked that Title 32 requires Resolutions be published. Attorney Tanaka noted that no such requirement exists. Ms. Bonilla expressed her concern that not all residents of her neighborhood had been notified of the El Paso County Planning Commission Hearing regarding Scenic View at Paint Brush Hills. Ms. Bonilla went on to express concern that the District Manager and the District Engineer had attended the El Paso County Board of County Commissioners Meeting and that the developer would be billed for their time there. Ms. Bonilla asked the Board if an Action Items List is kept by the District. Mr. Gomes responded that the District keeps Action Items Lists and that she may request these items by submitting a Public Records Request.

CONSENT AGENDA

Consent Agenda: The Board considered the following actions:

- Acknowledge Manager's Report.
- Acknowledge Staff Report.
- Acknowledge Operations Report.
- Approve Minutes of the June 19, 2014 Regular Meeting.
- Ratify Rules & Regulations currently in effect.

Following discussion, upon motion duly made by Director Bruszenski, seconded by Director Roberts and, upon vote, unanimously carried the Board approved the consent agenda.

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FINANCIAL MATTERS

Claims: The Board considered approval of the payment of claims for the period ending July 17, 2014, as follows:

General Fund	\$	18,989.96
Debt Service Fund	\$	-0-
Enterprise Fund	\$	45,350.66
Total Claims:	\$	<u>64,340.62</u>

Mr. Gomes reviewed the claims with the Board.

Following review and discussion, upon motion duly made by Director Burrer, seconded by Director Pollard and, upon vote, unanimously carried, the Board approved the payment of claims for the period ending July 17, 2014.

Financial Statements: Mr. Gomes reviewed with the Board the unaudited financial statements for the period ending June 30, 2014.

Following review and discussion, upon motion duly made by Director Bruszenski, seconded by Director Burrer and, upon vote, unanimously carried, the Board accepted the unaudited financial statements for the period ending June 30, 2014, as presented.

2014 Budget Priorities Progress: Mr. Gomes reported that the 2014 Budget Priorities were submitted to the Directors with their Meeting Packet. Mr. Gomes noted that the document had been reformatted to include progress on Budget Priorities. Director Burrer remarked that the new format will facilitate the process of establishing the 2015 Budget Priorities. Mr. Gomes queried the Board regarding moving Budget Priorities to the Consent Agenda. The Board agreed with moving Budget Priorities to the Consent Agenda and directed Mr. Gomes to post the Budget Priorities on the District Website.

2013 Budget Amendment Hearing: Mr. Griffin opened the public hearing to consider the Resolution to Amend the 2013 Budget and discuss related issues.

It was noted that publication of Notice stating that the Board would consider adoption of a Resolution to Amend the 2013 Budget and the date, time and place of the public hearing was made in a newspaper having general circulation within the District. No written objections were received prior to this public hearing.

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Mr. Lawrence inquired about what necessitated the exceedance of the 2013 Budget. Mr. Gomes answered that the total 2013 expenditures exceeded the Budget by \$9,084 and that the exceedance was not caused by a single Budget item.

Ms. Bonilla inquired as to whether the office lease had exceeded the 2013 budgeted amount. Mr. Gomes responded that the amount budgeted for the office lease was sufficient for that expenditure.

No additional public comments were received by the Board. Mr. Griffin closed the Public Hearing regarding the Amendment to the 2013 Budget.

Following discussion, upon motion duly made by Director Burrer, seconded by Director Roberts and, upon vote, unanimously carried, the Board adopted Resolution 2014-07-01, to Amend the 2013 Budget and Appropriate Revenues and Expenditures accordingly.

2013 Audit: Mr. Downs reviewed the 2013 draft Audit with the Board.

Following review and discussion, upon motion duly made by Director Pollard, seconded by Director Griffin and, upon vote, unanimously carried, the Board accepted the 2013 Audit and authorized execution of the Representations Letter. The Board directed Mr. Downs to file the 2013 Audit with the State Auditor by the statutory deadline.

Resolution No. 2014-07-02 Amended and Restated Resolution Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sewer Services and Facilities (for adjustment in commercial water rate charges): The Board entered into discussion regarding the adjustment of the Commercial Water Users' Rate, increasing the Meter Setting Fee to include the Builder Fee, and the removal of the Builder Fee. Attorney Tanaka reported that the notice to customers required by § 32-1-1001(2), C.R.S., was provided at least 30 days prior to the meeting by mailing the notice with the monthly bills, posting the notification on the District's website and by posting the notification on the SDA's website.

Following discussion, upon motion duly made by Director Burrer, seconded by Director Pollard and, upon vote, unanimously carried, the Board adopted Resolution No. 2014-07-02 Amended and Restated Resolution Concerning the Imposition of Various Fees, Rates, Penalties and Charges for Water and Sewer Services and Facilities.

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Farmers State Bank Lease-Purchase Agreement for New Vehicle Purchase:

Mr. Gomes reported that the Farmers State Bank Lease-Purchase Agreement for the recently acquired 2014 Ford F150 pickup was received and is awaiting review by the District's Legal Counsel. Mr. Gomes requested the Board approve the Lease-Purchase Agreement subject to review by the District's Legal Counsel.

Following discussion, upon motion duly made by Director Bruszenski, seconded by Director Roberts and, upon vote, unanimously carried, the Board approved the Lease-Purchase Agreement with Farmers State Bank for the purchase of the 2014 Ford F150 pickup, subject to review by the District's Legal Counsel.

LEGAL MATTERS

Rules and Regulations: Attorney Tanaka reported that the District Engineer, John McGinn, had submitted a redline copy of the draft Rules & Regulations from which he had removed all specifications and that Mr. McGinn is to provide her and Mr. Gomes with the specifications currently used by the Woodmen Hills Metropolitan District for their review and incorporation. Attorney Tanaka noted that the next review meeting is scheduled for August 12, 2014, and that she will provide the draft Rules & Regulations to the Board for review prior to the August 21, 2014 Regular Meeting.

Independent Contractor Agreement Between the District and Ross Electric Enterprise, Inc.: Attorney Tanaka reported that the District and Ross Electric Enterprise, Inc. were unable to reach an agreement with respect to certain language in the Independent Contractor Agreement that addressed contractor insurance. Attorney Tanaka advised that Ross Electric had returned the executed Agreement with language stricken from it and the changes were unacceptable to the District's Insurance Agent. Attorney Tanaka recommended that the Board consider rescinding the Independent Contractor Agreement between the District and Ross Electric Enterprise, Inc.

Following discussion, upon motion duly made by Director Bruszenski, seconded by Director Pollard and, upon vote, unanimously carried, the Board approved rescinding the Independent Contractor Agreement between the District and Ross Electric Enterprise, Inc. The Board directed Mr. Gomes to provide written notification of this action to Ross Electric.

New Board Member Orientation: Attorney Tanaka discussed with the Board her proposal to conduct a New Board Member Orientation. Attorney Tanaka noted that the Orientation could take place during a Board Meeting, prior to a Board Meeting, or during a Special Meeting. Attorney Tanaka advised that the Orientation would be approximately two hours in duration and would provide

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Directors with information regarding Board Meeting conduct, statutory requirements, and Director roles and responsibilities.

Following discussion, the Board determined to hold a Special Meeting in October 2014, in which to conduct the New Board Member Orientation. Attorney Tanaka will correspond with the Directors to establish the date of the meeting.

Independent Contractor Agreement Between the District and Encore Electric, Inc.: Mr. Gomes reported that Encore Electric, Inc. had received and were reviewing a form Independent Contractor Agreement. Mr. Gomes noted that he is awaiting any comments from Encore Electric, Inc. regarding the Agreement. Mr. Gomes recommended that the Board approve the Independent Contractor Agreement between the District and Encore Electric, Inc., subject to final review by the District's Legal Counsel.

Following discussion, upon motion duly made by Director Burrer, seconded by Director Roberts and, upon vote, unanimously carried, the Board approved the Independent Contractor Agreement between the District and Encore Electric, Inc., subject to final review by the District's Legal Counsel.

OPERATIONS AND MAINTENANCE

Well 6 Disinfection: Mr. Gomes reported that Well 6 is now fully operational.

Utility Locates: Director Bruszenski reported that he had been contacted by a resident of the District who had received no response after requesting a utility locate. Mr. Gomes responded that he would investigate the matter and ensure that the customer receive a response to the request.

OTHER BUSINESS

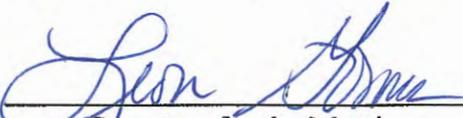
2014 Special District Association Annual Conference: Mr. Gomes reported that the 2014 Special District Association Annual Conference will be held September 10-12, 2014, and queried the Board Members about whether they plan to attend. Directors Pollard, Griffin, and Burrer noted that they plan to attend the conference.

ADJOURNMENT

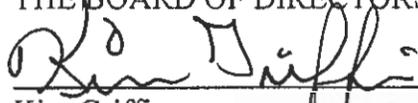
There being no further business to come before the Board at this time, upon motion duly made by Director Bruszenski, seconded by Director Roberts and upon vote, unanimously carried, the meeting was adjourned.

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Respectfully submitted,

By 
Secretary for the Meeting

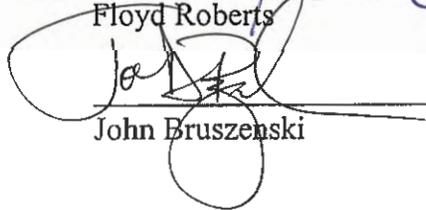
THESE MINUTES ARE APPROVED AS THE OFFICIAL JULY 17, 2014
MINUTES OF THE PAINT BRUSH HILLS METROPOLITAN DISTRICT BY
THE BOARD OF DIRECTORS SIGNING BELOW:


Kim Griffin


Calvin Pollard


Doug Burrer


Floyd Roberts


John Bruszenski