

## RECORD OF PROCEEDINGS

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### MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PAINT BRUSH HILLS METROPOLITAN DISTRICT HELD FEBRUARY 19, 2015

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 19<sup>th</sup> day of February, 2015, 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)

Ricardo Goncalves; District Engineer

Steve Knepper; Operations Manager

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 the 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. Mr. Gomes noted that a quorum was present and requested members of the Board to disclose any potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No conflicts 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 Griffin, seconded by Director Bruszenski and, upon vote, unanimously carried, the Agenda was approved, as presented.

**Public Comments:** There was no public comment.

### CONSENT AGENDA

**Consent Agenda:** The Board considered the following actions:

- Acknowledge Manager's Report
- Acknowledge Staff Report
- Acknowledge Operations Report
- Approve Minutes of the January 15, 2015 Regular Meeting
- Acknowledge 2015 Budget Priorities

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

### FINANCIAL MATTERS

**Claims:** The Board considered approval of the payment of claims for the period ending February 19, 2015, as follows:

General Fund	\$	22,493.83
Debt Service Fund	\$	-0-
Enterprise Fund	\$	58,807.42
<b>Total Claims:</b>	<b>\$</b>	<b><u>81,301.25</u></b>

Mr. Gomes reviewed the claims with the Board.

Following 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 February 19, 2015, as presented.

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**Financial Statements:** Mr. Gomes reviewed with the Board the unaudited financial statements for the period ending January 31, 2015.

Following review and discussion, upon motion duly made by Director Pollard, seconded by Director Griffin and, upon vote, unanimously carried, the Board accepted the unaudited financial statements for the period ending January 31, 2015, as presented.

### **Wells Fargo Capital Lease-Purchase Refunding with Farmers State Bank:**

Mr. Gomes gave the Board the following update on the status of the Wells Fargo Capital Lease-Purchase Refunding with Farmers State Bank:

- Directors Burrer and Pollard, and Mr. Gomes met with Farmers State Bank representatives Randy Pieper and Scott Lutz on January 16, 2015.
- On January 23, 2015, Scott Lutz provided Mr. Gomes with the Capital Lease-Purchase preliminary terms as follows:
  - Interest Rate – 3.0% fixed for 10 years.
  - Loan Origination Fee - \$10,000 plus the cost of appraising the value of the water rights.
  - Attorneys' Fees - \$0
  - Loan Payment Reserve - \$0
- The FSB Loan Committee met on January 28, 2015 and approved the District's proposed Capital Lease-Purchase Refunding.
- A Loan Commitment Letter was executed by Director Pollard on behalf of the District.
- The District's Water Counsel, Paul Anderson, will prepare a legal description of the District's water rights and provide his opinion as to the value of the water rights in lieu of an appraisal.

**Commitment Letter with Farmers State Bank for Refunding:** The Board entered into discussion regarding the ratification of a Commitment Letter with Farmers State Bank for the Refunding.

Following discussion, upon motion duly made by Director Roberts, seconded by Director Bruszenski and, upon vote, unanimously carried, the Board ratified the Commitment Letter with Farmers State Bank for the Refunding.

**Water Rights Legal Description and Valuation Opinion from District Water Counsel:** The Board entered into discussion regarding the draft Water Rights Legal Description and Valuation opinion from District Water Counsel.

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The Board directed Mr. Gomes to work with District Water Counsel Paul Anderson to determine what additional details were required to provide the District with a Final Water Rights Valuation Opinion and to determine if he has any issues with waiving privilege on the information contained in the report.

### LEGAL MATTERS

**EXECUTIVE SESSION:** Pursuant to §§24-6-402(4)(b) and (e), C.R.S., upon motion duly made by Director Bruszenski, seconded by Director Pollard and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 8:33 p.m. for the purpose of discussing negotiations with third parties and receiving legal advice, as authorized by §§24-6-402(4)(b) and (e), C.R.S.

Pursuant to §24-6-402(2)(d.5) (II)(B), C.R.S., no record will be kept of the remaining portion of this executive session that, in the opinion of the District's attorney, constitutes privileged attorney-client communication pursuant to §24-6-402(b), C.R.S.

The Board reconvened in regular session at 8:51 p.m. No action was taken by the Board.

### OPERATIONS AND MAINTENANCE

**Preliminary Layout Design and Cost Estimate for District Office and Workshop and First Addendum to Independent Contractor Agreement:** Mr. Goncalves discussed with the Board a proposal from RG & Associates for preliminary layout design and cost estimate for District office and workshop. Mr. Goncalves also requested direction from the Board regarding a central water filtration system. Mr. Goncalves informed the Board that its consideration of a reverse osmosis filtration plant would be costly. In addition, there would be a twenty-five percent loss of water during the backwash process that is required with this type of filtration. The disposal of the resulting sediment could also be costly. He stated that sand can be removed from the water with sand separators or by reducing the well flow rate. If there is an issue with odor and taste, an aeration system either at the well or in a central location could be used.

Mr. Goncalves stated that the most compact method of providing water filtration is to install a granular activated carbon filter system. This system would require a fifteen foot by fifteen foot area. He also recommended scrubbing the wells. Mr. Gomes will request a proposal from Layne Christensen for this service.

Mr. Goncalves will provide the Board with a high-level cost estimate of developing a granulated activated carbon filter structure.

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Director Burrer inquired about the possibility of an additional one-million gallon tank and its space requirement relative to the site development.

Following discussion, upon motion duly made by Director Bruszenski, seconded by Director Pollard and, upon vote, unanimously carried, the Board approved the proposal from RG & Associates for preliminary layout design and cost estimate for District office and workshop for an amount not-to-exceed \$4,500, and approved the First Addendum to the Independent Contractor Agreement. The Board directed Mr. Knepper to send water usage reports to Mr. Goncalves.

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### OTHER BUSINESS

**2014 Annual Report:** The Board reviewed the draft 2014 El Paso County Annual Report and Disclosure.

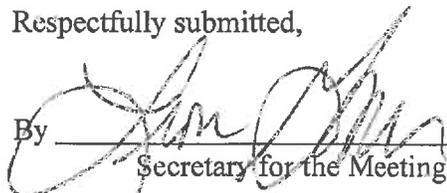
Following discussion, upon motion duly made by Director Burrer, seconded by Director Griffin and, upon vote, unanimously carried, the Board approved the draft 2014 El Paso County Annual Report and Disclosure.

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### ADJOURNMENT

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

Respectfully submitted,

By  \_\_\_\_\_  
Secretary for the Meeting

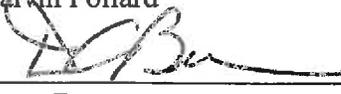
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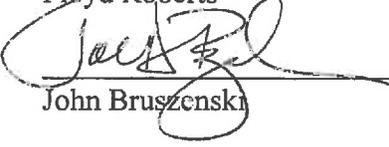
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THESE MINUTES ARE APPROVED AS THE OFFICIAL FEBRUARY 19, 2015 MINUTES OF THE PAINT BRUSH HILLS METROPOLITAN DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

  
\_\_\_\_\_  
Kim Griffin

  
\_\_\_\_\_  
Carwin Pollard

  
\_\_\_\_\_  
Doug Burrer

\_\_\_\_\_  
Floyd Roberts  
  
\_\_\_\_\_  
John Bruszenski

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### Attorney Statement Regarding Privileged Attorney-Client Communication

Pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing Paint Brush Hills Metropolitan District, I attended the executive session meeting Paint Brush Hills Metropolitan District convened at 8:33 p.m. on February 19, 2015 for the purpose of discussing negotiations with third parties, discussing personnel matters and receiving legal advice as authorized by Sections 24-6-402(4)(b)(e) and (f), C.R.S. I further attest it is my opinion that all of the executive session discussion constituted a privileged attorney-client communication as provided by Section 24-6-402(4)(b), C.R.S. and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S.

  
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Jennifer Gruber Tanaka, Esq.  
General Counsel  
Paint Brush Hills Metropolitan District