

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT (SFTR)
MARCH 9, 2012 MEETING MINUTES
CENTURY FINANCIAL GROUP OFFICE
109 W MAIN
TRINIDAD, CO 81082

MEETING MINUTES

Meeting called to order by Bob L. Scott at 9:00 a.m.

Proof of Notice: was given in 3 public areas within the district and 2 public areas outside the district.

Roll Call: Board Members: Robert L. Scott (Bob), R.C. Ghormley, Mike Shelton, and Rick Kinder - Guests: Lynn McCreight, Nancy Allred, Val Allred, John Parker, Jeff Smith, Joseph Modica, Donna Garrett, John Sanders and Ernie Parker

Determination of Quorum: Yes

Minutes: It was pointed out that the discussion of upcoming elections was omitted from the last minutes. The addition of that discussion was suggested as a correction. Mike moved and RC seconded to approve the minutes as corrected from the December 1, 2011 Budget hearing meeting. Motion passed.

Treasures Report: Mike discussed the Financials. The September thru December portion of the Bond interest was recorded against the accrued 2011 interest on the Balance Sheet. Lynn turned over the 2011 books to Tim Dixon (auditor) on January 14, 2012. He has not had time to complete the audit. It is a requirement of the state that any Special District that brings in income over \$500,000, an audit is required. There are several leaks in the system in the process of fixing. There will be a significant cost involved with the repairs. The city of Trinidad does have the right to shut off the water in case of a drought. Our argument against a possible shut off was discussed. The delinquent accounts for both the Metro and POA have been reduced to less than \$ 10,000 from over \$150,000 in the last 3 years. Kudos to Lynn (and to Nancy for the POA).

System Disinfection: Per Rick, the monthly testing fee went up from \$18/test to \$20/test. Last year we were required to do 3 lead and copper test in a row. The levels were low on all tests, therefore the next lead and copper test is not due until 2014. Because of the testing schedule change, a new monitoring plan was required. Rick created the new schedule and Lynn will add it to the master plan. The consumer confidence report is coming due. Rick will teach Lynn the process so she can produce the report. Mike and the Board authorized new Chlorine cans.

Rick, Bob and RC are certified operators. There was discussion of simply retesting vs. taking training to keep the certification to date and the cost and time involved. There are some classes online.

SCADA Status and Plans: The following report was presented by John Sanders and RC Ghormley

The intermittent problems we were seeing at Pump 1 are disappointing, but obviously not typical of the high reliability the system is capable of delivering as demonstrated by the other sites. Further diagnostics (and Time) should reveal the source of the problem, and then we can move on to adding and testing supervisory control features.

The next step is standardization of our input/output ports across all sites. This will assist us in implementing the diagnostic code John has written as well as future control features. We also should identify a test site for initial SCADA control. We believe Pump 6 seems to be the logical choice (close to RC's house, and at the tail end of the pump string). We need to work with Bob to modify the wiring there to allow manual switchover between the existing control system, and control by SCADA. This will allow a choice between the two at any time during the testing phase or in the future. The testing phase will also require more monitoring points than we will need once the system is operational.

Most of the SCADA equipment needed for control of P6 is on hand now.

RC made a motion that the Metro help with the cost of upgrading John Sanders battery tester since he uses it for metro testing. Bob seconded the motion. Keeping the batteries working is important in case of Power outages; shut downs for completion of repairs and keeping the electric valves working. The motion passed after the above discussion.

The power substation is now more reliable in Starkville; therefore the ranch is experiencing fewer outages.

Voice Radio System: RC presented the following report:

March 6, 2012

All, I propose we purchase a few more radios, now that we have a good idea of how well the system is working.

Desktop for John Sanders (he currently has a handheld plus a mobile radio in his pickup)

Desktop for John Noard

Mobile for John Noard's ranch roustabout

Assuming that Nancy ends up on the board, she may want a desktop instead of Mike's handheld. Or maybe no radio at all?

Spare mobile radio

Future contractor: mobile for a dispatch vehicle???

I would also like to get a few spare mobile antennas on hand, plus a few speaker microphones for the handhelds, wire, connectors, external speakers, etc.

Excluding possible future contractor radios(s), the above comes out to somewhere around \$ 2500.

RC Ghormley

The radio system is 95% up and running. The POA is paying for their radios and the Metro is maintaining the system. The POA Road Chair, John Noard, has agreed to help with the cost of the radios.

Bob requested a desktop.

Discussion followed on going to "Direct" to save repeater backup power in the event of a power failure. Repeat does not work well if the parties are too close to each other.

RC moved to purchase three more mobile/desktop radios and some miscellaneous associated parts, and Bob seconded. Passed. Note: The POA will purchase their own radios for the road maintenance equipment and for road support.

RC suggested that the Metro pay Jerry a small fee per year for the power that the radio system uses on his bill. After discussion, Jerry will turn in \$ 30.00 /year on his expense report.

System Upgrades: Nothing reported

OLD BUSINESS:

Power supply to Tank 2:

There is not enough power at Tank 2 to run a light bulb to prevent freezing. Bob spoke with the owners of H1 and H2. They are not willing at this time to share in the cost of running a line to provide the power needed. The cost to have San Isabel run 3 more spans with a transformer is upwards of \$10,000. We could pay to have it installed with outside contractors; therefore owning the system and H1 and H2 buying from us, if San Isabel would agree. Another option is to trench and bury wire from H3. The cost would be approximately \$5000.00 (\$3000.00 for the trenching and \$2000.00 for supplies). Discussion followed. Mike suggested having a transformer placed at H3 and feeding the existing wiring. Bob will investigate the possibility. We would have the expense of a drop pole and possibly an electrician to make the final hook up and inspection.

NEW BUSINESS:

Election Status:

Lynn reported there were no more Self Nomination forms turned in than positions up for election. The election can be canceled with the adoption of a resolution from the board giving permission for Lynn to cancel the election, and declare Robert L. Scott and Nancy Allred elected. Bob moved to adopt the above resolution, RC seconded, motion passed. Lynn stated that the new board members will be official the end of the day May 8th. In the first meeting after that, new officers can be elected and oaths signed to complete the election process. There are a few more items Lynn has to

complete also. Along with the Oaths of Office signed by the newly elected board members, Lynn will send in proof that the board positions are bonded. That bond expires December 2012.

Alternative Excavation Contractor:

The contractor the Metro uses may not be available after this round of leak repairs. The Metro is preparing for possibly using an alternative contractor. Donna Garrett (representing Trails End Equipment and Trucking, LLC) was present as a possible candidate to fill the Metro's needs. Discussion followed. It was stressed in the case of a leak; the Metro would take priority (with the only exception of a large snow storm). Trails End will possibly hire another backhoe operator. Bob expressed the need for not only a competent operator but also a dependable laborer. The operator will need to also be trained to fix the leaks as well. Donna asked if Paul LaJeunesse would be a good candidate for the laborer. Donna asked if she could get the amounts that we have paid our current contractor in the last few years. Lynn will provide the information to her. Val Allred asked if there would be plumbing involved. That was confirmed. Any time there is work done on the lines, one of the three (Bob, RC or Rick) Metro certified operators needs to supervise the work. This company would be a good fit because they are currently contracted by the POA and live on the ranch. The only conflict would be if there was a major snow storm and a huge leak at the same time. The other factor for a good fit would be less mobilization costs. Donna inquired about whose responsibility it was if a phone line is hit. It would be their responsibility, unless directed by the Metro. Before digging is done, there should be a locate done. Discussion followed. The biggest risk is in Starkville, because of the fiber optic line. Recently, all the lines have been located and marked thru Starkville, and a set of as-builts produced.

Rates:

Bob expressed we are not taking in enough money from billed usage and maintenance fees to cover the water purchased and repair costs. At this point in time, we are selling only half as much water as we are purchasing. If the leaks do not continue, we would be ok. John Parker volunteered to look for water leaks, but was informed that leaks very rarely surface. The basic process to locate a leak is: narrow it down by using the SCADA

system (graphing the tank levels and dropping rates), compare the water flow from the tanks by opening and closing valves , dig the line up and check the flow with the ultrasonic flow meter until the leak is located. Then it can be fixed.

They are still working on locating and fixing the leak on Old Mission.

Joe Modica thanked the board for everything they do, stating they are the “lifeline” of the ranch. He asked if we had a contract with the city. Bob stated that we have a water supply agreement in perpetuity, but that the City of Trinidad can shut off the water in case of drought.

Discussion followed. Points discussed were we are not industrial users, and that our average customer usage is well below that of in-town customers. These may be valuable arguments in the event the City considers shutting us off. Joe Modica stated that the city council is having an executive session in regards to the water for New Elk Mine.

Val Allred asked if the leaks could be caused by the earthquakes. There has been no evidence of this to date. Discussion followed.

RC moved to adjourn the meeting, Mike seconded. Meeting adjourned at 10:30 am.

The next meeting is May 9th at 9:00 AM.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT (SFTR)
MAY 9, 2012 MEETING MINUTES
CENTURY FINANCIAL GROUP OFFICE
109 W MAIN
TRINIDAD, CO 81082

MEETING MINUTES

Meeting called to order by Bob L. Scott at 9:00 a.m.

Proof of Notice: was given in 3 public areas within the district and 2 public areas outside the district.

Roll Call: Board Members: Robert L. Scott (Bob), R.C. Ghormley (RC), Nancy Allred, Jerry Withington and Rick Kinder - Guests: Lynn McCreight, Mike Shelton, John Sanders and Ernie Parker

Determination of Quorum: Yes

Election Business:

RC Nominated Bob for Board President, Seconded, No other nominations, elected by acclamation.

RC Nominated Rick for Board Vice President, Seconded, No other nominations, elected by acclamation.

Rick Nominated Nancy for Board Secretary/Treasurer, Seconded, No other nominations, elected by acclamation.

Lori Mann (Notary) was present to administer the Board of Director Oaths to the newly elected Director positions (Robert L. Scott and Nancy Allred) Oaths were stated and signed

Approval of Minutes – RC moved to approve the minutes as written, Jerry seconded, motion passed

Treasures Report: Nancy discussed the Financials. Nancy said the exit interview with Mike Shelton and Tim Dixon (auditor) went well. Lynn had everything together that he needed. Tim moved the SCADA expense to fixed assets and said it would be good to just enter all SCADA items into

fixed assets. RC questioned the “fixed asset vs. expenses”– re: SCADA and Radio System per Tim Dixon. The other item Tim wanted the Metro to consider is “Refunding” the Bonds still owed to reduce the interest rate from 6%. Another option is to borrow the money from a bank and call the bonds for payoff. Discussion followed. Board agreed that would be a good idea. Nancy will explore our options. Nancy will check the Special District regulation on borrowing, Bob stated he feels CRS Title 32 allows the restructuring of debt at the Boards discretion. Discussion followed.

Bob questioned if more money was going to the bond payments then was actually paid for that purpose, since at one time in the past it was difficult to ascertain where revenues were actually applied. It was explained that only the money collected for the bond was going to the bond. Lynn tracks the split between bond, water usage, maintenance, etc. We have to let UMB bank know 50 days ahead of time what extra bonds we are paying. Bob mentioned that the POA is a co-signor on the Bond issue.

Lynn provided the Board with information in regards to future bond payments to be collected. See Attachment A. The Balance Sheet does not reflect that number. Nancy will talk with Tim to confirm that we can put it on the books as a Receivable and Deferred Income. RC discussed the fact that the excess future bond collections was due to other funds being used for bond payments prior to Lynn tracking the collection splits.

Nancy passed out the Audit Report to the Board Members and referred to page 5. Tim was concerned about the decrease in cash (mid-page), only to bring awareness to the Board. It is a common thing w/these organizations. Some organizations (districts) automatically raise dues based on CPI yearly. Discussion followed.

The delinquent list is lower than it has been in years. Nancy and Lynn were congratulated by the Board for their progress on collections.

System Disinfection: Per Rick, the consumer confidence report was sent on time. The Metro does not have to test Lead and Copper this year.

System Status:

SCADA: RC said the PLC's at pump 1 are working well. Few fixes were needed, heater, insulation blankets and antenna tweaks, under control. The PLC's do not need to be switched out as previously thought.

Controlling pump 6 with the SCADA system is in the works. A little more software is needed. Bob needs a schematic. If all else fails the Lights still work.

The communication committee (per Ernie Parker), asked if the power at Tank 2 strong enough to support a "Viaero" wireless tower. It depends on their requirements. It is currently 120 V 20A power. Discussion followed questioning property owned by POA, and power at Tank 1 and 3. Is it beneficial for "Viaero: to be at any of these locations.

RC is testing the mutual interference with the Metro Radio System and Communication Solutions. More information is required to know if there be any interference with "Viaero".

John Sanders stated they will need more instrumentation at pump 6 than at the other pumps, for the purpose of R&D.

Voice Radio System: RC stated the radio system is running well. There is no easy solution for the morse code system identification problem. FCC requires notification every 15 minutes while in use. It is possible to wire a smarter controller to wait until conversation is over before "Beeps".

System Upgrades: No system upgrades to report. The City enquired about backflow protection in the City vault. Bob has verified that there is a Watts cross-connect device installed, and explored the possibility of purchasing a test kit for it. The test kit is prohibitively expensive, unless mandated by the City.

The 60A circuit breaker occasionally opens at pump 3. Bob is going to try a different terminal block connector to see if it alleviates the high resistance problem with wire nut connections joining the controller to motor wiring.

OLD BUSINESS:

Power supply to Tank 2: Covered above.

Leaks: Reports (water purchased vs. water billed) indicate the Metro is using more water than we are billing. Leaks and/or under registering meters is the cause. Generally what we bill covers the cost of water purchased. Ernie Parker stated he has a water softener with a water meter. His cistern has a float. The water softener is reading more water usage than the main line meter. His usage was 870 gallons in 3 months. The water softener meter is reading 300 to 400 gallons per week. It was discussed and agreed to install a positive displacement meter in Ernie's pit and compare the readings between the softener and the pit meter. He will need the final reading on the old meter, when it is installed, so he can get a reading at that time on the water softener meter. If the positive displacement meter works more accurately, it might be cost effective to replace all the meters. The cost of the PD meters is approximately \$ 100.00 per meter.

If the meters are reading incorrectly, adjusting the charges was discussed. The consensus was not to make adjustments; there is no way to fairly determine the inconsistencies.

Bob handed out a report to the Board members illustrating our water purchases versus water sales. We are currently losing well in excess of the AWWA loss standard of 10%, and need to mount a serious leak location and repair effort.

The new electric pedestal for tank 2 is set. Bob spoke with San Isabel in regards to putting a meter in. SI has been waiting for State inspection, but Bob contends that CRS Title 12 classifies us as a Public Service Corporation, which precludes our having to permit our electrical installations.

NEW BUSINESS:

Kipp may be moving from the area the first part of June. Garretts "Trails End Equipment and Trucking, LLC" will be taking over fixing leaks, etc. They have hired a new backhoe operator. Nancy questioned, is he their employee vs. the Metro paying the operator direct. It is Garretts equipment, therefore they will be paying the operator. RC discussed the fact that the new operator will need training.

May 24th, Rick, Bob and RC (our certified operators) will be attending the training class.

RATES: There was some discussion on raising the rates. The rates will stay the same at this time.

Mike discussed Tim's statements on the possibility of raising the rates a small amount each year vs. waiting several years and making a big rate increase. Nancy suggested putting the rate review on hold until the possible meter read problem is solved and leaks are under control.

The next meeting will be held on Wednesday, July 18th, 2012 at 9am.

Jerry moved to adjourn the meeting. RC seconded. Meeting Adjourned at 10:35.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT (SFTR)
JUNE 14, 2012 SPECIAL MEETING MINUTES
CENTURY FINANCIAL GROUP OFFICE
109 W MAIN
TRINIDAD, CO 81082

MEETING MINUTES

Meeting called to order by Bob L. Scott at 9:00 a.m.

Proof of Notice: was given in 3 public areas within the district and 2 public areas outside the district.

Roll Call: Board Members: Robert L. Scott (Bob), R.C. Ghormley (RC), Nancy Allred, Jerry Withington and Rick Kinder - Guests: Lynn McCreight, John Parker

Determination of Quorum: Yes

RATES:

Bob brought it to the attention of the Board that the 2011 audit showed a decrease in cash flow of (\$61,926.00): page 5 of the "Basic Financial Statement" section of the audit. Discussion followed stating some of the larger items were finalizing the SCADA project and the Radio system and fixing some major leaks in the system. Because of our commitment to the purchasers of our bonds, we are obligated to operate in a profitable manner. The Metro needs to find a way to cover the deficits.

We have significant and unacceptable levels of water loss, both due to leakage and under-reading meters. January 2012 quarter, the Metro purchased 3,268,610 gallons of water and billed 687,000. October 2011, the Metro purchased 2,074,054 and billed 600,320. The average billing for 2011 was 828,000. Using this average, if the water usage, per tier, was increased by .015 (1½ cents/1000 gallon), it would produce an increase in revenue of \$12420.00. If the rate was increased by .02 (2 cents/1000 gallon), it would produce an increase in revenue of \$16,560.00. The maintenance fee is currently \$29.50 per month. It could be increased as well. If they were raised \$5.00/month, it would produce an additional

\$11100/year in revenue. It was suggested to raise the maintenance fees by \$8.00 per month, producing \$17760.00 per year and raising the water rates by .01 (1 cent per 1000 gallon) on all tiers, producing \$33120.00 per year. Together, this would generate \$50,880.00 of additional income for the Metro.

The other option that should help is to replace all the meters with positive displacement meters. There is a 7-10 year life span of the meters, and many are past that age already. It is questionable if a grant or loan can be obtained for the meters, due to Tabor laws.

The water loss has been cut in half due to locating and repairing major leaks in the system recently, but these repairs have been expensive and have seriously affected our cash position.

The Metro water costs are still much less expensive than hauling water. Bob said he was paying \$20 per 1000 gallons 10 years ago and hauling it himself. Our proposed rates are only \$2.00 per 1000 higher, delivered to your cistern.

Bob made a motion and Jerry seconded, to increase the maintenance fees by \$8.00 per month and increase each tier of the water rates by \$0.01. Motion passed. The rates will be as follows and will be in effect immediately and determine the pricing for the coming billing.

22.00 Per 1000 gallons 1-5000 gallons per month
29.00 Per 1000 gallons 5001-10000 gallons per month
34.00 Per 1000 gallons 10001 and up gallons per month

The next meeting will be held on Wednesday, July 18th, 2012 at 9am.

Jerry moved to adjourn the meeting. Rick seconded. Meeting Adjourned at 9:45.

Refer to letter sent with the billing dated July 10th, 2012.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT (SFTR)
JULY 18, 2012 MEETING MINUTES
CENTURY FINANCIAL GROUP OFFICE
109 W MAIN
TRINIDAD, CO 81082

MEETING MINUTES

Meeting called to order by Bob L. Scott at 9:00 a.m.

Proof of Notice: was given in 3 public areas within the district and 2 public areas outside the district.

Roll Call: Board Members: Robert L. Scott (Bob), Nancy Allred, Jerry Withington and Rick Kinder - Guests: Lynn McCreight, Carol Rankin, John Parker and Betty Withington

Determination of Quorum: Yes

Approval of Minutes – Jerry Withington moved and Rick seconded to approve the May 9th, 2012 minutes, motion passed. Rick Kinder moved and Jerry seconded to approve the June 14, 2012 Special meeting minutes, motion passed.

Treasures Report: Nancy discussed how the Profit and Loss is misleading the way it is set up with regards to the Bond income and the water tap fee income. She discussed this with Tim Dixon (auditor). The bond income is on the P & L because initially each owner did not receive a bill for the \$4054.05 due from each owner. Therefore, by USA Accounting Standards, the bond income was not put on the Balance Sheet as a Receivable, but as it is billed, goes into Bond Fees Income on the P & L. Still owed by owners for the Bond (if paid out thru March of 2019) is approximately \$837,000 therefore the income is overstated on the P & L.

The City of Trinidad portion of the Water tap fees is a pass thru amount. The entire water tap fees are currently recorded in the Plant Invest. Fees/Meter Pit Income account. Nancy discussed putting this portion of the water tap fee as a Payable on the Balance Sheet vs. an income item on the P & L with Tim Dixon (auditor) and he agreed that portion could be changed.

Nancy also discussed the plans to re-fund the Bonds owed to lower the interest rates, therefore paying them off sooner and generating an additional \$17,000 + operating funds for the Metro. Tim Dixon (auditor) suggested the re-funding. The question was asked if the owner's bond payments would be lowered if the bonds were re-funded. Bob stated that re-funding does not reduce the obligation all owners took on to pay the bond fees so the bond payments will not be reduced. The Metro lawyers have said any savings realized by re-funding could go toward meeting operating costs. When the re-funding occurs, at that time the new loan will be placed as a payable on the Balance Sheet and the Bond Fees Income being billed will no longer show on the P & L.

Once the re-funding occurs, Nancy will make suggestions to the Board for restructuring the financial statements to better reflect the Net Income/Loss. Currently, if those changes were in place, as of the end of June, 2012, the P & L would reflect a loss of (\$29,842.97) vs. a Profit of \$45,877.11.

The water sales income and the maintenance fee income are the Metro's sole source of revenue and must pay for all operating costs. John Parker asks if in the first half of the year, we have a \$29,000+ loss, is the recent rate increase going to cover the expenses in the future. Bob stated the increase will bring in an estimated additional \$50,880.00 (\$33,120 from water usage and \$17,760 from maintenance fees) and also water purchase expense should go down due to leaks recently repaired, leading to reduced electrical costs as well. The additional operating funds generated from the bond re-funding will help reduce the operating deficit. It is estimated that the rate increase will indeed cover the expenses.

In looking at the financials, Carol asked what SCADA stands for. It is "System Control and Data Acquisition". The SCADA system is a live system that consistently monitors and graphs the water level in the three water tanks. It also shows what pumps are running at any given time. Without the SCADA system, it might take months vs. hours to recognize a major reduction in the water level of a given tank. It is the plan for the pumps to be controlled remotely thru the internet. That expense will probably be incurred in 2013.

Bob stated the Metro has ordered a few new Positive Displacement (PD) meters to replace the turbine meters in locations where usage appears

unusually low. PD meters measure the water usage more accurately due to the use of pistons that work back and forth. A spreadsheet is currently maintained on meter reads to recognize the old style meters that are not giving accurate water usage reads. Bob has tested the two types of meters side by side and concluded the new meter will read 20 fold more usage compared to the old style meters at extremely low flow rates. The owner will be notified if their meter is being switched out and a picture of the old meter reading will be taken. Meter life is 7 – 8 years. We are at that threshold with many of the existing meters.

Betty commented on the number of volunteer hours the board and others put into the water system. If they were to stop, and the Metro would have to pay for all of the services they give their time for, it would cost the Metro a large sum of money.

System Disinfection: Per Rick, he used his last drum of chlorine and will have to purchase more next month. The chlorine levels are holding better than last year. With SCADA, the monitoring is better. The Metro does not have to test Lead and Copper this year.

System Status: SCADA is working well. We think we now have enough power at tank two to operate the pumps remotely. The programmable logic for remote operation of the pumps will take place one step at a time. The voice system is working very well. It saves many hours of running back and forth to and from leaks, etc.

SCADA: Nancy asked if the \$1100.00/month on the cash flow (budgeted) is expected to be spent this year. Bob stated that when the budget numbers are established for items such as SCADA, it is estimated. At this time, the \$1100/month will probably not all be spent and some may be carried over into 2013's budget.

System Upgrades: Some of the old meters will be replaced with the new PD meters as previously discussed in the financial section. The cost of a PD meter is \$42.50 vs. the turbine meters are upwards of \$100.00. A PD meter was installed at Ernie Parkers for him to test the water usage from the PD meter vs. the water usage on his water softener system. He was unable to do the testing as hoped due to unforeseen matters, therefore Bob removed the meter. Bob took apart the old meter and found grit inside which is one of the causes of a slow read from the turbine meters. He has found some brass

screens that should fit in the inlet side of the meters. If they work out, that will prevent foreign objects entering the meter drive mechanism.

OLD BUSINESS:

Alternative Excavation Contractor: The contractor the Metro had in mind to replace Nelson and Sons, no longer has their backhoe operator on the ranch full time. The Metro has started using Heath Andreatta Excavation, out of LaVeta, and is very pleased with their expertise and equipment. They do work for Pioneer. They are able to fuse poly pipe for repairing the water lines vs. mechanical connections for repairs. This method has a longer life.

NEW BUSINESS:

Leakage Rates: Per Bob, have been engaged in an aggressive leak program – currently, all leaks on the list of known leaks have been found and fixed – it is harder in the summer to perform a leak survey, due to the higher owner usage. When it cools down and the owner usage goes down, detecting leaks becomes easier.

The leaks that are hardest to find are the ½ gallon/minute (1/4 million gallons/year) leaks. The ultrasonic flow meter does not work well at the very low flow rates. The question was asked what the average gallon/minute leak was. It is 5 gallons/minute. For example, if you turn your hose on, it averages 5/gallons/minute. The target leakage rate to achieve for any water system per the American Water Works Association (AWWA) is 10%. The Metro would be happy with a 20% rate.

John asked if it will be possible next year (using SCADA data) to compare month to month data. Bob stated he did not think that feature was available in SCADA but he has regular printouts that could be used for comparisons.

Below are the meanings of some of the acronyms that Carol asked about:

SCADA - System Control and Data Acquisition

Viaero – Cell phone company in the area who may be interested in placing equipment on Metro water tanks. Currently the POA has more dealings with them than the Metro

CRWA – Colorado Rural Water Association

The Metro board members take classes offered by the CRWA for Operator certifications required by the State to operate and work on the Metro water system

CDPHE – Colorado Department of Public Health and Environment

SDA – Special District Association

The Colorado government entity that governs our Metropolitan District is Department of Local Affairs – The SDA is the Association to help a DOLA organization maintain good standing

CPI – Consumer Price Index

PLC – Programmable Logic Controller

This is the mechanism that talks with the SCADA system and will Eventually control the pumps

Betty suggested more owners collect gray (rain) water for watering plants etc. to cut down on the city water usage and reduce usage bills.

John asked if there is anything that other volunteers could do to help with the Metro system. Bob stated that would be great except most of the work is on the water system and certification is required.

John suggested during the POA annual meeting, having a Metro question and answer session. Board agreed that would be beneficial.

The next meeting will be held on Wednesday, September 5th, 2012 at 9am. Lynn reminded the board to be thinking about 2013 budget numbers that are due to the board by October 15th, therefore will need to be discussed at the September meeting.

Rick moved to adjourn the meeting. Nancy seconded. Meeting Adjourned at 10:04.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT (SFTR)
SEPTEMBER 5, 2012 MEETING MINUTES
CENTURY FINANCIAL GROUP OFFICE
109 W MAIN
TRINIDAD, CO 81082

MEETING MINUTES

Meeting called to order by Bob L. Scott at 9:00 a.m.

Proof of Notice: was given in 3 public areas within the district and 2 public areas outside the district.

Roll Call: Board Members: Robert L. Scott (Bob), R.C. Ghormley, Nancy Allred, Jerry Withington and Rick Kinder - Guests: Lynn McCreight and Phil Dunn

Determination of Quorum: Yes

Approval of Minutes – Jerry Withington moved and Nancy seconded to approve the July 18, 2012 minutes, motion passed.

Treasures Report:

Monthly Financials: Nancy pointed out that the Profit and Loss statement format has been changed to create a more accurate “Bottom Line Operations”. The pass thru income and expense items, Bond Assessments and Bond Interest, Tap Fees, PIF-Customers and Bond interest payments have all been moved below the Net Ordinary Income Line. This gives the board a more usable tool to operate the Metro. It was confirmed that RC’s understanding is that as of the end of August, the Metro has lost \$ 13,272.65. The gross income was \$ 105,935.11 and the total expenses were \$ 119,207.76.

It was confirmed Nancy’s understanding that the breakdown of the existing tap fee is as follows: \$ 5150.00 is paid to the city, \$ 320.00 is paid to the contractor for installation of the meter pit, and \$ 1100.00 is for the parts used in the installation (Meter pit, meter, regulator, small parts). Per Nancy the pass thru item in this fee would be the city fee. The parts (at least the larger

dollar items) should be in inventory on the Balance Sheet when purchased, removed when used and either go to COGS or expensed. Going forward, any larger \$ item will be entered into inventory.

Nancy questioned the Bond monies paid out vs. the Bond monies billed. Per Lynn, it is partially bond money collected the end of last year after the bond payment was made, bond payoffs and past due amount collected.

Bob asked what the expense items Storage was in the Utility section. Per Lynn, the \$240.00 is paid to Garretts for the electricity used at the trailer. The Metro has taken over that San Isabel account, therefore will not have to pay the Garretts.

Cash Flow: The Cash Flow was not available for the meeting per Lynn.

Bob confirmed the balance of the CD (remainder of the System Completion monies) is \$ 87,213.47. It is his best guess that these monies would be depleted by now if the rates had not been increased, and may eventually be used for repairs.

The \$ 457.61 expense item Metro Meter Costs is for the 10 positive displacement meters that were received recently. There are currently 8 sets left in inventory. They will not be moved from expense to inventory.

Lynn stated that the budget will need to be amended with the state before the end of the year, due to under-budgeted items in 2012. Discussion followed. RC stated both the 2012 amendment and the 2013 Budget Hearing could be handled in the same meeting.

Delinquent List: The Delinquent List was discussed. Some of the accounts are paying on a regular basis and some have credit cards on file for regular payments. The liens now print on the property tax bills and when collected (either by the owners or purchased, the Metro gets paid. The Metro is currently going to utilize this method of collections vs. a letter from the lawyer.

Bond Re-funding: Nancy stated that technically the Metro is not re-funding the bonds (paying existing bonds with new, lower interest rate bonds). This is the more expensive means of lowering our costs, as compared with a loan to pay the bonds off early. The Metro is looking at borrowing the money

from a bank at a lower interest rate (current 6% rate on the bonds), to pay off the bonds. First National Bank has proposed a 5% loan of \$ 530,000 (see attached) for 13 years. From the 355 lots still paying on the bond, the Metro will collect an annual amount of \$ 132,060. The total of the annual loan payments will be \$ 96,511.16. The difference of \$ 35,548.84 would increase the Metro's yearly operating cash flow. The alternative is to continue to pay off the bonds (estimated in 4 years). The money from the owners that continue to pay out the bonds after the 4 years thru March of 2019 would then increase the cash flow. Basically tapping into the excess now vs. when the bonds are paid or a shorter term loan from the bank. UMB, the bond company stated the Metro could call all bonds for payoff at the next payment date in March of 2013 without a premium or call the bonds earlier with a premium but have not responded with that premium amount. International Bank emailed Nancy stating their interest in the loan to pay off the bonds, but have not presented any figures to date. RC confirmed the current interest rate on the bonds is 6%. Tim Dixon (Metro auditor) has been working thru the analysis with Nancy and confirmed the benefits.

Lynn stated that the bond payoffs for the owners are now running between \$ 1750 to \$ 1850. There have been approximately 8-10 payoffs this year and each year that increases. Currently, all bond assessments collected and the interest paid by owners is paid to the bonding company. Each year the payoffs will decrease, estimating more income from payoffs. Nancy stated that bond amortization is different with bonds vs. loans. The base payment either stays the same or increases but the interest does go down with the cash flow.

Bob stated that we should continue to look at the facts before making a decision. We have a formal proposal from FNB and need something formal from International Bank. We also need to know how much the premium is from the UMB, Bond Company, if we call the bonds earlier than the normal payment date in March, 2013. Possibly if there is more discussion with FNB, they will decrease their rates. Even at 4%, the Metro would still be ahead.

System Disinfection: Rick is concerned that the budget for Disinfection/Cert/Testing might need to be increased due to having 3 board members certified operators. Since the budget for the state is combined with the Repairs and Maintenance budget, after discussion, it was concluded no increase will be necessary.

Rick purchased two drums of Chlorine in the last month. Rick has not pursued an Automated Chlorine injection system for fear the cost to engineer the system would be too costly. Discussion followed. It was confirmed for Phil Dunn that the City of Trinidad chlorinates the water. The state requires the Metro water to maintain a residual amount of chlorine in the system.

System Status: SCADA Status and Plans: RC and John Sanders are considering implementing a test of the SCADA system's ability to control pump 6 based on level information from tank 3. Once the test system has proven to be reliable, it would be implemented into the actual system.

Currently, there are a few glitches in the SCADA system in that you occasionally cannot access the SCADA system on your computer. If the systems start controlling the pumps, there needs to be more dependable access than currently. John is working on ideas for the cause of the glitches.

Voice Radio System Status/Performance: RC stated the Radio system is fully established and working efficiently. No changes needed at this time.

System Upgrades: See "Old Business"

OLD BUSINESS:

Leak/City Meter Status: It has been established that there is a leak between the city vault and pump 1. It is approximately 12 gallons per hour. That calculates out to be approximately \$ 500.00 per year. To go thru the process of locating and fixing a leak that small in a line that long would cost significantly more than \$500.00. It has also been suspected that the city meter in the vault is reading the Metro usage high. In a series of 4 tests, involving filling tank 1 vs. the water usage that the city meter shows, the percentages of the overage read is 5%, 10%, 7% and 17%, average of approximately 10%. This method has several variables. To determine the difference more accurately, a second meter will be installed to compare the readings. If it is indeed gauging high, the only recourse is to request the city change out the meter. It is a 2" line.

It was questioned if SCADA could control the water flow at the city vault. There is no power there. Solar power would be a possibility only if a pole was installed, which would also accommodate the antennae needed. Either

Solar or San Isabel Electric requires a state inspection unless is it a low voltage valve (24 or 48 volts). Further discussion to follow.

NEW BUSINESS:

Appointment of budget person: Lynn stated the state requires the board to appoint a budget person to oversee the budget process. It is usually the board treasurer. Rick motioned to appoint Nancy as the budget person, RC seconded. Motion passed.

2013 Budget: Discussion of Preliminary Numbers: Lynn had established some preliminary income numbers. The water sales number is \$ 96,500, taking into consideration the 2012 usage, leak problems, multiple tiers of usage and the increased rates. There are various ways of calculating. Bob's calculation resulted in \$ 81,897. After some discussion, it was decided to use \$ 90,000 for the budget. The maintenance fee was calculated at \$ 84,600 estimating 2 new taps mid-year. The bond income was estimated at \$ 142,144 taking into consideration current owner's still paying and estimated payoffs during the year. Nancy asked Lynn to email her the 3 year budget file so the two of them can update the file for the 2013 preliminary budget, share it with the rest of the board in preparation for the budget hearing in December. The expense numbers for the 2013 budget were discussed. See below:

Bank fees	\$ 1950.00	
Legal Fees	\$ 2000.00	
Accounting	\$43280.00	
CPA Costs	\$ 3600.00	
Co. Conserv.	\$ 745.00	
Utilities	\$50000.00	(includes water and electric)
Fuel Reimb.	\$ 8000.00	
Insurance	\$	Will get an estimate from the ins co.
System Repairs	\$80000.00	also labor and Sanitation
Meter Install.	\$ 600.00	
Meter Costs	\$ 4400.00	
System Expan.	\$ 7000.00	

It was determined to increase the new tap number from 2 to 4 in 2013 and that all related budget items should be increased accordingly.

RC stated that for budget purposes, it has been discussed in previous meetings to replace all the older meters with positive displacement meters. He suggested replacing 25 meters of owners that have a stable history of water usage, in order to produce an accurate before and after comparison. If their usage increases consistently for a period of time, we should possibly replace all the meters. Discussion followed. Rick brought up the fact that the existing new meters that we have in stock should be installed soon. Discussion followed as to the lead content of those meters. Bob stated that they are now making brass without lead, and that Statute will require the use of low lead meters next year for all new installations. It was suggested to purchase 25 more meters (check lead content) with the money from the theft reimbursement. Nancy asked Bob if those would be purchased in 2012 or 2013. Bob responded 2012.

RC reviewed our water buys for the past several months. In thousands of gallons, Feb 2012 was 943, Mar was 717, April was 763, May was 750, June was 894, and July was 712. After the recent leak fixes including the fairly significant one located on Lodepole, RC is forecasting an August buy (August 15th – Sep 15th) of 540,000 gallons. If the downward trend continues, this will be a testament to our leak repair efforts and make a positive difference in our operating funds.

Budget Hearing Date Established: After discussion, the budget hearing date is set for December 6, 2012. Lynn will post in the newspaper and other appropriate places.

POA Annual Meeting: Bob stated that the Metro will make a brief presentation at the POA Annual Meeting on October 6th, 2012. Bob purchased a projector to use with a computer. The presentation will include education on the general size, configuration and complexity of the system.

Tap Installation Cost vs. what we charge owners: Heath Construction charges \$ 400 to install a meter pit (does not include relocation) vs. Robert Nelson and Sons charge of \$ 320.00. Therefore the Metro needs to pass the additional charge to the owners. Bob has already made the change to the website. Heath installed the last two new meters, so Lynn will charge them the difference after receiving Heaths bill. Bob asked if Lynn could be sure that Heath Construction does not charge tax on their invoices and take care of it if they are charging tax.

Lynn needs to update her master water tap application. RC could not print the check list for the water application off the website. That will be resolved.

Other New Business: RC noted that Lynn had received a letter via email from a lot owner complaining that the recent rate increase was done surreptitiously. Since the possibility of a rate increase has been discussed in most meetings for approximately 2 years, and delayed as long as possible, the consensus was that since the complainant had not attended any Metro meetings in recent memory, thus had no idea of the likelihood of an increase.

The next meeting will be held on Thursday, December 6, 2012 at 9am. This will be our annual Budget Hearing.

Rick moved to adjourn the meeting. Nancy seconded. Meeting Adjourned at 10:30.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT (SFTR)
DECEMBER 6, 2012 BUDGET HEARING MEETING MINUTES
CENTURY FINANCIAL GROUP OFFICE
109 W MAIN
TRINIDAD, CO 81082

MEETING MINUTES

Meeting called to order by Bob L. Scott at 9:05 a.m.

Proof of Notice: was given in 3 public areas within the district and 2 public areas outside of the district.

Roll Call: Board Members: Robert L. Scott (Bob), R.C. Ghormley, Nancy Allred, and Rick Kinder - Guests: Lynn McCreight and John Noard

Determination of Quorum: Yes

Approval of Minutes – RC Ghormley moved and Nancy seconded to approve the September 5, 2012 minutes, motion passed.

Treasures Report:

Monthly Financials: Nancy asked if there were any questions on the financials. The financials are good. The inventory dollar amount needs to be added to the capital reserves amount at the bottom of the Budget vs. Actual.

Bob brought to the boards attention, on the Water Usage report (city billed vs. metro billed) the loss percentage is going down each quarter. This is a good trend, meaning the Metro line has fewer leaks. He would like this updated report sent to the board electronically.

Cash Flow: The cash flow looks good since the rates were raised mid-year. The rate increase has helped. With the higher rates, it put the income over budget. The 2012 budget will need to be amended for 2012. This is due by December 31, 2012.

Delinquent List: The LAC Treasurers office has a new property tax billing system. Special tax liens will be printed on the property bills. The property

owners will be required to pay the County Treasurer directly. Lynn will file liens on the same owners as the POA if necessary.

Bond Re-funding: Nancy has met with Jeff Mangino at the First National Bank in Trinidad. The bank will lend the Metro District the money to pay off all the bonds. Nancy asked if Lynn would get a payoff balance and a drop dead deadline to get the information to the bond company to call all the bonds. The payoff will be March 1, 2013. RC asked for clarification as to how paying off the bonds is beneficial to the Metro and what the legal ramifications were for the owners that are still making a bond payment. Nancy stated the interest rate will be 5% vs. 6%. The bond principal payments are calculated different then the payments with a conventional loan. The result is more cash for the Metro now (35000/year) vs. later after the bonds are paid but owners are still paying. The Corporate lawyers said it is legal for us to proceed and it does not change what the owner's payment agreement is with the Metro. If an owner pays the bond off early, the entire payment will go toward the conventional loan. Otherwise, the loan payments will be made according to the loan agreement. Overall, it will cost the District less.

The Board authorized Nancy to proceed with finalization of the loan with First National in an amount necessary to retire the bonds plus an additional \$25,000 for possible future expense.

System Disinfection: Rick will get the new 2013 state testing regulations off the internet when they are available and will share them with the board. There is a product available for approximately \$ 27,000 per tank to prevent ice buildup in the tanks. Bob stated that our tanks have very little ice buildup and he does not believe such product is necessary.

The chlorine is staying even. Occasionally it is necessary for Rick to add additional chlorine directly into tank 3. Good circulation of the fluids creates successful chlorine levels.

SCADA: Nothing new to report. It is planned to set up a dummy control system at pump 6 to test SCADA's ability to turn the pumps on and off as needed. RC would like to run the test at least 2 months.

They are working on winterizing the temperature sensitive PLC's. The line has dropped off twice in the past two months.

System Upgrades:

New meters will be installed when the weather breaks. Hopefully this can happen by the end of January. Bob confirmed to RC that the new meters were brass. With the new meters, less water will be unbilled.

The board is watching a leak on Timber Wolf. The leak seems to be at the top of the line. The plan is to find and fix the leak by means of converting residual pressure to elevation and using that number to help locate the leak with a minimum of digging..

OLD BUSINESS:

John asked if the road on Timber Wolf was fixed. Bob stated that the POA will fix the road.

A positive displacement meter has been installed in the city vault to compare usage to the meter the city installed. RC stated the city's meter has been reading an average of 3% higher than the Metros meter. The vault was re-plumbed August 15th. The new meter was installed September 18th. Bob has priced a compound meter (more accurate readings). They are very pricey. At this time, it would not be worth the money.

CRWA will be called to certify the backflow device. This should be done yearly. They have a cross connection preventor detector. It is \$65.00 for the test.

Bob will continue to monitor both meters in the City Vault.

NEW BUSINESS:

Plan/continuing drought and water supply curtailment: There are two wells on the ranch dug by the original owner. This might be an option if the city cut off the Metro water supply due to drought conditions. One of the wells supposedly is piped to tank one. Using well water would be problematic, and require testing and approval by the state. The existing pipeline to tank one would have to be located, surveyed, and completed.

Hopefully this won't become a reality. The original drawings show a well on Alpine Meadows, but it was never drilled.

North Lake (Trinidad's water source) was down to 30% - 40% in 2002 and the city did not shut down the Metro's water source. Monument Lake is the city's backup water source.

The board will meet with Jim Fernandez (Trinidad's Utility Supervisor) to find out what Trinidad's plan is for water if the drought continues. The board would like to encourage them to cut off corporate water before cutting off residential customers.

It is believed that Baldwin (original owner), arranged with the state to dig the wells in '94 - '96. RC thought if you had 35 acres or more, it was not necessary to thru water rights permits. Lynn stated she had gone thru the well permit process at least two times recently. Bob asked if she could research the status of the two wells and what is needed to get the wells in the Metro's name if they are not.

Lynn agreed to do the research.

Frozen Line and water hauling policy:

Last year if a line froze, the Metro hauled water for the owner at no cost.

This year's policy will be as follows:

- 1) The maintenance fee will be charged at all times
- 2) If we haul the water, we charge the owner for the water but not the hauling.
- 3) If they haul the water, we don't charge for the water
- 4) John Friedrich hauled water last year for a lower rate than others
The board will check with him to see if he is physically up to hauling this year.
- 5) John Noard has an additional 500 gallon sanitary tank available for hauling

RC said last year there were some complaints about not putting the hauling up for bids. Bob stated bids are only required on contracts in excess of \$25,000.

Budget:

Nancy asked who the budget goes to. Lynn responded that it goes to the state. She also stated that the budget needs to be amended by the end of the year because of overages. She will take care of the paperwork. The new budget should be a balanced budget.

To balance the new 2013 budget, the System Repairs/Labor & Sanitation will be reduced to \$60,000.00, System Expansion will be reduced to \$4,000.00 and Capital Reserves will be reduced to \$3000.00.

Nancy made a motion to accept the new 2013 as corrected. RC seconded. Motion passed.

Lynn will process the budget paperwork required by the end of December.

Nancy moved and Rick seconded to amend the 2012 budget due to overages. Motion passed.

Email Module for CUSI billing software:

Nancy requested the board purchase the email module for the billing software for \$1000.00. It will pay for itself in the long run by saving Lynn time and saving postage. The goal will be to email most bills vs. mailing. If the module is purchased Lynn stated there are 3 options per owner, Email invoice only, Email and mail invoice or mail invoice only.

RC made a motion to purchase the email module at a cost of \$1000.00. Nancy seconded the motion. Motion passed.

Rick moved to adjourn the meeting. Nancy seconded. Meeting Adjourned at 10:35.