

**RECORD OF PROCEEDINGS  
BUTTERMILK METROPOLITAN DISTRICT  
July 6, 2010**

A regular meeting of the Board of Directors of the Buttermilk Metropolitan District, in the County of Pitkin, State of Colorado, was held at 0133 Prospector Road, Suite 4210, Aspen, Colorado, on July 6, 2010, at 8:30 a.m. with the following persons present and acting:

Present:	Joyce Amico, President Charles Malkemus, Treasurer Jeff Yusem, Director Tom Sando, Secretary
Members Of the Public:	Gary L. Beach, District Manager Roy M. Saba, Beach Resource Management Elliot Slade, District resident Dr. Gordon Gerson, District resident
Call to Order	President Amico called the meeting to order at 8:30 a.m. and a quorum of Directors was declared present.
Approval of Agenda	Upon a motion made by President Amico and seconded by Dir. Malkemus, the proposed agenda was approved unanimously by voice vote.
Approval of Prior Meeting Minutes	President Amico moved to approve the May 27, 2010, meeting minutes, as presented. Dir. Malkemus seconded the motion and it passed by unanimous voice vote.
Board Format Discussion	<p>In the belief that both Mr. Elliot Slade and Dr. Gordon Gerson had come before the Board as viable candidates, and with general support and desire of the inputs of both applicants, discussion among the Directors ensued about the viability of extending the Board to greater than 5 seats to be able to appoint both. Mr. Beach reviewed for the Board that in order to expand its seats, the District would be required to establish wards, with approximately ten homes in each ward, and would need to then have a representative from each ward.</p> <p>It was then offered by Dir. Malkemus that in order to best preserve equal representation from the three areas of the District: East Owl Creek/Owl Creek Ranch, West Buttermilk, and Eagle Pines, and maintain the Board's present size, that the Board should appoint Mr. Elliot Slade of East Owl Creek to the open position. Further, the Board should request of Dr. Gordon Gerson, of the West Buttermilk area, to continue to routinely attend the Board meetings and provide his valued and well-researched input, especially on the issue of the airport expansion.</p> <p>Mr. Beach reviewed for the Board and Mr. Slade the District's Directors and Officers Liability Insurance coverage.</p>
Motion	Dir. Malkemus moved, and Pres. Amico seconded, to appoint Mr. Slade to the Board of Directors. The motion passed unanimously by voice vote.

Certificate of Appointment and Oaths of Office	<p>Before the Board, President Amico read the Certificate of Appointment for Mr. Slade and Mr. Slade completed the certificate. President Amico then signed the document.</p> <p>Mr. Slade then took his Oath of Office and signed the document. President Amico then signed the document accordingly.</p>
Financial Report	<p>Mr. Saba had previously sent to the Board, via email, the financial statements through end-May for the Board's review.</p> <p>Mr. Beach reviewed expense item 8805 Bad Debt, stating it was the required notation for past-due water amounts certified with the tax assessor (in this case Shifrin) against the residents' tax bill. Two more such certification notices have been mailed to home owners to-date. A general discussion was held on accounts receivable and finance charges.</p>
Motion	<p>Dir. Malkemus moved, and President Amico seconded, to remove any unpaid Accounts Receivable amounts less than \$5 in the greater-than-90-days timeframe. The motion passed unanimously by voice vote.</p>
Ratify Approval of 2009 Audit	<p>Mr. Beach reviewed, that the auditors, Chadwick, Steinkirchner, Davis &amp; Co, have rendered a clean opinion, which means the financial statements of the District confirm with generally accepted accounting principles (GAAP), and comply with the standards and principles of the Governmental Accounting Standards Board (GASB).</p>
Motion	<p>President Amico moved, and Dir. Malkemus seconded, to ratify the approval of the 2009 Audit. The motion passed unanimously by voice vote.</p>
Manager's Report	<p><u>Response to the Airport's Environmental Assessment (EA) &amp; Land Use Application – Meeting on July 14<sup>th</sup></u> In reference to the BOCC meeting scheduled for next Wednesday at 1 pm, Dr. Gerson voiced the issue of increased noise and noise mitigation related to the proposed runway extension citing research into restrictions imposed on airports of similar size and mentioned the F.A.R. Part 161 restrictions.</p> <p>It was suggested that that Mr. Beach, Dr. Gerson and Dir Yusem attend the Board of County Commissioners meeting on Wednesday, July 14h at 1 pm to represent the District on the issue of water, and as Home Owners, on the issue of noise.</p> <p><u>City of Aspen Water Supply: Meeting w/County</u> With regard to the ongoing negotiation to connect with the City of Aspen's water system, Dir. Yusem reviewed the meeting with the County that was held at his office on Tuesday, June 29, 2010, which had in attendance, himself, Mr. Beach, County Manager Ms. Hillary Fletcher and County Commissioner Mr. Michael Owsley. Dir Yusem stated that he reiterated the District's position that the water system should be built at no cost to the District and that the ~\$100,000 that the District has already spent mitigating the airport's impacts to the water system should be recovered in the negotiation.</p>

Due to the ongoing negotiations with the City of Aspen to solidify an acceptable bulk water contract and physical connection, Dir Yusem asked about the status of the District's current water system and supply, and if that status were to change, what options would the District have. Mr. Beach answered that District options previously considered included a connection to the Snowmass Water & Sanitation District's water supply, horizontally drill to into Buttermilk for a source, or re-drill current wells, all of which are less desirable than tapping into the City of Aspen's water supply.

To further explain the status of the present water sources, Mr. Beach reviewed the history of the current source, stating it was in excellent condition until April 2007 when the adjacent airport completed grading construction. Shortly after that construction, well #1 developed bacteria probably as a result of a pit in which organic materials (trees, brush) was buried at the south end of the airport property. Well #2 required hydro-jetting to remove material shifted by construction vibration. If compromised again, by construction or other, Mr. Beach estimated that the cost to re-drill well #2 would be approximately \$100-125K. Mr. Beach commented that the District's water system has been in existence for six years having been brought on-line in approximately 2004. Its vulnerability is that it has only one source of water as opposed to the City of Aspen's which has 5 sources.

Mr. Slade asked Mr. Beach to outline the physical set-up of the proposed system. Mr. Beach stated that the City of Aspen had an 18" inch main running adjacent to Highway 82 and the District would tap into this existing line with a 6" main which would deliver water to a buried tank and from there to a partially buried pumping and treatment facility. The District has requested a 200 gpm minimum rate of delivery and would install a master meter to measure that delivery to the District.

Mr. Beach stated that due in part to the current debt (~\$4M) on the District's water system, the City of Aspen would not consider annexing the District's water system. The District has also advised the City and the County that it would not agree to any annexation for water agreement.

With regard to further questions from Mr. Slade about high water rates in the District, Mr. Beach explained the system's operational cost is only spread over the District's 77 homes, not potentially thousands as in other systems. Dir. Sando asked Mr. Beach if the City of Aspen currently sells water to any other entity "in-bulk" as the District is currently requesting. Mr. Beach answered that the City currently says they do not, and that The Buttermilk District would likely be the first such contract.

Dr. Gerson asked Mr. Beach about the current status of the District's water supply. Mr. Beach stated that the supply is derived from a water channel with a capillary zone above it, which ranges from 16 ft/August to a 32 ft/February, Further, it is historically prone to compaction from nearby construction and that the proposed airport runway extension would include similar compaction.

At 9:33 am Dir. Malkemus left the meeting, a quorum was still present.

Guardrail Bids With regard to the decision to install new guardrails on the West

Buttermilk Road just below Oak Ridge where the side drop-off is steep, Mr. Beach stated he had received a quote for work to install standard guard rail and was awaiting a cable guardrail bid for the Board's consideration.

Bond Re-Issue Mr. Beach reported that, with current bonds rates, there would be two reasons the District might decide to re-issue their bonds. First for the tax reduction, but that would currently lead to a negative net present value and secondly to save about \$75K. Mr. Beach suggested neither outcome/reason was good enough to recommend it to the District at current rates.

Dr. Gerson asked if the District's liquid assets were secure. Mr. Beach responded that the District's monies are presently in Colotrust (Colorado Local Government Liquid Asset Trust) which is the largest pooled investment trust in the state, and currently earning approximately double the CD return rate or something like 2/10<sup>th</sup> percent.

Other Business Mr. Slade brought 3 subjects to discussion before the Board. First, he inquired whether the Willow and Owl Ditch had failed. Dir. Sando answered that it had and work was being done to repair it. Secondly, Mr. Slade stated that the District website was out of date. Finally, Mr. Slade suggested that the District should consider eliminating its highest water usage tier and that the District should annualize water usage for its customers.

Future Meeting The next Board of Directors meeting will be set via email.

Adjournment There being no further business to come before the Board of Directors at this time, Pres. Amico moved to adjourn the meeting at 9:50 a.m. The motion was approved by unanimous voice vote.

The foregoing minutes constitute a true and correct copy of the minutes of the above-referred meeting and were approved by the Board of Directors of the Buttermilk Metropolitan District.

10-26-2010  
Date of Approval

  
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Gary Beach, Manager  
Buttermilk Metropolitan District

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