

# RECORD OF PROCEEDINGS

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## MINUTES OF THE COORDINATED REGULAR MEETING OF

CENTERRA METROPOLITAN DISTRICT NO. 1  
CENTERRA METROPOLITAN DISTRICT NO. 2  
CENTERRA METROPOLITAN DISTRICT NO. 3  
CENTERRA METROPOLITAN DISTRICT NO. 4  
CENTERRA METROPOLITAN DISTRICT NO. 5

HELD  
June 18, 2009

The Boards of Directors of the Centerra Metropolitan District No. 1, Centerra Metropolitan District No. 2, Centerra Metropolitan District No. 3, Centerra Metropolitan District No. 4, and Centerra Metropolitan District No. 5, held a coordinated regular meeting, open to the public, at the office of McWhinney, 2725 Rocky Mountain Avenue, Loveland, Colorado 80538, at 12:00 Noon Thursday, June 18, 2009. Notice of the meeting has been duly posted with the Larimer County Clerk and Recorder and posted in three public places within the boundaries of each District.

### ATTENDANCE

#### Directors in Attendance:

Jay Hardy, Vice President & Assistant Secretary  
Dan Herlihey, Secretary  
Phil Hodgkinson, Assistant Secretary

#### Directors Absent:

Kim Perry, President (Absence Excused)  
Doug Hill, Treasurer & Assistant Secretary (Absence Excused)

#### Also in Attendance:

Bret Boulter, McWhinney  
Christine Harpel, McWhinney  
Josh Kane, McWhinney  
Alan Pogue, Icenogle, Norton, Smith, Gilida, & Pogue  
Peggy Dowswell, Pinnacle Consulting Group, Inc.  
Diane Lunt, Pinnacle Consulting Group, Inc.  
Bonnie Steele, City of Loveland  
Dave Klockeman, City of Loveland  
Rus Heise, RBC Capital Markets (departed at 1:20 p.m.)

### CALL TO ORDER

The meeting was called to order at 12:09 p.m. by Director Hardy, Vice President of the Board, noting that a quorum was present. The directors in attendance confirmed their qualifications to serve.

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## COMBINED MEETING

The Districts are meeting in a combined Board Meeting. Unless otherwise noted, the matters set forth below shall be deemed to be the actions of the Centerra Metropolitan District No. 1, with concurrence by the Centerra Metropolitan Districts Nos. 2, 3, 4, and 5.

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## CONFLICT OF INTEREST DISCLOSURE

Mr. Pogue, legal counsel, noted that notices of potential conflicts of interest for all Board Members were filed with the Colorado Secretary of State's Office, disclosing potential conflicts as all Board Members are employees of McWhinney Real Estate Services, Inc., which is associated with the primary landowners and developer within the District. Mr. Pogue advised the Board that pursuant to Colorado law, certain disclosures by the Board Members might be required prior to taking official action at a meeting. The Board reviewed the agenda for the meeting, following which each Board Member present confirmed the contents of the written disclosures previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Additionally, the Board determined that the participation of the members present was necessary to obtain a quorum or otherwise enable the Board to act.

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## APPROVAL OF AGENDA

The Board reviewed the agenda and decided to postpone discussion of items 7) b. "Ratify/Approve Amended and Restated Funding and Reimbursement Agreement for Centerra Properties West (CPW)" and 7) c. "Ratify/Approve Amended and Restated Funding and Reimbursement Agreement for SMP4" and to move item 8) e. "District Financial Policies (see attached email from Rich Shannon dated June 11, 2009, regarding District Financial Policies)" to the position of item 6) c. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** to approve the agenda with the changes noted above.

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## APPROVAL OF MINUTES

The Minutes of the April 30, 2009 meeting were presented and approved. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** to approve the minutes from April 30, 2009 as presented.

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There were no actions or representations of the District by the District Manager that needed ratification since the Board Meeting on April 30, 2009.

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## CITY OF LOVELAND AUDIT

Ms. Bonnie Steele, City of Loveland Internal Auditor, reported that the City's audit of the District, the PIC and the PIF revenue (in accordance with MFA terms and conditions) was complete and resulted in no material discrepancies and all findings in compliance. She noted that her results would be reported to City Council via the LURA (Loveland Urban Renewal Authority) annual report.

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## ITEMS FROM THE FINANCE DIRECTOR

### Financial Report and Ratification and Approval of Payables

Ms. Dowswell presented for ratification the Schedule of Payables for May 21, 2009, in the amount of \$390,889.54 including checks 3745 through 3777 and for approval the Schedule of Payables for June 18, 2009, in the amount of \$325,184.64 including checks 3778 through 3809. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** to ratify the Schedule of Payables for May 21, 2009, and approve the Schedule of Payables for June 18, 2009, in the amounts and check numbers noted above.

Ms. Dowswell presented the Cash Position as of May 31, 2009, updated as of June 17, 2009, and answered questions from the Board.

Ms. Dowswell presented the Actual vs. Budgeted Expenditures with Variances thru April 30, 2009, with adopted and projected 2009 budgets, and answered questions from the Board.

Ms. Dowswell presented the allocation of the 2009 Contingency Expenditures thru April 30, 2009, and answered questions from the Board. The Board directed staff to freeze the remaining contingency until the remaining budget for the year can be reviewed in more depth. The Board noted it is changing the overall direction to staff to be more proactive instead of reactive to the many different requests received by the District. The new direction calls for District Management to analyze all costs in light of what is needed vs. wanted; to understand the cost of what is being requested before proceeding, and to determine levels of service and associated costs. The Board directed District Management to come back with a recommendation to the Board on any proposed cost efficiencies/savings for 2009 and assist the Board with analyzing needs vs. wants.

### Update on Bond Financing

Mr. Heise presented an overview of the current District bond structure, the current market conditions, the possibility of a downgrade in Compass Bank's ratings, the possibility of additional borrowing on par with existing bonds, and answered questions from the Board. He noted that the District was pursuing a \$10-\$12 million bond issue, for which Compass was going to waive its ratio requirement of 1.50, and had negotiated a term sheet with Compass until Compass put it on hold due to the possible ratings downgrade. Mr. Heise emphasized that the District will need to be in the best possible financial position with MADS (maximum annual debt service) coverage ratios of 1.30 to 1.35 times by 2013 when Compass Bank's Letter of Credit renews.

### District Financial Policies

Ms. Dowswell then presented the District's 5 year Cash Flow Analysis and reviewed the projected annual MADS coverage ratios with current bonds only and with new debt. She noted that maintaining the MADS coverage of 1.30 to 1.35 coverage would be difficult if the District issued additional debt. The Cash Flow Analysis also contained projections on "all-in" ratios that calculated revenue over total operating and debt expenditures. She noted that a reduction in Operation and Maintenance expenses

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would not affect the MADS ratio, but would affect the "all-in" ratio in a positive manner. The Board discussed the desire to maintain coverage ratios as noted by Mr. Heise and also directed staff to also present a worst case scenario for the next board meeting.

Ms. Dowswell presented for the Board's consideration the Financial Policies email from Mr. Shannon outlining questions and key assumptions when considering a 2009 bond issue, developing a budget for 2010, and creating the foundation for a set of long term financial policies. Ms. Dowswell answered questions from the Board, and the Board noted that it will take several meetings to discuss various financial scenarios and budget options for 2009 and 2010.

Mr. Pogue reviewed electronic mail (email) protocol for the Board and all in attendance.

### ITEMS FROM THE ATTORNEY

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#### MFA Restatement

Mr. Pogue reviewed the status of the MFA Restatement and the Board requested he report back to them on how much has been spent so far in this effort and the costs left to spend, before they approve going forward.

#### Signing Authority for District Manager and Project Managers

Mr. Pogue presented for the Board's consideration the topic of signing authority for the District Manager and Project Managers. The Board will add this topic to future discussions regarding District Financial Policies.

#### Landscape Easement Agreement with CPW, McWhinney CC409, and SMP5 Investments

Mr. Pogue presented for the Board's consideration the Landscape Easement Agreement with District No.1, CPW, McWhinney CC409, and SMP5 Investments. Upon motion duly made by Director Hodgkinson and seconded by Director Herlihey, it was unanimously

**RESOLVED** to approve the Landscape Easement Agreement with District No.1, CPW, McWhinney CC409, and SMP5 Investments.

#### Secondary Fiber Update

Director Herlihey updated the Board on the evaluation and researched benefits of bringing telecom fiber internet service to various customers and tenants within Centerra and described the system components. Three components are involved in completing the fiber system: fitting the existing Metro District conduit system with vaults to enhance access, installing fiber cable within the conduits, and installing computer hardware converters at building termination points. Completion of the Metro District portion of the system (access vaults) is expected to cost up to \$98,000 and will be advanced by the Developer.

#### Consider Resolution Calling Election Pursuant to Section 29-27-201, C.R.S.

Mr. Pogue advised the Board of District No. 1 of the requirements of Section 29-27-201, C.R.S., as pertaining to the District's underground conduit system and the placement of telecommunications fiber therein. Mr. Pogue further advised that the

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Board should call an election, to be held on October 6, 2009, which would seek voter approval for District No. 1 to permit third party service providers to locate their telecommunications fiber within the District's conduit system. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** by the Board of Directors of District No. 1 to approve the Resolution Calling Election Pursuant to Section 29-27-201, C.R.S as noted above.

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ITEMS FROM  
THE DISTRICT  
MANAGER-  
PRESENTED  
BY OTHERS

Combined updates on the I-25/Crossroads and I-25/US 34 Interchange Projects

Mr. Klockeman updated the Board on the status of the I-25/Crossroads Interchange Project regarding the pre-bid meeting turnout, the current projected timeline, and the possibility of additional expenses if construction is delayed. Due to concerns regarding the potential for additional funding needs, the Board has asked to "hold" the bids in the event the bids are higher than estimated to allow the Board adequate time to evaluate the fiscal requirements of the I-25/US 34 Interchange Project. Mr. Klockeman noted the schedule for the I-25/US 34 Interchange Project was delayed by Wilson and Company without notification, and that the change in schedule would delay the bid opening for the I-25/US 34 Interchange Project two months behind the bid opening of the I-25/Crossroads Interchange Project. Mr. Klockeman is working through possible construction scenarios based on the delay in schedules, and he is providing a written update to the Loveland City Council.

Status of Reimbursement for Original URA Formation Costs and Flex URA Costs

Ms. Dowswell reported that this item remains open until the Board decides whether to pursue and MFA amendment or to remove them from the District books and submit them to the PIC. The Board tabled discussion until a later date.

Review and Acceptance of Project Costs:

Ms. Dowswell presented for the Board's consideration and acceptance, as a result of a review and recommendation by Pinnacle Consulting Group Inc., the Project Costs for Chapungu Sculpture Park Volume II and addition to the Note to the Developer in the amount of \$108,065.71. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** to accept the Project Costs for Chapungu Sculpture Park Volume II and increase the note to CPW under the existing reimbursement agreement up to \$108,065.71.

Ms. Dowswell presented for the Board's consideration and acceptance, as a result of a review and recommendation by Pinnacle Consulting Group Inc., the Project Costs for HPEC Concrete Trails Volume II and addition to the Note to the Developer in the amount of \$281,048.77. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

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**RESOLVED** to accept the Project Costs for HPEC Concrete Trails Volume II and increase the note to CPW under the existing reimbursement agreement up to \$281,048.77.

Ms. Dowswell presented for the Board's consideration and acceptance, as a result of a review and recommendation by Pinnacle Consulting Group Inc., the Project Costs for Centerra Parkway North Volume II and addition to the Note to the Developer in the amount of \$41,432.53. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** to accept the Project Costs for Centerra Parkway North Volume II and increase the note to CPW under the existing reimbursement agreement up to \$41,432.53.

Ms. Dowswell presented for the Board's consideration and acceptance, as a result of a review and recommendation by Pinnacle Consulting Group Inc., the Project Costs for Boyd Lake Avenue and Hwy 34 Volume II and addition to the Note to the Developer in the amount of \$9,355.91. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** to accept the Project Costs for Boyd Lake Avenue and Hwy 34 Volume II and increase the note to CPW under the existing reimbursement agreement up to \$9,355.91.

Ms. Dowswell presented for the Board's consideration and acceptance, as a result of a review and recommendation by Pinnacle Consulting Group Inc., the Project Costs for Kendall Parkway West Volume II and addition to the Note to the Developer in the amount of \$5,403.77. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** to accept the Project Costs for Boyd Lake Avenue and Hwy 34 Volume II and increase the note to CPW under the existing reimbursement agreement up to \$5,403.77.

### Request for Extension of Thompson Valley Health Services District Agreement

Director Hardy presented for the Board's consideration the possibility of extending the current agreement with the Thompson Valley Health Services District (TVHSD). Extension of the agreement would provide time for the TVHSD to consider two additional facility construction sites. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

**RESOLVED** to approve the extension of the Thompson Valley Health Services District Agreement for a period not to exceed one year contingent upon TVHSD not accepting one of the two additional construction sites, and to authorize Director Hardy to facilitate negotiations with TVHSD on the Board's behalf.

### Chapungu Sculpture Park Appraisal and Insurance Update

Mr. Pogue updated the Board on the appraisal process and proposal from Roger Ponn Associated Appraisers, LLC for the sculptures within the Chapungu Sculpture Park. The appraisal is necessary to complete the binding of insurance

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coverage for the sculptures and is estimated to cost \$10,000. Upon motion duly made by Director Hodgkinson and seconded by Director Herlihey, it was unanimously

**RESOLVED** to approve completion of the appraisal by Roger Ponn Associated Appraisers, LLC in the amount of approximately \$10,000 for the sculptures in the Chapungu Sculpture Park as noted above and to review the appraisal every two to four years.


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### ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:01 p.m.

The foregoing constitutes a true and correct copy of the minutes of the above-referenced meeting.

Respectfully Submitted,



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Diane Lunt, Secretary for the Meeting