

**MINUTES OF THE BOARD OF DIRECTORS PUBLIC MEETING  
ARABIAN ACRES METROPOLITAN DISTRICT**

August 21, 2019 at 5:30 P.M.

Divide Fire Station, 103 Cedar Mountain Road, Divide, Colorado 80814

**In attendance were Directors:**

Jennifer Waller, President

Craig Waller, Treasurer

Edith Coffman, Assistant Secretary

Lucas Ortivez, Secretary

Lanny Hoel, Assistant Secretary

**Also in attendance were:**

Lynn Willow, ORC

Mike Groselle, AquaWorks

Kevin Walker, WSDM2q

Lori VonFeldt, WSDM

Members of the public (see sign-in sheet)

**1. Administrative Matters**

- Call to Order & Declaration of Quorum: President Waller called the meeting to order at 5:31p.m. President Waller confirmed a quorum was present.
- Confirm any Potential Conflicts of Interest: The Board confirmed there were no potential conflicts of interest.

- Discussion and Approval of the Agenda: Mr. Walker noted that the transcriber was not in attendance, so the meeting would be recorded. Director Ortivez moved to approve the Agenda; seconded by Director Hoel. Motion passed unanimously.

- Review and Approval of the July Board of Directors Meeting Minutes: Director Coffman moved to approve the July Board of Directors Meeting Minutes; seconded by Director Hoel. Motion passed unanimously.

- Approval of the IGA with Elbert County Clerk and Recorder: Mr. Walker explained the draft of the agreement between Elbert County Clerk and Recorder and Arabian Acres Metropolitan District in order to run the election. The agreement states how they will run the election and the projected costs of up to \$10,000 with a \$2,500 deposit. The draft agreement has been reviewed by both parties' legal counsel and management. Director Coffman moved to authorize Mr. Walker to sign the IGA with Elbert County Clerk and Recorder; seconded by Director Ortivez. Motion passed unanimously.

- Review of current project status: Mr. Groselle updated the Board on the current project status. The water meter project is three-fourths of the way done and the contractor estimated 5 weeks until completion assuming everything goes well. AquaWorks recommends the Board sign Payout Nos. 2 and 3. He explained that Mr. Sommers will continue to monitor the project once a week. Director Coffman asked about a meter that was changed out with a 1 ¾ inch pipe. Mr. Willow explained that 6 years ago, they did an inspection at that property and in 2009 it had a commercial tap and they investigated that the meter had a ¾ inch. When the new meter pit was recently put in, it was behind a wall and they had to remove the wall and it was back to a 1 ¼ inch meter installed. Mr. Willow said it was something done by the previous owners of the property, but it has since been fixed and it is a legitimate ¾ inch now. Director Coffman asked how this could be prevented moving forward since the previous owner had been cheating the District. Mr. Willow confirmed there are no more large taps in the District. Mrs. Callan asked if the meter was filled with cement. Mr. Willow said no and explained it was the curb stop that was filled with compacted dirt, not cement. He noted there are new owners and the issues have been resolved.

Mr. Groselle updated the Board on the distribution project. Mr. Groselle and Mr. Sommers are checking the existing pumps versus the actual pump curves and the amount of water they are supposed to be producing, and it appears that they are not producing what they should be based on the information. Essentially, the pumps are not sized to pump the water efficiently all the way up to the water source, but they do want to verify.

One solution they are proposing is to put a booster pump into the well house and treatment house that will take some of the work load off the pumps. Research includes the Hydrogeologist determining the capacity of the existing wells. If they can produce more water, but are not because of the pumps, we can add additional wells to the infrastructure, and the existing wells will produce more water. That is what they are trying to confirm. President Waller asked if it is possible to save money by not having to drill more wells. Mr. Groselle said they could possibly switch out the pumps which is much cheaper. Mr. Sommers recommends having Jehn Water Consultants determine the actual volume of water that can get pulled out of the wells. The Board went over the scope of service for the well testing project. The estimated cost is \$7,000 to \$10,000 which will come out of the engineering grant fund which has \$82,000 remaining.

- \$1M DOLA Grant: Mr. Walker explained that Mr. Sommers has identified a source for a \$1 Million DOLA Grant for the construction and is asking for the Board's permission to begin the application process. It is a matching grant, so the District would have to match the funds with the loan that District applied for, so it would be an opportunity to double the amount of the first \$1 Million. Mr. Walker noted he has completed the analysis of the District's financial situation. He has not completed the official memo yet, but the previous analysis showed the District could potentially support a \$3 Million loan, but Walker Schooler District Managers does not think that is accurate. The previous assumptions were much more aggressive than he would recommend. Tap fee income was also included that shouldn't have been in the District's income. He believes the District could support more like \$1.1 Million based on conservative assumptions. Mr. Walker will have the memo to the Board before the next meeting and would like to make sure the Board has a chance to review it before it is discussed. Mr. Walker requested authorization to apply for the \$1 Million DOLA grant. President Waller said she thinks the District should apply for grants when given the chance and there's no reason to not get the ball rolling to see if we qualify for it. Mrs. Callan said she thought the District was not going to move forward with applying for loans and that a grant is only half free money if we must match it. She asked what this grant would be used for. President Waller confirmed she was not comfortable signing a \$3 Million loan. Mrs. Callan expressed concerns with moving forward with a loan and taking on more debt. President Waller discussed the importance of looking into production of water and whether we can support the production. If the District does not apply for grants in time, we would lose that opportunity. At this point, we are just looking into the feasibility and exploring the possibility. Mr. Baker asked about the amount of debt that Mr. Walker determined the District could take on. Mr. Walker confirmed it was about \$1 Million. Mr. Baker asked if this District ever did not spend money that it had available. President Waller said no, not that she knows of. Mr. Walker explained the engineers are working under a grant to design a system that they projected at one point to be about \$3 Million. So clearly, if the District cannot afford it, they are not going to design that system. Now we need to work with Mr. Sommers to design a system that would not use up the entire

engineering grant, theoretically. Mr. Baker said it is great that management looked into the feasibility of what the District could borrow instead of just borrowing it. Mr. Stan Claussen asked if within the existing fee income structure, they estimated we could afford \$1.1 to \$1.2 Million loan, so if you get the \$1 Million grant, that is a good idea to have \$2 Million available with the current revenue structure for improvements as they become necessary. Mr. Walker explained there are terms to the grant, and you would have to start spending it and must spend it all by a certain time. He also noted that if we needed only \$200,000 for improvements to the system, we don't have the money for that either without a loan or grant. He explained the District could use a portion of the grant with matching funds and let the rest of it go as well, and the system would allow us to do that. President Waller said she wants the District to be in a situation where if something happens, they could fix it. A woman asked where they would get the \$1 Million loan. Mr. Walker explained it is from the Division of Local Affairs. She also asked about interest on the loan. President Waller said interest would be 0% to 1% interest due to the disadvantaged community status of the District. Mr. Walker noted that we have not been given the loan yet, so they are not sure on the exact terms, but it would be nominal in terms of interest rate. Mr. Baker commented that it all sounds good but would the District and the Board be able to not spend the money. Mr. Baker brought up the loggers purchased in the past. Mr. Willow explained the benefit of the loggers. Mr. Baker discussed his concerns with the way money was spent in the past. President Waller said she and this Board is committed to do what we need to do, and she doesn't want to overspend and wants to be responsible with the District's funds. Mr. Brown said he requested maintenance records a few months ago so that we have history on what has been done. Mr. Willow said he has all the records and he can email them. Mr. Willow discussed preventative maintenance that is done on the system. Director Coffman asked since we are not going to do the \$3 Million project and speaking for those customers who are charged the CIP fee, are we going to discuss removing or changing the fee. Mr. Walker explained the Board can do that at any time. He does not recommend removing the fee completely since there are capital expenditures that the District needs to make. He added it could be discussed during the budget process in October and November since they will have a better idea on applications for loans and grants as well. They will have more information so the Board can decide how to operate next year and how they will want to operate in future years. Director Coffman stated it is the people in the District who are using the water that is paying for the \$1 Million loan. Mr. Walker noted the sources of revenue are both the capital improvement fee and the mill levy. Director Coffman said the mill levy is for the bond. President Waller suggested looking at whether the fee can be reduced when they look at the budget in October and November. Mrs. Callan discussed the CIP fee and that it should not be included as regular revenue for loans and matching grant funds. If the District were to give up that income from the fee, they should consider comparing rates to other Districts. She said raising water rates would be a legitimate way of raising income rather than the \$75 fee and calling it regular revenue. Director Coffman stated that no one on the current Board called it that. Treasurer Waller asked if we are now looking at tanks and not necessarily piping and

infrastructure based on the engineering. President Waller said that is something the Board needs to discuss, and we need to be prudent about pursuing grants. Mr. Walker clarified that they are talking about a cash flow approach. For example, keeping the capital improvement fee and if we earn \$120,000 next year, giving us capital expenditure and then looking at what needs to be done. Mr. Walker noted that without the capital improvement fee they would not have that money because the operations and user fees and surcharges are bounced. If you remove the fee, you will not have capital expenditures next year. A woman asked when the bond mill levy will go away. President Waller said when the bond is paid off. Mr. Walker explained the balance at the end of the year was \$1.1 Million and the last payment is in 2030. A woman asked who the bond is paying. The Board explained it is paying the bond holders who loaned the money. She asked who the bond holders are. Mr. Walker said the Municipal Securities Research Board runs a website that has that information, but you may have to request the information from the Trustee. He noted that it is probably going to be a big insurance company like Occidental or Prudential, and it could be someone different next year because they trade them back and forth on the market. She said Woodland Park Post Office has a box and the County already told her that there is money that goes to this Woodland Park Post Office box that is paying this bond. Mr. Walker said he would be astonished that somebody knew that, and he would not want to be the person who told her that. He said it is researchable, but it is dense. She asked Mr. Walker if he manages Chipita Park. Mr. Walker said they manage Cascade not Chipita Park. She asked if he is also buying water from the City, from Colorado Springs Utilities. He replied that he personally does not, but Cascade Metropolitan District does. Mr. Walker noted he stopped the Board from voting in order to answer questions. President Waller confirmed there was a motion to approve applying for the \$1 Million DOLA grant. The Board unanimously voted to apply for the \$1 Million DOLA grant.

- Approval of the Velocity Constructors Change Order: President Waller said that she and AquaWorks reviewed the change order and everything looked reasonable. She noted that even with the change orders, we are still on budget. The Board discussed that excavation was bid on 7 feet deep, but some have been 10 or 11 feet deep. Director Ortivez confirmed the change order is for \$16,834. Mrs. Callan said her pit is not flush with the ground like the others. President Waller explained that would be another change order. Director Coffman moved to approve the Velocity Constructors Change Order; seconded by Director Ortivez. Motion passed unanimously.

- Approval of the Jehn Water Consultants Proposal: Director Coffman moved to approve the Jehn Water Consultants proposal; seconded by Director Ortivez. Mr. Brown asked about when the original wells were put in and if they have reviewed if they were properly sized for what is in there. Mr. Groselle explained that they are finding out that some were not properly sized, and they are operating on a point that is not even

on the pump curve. Mr. Willow explained in the beginning of Arabian Acres, there was no storage tank and it was just wells that fed the main lines and came on as needed before they installed the storage tank. Mr. Walker clarified that they do have funds left in the grant to do this and a reasonable assumption that this needs to be done which they confirmed with Mr. Sommers. The motion passed unanimously.

- **President's Report:** President Waller said the September meeting is scheduled for the 18<sup>th</sup> which is the SDA Conference in Keystone. A woman asked who was going to Keystone. President Waller replied that Walker Schooler District Managers would be attending. Mr. Walker clarified that WSDM would be going at their own expense. Ms. VonFeldt noted the office will be closed for the conference, so payments over the phone will not be available during that time. Treasurer Waller moved to reschedule the September meeting to September 25<sup>th</sup> at 5:30 p.m. pending the room at the Fire Station is available; seconded by Director Hoel. Motion passed unanimously.

President Waller said she has seen a lot of hoses in the District and she wanted to remind everyone that there is no outside watering allowed in the District. If you have plants on your porch, you can carry a gallon out at a time to water them, but there should be no extra outside watering including washing cars. Mr. Walker confirmed that outside watering is not allowed if you are a customer of the District's water system. President Waller suggested adding a reminder to the monthly bill. The Board discussed that the use of collected rainwater is allowed. Mr. Walker said they will add it to the monthly bill and will check into adding a note about the collection of rainwater. Director Coffman asked Mr. Walker if he ever spoke to Mr. Downie about monthly billing. Mr. Walker said yes, and he has agreed to monthly billing and are expecting a bill from him shortly.

## **2. Operator's Report**

ORC Report: Mr. Willow reported the meter project is going along well. He noted the contractors have been great. Bac-T samples were fine and there was no water purchased. Mrs. Callan asked how the wells are performing. Mr. Willow said they are performing like always. Treasurer Waller asked Mr. Willow if the new meters being done in the next month or two will be online for monthly billing by November or December. Mr. Willow said it is a Board decision, but they should be capable of doing it a week or so after the last meter is installed. He thinks October's bill will probably be auto read.

## **3. Financial Matters**

- **Review of billing and collection status:** Ms. VonFeldt reported that 22 reminder letters were sent out in July and 22 reminder letters in August. There were 5 people on payment plans; one customer has paid off their plan, 3 are still paying, and one

customer had stopped paying and they have been shut off. 7 customers are signed up for auto-payment and 37 customers are receiving their bill by email.

- **Review and Approve the Payment of Claims:** Ms. VonFeldt noted three checks that were put on hold because she needs them signed and put in the next requisition from grant funds. She will hang on to them until the grant funds come in. She also noted the \$2,500 deposit check for Elbert County and the recall election. Under the general fund, there is the BiggsKofford expense for the 2018 Audit as well. Other than that, everything is normal monthly expenses. Mr. Walker noted that once the election and capital expenses are removed, an after 7 months the District has spent about 64% of the operating budget so the District is on track for covering those expenses. A gentleman noted the P&L statement on the website is from March. The Board said they will get that updated. Director Ortivez moved to approve the payment of claims; seconded by Director Hoel. Motion passed unanimously.

- **Review and accept the July 2019 Financial Statement:** Mr. Walker noted they usually have a monthly column, but for some reason that was not included in this month's report so they will add it to the financials for the website. Director Ortivez moved to accept the July 2019 Financial Statement; seconded by Director Coffman. Motion passed unanimously.

**4. New Business:** There was no discussion.

**5. Other Business:** Mr. Walker said he just looked up when the tank was added, and according to the water report the tank was added in 1994. It was put in before the District purchased it, so they were operating for over 20 years without pressure related storage.

**6. Public Comment:** President Waller opened the meeting up to public comment.

Mr. Baker said he brings his sister in and out of Woodland Park several times a day and he has seen water delivery trucks from Sierra Water Service and another with no brand on it. He said he has a cistern but is connected to the system. He asked if everybody that gets water from the system has the same deal with Arabian Acres MD. Mr. Willow explained that in emergency situations, they have had to purchase water from Gold Rush and there are a lot of people who have cisterns up there. Mr. Baker asked if they can buy water whenever they want from someone else. President Waller said no, not if they are on the system but noted that some people have spas that will buy water to fill it. Mr. Willow said he knows about 12 hot tubs in the Arabian Acres MD that use Sierra and Gold Rush. Mr. Baker said he has taken photos of them before. He asked if they all have the same deal. Mr. Willow explained it is in the Rules and Regs, and if they are doing that without District permission during a water emergency, they would be subject to the

fine. Mr. Baker asked if there has been a water emergency in the last few months. Mr. Willow said no. Mr. Baker said he went to talk to these people before and they told him they had a separate contract where they only had to buy so much water a month from AAMD and then they could buy the rest from whomever they wanted. Mr. Baker said he then sees the water trucks there, so he doesn't know what to think. Mr. Willow told Mr. Baker to call him if he sees anything like that. Mr. Willow says if he sees someone breaking the Rules and Regs, he will bring it to the Board. He noted that Gold Rush and Sierra are more expensive than Arabian Acres MD. Mr. Willow confirmed that nobody in the District has a separate contract. Everybody has the same contract to sign when you pay your tap fee.

Mr. Brown asked if the float was ever put into the cistern that was discussed at a previous meeting. Mr. Walker said we had the engineer review the system, and we think that the replacement of their meter will solve the problem. They believe and claim that the meter is frozen, but the meter is going to be replaced and correctly installed. Mr. Walker noted that anything beyond the meter is their responsibility. Mr. Baker said he has heard that they turn their water on and off, so it is not going to be moving so it is still going to freeze despite the depth, which will be their problem. Mr. Brown said the financials are a few months out of date on the website and they are displayed sideways. He wants them to be consistent. Mr. Walker said we will take care of that and get it fixed.

Mr. Walker noted the sample ballot and voter instructions, and that the fire station will be the central voting location on the day of the recall election. He said you will be able to vote here after 1:00 pm on election day and you can register and drop your ballot off. You are also able to drop it off at the box in Woodland Park at the driver's license bureau. He noted this will all be posted on the website shortly.

A woman asked if the Board approved the \$11,000 of going back and forth to court to protect President and Treasurer Waller. President Waller said no, that was to protect the District, and nothing has been spent on her or Treasurer Waller. She asked if it was because they wouldn't step down and they had to go to the court, that is why this money was spent. President Waller responded that there were meetings and decisions made that she and Treasurer Waller recused themselves from. The woman said that is a lot of money that the District is paying in legal fees. The Board confirmed it was \$60,000 for the DEO that was appointed and for her attorney, the District's attorney, and another attorney for consulting the District and nothing that was for her or Treasurer Waller. She said she attended a meeting with the DEO and represented themselves and have never had a lawyer. The woman asked if the Board did not want them to step down. The Board said yes. Mr. Walker clarified that there was a Designated Election Official appointed by the Judge. The District did not have a choice in whether to pay that or not, and that was paid per court order. They have the right to be reimbursed and they have the right to hire consultants, and they hired an attorney, Mr. Norton. That fee was also required to be paid by the courts, so

the Board did not have a choice in any of that. They did have the choice to hire Mr. Williams and that bill is \$9,700. They also had to hire a DEO to run the election which was the proposal that was accepted today with a potential cost of \$10,000. Those are all expenses that are required by the process and court order and statute. She asked if President and Treasurer Waller stepped down none of this would have happened. Mr. Walker said that is correct and had there not been a petition filed at the court to recall none of this would have happened either. Treasurer Waller noted that Mr. Williams, the District's attorney cost \$9,700 and the previous DEO's attorney, Mr. Norton was over \$20,000 and the DEO herself was \$20,000 for a total combined of around \$40,000.

**7. Adjournment:** Director Hoel moved to adjourn; seconded by Treasurer Waller. Motion passed unanimously.

THE NEXT REGULARLY SCHEDULED MEETING WILL BE HELD ON WEDNESDAY, SEPTEMBER 25, 2019 at 5:30 p.m. at the DIVIDE FIRE STATION, 103 CEDAR MOUNTAIN ROAD, DIVIDE, COLORADO 80814

Respectfully Submitted,

Walker Schooler District Managers

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By: Kristina Kulick for the Recording Secretary

THESE MINUTES ARE APPROVED AS THE OFFICIAL AUGUST 21, 2019 MINUTES OF THE ARABIAN ACRES METROPOLITAN DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

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Jennifer Waller, President

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Lucas Ortivez, Secretary

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Craig Waller, Treasurer

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Edith Coffman, Assistant Secretary

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Lanny Hoel, Assistant Secretary