

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

December 6, 2018 at 5:30 P.M.

Woodland Country Lodge, 730 Country Drive, Woodland Park, Colorado 80863

In attendance were Directors:

Jennifer Waller, President

Craig Waller, Treasurer

Edith Coffman, Director

Also in attendance were:

Kevin Walker, Walker Schooler District Managers

Lori VonFeldt, Walker Schooler District Managers

Members of the public (see sign-in sheet)

1. Administrative Matters:

- a. Call to Order and Declaration of Quorum: President Waller called the public special meeting to order and confirmed a quorum.
- b. Confirm any potential conflicts of interest: President Waller confirmed with the Board that there were no potential conflicts of interest.
- c. Discuss and approve agenda: President Waller discussed the presentation by Mr. Walker and Ms. VonFeldt with Walker Schooler District Managers and the other items on the Agenda. Director Coffman moved to approve the Agenda; seconded by Treasurer Waller. Motion passed unanimously.
- d. New Management Firm Presentation – Walker Schooler District Managers: Mr. Walker introduced himself and explained that Walker Schooler District Managers began in 2002 as Schooler & Associates. WSDM exclusively manages Title 32 Metropolitan Special Districts and began as one district with Terry Schooler as the Principal and Ms. VonFeldt started in 2004. WSDM currently manages 24 separate special districts including water districts, fire districts and dirt districts. WSDM manages districts that are as large as 1700 houses along with other commercial development. Mr. Walker said they work with districts with budgets close to \$1 Million and manage districts as small as the Woodmen Valley Fire Protection District which has a budget of \$100,000 and all types of districts in between. Mr. Walker said he has been working with the company for 4 years and has been a resident of the Pike Peaks region since 1979. He has been in urban planning and development business including consulting and politics prior to working with Walker Schooler District Managers. Mr. Walker explained that he had a contract to purchase the company when Terry Schooler retired at the

beginning of last year, so he is now 100% the owner of the company. He discussed how he has been involved in special districts as a board member and as a formation expert for developers since 1986. WSDM manages districts that are \$30 Million in debt and the total debt management is a little over \$100 Million. Mr. Walker introduced Ms. VonFeldt, the Chief Operating Officer and Chief Financial Officer for WSDM. Ms. VonFeldt introduced herself and spoke about her diverse background as a business owner and a computer programmer. She said she was very intrigued when she first started and she loves managing the financials and enjoys helping districts who have problems get their financials turned around and watching them prosper. Mr. Walker noted that their most relevant experience is with managing the Cascade Metropolitan District that has had similar issues and history as Arabian Acres. There has been a lot of Board change over and concerns about the district. He said it has been great experience working with a district that had contentious issues when they first started and has now worked its way towards stability. He explained Cascade's construction project that will be taken over by the City of Colorado Springs by the end of next year. Mr. Walker noted that Cascade has 380 taps, some commercial but mostly residential so they are very familiar with issues such as customer service, billing, outages, leaks and all of those things that occur in water districts. He added that they work closely with the Board and staff to work through any problems and their approach is to be very hands on and try to understand everything we can about the district and learn as we go. Mr. Walker stated that they will be as transparent as possible with Board members and residents. He said we will work very hard in the beginning to make sure we understand the district and build on that, and we are not rigid and we will not tell you how to do your business, but instead try to listen to the Board and residents on how they want things done. Mr. Walker added that they stay up to date on the legal aspects of special districts and the whole company attends the Special District Association conference every year. Mr. Walker passed out the proposal and his business card and welcomed any questions or concerns and explained that there is a 24-hour line for problems and emergencies. President Waller noted that Lynn Willow, their ORC Water Operator has a 24/7 number as well.

- e. Board of Directors and Resident Q&A with WSDM: President Waller opened the discussion to the residents for any questions or concerns. Mr. Al Brown asked if WSDM provides Water Operators or if they just oversee the district. Mr. Walker said that on their staff they do not have any system operators, that would be a separate service and business but they manage those tasks. Mr. Brown stated that their current Operator does fine, but asked what could they do as backup if there was something that happened to him and what would be the recommendation of WSDM. Mr. Walker said he would work to find someone who could back him up, preferably someone who has worked in the District before with experience. He explained how they have found backup Operators in Cascade with experience

within the District and in a pinch they could reach out to them if needed. He added that he has worked with the Colorado Rural Water Association and is currently working on a relationship with Pikes Peak Community College and they have a certification process and internships for Water Operators who provide labor as interns. Mr. Brown asked Mr. Walker if they work with current Operators to build procedures and policies. Mr. Walker said yes, they try to bring that level of professionalism so we can do job descriptions and procedure and safety manuals. President Waller noted that she has definitely wanted to update manuals and get things tighter. She added that they do have one gentleman who works with Lynn frequently as backup and they are definitely open to training new people who can help with that.

Marilyn said that this District has spoken with attorneys in the past about developing By Laws and the current attorney strongly recommends that we develop By Laws that would address the concerns of policies and procedures. By Laws have not happened for various reasons but she hopes that this Board would develop By Laws. Marilyn asked Mr. Walker what his feelings and experiences are with districts who do or don't have By Laws to rely on. Mr. Walker said that the majority of the districts he manages do not have written By Laws, but the ones that run the best do have that type of documentation and everyone knows what is expected and how things are supposed to operate. Some of the larger districts that don't have By Laws were due to Developer Boards that did not want them. Mr. Walker said he would encourage the Board to get By Laws and noted that he works with attorneys who help develop them in accordance to state law.

Mr. Craig Baker asked if WSDM recognizes the concept of data driven proactive management and if Mr. Walker can talk about it in terms of Cascade. Mr. Walker explained that the data for Cascade was only recently developed, and prior to WSDM taking over the management, the previous manager did not keep good data because it helped him steal a lot of money. A lot of the stuff was not computerized, billing was not done through a standard process and audits were difficult to come by. Mr. Walker explained when WSDM took over they switched it to their billing system, but they still do not have a very sophisticated system currently. He noted that Arabian Acres has a more sophisticated system than Cascade and they will try to stay ahead of that since it is very important for customer service. Mr. Baker asked if WSDM has been able to develop key performance indicators that set the standards for rural water districts. Mr. Walker said not really since Cascade and Sterling Ranch are the only 2 water districts they manage and the rest get water from Colorado Springs. Mr. Baker asked if the plan is to do billing as well. Mr. Walker said yes and he thinks it is important for the Manager to know as much as possible on what is going on and that includes the billing, but it would be up to the Board to decide how they want to do that. President Waller noted that when they sent the RFP out, they requested a

breakdown of prices for services as well as the all-inclusive price to compare. Mr. Walker explained that WSDM's business philosophy is to provide what the client needs instead of trying to force them into something they don't need. Mr. Baker asked Mr. Walker how much he knows about the district and if he sees things that he can make quick improvements to. Mr. Walker said he does not know enough about it to say that tonight. Mr. Baker asked how he knows he would want to get into this district. Mr. Walker stated that our business is to provide a service and he is in the business to grow the company so he is excited to get all kinds of business. He added that Arabian Acres is very similar to Cascade so he has experience with this type of district. Mr. Baker asked if they pretty much run the operation down to the Water Operator and then just interface with them. Mr. Walker said yes and explained that they can offer full service including minutes at the meeting, or provide only a few services that the district needs. He added that he hopes that by this time next year they have integrated with you and that you are pleased with our service. He noted that it is a one-year contract with a 30 day cancellation so if they are not satisfied they can let us know.

A gentleman stated that the District has a history of financial and performance issues that is 16 years long and it may not be easy to resolve. Mr. Walker said that he has a competitive price and he believes they will give better service since they understand the situation. He added that all of the district's they manage are in the Pikes Peak region and he is very familiar with Teller County.

A resident said she likes to get a second opinion, so she reached out to someone in Cascade and asked her feelings about the management. The Cascade resident gave a glowing report and suggested she speak to a Board member, so she called the Board member and they said they could not be happier with WSDM. The Board member said everyone on the Board is happy with WSDM because they listen to what we say, they have reduced our expenses, their office staff is helpful and cooperative, and complaints are followed up on right away. President Waller noted that she attended the SDA conference the last 2 years and every time she asked about management, she heard nothing but stellar comments and reviews about WSDM. She said she wanted to reassure that they are doing their due diligence and she believes WSDM would be a good fit because of their experience with Cascade and the problems and issues there.

Director Coffman asked if WSDM would be able to pick up the ball on the capital improvement they have Clay Brown and Adam Sommers involved with. Mr. Walker said yes, he thinks so from the little he knows about it. Mr. Walker added that he has worked with Clay in other districts and they manage the grant in Cascade, so he has a working relationship with them. From a construction standpoint, one of the advantages WSDM has is as a developer he has watched the water systems get built so he knows what to look for and what questions to ask.

Ms. VonFeldt has experience from the billing side and dealing with the grants as well. Director Coffman asked if WSDM will protect them and stated that they want someone with experience to advise them and to be transparent as possible with the residents. Mr. Walker stated he will be as transparent as possible. Ms. VonFeldt explained the close relationship with the Auditors and that they are very transparent in their own company as well as the districts they manage. Director Coffman and Director Waller discussed wanting to do an audit after the transition into new management. Mr. Walker agreed that would be a good idea and that it gives a good baseline to start from. He explained that he tried to involve the Board as much as he can in almost any decision. President Waller explained that she has been made responsible for things and was forced to learn things such as state filings that she has no experience in. She added that she wanted to be hands on and involved more than previous Presidents, but it became very uncomfortable the last few months so she is looking forward to finding strong managers that will help. Mr. Walker said if the District chooses WSDM he would love to help and provide as much information as they need to make decisions. Director Coffman asked how they might handle the transition with the present manager and the handing over of documentation. Mr. Walker said he is not familiar with the present manager, but there are state laws that says the information belongs to the District and not the manager. He has dealt with managers that are not helpful, so he has experience in dealing with those issues and can work around it. He noted that they sometimes put an extra fee in the proposal for the transition due to these issues that can arise and it can take more time, but he did not do that in this particular case. A gentleman asked once the contract is signed, is WSDM able to start immediately or is there a grace period to get all the information from the previous managers. Mr. Walker said it would be entirely up to the Board, but we could start as soon as possible. President Waller noted that she picked up 20 boxes from the manager a few weeks ago, but she does not have 2017 or 2018 boxes but she has everything from 2002 to 2016. Director Coffman asked what Mr. Walker recommends they do with the boxes and if they should be put in storage. Mr. Walker said there are a lot of records that the State does not require you to keep, so he regularly goes through them to get them saved electronically. As the manager, he could take possession of them and store them and work on scanning them to save electronically. Ms. VonFeldt noted that they have a record retention schedule. President Waller stated that Treasurer Waller attended a seminar at the SDA Conference about record retention and that is a goal of the Board, so that would be great if WSDM could help with that. Mr. Walker stated that he has a staff member that has experience in this and would be able to help that would be within the scope of work. A gentleman discussed a new website that was created and asked if WSDM would want to maintain it or if they would do it. Mr. Walker said it would be up to the Board, but his staff would be able to maintain the website if needed.

A gentleman said that his biggest concern is the capital improvement project and to make sure that stays on track. Mr. Walker said he does not know a lot about the project yet but he has a lot of experience in capital construction and he has personally financed and built \$150 Million in capital roads, pipelines, electric and gas. The gentleman asked if WSDM would be spearheading the project moving forward. Mr. Walker said they would spearhead in terms of contractors and finding bids, but if there is someone on the Board who feels they know that better such as Lynn, then we would just help and support them but could do it if needed. President Waller said for the first capital improvement project on the meters, the Board voted at the November meeting to allow the Engineer to go ahead and start the RFP process for bids. The gentleman asked if the Engineer will be reporting to WSDM or the Board. President Waller said as it stands now, he reports to the Board and he works closely with Mr. Brown and Mr. Willow. President Waller explained they have been looking at grants and loans for the second part of the capital improvement project. The third part, the expansion is off the table right now due to lack of support. We are still looking at all new meters for all of the taps and moving them to a meter pit at the road as well as a radio read. The second part of the project is the replacement of some lines at Arabian Acres, but that will be at a later time. President Waller explained there are only tentative dates since they are looking at grants and loans. President Waller discussed wanting to move the District forward and up and become proactive and not reactive. Director Coffman stated that we need a working team with the same goals and objectives.

President Waller announced that with Mr. Brown's help, the Board will meet at the Divide Fire Station beginning in January. There is also no charge for meeting there so that money will be saved. President Waller thanked Mr. Walker and Ms. VonFeldt for their presentation. Mr. Walker and Ms. VonFeldt left the meeting.

- f. New Management Contract beginning January 1, 2019 – Discuss and vote: President Waller asked if there were any comments or questions regarding WSDM. A gentleman asked a question about the previous manager, and why the change is happening. President Waller said there has been some dissension between the Board, District and Management so she gave us her 60 day notice on October 31st as required by her contract. Treasurer Waller clarified that she dropped the management of the Board three months ago and the Board took it over, so this is notice for just the financial aspect of management. President Waller said she feels strongly about WSDM being the managers of the District. Treasurer Waller noted they sent out 5 requests for quotes and WSDM was the only one who responded for the manager side of things, so the Board has done due diligence. President Waller added that the outgoing manager was out of Golden and she would like to have a manager that was more local. The Board discussed the previous manager's costs to attend meetings. President Waller said

she is impressed by how many services are within the scope of the management. Treasurer Waller noted that WSDM fees are less overall than what we have been paying. For example, all of the capital improvement projects with the previous manager have been out of scope and we were paying \$1,500 monthly and WSDM will charge \$500. Treasurer Waller said he thinks we will be paying less for more management services and will benefit everyone including the District. A woman said that the fact that WSDM took over Cascade immediately after they were stolen from and gone through the problems is a positive and she likes the fact that they have the staff to handle various tasks such as the minutes. Treasurer Waller added that WSDM has an office with a physical address. President Waller explained the previous manager took the minutes, and when the Board took over the management that left the task of taking the minutes up to the Board. The Secretary at the time said he did not take good notes and he was not going to take the minutes, so it was left up to President Waller to record them and type them out. President Waller said it was a big thing to her to have someone totally impartial to take the minutes and prepare them for the Board and the District. A woman expressed that she feels like WSDM will be so much more, and the lack of accountability in the past has bothered us all and caused hard feelings. She said she feels like this firm is truly involved in transparency throughout and that carries over to the Board. A woman asked if WSDM will be at every meeting. President Waller said yes, but the Board has the option to run the meeting. Treasurer Waller said he feels like they actually care about what they are doing. A woman said that is what Susan at Cascade said, that WSDM actually cares about what they are doing.

Director Coffman moved to take a vote to hire WSDM as the new managers; seconded by Treasurer Waller. President Waller clarified that the Board would like to vote to hire WSDM based on the contract and proposal provided as the new managers for Arabian Acres Metropolitan District. Treasurer Waller said to clarify, the contract was a la carte, and he recommends that we include management, CIP, financials, and the Board will assist with the day to day tasks. President Waller said she would like to include the billing as well. Treasurer Waller and Director Coffman agreed. The Board discussed needing to give Ann Colby a 30 day notice. Director Coffman suggested having Mr. Walker talk to them about the first available date to take over the billing. Director Coffman also recommended that the Board hires WSDM as soon as December 7th. Motion passed unanimously. President Waller said she will contact Mr. Walker and Ms. VonFeldt first thing in the morning and she will also get in touch with legal counsel, Jason Downey to find out the next steps. President Waller said she wants to make sure everyone knows everything as they are happening, so she will work on getting an email out that advises the District on the details of this process. Treasurer Waller pointed out that there may be a little overlap because of the transition. A woman brought up that the 2017 and 2018 boxes still need to be retrieved from the previous manager.

President Waller said she will find out from Mr. Downey how that transition needs to happen. The Board also discussed a state filing that needs to be done on December 15th and another reason to hire WSDM immediately to help with that process.

2. Other Business:

a. Legal - CORA/Mediation and getting Counsel involved: President Waller discussed a resident that is sending excessive CORA notices. She explained this task is something that was turned over to her and she did not have the complete knowledge on how to facilitate the records, so she has been in touch with counsel to get the correct documentation. President Waller said this resident is unhappy with her and they believe she is trying to obstruct them getting the documents which is not correct. This issue has caused dissension within the District and there has been threats sent to her by email. President Waller wants to bring this issue to the Board to see if counsel should be involved more. President Waller said she and Mr. Downey have discussed that when true management is back in place, they will be the buffer between this resident and President Waller. The Board discussed that this resident has said in email that their goal is to blow through the District's reserves to prevent construction projects. President Waller said that in this week alone she has been attacked by the resident several times per day and she is only a part-time resident. Director Coffman suggested getting Mr. Walker involved since he has experience with CORA and the legal aspects, and hopefully he can get this issue resolved. President Waller said she wanted to clarify that this resident is upset with her because of an email she supposedly sent and has threatened suit against the District about it. President Waller explained that she has tried to arrange a meeting for next week to mediate the issue, but the resident refused to go to Colorado Springs to meet at the counsel's office. President Waller said she will find a conference room to meet in Woodland Park to see if she can meet the resident there with our counsel. If she refuses to meet under these circumstances and decides to file suit, Mr. Downey will take over. A woman said that the mediation request is unnecessary and is really accelerating the drama. Director Coffman moved to hire Mr. Downey if and when this issue gets to a lawsuit. She added that she believes Mr. Walker could help with this issue, but if it goes further than that we will have Mr. Downey step in. Seconded by Treasurer Waller. Motion passed unanimously.

b. Identification for Lynn and vehicle when performing District business: President Waller explained that Lynn is a contractor and he is able to use his own vehicle when working for the District. He currently drives a truck that he is provided from another district with their permission. The same resident who the District is having issues with is now claiming that Lynn is trespassing because his truck does not say Arabian Acres on it. This resident said they have photos and says they will pursue this also. Lynn suggested buying magnets for his truck that say Arabian

Acres to put on his truck and President Waller has no problem with this. President Waller recommends that the Board approves the cost of \$50 to \$60 for the magnets for Lynn's truck as well as a second set of magnets for Adam's truck to avoid further problems. Director Coffman recommends that the Board verifies Adam's insurance before we put the Arabian Acres magnets on his truck to protect the District from the liability. The Board discussed getting safety vests for them with Arabian Acres on it as well. Treasurer Waller suggested business cards for Lynn. Director Coffman moved to approve the purchase of Arabian Acres magnets and vests for Lynn and Adam, and business cards for Lynn with a budget of \$250; seconded by Treasurer Waller.

3. **Adjournment:** Treasurer Waller moved to adjourn the meeting; seconded by Director Coffman. Motion passed unanimously. The meeting was adjourned at 7:34 p.m.

THE NEXT REGULARLY SCHEDULED MEETING WILL BE HELD ON WEDNESDAY, DECEMBER 19, 2018 AT 5:30 P.M. AT THE WOODLAND COUNTRY LODGE, 730 COUNTRY DRIVE, WOODLAND PARK, CO 80863.

Respectfully Submitted,

Jennifer J. Waller, President of the Board of Directors

These minutes approved as the official December 6, 2018 minutes of Arabian acres Metropolitan District by the Board of Directors

(Signed copy in possession of the district manager)

Jennifer J. Waller, President

Craig Waller, Treasurer

Edith Coffman, Director