

RECORD OF PROCEEDINGS

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE FALCON HIGHLANDS METROPOLITAN DISTRICT

Held: March 14, 2016 at the Falcon Fire Station, 7030 Old Meridian Road, Peyton, CO 80831 at 6:00 p.m.

Attendance

The regular meeting of the Board of Directors of the Falcon Highlands Metropolitan District was called and held as shown above in accordance with the statutes of the State of Colorado. The following Directors, having confirmed their qualifications to serve on the Board, were in attendance:

Al Smith, Vice President
Heather Knuffke, Vice President
Grace Harman, Secretary/Treasurer
Lauren Swenson, Secretary

Others in attendance:

Steve Dodd, Water Operator
Carrie Bartow and Chuck Reid; CliftonLarsonAllen LLP
Barbara Vander Wall; Seter & Vander Wall, P.C.

Call to Order

Director Smith called the meeting to order at 6:08 p.m.

Approval of Agenda

Upon a motion made by Director Knuffke, seconded by Director Smith and, upon vote, unanimously carried, the Board approved the agenda as amended. The amendment added "Posting Requirements" under Item No. 11, Director Items, at Director Harman's request.

Community Comment

Director Knuffke reviewed the community comments made at the January Board meeting; in response, she noted the following: Agendas are now enclosed in plastic and are posted the designated two mail box locations and with the El Paso Clerk & Recorder's Office. She suggested that if this method doesn't work, the Board may consider installing an outdoor display case, near the mailboxes.

The Board is monitoring the effectiveness of the Metro District's website, noting a desire for increased communication.

RECORD OF PROCEEDINGS

The Board agreed that for future meetings, agendas will be sent to Mr. Dodd for posting on the Tuesday before the meeting. If the final agenda changes, these changes will be noted during the Regular Meeting. Additionally, the Board asked that the District's regular meeting schedule be provided on utility bills sent by the District.

Ms. Vander Wall reported the Board meetings have become more consistent which helps with expectations of constituents.

Acknowledge Resignation

The Board acknowledged the resignation of Mark Albright effective as of February 23, 2016.

Administrative Matters

A. Consider Approval of January 11, 2016 Regular Meeting Minutes

Following review, upon a motion made by Director Smith, seconded by Director Swanson and, upon vote, unanimously carried, the Board approved the January 11, 2016 Regular Meeting Minutes.

B. Election Update

Mr. Reid reported no self-nomination forms were received before the election deadline; however, Director Harman submitted a self-nomination form after the deadline. Additionally, Director Swenson stated she is willing to serve another term. It was noted that both Directors Harman and Swenson may be appointed at the May meeting to fill vacancies. The Board discussed publishing a notice of vacancy, but agreed to defer this action until after May.

The Board discussed using the *Falcon Times Herald* newspaper for publication of District notices, even though the District's legal publication is *Colorado Springs Daily Transcript*. The Board agreed to use both newspapers for future publication requirements.

C. Review and Consider Approval of the Engagement Letter from CliftonLarsonAllen LLP for Accounting Services

RECORD OF PROCEEDINGS

Ms. Bartow presented the Engagement Letter from CliftonLarsonAllen LLP for Accounting Services, stating it will not be as lengthy in the future and will only need annual review to discuss any concerns. She reported recent changes in accounting standards (known as SSARS 21) require a number of the provisions which are now incorporated in engagement letter. Ms. Vander Wall has reviewed the engagement letter and worked with CliftonLarsonAllen LLP to present the revised agreement to the Board.

Upon a motion made by Director Smith, seconded by Director Swenson and, upon vote, unanimously carried, the Board approved the engagement letter from CliftonLarsonAllen LLP for accounting services as presented.

Operator's Report

Mr. Dodd provided a general update noting that one of the District's pumps needs to be replaced and that additional funds are needed for water quality (BAC-T) testing. Mr. Dodd asked if a system could be created that would allow him to efficiently purchase items, in an amount not to exceed \$2,000 a month. Following discussion, Director Knuffke moved and Director Smith seconded a motion authorizing the issuance of a debit card and associated account to allow Mr. Dodd to make purchases within a certain amount, along with a process / policy related to these purchases. Ms. Bartow agreed to work on getting the debit card and account established for Board approval at the next meeting. The motion passed.

Mr. Dodd also requested that the District offer to re-hire Mike Simms, with an April 1, 2016 start date. Mr. Simms's work is expected to run through August, and he would be paid \$13 an hour for approximately 35 hours a week. These funds are included in the 2016 budget. Following discussion, Director Smith moved, and Director Knuffke seconded a motion approving Mr. Simms' hiring at the terms noted. The motion passed.

A. SCADA

Mr. Dodd reported on the status of the SCADA system. He noted that a request for proposal has not been prepared, as it is unclear what the District requires for its specifications. Director Smith suggested Mr. Dodd contact Woodmen Hills and

RECORD OF PROCEEDINGS

Meridian Metropolitan Districts to determine who they work with on projects such as this and asked CLA to help define the specifications.

B. Water Testing – Cost Reduction

Mr. Dodd stated the District has been working on a monitoring list and quarterly tests are needed. He reported the District has returned to the standard monitoring schedule. Director Smith asked how frequently the tank is cleaned. Mr. Dodd stated the recommendation is to clean the tank every five years.

C. Summer Vehicle Purchase

Mr. Dodd requested the Board consider the purchase of a small used truck for use by part time summer employees, to replace the use of his personal vehicle. Director Smith discussed the increase in maintenance costs associated with the acquisition of the vehicle.

Upon a motion made by Director Harman, seconded by Director Swenson and, upon vote, unanimously carried, the Board approved the purchase of a small used truck for use by part time summer employees, at a cost not to exceed \$5,000.

Financial Matters

A. Review and Consider Approval of Unaudited Financial Statements as of December 31, 2015 and January 31, 2016

The Board reviewed the December 31, 2015 and January 31, 2016 Financial Statements. Ms. Bartow explained that the District was under budget at year end 2015. She stated less was spent from the Capital Equipment fund than was expected.

Director Knuffke asked for year to year trend data. Ms. Bartow noted this will be provided once the 2015 books are closed.

Ms. Bartow noted the January 31, 2016 financials do not have many details as it is early in the year.

Following additional discussion, and upon a motion made by Director Harman, seconded by Director Swenson and, upon vote, unanimously carried, the Board accepted the unaudited financial statements for December 31, 2015 and January 31,

RECORD OF PROCEEDINGS

2016 as presented.

B. Ratify Approval of Previous Claims

Ms. Bartow presented the prior claims for review. Director Knuffke asked why any particular invoice run may include multiple invoices from the same vendor. Ms. Bartow stated it is based on when the vendor submits the invoices, if the invoice is received after the checks have been printed and signed for the month.

Following review and discussion, upon a motion made by Director Knuffke, seconded by Director Smith and, upon vote, unanimously carried, the Board ratified approval of the previous claims totaling \$21,821.77.

C. Update on Bond Refinancing

Ms. Vander Wall and Ms. Bartow reported on the status of the District's proposed bond refinancing. Ms. Vander Wall noted that bond counsel has been consistently requesting financial information from the bond trustee, which has not yet been provided. Bond counsel is now contacting local US Bank representatives to try and obtain the necessary information.

The Board discussed stepping up the efforts by having the bond counsel send a demand letter to the trustee. She noted that alternative plans, such as litigation or other court-related proceedings have not been determined and would likely be expensive. She reported on the research performed regarding the debt elections associated with the bond authorization.

The Board discussed this matter in detail. Director Smith stated that he wants to move more assertively on this issue. If there is no movement from the trustee by the next meeting, the Board will discuss other options.

D. Other

None.

RECORD OF PROCEEDINGS

Legal Matters

A. Legal Report

Ms. Vander Wall referred to her Legal Status Report and highlighted the following: The District has heard from property owners regarding the District's inability to provide water service. The District is sharing the same information about the District's water issues to those making inquiries. El Paso County has accepted the roads in Filing 1 and 2.

The monuments sign that was planned to be located on land owned by Mark Albright is not likely due to an inability to reach an agreement on an easement.

B. Other

None.

Engineering Matters

A. Water Engineer Report

Mr. Napolilli's engineer's report was reviewed. It was noted that Mr. Napolilli and Ms. Vander Wall had a phone call with El Paso County regarding 7805 Antelope Meadows Circle. Subject to approval by the County Attorney, the County has agreed to send a "cease and desist order" to the home, regarding an illicit groundwater discharge.

B. Water Rates Survey from Surrounding Areas District Map

The water rate survey was discussed and the Board discussed holding a work session in April. Ms. Vander Wall informed the Board that if a rate increase is recommended, the May meeting will need to include notice of the increase and a public hearing.

C. District Maps

Maps of the District's water system prepared by the District's engineer were provided to the Board for ease in reference.

Manager Matters

A. Manager Report

Mr. Reid reviewed the Manager's Report with the Board.

RECORD OF PROCEEDINGS

B. Discuss Ditch Erosion Issues

Following review and discussion, upon a motion made by Director Smith, seconded by Director Harman, and, upon vote, unanimously carried, the Board approved installing a green construction fence as quickly as possible, with a not to exceed cost of \$2,000.00.

C. Discussion on Steve Dodd's 2015 Performance & 2016 Compensation; Consider Motion Approving Merit Increase

Mr. Dodd's performance and compensation were discussed. There was consensus that Mr. Dodd's performance has been positive and it was noted that his compensation does not include any benefits.

Following review and discussion, upon a motion made by Director Smith, seconded by Director Swenson, and, upon vote, unanimously carried, the Board approved a 3% increase in Mr. Dodd's pay effective April 1, 2016.

D. Other

None.

Director Items

A. Monument Signs Update

No additional discussion took place on this issue. This was discussed earlier in the meeting during the legal review.

B. Other

Director Harman asked if signs could be posted regarding weight limits. The contractor team will speak with El Paso County about having signs installed.

Other Business

A. Set Next Board Meeting

Quorum confirmed for May 9, 2016 at 6:00 p.m.

Adjournment

There being no further business to come before the Board, the meeting was adjourned at 9:35 p.m.

RECORD OF PROCEEDINGS

Respectfully submitted,

CPaid

Secretary for the Meeting