

RECORD OF PROCEEDINGS

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

Held December 11, 2017 at Falcon Fire Station No. 3, 7030 Old Meridian Road, Peyton, CO 80831 at 5:30 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:

Grace Harman, President
Steven J. Davis, Vice President
Kevin Haas, Treasurer
Timothy Dickey, Secretary
Tonia Joyner, Assistant Secretary

Others in attendance:

Carrie Bartow, Cynthia Beyer and Josh Miller; CliftonLarsonAllen LLP
Barb Vander Wall; Seter & Vander Wall, P.C.
Mike Barnes; Kennedy/Jenks Consultant
Steve Hammers; Hammers Construction
Chris and Dani Kuhlmann; Peak Gymnastics
Stephen Lewis; Lewis Commercial Real Estate
Thomas Metzger; Regency Realty Group, Inc.

Call to Order Director Harman noted that a quorum of the Board was present and therefore called the regular meeting of the Board of Directors of the Falcon Highlands Metropolitan District to order at 5:35 p.m.

Approval of Agenda Upon a motion by Director Haas, seconded by Director Harman and upon vote, unanimously carried, the Board approved the agenda, as amended by adding "Approval of Labor Finder's New Fee" under Manager Items and "Discuss Delinquency Items" under Director Items and moving the "Water Tap Communication and Survey" discussion to take place after the consent agenda. Members of the public requested an opportunity to provide comment after the water tap communication discussion.

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Community
Comments

None.

Consent Agenda

- A. Consider Approval of November 13, 2017 Regular Meeting Minutes
- B. Review and Consider Approval of October 31, 2017 Unaudited Financial Statements
- C. Review and Consider Approval of Current Claims

Following discussion, upon a motion duly made by Director Hass, seconded by Director Dickey and, upon a vote, unanimously carried, the Board approved the Consent Agenda.

Water Tap
Communication
And Survey

The Board discussed the results of the water tap communication and survey. Ms. Beyer shared copies of the surveys received by the District with the Board. Correspondence was prepared by the consultants which was distributed with the surveys to owners of undeveloped property and those who had made inquiry regarding water. The surveys reflected a range of 12-17 taps needed to serve vacant property in various stages of development. Ms. Vander Wall reviewed the survey with the Board, and discussed the outstanding issues which were identified, including projected development, irrigation and landscape plans, time limitations, tap options and pricing, which should be considered in connection with the proposed release of a limited number of taps based on engineering recommendations. The Board discussed the recommended policies and provisions related to the release of taps. Upon a motion duly made by Director Haas, seconded by Director Joyner and, upon a vote unanimously carried, the Board agreed to proceed toward their implementation. Legal counsel was directed to prepare a resolution which addresses the recommended water tap policies for adoption by the Board at its next meeting.

Mr. Steve Hammers addressed the Board regarding the criteria of the tap allocation compared to when the District was initially formed. There was discussion of the District's water challenges that have presented over the course of time and which have impacted the District's capabilities.

Mr. Metzger inquired whether the 12-17 taps that are being requested take into consideration restaurant usage; and further noted the water availability based on the plat. Mr. Lewis stated that he is requesting taps for two lots.

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Financial Matters

A. Conduct Public Hearing to Consider Amending the 2017 Budget; Consider Adoption of Resolution No. 2017-12-01, to Amend 2017 Budget

Director Harman, as Chairman of the Board, opened the public hearing on the proposed amendment to the District's 2017 budget at 6:19 p.m.

Ms. Bartow discussed the 2017 budget amendment with the Board. There was no public discussion.

Director Harman closed the public hearing at 6:21 p.m.

Upon a motion duly made by Director Haas, seconded by Director Joyner and, upon a vote unanimously carried, the Board opened the public hearing at 6:19 p.m.

Upon a motion duly made by Director Haas, seconded by Director Joyner and, upon a vote unanimously carried, the Board approved amending the 2017 Budget and adopting Resolution No. 2017-12-01 to amend the 2017 Budget.

B. Conduct Public Hearing to Consider Adoption of 2018 Budget, Appropriate Expenditures and Set Mill Levy; Consider Adoption of Resolution No. 2017-12-02, to Adopt 2018 Budget, Appropriate Expenditures and Set Mill Levy

Director Harman then opened the public hearing on the District's proposed 2018 budget at 6:21 p.m.

Ms. Bartow discussed the 2018 Budget with the Board. She noted that the draft budget has been presented to the Board previously. She noted the increase in the District's assessed valuation, which corresponded to the Gallagherization of the District's mill levy to 39.720 mills. She noted the conservation trust fund amounts, which may be used for the playground project. These project funds will increase if the District is successful in its GOCO grant application. She stated that the debt service fund currently does not anticipate any tap sales, but that the fund amounts may be revised later should tap sales occur. Director Haas inquired about setting aside \$25,000 for a flow meter, which is included as part of the \$50,000 for capital projects. There was no public discussion.

Director Harman then closed the public hearing at 6:36 p.m.

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Upon a motion duly made by Director Haas, seconded by Director Joyner and, upon a vote unanimously carried, the Board approved adoption of the 2018 Budget, Appropriate Expenditures and Set Mill Levy and approved Resolution No. 2017-12-02 to adopt the 2018 Budget, Appropriate Expenditures and Set Mill Levy.

C. Review and Consider Approval of Engagement Letter with Dazzio & Associates, P.C. for 2017 Audit

Ms. Bartow reviewed the audit engagement letter with Dazzio & Associates with the Board for preparation of the District's 2017 audit. She noted there was no increase in cost.

Upon a motion duly made by Director Haas, seconded by Director Davis and, upon a vote unanimously carried, the Board approved the engagement letter with Dazzio & Associates, P.C. for the 2017 audit.

D. Other

None.

Legal Matters

A. Legal Status Report

Ms. Vander Wall presented her legal report to the Board.

B. Update on Park Place Enterprises vs. Falcon Highlands Metropolitan District

Ms. Vander Wall explained the status of this matter to the Board. Mr. Barnes provided additional information regarding what was requested from Park Place Enterprises.

C. Public Hearing on Petition for Exclusion

Ms. Vander Wall explained that she has been in communication with the legal counsel for the property owner requesting the exclusion. The property owner desires to have an opportunity to meet with District representatives to discuss the proposed exclusion prior to the hearing.

Ms. Vander Wall discussed the statutory procedural requirements related to a petition for exclusion, including a deposit to cover the District's costs.

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Upon a motion duly made by Director Harman, seconded by Director Dickey and, upon a vote unanimously carried, the Board approved requiring a \$5,000 deposit which would be drawn against and to be supplemented as necessary from the Petitioners to cover the attorney, management, engineering and accounting costs associated with the exclusion request.

- D. Executive Session Pursuant to Section 24-6-402(4) (b) & (e), C.R.S. related to the receipt of legal advice on specific legal questions, strategy, and negotiations related to the litigation in *Park Place Enterprises, LLC v. Falcon Highlands Metropolitan District*, El Paso County District Court Case no. 2016 CV 032406

There was no executive session needed at this time.

Mr. Barnes indicated that he has asked for clarification on the irrigation tap information which may impact the amount of taps available for release.

- E. Other

None.

Engineering Matters A. Water Engineer Report

Mr. Barnes presented his water engineering report to the Board. He noted that the engineers are working to have water availability through more regional options for the District. He indicated that one of the priorities for the District in 2018 is to address the District booster pump flow meter, which is currently reading about 25% low. He indicated that the facilities master plan is still in draft form, and is anticipated to be final and ready for adoption by the District soon. He is working with Steve to provide remote access for SCADA information. The Board previously approved spending funds for Mountain Peak Controls to assist with these services. He is following up on fire flow compliance in the Rolling Thunder Business Park area.

- B. Other

None.

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Manager Matters

A. Manager's Report

Ms. Beyer presented the Manager's Report to the Board. Ms. Beyer requested approval of the water hydrant replacement. The Board requested that Ms. Beyer contact Mr. Dodd about the fire hydrant testing done in the District.

B. Update on Operations

1. Water Tank Lights

Mr. Barnes explained his results from contacting the lowest bidder for water tank lights. The lowest bidder was using indoor conduits rather than outdoor conduits. Mr. Barnes was directed to see if Lenz Electric will use LED lights. The Board requested that Mr. Barnes obtain additional information regarding the scope of work for the water tank lights and report to the Board at the next meeting.

C. Water Tap Communication and Survey

This item was discussed earlier in the meeting.

D. Discuss 2018 District Insurance, Review Renewal Schedule & Authorize Renewal of District Insurance & SDA Membership

Ms. Beyer explained the District insurance to the Board.

Ms. Beyer will check as to whether the new dog stations and lights should be added to the insurance since the cost is less than the deductible. The lights cost \$279 and the dog stations cost \$333. Ms. Beyer will also verify the insurance COI for the District vehicles since they are not being financed.

Upon a motion duly made by Director Haas, seconded by Director Dickey and, upon a vote unanimously carried, the Board approved renewal of 2018 District insurance and SDA membership.

E. Discuss Posting and transparency Notice for 2018 on SDA Website

Ms. Beyer discussed the posting the transparency notice for 2018 on the SDA website with the Board.

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F. Other – Labor Finder’s Information

Ms. Beyer explained that the increase in the minimum wage required the Board to sign the updated agreement, increasing wages for temporary workers.

Upon a motion duly made by Director Haas, seconded by Director Joyner and, upon a vote unanimously carried, the Board approved the increased rates presented by labor Finder’s.

Director Items

A. Playground Update

None.

B. Other – Discussion Regarding Delinquent Accounts

The Board discussed various options to reduce the number of delinquent accounts in the District. The Board reviewed its collections policy, late fees, turn off / turn on fees, and fines for watering in violation of the irrigation policy. It was noted that these are all mechanisms which may help the District control its maximum day water demand. The Board agreed to review modifications to its collections policy and fees at its next meeting. District management agreed to provide the 30-day notice of the rate hearing, published with the Special District Association as part of its transparency notice and the Board directed legal counsel to prepare options for the Board to review and consider for approval at the next meeting.

Other Business

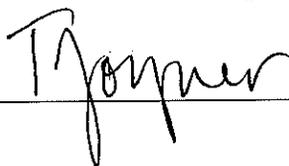
A. Set Next Board Meeting – Monday, January 8, 2018 at 5:30 p.m.

The Board confirmed the next District meeting for January 16th, 2018, to allow for the required 30 day notice to be posted for consideration of District fees, rates and charges.

Adjournment

Following discussion, upon a motion made by Director Dickey, seconded by Director Haas, the Board adjourned at 8:37 p.m.

Respectfully submitted,



Secretary of Meeting