

RECORD OF PROCEEDINGS

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

Held: January 11, 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
Lauren Swenson, Asst. Secretary
Grace Harman, Director
Heather Knuffke, Secretary / Treasurer

Absent: Mark Albright (absence unexcused)

Others in attendance:

Cynthia Beyer, Carrie Bartow and Chuck Reid;
CliftonLarsonAllen LLP
Tom Napolilli; Kennedy/Jenks Consultants
Barbara Vander Wall and Jeffrey Erb; Seter & Vander Wall,
P.C.
Julie Branch, resident of the District
Carol Holt, resident of the District

Call to Order

In the absence of Chairman Albright, Director Smith called the meeting to order.

Approval of Agenda

Upon a motion duly made by Director Smith, seconded by Director Swenson and, upon vote, unanimously carried, the Board approved the agenda as amended, which added under Section 10, Director Items, Meeting Postings.

Community Comment

Ms. Julie Branch provided comments regarding several points. Ms. Branch wanted to know the status of the monument, stating that she had received an invoice for the monument. The District is working on obtaining an easement from the property owner for the monument. Ms. Branch inquired about meeting posting

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procedures, and requested that the notices be affixed more securely. Ms. Branch noted that she has observed a lot of Board member turnover. Ms. Branch also requested a more accurate record of the District's meeting minutes.

Ms. Carol Holt asked about the status of the bonds, which is an item on the District's agenda.

Appointment of Officers

Upon a motion duly made by Director Knuffke, seconded by Director Swenson and, upon vote, unanimously carried, the Board approved the appointment of the following slate of officers for 2016:

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

Administrative Matters

A. Consider Approval of November 9, 2015 Regular Meeting Minutes

Following review, upon a motion duly made by Director Smith, seconded by Director Swanson and, upon vote, unanimously carried, the Board approved the November 9, 2015 Regular Meeting Minutes.

B. Update on Water Operations and Landscape Maintenance

Mr. Reid indicated that water operations were progressing fine. Steve Dodd is going to be on vacation and that Mr. Dodd's assistant, Mike Simms, would cover during his absence.

C. Review and Consider Adoption of 2016 Annual Administrative Matters Resolution

Ms. Vander Wall presented the District's administrative matters resolution for 2016; prepared by management and legal counsel. Following review and discussion by the Board, upon a motion duly made by Director Knuffke, seconded by Director Smith, and unanimous vote, the Board approved 2016 Annual Administration Matters Resolution, with revisions discussed:

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- Paragraph 1 shall be modified to reflect that the directors shall receive compensation for their services;
- Paragraph 4 shall notate that the initial meeting of the year shall begin in January; and
- Paragraph 23 shall reflect the following officers:
 - Al Smith, President
 - Heather Knuffke, Vice President
 - Grace Harman, Secretary/Treasurer
 - Lauren Swenson, Assistant Secretary

D. Discuss May 2016 Director Election

Mr. Reid informed the Board that Directors Albright and Director Swenson were up for election. Ms. Beyer will advertise the Call for Nominations in the District's legal publication and on the District's website. Ms. Beyer will prepare the Nomination forms for any person who wants to be a candidate to serve on the Board. Attorney Vander Wall noted that Director Harman will be required to run for election due to her appointment. By statute, publication of the Call for Nominations must occur between January 24 and February 8, 2016. Self-nomination forms are due on February 26, 2016. Any write-in candidates would need to submit forms by February 29, 2016. The estimated cost for an election is \$12,000. Director Smith directed management to send a letter to Director Albright regarding the change in the officers for 2016.

Financial Matters

A. Ratify Approval of Previous Claims

Following review and discussion, upon a motion duly 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.

B. Review and Approve of Current Claims

Directors Smith and Knuffke agreed that they will review the District's claims in the bill.com application. The Board directed the District's accountant to add Director Harman to the approvers list for bill.com, and to allow all Directors read-only access for bill.com, with the requirement that one Director needs to approve the invoices on-line. The financial claims will

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be brought to the Board meeting for Board approval.

Ms. Bartow advised that she has the remaining 2015 invoices which will accrue for payment in 2016.

C. Review and Consider Approval of Unaudited Financial Statements as of November 30, 2015

The Board reviewed the November 30, 2015 Financial Statements. Ms. Bartow explained that the District was tracking under budget. Director Smith asked if the numbers were abnormal for December and Ms. Bartow advised they are not.

D. Update on Bond Refinancing

Ms. Vander Wall updated the Board on the status of the District's proposed bond refinancing. The District's bond counsel, Sherman & Howard, has performed research about the District's early debt, including bonds, and developer advances and/or loans. Bond counsel has had phone conferences with the bond trustee, who is working on locating the construction requisition backup documentation. Legal counsel is researching documentation of the 2006 election debt questions. The bond trustee has provided bond counsel with a list of the registered bondholders, which will be used in the refinance process. After completion of these items, one of the next steps is to direct Mr. Zach Bishop, the underwriter for the bonds, to provide financial options regarding refunding of the outstanding debt based on the District's circumstances and the bond market. Ms. Bartow stated the documents for the senior bonds have been located.

E. Review and Approve Engagement Letter with Dazzio & Associates, PC for the 2015 Audit

Ms. Bartow presented the engagement letter from Dazzio & Associates. The cost did not change from the previous year's audit.

Following review and discussion, upon a motion duly made by Director Smith, seconded by Director Knuffke and, upon vote, unanimously carried, the Board approved the engagement letter with Dazzio & Associates for the District's 2015 audit.

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Legal Matters

A. Legal Report

1. Update on El Paso County Regarding Road Repairs

Ms. Vander Wall noted that the Filing 1 and 2 roads have now been accepted by El Paso County by County resolution, including Rolling Thunder and Golden Sage within the Rolling Thunder Business Park.

B. Other

Ms. Vander Wall reminded the Board of its determination to issue further water taps pending resolution of various District issues. The District has received a request from Regency Property for taps, which was turned down in accordance with the Board's determinations. The District has responded to Regency's letter regarding the imposition of a "moratorium" and information about the District's water availability.

Director Smith requested Mr. Erb send a letter to Challenger regarding removal of the stone slab signs located on the District's property.

Engineering Matters

A. Water Engineer Report

Mr. Napolilli distributed his engineer's report to the Board. He reported on water conservation efforts being made and stated that there are number of residences not compliant with the District's water usage guidelines. Mr. Napolilli recommended to the Board that an investigation of water uses and rates be performed of surrounding districts for comparison. Director Smith stated he would want the Board to review any research on rate proposals before proceeding with any consideration of changes to the District's rates.

Director Knuffke directed Mr. Napolilli to recheck CLA's meter records regarding commercial usage and the commercial irrigation usage reflected in the report.

B. Update on Underdrain for 7805 Antelope Circle

Mr. Napolilli handed out a brief report to Board summarizing the research regarding 7805 Antelope Circle drainage issues. Mr. Napolilli provided a revised cost estimate from contractor DMC to provide a possible resolution to the drainage issues.

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The County will not accept responsibility for repairs to the underdrain facilities at 7805 Antelope Circle as the County believes this is a homeowner issue. The County was on-site on January 10, 2016 to perform ice removal at this location to improve the roadway conditions.

The Board discussed the continued safety issues related to the ice formation from the water draining onto the street from the sump pump at the 7805 Antelope Circle property and other potential properties with similar drainage issues, and discussed the District's options. Legal counsel suggested the District undertake the project, with the costs to be paid off via a surcharge by the subject property. This would require cooperation from property owner, including release and indemnification, and agreement to the payments which would be lien against the property.

After further discussion, it was agreed that the District would pursue obtaining assistance from the County regarding the underdrain issues, as the County is now the owner of the roadways and is responsible for their maintenance. The Board agreed to seek cooperation from the County on the issuance of a cease and desist letter to the property which has the sump pump draining into the street. The District would either send its own letter to the property owner, or provide one jointly with the County. Mr. Napolilli agreed to attempt to find a copy of the soils report from the County for the property.

Manager Matters

- A. Discuss Fencing Purchase; Consider Proposal from Mod Squad, Inc. in the amount of \$5,787.60.

Board directed the Manager to contact the three landowners regarding cost-sharing of fence installation.

- B. Review and Consider Proposal from Redman Pours, LLC, for Sidewalk Repair on Hidden Haven Way, in the amount of \$1,342.00.

Following review and discussion, upon a motion duly made by Director Smith, seconded by Director Harman, and, upon vote, unanimously carried, the Board approved the approved the Proposal from Redman Pours, LLC for the repair of sidewalk on Hidden Haven Way. Legal and Engineering were directed to use the District's form of services agreement. Mr. Napolilli

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agreed to coordinate the contract with the contractor.

C. Discussion on Steve Dodd's Performance & 2016 Compensation

Mr. Reid requested guidance from the Board regarding a performance and compensation evaluation for the District's employee Mr. Steve Dodd. The Board directed the District's manager to perform a review of Mr. Dodd's job performance, and additionally request that Mr. Dodd provide a description of his job requirements, to help determine a basis for the performance evaluation.

D. Other

Director Harman pointed out that a dump site is being created in the District where the public is dumping construction materials in an area. The Board directed the District's manager to send a letter to Challenger and Cygnet to remove the construction materials and clean up the area.

Director Items

A. Monument Signs Update

This was discussed earlier in the meeting during the public comment time.

B. Meeting Posting

The Board directed the District's Manager to try to make a more secure posting for the District meeting notices.

Other Business

A. Set Next Board Meeting

Quorum confirmed for March 14, 2016 at 6:00 p.m.

Adjournment

There being no further business to come before the Board, the meeting was adjourned at 9:15 p.m.

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Respectfully submitted,

Chad

Secretary for the Meeting