

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

February 20, 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

Lynn Willow, ORC

Kevin Walker, WSDM

Lori VonFeldt, WSDM

Kristina Kulick, WSDM

Adam Sommers, AquaWorks

Mike Groselle, AquaWorks

Tim McElroy, Dana Kepner Co.

Members of the public (see sign-in sheet)

**Also in attendance were:**

**1. Administrative Matters:**

- a. Call to Order and Declaration of Quorum: President Waller called the meeting to order at 5:39 p.m. President Waller confirmed a quorum and that all board members were present.
- 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 the Agenda: President Waller noted the following additions to the Agenda: Item 1.f.) Authorization for Surveyor and Hydro-Geologist, Item 3.d) Collections Resolution, and Item 3.e) Approval for BiggsKofford Audit. Director Coffman moved to approve the Agenda as modified; seconded by Director Ortivez. Motion passed unanimously.
- d. Review and Approval of the January Board of Directors Meeting Minutes: The Board confirmed they had time to review the minutes. Director Ortivez moved to approve the January meeting minutes; seconded by Director Coffman. Motion passed unanimously.
- e. Adam Sommers – CIP Update: Mr. Sommers passed out an updated chart to the Board and said the project is now starting to come together and he is pleased to report that the capital improvement plans are moving forward. Mr. Sommers explained that the projects were separated into 3 different groups due to different timing and funding sources. Group 3 was not popular, so no time has been spent on it, and it has been tabled. All the effort and time has gone towards Groups 1

and 2. Group 1 is a smaller project to replace all the manual water meters in the homes in the District with smart meters. The current system of reading the meters is very time-consuming. For the new meters, the contractor will install a meter pit where the driveway meets the road, and smart meters will be installed. Mr. Sommers said that with the new system, Mr. Willow would be able to pick up data and readings that will be sent directly to the billing software. In terms of funding, things went extremely well with Group 1. The District received a grant for \$200,000 and a \$400,000 loan that ideally we will only have to draw on about half the amount. Mr. Sommers noted that he recently found out about a water efficiency grant that may be up to \$300,000 that would be worth going after. Mr. Sommers said the biggest update on Group 1 is how we will bid the project. He anticipated bidding the project in April, so it was advertised in November to give ample time to have contractors review and bid to prepare to work in the Summer. Mr. Sommers explained 5 contractors participated but zero bids on bid day which has never happened in his career. Based on feedback, there were two reasons why they didn't get a lot of interest. Firstly, everyone is busy right now and it is easier for them to work with a developer. Secondly, due to the project's size, it is either too big for small contractors and too small for larger contractors, but he is currently working with 2 contractors and working out their concerns. One concern was the 60-day payment schedule, but Mr. Sommers said he is working on updating the contract to get a contractor and he is optimistic we will be able to find someone.

Mr. Sommers discussed Group 2 that includes removing and replacing water storage and drilling new wells. The budget for Group 2 is \$4.13 Million, and things are moving along. Mr. Sommers said he received notice that the District received a \$300,000 grant for engineering on this project. Another great benefit of this grant is that it pays all invoices for Mr. Sommers retroactively and the District will be reimbursed for what they have already paid. This grant will be enough money to pay the Surveyor, Geotechnical Engineer, and the design of improvements for the drinking water system. There has also been a \$10,000 grant already awarded to the District. Mr. Sommers discussed funding and a DOLA \$1,000,000 grant and the remaining \$3,000,000 from an SRF loan. Mr. Sommers noted they would know the exact interest rate on that on the deadline in December. As far as timing, they will complete the loan application in December 2019, and the project would begin in 2020. Mr. Sommers added that there are additional grant opportunities out there that he will continue to pursue.

President Waller said there had been questions regarding the District's ability to afford the loans. She said she had asked WSDM to take another look at things so we can have more reassurance. Mr. Sommers noted that the Colorado Water

Power Development Authority Board would also decide if the District can handle it and they do the extensive vetting of creditworthiness. He explained how they created a matrix based on interest rate, how much is borrowed and how much annual debt service would be compared to revenue, so in December they will look extensively into that. Mr. Al Brown asked about the payback period on the \$400,000 loan and if it is a conventional loan front-end loaded with interest like a mortgage or auto loan. Mr. Sommers said he could not speak to that and how it is paid, but he can send an email to the DNR to find out. Mr. Walker said there are prepayment penalties. President Waller confirmed it would be a straight loan and not bonded. Mr. Sommers said he would follow up with the financials. President Waller clarified the 10 mills on taxes has come off and the mill levy is only 24, so there is nothing else that is bonded. Mr. Winterer asked if they anticipate any increases on monthly payments for the \$3,000,000 loan we are getting because any increase would hurt us. President Waller said no, but we can look into that. Mr. Winterer said any increase in monthly payments would hurt us. President Waller said for Group 1, there will be no increases but will have WSDM check into Group 2. President Waller said this is part of the reason we did not remove the supplemental fee and it became the capital improvement fee. Mr. Baker asked about the CIP fee, and if that fee were to go up is it only for the 11 residents and not the 85 well owners. President Waller said no, it is only for those in the District that are connected to the Arabian Acres water system. Mrs. Callan said somewhere down the line we are going to have to look at increasing the water rates. President Waller said yes, we might have to look at the rates in the future but they will do everything possible to not increase the capital improvement fee. Mr. Sommers said there is a CIP page on the District's website and they are working on creating a Q&A section, so the official position of the District is on the website for the residents to see. President Waller said they are working on updating the website with new information. Mrs. Callan asked about the grant for Group 1 and the fees that are coming out of it. Mr. Sommers explained his different charge codes and how they are different for Group 1 and 2. He explained the District could use the grant to go back and reimburse the District and they can replenish their account that they used to pay for Mr. Sommers in 2018. Mr. Al Brown asked if the \$1,000,000 grant would be a matching grant and would we be required to spend that amount to get it. Mr. Sommers explained that Mr. Clay Brown works on these grants and what makes us a good candidate is that we can match it 3 to 1, and the most we would have to match is a 1 to 1 match. Mr. Sommers said he would follow up with Mr. Clay Brown on that. Mr. Al Brown said he would want them to take advantage of the \$1,000,000 grant. Mr. Sommers said we are going to pursue a \$1,500,000 top tier Bureau of Recreation grant. Director Hoel noted Mr. Carnein, a resident who is a Geologist said at the last

meeting he was not sure that we had enough water. Mr. Sommers said a Hydro-Geologist would determine that and they have already done background work by looking at different wells in the District to see how much they are yielding to compare and see how much the new wells would produce. They are working with the fractured granite wells, and the Hydro-Geologist will find that out.

Fortunately, a moderately functioning well will give us what we need. Mrs. Callan asked if they knew what the number is that we would need. Mr. Sommers said he would find out and put it on the website. Director Ortivez asked why they are moving to pit meters. Mr. Sommers explained the benefits of moving to meter pits. For example, the recent main break that caused the water leak. Since the meters are currently in the homes, we cannot measure the lateral water loss and cannot account for it or charge for it. By moving it closer, we can measure the amount of water, and we can determine if there is an anomaly. Mr. Brown suggested that homeowners keep meters active in their house to compare with new meters. Mr. Sommers said District-wide that has the potential to be problematic. Water meters are usually plus or minus 10%, so the District will get 70 calls a month wanting to pay the less amount of water. Mr. Sommers said that has never worked out well with other systems that kept the old meters. Mr. Brown said they might want to consider allowing the homeowners to replace their lateral line. Mr. Willow said all excavators would do it at District cost, but the homeowner will have to pay for the new line if they wanted to. Mrs. Betty Williams asked if the new meters will have a digital display. Mr. Tim McElroy and said there is a display on the top of the meter. Mr. Willow said it would be in the pit, but you can still read it on top. Mr. McElroy explained that the new meters are accurate to a 100th of a gallon. Mrs. Williams confirmed it would have an area open that can be read. Mr. Willow explained they would have to take the top off the meter pit, but you can look down and see. Mrs. Williams asked if the homeowner will be able to find out if they have a leak. Mr. Willow said he would probably be the one to determine if there is a leak based on the average use of the house. He will be running through the system once or twice a week, and he will get an alert if there is something off on that meter. Mr. McElroy explained they can set high and low parameters based on usage of the customer. This way it can alert Mr. Willow if there are any irregularities. Mr. Willow confirmed it would be much easier to find leaks. President Waller said everything would be read digitally and they will no longer have to write it down, eliminating 7 different ways there could have been an error with the old system. The new meters are read by software and sent directly to software, so it greatly reduces human error. Mr. McElroy explained how they would build the system and set the meter ID number that corresponds to the address. Mr. Willow will be able to see the previous reading and the current reading. Mrs. Williams said there is still no way for the

homeowner to make sure their line is correct. Mr. Willow said if they want to take the effort to go out and check, they can turn off all water and go out to the pit and watch it to see if it turns. He added that if there is ever an issue, they can call Mr. Willow and he can check it.

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

- a. ORC Report: Mr. Willow reported that there had been no new leaks and no water purchased, and the samples taken were negative. There was a new resident who had the water turned on at Denwood, and they now have water service. Mr. Willow said he attended the conference in Denver, and it was very informative about the changes in rules and regulations from the State and EPA. He reminded residents about freezing temperatures and that they get one free turn-on and turn-off to help prevent leaks. He said he would answer any questions on water treatment after the meeting. Director Coffman asked if the leak that caused damage was repaired. Mr. Willow said it had been turned off, but not sure if the damage was repaired and technically they are not currently connected to the system. He thinks they are waiting until Spring since they are out of town most of the time. Director Hoel asked if all pumps were running, Mr. Willow said yes everything is up and running except for well #3 since that is used for shortages and emergencies. Mr. Willow explained that he had to do 6 months of testing on wells that were suspect due to a location near a stream, and they all passed so no changes needed at this time. He discussed eventually needing to cover up and abandon well #3. Mr. Winterer noted someone who had problems with orange water. Mr. Willow said we are pumping groundwater so they will sometimes pick up anything in the ground. He explained the fluoride levels are optimal, high manganese within the EPA standard and high iron. There are secondary contaminants, but they have no health effects but do have aesthetic effects such as orange water. He discussed how they are pulling more iron and manganese out of the ground and the red color is from iron, and black water is manganese. Mrs. Williams asked if President Waller would put that on the website. Mr. Willow said we do have the MPAs on there but can also include that. Mrs. Callan said the water from her outside faucet is bright orange with no sediment. She does not have colored water indoors, and she has a filter, but outdoor water was bright orange last Summer. Mr. Willow said the cold temperatures could change the iron molecules and that would be his best guess. Mr. Willow said he will look deeper into that and will be sure to flush it this year.

## **Financial Matters:**

- a. Review and Approve the Payment of Claims: Ms. VonFeldt pointed out the payment requests from Insurance that is \$6,408 and Gold Rush Water that is over \$9,000. She noted that she included the Profit and Loss, Balance Sheet and attached the check detail for January and February in the packet. Director Hoel

moved to approve the Payment of Claims; seconded by Treasurer Waller. Motion passed unanimously.

- b. Review and Accept the January 2019 Financial Statements: Director Ortivez moved to accept the January 2019 Financial Statements; seconded by Director Coffman. Motion passed unanimously.
- c. Review Outstanding Debt and Liabilities: There was no discussion.
- d. Collection Resolution: Mr. Walker said he spoke to the Bond Underwriter and the District could refinance the debt and extend the payment period. This would lower costs from \$115,000 to \$90,000 and will extend the period by adding another 5 or 6 years but will save on current operating expenses. They will need to find out whether it will have an impact on other loan programs with Clay Brown and DOLA, so before we go forward, we will need to check on that. Mr. Walker added that he has no official recommendations at this time. Mr. Winterer asked if refinance requires approval from residents of the District. Mr. Walker said no because it is not additional debt, only restructuring.

Mr. Walker presented the Resolution on collecting late payments. He explained that the current process is to bill on the 5th day of the month or next business day with payment due on the last day of the month with a 5-day grace period. If payment is late more than 15 days, a reminder letter is sent. If payment is not received by then, a warning letter is sent. If payment is not received within 7 days after the warning letter a shutoff notice is posted on the house stating that services will be turned off in 3 days if payment is not received, so residents have 40 days to make a late payment. If a resident is in contact with someone about payment or in hardship, they can come to the Board and request a payment plan if management refuses. This process follows the State guidelines. Mrs. Callan asked if it will be retroactive. Mr. Walker said yes, we would start it next month. Mrs. Williams asked how many people have late payments. Mr. Walker said there might be 12 to 15 people who are late, but only 1 with a large amount due and they are working on a payment plan with them. Treasurer Waller said there was a past policy for Board members that they did not have to pay late fees. Director Coffman asked who started the policy. Mr. Winterer said it was not approved when he was on the Board, and it may have been Ms. Bertrand who did it without Board approval. Mrs. Williams said she was told it was the Board before her, Director Coffman and Mr. Winterer. President Waller wanted to let everyone know that is no longer in effect. Director Coffman asked if they will send notice to everyone about the new late policy. Mr. Walker said they would put it on the website but can also notify another way. President Waller said she could send an email blast. Mr. Winterer suggested putting it with the next bill that goes out.

Director Ortivez moved to accept the Resolution for collecting late payments; seconded by Director Hoel. Motion passed unanimously.

- e. Approval of BiggsKofford Audit: Treasurer Waller noted the price is reasonable for the audit with BiggsKofford. Director Coffman asked the date of the audit. Mr. Walker said they would have the first draft available in June for Board review and they are doing a standard board audit required by the State for the year of 2018. Mrs. Callan asked if they will plan to do a spot check forensic audit for the last 3 years. Ms. VonFeldt said it could be possible if they can get the historical data. Director Coffman moved to approve the audit done by BiggsKofford on the time table discussed; seconded by Director Ortivez. Motion passed unanimously.

### **3. New Business:**

President Waller said she got an email from SDA and if they pay membership dues by March 1<sup>st</sup>, there is a 25% discount. President Waller discussed a grant writing seminar offered by SDA University in mid-March if any Board members were interested in attending. It is \$50 per person, and there are 3 days available. President Waller also noted that the Board could discuss the questionnaire next month.

### **4. Other Business:**

There was no discussion.

### **5. Public Comment:**

Mr. Craig Baker said he has been coming to Board meetings for a long time and it is refreshing to see quick financial discussions since it used to take 45 minutes.

Mrs. Callan said she brought a letter and instead of taking time to address it in the meeting, since it is not viewed in a positive light, she preferred to write it up so people could read at leisure and consider it. She said she is not sure of legal ramifications, but as a resident and elector, she urges the Board and management to consider it.

Director Coffman asked about proposals for a new attorney. Mr. Walker said he does not have proposals, but if the Board authorizes, he can bring them at the next meeting. The Board authorized Mr. Walker to start the process of looking into new legal representation. Mr. Walker said he would get a list and bring next month.

Mr. Richard Duckles asked about the water leak and if the District has insurance to cover the water purchased. Mr. Willow said if it was our main line, they might have been able to submit to insurance, but since it was homeowner line, they would not be able to. He said it might be a good idea to have insurance due to the

dilapidated system. Mr. Walker said he would look into that and talk to the State about what the options are. Mr. Willow said most insurance policies require it to be a natural event like an earthquake or fire damage to make a claim, but they usually won't cover just an old line. Mr. Walker said there would be a possibility of a claim with accidents, but not general operation leaks. It is still a good question to ask and find out. Director Coffman asked Mr. Walker if there is a provision on if it's a resident's fault and there is a catastrophe, will they be held responsible. Mr. Walker said if the water goes through a resident's meter they would be responsible for those charges, but their homeowner's policy may cover the damages. Mr. Willow said they have not read his meter yet, but will be reading it soon. They still have an issue yet to resolve when we get the next meter read and what the status is. Mr. Walker said we will charge him for the water, but not the additional costs of hauling the water.

**6. Adjournment:**

Director Coffman moved to adjourn at 7:41 p.m.; seconded by Director Ortivez. Motion passed unanimously.

THE NEXT REGULARLY SCHEDULED MEETING WILL BE HELD ON WEDNESDAY, MARCH 20, 2019 at 5:30 p.m. at the NEW LOCATION, 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 FEBRUARY 20, 2019 MINUTES OF THE ARABIAN ACRES METROPOLITAN DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

\*\*\*THE OFFICIAL SIGNED COPY IS LOCATED AT WALKER SCHOOLER DISTRICT MANAGERS.

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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