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## MEMORANDUM

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**TO:** ARABIAN ACRES METRO DISTRICT BOARD AND COMMUNITY  
**FROM:** KEVIN WALKER  
**SUBJECT:** QUESTIONS ON PROPOSED CAPITAL PROJECT  
**DATE:** FEBRUARY 15, 2020  
**CC:**

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The Board of Directors of the Arabian Acres Metropolitan District has been involved in a process to discuss improvements to the existing water system. Please find below a list of questions and answers that might be informative.

1. How long has this process been going on?

Our firm has been the Manager of the District since December of 2018. This process has been discussed and actively pursued since at least 2017.

A major neighborhood meeting was held in July of 2018 where a preliminary discussion gave some guidance to the scope of the project. Namely, the concept of providing major improvements for the currently unserved areas of Trout Haven was firmly rejected by the residents and the Board has narrowed the scope since that time.

2. What is the current scope of the project?

The project has evolved over the past year to address the existing served areas of the District. That would be the Arabian Acres subdivision, a small portion of Tour Haven principally on Kutsu Ridge Road near the access to Twin Rocks Road, Lost Dutchman Resort and small areas near these improvements. A current system map appears on the website.

The project as currently conceived will construct a new tank at the same location of the current water tank to expand the capacity to 100,000 gallons from 30,000, to replace and upgrade the water treatment facilities and drill two new wells and to replace as much pipe as possible with remaining capital.

The current cost estimate is on the website also. The cost currently is \$2,500,000.

3. Why is the project being proposed?

The District experienced periodic outages from the breaking and leaking of the distribution pipes that are very old and not built to modern standards (pipe quality, depth of construction, valving, etc.). With frequent leaks, the water storage capability of the District has not been adequate to serve the District with treated water while repairs are made. This has resulted in water shortages, reduced water quality and purchased treated water at significant expense to the District.

The project will provide more storage to protect against lengthy water main repair caused shortages, less breakage over time and increased confidence in water quality management.

4. Where is the project now?

The plans have been completed for the project and have been submitted to the State for review and comment. The complete submittal is available on the website. The plans were completed by AquaWorks DBO, Inc., the District’s engineer. The document is quite large, but we felt it best to provide the entire document for transparency.

5. Who is paying for this design?

The District has been given a grant by the State of Colorado for \$300,000 to pay the design firm to complete this process. No funds from the District are being used to complete this task.

6. How will the project be paid for?

The proposed financing of the project includes two components:

- a. A \$1,000,000 loan from the State of Colorado with very good terms (proposed today at 1% interest and 30-year payback) Terms may vary as the process and loan application is reviewed.
- b. A \$1,000,000 “matching grant” from the State that will not require repayment. The match is not 1:1 but is essentially for every \$1.50 that is borrowed and spent, the grant will provide \$1.00 of capital.

7. Can the District afford this project? What is our current debt?

- a. The current debt position of the District as of February 1, 2020 is:

<u>Name</u>	<u>Initial Amount</u>	<u>Type</u>	<u>Current Owed</u>
2007 Bonds	\$1,425,000	Bond Debt	\$1,105,000
NRWA	\$99,284	Loan	\$58,499
CWCB Meter Loan	\$400,000	Loan	\$240,000
Engineering Grant	\$300,000	Grant	\$0
		Total Debt	\$1,403,499

- b. The District Manager along with the audit firm has constructed a model of future expenses. This is also attached to the website nearby.

The model says that with 1% increases in fees and charges, without extending the mill levy of 24 mills beyond the defeasance of the current bonded indebtedness (2030) and 2% increasing costs, the District can adequately pay back the existing and new debt.

8. What is the current status of the proposal and how can the rate payers and property owners of the District continue to input into the process?

The Board will hold the following meetings to solicit input:

- February 19, 2020
- March 4, 2020
- March 18, 2020

These meetings are held at 5:30 PM at the Divide Fire Station located at Divide Fire Station, 103 Cedar Mountain Road, Divide, Colorado 80814

You may also submit questions to the Secretary of the Board, Mr. Lucas Ortivez at [Lucas@aametro.net](mailto:Lucas@aametro.net) or to the District Manager, Kevin Walker, at [kevin.w@wsdistricts.co](mailto:kevin.w@wsdistricts.co) or call at 719-447-1777

9. Why is there an advertisement/notice for the District Board to consider a fee increase?

The Board discussed in previous months a change to the billing to include a water consumption charge every month. This advertisement was made to allow the Board the possibility of holding a public meeting to consider this possibility.

There is NOT a proposed fee increase for the proposed construction project.