



**MINUTES OF A SPECIAL MEETING  
OF THE BOARDS OF DIRECTORS OF THE  
STERLING RANCH METROPOLITAN DISTRICT NOS. 1, 2 and 3  
HELD DECEMBER 4, 2017 AT 2:00 PM**

Pursuant to posted notice, the special meetings of the Boards of Directors of the Sterling Ranch Metropolitan District Nos. 1, 2 and 3 was held on Monday, December 4, 2017 at 2:00 PM, at 614 N. Tejon St., Colorado Springs, CO.

Attendance

In attendance were Directors:

James Morley, President  
Charles Collins, Director  
Robin Morley, Director (by phone)

Also in attendance were:

K. Sean Allen, Esq., White, Bear &  
Ankele P.C. (by phone)  
Kevin Walker, WSDM.  
Lori VonFeldt, WSDM  
Jacqueline Armendariz, WSDM  
Eric Howard  
P.J. Anderson

Combined Meeting:

The Boards of Directors of the Districts have determined to hold a joint meeting of the Districts and to prepare joint minutes of actions taken by the Districts in such meetings. Unless otherwise noted herein, all official action reflected in these minutes shall be deemed to be the action of all Districts. Where necessary, action taken by an individual District will be so reflected in these minutes.

1. Call to Order:

Director J. Morley called the meeting to order at 2:06 PM.

2. Declaration of Quorum/Director Qualifications/Disclosure Matters:

Director J. Morley indicated that a quorum of the Boards was present, and stated that each Director has been qualified as an eligible elector of the Districts pursuant to Colorado law. The Directors confirmed their qualification. Ms. VonFeldt noted that the Directors' disclosures of their potential conflicts of interest were filed pursuant to state law for the meeting, and were made part of the official minutes of the meeting by reference. The Boards determined that participation by the Directors with potential conflicts of interest was necessary to obtain a quorum or otherwise enable lawful action to occur.

3. Approval of the Agenda:

The Boards approved the agenda unanimously.

4. Approval of the Minutes:

Director Collins moved to approve the August 21, 2017 minutes, seconded by Director J. Morley. Motion passed unanimously.

#### 5. Falcon Area Water Authority Report:

Mr. Anderson said the option agreement, easement agreement and temporary easement agreement have been finalized and 80 percent of the title work is completed. Mr. Anderson added that if everybody concurs this week, the right-of-way acquisition firm will start their work. Mr. Anderson went on further to request, if possible, a \$20,000 fund to allow the acquisition company to pay \$1,000 per option on the spot should property owners also agree. The \$1,000 is non-refundable and will be applied towards an eventual easement price. Mr. Anderson questioned the source of funding. Director J. Morley said the funding source should remain private to avoid co-mingling Districts with water and sewer. Mr. Anderson added that he had a meeting with Sean Chambers the following day to begin work for the water authority to assist with pricing issues and pricing structures for the various districts and customers in the Falcon area. Director J. Morley asked Mr. Anderson to explain how the final price is determined by the right-of-way acquisition firm, including the \$1,000 non-refundable sum. Mr. Anderson answered that the firm makes recommendations to the water authority before an offer is made; adding that the firm started at \$10,000 per acre, the going rate for right of ways. Mr. Anderson went on to say that because the area is within the Xcel Powerline corridor, he recommended a lower amount; so, the firm is considering 50 percent of the normal right-of-way fee because it's covered with Xcel's powerline easement. Mr. Anderson said the most recent figure discussed was \$5,000 per acre, but that is adjusted based on the size of the parcel; for example, an individual would pay more if an acre is coming out of a smaller parcel versus a larger parcel. Mr. Anderson added that the right-of-way firm is expected to have a recommended pricing list before their work begins. The Board discussed the location of the area in question and who owned which parcels. Mr. Anderson recommended a line item with a zero sum for the Falcon Area Water Authority be included in each of the Districts' budgets because it is currently unclear what the exact amount would be, but should be anticipated for the future.

#### 6. Fees:

##### a. Water Tap Fee and Sewer Tap Fee

Mr. Allen said there was a larger fee resolution incorporated to cover the tap fee and acquisition fee into one and that last year the Boards discussed separating those out into individual resolutions with tap fees set at \$8,000 a piece with a 3 percent escalator beginning in 2019. Mr. Allen went on to say other types of fees and charges had been undetermined as to the rate amounts and further discussion was needed in 2017. Mr. Allen explained since the additional discussions did not occur, the tap fee resolutions were revised to just cover the taps. Mr. Allen went on to say that the presented resolutions are consistent with the Board's approval last year. Mr. Anderson said regarding water acquisition fees, negotiations are ongoing between District 1 and the Jaynes family and that, in principal, it was agreed if the grantee pays for easements they will also receive a serve letter. The Jaynes family wanted the letter to clarify that their customers will pay the same fees as Sterling Ranch. Mr. Anderson said he communicated to the Jaynes family attorney during the negotiations that it is standard among districts that they bring water with them or pay a water acquisition fee. Mr. Anderson added that this has put discussions on hold and has raised the question of a water acquisition fee for outside properties the District may want to include. The Board then discussed how other areas implement water acquisition fees. Mr. Anderson said it can be difficult for a developer to bring water to districts, so a water acquisition fee is utilized, therefore the Board may want to consider putting a fee in place to assist negotiations with the Jaynes family. Mr. Walker said the water acquisition fee is to be determined and that it may need to be an ad hoc deal. Mr. Anderson noted that the Elk Horn area has enough water for one-third of the urban density; he is unsure how much the Jaynes family has and it will depend on geographically how the good aquifers are to see how much water needs to be bought to serve them.

b. Water Acquisition Fee \$8,000 (per connected SFE)

See discussion under item 6.a.

c. Sewer Acquisition Fee \$8,000 (per connected SFE)

Mr. Allen and Mr. Anderson discussed whether other local area agreements, Meridian and Sterling Ranch Metro No. 1, include a sewer acquisition fee. Mr. Anderson said Sterling Ranch has a flat \$3,300 per sewer tap, plus an escalator each year and added that the District has to provide a lot of money and acquire a lot of infrastructure from the developer.

d. Water User Fee, Wastewater User Fee, Street Light Fee, Underdrain Fee

Mr. Allen said these are continued items on the agenda to acknowledge they are not yet ready. Mr. Walker said last year the District included projections for these fees in the budget, but they hadn't been finalized. The Board discussed setting up a meeting for the end of February 2018 to discuss this subject further once farther along in the process.

7. Status of Short Term LOC Replacement Funding and Extension of LOC Funding Promissory Note, SR Land's Obligation to Repay LOC Promissory Note

Director J. Morley reported that the Letter of Credit was just renewed and, that as the District starts filling in the places where dirt is open, the Board will go back to the county to get the LOC reduced and paying back to the District the monies it has there. Director J. Morley went on to say that it was re-upped the previous week when he went to the county. Mr. Walker said the extension should be documented for the District. Mr. Allen asked when the Board thought the District would be repaid in order to avoid the pattern of extensions. The Board responded it should be repaid in a year. Mr. Allen said the LOC is no longer qualifying under the terms which the District entered into the arrangement. Mr. Allen went on to recommend that since the District lent on a short term basis initially, the change in circumstances lend to the next extension being to July 31, 2018 to avoid a series of shorter term extensions.

Director Collins made a motion to authorize the extension of the LOC to July 31, 2018; Director J. Morley seconded. The Board approved the motion unanimously.

8. Financial

a. Outstanding Operation Invoices

Ms. VonFeldt said White Bear and Walker Schooler have been paid down a bit and there were two invoices for District 2 insurance required to be paid the day of the Board meeting.

b. Financial Statement and Payables (Current/Interim)

Director Collins moved to approve current and interim payables; seconded by Director R. Morley. Motion passed unanimously.

c. 2017 Amended Budget Hearing

Ms. VonFeldt noted that the residential mill levy for Districts 1 and 2 were Gallagherized due to the residential assessment ratio dropping to 7.2%. Ms. VonFeldt went on to say that the District 1 mill levy had previously been at 10 mills, but this year it went to 11.055; debt service went from 40 to 44.220 for a total of 55.275 and that the same was done for District 2. Ms. VonFeldt went on to say this was not done for District 3 because it is a commercial district. Mr. Walker and Mr. Allen discussed how District 2's bond documents direct the Board to approach Gallagherization. Mr. Walker said that the 2017 budget was pushed over in 2018 and amended the 2017 budget to cover expenditures, which were in District 2's project fund and the general fund. Ms. VonFeldt noted that there is approximately \$900,000 left in the project fund for capital improvements. The Board discussed projections for the 2018 budget. Mr. Allen asked the Board's feedback regarding the

liquidity left in the LOC and the District's budgeting. Director J. Morley said the Board felt good about it and has been closely following prices of pipe and asphalt.

Director J. Morley opened the public hearing on the 2017 Amended Budget Hearing for District No. 2 and the 2018 Budget Hearings for each District at 2:07 PM. Hearing no public comment, Director J. Morley closed the hearing.

Director Collins moved to approve the amended 2017 Budget as discussed; seconded by Director R. Morley. The motion passed unanimously.

d. 2018 Budget Hearing

Director Collins moved to approve the 2018 Budgets and the Mill Levy as discussed; seconded by Director R. Morley. The motion passed unanimously.

e. Audit Exemption Resolutions for Districts 1 and 3

Ms. VonFeldt said Districts 1 and 3 are exempt from 2017 audits, while a full audit is required for District 2 because of its bonds. Director Collins moved to approve the Audit Exemption Resolutions; seconded by Director R. Morley. Motion passed unanimously.

9. General Matters

a. 2018 Director Election Resolution

Mr. Allen said the resolution calls for the May 2018 Director Election and allows for cancellation thereof if the to be elected directors are unopposed. Mr. Allen went on to say that self-nominations will be sent to the directors in January to be returned by the end of February for their new terms. Director Collins moved to approve the resolution; seconded by Director R. Morley. Motion passed unanimously.

b. Amended and Restated Public Records Request Policy

Mr. Allen said the amended policy adheres to a new state law that requires a records custodian provide a record in the same format in which it is stored or otherwise show good cause. Director Collins moved to approve the Public Records Request Policy; seconded by Director R. Morley. Motion passed unanimously.

c. 2018 Annual Administrative Policy

Mr. Allen said the resolution designates his legal firm and Walker Schooler District Management consultants to carry out administrative and compliance tasks, such as where notices are published and when regular meetings are held, as designated on behalf of the districts. Director Collins moved to approve seconded by Director R. Morley. Motion passed unanimously.

10. Adjourn/Continuation/Next Meeting

The Board discussed that its regularly scheduled meetings are the third Tuesday of each month at 9:00 AM and decided its next meeting will be on Tuesday, February 20, 2018, if needed.

Director J. Morley adjourned the meeting at 2:47 PM

Respectfully Submitted,  
Walker Schooler District Managers

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By: Lori VonFeldt for the Recording Secretary