



**MINUTES OF A REGULAR MEETING  
OF THE BOARD OF DIRECTORS OF THE  
CATHEDRAL PINES METROPOLITAN DISTRICT  
HELD AUGUST 13, 2018  
AT 2:00 P.M.**

Pursuant to posted notice, the special meeting of the Board of Directors of the Cathedral Pines Metropolitan District was held on Monday, August 13th at 2 p.m., at 13977 Milam Rd., Colorado Springs, CO.

In attendance were Directors:

Bart Atkinson, President  
Bill Heeter  
Ecton Espenlaub  
Lynn Shepherd

Also in attendance were:

Jamie Adams, Warren Management  
Josephus LeRoux, BiggsKofford  
Kevin Walker, Walker Schooler District Managers  
Kristina Kulick, Walker Schooler District Managers  
John Frerichs (arrived at 3:19 p.m.)

1. Call to Order: The meeting was called to order by President Atkinson at 2:02 p.m.

2. Declaration of Quorum/Director Qualifications/Reaffirmation of Disclosures: President Atkinson confirmed a quorum. Director Cawfield was excused.

3. Approval of the Agenda: Director Heeter pointed out a typo on the Agenda under the date of the Audit, and how it should read 2017. He also pointed an error on the next meeting date as September 10th. Director Espenlaub stated he would like to add something to the Agenda during the financial discussion. Mr. Walker stated he would like to move the Acceptance of Final 2017 Audit up on the Agenda so Mr. LeRoux can make his presentation earlier in the meeting.

4. Consent Agenda Items:

- a. Approval of Board Meeting Minutes from the July 16, 2018 Meeting
- b. Acceptance of Unaudited Financial Statements as of July 31, 2018, the schedule of cash position updated as of July 31, 2018 and bank statements

President Atkinson asked the Board if they were okay with the minutes. Director Heeter clarified discussion in the last meeting minutes in regard to the refrigerator repair costs and the HVAC repair costs. He said his comments about the \$1,100 was in reference to the HVAC and not the

refrigerator. The Board had no other concerns with the minutes from the July 16, 2018 meeting. Director Heeter moved to approve the Consent Agenda Items; seconded by Director Shepherd. Motion passed unanimously.

5. Consideration of items removed from Consent Agenda: There were no items removed from the Consent Agenda.

6. Acceptance of Final 2017 Audit: Mr. LeRoux introduced himself and informed the Board that he had heard back that the State has accepted the audit that was filed electronically. Director Heeter asked about the scope of the audit and what is looked at and what is not. Mr. LeRoux explained the audit, review, and agreed upon procedures that they look at. Director Heeter asked if they for an explanation of the level of detail. Mr. LeRoux said they look at what is asked of them and to render the highest level of assurance that the District met using sampling and testing techniques including capital asset allocations as well as the District's policies, such as Board members signing checks. President Atkinson asked if they look analytically in comparison to other Districts. Mr. LeRoux said yes, and there are different ways to look at it such as revenue percentages both by revenue and from last year to this year. Then they look deeper if needed or if there is a concern. President Atkinson said there have been a few times in years past when the auditors had questions on expenses. Mr. LeRoux confirmed and said that was the case a few times due to the fires and the FEMA funds. President Atkinson confirmed the scope of the audit is all the areas of the District and whatever is coming and going. They are checking to make sure there are signatures and proper documentation. Mr. LeRoux confirmed this is correct and they will audit the balance sheet 100%, and the income statement they do sampling and analytical review. Director Heeter asked if we need to be proactive in letting them know about things that are out of the ordinary, or do we wait until the audit. Mr. LeRoux said they can let us know before the audit if they want, but they can also do this during the pre-audit communication. During the pre-audit communication, they let the Board know what they are going to do and then the Board can let them know if there is anything else they want done at that time. Mr. LeRoux said they can add whatever the Board wants them to do during the audit. Mr. LeRoux pointed out the letter of the opinion and said they gave the highest level of assurance. He explained the government accounting rules that look at the books both as full accrual and cash basis. President Atkinson discussed how a District is not a business, so that is why it looks different. Director Espenlaub asked a question on the emergency reserve. Mr. Walker confirmed the State requires us to have a 3% TABOR reserve, which is 3% of the general fund. Director Espenlaub asked about the capital assets. Mr. LeRoux said that would be the Lodge, shed, etc., and explained how that affects the debt on the books and it is basically a negative number and that is why the net position ended up as a negative. Mr. Walker explained that is because we built up a large number of assets and then gave them away. Director Espenlaub said he thinks this number is greater than what we owe on the bonds. Mr. LeRoux pointed out in the packet and showed how the number is not greater than what is owed on the bonds. Mr. LeRoux explained that the District got the infrastructure, such as the roads, even if it is through the developer, the District shows it on the books. President Atkinson further explained how the District dedicated the roads to the County, gave that asset to the County, so we have the debt but we do not own it. He said it is better that we do not own it because we do not have to pay for it to be maintained. Director Heeter asked if the County has to take it. President Atkinson confirmed the development process. President Atkinson discussed how there was a lot of damage to detention ponds and drainage from a bad storm, and they had to make the repairs before they could turn it over to the County. Mr. Walker confirmed that they also had to provide the County with a warranty before turning it over to them. He said you also have to put up a letter of credit in addition to the warranty. Mr. LeRoux pointed out the balance sheet and said it is basically more on a cash basis so you do not see the capital assets there. He explained that if there are capital improvements it would run through the general fund. Mr. LeRoux explained the negative number and how it can be

because of the timing of the cash coming in. Mr. Walker explained that the Board last year postponed some payments until the cash from taxes came in. Director Espenlaub asked about the licenses and fees. Mr. LeRoux said it could be the property tax fees, collection fees from the County and that is why you will see some in the general fund and some in the debt service. President Atkinson clarified the County is collecting taxes for us. Mr. LeRoux said one note is the budget and total expenses and the District is under budget and that is one thing the State looks at. They want to make sure the District doesn't go over budget. Director Heeter asked about why the original budget was over. Mr. Walker explained the budget was amended. He also explained that this was an issue in the past with the previous Board. Director Heeter asked why Dan Potter is not being held accountable for overspending on the budget. Mr. Walker said that would have been the responsibility of the previous Board. President Atkinson said Mr. Potter was telling the Board what was going on, but he was not telling the Board the cost of everything. President Atkinson said once it was done the money was spent, but they were able to use the reserves to cover everything. He added that Dan did not do it for personal gain and that it was for the good of the community. He does think though that it went over his scope for maintenance.

Mr. Walker explained the auditor is not responsible for that piece of it since the budget was changed. Mr. Walker said we are trying to avoid this again and now trying to show everything to prevent that. Director Espenlaub asked the purpose of a budget amendment. President Atkinson said it is a state requirement. Director Heeter wants to know why they spent the money and got approval after the fact. President Atkinson said that is out of scope of the auditors. Mr. LeRoux explained that we look at the approval of the expenses and the minutes to see if it is approved by the Board. Mr. Walker said another thing they are trying to clean up is approval of contracts for maintenance and not just verbal contracts like what was done in the past. President Atkinson said in the past, we set up budget line items and how it was managed then was to that number, and if it was under budget he did not come to the Board with it. That responsibility was passed on to Dan and he managed things differently. Director Shepherd asked who handles the bookkeeping. Mr. Walker said we do it and BiggsKofford reviews it. Mr. LeRoux explained budget violation, and if you go over budget the State auditor will send a letter. He said that is why they give you the opportunity to amend the budget even after the audit as long as the Board has a resolution. The State wants the Board to be more involved in the budgets. Mr. LeRoux also said it does not have to balance by line item so long as the total expenditures are not over budget. Director Shepherd asked if you would only do a budget amendment if it is over budget not under. Mr. LeRoux said there is also a contingency line item. Mr. LeRoux quickly went over the rest of the audit with the Board. The Board thanked Mr. LeRoux. Mr. LeRoux showed the Board the post-audit letter and explained the property tax estimates. He said he did not find any issues with accounting policies and procedures and since the District outsources its accounting that is good practice. He added that management discussion analysis is left out since Special Districts are so small it is not necessary. Director Espenlaub moved to accept the 2017 Audit; seconded by Director Shepherd. Motion passed unanimously. Mr. LeRoux left the meeting at 3:05 p.m.

#### 7. Management Matters:

- a. Contract Update - Independent Contractors: President Atkinson said that he has not had time to look at it, but Mr. Walker has addressed his questions.

Mr. Walker discussed the snow removal contract and that he told John Frerichs, the person who does the snow removal, that the Board is concerned about the costs and he is now on the way to discuss the Board's concerns. Mr. Frerichs arrived at 3:19 p.m. to discuss the snow removal contract. President Atkinson introduced Mr. Frerichs and gave the history of snow removal within the community. Mr. Frerichs said he did a half-year the first year, and this would be the third full year doing the snow removal. President

Atkinson discussed a really bad winter in the past and how residents were having trouble getting out of the neighborhood. President Atkinson said it used to be done on an as-needed basis, but it was blowing the budget. President Atkinson got bids for a snow plow contract, but they were all very expensive. Director Heeter asked about the County and if they are doing anything. Ms. Adams said if school is in session they only do the bus route, but other than that we are level 3 so we do not get it done by the County for a few days. President Atkinson said he was getting a lot of complaints from residents who were wanting it done. Mr. Frerichs said he was willing to do it for a much cheaper price and was wanting to help since he was a resident and had the free time. He said the first half-year was done as time and materials. His equipment was subpar and not meant to be used for as big of a job. Mr. Frerichs said after that first half-year, he told the District if he had a contract with them for more than a year he would get the right equipment for the job. President Atkinson said he signed a contract for more than a year not realizing he wasn't supposed to do a contract for more than one year. Mr. Frerichs explained how he would plow early before people had to leave for work and would come multiple times a day if needed and the County would not come to plow. President Atkinson said the issue was, on a heavy year we get a good deal on snow plow but on a light year we do not get a good deal. The Board at that time decided to do a 5-year agreement with Mr. Frerichs and tried to look out for what was best for the community. President Atkinson said there were many doctors in the community who needed to get to work and others that needed to be able to get out in the snow, so the Board decided to do the long-term contract and he explained the thinking of the Board and why they did it. President Atkinson said they allow Mr. Frerichs to park his equipment in the Barn. President Atkinson believes it is a good investment for the community when it is a bad winter. Mr. Frerichs said his contract states that when it is more than 4 inches he is obligated to plow, but if there is snow on the ground at all he plows for the safety of the community. Mr. Frerichs said he is not doing this to make money obviously since he is almost 3 times cheaper than other companies and he is in debt with the equipment, but he wants to help the community. All he asked was to be able to store his tractor and equipment in the barn in the winter to keep it running and on-site ready to use. Mr. Frerichs said when there is heavy snow it can take hours to plow the 16 miles due to the big drifts and heavy snow. There have been times where he plowed 4 or 5 times a day to keep it clear. President Atkinson confirmed the County does not show up on weekends or if school is cancelled, but Mr. Frerichs will plow. Director Heeter asked about the timing of hiring Mr. Frerichs, and if we only relied on the County before him. President Atkinson said in the past, he would try and find someone as needed during a bad storm, but they would not come out right away. In heavy snow years the budget would be overspent. Director Heeter wants to know if we can go back and get the costs in heavy years to be able to show the actual costs. Ms. Adams said back in 2005, we split the cost with the HOA. President Atkinson said it may be hard to go back and find the exact dollar amounts and find where it was taken out of whether it be maintenance funds or somewhere else in the budget. President Atkinson said he wants to know if we should do a contract not knowing if we will get the bang for the buck, or risk spending time and materials. Mr. Frerichs told the Board it is fine if they do not want to use him moving forward and he will sell the equipment and move on, but he is wanting to help the community and that is why he is offering his services to the District for so cheap. Director Heeter said the issue is with the budget, and in the past the residents at the Budget Hearing were upset. Director Shepherd discussed the importance of due diligence and getting competitive bids regardless if we want to use him or someone else. Mr. Frerichs said the reason for

the contract to be setup the way it was is because of him buying the equipment and the money out of his pocket. He wants to know ahead of time if the District will not be using him so he can sell his equipment before the snow season and he is not stuck with it. Director Heeter said he thinks Mr. Frerichs made a good case, but we need to figure out how to present this to the homeowners. President Atkinson said we could get competitive bids, but he hates to make companies do bids when he knows they will not get it. Ms. Adams will look to see if she can get comparables from her other communities. The Board confirmed that the District has a contract with Mr. Frerichs through January. Director Heeter said we are committed through January and we owe Mr. Frerichs \$8,000, and until then we can figure out how to present this to the homeowners. Mr. Frerichs said he is happy to come and answer any questions from the community if that would help. Mr. Walker discussed the concern of having a contract longer than a year, and that it is a budgeting question for next year, so we need to find out by November. Mr. Frerichs said he is not offended but wants to know if he is not needed. He said he is happy to come to the meeting but will not be available the week of the 8th thru 12th. Director Espenlaub asked Ms. Adams if \$400 to \$600 is reasonable per snow removal service. Ms. Adams said yes, it is very reasonable and it usually starts at \$75.00 per hour for time and materials with other companies. Director Espenlaub said he got a lot of information he did not know before from meeting with Mr. Frerichs. President Atkinson said he was a third of what anyone else would charge. Director Espenlaub asked if those prices were set up as a fixed fee for the year. President Atkinson said yes, and Mr. Walker said they can do it either way.

- b. Update on Lodge Maintenance Status: Ms. Adams said that Holbrook, Fountain Valley and Affordable Plumbing are working on their agreements for maintenance contracts and repairs for the HVAC. She said we should have their agreements next week. Ms. Adams said the landscaper will recommend Maple trees, but he has been consumed with the water and irrigation issues lately.
- c. Lodge Rental Status: The Board looked at the Lodge Rental Report. President Atkinson said the numbers look good for the future and the Lodge is already booking 2 years ahead. There have been some cancellations and postponements that have affected the numbers. Director Heeter said the decision to raise the fees was a good one. Mr. Walker said the budget for Lodge dropped last year, so it might be down 15%, but there have been fewer events and less complaints. Director Heeter said it was a quantitative decision and that they wanted to cut down on events which balance out the costs.
- d. Update on Landscape and Trail Maintenance: Director Heeter said he is waiting to hear from Nate Robinson on the status of the trail grading and whether the County will be doing it.
- e. Watering and Irrigation: Director Espenlaub asked about the schematics of the pump system. Mr. Walker said they do not have the official schematics and they do not have a blueprint. President Atkinson said it was an as-built and it was not required. Director Espenlaub asked since we don't know what it is, when we drain the system in the winter should we have valves and test points put in to run tests to find the problems. President Atkinson said the problems are only at the top of the hill and the bottom of the hill. President Atkinson explained the one main pipe that runs down the middle of the road and explained the cisterns and lines. Director Espenlaub said he wants the schematics to

try and figure this out. President Atkinson said we know where everything is, but we are dealing with large pipe 8 feet underground and they sometimes get air pockets and there are lots of things that could be causing these issues. He is hoping with trial and error with Ashley, he is learning the system and what to do and what not to do moving forward. Director Espenlaub said he is concerned that there may be connections we do not know about. President Atkinson disagrees and believes we know the connections, but the system is doing different things this year for some reason. President Atkinson said the valve cranks down, but a rock could get in there causing it to be open and causing the overflow of water. Director Espenlaub asked about putting 2 valves next to the main valve to test and find out the problem. President Atkinson said that could be costly. Director Espenlaub questioned how expensive it was to get it started this year with the problems. President Atkinson said in years past, getting it started was not expensive because it was part of regular maintenance. President Atkinson explained the system and that sometimes it takes days to get it to fill. President Atkinson said he is not convinced that we should spend money on this. Director Heeter said he is not sure he likes that we would be committed to Ashley moving forward since he is the only one who knows the system. President Atkinson said Robertson's knows the system as well. Robertson's did not figure it out this year, but he was not getting paid for it. President Atkinson said he will still be around as well to help if needed. Director Heeter thinks we need to budget for this and still has his concern. President Atkinson said only this one side has the issue and the other side works fine. He added that we may have an issue with one valve and it may be worth digging up and budgeting some money for that. President Atkinson said he will work with Ashley this week to continue to train him on the system, and Robertson's would also be able to work on it if needed.

- f. **Shed Status:** Director Heeter said after touring the shed, he wants authorization to get a dumpster to clean it out. He also wants to know how to decide what is disposed of since they are technically assets of the District. Director Heeter thinks there needs to be a Board member there to decide. Director Shepherd said she knows an auction company that will come out and handle all the tasks. Director Heeter asked Director Shepherd to contact her auction house. Director Shepherd said the plan would be to catalog one day, then the auction occurs, then another day where the items won are picked up. After that, we could get a junk hauler out to get rid of the rest. President Atkinson said we only have a couple valueable assets out there. Director Shepherd said even the little stuff will sell and they will group things together as a lot to sell. President Atkinson asked if there is a reason to keep the tractor. Director Espenlaub said he doesn't know what the County will do, but he would be happy to do the trails with the tractor if the Board leases it to him for a small amount since he will only use it to do the trails. He thinks he could provide a service and haul the tractor off if the Board agrees. Director Heeter thinks we should get people out to see what the stuff is worth. President Atkinson said he would be interested in buying the quad. He wonders if we sell it all and the empty barn just sits there. Director Heeter said he would meet people to make a list of the items and value them. He could get this done by October's meeting and then the Board can decide what to keep. Director Espenlaub thinks we need to secure the Barn. Director Heeter said he could help with getting that done. President Atkinson said we have never had an issue with anything being stolen from inside the Barn. Director Espenlaub said he is concerned with the liability if someone went inside and got hurt. Director Heeter said he will help coordinate getting rid of the junk after everything is sold.

- g. **Street Lights:** Ms. Adams said the fixture should be repaired so the strobe light can be fixed. She said there was a call from Code Enforcement requesting that we replace the bulb because it is too bright and goes beyond the monument. President Atkinson said the design of the light is directing light past the monument, so it needs to be replaced with a smaller light fixture. The Board discussed that someone on Holmes is complaining about the Barn as well as the lights. Director Espenlaub asked about the costs for getting this light repaired. Ms. Adams said that she is waiting on the exact cost. Director Espenlaub suggested just getting it done if it is less than the set threshold for maintenance. Director Heeter asked if the light is technically a violation. President Atkinson said it is probably technically a violation. Ms. Adams is not sure what the violation would be at the Barn though. President Atkinson explained that the Barn is a staging location for the chipper, but that was cleaned up and now others are just bringing stuff there. Mr. Walker thinks that it would still be our responsibility. President Atkinson will look at the plat map since it may actually be the County's responsibility. Director Espenlaub requested President Atkinson check into that. President Atkinson said he will look into that tomorrow.
- h. **Security Systems:** Mr. Walker told the Board we are paying \$200 per month for just the Lodge's security system. He explained that it is not very effective and every time there is an event the alarm goes off. He thinks we are spending too much money on ADT. Mr. Walker said he got a couple of bids, and one of the services would be \$100 per month and \$1,000 worth of equipment initially. He said he has also used a service where cameras are monitored by the security company. Mr. Walker thinks we need to move on from ADT.
- i. **FEMA Collection:** President Atkinson told the Board he has submitted everything to FEMA and the response he has gotten back is that they are very back-logged. President Atkinson said he will double check all of the documents and receipts in preparation.
- j. **USPS Lockers Update:** Mr. Walker said Elaine with USPS has not called him back. He told the Board there is a standard we must use and we can get a bid if we can find out the locker size. Ms. Adams will see if Jeff, the mail carrier, can help find out any information.
- k. **Meeting with HOA:** There was no discussion on this item.
- l. **Other Matters:** Director Heeter asked President Atkinson when he thinks he may resign. President Atkinson said he wanted to make sure the Board was functioning and doing okay before he resigned, but he believes the Board is doing good, so maybe in September, but he is not in a major rush. Director Heeter said he also wonders about Director Cawlfild leaving, so he wants to make sure we are looking for new Board members. President Atkinson said he knows people are interested. Ms. Adams said no one has stepped up but Director Shepherd. Ms. Adams was excused and left the meeting at 4:40 p.m.

#### 8. Financial Matters:

- a. **Approval of Payables for the Period Ending July 16, 2018 (see attached):** The Board went over the Payables. They discussed a bill from Berwick that should not have been billed since the issue has not been fixed yet. Director Heeter said he wants to find out

what is going on with Berwick. Mr. Walker found the invoices and they were all for work done on May 8th and May 10th. President Atkinson asked Ms. Adams what the invoices were for and she said they were for troubleshooting and finding the breaks. The issues were not repaired, but only for troubleshooting. Director Shepherd moved to approve the payables; seconded by Director Heeter. Motion passed unanimously. Ms. Adams asked the Board to hold off on paying the Berwick invoice so she can find out what is going on.

- b. Budget Objectives for 2019: Director Espenlaub said he had questions regarding the budget and specifically Office Expenses. President Atkinson said in the past they budgeted for certain things in the office. Mr. Walker said this budget is probably for keys that were made. Director Espenlaub asked if they are going to burn through \$1,000. Mr. Walker said no. Director Espenlaub asked what the Professional Fees are for in the budget, and that this year we have not had any professional fees. President Atkinson said in the past, they charged accounting fees separately from management fees, but with WSDM it is all included. Director Espenlaub wants to know what the \$16,000 is. President Atkinson said it may be legal fees due to the bond refi that was done and the reason why there were more fees this year. Director Espenlaub asked if Repairs and Maintenance is for the Lodge. Mr. Walker said Landscape and Maintenance is just for landscape. Repairs and Maintenance include lights, signage, shed, wells, etc., and includes repairs. Maintenance Management is Ms. Adams. Mr. Walker said he did not bring all of the accounting details, so he can answer these questions when he has that. President Atkinson suggested getting Ms. VonFeldt to help answer these questions as well. Director Espenlaub asked about cleaning. President Atkinson said there is additional deep cleaning separate from the regular cleaning. Director Heeter said he wants to change the categories. Director Espenlaub said he wants to have separate categories for the Lodge. Mr. Walker said he did not create the budget, but if you want to change the line items you need to carry the historical data for three years. Director Heeter said he asked the Auditor and he said we did not have to. Mr. Walker clarified that is for the audit, not the budget. Mr. Walker said the State requires that we carry each previous line item for three years, but we can do the detail that they want. Director Heeter said he wants to get together in the next couple weeks to go over this in more detail. Director Espenlaub said he wants to put \$30,000 into a fund when we are under budget. Mr. Walker said we can only collect what we will collect, but we can budget something we are going to collect. Mr. Walker said there are 2 categories of money; bond money which is debt and can only be spent on debt. Then there is operations expenses and maintenance. The only way to do it is from the general fund. President Atkinson said there is a plan and schedule that estimated as best we could, the plan for the repayment of the bonds and considers all the new homes constructed. Director Espenlaub said he wants to set aside money. Mr. Walker warned that there are people who ask about all the extra money gathered and then want to know why they are being charged more if there is all that extra money. Director Espenlaub asked about lowering the mill levy now and then will have some room to raise it. Mr. Walker said next year they will reassess and change the Gallagher amount, so it is hard to plan when they change the valuations.

## 9. Legal Matters:

- a. Meeting Time Change: There was no discussion.



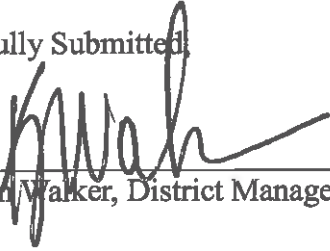
10. Public Comment: There were no public comments.

11. Other Business:

- a. Next Meeting – September 10, 2018 at 2:00 p.m.
- b. Tour of Maintenance Facility

12. Adjournment: The meeting was adjourned at 5:06 p.m.

Respectfully Submitted,



By: Kevin Walker, District Manager

THESE MINUTES ARE APPROVED AS THE OFFICIAL AUGUST 13, 2018 MINUTES OF THE CATHEDRAL PINES METROPOLITAN DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:



Bart Atkinson, President



Gregg Cawlfeld, Director



Bill Heeter, Director



Ecton Espenlaub, Director



Lynn Shepherd, Director