



**MINUTES OF A SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF THE
CONSTITUTION HEIGHTS METROPOLITAN DISTRICT
HELD DECEMBER 1, 2017
AT 10:00 A.M.**

Pursuant to posted notice, the special meeting of the Board of Directors of the Constitution Heights Metropolitan District was held on Friday, December 1, 2017 at 10:00 a.m., at 614 N. Tejon St., Colorado Springs, CO.

In attendance were Directors:

Gregory Driscoll,
President/Treas./Secretary

Also in attendance were:

K. Sean Allen, Esq., White, Bear &
Ankele Tanaka & Waldron (by phone)
Lori VonFeldt, WSDM
Kevin Walker, WSDM
Jacqueline Armendariz, WSDM
Dan Wall, Feathergrass HOA
Chris Holbrook, Feathergrass HOA

1. Call to Order:

Director Driscoll called the meeting to order at 10:03 AM

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

Director Driscoll indicated that a quorum of the Board was present. Ms. VonFeldt noted that the Director's disclosures of their potential conflicts of interest were filed pursuant to state law for the meeting.

3. Approval of the Agenda:

The agenda was approved.

4. Approval of Minutes:

The Board approved the November 14, 2016 meeting minutes.

5. 2017 Amended and 2018 Budget discussion and Public Hearing

a. 2017 Amended Budget Resolution

Ms. VonFeldt explained that the District's mill levy has been 25 and after a property reassessment the mill levy would need to be Gallagherized to 27.637 to cover debt service. Mr. Allen explained that the residential assessment ratio decreased to 7.2% of actual value. Mr. Walker noted that the District's other source of income is the specific ownership tax that is only used for O&M. Mr. Walker said expenses in the 2018 Budget are \$42,600, which was less than the District's general revenue, so a developer advance was included for that reason. Mr. Walker explained that a developer advance was not received in 2017, so the district manager has not been paid for services rendered to the District creating a receivable and outstanding obligation of the District. Director Driscoll asked whether the developers interest payments within the budget are from developers who've previously invested money. Mr. Walker indicated that they were and are subordinate bonds. Ms. VonFeldt explained that the \$75,000 in funds that were left over after paying the principal and interest on the debt service was

disbursed to them. Mr. Walker recommended that the District refrain from making the 2017 payment for developer interest. Mr. Walker said the rationale behind his recommendation is that the District has been paying interest on those subordinate bonds on a principal amount that is more than what should have been reduced, but the District hasn't had the capital this year to challenge that. Mr. Walker went on to say that for next year the work program is to talk to the subordinate bond holders to ask how much of that was paid back in transportation credits they were issued bonds for. Director Driscoll asked who the subordinate bond holders are. Mr. Walker responded they are Sand Creek Investments, under Grant Langdon, and a remnant of Feather Grass Investments, under Danny Mientka; two developers who were there previously. Mr. Walker went on to say that those bonds which total about \$5 million included at least \$600,000 – possibly \$1.5 million – of improvements that were paid back already with credits from the county's transportation fee, so until there is further accounting on that the District shouldn't pay interest. Ms. VonFeldt said the District must look at refinancing because a balloon payment is due in 2019 for the total principal amount. Mr. Walker said the secondary bond payment to the developers are subordinate to the Compass loan, so these are extra funds the District receives, but does not have to pay. Mr. Walker explained further that because this is accruing interest it is prudent to at least pay something, which is why the District has done so in the past. Mr. Walker went on to say that the board does not have an obligation to make a payment and he believes the District is within its rights to withhold that payment and ask for an accounting of the transportation credit that was issued. Mr. Walker also said this year's District budget included paying legal fees and next year there won't be quite so much.

Upon no further budget discussion, the Public Budget Hearing for the 2017 amended and 2018 Budgets was opened at 10:15AM. There were no public comments, so the board closed the hearing.

b. 2017 Amended and 2018 Budget Resolution

The board approved the resolutions.

6. Financial Statement and Payables:

Ms. VonFeldt presented the outstanding invoices and requested authorization of payment to various vendors for a total amount of \$25,698. Director Driscoll asked if there were any additional outstanding invoices. Ms. VonFeldt said the only outstanding amount is for Walker Schooler District Managers and added that at the beginning of the year there would be a Special District Association bill, noting she would contact Director Driscoll when it arrived. The Board approved the payables.

7. Market Status/Development:

Mr. Walker reported that Classic Homes is still moving forward with Hannah Ridge Filings 3 and 4. Mr. Walker said he has been working with Ken Driscoll to help him get some of that done and that Filings 1 and 2 are complete. They have contracted to purchase all the rest of land on other side. Mr. Walker added further that the District has been working with brokers to talk about the commercial development, but they are waiting to see what happens with King Soopers.

Mr. Walker indicated that he has had discussions with Compass Bank about possibly renegotiating the debt now, which could alleviate interest rate pressure next year. Mr. Walker explained that action could extend the debt seven years, which is essentially another five-year extension and that would be as if there were no new development; he noted the bank is comfortable with this. Mr. Walker said before moving forward with that, he would like to figure out what to do about the District's subordinate debt first. Mr. Walker added that there are opportunities to refinance that debt as well because those are running at 8 percent. Mr. Walker explained that if he is able to renegotiate some of the subordinate debt and take off some of the principal based on this, the District might be able to get more capital and do work on the park or storm drain issues.

8. Other Business:

a. Litigation Update

Mr. Walker said litigation is complete and there are no new filings. All parties involved had signed off on the settlement regarding the Feather Grass issue in January/February 2017.

b. 2018 Director Election Resolution

Mr. Allen said the next director election cycle is called for in May of an even year; the resolution designates an attorney with his firm to be the election official and if, on the 63rd day prior to the May election, there are not more candidates than the seats available – meaning four or less interested parties – the election may be canceled. The Board approved the 2018 Director Election Resolution.

c. 2018 Annual Administrative Resolution

Mr. Allen said the resolution allows his legal firm and Walker Schooler District Managers to carry out administrative and compliance matters as designated on behalf of the District. The Board approved the resolution.

d. Amended and Restated Public Records Policy

Mr. Allen said state law changed this year to require records custodians to show good cause if they intend to provide records in a different format than which they are originally stored. The Board approved the resolution.

e. Next Regular Meeting Date

There was discussion of the possibility of two other meetings due to the upcoming election and renegotiated debt discussions in addition to the annual regular meeting in late 2018. To be determined.

9. Adjournment:

The meeting was adjourned at 10:30 AM

Respectfully Submitted,

By: Lori VonFeldt for the Recording Secretary