**RECORD OF PROCEEDINGS**

**THE BOARD OF DIRECTORS**

**CHERRY HILLS NORTH METROPOLITAN DISTRICT**

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A special meeting of the Board of Directors of Cherry Hills North Metropolitan District was held at the Cherry Hills Village Center, 2450 E Quincy Avenue Cherry Hills Village, CO 80113

 at the hour of 6:30 p.m. on the 29th day of July 2014.

Present were: Harold Roberts, President

Dan Conway, Vice President

 Geoff Landry, Treasurer

 Marcus McAskin, Secretary

 Keith Bierman, Director

President Roberts noted that a quorum of the Board was present and therefore called the meeting of the Board of Directors of the Cherry Hills North Metropolitan District to order.

Seven residents of the District were in attendance.

The Board introduced themselves, and responded to a question about how many members of the Board are residents of Cherry Hills North (all, as that is a requirement to serve on the Board).

**Finance Discussion**

Director McAskin provided a summary of District finances.

The District serves only the 144 homes included within the Cherry Hills North neighborhood. District revenues have stayed the same over the last decade (slightly down due to decreased investment income), while annual expenditures have increased. Investment income has decreased from around 6% (annual average) to nearly 0%. Under State law, the District is restricted to investing in investment vehicles authorized by the Public Deposit Protection Act, or PDPA. As a result of this trend, the District has been running a deficit of approximately $20K/yr for the last several years (annual revenues of roughly $45k and annual expenditures of roughly $65k)

Directors serve without compensation, waiving the $100/meeting reimbursement stipend authorized under the Special District Act.

The ballot language that the neighborhood voted on in November of 2013 was overly ambitious, aiming to solve for a 20 year outlook; this year we are aiming at closer to a 5 year solution. The current proposal is aiming at a 2 mill increase, from 4.281 mills to 6.28. The average Cherry Hills North homeowner will be asked to pay additional taxes to the District of approximately eleven dollars ($11) per month.

Director Roberts provided a summary of annual District expenditures.

Major expenses are annual sewer jet cleaning, and “Metro Wastewater” which is the primary cost driver. All sewage collected in the District’s wastewater system ultimately is treated by the Metro Wastewater Reclamation District.

6-7 years ago we did a detailed study, resulting in approx. $120K relining two sections out of 1200? Inevitably we need to plan on doing more repairs over time.

Elections have historically cost $10K+, fortunately there is a new law which should reduce the cost of District Elections which are now able to be independent mail only elections.

Which sections? Very east side of the neighborhood. Two short sections of about 12,000 ft of pipe.

Yearly expenditures? Aprox $65K/year vs aprox $45K revenue per year.

**Q & A between District residents and Board**

Resident Question #1: What changed financially?

Director Conway: When Bob Campbell was functioning as the District’s Treasurer, interest income was on the order of $40K/yr which was equal to or above our expenditures. Thus, for many years the property taxes largely went to increase our reserve. Unfortunately, post 2009, annual interest income in PDPA-protected investments has been close to 0%.

Director Roberts: For many years, the annual videos were examined by (late) Director Capra. About seven years ago, we switched to using an external consultant. This was also about the same time that problems inherent to aging collection lines started becoming more apparent. The combination of capital costs being incurred and the loss of interest income along with steadily increasing waste treatment fees has caused our deficit.

In regard to the waste treatment fees, while water saving devices have reduced the flow, treatment costs are at least constant (and often rising due to increased EPA requirements, and perhaps the difficulty of treating more concentrated waste). We have no control over the waste treatment fees.

Also, the “outfall line” required major renovation, a cost which was taken care of by a escrow fund established near the founding of the neighborhood. Sadly, this renovation has exhausted the escrow fund, so any future work has to be borne by the District (22% of it, as it is shared by five neighborhoods, and the costs shared by IGA).

Resident Question #2: What is the worst case for District finances – what if the entire sewer system had to be replaced at one time? The most likely cases would result in another tax increase request, or a special assessment. Very catastrophic cases would likely be dealt with by a loan from the State.

Resident Question #3: What if this election fails?

Director Roberts: I can’t speak for the entire board, but if this fails I see no choice but to levy assessments as required restoring our reserves.

Resident Question #4: What is the difference between taxes and special assessments?.

Director Bierman: Taxes are collected as part of the property tax process by Arapahoe County. These taxes are deductible from Federal tax. Tax increases generally require voter approval. Assessments are imposed by the District based on the cost to perform a specific service and are typically billed “manually” by agency third party on behalf of the District, which results in higher administrative costs to the District. Assessments are not tax deducible, resulting in higher effective costs to residents. Assessments are not voluntary; but do not require any voter approval.

Director McAskin polled the District residents present as to whether they preferred handouts or emails from the District Board. The District residents present preferred both and suggested that the District continue its informational outreach in advance of the November 2014 election.

Multiple residents’ comments: Good communication is key.

**Sign Discussion**

Director McAskin: When CHN was built, the locations of the neighborhood entryway signs were not marked or identified on the plat map. Based upon some research conducted by the HOA and the District, there is no recorded easement or license agreement that recognizes the existence of the signs. The signs are located in City right-of-way or on private property (or, in the majority of cases, some combination of both). The HOA has asked the City to approve a license agreement that will formally recognize the existence of the signs and permit the same to encroach in City right-of-way. We believe that this request for a license agreement will be considered by the City Council in is on the City agenda for August.

Resident Comment: The neighborhood entryway signs were built and donated as a gift from the developer of the Cherry Hills North subdivision to “elevate” the area, and to distinguish the area from surrounding neighborhoods. Everybody at the time was thrilled.

Resident Question: the sign that was recently removed by a homeowner at the intersection of E. Sanford Circle and South Hudson … was it located in the City’s Right of Way? Director McAskin: No, based on a survey that was completed by the District, that specific sign was located entirely on that the homeowner’s property.

Resident Comment: the homeowner had no right to take the sign down.

Director Landry clarified that the sign had been damaged by an automobile in a hit and run accident.

**ADJOURNMENT**

There being no further business to come before the Board, and upon motion duly made, second and unanimously carried, the special meeting was adjourned at 7:32 p.m.

**MINUTES APPROVED:**

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**Harold Roberts**

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**Daniel Conway**

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**Geoff Landry**

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**Marcus McAskin**

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**Keith Bierman**