

RESPONSES FROM MAY 24, 2007 PUBLIC MEETING

This written response is designed to provide the residents of the Forest View Acres Water District with the answers to questions that were raised during the May 24, 2007 public meeting, as well as to provide additional factual information regarding issues that were addressed during that meeting and that are of interest and relevance to the Forest View Acres community. It is the intent of the Board of Directors of the District to be providing thorough and factual responses to all relevant matters. Personal attacks and non-District related topics will not be addressed. Further, it is impossible to address all communications that are circulating throughout the community, many of which contain inaccuracies and misinformation. If this response does not adequately address your questions or issues, please attend a Board meeting and address the Board directly during public comment.

What is the Forest View Acres Water District?

There seems to be a great deal of misunderstanding regarding the District and its Board of Directors. The Forest View Acres Water District is a local governmental entity, organized and operating pursuant to Title 32 of the Colorado Revised Statutes and the Colorado Constitution.

Board of Directors. By law, the District is governed by a Board of Directors. Elections for the Board are conducted in May of even-numbered years. If a vacancy on the Board occurs, that position is filled by appointment by the remaining Board members until the next even-numbered May, when the position is up for election. This District Board has filled a number of vacancies in recent years. Since at least 2005, notice of any vacancy was made known throughout the community and interested persons submitted their interest and qualifications in writing to the Board. The May 2006 election was uncontested.

State law governs all board conduct, conflicts of interest and the means by which the Board is able to make decisions. Many of the issues raised during the May 24 meeting, or the accusations that are otherwise being disseminated (Board members having financial interests in their contractors, securing loans) are simply impossible under the law and are completely unfounded.

District Consultants.

Special District Management Services, Inc. (SDMS) The District is currently managed by SDMS. In late 2005, the Board of Directors of the District discovered gross mismanagement of the District. This extended far beyond the well-publicized embezzlement of District money by the prior manager. The District was not in compliance with many State laws, was practically (if not legally) bankrupt, and was not a viable and functioning governmental entity. The Board sought proposals from management firms, interviewed those that responded, and selected SDMS. From that

point forward, SDMS has undertaken and is still undertaking the daunting effort of bringing the District into legal compliance, organizing files that were in disarray, and proposing proactive solutions to the District's financial and operational challenges.

Many comments and questions have been asked regarding District payments to SDMS. Response to that begins with the fact that SDMS agreed to work for the District without payment until the District was able to at least solidify its financial crises. Much of SDMS' initial efforts were performed for the District without ever receiving payment, including all time devoted by SDMS' president. Since financial stability has been attained, SDMS is paid pursuant to a contract between SDMS and the District. The District's financial statements, which include payments to SDMS, are all of public record.

Community Solutions, Inc (CSI). The District made the decision to change water system operators in the late summer of 2006. Requests for Proposals were distributed, and responding entities were interviewed. CSI was selected as the most qualified and cost-efficient operator. The District's primary operator (Mike Bacon) is Class A certified and had decades of experience with water systems. The District and CSI have a contract for services.

While SDMS and CSI share a common principal, they are separate entities, and the District has retained them under separate contracts.

Paul C. Rufien, P.C. Paul is a "Denver attorney" who specializes in the representation of special districts. SDMS recommended Paul to the District, and he was retained in November 2005. He assisted the District in bringing the embezzlement case to closure, with bringing the District into legal compliance, and otherwise with legal matters as needed. Paul deferred payment from the District until the embezzlement case was settled. There is no formal contract with Paul for his legal services, but there is a fee agreement in place that sets the parameters for his rates and services.

Others. The District has other consultants such as water counsel, independent auditors, and engineers. The District is free to retain any other consultants as needed. These were not called into question, so will not be discussed at length.

Will District's Consultants Be Terminated?

No action to terminate any of District's consultants has been proposed or discussed by the Board. The performance of its consultants is subject to continual review by the District's Board. The events of May 2007 will be discussed at length during public meetings (to the extent those discussions involve contract negotiations, an Executive Session may be called). SDMS and CSI have been asked by the Board to provide a comprehensive analysis of the situation, including what was done well, what was done poorly, and what steps will be implemented for improved performance in the future.

Why did this happen?

The District has substandard and aging infrastructure that will fail. The nature of the particular leak to the transmission line to the Arapahoe Treatment Plant has been discussed at length, as has the turbidity issues associated with the Surface Treatment Plant. The magnitude of the May 2007 event was a combination of multiple factors, again which have been discussed at length. Likewise, the activities undertaken to remedy the situation, and the success and failure of those actions has been discussed at length.

What is being done so this does not happen again?

The District identified and prioritized shortcomings within its infrastructure in 2006. A Bond Issue was presented to the District voters in November 2006 that would have enabled the District to begin to address those problems. Not until the substandard infrastructure is replaced will the likelihood of similar occurrences be significantly eliminated. Because the voters rejected the bond issue, the District is constrained by its budget. Those constraints preclude any material proactive solutions at this time. Through fee increases, the District is establishing a capital projects budget that will begin to address some priority concerns on an incremental basis. Additional infrastructure replacement will not come without bond financing, tax increases or further fee increases. The District, through SDMS' assistance, continues to explore additional options.

Short of capital projects, the District is in the process of mapping the system and better identifying the existing infrastructure and prioritizing the areas requiring attention. This will be a time consuming process, because there are significant gaps in the current maps, existing easements, and facility identification. CSI is leading this effort, but the District expects to retain another engineering firm to assist with the project.

Why wasn't this an "emergency" situation?

The dispute over this issue seems to be one of semantics and different legal meanings of the word "emergency."

The Board of Directors agrees that any time its residents are without water for an extended period of time that an emergency exists and it must be a high priority to address this problem. CSI concurs with that sentiment. While there is disagreement from some within the community, the May 2007 event was treated as an emergency in this context.

The dispute seems to center around the decision not to convene an "emergency meeting" of the District's Board of Directors. The law provides that an emergency meeting may be conducted, without notice to the public, if emergency circumstances exist. Any such meeting requires a quorum of the Board (for this District, that means

three Board members). There was some disagreement of Board members as to whether an emergency meeting was required. Because three Board members did not agree, no emergency meeting was conducted. This decision had no impact on the responsiveness of the District to the situation. Because a practical emergency situation existed, the District's operator was already empowered and expected to take all actions necessary to remedy the problem. All means of addressing the situation were in place, without the need for formal action from the Board.

Communication problems.

It is universally agreed that communications need to be better within the District. The need for an Emergency Response Plan was identified years ago, but never developed. Unfortunately, the May 2007 situation exposed the very real need for such a plan and for better District-wide communications. The District's operator is currently developing the required Emergency Response Plan.

It is important to acknowledge that communication problems always involve all those in the communication chain. In this instance, it involves all residents. Unfounded gossip and rumors do not result in any positive solutions, but only fuels discontent based on misinformation. In addition, greater communication as to ongoing problems would be very useful. The extent of routine "outages" was unknown to all the Board members. If those can be reported every time, it will be greatly beneficial in identifying the problems.

The District has considered and will be considering how to better communicate with its residents over the next several Board meetings. More comprehensive e-mail addresses, phone trees, confirmed delivery of written materials, and use of internet are likely to be implemented along with other useful means of improving communication. Financial constraints do limit certain options.

Why not the Town of Monument?

This issue is really a two-fold question: 1) Can the District be dissolved and become part of the Town of Monument; 2) Can the Town provide management and operations functions. Both of these issues have been explored extensively in the past, and are continuing to be explored.

District dissolution is subject to a detailed legal process. Before that can occur, a plan must be in place so that water service is uninterrupted. This has proven to be impossible in the past. Reality and common sense dictate that before the Town will accept the obligation to provide water service within the District, that the District will be required to transfer a workable system. That simply is not the case. The Town is not going to accept an enormous liability. The option of dissolution is likely not feasible unless the District first fixes its problems, or unless the District (through its residents) is able to provide adequate financial security (new taxes).

The Town responded to the District's 2006 Request for Proposals for water system operators, and their proposed cost far exceeded that of CSI despite the Town proposing less services. The District has met again with the Town, and the Town declined to propose a plan for it to assume any operations at this time. Because a town and a special district are very different governmental entities, it is unlikely that the Town would ever provide adequate management services.