

## RECORD OF PROCEEDINGS

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### MINUTES OF A SPECIAL MEETING OF OF THE BOARD OF DIRECTORS OF THE CASCADE METROPOLITAN DISTRICT NO. 1 HELD MAY 19, 2015

A special meeting of the Board of Directors of the Cascade Metropolitan District No. 1 (the "Board") was duly held on Tuesday, the 19<sup>th</sup> day of May, 2015, at 5:30 p.m., at the Cascade Fire Station, 8015 Severy Road, Cascade, Colorado. The meeting was open to the public.

#### ATTENDANCE

#### Directors In Attendance Were:

Mike Herr  
Bob Justis  
Troy Eason  
Stephen Spaulding

Following discussion, upon motion duly made by Director Justis, seconded by Director Herr and, upon vote, unanimously carried, the absence of Director Whittemore was excused.

#### Also In Attendance Were:

Leon Gomes; Special District Management Services, Inc.

Jennifer Gruber Tanaka, Esq., White Bear Ankele Tanaka & Waldron, P.C.

Andre Kilik and Duane Schorman; District Operator

Alan Matlosz; George K. Baum & Co.

Members of the Public; see attached list

#### DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential or Existing Conflicts of Interest: Mr. Gomes advised the Board that, pursuant to Colorado law, certain disclosures may be required prior to taking official action at the meeting. Attorney Tanaka reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State's Office and the Board at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board. Mr. Gomes noted that a quorum was present and inquired into whether members of the Board had any additional disclosures

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of potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No additional disclosures were noted.

### ADMINISTRATIVE MATTERS

**Agenda:** Mr. Gomes reviewed the proposed Agenda for the District's Special Board Meeting.

Following discussion, upon motion duly made by Director Herr, seconded by Director Eason and, upon vote, unanimously carried, the Agenda was approved, as presented.

**Public Comment:** There was no Public comment at this time.

**Correspondence:** Mr. Gomes advised the Board that no correspondence had been received.

**Consent Agenda:** The Board considered the following actions:

- Acknowledge Operations Report.
- Acknowledge Manager's Report.
- Approve Minutes of the February 24, 2015 Regular Meeting and March 24, 2015 Regular Meeting.
- Ratify approval of the payment of payables for the period ending April 28, 2015 in the amount of \$50,977.27.
- Accept unaudited financial statements for the period ending March 31, 2015, the schedule of cash position updated as of March 31, 2015, and bank statements

Following discussion, upon motion duly made by Director Herr, seconded by Director Justis and, upon vote, unanimously carried, the Board reviewed, approved, and accepted the Consent Agenda items.

### FINANCIAL MATTERS

**Revenue Bonds:** Mr. Matlosz reviewed with the Board the proposed structure for the Water Revenue Refunding and Improvement Bonds Series 2015A and 2015B. He noted that there was an increase in interest rates. He reviewed the Bond resolution parameters with the Board noting that they provide that the Bonds can be: for a term that is no longer than 30 years; for an amount no greater than \$5,000,000; and with an interest rate no greater than 5.95%. He reiterated that the Series 2015B has a provision that allows this series to be paid off within three years without penalty with grant or other proceeds. He stated that he is working on the marketing of the Bonds and anticipates having purchasers for the bonds by May 21, 2015. Attorney Tanaka noted that the

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proceeds of the Bonds will be sent to UMB Bank as the Trustee and Paying Agent which carefully monitors the use of the funds to ensure they are for appropriate and approved purposes. It was also noted that the Bonds will pay off existing Department of Local Affairs loans, Colorado Springs Utilities, and the Carl Turse Revenue Bond, vendor balances, and then to fund the infrastructure improvement project.

Director Spaulding responded to a question regarding why ratepayers need to pay for infrastructure improvements. He stated that the Water Company was not run as a business. We are now running the District as it needs to be run. The District will remain in place until the Bonds are paid off then it will no longer exist.

Director Herr noted that the District needs to upgrade the system in order for the Colorado Springs Utilities to take over the system.

Attorney Tanaka noted that the Colorado Springs Utilities will not be paying for the District upgrades and likewise the District customers will not be paying for the Colorado Spring Utilities upgrades that do not benefit the District's customers.

Mr. Harris addressed the Board and asked if the District has considered how it will charge the customers as the Bond payment goes up and asked if there will be any growth in the District. Attorney Tanaka responded that the Cascade Metropolitan District No. 2 ("CMD 2) may be built out and property owners in CMD 2 would also be subject to the Debt Service Fee. Mr. Matlosz noted that each year's increase in cost is estimated to cost each customer approximately \$6 per year.

Mr. Matlosz, in response to a question, noted that the 2015B Series Bond can be prepaid within three years without penalty and that both Series of Bonds can be prepaid after eight years without penalty.

**Resolution No. 2015-05-01: Authorizing the District, by and through its Water Activity Enterprise, to Issue its Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015A, in the Principal Amount Not-to-exceed \$3,500,000 and its Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015B, in the Principal Amount Not-to-exceed \$1,500,000:** Following discussion, upon motion duly made by Director Herr, seconded by Director Eason and, upon vote, unanimously carried, the Board adopted Resolution No. 2015-05-01: Authorizing the District, by and through its Water Activity Enterprise, to Issue its Water Enterprise Revenue Refunding and Improvement Bonds, Series

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2015A, in the Principal Amount Not-to-exceed \$3,500,000 and its Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015B, in the Principal Amount Not-to-exceed \$1,500,000.

**Bond Purchase Agreement:** The Board discussed the Bond Purchase Agreement with George K. Baum & Company.

Following discussion, upon motion duly made by Director Justis, seconded by Director Herr and, upon vote, unanimously carried, the Board approved the Bond Purchase Agreement with George K. Baum & Company.

**Bond Counsel Fee Adjustment:** Attorney Tanaka discussed with the Board the request from Bond Counsel for an additional fee for additional work performed that was originally unanticipated, in the amount of \$5,000. Director Herr requested that the Board defer action to the May 26, 2015 meeting for discussion in executive session.

**Execution and delivery of any and all documents, agreements and certificates necessary to effectuate the issuance of the Revenue Bonds:** Following discussion, upon motion duly made by Director Eason, seconded by Director Justis and, upon vote, unanimously carried, the Board authorized the execution and delivery of any and all documents, agreements and certificates necessary to effectuate the issuance of the Revenue Bonds.

### **OPERATIONS MATTERS**

**Water Rate Study:** Mr. Gomes noted that this item should be removed from the agenda as it is already being provided by the Colorado Rural Water Authority.

**FirstBank Lockbox Payment Processing Fees:** Mr. Gomes reported that the District, through its relationship with SDMS, has been receiving customer payment processing or lockbox services from FirstBank of Colorado ("FirstBank") at little or no cost to the District. FirstBank recently decided to outsource this service that it has been performing internally. As a result, FirstBank will begin charging for the lockbox service beginning July 1, 2015. FirstBank informed SDMS that the estimated cost to the District for the lockbox service beginning on July 1, 2015 will be \$7,022 annually and that the actual cost is determined by the number of payments that are processed on behalf of the District.

The estimated cost to the District for SDMS to process the customer payments is \$6,500. Although there is a slight cost savings, Mr. Gomes noted that SDMS preferred to not process the payments in light of the District's past losses due to

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the embezzlement. Instead, it recommended that the billing and payment receipt functions be performed by separate organizations.

Mr. Gomes requested the Board's direction as to whether it wished to continue having FirstBank process payments, have SDMS process the payments, or seek proposals from other institutions for this service.

Director Herr noted that this increase is not an option for the District given its financial status. Director Spaulding noted that he would like to consider other options. Director Eason requested that the time for the research in this matter not to exceed 2 hours. Attorney Tanaka noted that the State of Colorado provides collections services and may be an option. Mr. Gomes reviewed with the Board that its direction in this matter is for him to research other options for payment processing services and that the research be limited to two hours of billable time.

**Stults Waterline Improvement Project:** Mr. Gomes reported that the water line serving the Stults residence was replaced by Lamb Plumbing and Excavation on March 30, 2015. He stated that he spoke with Ms. Stults a few days following the water line replacement and she indicated that the appearance of the water in her home has improved. It was noted that the Board approved the project at a not-to-exceed amount of \$11,000. The actual cost was \$11,927.36 due to additional work to replace a non-working valve that was not included in the estimate and requested the approval of the additional expenditure.

Following discussion, upon motion duly made by Director Justis, seconded by Director Eason and, upon vote, unanimously carried, the Board approved an additional expenditure of \$927.36 for the replacement of the valve related to the Stults Water Line Replacement.

**Designation of Director to Participate in Operations Reporting Meetings:** Mr. Gomes noted that Director Whittemore had agreed to participate as the Board liaison during the Operators Reporting and Documentation Training being provided by JDS-Hydro Consulting, Inc. and that Director Spaulding agreed to be the Board liaison whenever Director Whittemore was not available for a scheduled training. Mr. Gomes noted that the May 8, 2015 schedule training session was cancelled and had yet to be rescheduled.

**Water System Improvement and Assessment Study Pursuant to Settlement Agreement:** Mr. Gomes reported that he received a draft of the Water System Improvement and Assessment Study Report (the "Report") on April 17, 2015. The Report was circulated to the Directors and Ms. Tanaka. Comments on the

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Report were provided to JDS-Hydro on May 1, 2015. A subsequent version of the Report was received on May15, 2015. This version was distributed to the Directors and Attorney Tanaka for review and comment by no later than May 26, 2015.

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### LEGAL MATTERS

**Inclusion Election and Election Calendar:** Attorney Tanaka reported to the Board on the status of the Inclusion Election and noted that the election question passed with 233 votes in favor of the inclusion and 16 votes against the inclusion. She reported that the Canvass Board canvassed the returns and issued the Certified Results on May 15, 2015. Ms. Tanaka will file a motion with the District Court requesting an order which, when recorded, will make the inclusion official and final.

**Embezzlement Matters:** There was no update at this time.

**Resolution No. 2015-05-02; Ratifying Prior Board Actions:** Attorney Tanaka reviewed Resolution No. 2015-05-02; Ratifying Prior Board Actions with the Board.

Following discussion, upon motion duly made by Director Eason, seconded by Director Justis and, upon vote, unanimously carried, the Board adopted Resolution No. 2015-05-02; Ratifying Prior Board Actions.

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### EXECUTIVE SESSION

**EXECUTIVE SESSION:** No executive session was needed at this time.

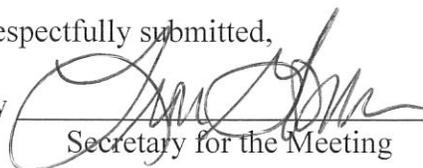
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### ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned.

Respectfully submitted,

By

  
Secretary for the Meeting

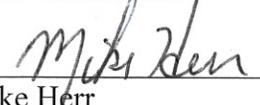
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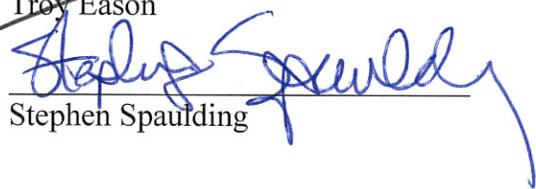
THESE MINUTES ARE APPROVED AS THE OFFICIAL MAY 19, 2015  
MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1 BY  
THE BOARD OF DIRECTORS SIGNING BELOW:

  
\_\_\_\_\_  
Mike Whittimore

  
\_\_\_\_\_  
Mike Herr

\_\_\_\_\_  
Bob Justis

  
\_\_\_\_\_  
Troy Eason

  
\_\_\_\_\_  
Stephen Spaulding

# CASCADE METROPOLITAN DISTRICT NO. 1

May 19, 2015

Please print the requested information below. If you wish to address the Board during Public Comment, please indicate that by checking the box under the "Public Comment" column. Public Comment will be taken from those persons whose names appear on this sheet and have checked the "Public Comment" checkbox. Public Comment is limited to three minutes per person and to matters not on the Agenda.

NAME	ADDRESS	TELEPHONE EMAIL	PUBLIC COMMENT <i>Please check if you wish to address the Board.</i>
Jeanne Barron	8216 Emporia Ave.	684-7915	<input type="checkbox"/>
Candy Harris	7875 S Topeka Ave	684-9612	<input type="checkbox"/>
Tom Harris	" "	" "	<input type="checkbox"/>
Pat Heute	7915 Topeka Ave	684-2078	<input type="checkbox"/>
Diane Rossin	7915 Forest Rd	528-5708	<input type="checkbox"/>
Frances McCardie	4445 Modjeska	648-2081	<input type="checkbox"/>
Kevin L Hart	8078 W. Hwy 24	641-3898	<input type="checkbox"/>
Neil Barronburg	8225 W. Hwy 24	684-9762	<input type="checkbox"/>
Jim Borden	7690 Mariposa Ln	287-3852	<input type="checkbox"/>
			<input type="checkbox"/>

# CASCADE METROPOLITAN DISTRICT No. 1

## Monthly Operations Report

For Period: March 24, 2015 to April 28, 2015

By: Andre Kilik, Operator/O.R.C.

### TOTAL WATER RECEIVED at CITY MASTER METER

Weekly Electronic Read-Out ----- 4/1 – 4/7 397k gallons  
----- 4/8 – 4/14 451k gallons  
----- 4/15 – 4/22 419k gallons  
----- 4/23 – 4/26 225k gallons

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Monthly Total – Electronic Read-Out ---- 1.49 mill. gallons

Monthly Total – Meter Reading ----- 1.49 mill. gallons

### OPERATIONS & MAINTENANCE ISSUES

- 1) Bacteriological samples (4/16 for April) were taken and passed.
- 2) No leaks in the system found.
- 3) Main replacement and service line taps and valves 2” Stults/Guthrie /Rakes/ Deeds.
- 4) April 22 - Stults complained of dirty water still. Inspected inline filter which was clean. Advised to clean hot water tank. Noted Mr. Stults showed toilet holding tank dirty.
- 5) Hydrant replacement / repair (discussion with Mark Lamb) on all 3 to be repaired/replaced. He will proceed with work on hydrants after payment is received in full for Stults line replacement.
- 6) METER AUDIT – 3 remaining. Marriott Residents have been gone with no access. Meter inside.

### OTHER BUSINESS

- 1) Company Vehicle- Needs to be resolved ASAP
- 2) Rural Water Membership / opportunities for training and classes missed. Flyers and hand outs are not being received by operators.

**Resolution No. 2015-05-02**

RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
CASCADE METROPOLITAN DISTRICT NO. 1

RATIFYING PRIOR ACTIONS OF THE BOARD OF DIRECTORS

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WHEREAS, the Cascade Metropolitan District No. 1 (the “District”) was organized as a quasi-municipal corporation and political subdivision of the State of Colorado under Title 32 of the Colorado Revised Statutes, and pursuant to an Order of the District Court in and for El Paso County, Colorado; and

WHEREAS, the electors of the District duly and validly elected directors to the District’s governing board of directors (the “Board”) at the May 6, 2014 regular election and, subsequent thereto, the Board duly and validly appointed a director to the Board to fill a vacancy that existed; and

WHEREAS, the Board has duly and properly held regular and special meetings of the District on the dates and times as described in the official record of proceedings of the District, which dates are set forth in **Exhibit A**, attached hereto and incorporated herein by this reference (the “Minutes”), and copies of which are available at the office of the public custodian for the District; and

WHEREAS, subsequent to the actions, approvals, appointments or other actions taken by the District as described in the Minutes, it was determined that, due to an error in the ownership for the property description in the option contracts qualifying the directors, the Board’s members were not qualified as electors of the District; and

WHEREAS, on May 12, 2015, the Board of County Commissioners for the County of El Paso, Colorado appointed (the “Appointment”) five (5) members to the Board (the “County Appointed Directors”); and

WHEREAS, prior to the Appointment, the Board’s members were *de facto* directors and, as such, their acts are immune from collateral attack for purposes of public policy; and

WHEREAS, although there is no reason to question the validity of the acts taken by the *de facto* directors of the Board, the current *de jure* directors of the Board feel it appropriate to review, ratify and affirm the previous actions, approvals, appointments or other actions whatsoever taken; and

WHEREAS, each member of the Board has had a chance to fully review the Minutes and all actions, approvals, appointments or other actions whatsoever taken by the District as noted in the Minutes, and

WHEREAS, each member of the Board now desires to ratify and affirm all actions, approvals, appointments or other actions whatsoever taken by the District as noted in the Minutes; and

WHEREAS, pursuant to Colorado law, the Board is authorized to ratify and affirm actions taken by the District, from time to time, in its discretion.

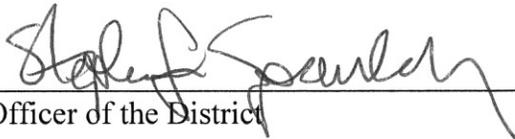
NOW, THEREFORE, the Board hereby RESOLVES as follows:

1. All approvals, appointments or other actions whatsoever taken by the District as described in the Minutes (collectively, the "Actions") are hereby affirmed, ratified and made effective as official actions of the District as of the date of the meetings at which such Actions occurred.

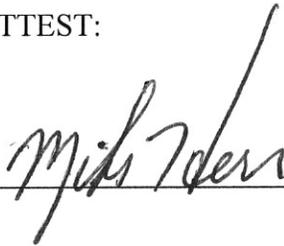
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APPROVED AND ADOPTED this 19<sup>th</sup> day of May, 2015.

CASCADE METROPOLITAN DISTRICT NO. 1,  
a quasi-municipal corporation and political subdivision  
of the State of Colorado

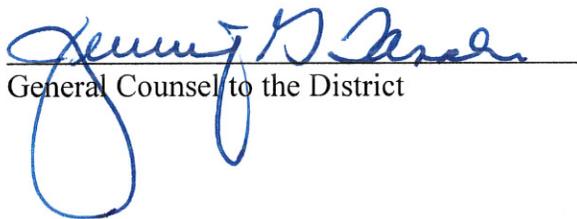
  
\_\_\_\_\_  
Officer of the District

ATTEST:

  
\_\_\_\_\_

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON  
Attorneys at Law

  
\_\_\_\_\_  
General Counsel to the District

*Signature Page for Resolution Ratifying Actions of the Board of Directors.*

**EXHIBIT A**  
Minutes

**2005**

March 17, 2005  
April 26, 2005  
May 24, 2005  
July 27, 2005  
August 23, 2005  
September 27, 2005  
November 22, 2005  
November 30, 2005  
December 20, 2005

**2006**

January 24, 2006  
February 28, 2006  
April 11, 2006  
May 23, 2006  
June 27, 2006  
July 25, 2006  
August 22, 2006  
September 26, 2006  
October 24, 2006  
November 28, 2006  
December 18, 2006

**2007**

January 23, 2007  
February 27, 2007  
March 27, 2007  
July 24, 2007  
September 25, 2007  
October 23, 2007  
November 27, 2007

**2008**

February 26, 2008

**2009**

January 27, 2009  
March 24, 2009  
May 26, 2009  
July 29, 2009  
October 27, 2009  
November 12, 2009

**2010**

February 23, 2010  
March 16, 2010  
April 27, 2010  
May 25, 2010  
July 27, 2010  
September 28, 2010  
December 28, 2010

**2011**

February 16, 2011  
March 22, 2011  
August 30, 2011  
October 11, 2011  
December 6, 2011  
December 13, 2011

**2012**

February 28, 2012  
May 1, 2012  
May 23, 2012  
July 25, 2012

**2013**

April 16, 2013  
July 31, 2013  
September 4, 2013  
September 24, 2013  
October 23, 2013  
October 29, 2013  
November 25, 2013  
December 18, 2013

**2014**

January 28, 2014  
February 5, 2014  
February 18, 2014  
February 25, 2014  
March 25, 2014  
April 22, 2014  
May 27, 2014  
June 24, 2014  
July 22, 2014

August 26, 2014  
September 23, 2014  
October 28, 2014  
November 18, 2014  
December 9, 2014

**2015**

January 27, 2015  
February 24, 2015  
March 24, 2015

***[Copies of all Official Minutes Available  
with the Public Custodian for the District]***