

## 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 DECEMBER 9, 2014

A special meeting of the Board of Directors of the Cascade Metropolitan District No. 1 (the "Board") was duly held on Tuesday, the 9<sup>th</sup> day of December, 2014, 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 Whittmore  
Bob Justis  
Troy Eason

Following discussion, upon motion duly made by Director Justis, seconded by Director Eason and, upon vote, unanimously carried, the absence of Director Herr 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 Operators

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. The Board reviewed the Agenda for the meeting, following which the members of the Board each confirmed that they had no conflicts of interest in connection with any of the matters listed on the agenda.

#### ADMINISTRATIVE MATTERS

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

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

### **Public Comment:**

Gary Cohn: Mr. Cohn requested that the Board reach a decision regarding one-inch service lines. Mr. Gomes advised him that the District has engaged the Colorado Rural Water Association to perform a Water Rate Study and that any rate adjustments will be made as a result of the study.

Lisa Haight: Ms. Haight inquired about the status of settlement. Attorney Tanaka advised that a final settlement agreement will be made by the end of February 2015.

Sandy Pennick: Ms. Pennick encouraged residents who have not been present at recent meetings to consult the meeting minutes kept in the library binder to become familiar with recent events rather than requesting updates from the Board at each meeting.

Robin Spaulding: Ms. Spaulding inquired about the possibility of a change in meeting location. Attorney Tanaka reviewed the requirements for a suitable meeting location, including accommodation for executive sessions and the need to have confidential discussions. Mr. Gomes was directed to determine if one of the schools in area is available for Board Meetings.

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

**Minutes:** The Board reviewed and considered the Minutes from the November 18, 2014, Special Meeting.

Following discussion, upon motion duly made by Director Justis, seconded by Director Eason and, upon vote, unanimously carried, the Board approved the minutes of the November 18, 2014 Special Meeting.

### **FINANCIAL MATTERS**

**Financial Statements:** Mr. Gomes reviewed with the Board the unaudited financial statements for the period ending November 30, 2014 and the schedule of cash position dated November 30, 2014.

Following review and discussion, upon motion duly made by Director Justis, seconded by Director Eason and, upon vote, unanimously carried, the Board

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accepted the unaudited financial statements for the period ending November 30, 2014, and the schedule of cash position dated November 30, 2014, as presented.

**Revenue Bond for Refinancing of Current Debt and System Improvement Projects:** Attorney Tanaka advised the Board that the District Engineer has begun work with Colorado Springs Utility on a study assessment in an attempt to determine a recommended amount for the bond financing. Attorney Tanaka noted that a lease purchase as part of the Performance Based Project previously presented was not an option due to a Colorado Springs Utility prohibition against allowing District assets as collateral if they are to take possession of the District's water system. Attorney Tanaka also reported to the Board that Bond Counsel is drafting the disclosure document, and that a Service Plan Amendment will be necessary as revenue bonds are capped at \$2 million under the current Service Plan. Members of the public inquired into the selection process for bond counsel and the underwriter. Attorney Tanaka reviewed the process with the members of the public and explained the challenges and limitations presented to the Board throughout the process.

### **OPERATIONS MATTERS**

**Operator's Monthly Report:** Operator Andre Kilik reported to the Board on the following matters:

1. Operator Kilik advised the Board that he is working with Ms. Haubert on meter usage.
2. Operator Kilik advised the Board that he is communicating with Ms. Haubert regarding meters that have yet to be audited.
3. Operator Kilik advised the Board that all meters are currently functioning.
4. Operator Kilik advised the Board that the hydrant at the end of the Bluffs is in need of repair. He noted that the repairs will require the engagement of a contractor. He noted that the hydrant is used for flushing purposes only, not for fire suppression.
5. Operator Kilik advised the Board regarding the Stults Residence water line replacement project, and noted that he is awaiting a response from Mark Lamb Plumbing.
6. Operator Kilik advised the Board of the necessity to reschedule the meeting with JDS Hydro Consultants regarding tank inspection.
7. Operator Kilik advised the Board that the Pumphouse No. 2 roof is in need of replacement. It was determined that Operator Kilik will work with Director Eason to replace the damaged roof using materials Operator Kilik has available.

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- 8 Operator Kilik advised the Board of the need to work with SDMS on actual water usage compared with the amount billed for by Colorado Springs Utilities.
9. Operator Kilik advised the Board of the necessity of exploring options for the usage of excess water, including hydrant hood and hydrant meter.

**Assessment Study:** The Board entered into discussion regarding a Third Addendum to the Independent Contractor Agreement with JDS Hydro Consultants for an Assessment Study. The scope of work received from JDS Hydro estimated \$36,300 for the completion of the study.

Following discussion, the Board directed Director Eason to work with JDS Hydro Consultants on the Scope of Work and on priorities for the project.

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### **LEGAL MATTERS**

**Independent Contractor Agreement with Special District Management Services, Inc.:** Attorney Tanaka advised the Board that she is awaiting comments on the Independent Contractor Agreement from legal counsel for Special District Management Services, Inc. The Board determined to defer this matter.

**Service Plan Amendment for Refinancing and System Improvements and Inclusion of Boundaries:** Attorney Tanaka advised the Board of the need to submit a Service Plan Amendment to El Paso County due to the debt limit in the District's Service Plan. She also noted the need to provide notice to the County of the inclusion to ensure this does not constitute a material modification. The Board then entered into discussion regarding a possible Service Plan Amendment for Refinancing and System Improvements and Inclusion of Boundaries.

Following discussion, the Board determined to pursue an amendment to the Service Plan and directed Attorney Tanaka to proceed accordingly.

**EXECUTIVE SESSION:** Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S., upon motion duly made by Director Justis, seconded by Director Eason and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 7:45 p.m. for the purpose of discussing negotiations with third parties and receiving legal advice, as authorized by Sections 24-6-402(4)(b) and (e), C.R.S.

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Pursuant to Section 24-6-402(2)(d.5) (II)(B), C.R.S., no record will be kept of the remaining portion of this executive session that, in the opinion of the District's attorney, constitutes privileged attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 8:15 p.m.

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### OTHER BUSINESS

**7850 Gardiner Road:** The Board entered into discussion regarding a possible payment arrangement for 7850 Gardiner Road. Attorney Tanaka advised the Board that a reasonable payment plan must be arranged if account certification, lien, and foreclosure are to be avoided.

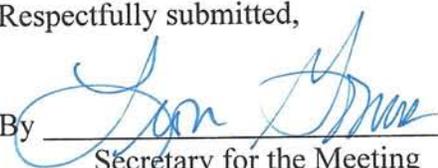
Following discussion, upon motion duly made by Director Eason, seconded by Director Justis and, upon vote, unanimously carried, the Board approved a payment arrangement for 7850 Gardiner Road wherein the homeowner will pay \$250 each month in addition to the amount billed for regular water use.

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### ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made and 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 DECEMBER 9,  
2014 MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1  
BY THE BOARD OF DIRECTORS SIGNING BELOW:



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Mike Whitemore



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Mike Herr



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Bob Justis



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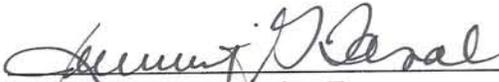
Troy Eason

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### Attorney Statement Regarding Privileged Attorney-Client Communication

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Cascade Metropolitan District No. 1, I attended the executive session on December 9, 2014 for the sole purposes of conferencing with the District's legal counsel for the purposes of receiving legal advice on specific legal questions and discussing matters subject to negotiation, as authorized by §§24-6-402(4)(b) and (e), C.R.S. I further attest that it is my opinion that all or a portion of the executive session discussion constituted attorney-client privileged communication as provided by §24-6-402(4)(b), C.R.S., and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.

  
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Jennifer Gruber Tanaka, Esq.  
General Counsel  
Cascade Metropolitan District No. 1