

## RECORD OF PROCEEDINGS

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### MINUTES OF A REGULAR MEETING OF OF THE BOARD OF DIRECTORS OF THE CASCADE METROPOLITAN DISTRICT NO. 1 HELD AUGUST 25, 2015

A regular meeting of the Board of Directors of the Cascade Metropolitan District No. 1 (the "Board") was duly held on Tuesday, the 25<sup>th</sup> day of August, 2015, at 5:35 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 Whittemore  
Mike Herr  
Troy Eason  
Stephen Spaulding  
Susan Soloyanis

##### Also In Attendance Were:

Jennifer Gruber Tanaka, Esq., White Bear Ankele Tanaka & Waldron, Attorneys at Law.

Andre Kilik and Duane Schorman, District Operators

Kevin Walker and Lori VonFeldt, Schooler & Associates, Inc., District Managers

Members of the Public; see attached list

#### DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential or Existing Conflicts of Interest: The Board discussed the requirements pursuant to Colorado law to disclose any potential or existing conflicts of interest to the Board of Directors and to the Secretary of State. Ms. 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. Ms. Tanaka noted that a quorum was present and inquired into whether members of the Board had any additional disclosures of potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No additional disclosures were noted.

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### ADMINISTRATIVE MATTERS

**Agenda:** Mr. Walker presented the agenda to the Board for review. Two items were noted by Mr. Walker as additional items:

1. Change to Item 2d. to reflect a recently received invoice from Black Hills Energy, changing the amount for approval in the General Fund portion to \$35,168.82; and
2. Add item 8.c for approval of a contract addendum with Lamb Plumbing.

Upon motion of Mr. Herr, seconded by Ms. Soloyanis, the Board unanimously approved the agenda, as amended.

### Public Comment:

Ms. Sandy Pinnick discussed the water loss issue. She noted that she feels that 50% is too high and that commercial accounts and high users should be the first focus of study. Ms. Pinnick asked if all residents are metered. Board President Whittemore answered that all residents are metered and that correlating billing and the meter audit will be completed. Mr. Kilik and Mr. Walker suggested that commercial meter data will be reviewed back to 2014. Discussion ensued that there are two users that are on the "honor" system for taking water out of the system without a meter and discussion centered on getting those users to use a portable meter should be pursued. Discussion also ensued on the actual water loss. It was felt that the water loss was less than the 50% cited but that the backup data, including the readings by Mr. Kilik, needs to be developed and analyzed to be more accurate. Board Member Spaulding and Mr. Walker will pursue this data further. Discussion also ensued with Mr. Kilik regarding repair to the hydrant that has been used for bulk water sales which will be accomplished for less than the \$2,000 previously discussed.

Mr. Kevin Abney inquired into the status of the website payment system. Mr. Walker reported that the website had not yet been updated but was scheduled before the end of the month. Mr. Abney reported that the online payment system was not operational and Mr. Walker agreed to look into it immediately.

Ms. Diane Rossen requested a discussion about the status of pursuing claims against the audit firm and for obtaining some repayment from them. Ms. Tanaka answered that the litigation counsel had a proposal to continue this effort and it would be discussed later by the Board in Executive Session.

Mr. Bob Pinnick inquired into the grant award and questioned whether it is possible for the District to apply again for additional funds from DOLA. Ms. Tanaka outlined the trimester submittal dates for this grant source and noted that the District can apply for additional funds for portions of the project not

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already applied for and also noted that there are other grant sources including direct grants and low interest loans which are available as options. There was general congratulation to Board President Whittemore for bringing the grant to a successful conclusion. It was noted that some progress on the existing grant might be necessary for additional grants to be approved. General discussion about the grant's scope of work and timing ensued. Hiring of a District Engineer later in the agenda was noted as an important step.

Ms. Tara Kelly discussed the effort to identify the information available for the engineering effort with the Colorado Springs Utilities work effort. Thanks to Mr. Kilik and Mr. Schorman for assistance with the citizens committee to develop past data and records to assist in this effort. Discussion ensued whether the District's computer had records on it that could assist this effort; Mr. Walker stated that the computer had recently been delivered to the Manager's office and would be reviewed with Board Members only for available information. An effort to review records of the District at their office was scheduled for later that week. Also, it was noted that there was substantial sharing of the information from JDS Engineering, previous District Engineer, including GPS data and other technical information. Board Member Soloyanis agreed to contact the contractors for information on as built drawings or other data as well as reviewing the data on the District's computer as soon as possible.

**Correspondence:** Ms. Tanaka advised the Board that no correspondence had been received.

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

- Acknowledge Operations Report.
- Acknowledge Manager's Report
- Approval of Board Meeting Minutes from July 28, 2015 Meeting.
- Approval of the payment of payables for the period ending July 31, 2015 in the amount of \$62,134.60 (as amended)
- Acceptance of Unaudited Financial Statements as of July 31, 2015, the schedule of cash position updated as of July 31, 2015 and bank statements.
- Approval of Independent Contractor Agreement with Schooler & Associates, Inc. for Management, Accounting and Billing Services

Director Soloyanis had questions about the Operations Report. Mr. Kilik clarified the discussion on the hydrant damage projecting \$150 expense to repair.

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Mr. Walker noted that the billing would be accomplished for August by SDMS due to a lack of successful completion of the transfer of the meter reading software. Director Soloyanis noted that there had been several bills not received and Mr. Walker said this would be clarified and resolved.

Director Soloyanis requested a change to the minutes to reflect a change on Page 4 to Director Spaulding.

Mr. Walker discussed the status of the Fitz Gulch disaster grant that would affect the 2" line serving several homes. The recently completed line was not exposed in the damage area but does not have adequate cover for the winter. It was noted that the Manager would monitor the grant progress. It was also noted that if the project was completed, the concern about freezing would be removed; if not, it could be a problem.

In response to a question from President Whittemore, Mr. Kilik stated the hydrant flushing was scheduled for September and was being coordinated with the Fire Department.

Mr. Walker noted that there had been communication from the Bond Trustee that the August 1 payment had not been accomplished and that it would be taken care of with this month's payments. Previous management had not made the payment due to a lack of funds in the Bond Fund; Manager recommended that the funds be transferred from the General Fund to cover the expense. Ms. Tanaka stated that this had not been formally noticed as a default and that there was a 30 day cure period. Director Herr will contact previous Manager to discuss the financial statements in order to clarify.

Following discussion, upon motion duly made by Director Spaulding, seconded by Director Soloyanis and, upon vote, unanimously carried, the Board reviewed, approved, and accepted the Consent Agenda items, except for Item e., the July 31, 2015 financial statements and bank statements,.

### FINANCIAL MATTERS

7. a. **Consider Approval of Requisition No. 4 to UMB Bank, as Trustee, for payment of Working Capital Project funds from Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015A and 2015 B (enclosure).** Moved by Director Spaulding, seconded by Director Herr for approval. Motion passed unanimously.
- b. **Discuss status of Grant from Department of Local Government Affairs Energy and Mineral Impact Assistance Fund Grant EIAF 07844 –**

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**Cascade Metropolitan District No. 1 Water System Improvements for \$1,507,914.00 (Director Whittlemore)** Mr. Walker noted that the State would be drafting the grant contract and that would take about 6 weeks.

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### OPERATIONS MATTERS

- a. **Update on Progress of management transition** – Mr. Walker reported that the transition was proceeding and thanked Ms. Tanaka and SDMS for cooperation. Mr. Kilik and Mr. Schorman had led a tour of the facilities. There had been several calls for possible service extensions and discussed extension policies. Work was continuing on the State credit card and check payment systems, the banking relationship would mail at First Bank to facilitate transition and that more user friendly reconciliation and financial reporting would be a part of monthly reporting.
- b. **Discuss Status of CSU Study and Provision of Additional Information to CSU (Director Soloyanis)** Director Soloyanis outlined the 152 line items in the list of missing information from the CSU Study that is to be responded to by the District. Some of the items will need to be renegotiated. Issues were being researched by the citizen's committee and the new engineer hiring would be a great help to gaining resolution of the matters. It was noted that CSU had responded that they would replace meters at its expense when the takeover was accomplished. Mr. Kilik noted that some of the current deployed meter inventory had failed and the District will continue to maintain these. Mr. Walker noted that the grant had funds identified for meter replacement.

Mr. Kilik reported that the most recent water quality tests from Accutest had been compromised by the testing company and the tests were being redone. Discussion about seeking an alternative occurred and would be pursued.

- c. **Added matter – Approval of Contract Addendum for Lamb Plumbing and Excavating, Inc.** Mr. Walker distributed contract addendum documents. Mr. Kilik discussed the items in the proposal. Item 5 had been completed. Item 2 was discussed as to whether a 4" CSU hydrant should be used on a 2" line; the 2" yard hydrant was deemed the proper solution. Discussion regarding the repair of a private hydrant for Marigreen private hydrant identified it as a possible item for District expense. Motion to approve items 2, 3 and 5 on the proposal to be memorialized in the First Addendum to the Independent

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Contractor Agreement with Lamb Plumbing and Excavating, Inc. by Director Herr, seconded by Director Spaulding. Approved unanimously.

Additional discussion – Director Soloyanis reported on a community meeting of interested residents and rate payers held earlier in the month. It was attended by community members that had participated in the lawsuit settled earlier in 2015. Approximately 60 people attended. The progression toward having CSU take over the system was discussed and generally supported.

### Legal Matters

- a. **Review Proposals for General Engineering Services and Consider Award of Contract(s) for Same (Executive Session Pursuant to §§24-6-402(4)(b) and (e), C.R.S., if necessary) (to be distributed under separate cover)** Director Soloyanis outlined that 20 engineering firms had been solicited and three proposals received by the deadline. Two additional local firms were identified and late submittals requested and approved. The outline of the proposals is attached to these minutes. GMS Engineering was in attendance at the meeting. They discussed their experience and qualifications. After general discussion, Director Soloyanis moved to accept the proposal from GMS Engineering and was seconded by Director Spaulding. In response to questions from Director Herr, the motion was amended to make the final decision dependent on positive reference contacts. Motion maker and second agreed. The motion passed unanimously.

Additional discussion regarding titling the District's truck occurred and Mr. Walker stated that the insurance company would be contacted to complete the successful titling of the truck.

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### EXECUTIVE SESSION

**EXECUTIVE SESSION:** Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S., upon motion duly made by Director Herr, seconded by Director Soloyanis and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 6:54 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.

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.

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The Board reconvened in regular session at 7:50 p.m.

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### OTHER BUSINESS

Mr. Walker discussed items for the next meeting would include preliminary 2016 budget process, additional capital expenditures for the remaining year, employee manual and job descriptions, billing and financial reporting updates.

**Next Meeting:** The next regular meeting is scheduled for September 22, 2015 at 5:30 p.m.

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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 \_\_\_\_\_

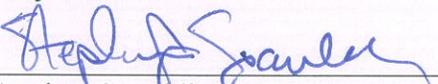
Secretary for the Meeting

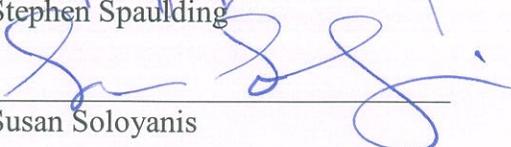
THESE MINUTES ARE APPROVED AS THE OFFICIAL AUGUST 25, 2015 MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1 BY THE BOARD OF DIRECTORS SIGNING BELOW:

  
\_\_\_\_\_  
Mike Whittemore

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Mike Herr

  
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Troy Eason

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

  
\_\_\_\_\_  
Susan Soloyanis

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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 August 25, 2015 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

Cascade Metropolitan District No.1

Sign in Sheet

August 25<sup>th</sup>, 2015

Please indicate if  
you wish to speak

1. Jim Burden

—

2. Sandy M.

yes ✓

3. Kevin Abney

yes ✓

4. D. Wildermuth

?

5. Diane Rossin

yes

6. Jinda Ruyler

—

7. Kate Brady

No

8. Tara Kelley

yes

Cascade Metropolitan District No.1

Sign in Sheet

August 25<sup>th</sup>, 2015

Please indicate  
if you wish to  
speak

1. Lisa Haight

\_\_\_\_\_

2. \_\_\_\_\_

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3. \_\_\_\_\_

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4. \_\_\_\_\_

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7. \_\_\_\_\_

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8. \_\_\_\_\_

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