

**MINUTES OF A REGULAR MEETING OF  
OF THE BOARD OF DIRECTORS OF THE  
CASCADE METROPOLITAN DISTRICT NO. 1  
HELD JANUARY 26, 2016**

A regular meeting of the Board of Directors of the Cascade Metropolitan District No. 1 (the "Board") was duly held on Tuesday, the 26th day of January, 2016, at 5:30 p.m., at the Cascade Fire Station, 8015 Severy Road, Cascade, Colorado. The meeting was open to the public.

**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  
Duane Schorman, District Operator  
Andre Kilik, District Operator  
Kevin Walker, Schooler & Associates, Inc.  
Jason Meyer and David Frisch, GMS, Inc. Consulting Engineers  
Members of the Public; see attached list

1. **Call to Order** – The meeting was called to order Board President Whittemore at 5:36 PM.
2. **Declaration of Quorum/Director Qualifications/Reaffirmation of Disclosures** - 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.
3. **Approval of Agenda** – Director Eason requested that the Board consider discussing disposition of surplus property. The Board agreed to add this matter to the Management Matters Section of the Agenda. Ms. Tanaka requested that the Consent Agenda be amended to add item K directing that the excess cost of issuance funds in the amount of \$627.17 be transferred to the Project Fund and direction be provided to the Trustee accordingly. Motion to approve the agenda as amended was made by Director Herr, second by Troy Eason. Motion passed unanimously.
4. **Public Comment** – None.

5. **Correspondence** - None

6. **Consent Agenda Items**

- a. Acknowledge Operations Report
- b. Acknowledge Manager's Report
- c. Approval of Board Meeting Minutes from the December 22, 2015 Regular Meeting
- d. Approval of Payables for the Period Ending January 26, 2016 in the amount of:

General Fund:	\$ 32,393.56
Capital Projects Fund:	\$ 20,490.41
Grant Projects Fund:\$	\$ 0.00
<u>Debt Service Fund:</u>	<u>\$ 23,512.44</u>
Total	\$ 76,396.41

- e. Acceptance of Unaudited Financial Statements as December 31, 2015, the schedule of cash position updated as of December 31, 2015 and bank statements
- f. Approval of Requisition No. 7 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
- g. Approval of Engagement Letter with BiggsKofford for Conduct of 2015 Audit
- h. Approval of an Independent Contractor Agreement with Beers and Brock Construction, LLC, for On Call Repair Services
- i. Adoption of Resolution No. 2016-01-01: Designating District's 24 Hour Posting Location
- j. Approval of Public Records Request Policy
- k. Approve moving Excess Cost of Issuance Funds for the Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015A and 2015 B in Amount of \$627.17 from to the Project Fund.

Items f. and i. were requested to be removed from the Consent Agenda for further discussion. Motion to approve the Consent Agenda except for Items f. and i. was made by Director Spaulding, seconded by Director Soloyanis. Motion passed unanimously.

7. **Consideration of items removed from Consent Agenda** Discussion of Item f. started with President Whittemore outlining a discussion that occurred with GMS earlier where the process and effort to complete the CSU report for submittal on December 29, 2015.

Mr. Meyer, GMS, Inc., discussed the process of completing the report submittal which necessarily included additional effort because the previous data had to be thrown away and GMS needed to start from scratch. The total cost for completing the report was close to \$170,000 with approximately \$60,000 being for analysis and the remainder being the collection of data about the system to analyze. Mr. Meyer discussed the remaining tasks on the design of the infrastructure package. In the normal course of that design task, they should be able to anticipate the expenses and adjust the

contract accordingly. This phase of the project was extraordinary with the deadline and the high cost of developing reliable data. The current additional tasks would allow the design phase of the project to have data that they could trust rather than having to spend additional time and expense on verifying data that had been demonstrated to be inaccurate. The completed work also allowed the relationship with CSU to develop in a more positive manner because CSU had also felt that the previous data had been wrong and problematic for their review and use going forward.

Mr. Meyer discussed the upcoming meeting on the only remaining issue – the status of the water tank – which all involved expected to be most positive. The data that had been submitted allowed CSU to consider alternatives to the keeping the tank. The continued operation of the tank would benefit the CSU operations in the entire Ute Pass area. The general discussion was that if the tank benefitted the CSU operations, perhaps that is an expense they should bear, not the District.

Ms. Tanaka outlined the timing set forth under the Settlement Agreement and noted that February 26, 2016 is the deadline by which CSU is required to provide the District with an Improvements Required Report. It was acknowledged that there had been substantial positive interaction already with the City in this process.

Discussion ensued regarding the chlorine level at the lowest point of the system being inadequate according to the most recent tests conducted by CSU. The discussion with CSU regarding that issue had been to loop the line in that location (the line servicing the Holy Cross Novitiate) or to enlarge the line to an 8" line. The location of the meter might also change a portion of the public system to private and that possibility needed to be considered.

Director Herr noted that the process to date was taking care of identifying and studying many of the unknowns about the existing system. This would result in a cost savings going forward in that this information needed to be developed

Ms. Tanaka noted that the cost for CSU to review the information was also less due to the level of trust in the report submitted by GMS. Director Herr agreed that the investment in the GIS data was going to save money going forward.

The meeting with CSU on the current status of their review and the tank was the next day and all were confident that the meeting would go well.

A question was posed from Ms. Tara Kelly as to whether the next phases of the design process would be a fixed price for each task in the next phase. Mr. Meyer outlined parts of the next phase that could be difficult to estimate – cost of CDOT permits, geotechnical requirements, or the cost of easements were specifically estimated. Other costs of final design were more able to give an overall cost and stay within a total budget number.

Director Eason stated that poor data costs the District in the bidding process with contractors. It was noted also that time deadlines were not going to be an ongoing issue in the next phases of the process. In response to a question, Mr. Meyer stated that the data was completely transferable to others in the process. It was also noted that CSU had made significant use of the current data submitted.

The Board requested further discussion of this issue in executive session. Until then, a motion was made by Director Eason to approve Item f. Requisition 7 in the revised amount of \$20,490.41,

seconded by Director Herr. The motion passed unanimously.

Discussion occurred on Item i. regarding the 24 hour posting location at the Ute Pass Library. Director Spaulding requested clarification as to whether the District has permission to post notices at the Library and questioned whether the posting could be made in a more prominent location and not at the bottom of the window. Ms. Tanaka outlined the posting requirements explaining that the District this resolution addresses only the 24 hour notice location requirement and noted that the District is required to post notices in 2 additional locations within the District and noted that the District actually posts notices in 7 other locations, including the Triangle Building. Mr. Kilik reported that the Library is aware of the posting and has never raised any objections. Director Spaulding requested that the District discuss the location with the Library staff and seek a more prominent location for this notice. Director Spaulding moved to approve Item i. Adoption of Resolution No. 2016-01-01: Designating District's 24 Hour Posting Location, seconded by Director Soloyanis. The motion passed unanimously.

## **8. Management Matters**

- a. The Board noted that the previous discussion on Item f. covered this matter adequately.
- b. The added item for disposition of excess District property was discussed. Director Eason noted an interest in some of the potential property that would not be conveyed to nor accepted by CSU upon the completion of the conversion process. Ms. Tanaka suggested that an Asset Disposition Committee of Board members could be established to focus on these properties with the Committee recommending the disposition of these assets. Property that could be subject to disposition included the Triangle building, the tank near the North Pole, the Severy pump house and the yard with some pipe and other material near Mother's Rest. Directors Herr and Spaulding volunteered to serve on this Committee
- c. Mr. Walker updated the Board on the backflow preventer process. The deadline for completion is March 15, 2016. The North Pole is going through a detailed review with CSU and will be granted an extension by the District to this deadline to allow CSU to develop alternative guidelines that would result in savings for this account. The Board noted the importance of following upon the status of these installations to ensure that the requirements are being met and on time.

- 9. Operations Matters** – Mr. Spaulding inquired into the status of the provision of water to an account which has a large outstanding balance and where the water had been turned off. It was noted that the owners are living at the property and there was suspicion that water may be used. The Board requested that Mr. Kilik inspect the property to ensure the water is still shut off. Mr. Walker noted that the property was in foreclosure. The Board directed Ms. Tanaka to commence foreclosure proceedings against the property. The Board directed Mr. Walker and Mr. Kilik to conduct a site inspection and to charge a fee on a daily basis if access is not granted.

Mr. Spaulding reported that the District saved over \$17,000 in 2 months as a result of performing the water leak repairs which confirms the District's decision was wise and in the best interest of the District.

Mr. Kilik noted that there was a need for some supplies to be replaced in an estimated amount of \$1,000. These purchases were noted as necessary and also that it would be necessary to obtain an account with a new provider and that Mr. Walker would pursue opening an account with HD

Supply.

Mr. Kilik noted that he has receipts for various credit card purchases that were made in the past month and provided those to Mr. Walker.

Ms. Soloyanis requested that Mr. Walker include operations actions in his weekly report.

Mr. Kilik and Mr. Schorman discussed the current reading status of the master meter and the remote at the CSU tie-in. CSU had repaired the remote but it had ceased working again. Mr. Kilik was able to manually read the CSU meter to obtain readings. The use of the remote meter read online was acknowledged and the Operators and Manager would continue to develop a reading regimen that was effective.

Mr. Kilik and Mr. Schorman were authorized to attend one day of the Colorado Rural Water Authority annual convention and would work with Mr. Walker to review the scheduled sessions and to schedule attendance. It was noted that attendance at these courses will provide necessary training units to the operators which are required for their respective licenses.

**10. Financial Matters – None.**

**11. Legal Matters**

- a. **Approval of Infrastructure Construction and Conveyance Agreement with Pyramid Mountain Properties, LLC for Extension of Water Facilities and Service to Property Outside District Boundaries** – Ms. Tanaka reviewed a draft agreement with a Pyramid Mountain Properties, LLC, a property owner located within the boundaries of District 2, to provide review of design and construction of water improvements with the goal of conveying the improvements to the District for ownership, operation and maintenance. The agreement insures that the developer is responsible for all costs associated with developing the agreement and completing the District review and acceptance. Ms. Tanaka explained how the contract would work with the developer responsible for a deposit that the District’s representatives would bill against and that the deposit would be refreshed when the funds went below \$1,000. A motion to approve the Agreement subject to final details agreed to with District Counsel was made by Director Eason, seconded by Director Herr. The motion passed unanimously.
- b. **Discuss Water Tap Fees for Out of District Customers** – Ms. Tanaka explained the need for a study to develop a fee structure for the situation discussed previously because the current water tap fees are pledged to District 2’s use and are associated with the raw water which was conveyed to District and noted that District 1 has costs associated with the infrastructure for which each customer within the District’s boundaries is required to pay its fair share and noted those accessing the system outside of the boundaries should be subject to the same requirement. The Board requested that GMS, Inc., Consulting Engineers provide the Board with a proposal for this work for consideration at the February meeting and then noted the Board would then consider any recommendation for fees at the March meeting after proper 30 day notification.

- c. **Update on May 3, 2016 Director Election** – Ms. Tanaka updated the Board on the timing of various election steps leading to an election scheduled for May 3, 2016. Self-nomination forms were distributed to those whose position is up for re-election. Ms. Tanaka noted that if there are not more nominations received by the deadline than positions open for re-election, the election could be cancelled and the directors re-elected by acclamation. Ms. Tanaka will advise the Board of the status as any updates are received.
- d. **Consider Approval of Correspondence to El Paso County Board of County Commissioners Regarding Annual Update as Required by Service Plan Amendment** – Ms. Tanaka reviewed a draft letter to be sent to the Board of County Commissioners in fulfillment of the BOCC’s resolution approving the 2015 Service Plan amendment. A motion to approve the submittal of the letter was made by Director Soloyanis, seconded by Director Spaulding. Motion passed unanimously.

**12. Executive Session (§§ 24-6-402(4)(b) and (e), C.R.S.)** - Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S., upon motion duly made by Director Soloyanis, seconded by Director Herr and, upon affirmative vote of at least two-thirds of the quorum present, the Board convened in Executive Session at 7:26 PM for the purpose of 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.

The Board reconvened in regular session at 7:38 PM upon motion by Director Herr, seconded by Director Eason. The motion passed unanimously.

A motion was made by Director Soloyanis, seconded by Director Spaulding to approve Requisition No. 8 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 in the amount of \$90,224.59 with the funds approved being the fees incurred by GMS, Inc., Consulting Engineers for the completion of the System Inventory and Assessment Study, and to approve the Third Addendum to Independent Contractor Agreement with GMS, Inc. Consulting Engineers for the increased compensation for Task 2. The motion passed unanimously.

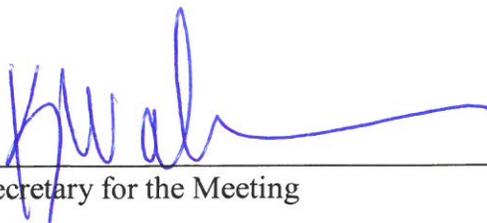
12. **Other Business** – Next meeting date is scheduled on February 22, 2016.

Meeting adjourned at 7:42 PM.

Respectfully submitted,

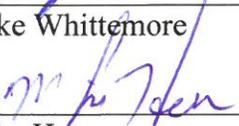
By \_\_\_\_\_

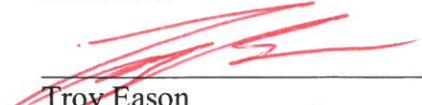
Secretary for the Meeting

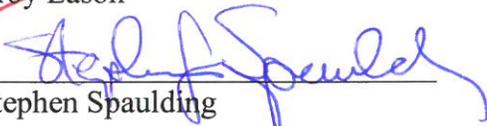


THESE MINUTES ARE APPROVED AS THE OFFICIAL JANUARY 26, 2016 MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1 BY THE BOARD OF DIRECTORS SIGNING BELOW:

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

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

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

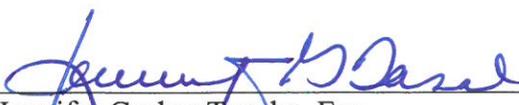
  
\_\_\_\_\_  
Stephen Spaulding

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

**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 January 26, 2016, for the sole purposes of conferencing with the District's legal counsel for the purposes of receiving legal advice on specific legal questions and for discussing matters subject to negotiation, as authorized by §§24-6-402(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.

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