

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF OF THE BOARD OF DIRECTORS OF THE CASCADE METROPOLITAN DISTRICT NO. 1 HELD MARCH 24, 2015

A regular meeting of the Board of Directors of the Cascade Metropolitan District No. 1 (the "Board") was duly held on Tuesday, the 24th day of March, 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 Whittemore
Troy Eason
Stephen Spaulding

Following discussion, upon motion duly made by Director Eason, seconded by Director Spaulding and, upon vote, unanimously carried, the absences of Director Herr and Director Justis were excused.

Also In Attendance Were:

Leon Gomes and Lisa Johnson; Special District Management Services, Inc.

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

Andre Kilik and Duane Schorman; District Operators

Alan Matlosz; George K. Baum Co.

Michael Pippenger, Esq.; Pippenger Hedberg

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 Regular Board Meeting.

Following discussion, upon motion duly made by Director Spaulding, 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.

Minutes: The Board reviewed and considered the Minutes from the February 17, 2015 Special Meeting and the February 24, 2015 Regular Meeting.

Following discussion, upon motion duly made by Director Spaulding, seconded by Director Eason and, upon vote, unanimously carried, the Board approved the minutes of the February 17, 2015 Special Meeting, as revised, and deferred action on the February 24, 2015 minutes.

FINANCIAL MATTERS

Claims: The Board considered approval of the payment of payables through the period ending March 24, 2015, totaling \$46,857.71.

Following review and discussion, upon motion duly made by Director Spaulding, seconded by Director Eason and, upon vote, unanimously carried, the Board approved the payment of payables, as presented.

Financial Statements: Mr. Gomes reviewed with the Board the unaudited financial statements for the periods ending January 31, 2015, and February 28, 2015, schedule of cash position updated as of February 28, 2015, and bank statements. Mr. Gomes also presented the Board with a report summarizing the outstanding accruals for the vendors, to date.

Following review and discussion, upon motion duly made by Director Spaulding, seconded by Director Eason and, upon vote, unanimously carried, the Board accepted the unaudited financial statements for the periods ending January 31, 2015, and February 28, 2015, and the schedule of cash position updated as of February 28, 2015.

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Energy and Mineral Impact Grant Application: Mr. Gomes reported that he is preparing a Grant Application to apply for a grant in the amount of \$1,507,914 from the Energy and Mineral Impact Grant through the Department of Local Affairs. The amount of the grant request includes a financial commitment from the District to provide funds equal to the grant amount. The District's financial commitment is expected to come from the Bond proceeds. The Board discussed the submittal of the Energy and Mineral Impact Grant Application to the Colorado Department of Local Affairs.

Following discussion, upon motion duly made by Director Eason, seconded by Director Spaulding and, upon vote, unanimously carried, the Board approved the submittal of the Energy and Mineral Impact Grant Application to the Colorado Department of Local Affairs in the amount of \$1,507,914.

Issuance of Revenue Bonds for refinancing of Existing Financial Obligations and for Financing of Water System Improvements: Mr. Matlosz presented two financial options to the Board. The two options are: Option A - Refinance of Current Debt, Pay Vendors, and Issue \$2,385,315 for New Improvements, totaling \$4,260,000; and Option B - Refinance of Current Debt, Pay Vendors, and Issue \$3,059,916 for New Improvements, totaling \$5,000,000. It was noted that the most recent estimates for the Infrastructure Improvements received from the District's Engineer total \$3,015,828. It was further noted that the estimates received from Mr. McGinn do not include any revisions or additions that may be received from Colorado Springs Utilities.

A rate analysis for each of the two options was prepared by the District Accountant. If Option A is chosen, an average rate increase of \$24.42 per month would be required to service the Bond payments. If Option B is chosen, an average rate increase of \$35.90 per month would be required. It was noted that this is the average rate increase over the life of the bonds and the initial amounts would likely be lower than this.

Ms. Tanaka noted that the proposed timeline would be for the Board to authorize staff to move forward with the issuance with the formal approval of all documents associated with the issuance occurring at the April meeting and an anticipated issuance date in mid to late May, but prior to the June 1 deadline.

Following discussion, upon motion duly made by Director Eason, seconded by Director Spaulding and, upon vote, unanimously carried, the Board authorized Mr. Matlosz and the District's staff to proceed with the Issuance of Revenue Bonds for refinancing of Existing Financial Obligations and for Financing of Water System Improvements in the amount of \$5,000,000.

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OPERATIONS MATTERS

Operator's Monthly Report: Mr. Gomes requested that a Director to work with JDS-Hydro Consultants, Inc. on the operator's documentation training. The Board deferred discussion to the April meeting.

Operator Andre Kilik reported to the Board on the following matters:

1. Operator Kilik advised the Board that water usage was 1.2 million gallons so far this month.
2. Operator Kilik advised the Board that two or three meter audits are left to complete.
3. Operator Kilik advised the Board that he will have the Bluffs Hydrant and Aspen Glow Hydrant looked at by Lamb Plumbing.
4. Quarterly testing is done.
5. Operator Kilik advised the Board that he has attempted to schedule the Stults water line replacement project. Also, Ms. Stults has been contacting Lamb Plumbing & Excavating every month since October 2014 in attempt to schedule. Robin Spaulding asked if the District had options other than Lamb Plumbing. Mr. Gomes stated that the lack of an easement for the Deeds' property and Lamb's familiarity with the District's system made Lamb Plumbing the best option. Director Whittemore said that he would contact Lamb Plumbing if necessary to ensure that the work is scheduled within the next 30 days.

Water Rate Study: Mr. Gomes presented proposals for a Water Rate Study from RG & Associates and TZA Water Engineers. He noted that the he felt that the District would be better served by having a water engineer conduct the study. He also noted that he had withdrawn the request to have the Colorado Rural Water Association ("CRWA") prepare the report. Mr. Gomes was directed to resubmit the Water Rate Study request to CRWA. Ms. Johnson stated that a sample report could be requested from CRWA for the Board to review. The Board also requested that Mr. Gomes determine the timeframe for the completion of the report. No action was taken at this time.

Handheld Meter Reading Device Proposal: Mr. Gomes presented a proposal from National Meter and Automation for the replacement of the handheld meter reading device. He reported that the currently owned handheld device has a lifespan of less than one year due to it no longer being supported by its manufacturer. Ms. Johnson noted that there may be other options available to the District which would lower this amount and suggested that the proposal be updated accordingly and presented to the Board at the April meeting. The Board deferred discussion and requested additional information regarding this matter be presented at the April Board Meeting.

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LEGAL MATTERS

Settlement Agreement for 2011 CW 42: *Executive Summary of Terms of Settlement Agreement:* Attorney Tanaka reviewed with the Board the Executive Summary of Terms of Settlement Agreement and associated agreements.

Following discussion, upon motion duly made by Director Eason, seconded by Director Whittemore and, upon vote, carried with Directors Eason and Whittemore voting “Yes” and Director Spaulding abstaining, the Board approved following:

- Settlement Agreement with City of Colorado Springs, Colorado Springs Utilities, RMG Properties, LLC, PJ Anderson and Interveners.
- Agreement for Short-Term Water Service with Colorado Springs Utilities.
- Special Warranty Deed from Cascade Public Service Company for Water Rights (Cascade Water Works 6.3 c.f.s).
- Quit Claim Deed from Philip J. Anderson for Water Rights (Cascade Water Works 6.3 c.f.s).
- Quit Claim Deed to Colorado Springs Utilities for Water Rights (Harmes Ditch Priority No. 2 and Harmes Ditch Priority No. 33).
- Termination of Assignment and Agreement with Cascade Public Service Company.
- Escrow Agreement with Land Title Guarantee Company, et al.

Inclusion Election and Election Calendar: Attorney Tanaka reported to the Board on the status of the Inclusion Election and reviewed the election calendar. She noted that the Canvass Board will need to be selected and explained the qualifications of members of the Canvass Board. Ms. Tanaka will follow up with the Board to determine who is willing and able to serve on the Canvass Board.

Service Plan Amendment for Increased Debt Authorization for Refinancing and System Improvements and Board of County Commissioners Public Hearing: Attorney Tanaka reported to the Board that the Board of County Commissioners approved the Service plan Amendment with the condition that, for two years, the District provide annual updates to the Commissioners on the embezzlement, financing and construction.

Resolution 2015-03-01; Adopting Colorado Springs Utilities Water Line Extension & Service Standards (WATER LESS) – 2014 and Adopting other District Rules and Regulations: Attorney Tanaka reviewed Resolution 2015-03-01; Adopting Colorado Springs Utilities Water Line Extension & Service Standards (WATER LESS) – 2014 and Adopting other District Rules and Regulations with the Board. Ms. Tanaka noted that, pursuant to the Water Service Agreement with Colorado Springs Utilities, the District is required to

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follow the rules and regulations promulgated by Colorado Springs Utilities for the construction of the water facilities. Ms. Tanaka also noted that the Resolution provides administrative rules and regulations for the District which were previously lacking.

Following discussion, upon motion duly made by Director Spaulding, seconded by Director Eason and, upon vote, unanimously carried, the Board adopted Resolution 2015-03-01; Adopting Colorado Springs Utilities Water Line Extension & Service Standards (WATER LESS) – 2014 and Adopting other District Rules and Regulations.

Employee Handbook: The Board discussed the development of an Employee Handbook. The Board gave direction to Attorney Tanaka to have the Employee Handbook prepared for review.

Post-Net Copying Proposal: Mr. Gomes reported that Mr. Pippenger needs to copy multiple documents that were found in the basement of the office building formerly occupied by Terry Malcom. Mr. Pippenger proposed to have the documents copied by Post-Net at a lower cost than his office would charge for copying them. The Board directed Mr. Pippenger to obtain a proposal for the estimated costs of the copying for consideration.

Public Comment: Mr. Gilford requested he be able to address the Board. Mr. Gilford noted that he needed water turned back on at his property and reported that he contacted Mr. Gomes but has not yet received a returned call. He also noted that he has not received a bill for the water since July 2013. Mr. Gomes noted that, in order for service to be restored to Mr. Gilford's property, Mr. Gilford would have to pay the outstanding fees due on the property. The Board requested that Mr. Gomes work with Mr. Gilford to resolve this matter.

EXECUTIVE SESSION

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S., upon motion duly made by Director Spaulding, 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 8:48 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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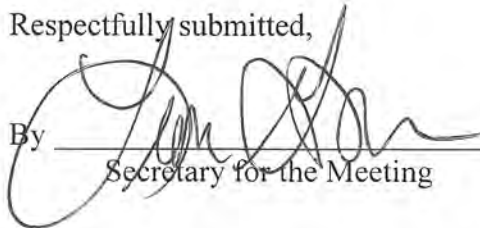
The Board reconvened in regular session at 9:35 p.m. upon motion duly made by Director Eason, seconded by Director Spaulding and, upon an affirmative vote.

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

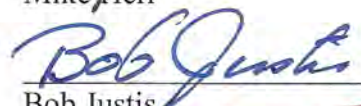

Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL MARCH 24, 2015 MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1 BY THE BOARD OF DIRECTORS SIGNING BELOW:

Mike Whitemore



Mike Herr



Bob Justis



Troy Eason




Stephen Spaulding

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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 March 24, 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.



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