

RECORD OF PROCEEDINGS

A special meeting of the Woodmoor Water and Sanitation District No. 1 (WWSD) Board of Directors was held on October 17, 2011 at the Woodmoor Improvement Association Headquarters located at 1691 Woodmoor Drive, Monument, CO 80132

PRESENT:

Director Town
Director Taylor
Director Whitelaw
Director Wyss
Director Courrau

Manager: Jessie J. Shaffer
Ass't. Manager: Randy Gillette
Attorney: Erin Smith

Secretary: Marsha Howland

Also: Laura Kirbow – Woodmoor Water and Sanitation District No. 1
Bill Ray – WR Communications
Ronni Sperling, Esq. – Buchanan & Sperling P.C.
Jim Manire – BLX Group
Robyn Moore – George K Baum & Company
Calvin Hanson, Esq., – Sherman & Howard, LLC
Walraven Ketellapper – Stillwater Resources
Candice Hitt – Our Community News
Approximately 140 Woodmoor Residents and Guests

I. **Call to Order:**

Director Town called the meeting to order at 6:35 p.m.

II. **Roll Call:**

Howland called roll. All directors were present.

Director Town then asked if there were any amendments, corrections or deletions to the Agenda. Shaffer asked that a portion of the executive session be moved up in the agenda to follow agenda item 5 but before agenda item 6. The Board approved the change to the agenda.

III. Reading of the Minutes:

Copies of the September 13, 2011 and September 23, 2011 meeting minutes of the Woodmoor Water and Sanitation District were provided to each director. It was moved, duly seconded and unanimously passed that the minutes be approved.

IV. Presentation and Public Comment on Resolution 11-08, Establishing the monthly renewable water investment fee and adopting conforming amendments to the District Rules and Regulations:

Shaffer presented to the Board and the public a power point presentation concerning the District's plan to provide water service from a renewable supply, the JV water rights and Callahan Reservoir acquisition and financing as part of the District's plan to provide water service from a renewable supply and recommended the establishment of a renewable water investment fee as a way of defraying the cost of such water service. The presentation started with the history of the District's water service and the water resources upon which that service has depended. Shaffer also described the extensive resource planning the District has engaged in over the last twenty years, which he explained includes having developed and from time to time updated the District Long Range Planning Guide. Shaffer explained that the District is exclusively dependant upon water from underground aquifers for its supply and went on to describe the implications of such exclusive reliance from both a supply and cost perspective. Shaffer described the finite nature of such groundwater. He also explained that the effect of pumping groundwater is declining aquifers. Shaffer reported that the District had performed extensive studies to learn the rate of draw down in the District's existing wells. Shaffer explained that continuing to depend on groundwater would mean the District would have to drill more and more wells just to service the District's existing population. He explained that the cost of drilling more and more wells would continue to increase on a steep upward curve. Shaffer explained that at a certain point the cost of obtaining a supply of water from Colorado's rivers and streams system, often referred to as "renewable water", is economical. Shaffer described the District's conservation plan. He explained that the cost of pumping the remaining groundwater will be greater over time than the cost of securing and delivering renewable water, even with conservation taken into account and even if there are no additional customers creating additional demand. He explained that because of the District's extensive planning it has been able to develop criteria for evaluating the merits of various renewable water sources and target its acquisition efforts. Further, because of its extensive planning, it was able to target the JV Ranch water rights as a source that meets the District's criteria. Shaffer explained that the JV Ranch water rights have many materially significant, desirable attributes, chief among them: they are relatively senior water rights; they provide the District residents with the benefits of a single transaction because the studies show the JV Ranch water rights comprise an amount of water that is close to matching what the District needs even when considering the District's long term future needs; they do not have to be imported from other counties and therefore are not subject to the uncertainties both as to timing and increased expense due to other counties' regulations; they are connected to an already existing reservoir; they are connected to land expansive enough to accommodate many of the District's planned

future storage, treatment and conveyance facilities; they are in a location that gives significant promise to the possibility of partnering with other water providers between here and there and thereby lowering future costs; the historical consumptive use, which is a measure of what can be changed from agricultural to municipal use, has already been quantified in water court for a significant portion of the water rights; they can continue to be put to beneficial use efficiently through a contemplated lease of the land and water rights to ranchers until the District is ready to use them. Shaffer also described all of the notice and education efforts that had been provided over the last several years regarding the District's renewable water plan and particularly, the JV water rights purchase and the proposed renewable water investment fee. He described in detail the number of mailings, community meetings the District has organized and the presentations it has given on the topics. Shaffer then described in general terms the proposed plan of financing the JV water rights acquisition component of providing the District residents with water service based on renewable supply. He explained that getting a low interest rate depended in large part on what rating the District received from rating agencies. Shaffer then introduced Jim Manire with BLX Group, the District's financial advisor. Manire in turn introduced Robyn Moore with George K. Baum & Co. Manire explained the rating process and reported that the District had received an AA-rating from Standard and Poor's. Manire explained that this high rating was the result of the District's sound fiscal planning and fiscal health. Moore added that the AA- rating was a very good rating and reflected the rating agency's analysis and view that the District is operating efficiently and based on sound planning. She noted that among other factors, rating agencies closely examine the consistency and reliability of the District's revenue stream when assigning the District its bond rating. Shaffer then described the renewable water investment fee proposed for defraying the cost of providing District customers with water service from a renewable supply. He explained that the renewable water investment fee is a fee that the market and rating agencies see as a consistent and reliable revenue stream. He presented a chart showing the amount of the fee depending upon tap size. He explained that the amount of the fee is directly related to the amount needed to defray that portion of the cost of servicing customers from a renewable supply attributed to the JV Ranch purchase. He explained that one service tap equivalent is equal to the cross-sectional area of a 3/4" diameter water service tap, which is the size of tap typically installed to provide water service to a single family residential customer; that using tap equivalents for setting certain rates, fees and charges maintains a rational and equitable apportionment among customers and reasonably accounts for variation of individual customer tap size; and that a multi-family customer uses annually, on average, approximately 75% of the amount of water that a single family residential customer uses and although multi-family customers typically have a 3/4" tap, using the District's 75% determination maintains a rational and equitable apportionment. Shaffer then stated that based on the extensive studies the District has performed, the cost of pumping the remaining groundwater will be greater over time than the cost of securing and delivering renewable water, even with conservation taken into account and even if there are no additional customers creating additional demand and therefore he believed it to be in the best interests of the District to institute a renewable water investment fee charge to fund the costs of financing and acquiring renewable water rights and thereby defray the costs of providing water service from a renewable supply and he recommended that the Board adopt Resolution 11-08.

V. Public Discussion:

Director Town advised the public that those who signed up would have 3 minutes to express their comments. Thirty-seven people addressed the Board. A copy of names, addresses and phone numbers of those addressing the Board is attached hereto and made a part of these minutes and record of the proceedings. Those who addressed the Board expressed their comments and questions. Director Town thanked all for being present and thanked those who addressed the Board for their comments. At 8:50 p.m. Director Town called a recess. The meeting resumed at 9:05. Director Town asked Shaffer to respond to the questions and comments raised by the public, which he did. Shaffer responded that a revenue bond was recommended over a voter-approved general obligation bond because throughout the period of negotiations with the JV Ranch sellers the District determined that the Sellers would not enter into a contract with the District if the sale were contingent on a general obligation bond vote. Shaffer responded that with regard to conservation, the District has a conservation program that provides rebates and incentives for District customers who install water saving appliances and use conservation practices and the District's 2010 Conservation Plan is on the District's website for customer viewing. Shaffer responded that with regard to whether the District needs to acquire the JV water rights at this time to replace its nonrenewable groundwater rights, the need for the water rights is driven by economics. He explained that with the decline in the aquifers, the District will have to drill additional wells at the cost of 1 ½ to 3 ½ million dollars each to keep up with current and anticipated demands. Shaffer stated that the future cost of continued reliance on well water will far surpass the cost of providing customers with water from a renewable supply. The District has worked diligently to come up with a plan that will solve this problem and the JV water rights as the source of this supply is the recommended solution. Shaffer responded that with regard to the next phase of converting water service from groundwater to the JV Ranch renewable supply, District staff anticipates updates to the Long Range Planning documents in 2012 that will continue to explore and evaluate all options and alternatives for delivering the JV Ranch water to the District's customers. He explained that some of the alternatives to be evaluated will include continued discussions with neighboring water districts and entities including Colorado Springs Utilities (CSU), to share in the cost of water delivery, storage, and treatment facilities and utilization of CSU infrastructure for water delivery so that the District might not be constructing the necessary infrastructure on its own. He explained that cost estimates for water delivery have ranged from \$30 million to \$100 million. He explained that at this point, it would be premature to assign any further cost estimates to the next phase. He explained that every option to be evaluated during current and future planning processes will have specific costs, benefits, and drawbacks and that District and its staff will be looking to provide District customers with the most cost effective and reliable option for its renewable water service infrastructure. He explained that current estimates for when the next phase would be needed indicate sometime between the years 2020 and 2030. Director Town addressed the audience and stated that the Board had heard and appreciated all of the comments. He spoke about his children and grandchildren living in Woodmoor and his responsibility to provide a water source so that there would be water service for future generations. He stated that doing nothing is not an option. Director Wyss stated that this is the best opportunity for Woodmoor to purchase renewable water and secure the future. Director Whitelaw stated that with the aquifers

declining, this was the best asset Woodmoor could purchase. District water attorney, Veronica Sperling responded to questions about the finite nature of the groundwater and how the amount of water from the JV water rights would be determined. Director Taylor stated that since he has been a Board Member, the primary objective has been to find a renewable water source. He spoke about the rate at which the aquifers are declining. Taylor also stated concern about property values if Woodmoor does not have a renewable water source and that the JV water rights are the best solution. Director Courrau recalled that residents had questioned the wisdom of the District Board in 2000 in connection with the District's purchase of Lake Woodmoor and noted that today the lake is a key asset in enabling the District to maximize its water resources. She stated that the declining aquifers was a given. She stated that it is her responsibility as a board member to provide water service for the future of Woodmoor residents just as those who came before her had provided water for her when she arrived in the District 28 years ago. She stated that the JV Ranch is a wise investment that the District needs to make now. Director Town stated that the recommended renewable water investment fee reflected a policy that there not be any special treatment for individual customers in the District. Director Town then called the question.

Motion:

It was moved by Director Taylor, duly seconded by Director Courrau and unanimously passed to approve Resolution 11-08.

V-a. **Executive Session:**

It was moved, duly seconded, and unanimously approved that the Board move into Executive Session pursuant to (1) Section 24-6-402(4)(a), C.R.S, for discussions related to the purchase, acquisition, lease, transfer, or sale of any real, personal, or other property interest; and (2) 24-6-402(4)(e), C.R.S. to determine positions relative to matters that may be subject to negotiations; developing strategy for negotiations, and instructing negotiators all related to property, including but not limited to acquisition and disposal of water and storage rights and financing therefor. The Executive Session commenced at 10:19 p.m. The Board returned to Regular Session at 10:46 p.m.

VI. **Presentation on Bond Documents:**

Jim Manire and Calvin Hanson with Sherman & Howard, and Robyn Moore with George K. Baum & Co., Bond Counsels to the District, explained the Bond Resolution and the related bond documents. Manire stated that Bond Resolution terms set limits on the amount of the bond, not to exceed 35 million, the interest rate, not to exceed 6% per annum, and the maturity date, not later than December 1, 2038. Moore explained how the rating will determine the final interest rate. Hanson spoke about the pledged revenue and debt limitations. Moore stated that the District residents can be given the first opportunity to purchase the bonds. Manire, Moore and Hanson all recommended that the Board approve the Bond Resolution. With respect to the authorization contained in the Bond Resolution for undertaking the purchase of the JV Ranch, Smith stated that she had performed title review of the land and that she was not aware of anything that would impede the District's plan to use the land for its intended purpose and that the purchase price was supported by an independent appraisal and she

recommended moving forward with the purchase and the financing for it. With regard to the JV Ranch water rights, Sperling stated that she had performed title review of the water rights and was not aware of anything that would impede the District's plan to use the water for its intended purpose and she recommended moving forward with the purchase and the financing therefor.

VII. **Consider Approval of the Enterprise Water and Wastewater Revenue Bonds, Series 2011 Bond Resolution:**

Motion:

It was moved by Director Taylor, duly seconded by Director Wyss and unanimously passed to approve the Enterprise Water and Wastewater Revenue Bonds Series 2011 Bond Resolution and authorize the JV Ranch water rights , reservoirs and land assets purchase in accordance with the terms of the Contract to Buy and Sell Real Estate with Woodmoor Water and Sanitation District No. 1 as Buyer and JV Ranches and JV Ranches II, LLC as Sellers.

Note: Director Town called for the deletion of Item 8 from the agenda.

IX. **Financial Reports:**

Wyss stated that he had reviewed the Financial Reports and had no comments.

X. **Joint Use Committee Report:** Whitelaw stated he would report on the JUC at the next Board Meeting.

XI. **Manager Report:**

Shaffer reviewed the Manager's Report dated October 17, 2011, a copy of which is attached hereto.

1. **Pikes Peak Regional Water Authority (PPRWA):** Shaffer stated that there has not been any activity with the PPRWA.
2. **Operations – Shaffer:** Shaffer reported that WWSD is working on Well 7 and the District is completing year end flushing operations.

XII. **Special Reports and Subjects:**

1. **Engineer's Report:** Nothing to report.
2. **Attorney's Report:** Nothing to report.

XIII. **Set the Public Hearing on the Proposed 2012 Budget and Order Publication of Notice:**

Shaffer asked the Board to set the date for the Budget Workshop. The date was set for October 27th

at 9:00 a.m.

Motion:

It was moved by Director Courrau, duly seconded by Director Taylor and unanimously passed to set the public hearing on the 2012 proposed budget for Thursday, November 10, 2011 at 1:00 p.m. and order publication of notice of the same.


XIII. **Executive Session:**

It was moved, duly seconded, and unanimously approved that the Board move into Executive Session pursuant to (1) Section 24-6-402(4)(a), C.R.S, for "discussions related to the purchase, acquisition, lease, transfer, or sale of any real, personal, or other property interest"; and (2) 24-6-402(4)(e), C.R.S. to" determine positions relative to matters that may be subject to negotiations; developing strategy for negotiations, and instructing negotiators all related to property, including but not limited to acquisition and disposal of water and storage rights and financing therefor and inquiries from Triview Metropolitan District regarding an intergovernmental agreement for operations and maintenance of water and wastewater systems. The Executive Session commenced at 11:18 p.m. The Board returned to Regular Session at 11:28 p.m.

XV. **Adjournment**

There being no other business to come before the Board, it was moved and duly seconded that the meeting be adjourned. The motion passed unanimously and the meeting adjourned at 11:39 p.m.

Respectfully Submitted,


James Taylor, Secretary