

CASTLE PINES NORTH



METROPOLITAN DISTRICT

April 19, 2022

Status of eight action items re: Inclusion of CPNMD's water and wastewater utilities with Parker Water & Sanitation District (PWSD)

The following is a status report on the eight action items from PWSD staff's Inclusion update at PWSD's December 9, 2021, board meeting — *six months after the Inclusion election and 25 days before the voter-approved Inclusion date of January 3, 2022.*

1. City of Brighton's water rights lawsuit.

Victory for CPNMD's customers! See attached April 7, 2022, announcement issued to customers via water bill insert, broadcast email, NextDoor, and posted to Recent News section of homepage.

2. Negotiating consent decree with the Colorado Department of Public Health & Environment.

CPNMD is still awaiting Inclusion date from PWSD. CDPHE will act on CPNMD's request if and only if PWSD commits to an Inclusion date. Without a firm Inclusion date, there is no need for CDPHE to issue a consent decree.

3. Separating jointly-owned, 1980s-era groundwater rights between CPNMD and its southern neighbor, Castle Pines Metro District in The Village.

Discussions between CPNMD and CPMD (The Village) attorneys are underway. Counsel has prepared a draft agreement for

consideration during CPNMD's April 2022 board meeting. An agreement between CPNMD and CPMD is necessary to resolve PWSD's concern about legal ownership of jointly owned water rights. The rights were undefined in the original acquisition and ownership documents. Counsel is confident of a final resolution shortly, but both boards will need to act on the proposed agreement.

4. Renewing water-wheeling agreement with Centennial Water & Sanitation District.

CPNMD is still awaiting Inclusion date from PWSD. The Centennial Water & Sanitation District board was scheduled to consider the agreement in December 2021. Because of PWSD's Inclusion delay, Centennial Water & Sanitation District intends to reschedule the agreement for board consideration upon receiving a final PWSD Inclusion date.

5. Securing Chatfield Reservoir storage-fee waivers.

CPNMD is still awaiting Inclusion date from PWSD. Five of nine owners have signed the waiver. The remaining four are on hold, awaiting a final PWSD Inclusion date. Without a firm Inclusion-commitment date from PWSD, the remaining four owners have no sense of urgency to sign.

6. Recording decades-old water & wastewater infrastructure easements and property rights conveyances CPNMD inherited from previous administrations.

CPNMD's legal counsel is working through a process of determining easements and other rights previous administrations failed to record and including them in CPNMD's GIS system. The process is labor-intensive and time-consuming, but otherwise

straightforward. In no way does the process affect CPNMD's use or ownership of any of its infrastructure, facilities, equipment, or legal rights. **Counsel anticipates completing this process in June.**

7. CPNMD's water wells and water treatment plant.

- CPNMD is nearly finished with a **multi-million-dollar refurbishment/upgrade** to its water treatment plant. Barring unforeseen circumstances, CPNMD intends to complete the project this month and begin offering guided tours in May 2022.
- CPNMD has completed maintenance overhauls of all ten water wells **five years ahead of schedule.**

8. PWSD's demands that CPNMD pay it \$11,032,778 more than the mutually agreed upon, voter-approved \$34.8 million Inclusion fee.

- PWSD's demand constitutes an attempted unjustified money grab.
- CPNMD leaders offered PWSD an additional \$5 million in cash toward the PWSD's demand for an additional \$11,032,778. PWSD's all-or-nothing posture insisted that CPNMD residents needed to pay **another \$6,032,778** — *monies to which PWSD is not entitled.*
- CPNMD will deduct the millions of dollars in recent and ongoing infrastructure investments directly from PWSD's voter-approved \$34.8 million Inclusion fee.
- CPNMD will welcome PWSD back to the negotiating table if and when PWSD demonstrates it is ready, willing, and able:

✓ First, to work with CPNMD in good faith;

- ✓ Second, when PWSD's negotiating posture acknowledges CPNMD's cash offer and customer base together constitute a community PWSD values and is pleased to acquire; and
- ✓ Third, when PWSD's staff sufficiently addresses PWSD's internal challenges, which substantially contributed to PWSD's unilateral decision to terminate the Inclusion. Those PWSD challenges include, but are not limited to, PWSD's internal staffing shortages, billing software issues, and supply chain issues resulting in the substantial delay of AMI water meters for customers of both jurisdictions.
- Though PWSD remains CPNMD's first choice as the Inclusion partner for our community's water and wastewater utilities, it would be irresponsible for CPNMD to do anything other than aggressively pursue alternative Inclusion partners. Consequently, with renewed vigor, CPNMD is pursuing other potential Inclusion partners.

CASTLE PINES NORTH



METROPOLITAN DISTRICT™

April 7, 2022

Substantial victory for CPNMD customers

Two and a half months ahead of its scheduled court appearance, the City of Brighton agreed to resolve its lawsuit against the Castle Pines North Metro District (CPNMD) and Aurora Water. The net result is a win/win for all three jurisdictions and, most importantly, for CPNMD customers. Pending the approval of each governing body, the lawsuit resolution means CPNMD will sell roughly 585-acre feet of water located in northern Colorado to Aurora and Brighton for a total of \$18,195,000.00.

During a special board meeting on Wednesday, April 6, 2022, CPNMD directors agreed, in principle, to use the proceeds from the sale to pay down CPNMD's debt.

*"As a practical matter, I think this is the best of all possible outcomes," said an elated Director **Denise Crew**. "In the next 30 days, Aurora and Brighton will assume ownership of CPNMD's water rights, and CPNMD will pay off, in full, its \$18,805,000.00 certificates-of-participation debt. As a result, we will be an even more attractive Inclusion partner for Parker Water and other larger potential Inclusion partners that offer better economies of scale and lower rates than Parker."*



David McEntire
President
Cell: (702) 303-8081
dmcentire@cpnmd.org



Robert Merritt
Vice President
Cell: (303) 717-2852
rmerritt@cpnmd.org



Denise Crew
Secretary/Treasurer
Cell: (303) 523-8285
dcrew@cpnmd.org



Chuck Lowen
Director
Cell: (303) 898-3056
chuck@cpnmd.org



Christopher Lewis
Director
Cell: (303) 641-5249
clewis@cpnmd.org

The Castle Pines North Metro District provides clean, safe, reliable, on-demand drinking water, wastewater, stormwater, parks, trails, and open space services to the people of Castle Pines, west of I-25.

Board meetings are available for viewing via live video stream and video recording at cpnmd.org.

*"This transaction puts CPNMD in the driver's seat and serves as a wake-up call for Parker Water," said CPNMD President **David McEntire**. "As I've said before, if and when PWSD wishes to revisit the Inclusion, we stand ready and willing to work with them in good faith. Given the millions of dollars in water and wastewater infrastructure upgrades we've recently installed and will continue implementing — and recognizing CPNMD customers annually use less than fifty percent of the water we are legally decreed — eliminating debt enhances CPNMD's negotiating position. On multiple occasions, PWSD General Manager Ron Redd has said, he remains open to revisiting the Inclusion opportunity in the future. Ron, respectfully, the future is now."*

*"The resolution of Brighton's lawsuit is a game-changer," said Director **Christopher Lewis**. "We're going to continue working to secure our community's water future wisely and at less cost. Moving forward, all potential Inclusion partners in the market know we're open for business and eager to Include with a fair-minded partner. I'm excited to see how other potential Inclusion partners propose to sweeten the pot and make our residents a better offer than Parker's attempted \$11 million money grab."*

Background: CPNMD owns water rights in northern Colorado, which it is unable to access without spending tens of millions of ratepayer dollars to finance, design, build, operate, and maintain a water pipeline between Fort Lupton and Castle Pines. Last year, CPNMD sought bids for the sale of those water rights. The City of Aurora submitted a bid package hundreds of thousands of dollars greater than the City of Brighton's bid. The City of Aurora's high-bid package, combined with the fiduciary and stewardship responsibilities CPNMD has to its customers, prompted the CPNMD board to award its water rights to the City of Aurora, thereby providing CPNMD's property owners and residents with the highest possible return on investment. The City of Brighton was unhappy with the outcome and filed a lawsuit contesting CPNMD's decision.

In short, the collegial resolution of Brighton's lawsuit eliminates the need for a trial in late June and positions us to retire CPNMD's certificates-of-participation debt, thereby **saving CPNMD ratepayers more than \$10.5 million in interest payments** over the life of the what would have otherwise been the remaining 22-year term, expiring in 2044.