

**CHEROKEE METROPOLITAN DISTRICT**  
**SPECIAL MEETING OF THE BOARD OF DIRECTORS**

August 31, 2011

MINUTES

The Special Meeting of the Board of Directors of the Cherokee Metropolitan District was held on Wednesday, August 31, 2011, at 1:00 p.m. at 6250 Palmer Park Blvd., Colorado Springs, Colorado.

BOARD OF DIRECTORS PRESENT

Dave Hammers	Steve Hasbrouck
Larry Keleher	William Beahan
Jan Cederberg	

OTHERS PRESENT

Sean Chambers	Scott Mefford
Art Sintas	Rodney Preisser
Dian White	P.J. Anderson
Kevin Donovan	Sara Howard
Marti Whitmore	Karl Nyquist
John Hill	

OTHER GUESTS SIGNING ATTENDANCE LOG

Mary Hernandez  
Linda Keleher  
And others  
(Illegible handwriting)

ITEM 1:

The meeting was called to order by Chairman Dave Hammers at 1:08 p.m. Roll call of the Board of Directors was taken; all Directors were present with Mr. Beahan arriving at 1:10 p.m.

ITEMS 2 AND 3:

Mr. Hammers asked if there were any changes or amendments that needed to be made to the August 31<sup>st</sup> Special Meeting Agenda.

Mr. Keleher asked what the reason was for going into executive session as he believed discussed at an earlier meeting, the RFP's could all be discussed in public without discussions of price.

Mr. Donovan stated that the ones he spoke with all agreed that costs could be discussed with the exception of the RFP from CWR. Ms. Whitmore stated that any of the strategies of negotiations absolutely need to be held within an executive session as with any of the proposals, there will be room for negotiation on price, terms, and those types if items.

Mr. Donovan added that the attorney client privileges is covered within executive session and once in public, could still be covered as long as the Board Member states they invoke the right to attorney client privilege. Then it would also be covered.

Mr. Hammers commented that he would really like to see the Board get it down to two of the four remaining RFP's for discussions and decisions for the next regular Board meeting.

**\*\*\*MOTION\*\*\***

**MR. BEAHAN MADE A MOTION TO APPROVE THE AGENDA WITHOUT HAVING AN EXECUTIVE SESSION, BUT RESERVE THE RIGHT TO LATER GO IN EXECUTIVE SESSION IF DISCUSSIONS WARRANTED FOR PROJECT NEGOTIATIONS. SECONDED BY MS. CEDERBERG. WITH A VOICE VOTE, ALL BOARD MEMBERS APPROVED. MOTION CARRIED. (5-0)**

ITEM 3:⇒ Discussion of the August 24, 2011 Project Tours

Mr. Chambers apprised the Board of the August 24<sup>th</sup> tour and highlighted on the specific RFP sites that were visited. Mr. Keleher stated the tour was very informative. Ms. Cederberg was unable to go on the tour, but she mentioned she did go to the 'town meeting' at Sand Creek High School where at Mr. Karl Nyquist was speaking on his Lamar & Elbert County projects.

Mr. Donovan passed out to the Board a review summary which included the four different projects visited on the August 24<sup>th</sup> tour. The day-long trip included stops at the Greenland Basin Pipeline (GBP), CWR (Shamrock), Deep Water Partners, and GP – Elizabeth (copy on file in office). He also passed out a water transaction comparison chart showing the number of miles from each

specific site to the Tamlin tank, CSU water costs comparisons, amount of water and dependability each RFP had to offer, and any legal issues and legal counsel commentary (copy on file in office).

The Greenland Basin Pipeline is the closest to the Tamlin tank. Important facts concerning this RFP included a 15-year take or pay with the option to buy out any time at approximately \$18 million dollars, a 400-acre well field which has 7,000 acre feet of banked water, and an optional 3,000 to 4,000 acre feet of water which could be obtained by Cherokee if needed.

The tour continued two miles eastward with a stop at CWR (Shamrock). A map was provided showing the well and location of the well sights. CWR would require a 30-year subscription (lease) with no option to purchase/own. This water would be the most expensive of the four RFP's with the most lengthy lease term.

The tour's next stop was north of Monument Hill off W. County Line Road, at Deep Water Partners. Since there was no representative available, observations were made of the property maps and summary documents reviewed. The project's business plan was more long term; and the cost of water to the District was never disclosed.

The last stop was close to Elizabeth, Colorado, with the GP Water Group. Mr. Nyquist explained the scope of GP's vision of using the Denver Basin as a short-term solution and an ultimate goal of providing renewable water from the Arkansas River. The water is located 38 miles from the Tamlin tank and includes a returns pipe from Arkansas River. Contract terms would be 25-year take or pay with annual payments of \$2.77 million dollars with an option to purchase after the 25<sup>th</sup> year.

Ms. Whitmore and Hydrogeologist/Engineer, Scott Mefford, provided a technical comparison of the Denver Basin projects. The Deep Water Project has no test wells completed, and well yield has not been confirmed. The project could have water export problems from Douglas County. Discussion commenced concerning the District's interest in this RFP.

**\*\*\*MOTION\*\*\***

**MR. BEAHAN MADE A MOTION TO REMOVE DEEP WATER FROM THE RFP'S UNDER REVIEW. SECONDED BY MS. CEDERBERG. ALL BOARD MEMBERS PRESENT IN FAVOR. MOTION CARRIED (5-0).**

Mr. Donovan provided to the Board an extensive summary of GP Resources LLC advantages of the GP water project for Cherokee (copy on file in office). Numerous questions were answered by Mr. Nyquist. Mr. Keleher did have some concerns that the UBS could have some jurisdiction in the project. Ms. Whitmore stated that anyone can come and object to these projects, but the

UBS does not have jurisdiction outside of its boundaries where all proposals have come from. Mr. Mefford referred to the RFP's concern on water quality and that all projects will need to meet the standards. Mr. Nyquist assured the Board that the 1.73 ratio of water quality could be increased to 3.3 when a mix of water was available.

Ms. Whitmore then moved to the Greenland Pipeline proposal. This available water is in El Paso County and is a short-term consideration. Mr. Mefford inserted a comment that the water quantity meets RFP requests but may be inadequate to meet increased average annual demands. The proposal is for a 15-year lease with an option to purchase at any time. However, there is also a requirement for a \$3.75 million dollar good faith deposit which would apply towards purchase price. There is also an option to purchase a portion of the pipeline as part of the contract.

The last RFP discussed was CWR (Shamrock). This RFP would be an excellent source for short-term use if the cost was not so high. There is no option for ownership and lengthy terms of a 30-year lease. They are willing to discuss the RFP further, and Ms. Whitmore believed the price may be negotiate.

Mr. Hammers asked about the District's financial resources and what could be afforded. Mr. Chambers stated that the District has paid off \$9,000,000 plus in outstanding revenue bonds from 1998 & 1999, freeing up cash flow. Increasing the water rates to Schriever AFB up to fair market, cost of service based rates (an increase of approximately 400%) and our ability to transfer off the City contract at the end of 2012 will free up several million dollars per years for contract and or debt service on a new agreement/project. Mr. Sintas calculated that the cost of the District's owned water supply, originating in the Ellicott area is approximately \$1.35 per 1,000 gallons.

Discussion then centered around pumping expectations of alluvial wells versus wells drilled in the Denver Basin, the life span of each, diminishing yield expectations and other comparative characteristics.

**\*\*\*MOTION\*\*\***

**MR. BEAHAN MADE A MOTION TO REMOVE CWR FROM THE RFP'S UNDER REVIEW. SECONDED BY MS. CEDERBERG. MR. KELEHER-YES. MS. CEDERBERG-YES. MR. BEAHAN-YES. MR. HASBROUCK-NO. MR. HAMMERS-YES. MOTION CARRIED (4-1).**

At that time Rodney Preisser entered the meeting to deliver a map he had used in his presentation on the tour and was approached by the Board with a few questions about his proposal.

Mr. Hammers requested a 15-minute break at 5:15 p.m.  
The Special Meeting resumed at 5:35 p.m.

ITEM 5:⇒ Public Session/ Public Overview

Mr. Hammers summarized the progress of the night's meeting and stated that upon protest, it was agreed by the Board not to enter into an Executive Session and therefore public discussion ensued immediately with the four RFP's. Two proposals were voted on to be eliminated, Deep Water Partners & Colorado Water Resources.

P.J. Anderson, representing CRW, and who arrived at the meeting at 5:30 p.m., felt he needed to present himself in the proposal as he had observed Mr. Nyquist and Mr. Preisser in the meeting. Mr. Anderson stated he was surprised the proposal was defeated because of the price and wanted an opportunity to discuss the proposal further. Mr. Beahan apologized for the misunderstanding; however, Ms. Cederberg felt the Board should proceed with the Board's decision of the two selections and Mr. Keleher noted that he would still vote the same.

Mr. Hammers stated a wide range of elements were discussed in the meeting earlier, including price, lease or purchase, delivery times and costs. Because there was no Executive Session and the Board chose to begin the Public Session earlier, it was believed this created confusion with Board Meeting timeframes and discussion evolved into the possibility of a follow-up tour for any Board Member and public who could not participate in the initial tour. Mr. Hammers, however, suggested the Board move forward with due diligence and drafting of the two contracts and provide Mr. Anderson an opportunity to a change in price and/or lease option if he so wished. Ms. Cederberg had concerns as to why the Board should allow renegotiation on one RFP and not on the other two RFP's.

**\*\*\*MOTION\*\*\***

**MR. BEAHAN MADE A MOTION TO REQUEST THE TWO PROSPECTIVE RFP'S TO CREATE A FORMAL CONTRACT BEFORE A SPECIAL BOARD MEETING SCHEDULED FOR SEPTEMBER 6, 2011, WHICH COULD THEN BE UNDER FURTHER REVIEW AT THE REGULARLY SCHEDULED BOARD MEETING ON SEPTEMBER 13. SECONDED BY MR. KELEHER. MR. KELEHER-YES. MS. CEDERBERG-YES. MR. BEAHAN-YES. MR. HASBROUCK-NO. MR. HAMMERS-YES. MOTION CARRIED (4-1).**

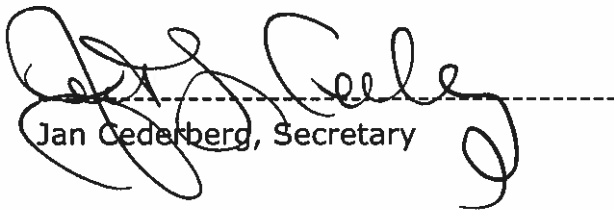
Questions and concerns arose from the audience as to how the public could become more involved with the RFP proposals decision making process, and Mr. Hammers stated the Board of Directors were hired to make the decisions for the District; and with that in mind, the Board's mission was to move

forward with those decisions. Mr. Chambers committed to set up a presentation of the two projects and would notify the public of that date as soon as possible.

ITEM 6:

⇒ Adjournment

There being no further business to come before the Board, the meeting was adjourned at 6:25 p.m.



Jan Cederberg, Secretary

Board Members

Term Expires

Dave Hammers, President	May, 2014
Larry Keleher, Vice President	May, 2012
Jan Cederberg, Secretary/Treasurer	May, 2014
Steve Hasbrouck, Director	May, 2012
William Beahan, Director	May, 2014