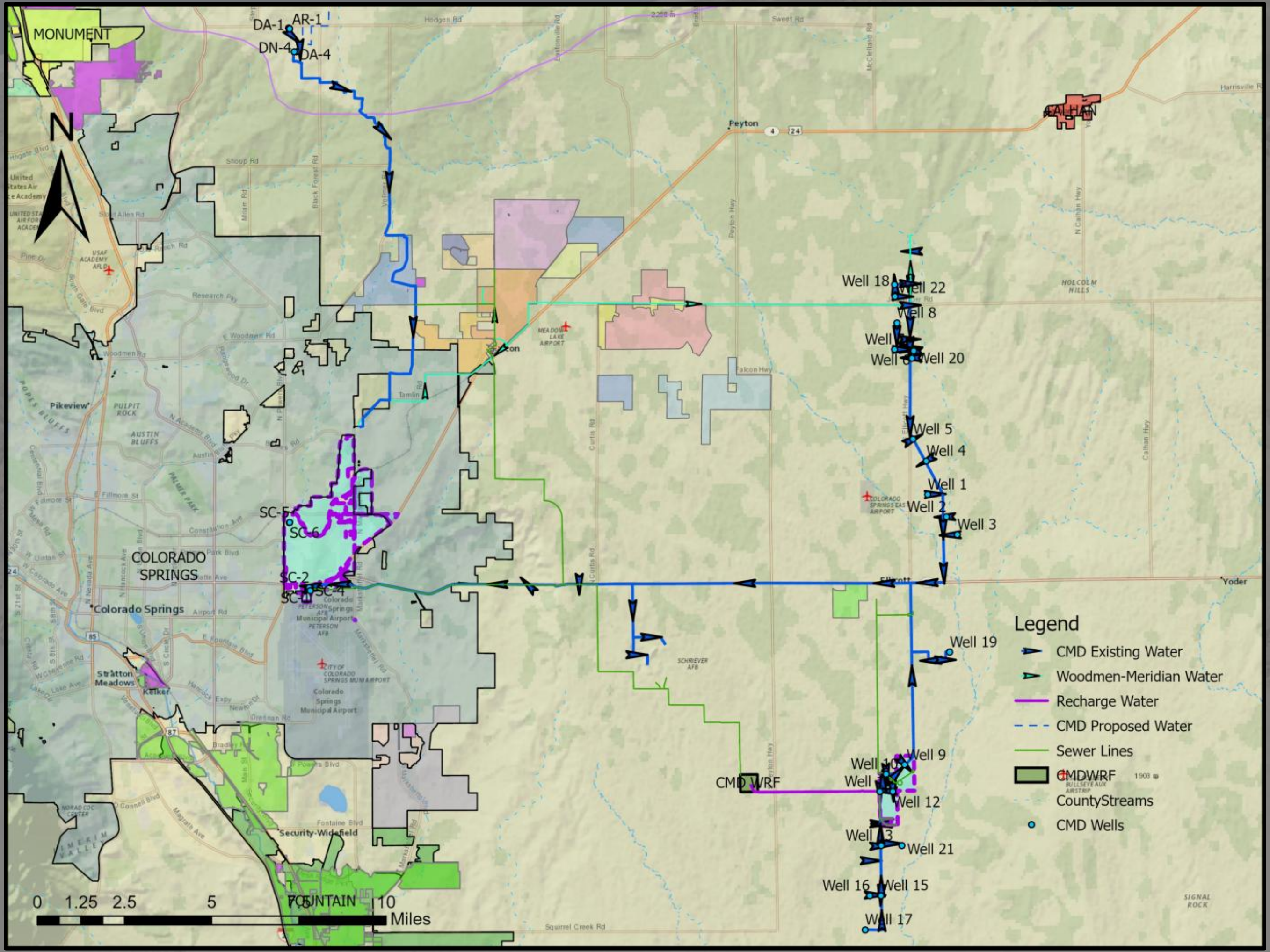
Cherokee Metropolitan District Inclusion Framework

Board Study Session

September 11, 2026

Presentation Structure

- Water Rights Position
  - Current Boundary Development
- Why Expand
  - Financial Rationale
  - Regional Support
- Expansion Considerations
  - Operations Costs
  - Capital Costs
  - Geography
- Proposed Framework
  - Structure & Process
  - Request for Applications
  - Application Review Process
  - Timeline
- Recommendations



CMD Water Rights Position without RP

- Four categories
  - In-basin water (not considered)
  - First use UBS water
  - Sundance Water
  - Replacement Plan Water (RP)
- Existing exportable water
  - Legal Maximum: 4743.2 AFY
  - Safe Yield: 4301.2 AFY
    - Max flow for 11 months
- Water Balance
  - 375.8 AFY legally available
  - 1,233.1 AFY physically available
- Serve remaining CMD buildout
  - Infill, SSFB expansion, etc

Supplies (AFY)	Safe Yield	2025 Production
UBS Exportable	3851.2	2955.8
Sundance	450.1	112.4
Total	4301.3	3068.2

Commitments (AFY)	Committed	2024 actual (Approx)
Pre-2015	2693	2500
Post-2015	563	
SSFB	537.5	300
Mayberry	82	30
Parks	25	25
Construction	25	10
Total	3925.5	2865

Water Balance	Yield – Committed	Yield – Actual
Exportable	375.8	1233.1

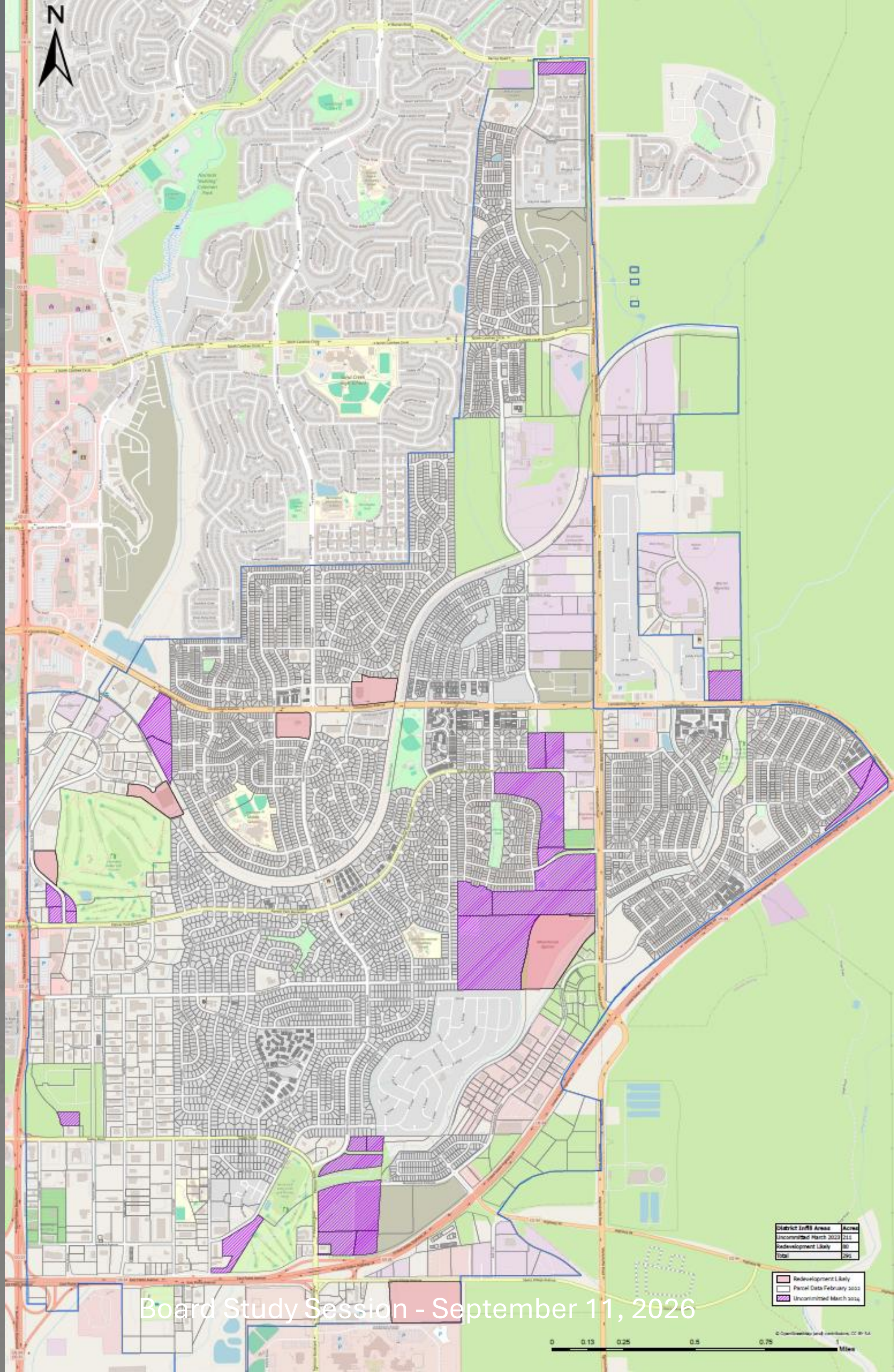
CMD Water Rights Position with RP

- Replacement Plan credits from first use water recharged to aquifer
  - More recharge = more water
  - Shared with MSMD
- Current recharge yields ~1500 AFY
  - ~1200 to CMD, ~300 MSMD
  - Some uncertainty, best to be conservative
- CMD & MSMD Buildout ~4000 AFY
  - Split depends on mutual flows
  - Could be much higher
- Water withdrawn from network of wells

High Level RP Yield Estimates Based on Reuse					
Input Parameters		**6 Month**	**12 month**	**Buildout**	
Rough Year		2027	2029	2050	
Description	Variable	Value	**Value**	Value	Unit
Cherokee					
First Use Water	W_c	2800	3300	3700	AFY
CMD Rate of Return	r_c	55%	55%	55%	%
Legally Available Freshwater Fraction	L_c	90%	90%	90%	%
Meridian					
First Use Water	W_m	900	500	1000	AFY
MSMD Rate of Return	r_m	55%	55%	55%	%
Legally Available Freshwater Fraction	L_m	90%	90%	95%	%
Replacement Plan Variables					
Discharge Compliance	Months	6	12	12	
Total First Use Water	W	3700	3800	4700	AFY
First Cycle Replacement Water to CMD	R0c	641.4	1423.6	1627.7	AFY
Subsequent Water to CMD	$\Sigma Rc1 \rightarrow \infty$	182.3	1241.5	1408.4	AFY
Total Replacement Plan Water to CMD	**ΣRc**	**823.8**	**2665.1**	**3036.1**	**AFY**

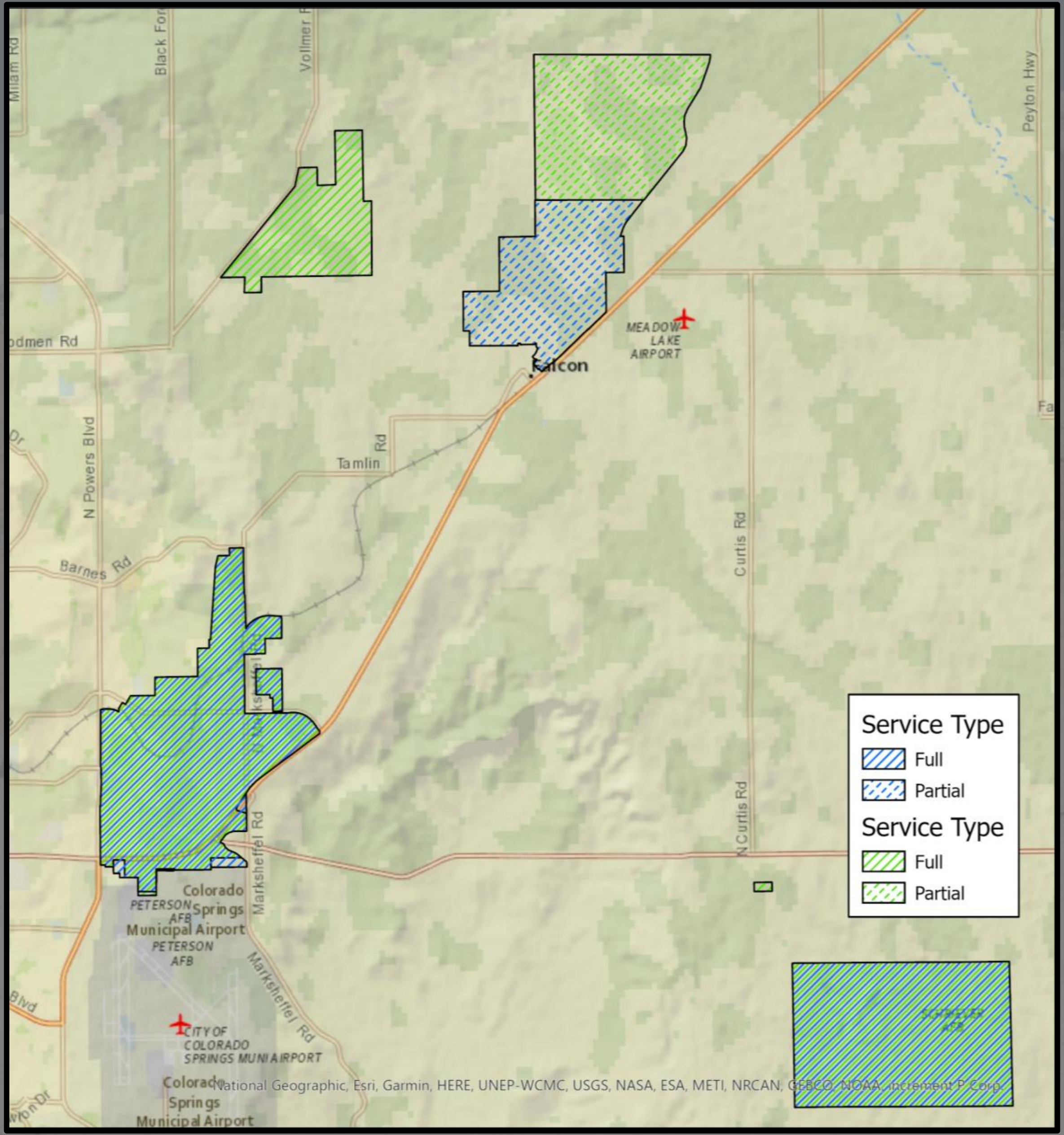
Existing Boundary Development

- Buildout nearly complete
  - Remaining areas impaired
    - Floodplain, poor roads, etc
  - Redevelopment possible
- 200 uncommitted acres
- ~100 acres of likely redevelopment
- Development type uncertain
  - Light industrial, apartments, unknown
- Growth highly variable
  - Some years >300 SFE’s
  - Others <50
- Non-RP water balance should serve



Boundary Expansion

- Non-RP water rights can serve existing boundaries
  - Likely with excess
- RP water unused
  - Unless ~450 AFY used to replace Sundance
- Could provide for a 50-100% growth in customer base before exhausted
  - Legally must be used in CMD boundaries
  - Only sold to others under limited circumstances
  - Modelling shows limited impact to aquifer, must observe



Why Expand? – Financial

- Tap Fees
  - Tap fees provide a major share of CMD capital funding
  - No growth = all capital paid through monthly rates
- Growing Customer Base
  - Fixed costs split by more people
  - Economies of scale
- Younger Infrastructure
  - Cost to maintain increases with average infrastructure age
  - Growth keeps average age lower
    - Lower maintenance costs

Cherokee Metropolitan District In-District Tap Fee Schedule

Single Family Residential, Commercial, Industrial

Tap Size	Water: Infrastructure Fee,	Water: Development	Wastewater: Infrastructure Fee	Estimated Total
0.75"	$8,750	$6,300	$6,000	$21,050
1"	$11,700	$11,200	$10,650	$33,550
1.5"	$17,550	$25,200	$24,000	$66,750
2"	$23,400	$44,800	$42,650	$110,850

Tap fees for meters larger than 2" to a single user assessed based on projected water use

Irrigation meters for commercial properties assessed water fees only

Individually Metered Townhomes and Multiplexes (0.75" Meter)

All Fees Assessed Per Unit

Tap Size	Water: Infrastructure Fee (Includes Meter)	Water: Development	Wastewater: Infrastructure Fee	Estimated Total per unit
0.75"	$3,240	$5,400	$4,450	$13,090

Apartments Not Individually Metered (0.75" Unit Connection)

All Fees Assessed Per Unit

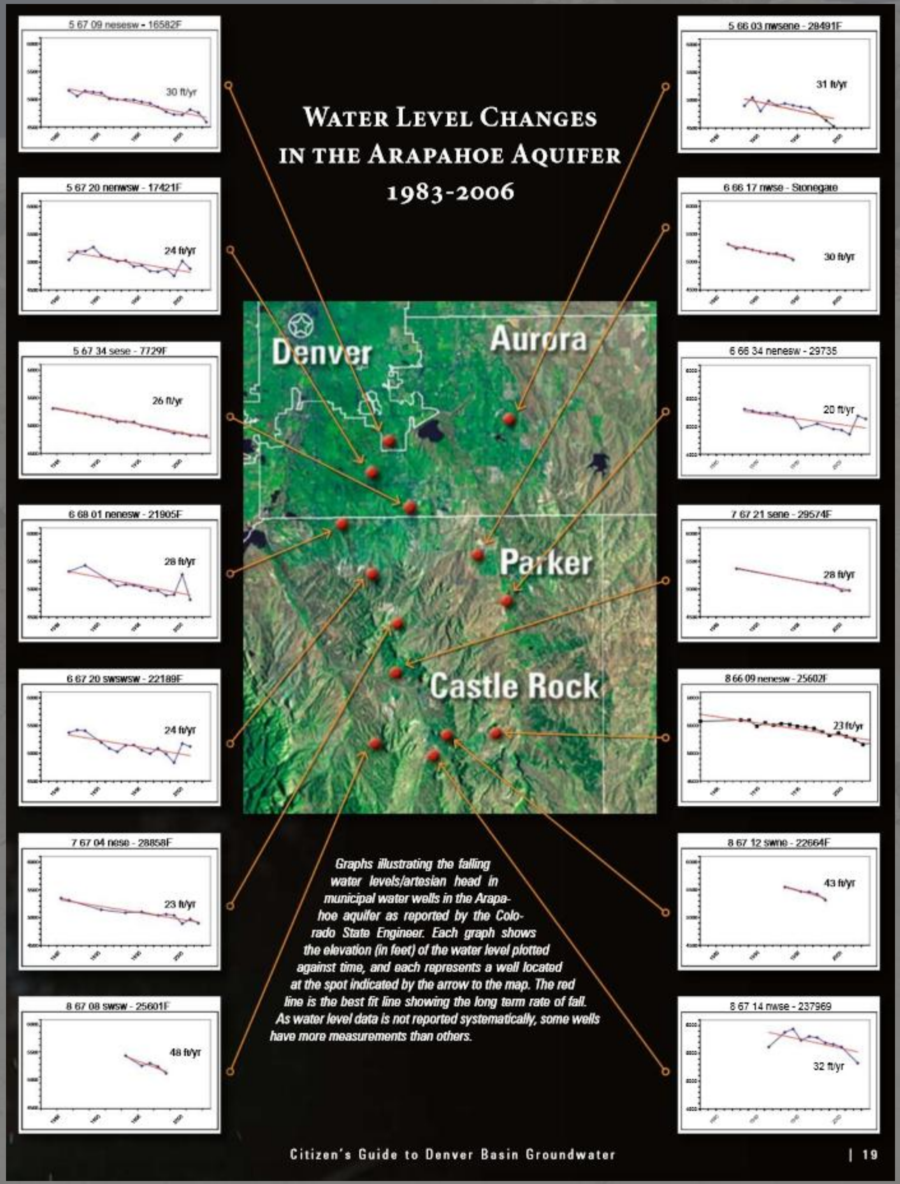
Tap Size	Water: Infrastructure Fee	Water: Development	Wastewater: Infrastructure Fee	Estimated Total per unit
0.75"	$2,000	$4,050	$3,850	$9,900

Cost of each building meter to be billed to Developer at time of installation

Out of District Tap Fees Assessed at 1.5x Multiplier

Why Expand? – Regional Support

- El Paso County Growth will continue
- CMD has uniquely renewable water supply
  - Otherwise development will use nonrenewable water
- CMD can regulate development
  - Not a land use agency
  - Ensure that development is sustainable
- CMD new customers would pay equivalent rates
  - Avoid inflated rates of developer districts



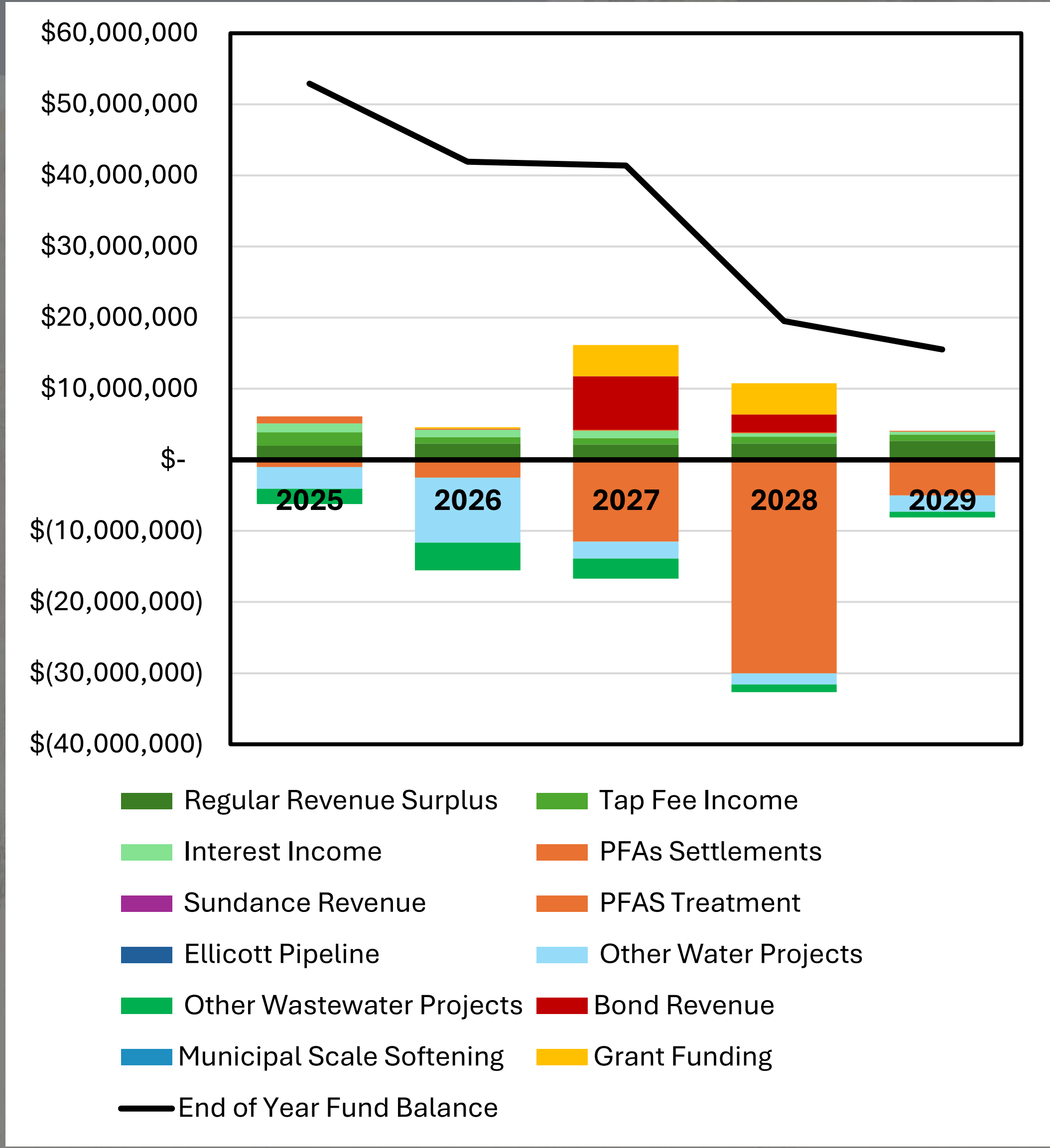
Expansion Considerations – Operations Costs

- CMD is not a land development agency
  - Must focus on water and wastewater
- A successful inclusion expansion must provide:
  - Services equivalent to existing area
    - Fire flow, sewer reliability, etc
  - Cost of service equal or lower
- Low operations costs ensure new areas contribute to CMD success
- Must weigh early efficiency vs buildout efficiency

	2022 to 2026 (Annual)
Wages & Taxes	**7.7%**
Benefits	**11.8%**
Admin Expense	**3.4%**
STS Expenses	**-8.0%**
Consulting	**1.6%**
Water Maintenance	**11.1%**
Wastewater Maintenance	**4.4%**
Bond Payments	**9.5%**
General Insurance	**21.7%**
Power	**1.5%**
Chemicals	**24.8%**
Total	**7.6%**
Nationwide CPI	**3.9%**

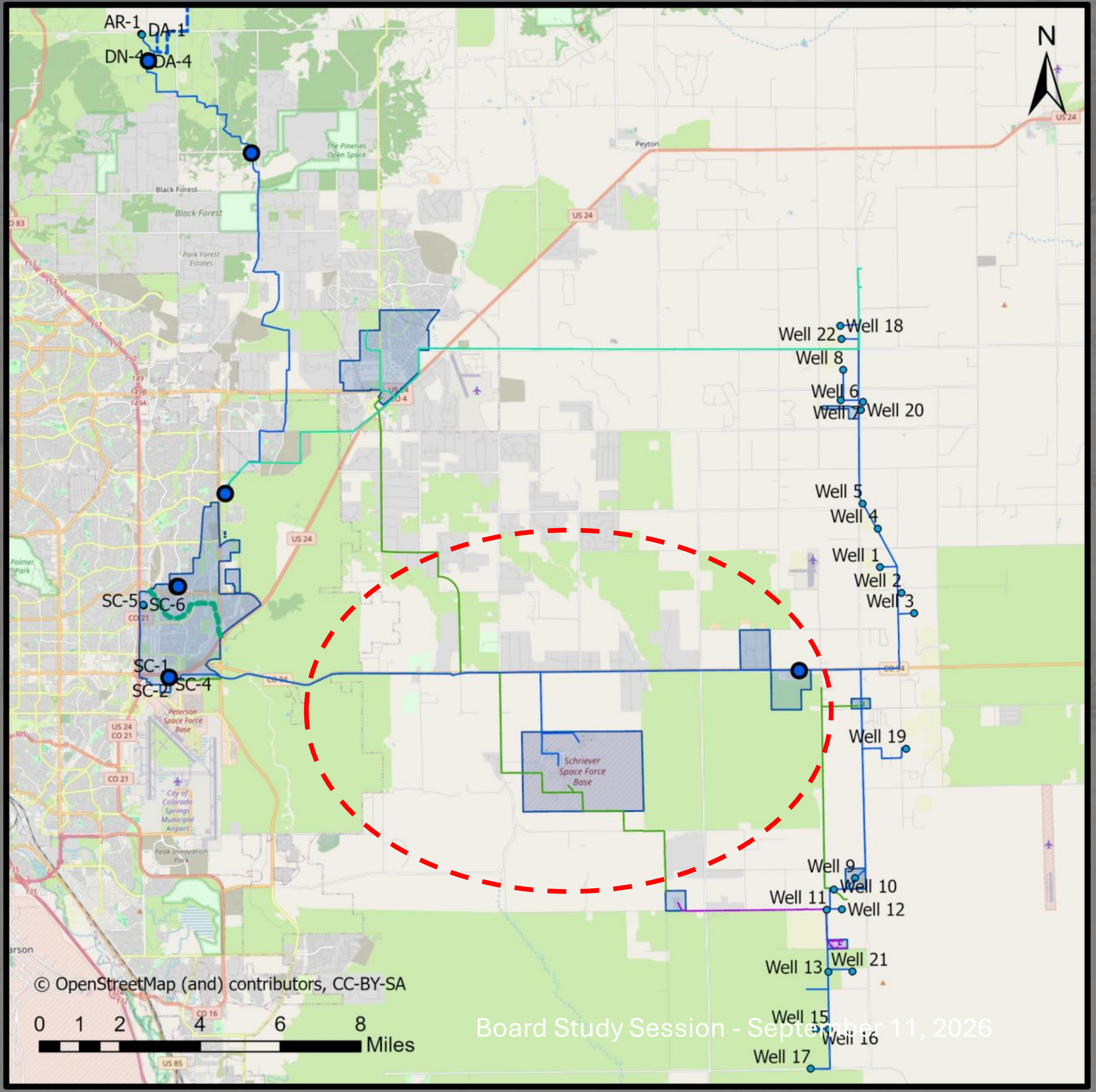
Expansion Considerations – Capital Cost

- Development must pay costs to build all new infrastructure
  - And pay tap fees
- CMD doesn’t pay, but customers pay through taxes & home prices
  - 25-50 years, higher replacement cost
- Low capital cost means infrastructure is more efficient
  - Successful inclusion will have relatively low capital costs
  - Efficient to construct and maintain
- CMD must impose standards
  - Ensure that inclusion’s costs are not low due to smaller scope



Expansion Considerations – Geography

- CMD can include any property in El Paso County
  - Landowner approval
  - Overlapping government approval
- Connect to Ellicott Pipeline
- Connect to CMD WRF
- City, other Metro Districts crowd out Falcon, southeast
- Constrains eligible areas based on cost to serve
  - Highway 94 corridor
  - Aligns with new pipeline
  - Along existing maintenance routes



Proposed Framework - Creation

- In development since 2025
- Input from consultants
  - CMD in unique position
    - Most utilities require developers to bring water
  - Infrastructure cost must be borne by developer with CMD limits
  - Application process with defined beginning and end
- Worked with Counsel to develop process and documents

Table 1: Water Providers Included in this Assessment

Water Provider	Water Provider
Parker Water & Sanitation District (PWSD)	Woodmoor Water & Sanitation District No. 1
Highlands Ranch Water (formerly Centennial WSD)	Pagosa Area Water & Sanitation District (PAWSD)
Eagle River Water & Sanitation District (ERWSD)	Clifton Sanitation District
Donala Water & Sanitation District	Widefield Water & Sanitation District
Bear Creek Water & Sanitation District	Meridian Service Metropolitan District
Green Mountain Water & Sanitation District	Meridian Metropolitan District (DTC/Englewood)
Dominion Water & Sanitation District	Triview Metropolitan District
Forest View Acres Water District	Morrison Creek Metropolitan Water & Sanitation District
Pueblo West Metropolitan District	Denver Water

Proposed Framework – Structure and Process

- Accept applications for service
  - Defined period of acceptance and review
  - Set available water at outset – 800 AFY
  - No inclusions outside of process
  - Board can reopen in future as water supply is more certain
- Applications are reviewed
  - Counsel, GM, two Board members
  - One or more are selected for inclusion negotiations
- Actual inclusion
  - Once Board and Applicant sign inclusion agreement, property is included

CMD Opens Applications for 800 AFY Subject to Terms September 2026

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Landowners prepare applications, applications due January 2027

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Applications reviewed, finalist selected

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Negotiation of final inclusion agreement with applicant

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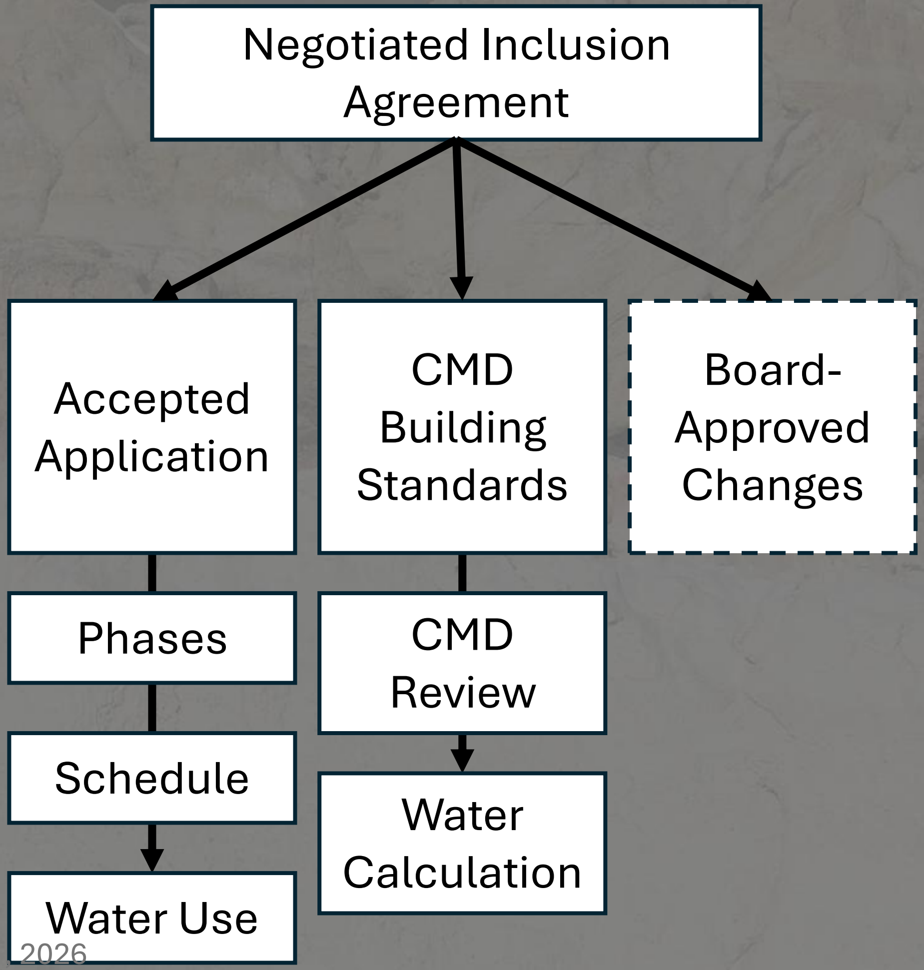
Inclusion petition filed, payment made, property included.

Proposed Framework – Documents

- Several documents are required to formalize inclusion
- Inclusion agreement governs process
  - References successful application and ensures landowner follows through on terms provided
  - Requires following CMD construction standards which can be changed or updated over time
  - Requires Board approval of major modifications
  - Forbids use of more water than agreed to



Proposed Framework – Development Process

- All infrastructure subject to CMD review and approval
  - Far exceed minimum standards
- Phasing plan and initial water use approved as part of application
  - Each phase must receive a final water commitment
    - Calculated based on construction plans
  - Total final commitments must be less than or equal to initial water use
- Landowner pays full CMD tap fees once buildings are constructed
  - No revenue early, but consistent revenue until last building of last phase
  - Tap fees can be adjusted based on CMD needs
- Board can reopen applications if more water is available
  - First successful applicant can apply for more water, must compete with other applicants

Land Included in CMD with 800 AFY of water available

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At final plat for each phase, apply for water commitment

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Tabulate ongoing total water use

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If phase X + past phases exceed 800 AF: Phase rejected, development stops	If phase X + past phases below 800 AF: Project continues as planned

Proposed Framework – Request for Applications

- RFA Issued after September Board Meeting
- Landowners have 5 months to submit based on the requirements
    - Due end of January 2027
    - Two periods of questions and formal responses
- Application materials extensive
    - Maps of proposed development
        - Densities, development types, phasing
    - All required infrastructure
        - Engineering details
        - Water use estimates
        - Detailed schedules
    - Agreements to follow through

Proposed Framework – Application Review

- Two Board members, counsel, and GM review applications
  - Reviewed based on four criteria
- Enter negotiations with top ranked applicant
  - Final inclusion agreement must go to full Board vote when ready
- Accepted inclusion agreement starts lengthy process
  - Legal inclusion
  - Payment of fees
  - CMD review of new phases, infrastructure

Criterion	Method	Description
Cost of Service at Buildout (40 Points)	Calculated	Compares cost of service at buildout to cost of service for CMD's existing areas
Time to reach self-sufficiency (20 Points)	Calculated	Time until utility charges pay for upkeep, lower is better
Water Conservation (10 Points)	Calculated & Evaluated	Water conservation measures such as landscaping, land use, technology, etc
Developer Experience (30 points)	Evaluated	Determine if landowner has sufficient experience and planning to complete their proposal

Proposed Framework – Timeline

- September 2026 – RFA Issued
- January 2027 – Application deadline
- March 2027 – Finalist(s) announced
- June 2027 – Negotiations conclude, contracts approved
- ~2029 – First public infrastructure breaks ground
- ~2031 – Public infrastructure complete, first house constructed
- 2040's – Initial 800 AFY allocation fully committed

Construction speed (homes or equivalents per year)	Years needed to reach 800 AFY demand
50	48
100	24
150	16
200	12
250	10
300	8

Recommendations

- Discuss timelines
- Discuss concerns Board has with draft process
- Board consider opening applications via resolution at September 17 meeting
  - Make 800 AFY of water and 0.5 MGD of wastewater treatment available in this round
- Board consider making CMD inclusions only possible through this process
- Be prepared for further discussions as formal questions are asked