

**MINUTES OF A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF THE
CASCADE METROPOLITAN DISTRICT NO. 1
HELD MAY 13, 2020**

A special meeting of the Board of Directors of the Cascade Metropolitan District No. 1 (the "Board") was duly held on Wednesday, the 13th day of May 2020 at 5:30 p.m. via tele and video conference. The meeting was open to the public.

Directors in Attendance Were:

Mike Whittemore
Susan Soloyanis
Jim Borden
Mike Herr
Troy Eason

Also in Attendance Were:

Alan Matlosz
Jennifer Gruber Tanaka, Esq., White Bear Ankele Tanaka & Waldron, Attorneys at Law
Heather Hartung, Esq., White Bear Ankele Tanaka & Waldron, Attorneys at Law
Kevin Walker, Walker Schooler District Managers

1. **Call to Order:** President Whittemore called the meeting to order at 5:30 p.m.
2. **Declaration of Quorum/Director Qualifications/Reaffirmation of Disclosures:** President Whittemore confirmed a quorum. The Board discussed the requirements pursuant to Colorado law to disclose any potential or existing conflicts of interest to the Board of Directors and to the Secretary of State. Mr. Walker noted that they were unable to file disclosures, but he spoke with legal and given that the Board will not be deciding anything it was deemed okay.
3. **Approval of Agenda:** Mr. Walker noted that really the only thing on the Agenda is the discussion of bond refinance options.
4. **Financial Matters:**
 - a. Discussion of Bond refinance options: The Board discussed needing to know what the financial situation of the District is before the transition to CSU, since they will be billing the District for those construction items they are paying for. Director Soloyanis noted the total amount is roughly \$500,000.

Mr. Matlosz noted the District has bonds outstanding, but they do not have to do anything right now. The bonds are callable in December 2023, so if the Board wanted to refinance or restructure the payments before September 2023 it would have to be on a taxable basis and the bonds would not be tax-exempt. Ultimately, the interest rates may be slightly higher, but we do not know what

future interest rates will be like. Mr. Matlosz went over the District's goals to lower the interest rate, maintain payments, get rid of the balloon payments, and see if this can all be accomplished by October. To accomplish all 4 of these goals, there is one option which would be to issue refunding bonds, like a refinancing of the existing bond issues. The hope is the District can get an investment grade rating on the bonds and obtain bond insurance which can help lower the interest cost. Mr. Matlosz noted there are a few complexities that go along with the plan if this is something the District wanted to consider. The first and most important is that the existing bonds are not callable until December 1, 2023. The District would issue new bonds called refunding bonds that pay off the principal plus cash flow the interest on the old bonds through 2023. From a financial and legal perspective, those old bonds are no longer the obligation of the District. They are secured by an escrow which is made up of U.S. Treasuries that are held by a Trustee, so they move off and the new bonds remain. Because we must refinance interest until the call date, we must issue more bonds because it includes the interest payments for 3 years. That would be the downside of doing the refinance today. Mr. Matlosz noted he could run an analysis that makes assumptions if we refinance a year or two from now and interest rates are the same or higher for the Board to compare. There may be expenses from the Board's legal counsel or other consultants that they need information from. Bond Counsel typically work at risk as well and would be paid at the end as well. Another expense that could be incurred down the road if the District pursued this, would be the Rating Fee which is around \$12,000 to \$15,000.

Mr. Matlosz discussed if the District wanted to pursue this, the overall debt of the District would go up but the overall repayment would only increase slightly because although they are extending the debt they are lowering the interest rate which is the balance.

Mr. Matlosz noted the District may need an amendment to the Service Plan because the amount of the debt would exceed \$5 Million. Mr. Walker asked Ms. Tanaka if they would be asking the Board of County Commissioners to authorize \$11 Million in bonds or \$6 Million because they still have the 2023 bonds outstanding. Mrs. Tanaka explained it is like when you refinance a home, so they would be asking them to amend the Service Plan from \$5 Million to \$6 Million. She noted they would want to make sure they made the request fully inclusive of whatever closing costs they may need. Alan noted if the District waited until 2023, they would have paid off enough principal that they would not have to go over the \$5 Million. Mr. Walker said he does not think they would have any trouble with the County Commissioners, but they may have problems with getting support of the constituents. Mrs. Tanaka said they will have to address that before going to the County Commissioners. She explained that everyone in the District must be provided notice of the Bond Hearing and suggested having Town Halls before then to answer questions. Director Soloyanis stated that she withdraws her request to have all this done before the turnover to CSU because the working relationship with them is good enough

that we will be able to protect the assets that we will need to continue onward in this process. She said she is more concerned about the balloon payment than anything else.

The Board discussed wanting to take a responsible approach and what is best for the District at this point. Mr. Matlosz said he will prepare the different scenarios of interest rates and timing for the Board to review so they can focus and see what option makes the most sense. The Board discussed questions from customers on when the bonds are paid off and communicating to them that they mature on this date but there is a balloon payment therefore there will be another refinance activity in the future. Director Borden suggested posting information on the website. The Board discussed the benefit of not having to do a Service Plan Amendment. Mr. Walker explained he has been working on a cash flow model for the remaining 30 years of the bonds and trying to assess a fee structure going forward. He estimated \$46,000 of operating expenses and it would require a \$5 fee increase that the District would have to implement at the end of this year to get through next year. If the District did the refinance, there would ultimately be no change to the fee. If the District did not refinance, there would be a balloon payment and they would have to raise debt service rates as well. Mr. Walker noted the model includes the AT&T lease, but it is not a sure thing and it could be a \$10 fee increase without it. Mr. Matlosz discussed a 2-part refinance that includes a short-term refinance to lower the interest rate, but it would still require a service plan amendment so not a good option.

Mrs. Tanaka discussed an option if there is availability for a lease purchase agreement, but she does not know if CSU will allow it due to the lien on the assets.

Mr. Walker asked if there was any new information on the possibility of Congress changing the tax law to allow tax-exempt advance refunding again. Mr. Matlosz said there is a chance that happens but there is no update yet. He explained if that happened, interest rates could be lower and there could be opportunities for the District. Mr. Walker noted he did the calculations on Operations and Maintenance for an average user, and there will be a \$20 monthly savings for the customer once they turnover to CSU. The Board discussed the option of rolling some of the savings into the debt payment and an annual increase to go towards the balloon payment. Mr. Walker will make additional calculations to report on at the next meeting. Mr. Matlosz will also prepare additional scenarios.

5. Legal Matters: There was no discussion.

6. Public Comment: There was no public comment.

7. Other Business:

a. Next Meeting— Scheduled for May 26, 2020 at 5:30 PM

8. Adjournment: The Board adjourned the meeting at 6:30 PM.

Respectfully submitted,

By: _____
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL MAY 13, 2020 MINUTES OF THE
CASCADE METROPOLITAN DISTRICT NO. 1 BY THE BOARD OF DIRECTORS
SIGNING BELOW:

Mike Whitemore

Mike Herr

Troy Eason

James Borden

Susan Soloyanis