



MISSION STATEMENT

The Castle Pines North Metropolitan District is committed to excellence, and takes pride in the services we provide and in our relationships with our customers, community and industry affiliates.

It is our responsibility to supply the community with water, wastewater, and storm water services and further enhance the quality of life and value of properties through our parks and open space maintenance.

Being stewards of a sound financial foundation allows us to anticipate and be proactive in meeting the future maintenance and resource acquisition needs of our community.

Water Water Wastewater Storm Water Parks Open Space Trails Community Center

METRO DISTRICT ACTIVE IN RENEWABLE WATER EFFORTS
“MANY PROJECTS IN THE WORKS & FUNDING ARRANGEMENTS ESTABLISHED”

The staff and board of the Castle Pines North Metropolitan District (CPNMD) consider finding a renewable water source as the most critical issue faced by the Castle Pines North (CPN) community.

CPNMD is actively engaged in multiple projects and is entering the third year of what may be a fifteen-year plan identified in the 2006 “Integrated Water Resources Plan” (IWRP) by Camp Dresser McKee (CDM).

This year the finalization of agreements is eagerly awaited to begin the transition from non-renewable ground water wells to renewable surface water supplies. Renewable surface water is water that is replaced every year, such as water from snow melt.

Few realize that 100 percent of CPN water is supplied by non-renewable ground water wells that are drilled into the Denver Basin aquifer system (Denver Basin). The IWRP projected a date of 2022 when the Denver Basin may no longer be able to meet the CPN community’s water demand. The plan also identified outdoor irrigation as the best target to reduce water demands in the community, thereby reducing the cost of a renewable water solution.

Acquiring a renewable water supply is an intricate process that requires more than just buying water. The water must also be treated and delivered to customers. This involves bringing together resources and partnerships with utilities to fulfill our future needs. Forming this union is a formidable task.

To pay for such an enormous project, costs must be shared amongst entities with similar needs. To do this, relationships must be developed, agreements drawn up, environmental and engineering studies completed, and approvals obtained by various governmental agencies, before actual construction begins. CPNMD is working with the South Metro Water Supply Authority (SMWSA) which includes 13 water utility providers including Castle Rock, Parker, Centennial (Highlands Ranch) and East Cherry Creek Valley (ECCV). Information about the SMWSA may be seen on their web site, www.southmetrowater.org.

What follows is a brief update on CPNMD’s efforts to bring a renewable water supply to our community.

continued on page 2

The Metro District and the new City of CPN
On behalf of the board and staff of the Castle Pines North Metropolitan District we wish to offer our support to the soon to be established City of Castle Pines North through the incorporation process.
We will work hand-in-hand with the newly elected City officials to see that the best interests of the residents of CPN are met and will continue to provide quality utility, parks and open space services to the community.
Ted Lohr, President, Castle Pines North Metro District

JANUARY 2008 Volume 4, Number 1
In this Issue
Water Rights Projects . . . . .2
Water Storage Projects . . . . .2
Distribution and Treatment . . . . .3
Funding . . . . .3

## BOARD

TED LOHR,

*President* (May 2010\*)  
lohr@cpnmd.org

BRUCE THOMPSON,

*Vice President* (May 2010\*)  
thompson@cpnmd.org

CORTNEY BRAND

*Treasurer* (May 2008\*)  
brand@cpnmd.org

CARL LOWMAN

*Board Member* (May 2008\*)  
lowman@cpnmd.org

MARK SHIVELY,

*Board Member* (May 2008\*)  
shively@cpnmd.org

\* term expires

## STAFF

Jim McGrady,

*General Manager*  
jmcgrady@cpnmd.org

Janet Burnham,

*District Administrator*  
janet@cpnmd.org

Charlie Fagan

*Parks & Open Space Manager*  
charlie@cpnmd.org

Dan Schmick,

*Finance Manager*  
dschmick@cpnmd.org

Jan Walker

*Customer Service/  
Records Administrator*  
jan@cpnmd.org

## FIELD STAFF

Andrew Romano, Karl Johnson  
John Van Eps, Cory Williams

The Castle Pines North Metro District  
newsletter is published quarterly for  
residents of Castle Pines North.  
Address story ideas, comments  
or questions to:

James McGrady  
Castle Pines North Metro District  
7404 Yorkshire Drive, Castle Rock,  
CO 80108  
jmcgrady@cpnmd.org  
303-688-8550  
www.cpnmd.org  
© CPN Metro District, 2008

## Metro District Active in Renewable Water Efforts *(continued)*

### WATER RIGHTS

#### a) East Plum Creek

As far back as 1985 CPNMD has had decreed water rights on East Plum Creek. In 2005, CPNMD, in partnership with Castle Pines Metro District, began the process of obtaining additional water rights on East Plum Creek. The new water rights filing increased the number of points of diversion and the volume of water rights from East Plum Creek. These water rights will be “junior” and as such will only be available to divert in wet years (those years with higher amounts of rainfall and snow melt). Since the cost to decree these rights is small, they will be a useful asset to supply water in wet years, however, a future storage facility can dramatically increase the yield from these water rights. In late 2007, the expert report was completed and in 2008 issues raised by objectors will be addressed. It is expected these water rights will be decreed in 2009.

#### b) Denver Water “Pilot” Project

In 2007, a “pilot” water agreement was entered with Denver Water that would provide members of the SMWSA water from Denver Water’s collection system when Denver has determined they have excess water. Typically this will occur when the snow pack in the Colorado mountains is greater than normal. Since CPNMD is a member of SMWSA we will receive a share of this water. The agreement was finalized in 2007. If the snow pack remains above normal it is expected that some water will be available in 2008. The cost of this water is minimal, however, this water can not be counted on to meet the long-term needs of CPNMD.

#### c) Trans-Basin Projects

In November 2007, the SMWSA began evaluating several trans-basin projects. These multi-billion dollar projects would bring water from a river basin, other than the Platte River, to the South Metro area. If SMWSA becomes involved in these projects, CPNMD will evaluate each project and determine if it is in our best interest to participate. The time frame to complete these projects is likely to exceed 10 years.

#### d) Upper South Platte River

In 2006 and 2007, CPNMD pursued a senior water right asset on the upper South Platte River. CPNMD obtained the services of consultants to investigate its viability. CPNMD decided not to purchase this asset at this time.

CPNMD is in negotiations involving other senior water rights projects, but these can not be disclosed at this time due to confidentiality agreements.

### WATER STORAGE

#### a) Chatfield Reservoir

In the late 1990’s, discussions began with the Army Corps of Engineers to allow additional storage of water in Chatfield Reservoir. In 2005, CPNMD signed a letter of commitment to participate in the Chatfield Reallocation project. This project may create an additional 20,600 acre-feet of additional storage which CPNMD may receive 560 acre-feet (*one acre-foot is equal to 325,851 gallons and is the amount of water used by two families*). This storage is a critical component for utilizing the flows obtained from Plum Creek water rights, the Denver Water Pilot Project, any future South Platte water asset, and to reuse our wastewater to its maximum. An Environmental Impact Study (EIS) is being completed by the Army Corps of Engineers that studies the environmental impacts of the

*continued on page 3*

project. It is hoped that final approval from the Corps of Engineers will occur in 2009.

**b) Rueter Hess Reservoir**

In 2005, CPNMD, Castle Rock, and Stonegate Metropolitan District signed a letter of interest in Rueter Hess. Over the past three years Parker Water has worked to obtain approval from the Army Corps of Engineers to enlarge the existing Rueter Hess Reservoir. Parker has completed an EIS which contemplates CPNMD storing water in the enlarged reservoir. In anticipation of approval from the Army Corps of Engineers, CPNMD and the other project participants began serious negotiations with Parker for storage space in Rueter Hess. In order to reduce legal costs, Castle Rock, Stonegate and CPNMD partnered to negotiate a purchase and sale agreement, and drafted an operating plan for the enlarged reservoir. In December 2007, the Environmental Impact Study (EIS) was approved and the Army Corps of Engineers is finalizing the Record of Decision. It is expected CPNMD will be considering the purchase of storage space in Rueter Hess Reservoir in early 2008.

**c) South Platte Reservoir**

In 2007, CPNMD began negotiations with Centennial (Highlands Ranch) to lease temporary storage in South Platte Reservoir, located near Sante Fe and C470. The agreement is expected to be finalized in 2008, in time for CPNMD to divert water from Denver Water under the terms of the Pilot Agreement discussed above.

**DISTRIBUTION AND TREATMENT**

**a) Interconnect Project**

In 2007, CPNMD partnered with Castle Rock and Centennial (Highlands Ranch) on what is referred to as the Interconnect project. The project allows Castle Rock and CPNMD to work with Centennial to divert water from Plum Creek, treat it, and return it to Castle Rock and CPNMD through the Interconnect Pipeline. This pipeline will also be used to deliver water yielded from Plum Creek water rights and the Denver Water Pilot Project. This project should be approved and possibly under construction in 2008 with final completion expected in 2009.

**b) ECCV Pipeline Project**

East Cherry Creek Valley (ECCV) began planning a major pipeline project from Barr Lake to their tank site located at E470 and Smoky Hill Road. This 35-mile long, 48-inch, pipe began delivering water to ECCV during the summer of 2006. ECCV is a member in the SMWSA and have offered a portion of the excess capacity in this pipeline to members of the SMWSA. CPNMD has shown interest in this project which could include pipeline delivery capacity,

a treatment plant, and water rights. More information will be available by mid-2008.

**c) Local Distribution Project**

In 2007, CPNMD, in conjunction with Castle Rock, began investigating ways to utilize the ECCV pipeline flows, storage in Rueter Hess Reservoir and interconnecting pipelines, which includes a treatment plant for treating water obtained from Rueter Hess Reservoir. This study is to be completed in 2008.

**FUNDING**

Today the cost of water rights is four times what they were 10 years ago. It is predicted the costs of water rights will continue to rise. It is in the best interests of the community to find renewable surface water solutions sooner, than later.

Many renewable water purchases require a conservation plan to be in place, which CPNMD completed in 2006. It is believed that CPNMD can achieve a 10 percent reduction in use.

The most practical way to cover the costs of obtaining renewable water is to have cash to pay for smaller projects and bonding capability to pay for the larger, more expensive projects.

Two basic financial components to obtain and deliver a renewable surface water source to CPN are:

- **Cash** to purchase small projects, thus eliminating the cost to issue a bond.
- **Bonding capacity** (Requires sufficient Assessed Valuation of Property within the CPNMD and/or a sufficient income stream from utility rates, fees and taxes. The higher the bond rating the lower the interest rate.) The types of bonds are:

**General Obligation Bonds** requires a property mill levy tax to repay. Timing is a primary factor in the issuance of general obligation bonds, with voter approval being required and limited to only one or two times per year. This limits purchases using general obligation bonds to large distribution and treatment assets that have long lead times.

*continued on page 4*

**Revenue Bonds and Certificates of Participation**

(which require a tangible asset) are reimbursed by rates and fees charged by the Utility Enterprise and/or taxes. In both cases these bonds require an investment banking firm willing to lend the money at reasonable interest rates. This takes time to receive this approval as well as establishing a proven revenue stream to achieve these requirements.

**What has the CPNMD done to obtain the required funding?**

CPNMD's existing General Obligation bonds have been restructured without restrictive covenants, the bond rating improved from non-investment grade to A3, and revenue streams with proven track records have been established in the Debt Service Fund (existing prior to 2008), Enterprise Fund, and General Fund. An investment banking firm has presented a Letter of Credit from a major international bank to CPNMD for \$50 million. In addition, should CPNMD choose, and the residents approve through a TABOR election, a portion of the existing 24 mills could be redirected to pay for renewable water. It is believed that if citizen approval was given to CPNMD, an additional \$25 million could be raised.

**January 1, 2005**

CPNMD had \$6.9 million\* in cash, including:

- \$2.8 million in the General Fund,
- \$4.1 million in the Debt Service Fund,
- \$0 in the Enterprise Fund

*\*none of which was specifically set aside for renewable water projects, and debt of \$36.8 million.*

**January 1, 2008**

CPNMD has \$11.5 million\* in cash, including:

- \$6.0 million in the General Fund
- \$0.4 million in the Debt Service Fund
- \$5.1 million in the Enterprise Fund

*\* of which \$8.2 million is set aside for renewable water projects, and the debt has been reduced to \$25.8 million.*

**EXPERTISE OF THE GROUP**

Obtaining a renewable water supply, and making wise use of existing water assets, is the primary focus of the staff and board of CPNMD. All have extensive water, wastewater, and utility related experience including engineering, financial, project management, Colorado water politics and memberships in key organizations.

This collaboration and proactive approach makes the community of Castle Pines North a role model for having the vision to realize the significance of whereby investing now in a renewable water source will lead to lower funding costs and higher property values for today and tomorrow.

Questions may be directed to Jim McGrady, General Manager, by calling 303.688.8550.

Castle Pines North Metro District  
7404 Yorkshire Drive  
Castle Rock, Colorado 80108

*Providing excellent service to enhance the quality of life for the residents of Castle Pines North.*

UPCOMING BOARD MEETINGS

FEBRUARY 18

MARCH 17      APRIL 21

Meetings begin at 7:00 p.m.  
They are held at the  
CPNMD Office  
on Yorkshire Drive  
in Castle Pines North.

PRSR STD  
U.S. POSTAGE  
PAID  
PARKER, CO  
80134  
PERMIT NO. 56