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Water Symposium Questions

The following is a summary of questions from the community and responses from the Castle Pines Metropolitan District during the Question and Answer session at the Water Education Symposium held on August 27, 2019, at Cielo at Castle Pines. At the Symposium, the District presented information about the sale of bulk water to a developer in Elbert County, as well as a presentation regarding water sources and uses for the Village, now and in the future.

- 1. Question:** How much bulk water was sold to the developer in Elbert County versus daily demand for treated water?

Response: The sale, which took place over a 4-month period, was for almost 7 million gallons. Demand in the summer has occasionally reached 3.5 million gallons per day and total demand for 2018 was 350 million gallons. Thus, the sale represented 2% of annual water production. For that 4-month period, the volume represented 5.84% of production.

- 2. Question:** What would the price have been for 7 million gallons of bulk water under the District's tiered price structure?

Response: The 7 million gallons at the 4-tiered rate would have generated \$68,108.

- 3. Question:** Has water been sold for construction use outside the District before?

Response: In addition to the sale to the developer in Elbert County, during the past five years, the District sold hydrant water in 2016 to a developer for the North Lagae project.

- 4. Question:** Describe the internal controls currently in place at the District regarding sales of water outside the District.

Response: The Board plans to adopt rules and policies that will require that the Board Chairman be immediately provided a copy of any hydrant meter check outs involving water sales outside the District. Any hydrant charges outside the District will be highlighted and reviewed at each Board Meeting. No out-of-District sales of hydrant water will be allowed after September 1, 2019, except in response to an emergency. If an emergency arises, the Board will approve, on a case-by-case basis, any out-of-District sales. Rates for approved out-of-District-sales will be at the highest tiered rate for all gallons used (currently, \$9.94/1000 gallons).

5. **Question:** What is the current bulk water rate?

Response: The District will sell bulk water within the District boundary at the tiered rates applicable to all other residential and commercial customers of the District, effective September 1, 2019. Out-of-District sales, if approved by the Board, will be at the highest tier rate (currently, \$9.94/1000 gallons).

6. **Question:** Can I get a refund for the water sold to the developer in Elbert County?

Response: Under the District's established accounting policies, payments received from the developer in Elbert County were treated as earned income to the Proprietary (60) Fund. Income earned by the District is not refundable to District customers.

7. **Question:** If the District implements no selling outside the District, what about Cherokee Ranch?

Response: The original decision to sell to Cherokee Ranch was in response to a request for emergency service when its upper well failed. It appears the need is now for ongoing supply, rather than emergency standby service. Thus, the contract is being revisited and, depending on the actual needs of Cherokee Ranch, a new contract may be negotiated.

8. **Question:** In July, a hydrant meter was observed inside Gate 1. Was it used for construction inside the Village?

Response: The hydrant inside Gate 1 is used by District water trucks for occasional irrigation and street cleaning. The hydrant is not authorized for non-District construction water service.

9. **Question:** How will other developments, such as the Canyons, affect short-term and long-term water supply?

Response: Based on the extremely low migration rate within the aquifer formations that sit below the Village, our aquifer water inventory should not be impacted by surrounding developments such as the Canyons. Development in the immediate Village area could affect the pressure gradients and thus the cyclic level variations but not our aquifer water inventory to any measurable extent.

10. Question: How much water is used annually by the Golf Club and the Country Club and what do they pay for it?

Response:

- *Both Clubs use potable water. In 2018, the Golf Club used 3,022,000 gallons and was billed \$22,377, and the Country Club used 2,281,000 gallons and was billed \$17,264. Potable water is billed to the Clubs at the 4-tier rate each month.*
- *Both Clubs also use re-use (effluent) water from the Plum Creek Water Reclamation Authority (PCWRA) for irrigation purposes. The price charged to the Clubs is a direct pass-through of the amounts PCWRA charges the District, namely \$1.71 /1000 gallons used. In 2018, the Golf Club used 58,280,000 gallons of re-use water billed at \$106,070, and the Country Club used 78,711,000 gallons billed at \$147,977.*

11. Question: How long will it take to obtain renewable water from Plum Creek?

Response: *Developing the District's Plum Creek water rights will require addressing many issues, such as access rights, permitting, well installations, treatment and delivery systems development. The District is currently updating its Long-Range Master Plan, and the use of renewable water from Plum Creek will be considered as part of that update.*

12. Question: A few years ago, there was mention of a new water tank. Why has it not been installed? Is the design work already completed still useful?

Response: *This project is presently on hold because the assumptions used to determine the need for a tank and its location and size have been updated and a re-evaluation is needed prior to moving forward. This will be part of the Long-Range Master Plan update. The update will also determine how much of the existing design will be useful.*

13. Question: Where does Village Lake water come from and what is it used for?

Response: *Untreated water is delivered to Village Lake directly from the raw water system. Water from the lake is used for irrigation in the Village Lake sub-association and for a portion of the common area owned by CPHA.*

14. Question: Will the well that is currently out of service (DE-1) be refurbished?

Response: *DE-1 was taken out of service years ago. The well will be refurbished and returned to service as needed in the future. Refurbishing an existing well is significantly less expensive than developing a new well.*

15. *Question: How could the District Board not have known about the sale of bulk water to a developer in Elbert County?

Response: *The Board is responsible for establishing policy and overseeing the overall operation of the District, while District staff is responsible for day-to-day operation of the District. The Board was advised by staff that the water sale was in response to an emergency water shortage being experienced by a neighboring community and allowed the sale to continue on that basis. The Board had no reason at that time to suspect otherwise.*

16. *Question: Why were water rights transferred, rather than leased, to the Country Club?

Response: *The lease option was considered but discarded in favor of a sale for a number of reasons, including:*

- *A sale would be much less complicated and provide more benefit to the District, the Country Club and the Village. Because a lease envisions an ongoing contractual relationship, it would require a detailed pricing structure, allocation of liabilities, determination of well ownership, residual salvage values, escalation rates for extensions, ongoing maintenance obligations, termination terms, indemnification and insurance requirements, etc.*
- *The water rights were a stranded asset for the District, with little potential for the District to use them in the future. Selling the water rights brought the District a fair price for a stranded asset, while keeping the benefits within the Village and avoiding what could have been an administrative quagmire.*

17.*Question: If 107-acre feet amounts to 35 million gallons of water annually for the Country Club, how does the District intend to make up this difference for the neighborhood?

Response: *The Country Club usage is from a new source and does not diminish the District's production capacity. Thus, there is no difference to "make up." The District has substantially more water rights than are expected to be needed or used in the foreseeable future.*

18. ***Question:** What members of the District Board are members of the County Club and did they recuse themselves from the Country Club water sale discussions?

Response: Rick Huser and Jeff Battin are both members of the Country Club. Jeff Battin was not involved in the sale discussions. Rick Huser believes that his membership did not present a conflict and, therefore, did not recuse himself.

The resolution was approved 4-0 and if Rick Huser did not vote it would not have changed the outcome.

19. ***Question:** Is it true that the PCWRA was tapping the Village water supply for decades and not paying for the water taken?

Response: PCWRA had potable water connections that were unknown to the District. When discovered by the District, meters were installed, and unmetered use ended.

20. ***Question:** Where is the revenue per type of water sold reported? District financials only show total revenue received and there is no breakdown in the financials for the type of sale and the amounts attributed to each.

Response: The District does not report by water sales type in its financial reports. This information is available in the financial reports. For 2018, the breakdown by use was:

Potable Water:	\$ 2,473,400
Effluent Water Pass-Through (Golf & Country Club irrigation):	\$ 254,046
Raw Water (Village Lake sub-association & CPHA irrigation):	\$ 177,500

21. ***Question:** Does the District Board campaign and use the District customer mailing list to promote electing certain Board members during elections?

Response: No.

22. ***Question:** Where are the ballots for Board elections returned and who counts the ballots?

Response: The ballots are returned to the District Office. The ballots are date stamped when received and given to the Designated Election Official, who secures the ballots until they are ready to be counted. The ballots are counted by three volunteers. The District follows all processes outlined by the Colorado Department of Local Affairs and the Colorado Revised Statutes.

23. ***Question:** What is the purpose of the “rebate” from the District to sub-associations for snow plowing?

***Response:** Originally, some sub-association roads were not plowed by the District because they were “private-private” roads not constructed to District standards and could not be easily accessed by the District’s snow plows. Several years ago, these sub-associations petitioned the District for assistance, noting they paid property taxes at the same millage rate and were entitled to the same municipal services. The Board agreed and determined it was more cost effective to provide a subsidy to the affected sub-associations than to invest in new equipment. The subsidy helps defray the cost of private snow plowing for these sub-association roads and is based on the square footage of pavement to be plowed. The subsidy currently totals \$41,400 annually.*

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*Questions 15 – 23 were received after the Water Education Symposium.

If you have questions about the responses above or about any issues not covered in the questions and responses above, please contact the Metro District at (303) 688-8330.