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<i>TO:</i>	Castle Pines North Metropolitan District Board of Directors
<i>FROM:</i>	Amanda Castle Pinnacle Consulting Group, Inc.
<i>SUBJ:</i>	Inclusion
<i>DATE:</i>	03/02/2022

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As the District is keenly aware, an inclusion agreement was signed with PWSD in early 2021 and subsequently approved by the voters of Castle Pines North Metropolitan District in May of 2021. Based on much negotiation and due diligence of both Districts, the inclusion agreement explicitly stated that Castle Pines North would be responsible for paying an inclusion fee totaling \$34,800,000.

From the beginning of negotiations, Castle Pines North understood that the enterprise funds would be unable to pay off all necessary obligations, including paying off the CoP's which, by nature of the debt, were always carried by the General Fund. Therefore, Castle Pines North agreed to sell assist to *assist* in paying off the debt.

It is extremely important to understand that the proceeds from the CoP's were used to fund assets that were held in the Enterprise fund, and strictly benefited the enterprise funds. The Enterprise funds did not have the wherewithal to assume/pay for debt when the CoP's were taken on (many moons ago), and as such the General Fund needed to assume the debt, allowing for necessary enterprise fund infrastructure. It was not ideal, but it was what needed to be done. It is also important to note that at no time has the general fund ever had a transfer of funds from the Enterprise funds to cover the debt of the CoP's. Having said that, the opposite has been true as proceeds were transferred to the enterprise fund to pay for assets.

In late July Parker Water & Sanitation began to request cash flow information that would demonstrate how much additional cash the enterprise funds would have at year end (above and beyond the inclusion fee) that would be turned over to Parker upon inclusion. To answer their requests, we provided several cash flows clearly demonstrating the Enterprise Funds inability to pay off total debts, requiring additional transfers of cash from the General Fund, and leaving no cash remaining above and beyond the noted inclusion fee.

After much discussion and back and forth, District staff and members of the board believed we could add the additional \$5.6 million from additional proceeds on the sale of assets into the enterprise funds, leaving additional cash for distribution to Parker of \$5 million, for a total payment of \$39,800,000.

In November, requests of the District's financial projections became increasingly urgent, as Parker pushed for even more cash. By December, it became clear that Parker was addiment about receiving, additional cash to "help close the \$11 million funding gap they believed existed.

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The District Board and staff worked tirelessly to provide clear information, and even requested an additional meeting with the Parker board, but they denied the request, and by January the inclusion delayed.

In February, our team scheduled a meeting with Parker's staff to discuss the year end cash flow, which demonstrated the District's ability to pay the nearly \$39,800,000, but no more. The discussion with Parker happened on February 10<sup>th</sup>, and our team walked away feeling confident that we had made good progress, and that Parkers staff clearly understood our position and the funds available. Unfortunately, shortly after our meeting, the Board voted to terminate the inclusion agreement, which came as a complete shock.

As the Finance Director, I had a responsibility to ensure this agreement was in the best interest of our residents, and to ensure that the General Fund would remain whole upon inclusion. While we attempted many times to clearly articulate the financial position of the enterprise funds, we continued to get requests that would have placed the General Fund in a position to fund a large amount of cash toward the inclusion, which I could not stand behind.

As previously stated, the General Fund has carried the burden of the CoP's for many years, at a very large benefit to the Enterprise funds. Having the General Fund provide additional cash for the inclusion was simply out of the question.

The abrupt termination of the agreement frustrates me for multiple reasons. First and foremost, we were not provided with an opportunity to sit down with the Parker's board to collaborate on a plan of action. Instead, we were continually trying to feed information to staff, hoping it would be relayed to the board.

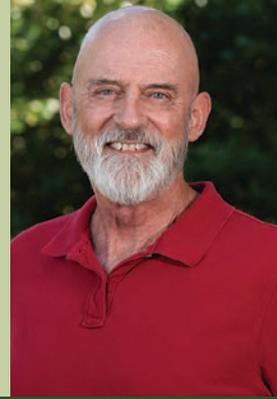
Second, there was no discussion of alternative options that Parker may have had in obtaining additional funds. Per the inclusion agreement, Parker could have sought to increase the renewable water component of the inclusion agreement (as explicitly stated on page 6 of the signed document) if they believed more funds were necessary. While we the District would have been unable to fund the large differential Parker was looking for, it was an option they could have sought and billed for if we all agreed.

I am confident in the information Castle Pines North provided and the stand by the fact that no more than \$39,800,000 could have been transferred for the inclusion. As the Finance Director, I could not support pulling millions of dollars from the General Fund to appease Parker. It would have been irresponsible and would have left the General Fund in a difficult situation for years to come.

**March 2022**

## Craig's Corner

Our in-house horticulturist/arborist, Craig Miller, dispenses practical advice for those seeking to simultaneously conserve water and grow thriving, high-visual-impact, drought-tolerant (xeriscape) gardens and landscapes. Please email questions to [craig@cpnmd.org](mailto:craig@cpnmd.org).



### PROPER SELECTION AND PLANTING OF TREES

To give the “instant tree” appearance, larger-caliper trees are often the choice for homeowners. However, the root systems of larger trees also take longer to redevelop in the establishment phase of the life cycle before the trees shift into the growth phase. For this reason, smaller trees are recommended, especially where less than ideal growing conditions exist.

In our climate, with good planting techniques and good soil conditions, it typically takes one growing season per inch of trunk caliper (measured at 6 inches above soil line) for roots to establish following transplanting. That is, a one-inch caliper tree will take one season for the roots to establish, while a three-inch caliper tree will take three seasons. On sites with poor soils and poor planting techniques, the establishment phase may be longer, and trees must live off carbohydrate reserves until roots become established.

In recent years, poor planting techniques have killed more trees than any insect or disease outbreak. For best results and survivability of the tree, follow these planting guidelines: <https://cmg.extension.colostate.edu/Gardennotes/633.pdf>.



**There is plenty of truth in the old adage  
“dig a fifty-dollar hole for a five-dollar tree”.**



## XERIC PLANT OF THE MONTH

Wafer Ash (*Ptelea trifoliata* - pronounced TEA-lee-uh), also known as common hop tree, stinking ash, and skunk bush, is native to Colorado south of Colorado Springs from 5,000' to 9,000', and along rocky stream banks, canyons, and ravines in Oklahoma, Texas, Arizona and New Mexico. In spite of its name, it is not related to the white and green Ash trees (*Fraxinus* spp.) that are so commonly planted in Colorado, and now endangered by the Emerald Ash Borer.



It is a small tree, 10'-15' tall and wide, often multi-trunked. The leaves are ash-like, shiny, and deep green with leaflets grouped in threes (trifoliate). These leaves have a pungent, hop-like fragrance if crushed and turn a beautiful yellow in the fall. The effect of the rich yellow blanket of leaves under the bare tree, which has a cherry tree-like bark, can be stunning.

The small flowers are greenish-white in 2" clusters and bloom in June with a pleasant vanilla fragrance that becomes stronger as the tree gets bigger and bears more flowers. These flowers are not showy, but the circular winged seeds (wafers) that follow in late summer are conspicuous and ornamental. The fruit ripens in October and is held on the tree until winds shake them loose in early winter. These flat fruits have been used as a hops substitute. *Ptelea* can be grown in very dry soils and will do well in full sun and light shade. It can withstand somewhat-degraded habitats. The root system of the Wafer Ash is branching, but its runners do not produce suckers.

