

Board of Directors

1Q Can the board vote to lower fees?

1A No. The rate covenant in the bond documents obligates the BOD to keep fees at a level to insure that services to residents will not be impaired, bond debt can be serviced, and that the systems are operated in compliance with State & Federal law.

2Q What changes can be made if the BOD are replaced or recalled?

2A Not much change. All boards are obligated to lawfully operate the systems, honor the service agreements, maintain qualified & licensed staff, keep facilities maintained, and set fees at a level to insure these commitments. If they do not, they can be ordered to by a court, or a court appointed receiver.

3Q Does a director have an obligation to maintain fair and affordable fees?

3A Affordable fees insure more home sales, resulting in more income which helps keep fees low. The obligation to maintain the fees at a sufficient level is answered in 2 above.

4Q What happens if the BOD fire key personnel, does not operate within the law, and impairs the districts ability to operate lawfully, to sell homes; & to protect the health, safety, and welfare of all?

4A State law provides for a court to appoint a receiver to manage the district, who would take the place of the board. The receiver will not care how high the fees are for the residents; his/her concern will be the operation of the systems. This process would be very negative to home sales and home values.

5Q How much power and authority does the WHMD Board have?

5A The Board must comply with bondholder agreements, agreements with builders and landowners, in addition to compliance with Federal/State law. If the BOD is in compliance with these agreements and laws, they are empowered to govern and operate the district.

6Q Can the Board hire and fire employees anytime they want?

6A Our employees are the key to the efficient & lawful operation of the district. The BOD can replace employees and consultants with other qualified employees and consultants. At no time can the BOD irresponsibly terminate employees, refuse to replace them, and as a consequence fail to operate within the law; or deprive the residents and builders of committed services. Neither can the BOD cut salaries and benefits if such action results in resignations of key employees and a failure of the district to operate the systems lawfully.

7Q Can the BOD violate its service agreements & bond documents?

7A The individual BOD members have a fiduciary responsibility to comply with all agreements for service, and all the covenants in the bond documents. If they do not do so, they can be held responsible for negligence.

Debt/Bond Re-negotiation

10Q Why is WHMD trying to re-negotiate the current bonds?

10A This recession is very severe, and the community is not yet sold out. We must preserve our cash reserve, keep fees affordable. A successful re-negotiation could result in our debt service reduced from 8% to 3.5%. The reduction of debt service could be as much as \$1,000,000 per year savings. Negotiations are ongoing.

11Q What is the current status of the bond re-negotiations?

11A The bondholders and the district have a deal in principal. The final negotiations are not complete. The BOD is not able to give specifics. The BOD is hopeful that this process could be finished within the next few months. In addition, much of the cost of the new deal is being passed on to the homebuilders, and we want them to agree. As soon as final agreements are complete, the community will be fully informed of all the particulars.

WHMD Fees

12Q How do we keep fees low?

12A More home sales, more user fees, stability in operating costs.

13Q What is a mill levy and why don't we have one?

13A Most districts impose a mill levy on their residents and property owners. It is a tax of hundreds or thousands of dollars per year residents have to pay, in addition to their monthly user fee. WHMD has NO mill levy which makes us very affordable, and supports home values.

14Q Are the fees fair?

14A Yes. And low: WHMD has no \$1500/yr (per house) mill levy; total annual fees including mill levy at Meridian Ranch, Banning Lewis, Donala are much higher than ours. All together, our monthly fees for water, sewer, street lighting, park & recreation, are very low compared to comparable communities with mill levies & user fees.

15Q Will fees increase?

15A It is only logical that fees must increase with CPI at least, to keep up with increased costs. The added revenue of additional home sales would allow the BOD to keep these required increases to a minimum.

16Q How much have fees increased since 1997?

16A From \$105/mo to \$144.60/mo. This averages out to a \$39.60 per mo increase in 12yrs. 3%/yr average increase. This is roughly consistent CPI over the same period.

WHMD Expenditures \$

17Q Why is WHMD still purchasing trucks and equipment when we are in a recession?

17A WHMD is required to maintain equipment to effectively run the operations of the water/wastewater within EPA and CO state standards even during a recession. WHMD has operated within its budgets and projections which include provision for equipment replacement and repair (depreciation). In addition to the trucks (that must be kept up and reliable as part of our working fleet for emergency response) we also repair and replace lift station parts, wells & pumps, water treatment plants, pipe leaks, wwtp repair, recreation facility repairs and maintenance, and we constantly service breakdowns. We keep the drinking water safe and the wastewater contained and properly processed, and we do it 24 hours a day, 7 days a week.

18Q Why are we required to build a new wastewater plant when we already have one in operation?

18A We are ordered to do so by the state of Colorado and the federal government (EPA). We are negotiating with our partners in the wwtp, and with new customers, to share the cost. In building the new plant we are complying with the law. A failure to comply results in fines and penalties that cost more than the plant.

19Q Why are we fixing the old lagoon system for \$500K when this could go into the new treatment plant?

19A It will be many years before the new plant is built and operating and we must continue to use the existing plant. The BOD is currently negotiating with other partners to help pay for that cost and keep our part of the expense to a minimum.

20Q Is the cash reserve to be used to subsidize lower fees?

20A The cash reserve must remain sufficient to maintain the vital systems in an aging infrastructure; and to provide for emergencies. This will also keep the WHMD in compliance with the bond documents and to help construct a new plant.

District Manager/Employees

21Q Why do we need a licensed & qualified district manager?

21A The proper operation of our vital systems demands professional management. Our builders insist on it, our bondholders require it, and the BOD must be responsible enough to fill that post.

22Q Why is WHMD spending on so many employees when fewer employees would save money?

22A The BOD is responsible for maintaining an adequate staff. Fewer employees would cost us more money in breakdowns and equipment failures. Fewer employees mean we overwork the ones that remain and have to pay time and a half overtime to complete the work. It results in poor maintenance and potential breakdowns that are more expensive than maintaining adequate staff. Bondholders and builders have agreements that require trained and qualified workforce to be in place. There will be no more or less staff than required to keep the systems lawfully operating and maintained. All board members are obligated to fulfill this responsibility.

23Q Is WHMD so complicated to operate?

23A WHMD operates 24 hours a day/7 days a week: 3 pumping stations, 17+ deep wells, 115 mi of pipelines, WWTP servicing nearly 4000 homes, 3 water treatment plants, 2 Recreation facilities with 3 pools. WHMD answers to the State, Fed Govt, 5 builder developers, thousands of residents, and has nearly \$16 million in bond debt from concerned bondholders, plus 5.5 mil in lease debt. There are over 41 businesses in the district, and more coming. The total investment in homes and businesses exceeds \$600 million. That investment must be protected and served. Any board, no matter how much they want to be independent, must comply with the agreements to serve that this investment demands; if not, the district and the residents will be out of compliance and a court appointed receiver will operate the district.