

EL RANCHO FLORIDA METROPOLITAN DISTRICT 2017 BUDGET MESSAGE

The Budget is a means for citizens to understand the financial aspect of their community government, El Rancho Florida Metropolitan District. It is a guide, a planning document, of amounts to be spent on services within the district. The Budget was developed by the El Rancho Florida Metropolitan District Board of Directors and their Budget Officer. It reflects the projected spending plan for improvements and services associated with the District's road system, water system and common areas.

ELECTION 2004:

In May 2004, the electors of El Rancho Florida Metropolitan District voted to 'De-Bruce', Amendment No.1. This permitted the District to accept, collect, retain and expend the full revenues generated from any and all sources during fiscal year 2004 and each subsequent year, as permitted by law, including and without limitation, the revenues generated from payment of taxes and fees, grants, gifts, loans or any other source of revenue, notwithstanding the provisions of Article X, Section 20 of the Colorado Constitution ("TABOR"), and as a permanent waiver of section 29-1-301, C.R.S. ("5.5% revenue limitation"), or any other law.

Term limitations for the Board of Directors were eliminated in the 1996 election.

ELECTION 2008:

In November 2008, the District asked the electors of El Rancho Florida Metropolitan District for voter approval on Ballot Issue 5C. The ballot issue was passed by the electors with an 85.87% Yes and 14.13% No. The issue allows the District to increase their debt up to \$2,000,000 and assess a mill levy or increase monthly water fees, for needed improvements to the water system. The Board of Directors is also pursuing grants, low interest loans, and Federal and State assistance where ever the District may qualify for funding.

GENERAL FUND:

The General Fund revenues will remain about the same as the 2016 levels. The primary sources of General Fund revenue are projected to be \$15,000 from Highway User Tax and \$43,189 from User Fees. User Fees have increased, due to a reallocation of fees, but this is not an increase to the residents of the District. The General Fund revenues are used to provide contract services, address needed road improvements and maintain equipment associated with continuance of the District road system. In 2010 the District did gravel replacement and dust control on several of the roads throughout the Subdivision. This expense was approximately \$75,000. It is the intention of the Board to do similar types of road maintenance on an annual, rotational basis. In 2016 expenditures of \$40,468 was for gravel and road base to do 'minimal' road repairs due to the impact of the Distribution Line Improvements project. The Board used the balance of the CWAPA loan to fund the 2016 improvements. The remainder of the Road Project will be completed in 2017. The Board has put their grader operator/snow removal contractor on

a part time employee basis. With that decision there are additional expenses related to having employees but the liability concerns are lessened by the decision. For 2017 the Board anticipates annual expenses of \$162,156. A transfer from the Enterprise Fund to the General Fund in the amount of \$55,000 will bring the roads to a condition that is equal to the 'pre-project' condition. Culvert cleaning/maintenance, additional gravel on the roads, dust control, equipment R&M, rodent control and weed spraying will continue to be done on an annual basis.

The District was placed on the State Historical Register in 1996. This made it possible to receive grant money to restore the railroad bridge over the Florida River. The bridge project, upon completion, cost a total of \$95,030, \$60,340 of which was received in grant money from the State of Colorado.

The Board has been assessing a \$10/mo./lot Road Improvement Fee for the past few years. This fee will be adjusted in future years to build a reserve for future road and bridge improvements as needed. An amount of \$15,960 is added annually to the Road Improvement Fund. In 2017, the reserve will decrease by \$85,622 to complete the Road Improvement Project.

ENTERPRISE FUND:

The Enterprise Fund was established to finance services to the District's water system and cover all administrative costs of the District. The 'regular' Revenue sources in 2017 for the Fund will decrease from those of 2016. The regular annual revenue sources include: \$96,386 in User Fees, \$55,860 in Capital Improvement Fees, and projected Water Revenues of \$4,300. The District will have used all the Loan proceeds from the Colorado Water and Power Authority Loan (CWAPA) to complete the Water Improvement Project. Those funds upgraded the lines to 8", placed fire hydrants and valves in the system for looping and isolation purposes in times of water outages. The District has spent approximately \$556,362 on Phase I of the System Improvements Project, those being to the pump station in 2013. Those expenses were paid for thru the CWAPA loan. In 2016, revenue from oil and gas royalties received from BP and RED WILLOW were approximately \$1,600.. The amount received for 2017 will vary as a function of gas use and price but is budgeted at \$1,800.

In October of 2000, the District implemented a special assessment of \$15/lot to help meet the annual lease/purchase payment of the Bowman Tract. The land acquisition was implemented in order to protect the District water quality and supply. The lease/purchase agreement on the Bowman Tract was paid off in August of 2005. In 2006 the Board had decided to increase the \$15/month charge to \$40/month/lot to increase reserve funds for future capital improvements to the water system. This fee was decreased in 2009 to \$30/lot and was spent by the Board of Directors for the addition of a new 158,000 gallon tank. In addition to the reserve funds and grant money (\$110,407) from DOLA (December or early January 2010), the improvements were fully funded without the need to impose a mill levy for 2009 or 2010. The District was anticipating costs for the new tank to run approximately \$ 414,000. However, the actual costs came in below that at \$261,315. The system-wide water study, Preliminary Engineering Plan, was budgeted at

\$94,000 in 2010. Dependent on funding sources, main water line upgrades, pump house improvements, looping of the water lines, meter upgrades, and miscellaneous improvements were completed on a priority basis over the last 2-4 years. The monthly capital reserve fee will be adjusted annually to build a reserve for future repairs/improvements. For 2017 the Capital Assessment is reduced to \$35/mo./lot.

The District levied a property tax to the lot owners in 1986 for the original water system (\$160,000). The bonds were paid in 2001. With the passing of the Ballot Issue 5C in November of 2008, levying a property tax will be a means for future funding of improvements which began 2012. For repayment on the debt in 2016, an amount of \$90,760 was budgeted. To cover the cost of the debt payment in 2016, a tax will be levied based on a 26.100 mill levy. This is higher than 2016 due to the smaller collection of 'previously uncollected' property taxes by La Plata County. These funds are used to make annual payments on the CWAPA Loan of \$1.4 million over the next 16.5 years. The mill levy is adjusted annually based on property values and the debt of the District. Any 'carry over' of collected taxes will be used to reduce the upcoming years collection amount when setting the mill levy in future years.

The Board of Directors implemented a Water Study in 1992 of the current system to determine the water supply and capital improvements for future demands on the water system. That study was updated in 2010 to include looping of the system lines, upgrades to controls for monitoring storage tank levels, main line upgrades, pump house improvements, meter upgrade program, and installation of isolation valves. The District has drilled an auxiliary well as a backup source for our water supply. In 2006, the Board spent \$65,000 to drill a 2 inch well and to upgrade to a 10 inch water line. The larger line addresses the need to increase chlorine retention time before delivery to the first household. Due to the addition of the new well in 2006, and the new filtration system and pump house in 2013, the District has incurred increased maintenance costs for testing, pumping, and insurance.

The budgeted amount for testing in 2017 is \$1,000. This is about the same as the 2015 amount. These costs are related to the re-classification of the District's water system by the State of Colorado. The District's water system was previously classified as a 'ground water system', but after review by the State Engineers it now holds a classification of 'ground water under the direct influence of surface water'. With this new classification the District has incurred additional expense for treatment beyond chlorination in 2012 in the amount of \$68,000 in order to meet the criteria defined by the State. The District had to implement 'interim measures' approved by the State until the completion of the new pump house by December 31, 2012. The new pump house was completed in early 2013.

In 2014 the Board had been working on improvements to the water Distribution System of the District. The estimated costs of the improvements were expected to total around \$1.5 million. Those improvements included replacement & upgrade of the existing water mains, looping of the system and the addition of hydrants and isolation valves. The amount of work to be completed depended on grant funding thru DOLA and the balance of the loan with CWAPA. The amount listed for those improvements in the 2015 is shown in the budget as \$1,190,000. The Board did receive a grant from DOLA

in the amount of \$600,000. With the remaining balance of the CWAPA loan and the DOLA grant the District was able to complete Phase II of the Water System Improvements as planned for the amount of \$1,176,668. Lower than the budgeted amount. The balance of the loan, \$39,520.95 was spent in 2016 on road impacts caused by the water system improvements.

In an effort to have transparency for the tap holders and anyone requiring information on the District, the Board has set up a website where all information on the District's Budget, rates, maps, minutes, agenda of upcoming meetings, notices, etc. can be obtained. The District is linked with the Department of Local Affairs website to enable transparency of the District's operations. The District's web site is: elranchoflorida.org

CONSERVATION TRUST FUND:

Funds for mowing, and improvements to common areas are the expenses budgeted in the Conservation Trust Fund. Money for this fund is received from Colorado State Lottery and amounts to roughly \$900 annually. The improvements for 2017 are budgeted \$5,000 and specific projects will be determined in the summer season.

In 2016, \$4,368 was expensed for upkeep of the beach area and general maintenance at the Common area at the pond and along the river corridor along the Unit I Common area.

PERSONNEL:

The District has changed to part time employees for administrative services, water operation services, road maintenance, and snow removal. These services were previously contract labor. Legal and auditing services are on a contractual basis.

FEE SCHEDULE:

Monthly User Fees = \$90/developed lot per month

Included in the \$90 Base Fee is 10,000 gallons of water. 69% of the base fee is allocated to the operation and maintenance of the water system (\$62.10 per lot/mo). A tiered rate structure is implemented for summer use beyond the 10,000 gallons to encourage conservation of water. Road maintenance is 31% of the \$90 Base Fee (\$27.90/per lot/mo).

Transfer Fees: \$100

Tap Fees: None are anticipated for 2017.

Disconnection Fees: \$100

There are only 5 undeveloped lots in the Subdivision and four have prepaid taps as a part of the existing water system. A tap purchased in 2017 will be an amount required to cover all costs of tapping into the water system. Currently the Tap Fee is set at \$8,000 with an Installation Fee of \$375. Tap Fees are adjusted when needed to reflect current costs associated with tapping into the water system.

Capital Improvement Fees:

A special assessment of \$35/lot per month is charged to pay for capital improvements to the water system in 2017. That assessment will result in \$55,860 of revenue to the District. A Road Improvement Fund was set up in 2010 for future road improvements. Each lot will be charged \$10/mo./lot totaling \$15,480 in 2017, which is slightly lower since there are 4 lots that do not benefit from the road maintenance of the District. Their lots access directly off of CR 510.

Some of the future capital improvements and major replacement/repairs beyond 2016 are:

- Booster pump station improvements
- Line upgrades in cul-de-sacs not previously done
- Fire hydrants in areas of cul-de-sacs
- Meter Upgrades, Reading and Billing Software
- Bridge Improvements

The Board contracted with an engineering firm to propose a capital replacement plan, Preliminary Engineering Plan, for the next 10 to 15 years. The PER was completed in 2010. Grant and financing options will be pursued whenever possible. In the interim, capital assessment fees will continue at \$35/mo./lot for 2017. This fee has been adjusted to cover costs of 'long term' replacement.

METHOD OF ACCOUNTING:

The District operates on a modified accrual basis of accounting each calendar year. An annual Audit or Audit Exemption is performed by a CPA and is sent to the State Auditor for review and approval.