

HAMILTON CREEK METROPOLITAN DISTRICT

2020 Budget Message

The Hamilton Creek Metropolitan District operates under a court approved bankruptcy plan agreed to by all bondholders in January 1990 and effective on February 1, 1990. Under the Plan, all revenues collected from ad valorem taxes, water taps, user fees, development fees and interest income go toward the payment of interest on the "New Bonds" after the District has first paid its operating expenses, bond principal and contribution to capital reserves. The principal on the Bonds was paid off December 1, 2004. There are no interest payment dates after December 1, 2004.

The District takes the position that the Tabor Amendment is a retrospective law and is not retroactive on the District's Amended Plan for Adjustment of Debt. It is the District's understanding that the spirit and intent of the Tabor Amendment is to prevent governmental entities from unnecessarily raising taxes and creating excessive and unwarranted burdens upon taxpayers. The District shares this philosophy. The District wishes to continue to provide service to its taxpayers in the most efficient and cost effective way possible without placing an unnecessary burden on them. The only viable means of promoting the health and welfare of the District is to proceed under the terms of the Plan.

Services to be delivered. The Hamilton Creek Metropolitan District is organized as a Colorado Special District. The 2020 budget includes funding to provide water service, septic system pumping, forest management, road maintenance and snow plowing.

System of accounting. The District utilizes a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual, i.e., both measurable and available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, if measurable.

Fund accounting. The District reports only a General Fund. The General Fund is the District's operating fund and accounts for all financial resources of the District.

Property taxes. The mill levy for 2020 is 40 mills, the amount set by the 1990 bankruptcy ruling. The District is unsure at this time regarding how long the mill levy imposed by the ruling will apply as the principal of the bonds has been paid off and the documentation (bonds) returned by the holders.

The assessed valuation of the District is \$9,553,059. Based on the mill levy this will realize \$382,122 in tax revenue. The Summit County Treasurer collection fee of 5% will be \$19,106.

Development fees. A fee of \$5,000 is collected on the original sale of property from the developer. A \$5,000 fee is also collected on any property on which an assessor's unit (as defined and/or approved by Summit County) is built. The last developer lot was sold in 2014 and the development fee collected.

Water tap fees. Tap fees are collected prior to authorizing a building permit. Tap fees for 2020 are \$10,000. The District has 102 improved lots. One new home was completed in 2018. There are 18 unimproved lots. The District cannot assume all of these properties will be built on as owners may abandon lot lines (subject to approval by Summit County Government), or not build on lots to provide more open space around their property. The District does not anticipate any new tap fees for construction to be sold in 2020.

Bond interest and principal. The District has no outstanding bond principal after the principal payment on December 1, 2004. The principal payment was funded by US Treasury Strips purchased in 1985 from proceeds from the original bond. The 1990 bankruptcy ruling allowed the District to first pay operating expenses, bond principal and reserve a capital fund amount prior to any interest payment. Interest not paid to the bondholders is referred to as accrued interest and is paid prior to any current interest payments. As the 1990 bankruptcy ruling allows the District to operate on a “cash flow” basis, the 10th Circuit Court of Appeals held the District would never be in default as long as it operated in accordance with the plan. Language in the opinion stated the debt was perpetually escapable from contingencies in the Plan. The District no longer accrues or reflects accrued interest as a payable per the legal interpretation of the court rulings.

User fees. District customers in 2020 will be billed in arrears. The quarterly rates per residence are:

Base rate	\$ 130	
Usage from 0 to 15,000 gallons	\$ 3	per 1,000 gallons
Usage from 15,001 to 25,000 gallons	\$ 5	per 1,000 gallons
Usage from 25,001 to 40,000 gallons	\$ 10	per 1,000 gallons
Usage over 40,000 gallons	\$ 15	per 1,000 gallons

The District will provide service to 102 homes that is projected to realize \$65,000 in user fees for 2020.

Interest. All District funds are held in interest bearing accounts. Funds are transferred to a non-interest-bearing checking account as payment checks are issued. Interest is paid to the District from Summit County collection of past due property taxes.

Snow removal. The District contracts for snow removal on the main roads and county designated side roads within the District. The contract for the upcoming winter season is based on an hourly rate of \$125 per hour. There is an additional fee for any sand used on the roads. The 2020 budget for snow removal is \$60,000.

Road maintenance. The District does annual maintenance on the roadways, including crack filling and patching to extend the life of the roadway prior to needing to resurface the roads. The basis of the road maintenance budget is:

Crack filing	\$ 10,000
Asphalt repairs	\$ 10,000
Shoulder & drainage repair	\$ <u>5,000</u>
TOTAL	\$ 25,000

Water maintenance. The District contracts operation of the water system to a licensed water operator. The contract includes routine water testing as required by the State of Colorado and overall supervision of the operation of the District's wells, water tank and distribution system. Maintenance work required beyond the contracted services is an additional cost. The District has used surface water from Hamilton Creek as the exclusive source of water since August 2003. Allocation of the water maintenance budget is:

Operations contract	\$ 52,450
Other repairs and maintenance	22,000
Chemicals, testing and supplies	4,000
System upgrades	<u>4,000</u>
TOTAL	\$ 82,450

Forest Maintenance. Substantial portions of the area served by the Metropolitan District are forested. The District will rely on the County's chipping program for a majority of the chipping and removal of dead trees. The budget allocated \$750 for materials for weed control which is expected to be completed by volunteers.

Utilities. The utility billing is for the cost of electricity to run the well pump and heat the pump house. The cost will fluctuate based on the water volume used by the District and the season.

Septic pumping. The District is following a schedule of pumping individual septic systems on a three-year cycle. It is anticipated this schedule may be modified in the future to reflect the year round occupancy of some District residents. A total of 30 septic systems were pumped in 2019. There are 37 systems scheduled for pumping in 2020.

Administration. Services provided by the administrator include financial management, budget preparation and the general supervision of District operations.

Bookkeeping. Services provided by the bookkeeper include billing and financial statements.

Audit. The CPA firm of McMahan & Associates prepared the 2018 audit for the District.

Director fees. The District compensates directors \$100 for each board meeting attended. There are five directors and quarterly meetings.

Insurance. The District is a member of the Special District insurance pool that provides competitive rates on property, content, liability and public officer insurance.

Office supplies and postage. Costs are for billing, correspondence postage, Consumer Confidence Report preparation, web site maintenance and office supplies. All records of the District are being scanned and stored electronically. The District web site has public information available including budgets, board minutes and the annual audit.

Membership dues. The District belongs to the Special Districts Association of Colorado. The Association provides newsletters, seminars and lobbying efforts on behalf of special districts. Also, the insurance for the District is through a liability pool organized by the Special District Association. Membership cost is based on the District budget. The District also belongs to the Rural Water Association. This Association provides specialized information for small public water suppliers, training seminars and an annual trade show attended by representatives of the District. The District also shares cost with other entities to maintain the meter reading system infrastructure and online mapping capabilities.

Miscellaneous expenses. Bank fees and other minor expenses not allocated to other areas.

Capital Fund and Notes Payable. The District completed construction of a new water treatment facility in 2014. The facility utilizes microfiltration for water treatment. The facility was funded by existing reserves and \$600,000 in loans from residents. The loans from the residents were paid annually with a final payment in 2018.

Property Taxes. The August Certification of Valuation by County Assessor reports an assessed valuation that increased 12% over last year's valuation, resulting in an estimated \$40,000 increase in property tax income to the District.

Capital Projects. Capital projects for 2020 include \$30,000 for water main valve installations to improve distribution system operability and \$150,000 for replacing sections of road base and asphalt.

**HAMILTON CREEK METRO DISTRICT
2020 BUDGET**

	2018 Annual Actual	2019 (Jan-Sep) Actual	2019 (Oct-Dec) Forecast	2019 Annual Budget	2019 Annual Bud to Forecast Variance	2020 Draft Annual Budget
Beginning Fund Balance				491,612.52		668,725.17
Ordinary Income/Expense						
<i>Income</i>						
Legal Settlement Income	0.00	0.00	0.00	0.00	0.00	0.00
Insurance Claim	0.00	0.00	0.00	0.00	0.00	0.00
Property Tax Income	341,683.72	340,726.68	0.00	341,391.00	-664.32	382,122.36
Specific Ownership Tax Income	20,328.91	14,535.83	2,464.17	17,000.00	0.00	17,000.00
Tap Fees	10,000.00	10,000.00	0.00	0.00	10,000.00	0.00
Late Fee Income		225.00	0.00	0.00	225.00	0.00
Status Request Fees		45.00	0.00	0.00	45.00	0.00
User Fees	66,329.04	50,702.77	14,297.23	65,000.00	0.00	65,000.00
Total Income	438,341.67	416,235.28	16,761.40	423,391.00	9,605.68	464,122.36
<i>Expense</i>						
Administration Expense						
Administration						
Bookkeeping	6,077.50	4,593.76	1,706.24	6,300.00	0.00	6,300.00
Manager	27,289.96	20,447.28	6,815.72	27,263.00	0.00	28,108.66
Office Supplies	413.28	525.98	400.00	1,000.00	-74.02	1,000.00
Other Admin	742.85	256.00	0.00	0.00	256.00	400.00
Total Administration	34,523.59	25,823.02	8,921.96	34,563.00	181.98	35,808.66
Bank Fees	6.00	35.00	0.00	100.00	-65.00	100.00
Loan Interest Expense	6,351.00	0.00	0.00	0.00	0.00	0.00
Director Fees	1,900.00	1,200.00	500.00	2,000.00	-300.00	2,000.00
Insurance Expense						
Liability for D&O	4,835.13	4,333.33	0.00	5,000.00	-666.67	5,000.00
Workers Comp	0.00	0.00	0.00	250.00	-250.00	0.00
Total Insurance Expense	4,835.13	4,333.33	0.00	5,250.00	-916.67	5,000.00
Membership Dues	1,309.14	857.24	0.00	1,000.00	-142.76	1,000.00
Miscellaneous	0.00	51.10	0.00	500.00	-448.90	
Professional Fees						
Audit	6,150.00	6,350.00	0.00	7,000.00	-650.00	7,000.00
Legal	361.90	1,297.50	5,000.00	10,000.00	-3,702.50	10,000.00
Other	0.00	3,250.00	0.00	0.00	3,250.00	10,000.00
Litigation	605.00	0.00	0.00	0.00	0.00	0.00
Total Professional Fees	7,116.90	10,897.50	5,000.00	17,000.00	-1,102.50	27,000.00
Summit Co Treasurer Fees	17,086.96	17,048.15	0.00	17,070.00	-21.85	17,070.00
Total Administration Expense	73,128.72	60,245.34	14,421.96	77,483.00	-2,815.70	87,978.66
Depreciation Expense	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	1,000.00	0.00	1,000.00	0.00
Operations Expense						
Forest Maintenance	0.00	0.00	0.00	750.00	-750.00	750.00
Road Maintenance	50,236.21	4,185.23	0.00	30,000.00	-25,814.77	25,000.00
Septic System Cleaning	11,590.00	13,580.00	0.00	16,000.00	-2,420.00	16,000.00
Snow Removal	41,166.00	53,860.50	20,000.00	30,000.00	43,860.50	60,000.00
Utilities						
Internet & Telephone	1,400.97	1,335.93	264.07	1,600.00	0.00	1,600.00
Utilities	8,605.03	7,187.74	2,312.26	9,500.00	0.00	9,500.00
Total Utilities	10,006.00	8,523.67	2,576.33	11,100.00	0.00	11,100.00
Water System Maintenance						
Maintenance	44,884.23	18,526.28	10,000.00	30,000.00	-1,473.72	30,000.00
Manager	49,440.00	38,192.40	12,730.60	50,923.00	0.00	52,450.69
Water System Maintenance - Other	0.00	0.00	0.00	0.00	0.00	
Total Water System Maintenance	94,324.23	56,718.68	22,730.60	80,923.00	-1,473.72	82,450.69
Total Operations Expense	207,322.44	136,868.08	45,306.93	168,773.00	13,402.01	195,300.69
Total Expense	280,451.16	197,113.42	59,728.89	246,256.00	10,586.31	283,279.35
Net Ordinary Income	157,890.51	219,121.86	-42,967.49	177,135.00	-980.63	180,843.01
Other Income/Expense						
<i>Other Income</i>						
Interest Income	3,231.35	3,106.53	0.00	1,500.00	1,606.53	3,000.00

**HAMILTON CREEK METRO DISTRICT
2020 BUDGET**

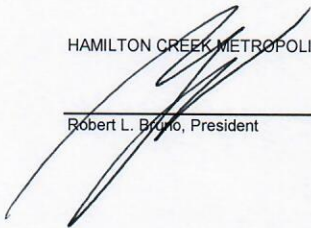
Total Other Income	<u>3,231.35</u>	<u>3,106.53</u>	<u>0.00</u>	<u>1,500.00</u>	<u>1,606.53</u>	<u>3,000.00</u>
Other Expense						
Capital Expense						
Water System Capital	12,250.08	2,148.25	20,000.00	30,000.00	-7,851.75	30,000.00
Road System Capital	<u>0.00</u>	<u>0.00</u>	<u>17,000.00</u>	<u>120,000.00</u>	<u>-103,000.00</u>	<u>150,000.00</u>
Total Capital Expense	<u>12,250.08</u>	<u>2,148.25</u>	<u>37,000.00</u>	<u>150,000.00</u>	<u>-110,851.75</u>	<u>150,000.00</u>
Total Other Expense	<u>12,250.08</u>	<u>2,148.25</u>	<u>0.00</u>	<u>150,000.00</u>	<u>-147,851.75</u>	<u>150,000.00</u>
Net Other Income	<u>-9,018.73</u>	<u>958.28</u>	<u>0.00</u>	<u>-148,500.00</u>	<u>149,458.28</u>	<u>-147,000.00</u>
Net Income	<u>148,871.78</u>	<u>220,080.14</u>	<u>-42,967.49</u>	<u>28,635.00</u>	<u>148,477.65</u>	<u>43,843.01</u>
Loan Principal Payments	<u>115,480.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Adjusted Income	<u>33,391.78</u>	<u>220,080.14</u>	<u>-42,967.49</u>	<u>28,635.00</u>	<u>148,477.65</u>	<u>43,843.01</u>
End Fund Balance	<u>491,612.52</u>			<u>520,247.52</u>		<u>702,568.18</u>

This document is a true and accurate copy of the budget for the Hamilton Creek Metropolitan District adopted for 2020 by the Board of Directors on November 12, 2019.

SEAL



HAMILTON CREEK METROPOLITAN DISTRICT


Robert L. Bruno, President