

## **HAMILTON CREEK METROPOLITAN DISTRICT**

### **2024 FINAL 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 2024 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. The Board approved a policy to keep \$200,000 minimum in cash reserves for emergencies.

Property taxes. The mill levy for 2024 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 \$17,900,420 as certified by the County Assessor, subject to a final certification adjustment on December 15<sup>th</sup>, of \$17,033,860 . Based on the mill levy this will realize \$716,016.80 in tax revenue ( \$681,354 as adjusted by the final certification). The Summit County Treasurer collection fee of 5% will be \$35,800.84.

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 accessory 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 2024 are \$10,000. The District has 106 improved lots. There are 14 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 budget for any new tap fees for construction to be sold in 2024.

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 10<sup>th</sup> 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 2024 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 106 homes and is projected to realize \$65,000 in user fees for 2024.

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 designated side roads within the District. The contract for the upcoming winter season is based on an hourly rate of \$135 per hour. There is an additional fee for any sand used on the roads. The 2024 budget for snow removal is \$70,000.

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	\$ 7,500
Asphalt repairs	\$ 7,500

Shoulder & drainage repair	\$ <u>5,000</u>
TOTAL	\$ 20,000

Water system 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. Major water system maintenance projects budgeted for 2024 include \$30,000 for routine maintenance and testing, and \$100,000 for water plant repair and upgrade projects.

Forest Maintenance. Substantial portions of the area served by the Metropolitan District are forested. The District will rely on the County's chipping program to dispose of deadfall gathered by community volunteers. 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. There are 23 systems scheduled for pumping in 2024.

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 2022 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.

Capital Projects. Capital projects for 2024 include \$100,000 for water tank valve engineering, hydraulic study, and Hamilton Creek flow monitoring.

**EXHIBIT A**

	2022 Annual  Actual	2023 (Jan-Sep)  Actual	2023 (Oct-Dec)  Forecast	2023 Annual  Budget	2023 Annual Bud to Act Variance	2024 Proposed  Annual Budget
<b>Ordinary Income/Expense</b>						
<i>Income</i>						
Legal Settlement Income	257.61	1,391.73	0.00	0.00	1,391.73	0.00
Insurance Claim	0.00	0.00	0.00	0.00	0.00	0.00
Property Tax Income	439,623.80	429,013.83	0.00	427,974.80	1,039.03	681,354.00
Specific Ownership Tax Income	21,628.67	15,685.66	5,300.00	21,000.00	-14.34	21,000.00
Tap Fees	10,000.00	10,000.00	0.00	0.00	10,000.00	0.00
User Fees	67,502.86	50,364.46	15,000.00	65,000.00	364.46	65,000.00
Late Fee Income	1,175.00	1,275.00	0.00	0.00	1,275.00	0.00
Status Request Fees	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Income</b>	<b>540,187.94</b>	<b>507,730.68</b>	<b>20,300.00</b>	<b>513,974.80</b>	<b>14,055.88</b>	<b>767,354.00</b>
<i>Expense</i>						
<b>Administration Expense</b>						
Bookkeeping	6,091.25	5,010.00	1,775.00	6,785.00	0.00	7,124.25
Manager	30,284.04	24,461.91	8,154.07	32,615.98	0.00	34,376.00
Office Supplies	1,708.39	701.33	400.00	1,300.00	-198.67	1,300.00
Bank Fees	154.00	152.00	48.00	200.00	0.00	200.00
Director Fees	1,400.00	1,200.00	1,000.00	2,000.00	200.00	2,000.00
Total Insurance Expense	6,162.00	7,260.00	0.00	6,500.00	760.00	7,500.00
Membership Dues	1,016.98	1,384.77	0.00	1,200.00	184.77	1,400.00
Miscellaneous	0.00	397.45	100.00	500.00	-2.55	500.00
Professional Fees	330.00	0.00	1,000.00	5,000.00	-4,000.00	5,000.00
Audit	7,100.00	7,700.00	0.00	7,300.00	400.00	8,000.00
Legal	4,305.68	6,412.00	5,000.00	12,000.00	-588.00	12,000.00
Litigation	0.00	0.00	0.00	0.00	0.00	0.00
Summit Co Treasurer Fees	21,958.42	21,407.92	0.00	21,398.74	9.18	35,800.84
<b>Operations Expense</b>						
Forest Maintenance	0.00	0.00	750.00	750.00	0.00	750.00
Road Maintenance	6,930.00	1,615.00	10,000.00	20,000.00	-8,385.00	20,000.00
Septic System Cleaning	17,370.00	17,200.00	0.00	22,000.00	-4,800.00	12,995.00
Snow Removal	74,256.35	52,128.13	30,000.00	60,000.00	22,128.13	70,000.00

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	2022 Annual  Actual	2023 (Jan-Sep)  Actual	2023 (Oct-Dec)  Forecast	2023 Annual  Budget	2023 Annual Bud to Act Variance	2024 Proposed  Annual Budget
Internet & Telephone	2,316.73	1,684.61	1,000.00	2,500.00	184.61	2,700.00
Utilities	10,688.25	8,464.10	3,500.00	12,000.00	-35.90	13,000.00
Maintenance	107,379.99	24,903.46	49,245.65	70,000.00	4,149.11	130,000.00
Manager	55,645.08	42,985.53	23,880.87	57,314.06	9,552.34	59,033.48
<b>Total Expense</b>	<b>355,097.16</b>	<b>225,068.21</b>	<b>135,853.59</b>	<b>341,363.78</b>	<b>19,558.02</b>	<b>423,679.57</b>
<b>Net Ordinary Income</b>	<b>185,090.78</b>	<b>282,662.47</b>	<b>-115,553.59</b>	<b>172,611.02</b>	<b>-5,502.14</b>	<b>343,674.43</b>
<b>Other Income/Expense</b>						
<b>Other Income</b>						
Interest Income	17,833.00	43,332.83	2,000.00	5,000.00	40,332.83	20,000.00
<b>Total Other Income</b>	<b>17,833.00</b>	<b>43,332.83</b>	<b>2,000.00</b>	<b>5,000.00</b>	<b>40,332.83</b>	<b>20,000.00</b>
<b>Other Expense</b>						
Capital Expense						
Water System Capital	7,266.25	7,796.80	50,000.00	100,000.00	-42,203.20	100,000.00
Road System Capital	4,125.00	3,630.00	450,000.00	600,000.00	-146,370.00	0.00
Total Capital Expense	11,391.25	11,426.80	500,000.00	700,000.00	-188,573.20	100,000.00
<b>Total Other Expense</b>	<b>11,391.25</b>	<b>11,426.80</b>	<b>500,000.00</b>	<b>700,000.00</b>	<b>-188,573.20</b>	<b>100,000.00</b>
<b>Net Other Income</b>	<b>6,441.75</b>	<b>31,906.03</b>	<b>-498,000.00</b>	<b>-695,000.00</b>	<b>228,906.03</b>	<b>-80,000.00</b>
<b>Net Income</b>	<b>191,532.53</b>	<b>314,568.50</b>	<b>-613,553.59</b>	<b>-522,388.98</b>	<b>223,403.89</b>	<b>263,674.43</b>
<b>Beginning Fund Balance</b>	<b>426,614.41</b>	<b>1,013,132.00</b>	<b>1,327,700.50</b>	<b>613,988.18</b>		<b>714,146.91</b>
<b>Ending Fund Balance</b>	<b>1,013,132.00</b>	<b>1,327,700.50</b>	<b>714,146.91</b>	<b>91,599.20</b>		<b>977,821.34</b>