

HAMILTON CREEK METROPOLITAN DISTRICT

2001 Debt Service Fund Budget

	1999 Actual	2000 Budget	2000 11 mo YTD	2000 1 mo Estimate	2000 Projected	2001 Budget
BEGINNING FUND BALANCE	227,970	175,495	175,495		175,495	29,192
REVENUES						
Property tax	162,438	217,278	217,110	0	217,110	216,505
Specific ownership tax	15,780	13,000	17,987	1,000	18,987	18,000
Development fees	0	5,000	5,000	0	5,000	5,000
Water tap fees	21,000	8,400	8,400	0	8,400	8,800
Water project loan / grant	0	0	0	0	0	400,000
TOTAL REVENUES	199,218	243,678	248,497	1,000	249,497	648,305
EXPENDITURES						
Bond interest	25,000	10,000	10,000	0	10,000	0
Bond principal	1,000	1,000	1,000	0	1,000	1,000
Treasurer fees	8,132	10,864	10,881	0	10,881	10,825
Bond administration	40,500	32,000	29,505	1,500	31,005	10,000
Bond attorney	132,399	90,000	71,970	15,000	86,970	75,000
Bond miscellaneous	8,238	13,000	12,156	0	12,156	5,000
Transfer to general fund	36,424	249,380	223,663	20,125	243,788	562,050
SUBTOTAL	251,693	406,244	359,175	36,625	395,800	663,875
INCREASE (DECREASE) RESERVES	(53,390)	(165,742)			(147,218)	(15,409)
INCREASE (DECREASE) EMERGENCY	915	3,176			915	(161)
ACCUMULATED RESERVES	168,865	3,123			21,647	6,238
ACCUMULATED EMERGENCY	5,715	8,891			8,891	8,730
ENDING FUND BALANCE	175,495	12,929			29,192	13,622

This document is a true and accurate copy of the budget for the Hamilton Creek Metropolitan District adopted for 2001 by the Board of Directors on December 11, 2000.

HAMILTON CREEK METROPOLITAN DISTRICT

SEAL

Kolbjorn Tenfjord, President

HAMILTON CREEK METROPOLITAN DISTRICT

2001 General Fund Budget

	1999 Actual	2000 Budget	2000 11 mo YTD	2000 1 mo Estimate	2000 Projected	2001 Budget
BEGINNING FUND BALANCE	0	0			0	0
REVENUES						
User fees	34,382	37,500	37,122	0	37,122	39,000
Interest	11,681	10,000	7,990	200	8,190	3,500
Connect fees	50	100	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Transfer from debt fund	36,424	249,380	223,663	20,125	243,788	562,050
TOTAL REVENUES	82,537	296,980	268,775	20,325	289,100	604,550
EXPENDITURES						
Road maintenance	19,360	30,000	19,052	5,000	24,052	75,000
Water system maintenance	32,982	212,000	193,564	12,500	206,064	450,000
Forest maintenance	0	11,000	10,580	0	10,580	25,000
Utilities	1,409	1,750	1,397	150	1,547	1,750
Septic system cleaning	5,357	9,430	10,714	0	10,714	13,500
Administration	16,200	19,800	22,988	1,800	24,788	24,000
Audit	1,900	2,200	5,200	0	5,200	3,500
Director fees	825	1,500	375	375	750	1,500
Insurance	1,257	1,500	1,245	0	1,245	1,500
Legal	1,439	5,000	699	250	949	5,000
Office supplies and postage	197	500	898	100	998	1,250
Membership dues	515	600	806	0	806	850
Telephone	850	1,200	950	75	1,025	1,200
Miscellaneous	246	500	307	75	382	500
Capital - road	0	0	0	0	0	0
Capital - water system	0	0	0	0	0	0
Capital - other	0	0	0	0	0	0
TOTAL EXPENDITURES	82,537	296,980	268,775	20,325	289,100	604,550
NET INCOME	0	0	0	0	0	0
ENDING FUND BALANCE	0	0			0	0

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HAMILTON CREEK METROPOLITAN DISTRICT

SEAL

Kolbjorn Tenfjord, President

HAMILTON CREEK METROPOLITAN DISTRICT

2001 Budget Note

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 District is obligated to make interest payments of 11.25% to the bondholders on June 1 and December 1 of each year only to the extent Debt Service Funds are available.

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 special district. The 2001 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 uses Fund Accounting to segregate monies based on designated uses. The funds are the General Fund for operations, the Debt Fund for bond principal and interest payments, and the Capital Fund for capital improvements as authorized by the bankruptcy ruling. Primary revenues for the General Fund and Capital Fund are transferred as needed to pay operation costs from the Debt Fund.

Presentation of the budget consolidates the General and Capital Funds to a single page to provide a better overall view of the District operations.

Property taxes. The mill levy for 2001 is 40 mills, the maximum allowed by the 1990-bankruptcy ruling. District revenues will still not cover the full interest obligation to bond holders, however the 1990 bankruptcy ruling limited the mill levies to specific levels. The District's position is that the Tabor Amendment regarding mill levy and revenue restrictions is not retroactive to the court approved Plan.

The assessed valuation of the District is \$5,412,930. Based on the mill levy this will realize \$216,505 in tax revenue. The Summit County Treasurer collection fee of 5% will be \$10,825.

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 assessory unit (as defined and/or approved by Summit County) is built. There currently are 4 remaining lots to be sold by the developer. The 2001 budget estimates the sale of one lot. One developer lot was sold in 2000.

Water tap fees. Tap fees are collected prior to authorizing a building permit. The budget projects two tap fees at \$4,400 each to be sold in 2001. There currently are 47 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. There were two water tap fees sold in 2000.

Bond interest and principal. The District is required to pay \$1,000 in principal each December 1st. The District is also required to pay \$238,050 in interest in two installments due June 1st and December 1st. The principal of the bonds, due December 1, 2004, is secured by US Treasury Strips that will fund the payoff. The 1990 bankruptcy ruling allows the District to first pay operating expenses, bond principal and reserve a capital fund amount prior to any interest payment. The District is allowed to partially pay the interest due in any year to the extent of funds available after the above allocations. Interest not paid to the bondholders is referred to as accrued interest and is paid prior to any current interest payments. District worksheets reflect, as of December 1, 2000 the amount of accrued interest due bondholders is \$5,125,983.30. The District presented bondholders with a repurchase plan in 1996 which was accepted by 99 out of 110 bondholders. The District filed in Federal Bankruptcy Court to have the repurchase plan approved as a settlement for all bondholders. The Bankruptcy Court ruled on September 19, 1996 that the District was not able to utilize a Chapter 9 filing for this approval. The ruling of the Bankruptcy Court was appealed to Federal District Court that did not reverse the Bankruptcy Court ruling. The 10th Circuit Court of Appeals issued an opinion on May 15, 1998 that held the District would not be able to utilize the Bankruptcy Court as it was not in default. As the 1990 bankruptcy ruling allows the District to operate on a "cash flow" basis, the 10th Circuit 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 10th Circuit found the District to date had operated in accordance with the plan.

In 1997 the District was issued an enforcement order by the State of Colorado Health Department to bring fluoride in the water of the District below the 4.0 mg/l maximum contaminant action level. In 1998 the District filed a legal action in Colorado District Court for a declaratory ruling addressing if funds used to meet the statutory regulations were an operating expense and available prior to the payment of interest to Bondholders. In November 1999 the District, in a mediation hearing required by the Court, offered a settlement to the Bondholders of either \$250,000 per year for five years or one million dollars in 2000 as a full payment of interest due. The principal scheduled for payment in 2004 would be paid as scheduled. The settlement would have removed the District from bankruptcy and the District would then have been responsible for the cost of the water repair. The Bondholders, represented by one holder at the

hearing, rejected the proposal. The District made a settlement with the State of Colorado agreeing to meet the statutory requirements for fluoride within 18 months of a decision in this action. A two day trial was held February 22nd and 23rd, 2000. The Court ruled, on June 22, 2000, that the cost of repairing the water system to meet statutory regulations was an operating expense payable prior to interest to the Bondholders per the Plan. The District currently is engineering corrections to the water system that they anticipate will be completed in 2001. As a result of the expense for the water repair, the District does not anticipate having available cash flow for interest payments in 2001 to bondholders. The Bondholders have appealed the decision.

User fees. District customers in 2001 will be billed a flat rate of \$125 per quarter which includes water usage up to 15,000 gallons per quarter and the pumping of the individual septic system on a regularly scheduled basis. Water usage in excess of the 15,000 gallons is billed at \$3 per 1,000 gallons. The District will provide service to 75 homes that is projected to realize \$39,000 in user fees for 2001.

Interest and connection fees. The District projects reduced interest income in 2001 due to the expenditures of funds for water repairs. All District funds are held in interest bearing accounts. Funds are transferred to a non-interest-bearing checking account as payment checks are issued.

The increase in the tap fees for 2001 will include the connection fee previously charged at \$50. The line item for connection fees will be eliminated in future years.

Road maintenance. The District contracts for snow removal on the roads and paved driveways within the District. The contract for the upcoming winter season is based on hourly rates between \$70 and \$95 per hour depending on the equipment used. A minimum of \$650 per month is payable from November through April 15th. There is an additional fee for any sand used on the roads.

The District anticipates contracting in 2001 for a seal coat on all District maintained roads. Regular sealing of the roads is used to avoid more expensive maintenance cost in the future.

The basis of the road maintenance budget is:

Snow removal	\$ 25,000
Road repairs	5,000
Road sealing	<u>45,000</u>
TOTAL	\$ 75,000

Water maintenance. The District contracts operation of the water system to a licensed water operator. The contracts include 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. Specialized water testing, semi-annual operations maintenance, line inspections and maintenance requests from the District are billed separately. The District anticipates repair of the water system in 2001 to meet the statutory requirement for fluoride. A loan or grant would be required by the District to fund the repairs. A loan would be repaid in future years from revenues. The

budgeted repairs cost is based on installation of a well at a site near the existing pump house. Water testing indicates the suitability of surface water from Hamilton Creek from the same area, should the ground water not be available in the required quantity or of the necessary quality. If surface water were the only source available to the District, cost of the water repair would increase substantially. Meeting surface water treatment standards would require an additional \$1.5 million in funding. Allocation of the water maintenance budget is:

Operations contract	\$ 12,000
Routine maintenance & repair labor	18,000
Chemicals, testing and supplies	20,000
System repairs (fluoride problem)	<u>400,000</u>
 TOTAL	 \$ 450,000

During 1997 the District received an enforcement order from the Colorado Department of Health due to the District's water supply exceeding the 4.0 mg/l level for fluoride. All testing since 1997 of fluoride levels in the water provided by the District reflected levels in excess of 4.0 mg/l. The District has had engineering studies done by several firms since 1997 to determine the best solution available. Testimony in the Colorado District Court action in February 2000 by Rothberg, Tamburini, Winsor estimated the cost to exceed one million dollars. Subsequent design work indicated the expense could exceed two million dollars. The District has considered at least five different solutions utilizing water sources within and outside the District. During the summer and fall of 2000 the District continued to consider alternate solutions in an effort to find a long-term, cost efficient water system correction. The amount budgeted is the result of determining an alternative that may provide a solution, pending summer 2001 well drilling, below the cost previously estimated. An alternate solution in the same area using surface water would be at a higher expense, but still below the original estimate.

Forest Maintenance. Substantial portions of the area served by the Metropolitan District are forested. The values of property within the District would be strongly affected by loss of forested areas. The District charter directed forest management as part of the activities to be provided. The District in 1998 had an investigation of the forested areas by a forest management company. They indicated the forest presently was in good condition and there was currently no evidence of pine beetle infestation. The report recommended the District instigate a long-term forest management program including selective thinning, spruce tree seedling planting and selective chemical treatment of diseased trees. A late spring 2000 snowstorm caused substantial damage to the forest area. Expense in 2000 was for the clean up of the damage and for the removal of several trees that were infested with pine beetle. The 2001 budget reflects the cost of anticipated forest management work as part of a long-term plan.

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 23 septic systems were pumped in 2000. There are 28 systems scheduled for pumping in 2001.

Administration. Services provided by the administrator include billing, financial statements, financial management, budget preparation and the general supervision of District operations. The District has contracted with Mountain Systems, Inc. at a monthly cost of \$2,000 for administration services for 2001.

Audit. The CPA firm of Hiratsuka & Schaus, L.L.P. prepared the 1999 audit for the District. They are contracted for the next two years. Hiratsuka & Schaus specializes in governmental audits and are considered experts in government accounting. Additional costs were incurred in 2000 for review of prior audits to conform to statutory requirements and due to the complications of the bankruptcy of the District.

Director fees. The District compensates directors \$75 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.

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. In 2000 the District joined 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.

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

Capital fund. No capital expenditures are included for 2001. The funding for capital projects is from the capital reserve fund as designated by the bankruptcy ruling. The District has prepared a separate summary of the capital reserves funding and allocation. 1996 was the last year of funding the capital reserve fund under the bankruptcy agreement. The reconciliation of the funds by the District indicates a \$55,000 balance at the end of 2000.

The District in 1993 made bond interest payments in excess of the available cash after the allocation to the capital reserve fund. Future year bondholder interest payments would need to be reduced by this amount to fully fund the capital reserves. A separate summary of the bond interest allocation has been prepared.

Bond attorney and administration fees. The District amended the 2000 budget to cover legal fees from the Colorado District Court actions. As the action originally was scheduled for trial in 1999 and the District has anticipated a settlement of the issue, no legal fees had been budgeted. The District prevailed in the June 22, 2000 ruling of the Colorado District Court. Legal fees and bond administration fees are budgeted for 2001 as the Bondholders have appealed the decision. The District anticipates the appeal to be heard later in 2001 or 2002. It is possible the appeal may continue to higher courts.