

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 7

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2024 Budget and Operations Fee Increase FAQ

1. Where can I find a copy of the District's 2024 budget?

The draft 2024 Budget, as presented to the Board at its December 4, 2023, meeting is included in the Agenda/Meeting Packet under the "Meeting Information Tab" and was adopted subject to the District's receipt from Adams County of the final assessed valuation for property in the District in January. The ability of all governmental entities (including the District) to finalize their budgets, has been delayed because of new laws enacted by the Colorado legislature during its special session in November. The final assessed valuation may require minor revisions to the draft 2024 Budget, but will not result in any changes to the budgeted expenditures nor the amount of property taxes paid by residents shown on the draft 2024 budget. The final budget will also reflect increases in fee revenues received as a result of an increase in the number of new homes that are anticipated to be completed in 2024.

The District's annual budgets as adopted by the Board of Directors through the 2023 fiscal year are posted on the District's web site, together with the District's annual audits, under the "Financial Information" tab.

2. What is the purpose of the Operations Fee and how was the rate increase determined?

The District imposes the following fees:

- **Operations Fee:** This fee, which homeowners pay on a quarterly basis, is intended to supplement General Fund mill levy (i.e., property tax) revenues, which are insufficient to fully fund the District's annual administrative, operations and maintenance costs. These costs also include covenant enforcement and design review services, which in other communities are often performed by a homeowners' association.
- **Administrative Costs Transfer Fee (formerly known as the Working Capital Fee):** This is a one-time fee paid when ownership of a lot within the District is transferred, either upon initial sale from a homebuilder to a resident or subsequent sale by a resident. This fee offsets costs incurred by the District for providing status letters to title companies that confirm no violations of covenants or unpaid fees to allow the title company to issue an owner's policy of title insurance to the new buyer, to defray costs of the District to update its records, establish new billing accounts and other administrative services related to such transfer of ownership.

The District initially imposed these fees in 2019 at \$360 per year for the Operations Fee and \$200 per transfer for the Administrative Costs Transfer Fee.

At that time, development within the District had just begun and advances from the developer was the only source of revenue for the District. A description of the Funding, Acquisition and Reimbursement Agreement between the District and the Developer (the “FARA”), pursuant to which the developer has and continues to advance funds to the District, is included in the District’s annual audits, which are posted on the website.

Revenue from property taxes and the Operations Fees increased as homes were completed and purchased by residents. However, such revenues failed to keep pace with the District’s General Fund costs. These costs, which have been subject to inflation over time, include maintenance, operation and repairs of District improvements, such as landscaping, snow removal, site lighting, the underdrain system, etc., which continue to be expanded with each phase of development. The General Fund also pays for community management (i.e., covenant enforcement and design review) and administrative costs (accounting, legal, insurance, etc.) necessary to manage the District and maintain compliance with laws and regulations applicable to governmental entities.

In order to make up shortfalls in the District’s General Fund, the developer has continued to advance funds, which as of fiscal year 2022 comprised 60% of the General Fund Costs.

During the public hearing for the 2023 Budget, the District increased the Operations Fee to \$600 per year. As a result, the portion of the General Fund costs paid by developer advances was reduced to approximately 25%.

Following discussion during the Annual Town Hall meeting conducted immediately prior to the December 4, 2023, Board meeting and during the public hearing on the 2024 Budget, the District determined that increasing the Operations Fee to \$750 per year would reduce the portion of General Fund costs paid by the developer to approximately 5% in fiscal year 2024 or even less, if actual General Fund expenses are less than the budgeted amount.

It is anticipated that completion of remaining homes in the community, projected to occur within the next year or so, will increase revenues from property tax and the Operations Fee at the rate of \$750 per year to enable the District to pay its annual General Fund expenses without the need for additional developer advances.

3. Could the District increase its mill levy rather than increase the Operations Fee?

The District’s General Fund mill levy together with its Debt Service mill levy, which is pledged to repay bonds issued to pay capital construction costs of public improvements, are at the maximum rate authorized under the District’s Service Plan as approved by the City of Brighton. Therefore, the District cannot increase the rate of its mill levy without City approval.

4. What has the District done to control costs and why is there a \$30,000 contingency in the 2024 Budget?

Prior to adopting the 2023 and 2024 Budgets, the Board conducted public workshops to review initial drafts of the budgets prepared by the District accountant to identify potential reductions in costs and the budgets were revised prior to adoption. The District also annually solicits proposals from its service providers, such as landscape maintenance and snow removal, and makes best efforts to negotiate competitive pricing. However, some costs are outside the District's control such as snow removal, utility and irrigation water prices.

The budget process, in any year in which developer advances may be needed, includes the need to obtain the developer's approval of the budget. Under the FARA, the developer's approval of the budget represents its commitment to advance funds up to the amount shown in the budget. The initial draft of the 2024 Budget anticipated line-item expenditures of \$460,000. As a result of cost reductions requested by the Board during the budget workshop, line-item expenditures in the initial draft of the budget were reduced by \$30,000. However, the \$30,000 contingency was included to cover any unanticipated emergency cost overruns and, if other revenue sources are not adequate to pay such overruns, the developer has committed to make up the shortfall.

5. What is the District's obligation to reimburse developer advances?

By the end of fiscal year 2024, the principal amount of developer advances outstanding are estimated to be \$741,000 for General Fund costs and \$13 million for capital construction costs. Interest will continue to accrue until these amounts are repaid.

6. How can residents provide input to the District regarding its budget and other matters?

Notice of the date, time and location of all regular and special Board meetings and workshops, which are open to the public and include a public comment session, together with agendas and meeting materials are posted on the District's website. Regular meetings for 2024 have been scheduled for 6:00 p.m. on July 8 and November 12. The public hearing for the 2025 Budget will be conducted during the November 12 meeting.