

Fairway Villas 2 (SD4) 2021 Budget Notes

Overview

Attached is the preliminary 2021 budget for Fairway Villas 2 (Town Center Sub-district 4). The budget is still under review and could be amended before the Town Center board approves it. The following comments result from discussions Al Morie and Bill Schmidt had with Jerry Jacobs (district manager) and Debra Sedgley from CLA, TCMD's accounting firm.

At our request, the presentation format for the budget this year is slightly different. It now has two sections to differentiate between total Sub-district revenues and costs and the costs specific to the Bungalows in Fairway Villas 1 and Fairway Villas 2. These specific costs relate to snow removal, landscaping, billing services and other related charges. TCMD is accumulating revenue and expenses for the Bungalows in both phases into the SD4 budget.

General Budget

As in the past, the budget shows revenues from real estate taxes and ownership taxes (our share of lottery proceeds and car registration fees) offset by the costs for accounting and county treasurer fees. The revenue also funds the statutory "emergency reserve" of 3% of total revenue. The net revenue is then passed on to the Sub-district 1 budget (through "intergovernmental expenditure") to help fund the total Fairway Villas operating costs for the Clubhouse, Lodge, services and other costs. In 2021, FV 2 will be contributing about \$194,000 toward the total Fairway Villas operations.

Bungalow-Specific Items

By the beginning of 2021, the budget will be based on 106 completed bungalow units from both FV1 and FV2. Residents in those units pay the monthly "Bungalow maintenance fees" to cover expenses for snow removal and landscaping. In 2020, that monthly fee was \$80. In 2021, that fee could be as high as \$95, including some new elements in the cost structure. Town Center Metropolitan District will finalize the 2021 fee structure by mid-December.

The costs include the following elements:

- **Billing Services:** This charge reflects the costs from Town Center's accountants to bill, collect and process the monthly fees. These costs total \$11.79 per month per unit—an amount that we consider to be unreasonable. The Community Advisory Committee ("CAC") has made several recommendations for how to reduce that cost in the short run, and has made a recommendation for a long-term solution that would save even more. The CAC will continue to push for a more efficient solution to this cost item.

- Landscape Maintenance: Currently, the bungalow owners are paying \$60 per month per unit during the non-winter months for front yard maintenance. The representatives from the bungalows and the CAC recently gave the district manager the names of several alternative landscaping companies for him to solicit for lower bids. That process has just started and could yield some potential savings that would lower the monthly fees per unit.
- Plant Material Replacement (new): The district manager added \$10,000 to the 2021 budget to fund the replacement of plants that die during the winter. At this point, this number is just a rough estimate of the total cost.
- Snow Removal: This cost is the most variable and unpredictable cost in the budget. Its amount is purely a function of the frequency and intensity of snow storms. This variability is reflected in the big changes from 2019 actual, 2020 budget and 2020 actual costs.
- Irrigation Repairs: This cost was under-budget in 2020, yet the 2021 budget goes even higher. The CAC will request a justification or a reduction in this item before Town Center sets the monthly rates in December.
- Sub-district Management (new): This cost reflects the time that the district manager devotes to bungalow-only issues. Historically, he billed all of his time to the general sub-district budget; in the future, he will charge the bungalows for his management time related to Bungalow services.
- Developer Advance: Even with the proposed increase in fees, costs will still exceed revenues by about \$12,000. Oakwood Homes will fund the shortfall through the Developer Advance. Historically, Oakwood has generally (always in the case of areas within Green Valley Ranch North) forgiven this advance and converted it to a Developer Contribution. We expect the same will happen sometime in 2021.
- Driveway Reserves (new): Town Center is about to complete its Green Valley Ranch North Reserve Study. In it, the study sections pertaining to Subdistricts 1 and 4 highlight the need to provide for repairs and eventual replacement of the common area driveways (motor courts) in the bungalow area. This new reserve for future replacements (next year budgeted at \$5 per unit per month) assumes the need to replace the driveways after about 10 years. Rather than charge a one-time assessment when needed to the future residents, Town Center will charge all current residents a portion of the future cost for this replacement. It still needs to develop a plan for structuring this reserve and how it will access the funds as needed.

TOWN CENTER METROPOLITAN DISTRICT
SPECIAL REVENUE FUND - SUBDISTRICT NO. 4
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

9/29/20

	ACTUAL 2019	BUDGET 2020	ACTUAL 7/31/2020	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ (12,793)	\$ 4,207	\$ 974	\$ 974	\$ 10,320
REVENUE					
Property taxes	-	157,486	155,002	157,486	207,665
Specific ownership tax	-	9,450	4,472	7,800	10,380
Developer advance	69,071	25,000	27,000	60,000	12,720
Landscape maintenance fees	39,804	84,080	42,111	80,000	120,840
Net investment income	-	-	39	60	60
Total revenue	<u>108,875</u>	<u>276,016</u>	<u>228,624</u>	<u>305,346</u>	<u>351,665</u>
Total funds available	<u>96,082</u>	<u>280,223</u>	<u>229,598</u>	<u>306,320</u>	<u>361,985</u>
EXPENDITURES					
Administration					
Accounting	15,482	18,000	11,497	20,000	20,000
County Treasurer's fees	-	1,575	1,550	1,575	2,077
Intergovernmental expenditure - TCSD1	-	165,361	157,961	163,711	193,968
Contingency	-	1,394	-	1,214	2,000
Bungalow operations and maintenance					
Landscape maintenance - front yards	21,319	43,200	23,940	40,000	50,880
Plant material replacement	-	-	-	-	10,000
Snow removal	37,943	20,000	22,200	35,000	40,000
Irrigation repairs	-	4,320	1,362	2,500	5,075
Billing services	2,829	6,150	8,269	15,000	15,000
Sub-District management	17,535	20,000	10,998	17,000	5,000
Total expenditures	<u>95,108</u>	<u>280,000</u>	<u>237,777</u>	<u>296,000</u>	<u>344,000</u>
Total expenditures and transfers out requiring appropriation	<u>95,108</u>	<u>280,000</u>	<u>237,777</u>	<u>296,000</u>	<u>344,000</u>
ENDING FUND BALANCE	<u>\$ 974</u>	<u>\$ 223</u>	<u>\$ (8,179)</u>	<u>\$ 10,320</u>	<u>\$ 17,985</u>
EMERGENCY RESERVE	\$ 3,300	\$ 8,300	\$ 6,900	\$ 9,200	\$ 10,600
DRIVEWAY RESERVES	-	-	-	-	6,360
TOTAL RESERVE FUND BALANCE	<u>\$ 3,300</u>	<u>\$ 8,300</u>	<u>\$ 6,900</u>	<u>\$ 9,200</u>	<u>\$ 16,960</u>

TOWN CENTER METROPOLITAN DISTRICT SUBDISTRICT NO. 4
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

9/29/20

	ACTUAL 2019	BUDGET 2020	ACTUAL 7/31/20	ESTIMATED 2020	BUDGET 2021
ASSESSED VALUATION - Denver County					
Residential	\$ -	\$ 957,260	\$ 957,260	\$ 957,260	\$ 840,740
Commercial	-	-	-	-	178,170
Vacant land	-	1,871,970	1,871,970	1,871,970	2,666,520
Personal property	-	-	-	-	45,250
	-	2,829,230	2,829,230	2,829,230	3,730,680
Adjustments	-	-	-	-	-
Certified Assessed Value	\$ -	\$ 2,829,230	\$ 2,829,230	\$ 2,829,230	\$ 3,730,680
MILL LEVY					
General	0.000	55.664	55.664	55.664	55.664
Total mill levy	0.000	55.664	55.664	55.664	55.664
PROPERTY TAXES					
General	\$ -	\$ 157,486	\$ 157,486	\$ 157,486	\$ 207,665
Levied property taxes	-	157,486	157,486	157,486	207,665
Adjustments to actual/rounding	-	-	(2,484)	-	-
Budgeted property taxes	\$ -	\$ 157,486	\$ 155,002	\$ 157,486	\$ 207,665
BUDGETED PROPERTY TAXES					
General	\$ -	\$ 157,486	\$ 155,002	\$ 157,486	\$ 207,665
	\$ -	\$ 157,486	\$ 155,002	\$ 157,486	\$ 207,665

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

Fairway Villas 1 (Sub-district 1) 2021 Budget Notes

Overview

Attached is the preliminary 2021 budget for Fairway Villas 1 (Town Center Sub-district 1). The budget is still under review and could be amended before the Town Center board approves it. The following comments result from a meeting Al Morie and Bill Schmidt had with Jerry Jacobs (district manager) and Debra Sedgley from CLA, TCMD's accounting firm.

The format this year is slightly different. It now has a provision for long term capital reserves ("Capital Replacement Reserve") to reflect the future needs included in the upcoming Reserve Study that the Town Center Metropolitan District will soon approve. Town Center still needs to develop the provisions for this reserve: how it will be structured, managed and accessed, among other things. In addition, we requested, and they agreed, that certain costs will be allocated to different budget categories in 2021 to better reflect actual descriptions, so that direct comparisons between 2020 and 2021 costs will be difficult at this time.

Just like in 2020, Town Center collects all of the costs for operating both FV1 and FV2 within the Sub-district 1 budget. Sub-district 4 (FV2) contributes most of its revenues in order to help pay for the costs to operate the Clubhouse, Lodge, activities and all other FV operating costs.

2020 Projected Results

Based on actual results through July, the projected "surplus" (Ending Fund Balance) for 2020 will be about \$128,000 versus a 2019 deficit of \$13,000. It includes a Developer Contribution of \$23,000 from early in the year, used to fund expenditures before the sub-district received its tax revenues in February. Town Center plans to use \$50,000 of this surplus (half at the end of 2020 and half in mid-2021) to start funding its long-term "Capital Replacement Reserve." The balance will fund early 2021 operations and to provide for some surplus funds at the end of 2021.

Note that the last line items in the budget for "EMERGENCY RESERVE", CAPITAL REPLACEMENT RESERVE", and "AVAILABLE FOR OPERATIONS" equal the "ENDING FUND BALANCE"

Notable items include:

- Legal Settlement: The Community Advisory Committee ("CAC") just learned of this \$9,000 amount to settle a legal dispute with WTS, the former Facility Manager. The CAC disputes the assignment of this cost. We are trying to find out more of the background information about this issue, and whether another entity or insurance should be responsible for covering this charge.

- Clubhouse Closure Savings: The Covid-19 related savings appear to be about \$92,000. Elements include: Clubhouse Management (\$21,000) Clubhouse Operations (\$20,000), Fitness Programs (\$20,000), Clubhouse Events (\$25,000) and Utilities (\$6,000).
- Capital: The biggest element in this section includes the acoustic work that is about to be completed in the Clubhouse. None of the uncommitted funds from the 2019 budget were actually spent in 2020.

Revenue

The 2021 budget includes \$193,968 from the net tax receipts in FV2 (Sub-district 4), representing their contribution to the operating costs for all of the Fairway Villas facilities.

Expenditures

- Operations:
 - *Clubhouse Management*: This item pays for the facility manager, YMCA. Please note the budgeted cost reduction of \$30,000 between the 2020 budget (WTS) and the 2021 budget (YMCA). This cost reduction is realized savings. If WTS had remained as the Facility Manager, then the budget for this line item would have been even higher, as WTS had proposed increasing their fee to cover the Lodge being opened. Thus, we could posture that the savings on this line item are even greater than the realized savings.
 - *Fitness Programs and Clubhouse Events*: Town Center assumed that pre-Covid-19 activities would return and budgeted the same amount for 2021 as had been budgeted for 2020. Actual events will be determined by the yet-to-be-formed YMCA/resident social planning committee, and the progress of loosening restrictions imposed upon us by the Covid pandemic. Another yet-to-be determined item is any increased demand for programs and events arising out of the growth in population due to the build-out of FV2.
 - *Utilities, Maintenance and Repairs*: These categories contain a number of re-allocations of cost among categories. In general, they reflect higher costs resulting from operating the Clubhouse and adding the Lodge for 2021.
 - *Pool Maintenance and Repairs*: These amounts include planning to spend \$10-15,000 of costs identified in the upcoming Town Center Reserve Study that need to be done this next year. The result is that no withdrawal of funds from the Capital Replacement Reserve will need to be expended for this work.
 - *Capital—Clubhouse*: The budget includes \$40,000 for non-specific spending in 2021. The district manager will ask the CAC for recommendations on how to spend that money in 2021, just as he did in 2019. The CAC intends to survey FV residents for their recommendations to update the response they made in the early 2020 survey. We are planning on two surveys, the first to gather suggestions for desired projects, and the

second to establish priorities for the list of projects generated from the first survey. We plan on having this set of surveys complete before the end of this year, so that implementation can begin early in 2021.

Capital Replacement Reserve

Town Center will soon approve an updated Reserve Study for all of Green Valley Ranch North. The CAC has analyzed the items in that study to determine the minimum annual commitment that Fairway Villas needs to make in order to finance reserve replacements as they occur. We determined that the minimum need to finance those items, (excluding the amount needed for the bungalow driveways) likely to be needed over the next five years to be about \$32,000 per year. The 30-year average need is about \$52,000 per year. Note that our calculations differ from the calculations in the Reserve Study drafts, something that has to be reconciled.

The CAC will also likely include in the upcoming capital expenditure survey a question about allocating \$15,000 - \$20,000 of the \$40,000 to be devoted to the Capital Replacement Reserve.

TOWN CENTER METROPOLITAN DISTRICT
SPECIAL REVENUE FUND - SUBDISTRICT NO. 1
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

9/29/20

	ACTUAL 2019	BUDGET 2020	ACTUAL 7/31/2020	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ (46,714)	\$ 19,887	\$ (13,240)	\$ (13,240)	\$ 128,372
REVENUE					
Property taxes	386,313	442,546	440,479	442,000	443,148
Specific ownership tax	28,390	26,550	12,766	22,300	22,160
Net investment income	1,458	300	352	600	600
Developer contributions	160,000	30,000	23,000	23,000	-
Other income	5,260	-	-	-	-
Intergovernmental revenue - TCSD4	-	165,361	157,961	163,711	193,968
Total revenue	581,421	664,757	634,558	651,611	659,876
Total funds available	534,707	684,644	621,318	638,372	788,248
EXPENDITURES					
Administration					
Accounting	33,600	36,000	19,472	34,000	36,000
County Treasurer's fees	3,856	4,426	4,405	4,421	4,432
Legal settlement	-	-	-	9,000	-
Insurance	1,876	4,000	-	-	-
Contingency	-	2,074	-	5,079	5,568
Operations					
Clubhouse management	164,918	181,000	74,297	160,000	151,500
Clubhouse operations	75,564	110,000	56,024	90,000	58,500
Fitness programs	18,221	25,000	2,945	5,000	25,000
Clubhouse events	58,450	55,500	16,980	30,000	60,500
Sub-District management	69,612	65,000	30,142	50,000	75,000
Utilities - electric	26,612	28,000	12,239	22,000	30,500
Utilities - storm drainage	2,320	4,000	852	1,000	4,500
Utilities - water	2,592	4,500	2,181	4,000	4,000
Maintenance/repairs					
Construction/maintenance management	-	5,000	-	-	5,000
General clubhouse maintenance	17,950	15,000	7,519	14,000	69,500
General clubhouse repairs	4,745	10,000	1,099	2,500	13,000
Interior/exterior repairs	3,390	6,000	4,403	6,000	6,000
Irrigation repairs	1,083	2,500	4,972	7,500	2,500
Landscape maintenance	8,942	32,000	6,495	15,000	25,000
Other repairs and maintenance	4,562	10,000	1,231	-	6,000
Plumbing/electric repairs	-	5,000	2,116	3,500	3,500
Pool maintenance	23,549	25,000	14,886	24,000	25,000
Pool repairs	-	5,000	1,881	3,000	10,000
Snow removal	8,146	10,000	3,107	10,000	10,000
Capital					
Clubhouse	17,959	10,000	-	10,000	40,000
Clubhouse equipment	-	5,000	-	-	5,000
Total expenditures	547,947	660,000	267,246	510,000	676,000
Total expenditures and transfers out requiring appropriation	547,947	660,000	267,246	510,000	676,000
ENDING FUND BALANCE	\$ (13,240)	\$ 24,644	\$ 354,072	\$ 128,372	\$ 112,248
EMERGENCY RESERVE	\$ 17,500	\$ 20,000	\$ 19,100	\$ 19,600	\$ 19,800
CAPITAL REPLACEMENT RESERVE	-	-	-	25,000	50,000
AVAILABLE FOR OPERATIONS	(30,740)	4,644	334,972	83,772	42,448
TOTAL RESERVE FUND BALANCE	\$ (13,240)	\$ 24,644	\$ 354,072	\$ 128,372	\$ 112,248

No assurance provided. See summary of significant assumptions.

TOWN CENTER METROPOLITAN DISTRICT SUBDISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

9/29/20

	ACTUAL 2019	BUDGET 2020	ACTUAL 7/31/2020	ESTIMATED 2020	BUDGET 2021
ASSESSED VALUATION - Denver County					
Residential	\$ 6,840,040	\$ 7,681,000	\$ 7,681,000	\$ 7,681,000	\$ 7,718,570
State assessed	222,900	241,900	241,900	241,900	241,900
Vacant land	36,430	23,750	23,750	23,750	-
Personal property	17,230	3,660	3,660	3,660	660
	<u>7,116,600</u>	<u>7,950,310</u>	<u>7,950,310</u>	<u>7,950,310</u>	<u>7,961,130</u>
Adjustments	-	-	-	-	-
Certified Assessed Value	<u>\$ 7,116,600</u>	<u>\$ 7,950,310</u>	<u>\$ 7,950,310</u>	<u>\$ 7,950,310</u>	<u>\$ 7,961,130</u>
MILL LEVY					
General	55.278	55.664	55.664	55.664	55.664
Total mill levy	<u>55.278</u>	<u>55.664</u>	<u>55.664</u>	<u>55.664</u>	<u>55.664</u>
PROPERTY TAXES					
General	\$ 393,391	\$ 442,546	\$ 442,546	\$ 442,546	\$ 443,148
Levied property taxes	393,391	442,546	442,546	442,546	443,148
Adjustments to actual/rounding	(7,078)	-	(2,067)	(546)	-
Budgeted property taxes	<u>\$ 386,313</u>	<u>\$ 442,546</u>	<u>\$ 440,479</u>	<u>\$ 442,000</u>	<u>\$ 443,148</u>
BUDGETED PROPERTY TAXES					
General	<u>\$ 386,313</u>	<u>\$ 442,546</u>	<u>\$ 440,479</u>	<u>\$ 442,000</u>	<u>\$ 443,148</u>
	<u>\$ 386,313</u>	<u>\$ 442,546</u>	<u>\$ 440,479</u>	<u>\$ 442,000</u>	<u>\$ 443,148</u>

No assurance provided. See summary of significant assumptions.