

# **EAST CREEK METROPOLITAN DISTRICT NO.1**

## **2021 Budget Message**

### **Introduction**

The District was formed in 2018 for the purpose of providing design, financing, acquisition, and construction, of certain infrastructure improvements. Some of these improvements will be dedicated to the City of Aurora, Arapahoe County, or such other entities as appropriate for the use and benefit of the District taxpayers and service users.

In June 2018, the District entered into a Memorandum of Understanding (the “MOU”) with East Creek Metropolitan District No. 2 (“District No. 2”). Under the MOU, the District “shall provide for the financing, construction, design, operation and maintenance of the Improvements, as well as overall administration of the Districts.” District No. 2 is to reimburse District No. 1 for all costs incurred by District No. 1 pursuant to the MOU, on an allocable basis.

The 2021 budget was prepared in accordance with the Local Government Budget Law of Colorado. The budget reflects the projected spending plan for the 2021 fiscal year based on available revenues.

The District’s 2020 assessed value is \$3,008,028, an increase from the prior year value of \$1,534,415. The District certified 11.132 mills in the General Fund, 55.664 mills in the Debt Service Fund and 1.113 mills for the Aurora Regional Improvement for taxes collected in the 2021 fiscal year.

The Board of Directors authorized adjustment of the District mill levy in accordance with the Colorado Constitution, Article X, Section 3 (the “Gallagher Adjustment”). The Gallagher Adjustment and the District’s Service Plan authorize an adjustment of the Maximum Debt Mill Levy in the event that the method of calculating assessed valuation is changed after January 1, 2004, by any change in law, change in method of calculation, or in the event of any legislation or constitutionally mandated tax credit, cut, or abatement. The adjustment to the Maximum Debt Mill Levy is determined by the Board so that, to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. The Colorado General Assembly passed House Bill 17-1349 setting the ratio of valuation for assessment for real residential property at 7.2% (decreased from 7.96%) for property taxes commencing on and after January 1, 2017, and House Bill 19-255 setting the ratio of valuation for assessment for real residential property at 7.15% (decreased from 7.2%), for property taxes commencing on and after January 1, 2019, until the next property tax year that the General Assembly determines to adjust the ratio of valuation for assessment for residential real property. The Gallagher Adjustment for the District allows for a total mill levy imposition, as noted in the following paragraph, so the District’s revenue is neither diminished nor enhanced.

### **Budgetary Basis of Accounting**

The District uses funds to budget and report on the financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions. The various funds determine the total District budget. All of the District's funds are considered Governmental Funds and are reported using the current financial resources and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. Revenues are considered available when they are collectible within the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than the interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid.

### **Fund Summaries**

The **General Fund** is used to account for resources traditionally associated with government such as property taxes, specific ownership tax, developer advances, operations and maintenance and working capital fees, and expenditures which include district administration, legal services, operations and maintenance of landscape, parks and open space, and other expenses related to statutory operations of a local government.

**Debt Service Fund** is used to account for property taxes and other revenues dedicated to pay the fiscal year's debt expense which includes principal payments, interest payments, and administrative costs associated with debt issues. The primary source of revenue for the Debt Service Fund comes from property taxes.

### **Debt**

On April 16, 2019, the District issued Series 2019A general obligation bonds and 2019B subordinate general obligation limited tax bonds in the amounts of \$4,010,000 and \$584,000, respectively. Proceeds from the sale of the bonds are being used to fund a portion of the costs of acquiring, constructing and installing certain public infrastructure to serve the development and paying the costs of issuing the Bonds. The Series A bonds bear an interest rate of 5.25% and mature on December 1, 2048. Interest is payable semi-annually on June 1 and December 1, and principal is payable annually on December 1. The Series B bonds bear an interest rate of 8.00%, and are structured as "cashflow" bonds, meaning that there are no scheduled payments of principal prior to their maturity date of December 15, 2048, except to the extent there is subordinate pledged revenue available.

<b>East Creek Metropolitan District</b>			
<b>Series 2019A General Obligation Bonds</b>			
<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ -	\$ 210,525	\$ 210,525
2022	15,000	210,525	\$ 225,525
2023	40,000	209,738	\$ 249,738
2024	50,000	207,638	\$ 257,638
2025-2029	315,000	995,136	\$ 1,310,136
2030-2034	495,000	894,337	\$ 1,389,337
2035-2039	710,000	743,136	\$ 1,453,136
2040-2044	1,000,000	528,152	\$ 1,528,152
2045-2048	1,385,000	211,575	\$ 1,596,575
<b>Total</b>	<b>\$4,010,000</b>	<b>\$4,210,762</b>	<b>\$ 8,220,762</b>

**Emergency Reserve**

As required by the TABOR amendment to the Colorado Constitution, the District has provided for an Emergency Reserve in the amount of 3% of the total fiscal year revenues in the General Fund.

**East Creek Metropolitan District No. 1**  
**Assessed Value, Property Tax and Mill Levy Information**

2019 Actual	2020 Adopted Budget	2021 Adopted Budget
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Assessed Valuation	\$	480,625	\$	1,534,415	\$	3,008,028
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**Mill Levy**

General Fund		65.277		11.132		11.132
Debt Service Fund		0.000		55.664		55.664
Temporary Mill Levy Reduction		0.000		0.000		0.000
Aurora Regional Improvement		0.000		1.113		1.113
Refunds and Abatements		0.000		0.000		0.000

<b>Total Mill Levy</b>		65.277		67.909		67.909
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**Property Taxes**

General Fund	\$	31,374	\$	17,081	\$	33,485
Debt Service Fund		-		85,412		167,439
Temporary Mill Levy Reduction		-		-		-
Aurora Regional Improvement		-		1,708		3,348
Refunds and Abatements		-		-		-

<b>Actual/Budgeted Property Taxes</b>	\$	31,374	\$	104,201	\$	204,272
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**EAST CREEK METROPOLITAN DISTRICT NO. 1**

**GENERAL FUND  
2021 Adopted Budget  
with 2019 Actual, 2020 Adopted Budget, and 2020 Estimated**

	<b>2019 Actual</b>	<b>2020 Adopted Budget</b>	<b>2020 Estimated</b>	<b>2021 Preliminary Budget</b>
<b>Beginning Fund Balance</b>	\$ (16,892)	14,994	\$ 25,019	\$ 34,489
<b>REVENUE</b>				
Property Tax Revenue	31,374	17,081	17,081	\$ 33,485
Specific Ownership Taxes	2,460	1,025	900	2,009
Developer Advance	52,273	48,120	-	-
Intergovernmental Revenue	999	-	7,556	-
O & M Fees	9,300	60,000	85,210	85,210
ARI Fees	-	1,708	1,708	3,348
Working Capital	5,770	-	6,600	-
Interest Income	11	-	10	10
Miscellaneous Income	50	-	850	500
<b>Total Revenue</b>	<b>102,237</b>	<b>127,934</b>	<b>119,915</b>	<b>124,562</b>
<b>Total Funds Available</b>	<b>85,345</b>	<b>142,928</b>	<b>144,934</b>	<b>159,051</b>
<b>EXPENDITURES</b>				
Accounting	10,814	8,000	10,000	10,000
Audit	42	5,000	686	5,000
Election	28	1,500	1,802	-
Insurance/SDA Dues	2,618	3,500	4,000	4,250
Legal	11,081	15,000	15,000	15,000
Management	19,322	15,000	15,000	15,000
Miscellaneous	5,579	3,000	3,000	2,000
Treasurer's Fees	471	256	256	502
Covenant Control/Comm Mgmt	4,172	14,345	14,345	14,345
Drainage	-	2,000	-	2,000
Billing & Collection	1,177	7,200	8,000	8,000
Landscaping	4,002	28,480	28,480	28,480
Fencing	-	1,500	-	1,500
Trash and Recycling	1,021	200	7,500	7,500
Park	-	4,680	-	5,000
Utilities	-	7,500	7,500	7,500
Monuments	-	1,000	-	1,000
Mailboxes	-	750	-	750
Contingency	-	3,000	-	3,000
Covenant Enforcement - Legal	-	2,500	-	2,500
<b>Total Expenditures</b>	<b>60,326</b>	<b>124,411</b>	<b>115,569</b>	<b>133,327</b>
<b>Transfers and Other Uses</b>				
Emergency Reserve	-	3,838	-	1,005
ARI Fees	-	1,708	1,708	3,348
Transfer from District No. 2	-	5,122	5,124	3,010
<b>Total Expenditures Requiring Appropriation</b>	<b>60,326</b>	<b>128,249</b>	<b>115,569</b>	<b>134,332</b>
<b>Ending Funds Available</b>	\$ <b>25,019</b>	\$ <b>18,093</b>	\$ <b>34,489</b>	\$ <b>27,729</b>

**DEBT SERVICE FUND**  
**2021 Adopted Budget**  
with 2019 Actual, 2020 Adopted Budget, and 2020 Estimated

	2019 Actual	2020 Adopted Budget	2020 Estimated	2021 Preliminary Budget
<b>Beginning Fund Balance</b>	-	662,009	\$ 656,121	\$ 549,334
<b>Revenue</b>				
Property Tax Revenue	-	85,412	85,412	\$ 167,439
Specific Ownership Taxes	-	5,125	4,250	10,046
Interest Income	12,122	4,000	5,000	2,500
Transfer From District No. 2	-	15,369	15,186	26,780
Transfer from Capital Projects Fund	-	-	2,615	-
Bond Proceeds	4,594,000			
<b>Total Revenue</b>	4,606,122	109,906	112,463	206,765
<b>Total Funds Available</b>	4,606,122	771,915	768,584	756,099
<b>Expenditures</b>				
Bond Interest	131,578	247,219	210,526	210,525
Bond Issuance Cost	289,866	-	-	-
Paying Agent Fees	10,197	1,500	7,443	7,500
Treasurer's Fees	-	1,281	1,281	2,512
<b>Total Expenditures</b>	431,641	250,000	219,250	220,537
<b>Transfers and Other Uses</b>				
Transfer to Capital Projects Fund	3,518,360	-	-	-
<b>Total Expenditures Requiring Appropriation</b>	3,950,001	250,000	219,250	220,537
<b>Ending Funds Available</b>	\$ 656,121	\$ 521,915	\$ 549,334	\$ 562,342

EAST CREEK METROPOLITAN DISTRICT NO. 1

**CAPITAL PROJECTS FUND**  
**2021 Adopted Budget**  
**with 2019 Actual, 2020 Adopted Budget, and 2020 Estimated**

	2019 Actual	2020 Adopted Budget	2020 Estimated	2021 Preliminary Budget
<b>Beginning Fund Balance</b>	\$ -	\$ 468,000	\$ 467,615	\$ 0
<b>Revenue</b>				
Interest Income	7,328	\$ 6,000	4,000	\$ -
Transfer from Debt Service Fund	3,518,360	\$ -	-	-
<b>Total Revenue</b>	3,525,688	6,000	4,000	-
<b>Total Funds Available</b>	3,525,688	474,000	471,615	0
<b>Expenditures</b>				
Miscellaneous	714	474,000	469,000	-
Developer Reimbursement Principal	2,938,754	-	-	-
Developer Reimbursement Interest	118,605	-	-	-
Transfer to Debt Service Fund		-	2,615	-
<b>Total Expenditures</b>	3,058,073	474,000	471,615	-
<b>Total Expenditures Requiring Appropriation</b>	3,058,073	474,000	471,615	-
<b>Ending Funds Available</b>	\$ 467,615	\$ -	\$ 0	\$ 0