

FiveTrees Metropolitan District, LGID 49036 2010 Budget Message, Assumptions and Notes

DISTRICT SERVICES:

The District provides municipal services to FiveTrees including, road, bridge and street improvements and maintenance, transportation and transit services, storm drainage, parks and recreation, traffic control, signage and street lights, raw water irrigation of open spaces and landscaped community areas, air quality monitoring, weed control and maintenance of a private double chair fixed grip ski lift. All services provided to the District are provided on a contract basis; the District employs no staff.

BASIS OF ACCOUNTING:

The basis of accounting utilized in the preparation of the 2010 budget for the District is the accrual method with some minor modifications. Accounts receivable amounts were not included in the carry-forward balance due to their minor impact on the District's cash position. The District's 2010 budget includes projected revenues and expenditures for its general operating fund, capital reserves fund and capital projects fund.

IMPORTANT FEATURES OF THE BUDGET:

The 2010 budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitations. Emergency reserves have been funded as required by law (3% of fiscal year expenditures, not including debt service).

GENERAL COMMENTS:

The FiveTrees Metropolitan District is solely responsible for the operation and maintenance all facilities and infrastructure and the provision of all municipal services to a current estimated population of 275 persons. The District has entered into two IGAs with the Aspen Highlands Commercial Metropolitan District to share the cost of 1) providing mass transit fixed route and on-demand transit services to their respective constituents; and 2) providing raw water irrigation to open space and common areas of FiveTrees. The transit services were a requirement of subdivision approval and the irrigation system was built with sufficient capacity to meet both Districts' demands.

Beach Resource Management, LLC manages and oversees all operations, administration of the District's business, maintenance of required records, the filing of all state and local reports, organizes meetings with the Board of Directors and constituents, carries out the directives of the Board, responds to constituent questions and requests, and coordinates District activities with other entities and local governments. The District does not directly employ any staff and therefore bears no direct costs for employment benefits and insurance, taxes, rent, local telephone, equipment, et cetera.

Management's staff responds to emergencies on a 24-hour per day basis, 365 days per year. The District does not directly employ any staff. All work completed within the District is completed by employees of Beach Resource Management through contracts with specific service providers. For the past seven years Beach has provided labor and staffing to the District in numerous areas including road, traffic and bridge maintenance, landscape, irrigation and drainage maintenance, trails maintenance and weed control, project management and engineering, and all areas of financial, administrative and district management.

REVENUES

The majority of the District's revenue is derived from property taxes and specific ownership taxes. Other revenues include interest earnings on deposits and fees, miscellaneous charges, and reimbursed costs. Revenues collected by the District are used for all budgeted purposes and any revenues received in excess of actual expenditures will be added to the beginning fund balance for 2011 or placed into appropriate reserve accounts.

The Gallagher Amendment to the Colorado Constitution restricts the property taxes paid by residential properties to not more than 45% of the total taxes to be collected. When there is no growth or there is a decline in the assessed value of the property as a result of the Gallagher Amendment, the revenue from property taxes declines without a mill levy increase.

Property Tax Receipts: Assessed values used to calculate tax revenues are provided by Pitkin County Assessor's Office, and the most recent valuation reports are used to generate tax revenue estimates. Since property assessments are subject to dispute by property owners, revenue estimates may not be fully realized if property value protests by constituents are successful. The District's assessed private property value is a product of the property's actual fair market value multiplied by the Gallagher Amendment's assessment ratio of 7.96% (down from 9.15% in 2003). For 2010 this is estimated to produce an assessed value of \$32,470,360, an increase of 8.7% over 2009.

Specific Ownership Tax: Due to numerous factors including declining local vehicle sales and an increase in special districts in Pitkin County, we project the trend towards lower SO tax revenues will continue through 2010. Budget estimates for 2010 have been reduced to an estimated 2.0% of property tax revenue. This revenue remains subject to the vagaries of vehicle sales and apportioned tax receipts.

Interest Earnings: As a result of the economic situation now facing the nation, the Federal Reserve has just reduced the Federal Reserve Rate to 0.5%, the lowest it has been in 20 years. We have downgraded our interest projections to this rate calculated against the estimated average fund balance for the year.

Miscellaneous Revenue: This includes revenues from parking tickets and boot fees, and road cut permits.

Fees and Charges: This includes fees collected for use of the FiveTrees Lift by the AVSC, ASD, Meadowood and Aspen Highlands Subdivisions, and heavy vehicle road use fees.

EXPENSES

Professional Fees:

District Management: This line item remains unchanged from 2008. This line item covers the cost of directing all operations, administering the business of the district, maintaining required records, filing all state and local reports, meeting with the Board of Directors and constituents, carrying out directives of the Board and responding to constituent questions and requests, creating annual budgets, scheduling and holding budget hearings, establishing and certifying mill levies, evaluating trends in costs, review of changing regulations, laws, and policies, covenant enforcement, and coordinating activities with other entities and local governments.

Engineering: This line item is for in-house engineering on all aspects of the subdivision's municipal operations. This includes the review of proposed changes to District facilities and infrastructure by others, small improvements to district facilities, inspection of roads, bridges, and mechanical and control systems.

Legal: General legal counsel by Grimshaw and Harring. This line item covers all aspects of District laws, rules and regulations, agreements, contracts, *et cetera*.

Accounting: Due to changes in Generally Accepted Government Accounting Practices resulting from new laws, such as Sarbane-Oxley, we anticipate slightly increased costs to accurately track time, material and capital costs for all separate budget line items. Also includes processing of accounts payable, accounts receivable, preparation of financial statements, budgets, record keeping, cash management, vendor management, and the issuance of annual 1099 forms.

Audit: This increased item is based on an estimate from Chadwick, Steinkirchner & Davis plus Management time for a **full audit** requested by the Board in 2010.

Insurance

Insurance: Agent projects a 3% increase from 2009.

Lift Insurance – Additional Riders: Covers the cost of additional rider insurance. These costs are reimbursed by AVSC and ASD. **Special Note:** Policies were instituted in 2009 to ensure that unauthorized uses and users are not permitted to board the lift, this is a result of an audit by our insurance carrier.

Transit

Transit Operations – Bus: Based on a 121-day commitment and 100% coverage of RFTA expenses for the operation of a dedicated bus to and from downtown Aspen from December 7 – April 8. Total estimated costs are \$157,300 for 2010 and FTMD pays 5% of this cost by agreement with Aspen Highlands, plus \$2,500 for transit administration costs.

Transit Operations – Dial-A-Ride: Assume continuation of contract with existing provider as part of compliance with the SIA mandated Dial-A-Ride program. Costs of this service are projected to rise due to escalating fuel and fleet maintenance costs. However, ridership is still less than projected demand and therefore, this budget will remain unchanged for 2010.

Maintenance:

Road Maintenance: Includes sweeping and cleaning of District roads, sweeper rental and supplies, snow plowing, and weed control along roads.

Landscape Maintenance: Includes labor for upkeep and maintenance of landscaping and flowers, control of sweet clover, addition of soil amendments and mulch, fertilization of trees and deep root watering, replacement of dead trees and shrubs along Moore Drive, and raw water purchased from City of Aspen. Also includes supplies and materials for installation of replacement trees and wildflower seeding in common areas.

Drainage Maintenance: Maintenance of all drainage ditches along roadways.

Traffic Maintenance: Replacement and installation of traffic signs, safety cones, barricades, bollards, maintenance of gates, *et cetera*.

Lift Operations: This includes all costs of lift operations except reserve funding. These costs include, operator's labor and profit, maintenance of lift and lift corridor, annual licensing and periodic state inspections, follow-up work and administration and record keeping to comply with CPTSB rules and regulations, summer maintenance, lift line maintenance, lift tower and control maintenance, property, casualty and liability insurance, and annual lift access passes. The FiveTrees Lift is operated by Aspen Skiing Company through an agreement with FTMD.

Irrigation System Maintenance: Includes costs for pump electricity, irrigation parts and supplies, and repair and maintenance time on the pump station, transmission lines, valves, controls, and heads. This item has not changed since 2008.

Trail Maintenance: This line item covers the cost of maintaining all ski easements and trails throughout FiveTrees, including open space parcels. It includes weed control, brush cutting, mowing and tree pruning along the ski lift.

Miscellaneous:

Miscellaneous: Covers the cost of postage, copies, supplies, and small items. Due to increased usage in 2009, this item is increasing in 2010.

Administrative Overhead: This budget item covers the shared cost of many general overhead items including equipment, storage, tool replacement, meeting facilities, et cetera.

Contingency: Budgeted at 5% of operational expenses as directed by the Board. Unspent funds are carried into the following budget year.

Vehicle Use Reimbursement: This item is new for 2010 and covers reimbursement for truck use, maintenance and fuel charges.

Other Expenses:

County Fees: Budgeted at 5% of property taxes, which is the prevailing county fee for collection of property taxes.

Transfer to Reserves: Reserve funding commenced with the 2004 budget and funding has been accelerated to “catch-up” to long-term reserve requirements for roads, irrigation systems, landscaping, and lift improvements. This item has not changed since 2009.

Transfer to Capital Projects: This line item has decreased and will cover the costs of proposed projects to include sidewalk curb and gutter from the Aspen High School to Grey Talon Court. This sidewalk project is part of a contemplated multi-year project to increase pedestrian safety to and from the District to the schools. This project will only be undertaken with the future approval of the Board. Other projects include the Beetle Mitigation/Fuels Reduction; Landscaping Improvements; Safety Improvements (lighting); and Drainage Improvements.

3% Tabor Emergency Reserve: This reserve is required by Colorado Constitutional Amendment. Unspent reserve funds are carried forward into the next budget period.