

Red Sky Ranch Metropolitan District Holland Creek Metropolitan District

February 1, 2016

To: Red Sky Ranch Property Owners

The Red Sky Ranch and Holland Creek Metropolitan Districts' primary source of funding is property taxes which are based on the assessed value of properties. The aggregate assessed value of properties in Red Sky has increased from \$13,502,930 for taxes paid in 2015 to \$17,905,590 for taxes to be paid in 2016, a 33% increase which is primarily the result of reassessment of properties.

The Districts' assessed value is made up of three basic categories: 1) the Golf Courses (assessed as commercial properties at 29% of the "actual value"; 2) Vacant Lots (also assessed as commercial properties at 29% of the "actual value") and 3) Residential Properties assessed at 7.96% of "actual value" as determined by the Eagle County Assessor.

The assessed value of Vacant Lots increased an average of 46%, the Golf Courses increased an average of 15% and the assessed value of Residential Properties (not including vacant lots) increased an average of 30%.

The property taxes the Districts collect are calculated based on the assessed values set by the County Assessor and the mill levy rate set by the Districts' boards of directors. In setting the mill levy rates the Districts' boards took into consideration the funding needs of the Districts. Budgets were re-evaluated using a "zero base budgeting" concept. In 2015 the District refinanced the 2003 bonds to take advantage of lower interest rates. Operating expenses were critically evaluated as were overhead expenses. Upon completion of this exercise the Boards then established mill levy rates to meet the operating needs of the District.

Red Sky Ranch's mill levy rate is decreasing from 69 mills to 64 mills, due to the increase in the property values and construction of new homes. The 64 mills provides the needed dollars for both debt service and operational expenses. Attached is an analysis that shows the changes in the assessed value, mill levy rates and property taxes for a typical home and lot in Red Sky Ranch. You will note from this analysis that although the mill levy rates are decreasing the overall property tax dollars paid will increase due to the increase in assessed valuation.

From a budget overview perspective total RSRMD revenues are budgeted at \$1,439,183 with total RSRMD expenditures of \$1,250,276 resulting in a 2016 surplus of \$188,907. This surplus will be held in the reserve funds held by the District for future debt service and capital replacement needs.

As part of the 2016 budget process the District contacted the bond underwriters to see if any opportunities exist to issue additional Bonds as required by the "Master IGA" between the Red Sky Ranch and Holland Creek districts. The Master IGA requires Red Sky to issue bonds or otherwise repay a portion of the Holland Creek debt when Red Sky's outstanding general obligation debt balance is below 50% of the assessed value. Based on this calculation, Red Sky's general obligation debt is

Administrative Management Provided By:
Marchetti & Weaver, LLC
28 Second St, Suite 213, Edwards, CO 81632
Phone (970) 926-6060 – Fax (970) 926-6040

now less than 50% of the assessed value and the Board is in discussions with the Holland Creek Board about using this surplus for further repayment of the Holland Creek Debt. A portion of the surplus may also be used to acquire water rights that are currently leased.

Another area that was analyzed in the budgeting process was the water and sewer enterprise fund. The Districts' Boards of Directors continue to review water rights matters to ensure as build-out occurs there are sufficient water rights available. An expansion of the water plant is currently underway with completion anticipated in early 2016. The District did experience unexpected expenses related to a waste water drain field failure this summer/fall at the Norman clubhouse. The related expenditures were covered out of reserve funds which will need to be replaced. At the December Metro District board meeting the Board approved an increase of approximately 3% in its basic water rates as an inflationary increase in fees, and a 10% increase in tap fees in response to rising construction costs.

The Districts are continuing to experience increased costs and as the Districts' infrastructure and treatment plants age more maintenance is required. The long-term financial health of the Districts is a paramount objective and these steps will go a long way toward the long-term sustainability of the Districts. The Boards will also continue to monitor all these factors into the future.

If you have any questions about the Districts, please feel free to call any of the Board members or the Districts' managers or administrators. A copy of the Districts' full budgets are available on the Districts' web site which is www.redskyranchmetro.com.

Holland Creek and Red Sky Ranch Metro District, Boards of Directors,

William Kennedy, HCMD & RSRMD, bkennedy@vailresorts.com

Karen Braden-Butz, HCMD & RSRMD, kbraden-butz@vailresorts.com

Michael Connell, RSRMD, mikeconnell@centurytel.net

Fred Hudoff, RSRMD, hudoff2@gmail.com

Doug Lovell, HCMD, dlovell@vailresorts.com

Tim Baker, HCMD, TBaker@vailresorts.com

Graham Frank, HCMD, gfrank@vailresorts.com

**Red Sky Ranch Metropolitan District
Calculation of Individual Home/Vacant Lot Total Property Taxes
On A Typical RSR Home (R052115)**

	<u>Collection Yr 2011</u>		<u>Collection Yr 2012</u>		<u>Collection Yr 2013</u>		<u>Collection Yr 2014</u>		<u>Collection Yr 2015</u>		<u>Prelim Coll'n Yr '16</u>	
	<u>Mill Levy</u>	<u>Property Taxes</u>	<u>Mill Levy</u>	<u>Property Taxes</u>	<u>Mill Levy</u>	<u>Property Taxes</u>	<u>Mill Levy</u>	<u>Property Taxes</u>	<u>Mill Levy</u>	<u>Property Taxes</u>	<u>Mill Levy</u>	<u>Property Taxes</u>
Home Assessed Value (R052115)												
Actual ("Market") Value By Assessor Change		3,104,930 0%		2,510,370 -19%		2,510,370 0%		1,897,190 -24%		1,897,190		2,715,750 43%
Residential Assessment Rate		7.96%		7.96%		7.96%		7.96%		7.96%		7.96%
Assessed Value		247,152		199,825		199,825		151,016		151,016		216,174
Mill Levy Rates												
Eagle County	8.499	2,101	8.499	1,698	8.499	1,698	8.499	1,283	8.499	1,283	8.499	1,837
CMC	3.997	988	3.997	799	3.997	799	3.997	604	3.997	604	3.997	864
Total School District	19.402	4,795	20.524	4,101	21.362	4,269	20.826	3,145	21.517	3,249	20.333	4,395
Colorado River Water Cons	0.166	41	0.166	33	0.242	48	0.254	38	0.253	38	0.243	53
Eagle County Ambulance	1.780	440	1.780	356	2.023	404	2.006	303	2.019	305	2.008	434
Eagle River Fire	5.550	1,372	5.550	1,109	7.553	1,509	9.238	1,395	9.392	1,418	8.205	1,774
Eagle Valley Library	2.750	680	2.750	550	2.750	550	2.750	415	2.750	415	2.750	594
Western Eagle Co Metro Rec Dist	3.650	902	3.650	729	3.650	729	3.650	551	3.650	551	3.650	789
Red Sky Ranch	45.000	11,122	65.000	12,989	65.000	12,989	69.000	10,420	69.000	10,420	64.000	13,835
Total	90.794	22,440	111.916	22,364	115.076	22,995	120.220	18,155	121.077	18,285	113.685	24,576

Vacant Lot Assessed Value (R052192)												
Actual ("Market") Value Per Assessor Change		765,000 0%		320,000 -58%		320,000 0%		295,000 -8%		295,000		448,000 52%
Commercial/Vacant Lot Assessment Rate		29.00%		29.00%		29.00%		29.00%		29.00%		29.00%
Assessed Value		221,850		92,800		92,800		85,550		85,550		129,920
Mill Levy Rates												
Eagle County	8.499	1,886	8.499	789	8.499	789	8.499	727	8.499	727	8.499	1,104
CMC	3.997	887	3.997	371	3.997	371	3.997	342	3.997	342	3.997	519
Total School District	19.402	4,304	25.988	2,412	21.362	1,982	20.826	1,782	21.517	1,841	20.333	2,642
Colorado River Water Cons	0.166	37	0.166	15	0.242	22	0.254	22	0.253	22	0.243	32
Eagle County Ambulance	1.780	395	1.780	165	2.023	188	2.006	172	2.019	173	2.008	261
Eagle River Fire	5.550	1,231	5.550	515	7.553	701	9.238	790	9.392	803	8.205	1,066
Eagle Valley Library	2.750	610	2.750	255	2.750	255	2.750	235	2.750	235	2.750	357
Western Eagle Co Metro Rec Dist	3.650	810	3.650	339	3.650	339	3.650	312	3.650	312	3.650	474
Red Sky Ranch	45.000	9,983	65.000	6,032	65.000	6,032	69.000	5,903	69.000	5,903	64.000	8,315
Total	90.794	20,143	117.380	10,893	115.076	10,679	120.220	10,285	121.077	10,358	113.685	14,770