

LETTER OF BUDGET TRANSMITTAL

Date: January 29, 2024

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2024 budget and budget message for FALCON AREA WATER AND WASTEWATER AUTHORITY in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on November 28, 2023. If there are any questions on the budget, please contact:

CliftonLarsonAllen
Attn: Carrie Bartow
121 South Tejon Street, Suite 1100
Colorado Springs, CO 80903
Tel.: 719-635-0330

I, James Morley, as President of the Falcon Area Water and Wastewater Authority, hereby certify that the attached is a true and correct copy of the 2024 budget.

By: James F Morley

RESOLUTION
TO ADOPT 2024 BUDGET, APPROPRIATE SUMS OF MONEY,
AND AUTHORIZE THE CERTIFICATION OF THE TAX LEVY
FALCON AREA WATER AND WASTEWATER AUTHORITY

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2024 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE FALCON AREA WATER AND WASTEWATER AUTHORITY, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2024, AND ENDING ON THE LAST DAY OF DECEMBER, 2024,

WHEREAS, the Board of Directors of the Falcon Area Water and Wastewater Authority has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on November 28, 2023, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves or fund balances so that the budget remains in balance, as required by law; and

WHEREAS, the amount of money necessary to balance the budget for general operating purposes from property tax revenue is \$0; and

WHEREAS, the Board of Directors finds that it is required to temporarily lower the operating mill levy to render a refund for \$0; and

WHEREAS, the amount of money necessary to balance the budget for voter-approved bonds and interest is \$0; and

WHEREAS, the amount of money necessary to balance the budget for contractual obligation purposes from property tax revenue as approved by voters from property tax revenue is \$0; and

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue as approved by voters or at public hearing is \$0; and

WHEREAS, the amount of money necessary to balance the budget for refunds/abatements is \$0; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FALCON AREA WATER AND WASTEWATER AUTHORITY OF EL PASO COUNTY, COLORADO:

Section 1. Adoption of Budget. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Falcon Area Water and Wastewater Authority for calendar year 2024.

Section 2. Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 4. Levy of General Property Taxes. That the Board of Directors does hereby certify the levy of general property taxes for collection in 2024 as follows:

A. Levy for General Operating and Other Expenses. That for the purposes of meeting all general operating expense of the District during the 2024 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2023.

B. Temporary Tax Credit or Rate Reduction. That pursuant to Section 39-1-111.5, C.R.S. for the purposes of effect of a refund for the purposes set forth in Section 20 of Article X of the Colorado Constitution, there is hereby certified a temporary property tax credit or temporary mill levy rate reduction of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2023.

C. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all debt retirement expense of the District during the 2024 budget year, as the funding requirements of the current outstanding general obligation indebtedness is detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2023.

D. Levy for Contractual Obligations. That for the purposes of meeting the contractual obligation expense of the District during the 2024 budget year, as detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each

dollar of the total valuation for assessment of all taxable property within the District for the year 2023.

E. Levy for Capital Expenditures. That for the purposes of meeting all capital expenditures of the District during the 2024 budget year pursuant to Section 29-1-301(1.2) or 29-1-302(1.5), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2023.

F. Levy for Refunds/Abatements. That for the purposes of recoupment of refunds/abatements of taxes pursuant to Section 39-10-114(1)(a)(I)(B), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2023.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. That the appropriate officers of the District are hereby authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, the mill levies for the District herein above determined and set, or be authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, as herein above determined and set, but as recalculated as needed upon receipt of the final certification of valuation from the County Assessor in order to comply with any applicable revenue and other budgetary limits or to implement the intent of the District. That said certification shall be in substantially the form set out and attached hereto and incorporated herein by this reference.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

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ADOPTED this 28th day of November 2023.

FALCON AREA WATER AND
WASTEWATER AUTHORITY

James F Morley

President

ATTEST:

Douglas Stimple

Secretary

ATTACH COPY OF THE ADOPTED BUDGET AND
THE CERTIFICATION OF TAX LEVIES

FALCON AREA WATER AND WASTEWATER AUTHORITY
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2024

**FALCON AREA WATER & WASTEWATER AUTHORITY
ENTERPRISE FUND
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,**

1/25/24

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCE	\$ -	\$ 42,915,319	\$ 38,409,406
REVENUES			
Operations and maintenance			
Meter Fees	8,330	190,000	98,000
Installation Fees	17,085	180,000	201,000
AMR Service Fee	40,269	22,000	29,000
Billing Service Fee	-	26,000	34,000
Water and Sewer Admin Fees	27,140	33,000	82,340
Water service fees	298,339	300,000	390,000
Resident Sewer Fee	159,988	185,000	240,500
Resident Under Drain Fee	-	14,000	18,200
Late fees / penalties	4,890	7,500	9,760
Developer advances	209,000	-	-
Interest income - O&M	-	3,400	6,200
Other revenue	-	26,200	-
Debt Service			
Water tap fees	-	-	200,000
Bond issuance proceeds	140,080,969	-	-
Interest income - Debt Service	88,829	929,000	949,000
Capital Projects			
Interest income - Capital	283,018	1,147,000	778,000
Total revenues	<u>141,217,857</u>	<u>3,063,100</u>	<u>3,036,000</u>
Total funds available	<u>141,217,857</u>	<u>45,978,419</u>	<u>41,445,406</u>
EXPENDITURES			
General and administrative			
Accounting	27,027	70,000	75,000
Dues and membership	200	417	500
Insurance	4,888	1,978	2,000
District management	2,796	1,000	1,000
Legal	132,385	70,000	75,000
Miscellaneous	98	7,586	5,000
Organization costs	1,600	-	-
Website	-	4,434	5,000
Subtotal G&A	<u>168,994</u>	<u>155,415</u>	<u>163,500</u>

No assurance provided. See summary of significant assumptions.

FALCON AREA WATER & WASTEWATER AUTHORITY
ENTERPRISE FUND
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,

1/25/24

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
Operations and maintenance			
Meters	3,250	82,665	63,700
Meter Network Installation	-	91,650	91,650
Installation Fee Reimbursement	-	5,950	10,000
Engineering	88,115	360,000	75,000
Clean Water Fee	36,120	43,620	86,400
Storm drainage	52,159	-	-
Contract Services	10,108	78,682	75,000
Utilities	13,712	28,000	-
Utilities - Sewer	78,809	171,732	250,000
Billing	41,391	26,936	30,000
Consulting	9,250	-	30,000
Electricity	8,683	41,094	90,000
Fuel	178,334	110,214	-
Treatment supplies	10,223	15,624	16,000
Treatment costs	56,837	43,360	50,100
Contingency	-	-	15,436
Subtotal O&M	<u>586,991</u>	<u>1,099,527</u>	<u>883,286</u>
Debt Service			
Bond issue costs	3,994,905	-	-
Bond interest - 2022A	2,006,100	5,641,313	5,641,313
Subtotal Debt Service	<u>6,001,005</u>	<u>5,641,313</u>	<u>5,641,313</u>
Capital Projects			
Capital outlay - Water	30,447,270	-	-
Capital outlay - Sewer	4,592,309	-	-
Capital outlay - Purchased Infrastructure	56,505,969	-	-
Capital outlay	-	672,758	23,575,004
Purchased Taps	-	-	479,897
Subtotal Capital Projects	<u>91,545,548</u>	<u>672,758</u>	<u>24,054,901</u>
Total expenditures	<u>98,302,538</u>	<u>7,569,013</u>	<u>30,743,000</u>
Total expenditures and transfers out requiring appropriation	<u>98,302,538</u>	<u>7,569,013</u>	<u>30,743,000</u>
ENDING FUND BALANCE	<u>\$ 42,915,319</u>	<u>\$ 38,409,406</u>	<u>\$ 10,702,406</u>
AVAILABLE FOR OPERATIONS	\$ 126,833	\$ 137,250	\$ 199,464
CAPITAL PROJECT FUNDS	22,802,659	23,276,901	-
CAPITAL INTEREST	11,735,227	6,093,914	452,601
SURPLUS FUND	8,250,600	8,901,341	10,050,341
TOTAL RESERVE	<u>\$ 42,915,319</u>	<u>\$ 38,409,406</u>	<u>\$ 10,702,406</u>

No assurance provided. See summary of significant assumptions.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Organization

Falcon Area Water and Wastewater Authority was organized on August 21, 2017, in accordance with Section 29-1-204.2, Colorado Revised Statutes, as amended (“C.R.S.”) (the “Authority Act”) and pursuant to an Intergovernmental Agreement For the Establishment of The Falcon Area Water Authority (the “Original Establishment Agreement”), among Sterling Ranch Metropolitan District No. 1 (“Sterling Ranch No. 1”), Sterling Ranch Metropolitan District No. 2 (“Sterling Ranch No.2”) and Sterling Ranch Metropolitan District No. 3 (“Sterling Ranch No. 3” and together with Sterling No. 1 and Sterling No. 2, the “Sterling Ranch Districts”). Under the Original Establishment Agreement, the Sterling Ranch Districts constituted the initial Members of the Authority.

On December 17, 2021, the Sterling Ranch Districts, The Retreat Metropolitan District No. 1 (“Retreat No. 1”) and The Retreat Metropolitan District No. 2 (“Retreat No. 2” and together with Retreat No. 1, the “Retreat Districts,” and together with the Sterling Ranch Districts, the “Members”) entered into an Amended and Restated Intergovernmental Agreement for the Establishment of the Falcon Area Water and Wastewater Authority (the “Amended and Restated Establishment Agreement”). The Amended and Restated Establishment Agreement superseded and replaced the Original Establishment Agreement and, among other things, authorized the provision of wastewater improvements by the Authority and added the Retreat Districts as Members of the Authority.

Services Provided

The Authority was established to provide sewage transmission and treatment services, as well as water services to its service areas. It contracts with Meridian Service Metropolitan District (MSMD) for sewage treatment services. The District provides water distribution services to approximately 350 connected located in El Paso County.

The Authority provides sewage collection and transmission services to approximately 350 accounts in El Paso County.

The Authority prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Statues C.R.S. 29-1-105. For financial statement reporting purposes in accordance with generally accepted accounting principles (GAAP), the District uses the accrual method of accounting. Under GAAP, capital expenditures are recorded as assets and depreciation on fixed assets is recognized as an operating expense. For budget reporting, capital expenditures are reported as expenditures and depreciation is not recognized. To distinguish the difference in reporting, for budget reporting the District uses “Funds Available,” which is defined as current assets less current liabilities, in lieu of fund balance for GAAP reporting.

The Authority has no employees and all operations and administrative functions are contracted.

Revenues

Administrative Fees

The Authority collects the following fees in accordance with their services: Billing Services, New Member Fees, Capital Fees, Account Set Up Fees, and Late Fees.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Water Service Fees

The Authority bills the Authority's customers directly for water usage along with minimum water fees.

Sewer Service Fees

The Authority bills the Authority's customers directly for sewage treatment and transmission charges.

Tap Fees

Tap Fee revenue is the sole component of Pledged Revenue for the Bonds. The property upon which the Tap Fee Resolutions will be recorded, and which is expected to generate Tap Fee Revenue is described as the "Tap Fee Property". The Tap Fee Property is comprised of three areas: (i) a portion of the Sterling Ranch Master Planned Community, which portion is referred to herein as "Sterling Ranch East", (ii) the "Jaynes Parcel", and (iii) the "Schmidt Parcel".

The development planned to occur within the Tap Fee Property is referred to herein as the "Development".

According to the Sterling Ranch East Developers, the Development is anticipated to include a total of approximately 4,117 residential units (approximately 3,076 units in Sterling Ranch East, approximately 441 units in the Jaynes Parcel and approximately 600 units in the Schmidt Parcel), approximately 130,000 square feet of commercial development, parks, a trail system, and two potential future schools.

Net Investment Income

Interest earned on the Authority's available funds has been estimated based on an average interest rate of approximately 4.0%.

Expenditures

Administrative and Operating Expenditures

Administration expenses include the estimated services necessary to maintain the Authority's administrative viability such as legal, management, accounting, and insurance. Operating and maintenance expenditures are estimated expenditures related to the operation, repair and maintenance of the Authority water plant and systems.

Capital Outlay

The Authority's anticipates infrastructure improvements as noted in the budget.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures – (continued)

Debt Service

Principal and interest payments on the Authority's senior obligations are provided based on the debt amortization schedule from the \$83,575,000 Series 2022 Tap Fee Revenue Bonds (discussed under Debt and Leases)

Debt and Leases

On August 23, 2022, the Authority issued Tap Fee Revenue Bonds, Series 2022A, in the principal amount of \$83,575,000 and on September 7, 2022, Subordinate Tap Fee Revenue Bonds, Series 2022B in the amount of \$56,505,969 for the purposes of paying and reimbursing the costs of capital infrastructure improvements.

Proceeds from the sale of the Bonds will be used to: (i) acquire water rights, well field drilling rights and any and all access easements associated therewith; (ii) acquire existing water and wastewater facilities; (iii) construct new water, wastewater and drainage facilities; (iv) acquire Meridian Sewer Taps; (v) fund capitalized interest; (vi) fund a deposit to the Surplus Fund; and (vii) pay the costs of issuing the Bonds.

The Bonds will bear interest at the rate of 6.75% per annum, payable to the extent of Pledged Revenue on each June 1 and December 1, beginning on December 1, 2022. Annual mandatory sinking fund principal payments are due on each December 1, beginning December 1, 2026. The Bonds mature on December 1, 2034.

To the extent principal of any Bond is not paid when due, such principal shall remain Outstanding until the earlier of its payment or the Termination Date and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond. The Authority shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds.

In the event that any amount of principal of or interest on the Bonds remains unpaid after the application of available Pledged Revenue on the earlier of (i) December 2nd, 2062, or (ii) December 2nd of the calendar year upon which the last Building Permit is issued for a building or structure within the Tap Fee Property, being the date on which no further payments will be due on the Bonds, regardless of the amount of principal and interest paid prior to that date, the Bonds are to be deemed discharged.

On September 7, 2022, the Authority issued Subordinate Tap Fee Revenue Bonds, Series 2022B (the "Subordinate Bonds"), in the principal amount of \$56,505,969 for the purpose of paying or reimbursing the costs of acquisition of System facilities and paying other costs incurred in connection with the issuance of the Subordinate Bonds.

The Subordinate Bonds bear interest at 7.0% per annum, payable to the extent of Subordinate Pledged Revenue on each December 15, beginning on December 15, 2022. Annual mandatory

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases - (continued)

sinking fund principal payments are due annually on each December 1, beginning on December 1, 2022. The Subordinate Bonds mature on December 15, 2052.

To the extent principal of any Subordinate Bond is not paid when due, principal shall remain outstanding until the earlier of its payment or the Subordinate Termination Date and shall continue to bear interest at the rate then borne by the Subordinate Bond. To the extent interest on any Subordinate Bond is not paid when due, such interest shall remain due and owing, but shall not compound or bear additional interest as a result thereof.

The Subordinate Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 16, 2072 (the "Subordinate Termination Date"), regardless of the amount of principal and interest paid prior to the Termination Date.

The Authority has no capital or operating leases.

Anticipated activity for the year is as follows:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023*
Subordinate Tap Fee				
Revenue Bonds, Series 2022B	\$ 56,505,969	\$ -	\$ -	\$ 56,505,969
Accrued Interest Series				
2022B Bonds	1,244,702	4,042,547	-	5,287,249
Developer Advance -				
Operations - SR Land	109,000	-	-	109,000
Operations - Classic SRJ	100,000	-	-	100,000
Accrued Interest - Developer Advance				
Operations - SR Land	548	9,205	-	9,753
Operations - Classic SRJ	5,090	8,000	-	13,090
Total	<u>\$ 57,965,309</u>	<u>\$ 4,059,752</u>	<u>\$ -</u>	<u>\$ 62,025,061</u>
	Balance at December 31, 2023*	Additions	Reductions	Balance at December 31, 2024*
Subordinate Tap Fee				
Revenue Bonds, Series 2022B	\$ 56,505,969	\$ -	\$ -	\$ 56,505,969
Accrued Interest Series				
2022B Bonds	5,287,249	4,325,525	-	9,612,774
Developer Advance -				
Operations - SR Land	109,000	-	-	109,000
Operations - Classic SRJ	100,000	-	-	100,000
Accrued Interest - Developer Advance				
Operations - SR Land	9,753	8,720	-	18,473
Operations - Classic SRJ	13,090	8,000	-	21,090
Total	<u>\$ 62,025,061</u>	<u>\$ 4,342,245</u>	<u>\$ -</u>	<u>\$ 66,367,306</u>

*Estimate

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserve

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's management believes a significant portion of its operations qualifies for this exclusion.

This information is an integral part of the budget.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
DEBT SERVICE REQUIREMENTS TO MATURITY**

\$83,575,000 Tap Fee Revenue Bonds

Issue date August 23, 2022

Principal Due Annually December 1

Interest at 6.750%

Due June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 5,641,313	\$ 5,641,313
2025	-	5,641,313	5,641,313
2026	6,030,000	5,641,313	11,671,313
2027	7,265,000	5,234,288	12,499,288
2028	7,825,000	4,743,900	12,568,900
2029	8,280,000	4,215,713	12,495,713
2030	9,190,000	3,656,813	12,846,813
2031	10,190,000	3,036,488	13,226,488
2032	11,165,000	2,348,663	13,513,663
2033	12,255,000	1,595,025	13,850,025
2034	11,375,000	767,813	12,142,813
	<u>\$ 83,575,000</u>	<u>\$ 42,522,642</u>	<u>\$ 126,097,642</u>

No assurance provided. See summary of significant assumptions.