

FALCON AREA WATER AND WASTEWATER AUTHORITY
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2026

FALCON AREA WATER & WASTEWATER AUTHORITY
ENTERPRISE FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

1/14/26

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCE	\$ 37,917,424	\$ 20,791,504	\$ 9,175,958
REVENUES			
Operations and Maintenance			
Meter Fees	154,440	131,670	139,095
Installation Fees	312,000	266,000	281,000
AMR Service Fees	30,546	43,931	60,280
Billing Service Fees	35,725	52,181	72,920
Water & Sewer Admin Fees	95,810	66,470	73,830
Water Service Fees	470,160	746,034	991,140
CMD Clean Water Fees	71,576	109,637	150,180
Resident Sewer Fees	245,982	367,174	503,050
Resident Under Drain Fees	18,004	25,527	34,990
Resident Water Turn On/Off Fees	-	-	-
Late Fees/Penalties	8,678	16,500	21,870
Irrigation Tap	45,000	-	-
Water & Sewer Assessment	415,887	-	-
Other Revenue	-	1,000	5,913
Loan Issuance Proceeds	-	5,000,000	-
Interest Income - O&M	9,406	149,000	85,000
Debt Service			
Water Tap Fees	-	590,619	2,070,936
Sewer Tap Fees	-	590,619	2,070,936
Water Acquisition Fees	-	317,393	1,112,902
Interest Income - Debt Service	761,553	398,900	162,000
Capital Projects			
Developer Advance Payable - Classic SRJ	316,048	1,436,591	3,180,000
Intergovernmental Revenues - WHMD	2,000,000	1,662,987	1,200,000
Wastewater Facility Fees	-	-	400,000
Interest Income - Capital	858,827	166,700	-
Total Revenues	<u>5,849,642</u>	<u>12,138,933</u>	<u>12,616,042</u>
Total Funds Available	<u>\$ 43,767,066</u>	<u>\$ 32,930,437</u>	<u>\$ 21,792,000</u>

See summary of significant assumptions.

FALCON AREA WATER & WASTEWATER AUTHORITY
ENTERPRISE FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
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1/14/26

ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
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EXPENDITURES

General and Administrative

Accounting	\$ 53,885	\$ 77,000	\$ 81,000
Auditing	6,000	6,480	7,700
Dues And Membership	1,238	1,238	1,300
Insurance	32,752	58,385	60,000
District Management	2,795	-	-
Legal	72,494	63,100	66,000
Miscellaneous	23,628	5,000	10,000
Website	-	3,100	3,000
Stewardship Agreement - Pineries Open Space Conservation	-	25,000	-
Subtotal G&A	192,792	239,303	229,000

Operations and Maintenance

Meters	172,944	250,632	156,000
Meters - Fiber Cable	352,450	247,900	239,200
Meters - Maintenance	22,135	30,000	60,885
Installation Fee Reimbursement	13,425	23,800	21,075
Billing	39,454	57,552	73,618
Consulting	4,799	-	5,000
Engineering	169,120	477,768	250,000
Clean Water Fees	86,400	122,421	170,660
Contract Services	74,152	145,200	152,000
Locating Services	-	68,000	96,000
Pest Control	240	450	450
Repairs And Maintenance	1,700	-	2,000
Reserve Study	43,993	-	-
Treatment Supplies	23,714	18,200	30,000
Treatment Costs	40,389	8,000	5,000
Utilities	89,978	124,506	180,000
Utilities - Res Sewer	190,433	205,646	182,650
Contingency	-	-	32,499
Loan Principal	-	107,840	361,067
Loan Interest	-	66,322	335,583
Loan Issue Costs	-	47,460	-
Repay Developer Advance - SR Land	-	109,000	-
Repay Developer Advance - Classic SRJ	-	100,000	-
Repay Developer Advance - Interest - SR Land	-	19,166	-
Repay Developer Advance - Interest - Classic SRJ	-	21,725	-
Subtotal O&M	\$ 1,325,326	\$ 2,251,588	\$ 2,353,687

See summary of significant assumptions.

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ENTERPRISE FUND
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	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
EXPENDITURES (CONTINUED)			
Debt Service			
Bond Principal - 2022A	\$ -	\$ -	\$ 6,030,000
Bond Interest - 2022A	5,641,313	5,641,313	5,641,313
Paying Agent Fees	5,000	5,000	5,000
Subtotal Debt Service	5,646,313	5,646,313	11,676,313
Capital Projects			
Construction WIP - CY	14,251,548	12,200,000	5,000,000
Purchased Taps	1,559,583	1,614,636	1,663,000
Repay Developer Advance - Capital - Classic SRJ	-	1,752,639	-
Repay Developer Advance - Capital - Interest - Classic SRJ	-	50,000	-
Subtotal Capital Projects	15,811,131	15,617,275	6,663,000
Total Expenditures	22,975,562	23,754,479	20,922,000
Total Expenditures and Transfers Out Requiring Appropriation	22,975,562	23,754,479	20,922,000
ENDING FUND BALANCE	\$ 20,791,504	\$ 9,175,958	\$ 870,000
AVAILABLE FOR OPERATIONS	\$ 2,282,950	\$ 2,047,292	\$ 4,668
CAPITAL PROJECT FUNDS	7,631,106	-	-
CAPITAL INTEREST	1,758,330	-	-
SURPLUS FUND	9,117,592	7,124,870	861,536
BOND FUND	1,526	3,796	3,796
TOTAL RESERVE	\$ 20,791,504	\$ 9,175,958	\$ 870,000

See summary of significant assumptions.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2026 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 530 connected located in El Paso County.

The Authority provides sewage collection and transmission services to approximately 530 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.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

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.

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.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures – (continued)

Capital Outlay

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

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

Bonds

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.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (continued)

Bonds – (continued)

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 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.

Loan Agreements

The Authority has entered into a loan agreement with Busey Bank dated September 23, 2025, in the amount of \$5,000,000 with the net effective interest rate of 8.0%. Principal and interest payments are due on the first of the month in varying amounts totaling \$58,054.24 through January 1, 2027, followed by a payment on January 31, 2027 for all remaining outstanding principal and unpaid accrued interest. The Authority has the option to prepay the loan.

Operating and Capital Leases

The Authority has no capital or operating leases.

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (continued)

Anticipated activity for the year is as follows:

	Balance at December 31, 2024	Additions*	Reductions*	Balance at December 31, 2025*
Tap Fee Revenue Bonds				
Series 2022A	\$ 83,575,000	\$ -	\$ -	\$ 83,575,000
Subordinate Tap Fee				
Revenue Bonds, Series 2022B	56,505,969	-	-	56,505,969
Accrued Interest Series				
2022B Bonds	9,152,396	3,955,416	-	13,107,812
Developer Advance -				
Operations - SR Land	109,000	-	109,000	-
Operations - Classic SRJ	100,000	-	100,000	-
Capital - Classic SRJ	316,048	1,436,591	1,752,639	-
Accrued Interest - Developer Advance				
Operations - SR Land	18,473	693	19,166	-
Operations - Classic SRJ	21,090	635	21,725	-
Capital - Classic SRJ	39,768	10,232	50,000	-
Loan - Busey Bank				
Principal	-	5,000,000	107,840	4,892,160
Total	<u>\$ 149,837,744</u>	<u>\$ 10,403,567</u>	<u>\$ 2,160,370</u>	<u>\$ 158,080,941</u>
	Balance at December 31, 2025*	Additions*	Reductions*	Balance at December 31, 2026*
Tap Fee Revenue Bonds				
Series 2022A	\$ 83,575,000	\$ -	\$ 6,030,000	\$ 77,545,000
Subordinate Tap Fee				
Revenue Bonds, Series 2022B	56,505,969	-	-	56,505,969
Accrued Interest Series				
2022B Bonds	13,107,812	3,955,416	-	17,063,228
Developer Advance -				
Operations - SR Land	-	-	-	-
Operations - Classic SRJ	-	-	-	-
Capital - Classic SRJ	-	3,180,000	-	3,180,000
Accrued Interest - Developer Advance				
Operations - SR Land	-	-	-	-
Operations - Classic SRJ	-	-	-	-
Capital - Classic SRJ	-	127,200	-	127,200
Loan - Busey Bank				
Principal	4,892,160	-	361,067	4,531,093
Total	<u>\$ 158,080,941</u>	<u>\$ 7,262,616</u>	<u>\$ 6,391,067</u>	<u>\$ 158,952,490</u>

*Estimate

**FALCON AREA WATER AND WASTEWATER AUTHORITY
2026 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 & WASTEWATER AUTHORITY
\$83,575,000 Tap Fee Revenue Bonds, Series 2022A
Dated August 23, 2022
Interest Rate 6.750%
Interest Payable June 1 and December 1
Principal Payable December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Total	<u>\$ 83,575,000</u>	<u>\$ 31,240,016</u>	<u>\$ 114,815,016</u>