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July 22, 2015

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Alpensee Water District
P.O. Box 2204
Frisco, Colorado 80443-2204

Re: Preparation for the 2016 Budget
November 3, 2015 Election
Alpensee Water District

Dear Board Members:

The budget season for fiscal year 2016 will begin soon. The District should receive its preliminary assessed valuation for the current year from the county assessor on or about August 25, 2015. The following contains important information concerning the preparation of the budget for the above-referenced District, as well as information pertaining to November 3, 2015 elections.

Procedures and Deadlines

A timetable describing the steps that are required to complete the 2016 budget for the District is attached to this letter as Exhibit 1. Exhibit 1 also contains important deadlines concerning November 3, 2015 elections.

IMPORTANT: Please note that according to Colorado statutes, a preliminary budget for the District should be prepared and distributed to the Board of Directors for review on or before October 15, 2015. A copy of this budget should also be sent to our office. The Board does not need to meet in order to receive the distribution; however, the person or entity preparing the budget must provide each Board member with a copy of the preliminary budget by October 15. With this deadline in mind, the preliminary work on the 2016 budget should begin shortly.

The District must adopt the budget prior to certifying its mill levy to the Board of County Commissioners by December 15, 2015. Districts that do not certify a mill levy must adopt their budgets by December 31, 2015.

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COLORADO SPRINGS, COLORADO 80309
(719) 559-4080 FAX (719) 466-2045

304 EAST HIGH STREET
JEFFERSON CITY, MISSOURI 65101
(573) 634-8115 FAX (573) 634-8140

12925 WEST DODGE ROAD, SUITE 107
OMAHA, NEBRASKA 68154
(402) 965-8600 FAX (402) 965-8601

2144 EAST REPUBLIC ROAD, SUITE B300
SPRINGFIELD, MISSOURI 65804
(417) 888-1000 FAX (417) 881-8035

1700 LINCOLN STREET, SUITE 2000
DENVER, COLORADO 80203-4554
(303) 839-3800 FAX (303) 839-3838

1000 WALNUT STREET, SUITE 1400
KANSAS CITY, MISSOURI 64106-2140
(816) 474-8100 FAX (816) 474-3216

9401 INDIAN CREEK PARKWAY, SUITE 700
OVERLAND PARK, KANSAS 66210-2005
(913) 345-8100 FAX (913) 345-0736

1 N. BRENTWOOD BOULEVARD, SUITE 1000
ST. LOUIS, MISSOURI 63105-3925
(314) 863-7733 FAX (314) 862-4656

Budget Format and Budget Message

The format for an acceptable budget summary is provided in Exhibit 2 to this letter. Please note that the Division of Local Government has requested that property tax revenues be shown as a gross figure on the revenue side of the budget sheet with the county treasurer's tax collection fees shown as a separate line item on the expenditure side.

The budget must include data for three calendar years as follows:

- actual revenues and expenditures for 2014
- revenues and expenditures in 2015 projected to the end of the calendar year
- the proposed budget for the calendar year 2016

A "budget message" which describes the important features of the proposed budget, including a statement of the budgetary basis of accounting used and a description of the services to be delivered during the budget year, must be attached to the proposed budget and submitted for the review and approval of the Board of Directors. A sample budget message is provided in Exhibit 3 to this letter. Although the scenario in Exhibit 3 may not directly be applicable to the District, it provides sample language and formatting.

Certification of Debt Service Mill Levies

The debt service mill levy to be set for bonds issued before November 3, 1992, is not affected by TABOR and may be set by the Board to comply with the applicable bond documents. For bonds issued after November 3, 1992, the vote on "general obligation bonds" or other instruments is often by definition supported by unlimited mill levy requirements, allowing the debt service mill levy to be set at whatever level is required to pay the debt as it comes due.

Some Districts have bonds that are paid by "limited mill levies" or "capped mill levies." For these bonds, the debt service levy does not have to exceed the cap. For some of these bond issues, the cap may change from one year to the next. Please consult our office on these bond issues.

Pursuant to Section 32-1-1603, C.R.S., special districts which levy taxes for payment of general obligation debt shall certify a separate mill levy to the Board of County Commissioners for each such debt in accordance with the relevant contracts or bond resolutions, and shall identify each bond issue by series, date, coupon rate, and maturity date, and each contract by title, date, principal amount, and maturity date, and a separate mill levy for the remainder of the budget of the District. A sample certification is provided in Exhibit 4 to this letter.

General Notes for Budget Preparation

Unless the District has held an election to eliminate them, two legal constraints may affect the budget preparation: (1) TABOR, and (2) the statutory 5½ percent limit on operations tax revenue. Both limit the growth of the revenue side of the District's budget, through the application of similar, yet in some ways different, formulas. The TABOR formula limits growth in both property tax and total revenue, while the 5½ percent formula limits growth in revenue collected through the certification of general operations mill levies.

Districts organized after November 3, 1992, will also have election-approved limits on spending and revenues, usually set at the organizational election. These newer districts should review their voted authority to avoid exceeding the approved limits.

The statutory "5.5%" Property Tax Revenue Limit, also known as the "Annual Levy Law" (Section 29-1-301, et seq., C.R.S.), applies to most statutory local governments that levy for property taxes. The "5.5%" limit restricts the amount of property tax revenue that may be collected each year. The District's limit is calculated by using information found on the Certification of Valuation sent by the county assessor to the District by August 25. A re-certification may be sent by December 10 for valuation information that the assessor may have changed. A worksheet is available to assist in calculating the statutory property tax revenue limitation. However, the Division of Local Government also calculates the District's "5.5%" limit, if the District has not "de-TABORed." This is done in September and again in December following the county assessor's re-certification of valuation. The District should compare the 5.5% limit with the TABOR property tax limit to determine which one is the most restrictive property tax revenue limitation and then use the more restrictive number.

For the 2016 budget year, the District must set aside three (3) percent of its expenditures, (but not including those expenditures for bonded debt service, spending from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales) for an "emergency fund." The emergency fund should be placed in a separate fund of the District to be used only for "declared emergencies." (See sample format in Exhibit 2). Unused emergency fund reserves may be (and usually are) carried over to the next fiscal year.

Budget Hearing

In addition to the above, it is necessary for the Board of a district that will certify a mill levy to schedule a meeting to consider the budget in time to certify a mill levy to the County by the close of business on December 15. Prior to the public hearing on the proposed budget, a Notice as to Proposed Budget Hearing must be published one time in a newspaper of general circulation within the District, or if the proposed budget is \$50,000 or less, then the Notice can be posted in three (3) public places within the boundaries of the District in lieu of publication.

If you have any questions or concerns regarding TABOR, the 5½ percent limit, and/or preparation of the 2016 budget, please contact our office at your earliest convenience. Thank you.

Sincerely,

SPENCER FANE BRITT & BROWNE LLP

/s/ Leslie H. Larsen
Paralegal

Enclosures

EXHIBIT 1
2016 BUDGET TIMETABLE

Budgets must be adopted for each fiscal year. (The fiscal year is the same as the calendar year.)

- | | |
|--------------------------------------|--|
| July 24, 2015 | If the District intends to hold an election for the purpose of requesting an increase in the District's general operating mill levy and/or revenue limit, then the County Clerk & Recorder is notified. (100-day notice letter) |
| August 25, 2015 | Assessors certify to all taxing entities and to the Division of Local government the total new assessed and actual values for real and personal property used to compute the statutory and TABOR property tax revenue limits. |
| August 25, 2015 | <i>(if a coordinated election is held)</i> An intergovernmental agreement between the District and the county must be entered into with the county clerk and recorder. |
| September 4, 2015 | <i>(if an election is held)</i> Deadline for certifying the ballot issues/questions. |
| September 18, 2015 | <i>(if an election is held)</i> Deadline to submit written comments to the District "for" and "against" Colo. Const. Art. X, Sec. 20 TABOR ballot issues. |
| October 2, 2015 | <i>(if an election is held)</i> Notice of election (pursuant to Article X, Section 20 of the Colorado Constitution) is to be mailed. |
| Prior to
October 15, 2015 | District Board of Directors appoints a person to prepare the budget and submit it to the Board for review.

The offices and spending agencies of the District are to submit budget estimates to the person who was appointed to prepare the budget. The estimates are to include corresponding actual expenditures and revenues for the completed fiscal year 2014, estimated figures for the current fiscal year 2015, and proposed expenditures and revenues for the ensuing budget year 2016.

Analyses of the following components (both short and long term) will be useful in preparation of the District's budget under TABOR: growth calculation, spending, revenues, emergency reserves, and refunds. |
| October 15, 2015 | Deadline for appointee to submit the proposed budget to the Board of Directors. The Board of Directors schedules a public hearing on the proposed budget and publishes Notice of Budget. |

- On or after October 15, but before either December 15 or December 31, 2015** Prior to the public hearing on the proposed budget, Notice as to Proposed Budget Hearing must be published one time in a newspaper of general circulation within the District.
- OR
- if the proposed budget is fifty thousand dollars (\$50,000) or less, then the Notice may be posted in three public places within boundaries of the District in lieu of publication.
- The Notice must include the following: (1) the date, time, and place of the budget hearing; (2) that the budget is open for public inspection and location where budget can be reviewed; (3) that interested parties may file objections any time prior to adoption.
- November 3, 2015** Special election date.
- December 10, 2015** Final assessed valuation issued by the County Assessor.
- December 15, 2015** Regardless of whether or not an election is held, this is the deadline for adopting the budget if the District intends to certify a mill levy.
- A budget must be adopted prior to the certification of mill levies. The board of directors must enact a resolution to appropriate funds for the ensuing budget year.
- December 31, 2015** Deadline for a special district to adopt a budget, if not certifying mill levies.
- January 31, 2016** Deadline for filing a certified copy of the adopted budget, including budget message, with the Division of Local Government. If a budget is not filed, the county treasurer may be authorized to withhold tax revenues.

EXHIBIT 2

SAMPLE BUDGET FORMAT

_____ **FUND***

_____ District

January 1, 2016 through December 31, 2016

Description	Actual Prior Year 2014	Estimated Current Year 2015	Proposed Budget Year 2016
ESTIMATED RESOURCES	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Beginning Fund Balance, January 1			
Estimated Fund Revenue:			
Property Taxes			
TOTAL AVAILABLE RESOURCES			
ESTIMATED EXPENDITURES	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Emergency Funds			
Treasurer's Fees			
TOTAL EXPENDITURES			
Ending Fund Balance			

*Suggested names of funds (to be used as applicable): general operating fund, debt service fund, capital projects fund, pension fund, conservation trust fund, water/sewer enterprise fund, emergency fund.

EXHIBIT 3

SAMPLE BUDGET MESSAGE

"XYZ" METROPOLITAN DISTRICT 2016 BUDGET MESSAGE

DISTRICT SERVICES:

The District provides water and sanitary sewer and drainage, street, safety protection and traffic control, transportation, park and recreational, mosquito control, and fire protection services, programs, and facilities to the landowners and residents of the District.

BASIS OF ACCOUNTING:

The basis of accounting utilized in the preparation of the 2016 budget for the District is the _____ (i.e., accrual, modified accrual, cash basis) method. The District's 2016 budget includes projected revenues and expenditures for its general operating fund, debt service fund, capital projects fund, and conservation trust fund.

IMPORTANT FEATURES OF THE BUDGET:

The 2016 budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitations. Emergency reserves have been provided in 2016 (3% of the District's fiscal year spending excluding bonded debt service.) The District has formed a water enterprise and a sewer enterprise and, by adoption of a resolution of the Board of Directors in _____, operates the enterprises as such.

1. General Operating Fund/Expenditures: Paid for out of the District's General Fund, these expenses include general administrative costs, insurance, professional and other fees, landscaping, repairs and maintenance, utilities, and other miscellaneous costs.

Because of the decrease in the District's assessed valuation, the general operating fund reflects a 5% decrease in property tax revenues to be received in fiscal year 2016 over those property tax revenues received by the District in fiscal year 2015. The Board of Directors anticipates a cutback in general operating costs due to the anticipated decrease in property tax revenue.

The District will open up the indoor pool to the general public and charge a user fee to all users to fund repairs to and maintenance of the pool. The pool may be operated as an enterprise.

2. Water Enterprise Fund/Expenditures: In addition to tap fees and meters and accessories, the primary source of revenue is general water sales. The District's expenses include the cost for the purchase of water provided to the District's landowners and residents.

3. Sewer Enterprise Fund/Expenditures: The primary revenue source is based on fees paid by the District's residents for sewage treatment as well as tap fees. The District's expense includes the cost for sewage treatment.
4. Debt Service Fund/Expenditures: The proposed 2016 budget reflects an increase in the amount needed by the District to make principal and interest payments on its outstanding bonds, pursuant to the debt service schedule for said bonds. In fiscal year 2016, the amount required for debt service is lower due to the District making its final principal and interest payment on its 1995 general obligation bonds on December 1, 2016.

The District currently does not anticipate seeking the approval of the District's electors for the authorization and issuance of additional general obligation debt.

5. Capital Projects Fund/Expenditures: The District anticipates the construction of street improvements/repairs and bike paths and landscaping the newly-constructed medians. The District will also purchase a new fire truck. In order to fund these projects, the District will transfer moneys from the Reserve Fund to the Capital Projects Fund.
6. Conservation Trust Fund/Expenditures: The District will receive approximately \$5,000 in revenues from the Colorado Lottery for its Conservation Trust Fund. These moneys will be used to purchase trees and shrubbery to be planted in the open space area of the District and fund repairs to the pool.
7. Reserve Fund/Expenditures: The District created a Reserve Fund in fiscal year _____. This fund provides a general reserve for future operating contingencies and capital improvements and maintenance of District facilities. See No. 5 above concerning the utilization of reserves.
8. Emergency Fund/Expenditures: The emergency fund for fiscal year 2016 will be equal to 3% of the District's fiscal year spending excluding those expenditures for bonded debt service, spending from gifts, federal funds, collections from another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales.

ANTICIPATED PROJECTS:

The Board has budgeted for the cost of constructing street improvements and repairs in the District in fiscal year 2016, including street lighting and signage. The District will fund the projects with moneys in its Reserve Fund. As noted above, the District also has budgeted for the cost of constructing bike paths, landscaping medians, and the purchase of an additional fire truck.

EXHIBIT 4

CERTIFICATION OF TAX LEVIES

(FORM DLG 70)

County Tax Entity Code _____

DOLA LGID/SID _____

**CERTIFICATION OF TAX LEVIES
FOR NON-SCHOOL GOVERNMENTS**

TO: COUNTY COMMISSIONERS OF _____ COUNTY, COLORADO

On behalf of the _____ DISTRICT

the BOARD OF DIRECTORS

of the _____ DISTRICT

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of:

\$ _____

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of:

\$ _____

Submitted: _____ for budget/fiscal year **2016**.

	PURPOSE		LEVY		REVENUE	
1.	General Operating Expenses			mills	\$	
2.	<Minus> Temporary General Property Tax Credit/Temporary Mill Levy Rate Reduction	<		> mills	< \$	>
	SUBTOTAL FOR GENERAL OPERATING:			mills	\$	
3.	General Obligation Bonds and Interest			mills	\$	
4.	Contractual Obligations			mills	\$	
5.	Capital Expenditures			mills	\$	
6.	Refunds/Abatements			mills	\$	
7.	Other			mills	\$	
	TOTAL			mills	\$	

County Tax Entity Code _____

DOLA LGID/SID _____

Contact Person: _____

Title: _____

Daytime Telephone: _____

Signed: _____

Title: Secretary

Based on prior electoral approval, the property tax revenue IS NOT subject to statutory limitations imposed by Section 29-1-301, C.R.S. or limitations imposed by Article X, Section 20 of the Colorado Constitution.

County Tax Entity Code _____

DOLA LGID/SID _____

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603, C.R.S.).

Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS:

1.	Purpose of Issue:	
	Series:	
	Date of Issue:	
	Coupon Rate:	
	Maturity Date:	
	Levy:	
	Revenue:	

CONTRACTS:

2.	Purpose of Contract:	
	Title:	
	Date:	
	Principal Amount:	
	Maturity Date:	
	Levy:	
	Revenue:	