



METROPOLITAN DISTRICT

5972 County Road 234 Durango, CO 81301

Phone: 970-259-3102 Fax: 970-259-9870

**NOTICE OF REGULAR MEETING OF THE EDGEMONT RANCH METROPOLITAN DISTRICT
BOARD OF DIRECTORS**

TO ALL QUALIFIED TAXPAYING ELECTORS OF EDGEMONT RANCH METROPOLITAN DISTRICT TO ALL OTHER PERSONS TO WHOM IT MAY BE OF CONCERN:

NOTICE IS HEREBY GIVEN the Regular Meeting of the Edgemont Ranch Metropolitan District Board of Directors will be held at **4:00 PM on Thursday, April 18, 2019 at ERMD Office, 5972 C.R. 234, Durango, CO.**

The purpose of the meeting is to transact the items specified below and transact such other business as may properly come before the Board in accordance with the Bylaws of the District.

AGENDA ITEMS:

1. Approve ERMD Regular Board Meeting Minutes from March 7, 2019
2. 1st Quarter Financial Report – Marilyn
3. Consideration of an amendment to an agreement with Tom Gorton
4. Waste Water Plant Update – Mr. Ludwig
5. Staff Report
 - a) Hydrant Flushing
6. Board Concerns

Dated this 15th day of April 2019

EDGEMONT RANCH METROPOLITAN DISTRICT
Steve Martin, President

5 Edgemont Ranch Metropolitan District Locations & La Plata County Clerk's Office

**Edgemont Ranch Metropolitan District
Meeting of the Board of Directors
Minutes**

The regular meeting of the Board of Directors of the Edgemont Ranch Metropolitan District was called to order at the District office on Thursday, April 18, 2019 at 4:05 PM.

Directors in attendance were: Steve Martin, Al Winzerling, Larry Mongelli and Andrew Rapiejko. Mr. Butler had an excused absence. Also, Metro staff members in attendance were: Mike Lancianese, Robert Ludwig, Mark Fuson, Marilyn Heide and Annette Hutchins. Also in attendance was: Tom Gorton

Mr. Winzerling moved to approve the Regular Metro Board meeting minutes from March 7, 2019, seconded by Mr. Mongelli, and was carried unanimously.

Marilyn reviewed Metro's 1st Quarter Financial Report, including ERMD Consolidated Balance Sheet, March 31, 2019, ERMD Consolidated Statement of Cash Flows, March 31, 2019 YTD, and ERMD Analysis of Reserve Activity, March 31, 2019 YTD. (See attached)

Mr. Rapiejko met with staff April 1st to discuss current issues concerning the District. Mr. Winzerling will meet with staff in May.

Mr. Martin explained the amendment of an agreement, updated from the 2010 Water and Sewer Service agreement, between Metro and Mr. Gorton dated January 28, 2010 and then again on February 29, 2016 which was reviewed by the Metro's lawyer. This agreement is the first amendment to a memorandum affecting real property and undertakings. Briefly, this concerns Mr. Gorton taking care of the landscape surrounding the reservoir while the Metro provides irrigation lines and water to the same plantings. Mr. Mongelli moved to accept this agreement between the Metro District and Mr. Gorton affecting real property and undertakings, seconded by Mr. Winzerling and was unanimously approved. (See attached)

Mr. Ludwig gave an update on the progress of the Waste Water Plant. Element Engineering has completed their drafts of the process design report - 60% plans and they have been submitted back to the state. The state is behind in their approval process. They will hopefully approve Metro's plans and design in June 2019. The plans will be finalized by October with a winter bid process starting December 2019. Construction could commence by March 2020 with completion sometime in 2021.

Mr. Martin presented a speed hump request from the Highlands property homeowners committee. He would like more input from Highlands residents to make sure they want a speed hump installation. Mr. Ludwig recommended emailing a survey to the Highlands community for their input. Mr. Mongelli, who lives in the Highlands, said a speed hump installation would be fine with him. Mr. Gorton said it was the Metro's decision. Mr. Rapiejko suggested constructing a speed table, a flat speed hump with a crosswalk in the middle. This would be a good traffic calming device.

Mr. Lancianese stated the Metro's annual hydrant flushing would begin next week, Monday-Friday. This will help clear up any rust in the water system.

Mr. Ludwig stated Mr. Flora, a developer in the Highlands, has added phases 5A & 5B. These 59 lots have been platted and approved by the county. Mr. Flora is currently working on the infrastructure for the new subdivision – the Overlook.

Mr. Gorton commented on the snowplowing work Metro Staff members did on the Edgemont roads this past winter. He felt they did the best snowplowing work in town.

Mr. Mongelli moved to adjourn the meeting, seconded by Mr. Winzerling. The meeting adjourned at 4:28 PM.

Respectfully submitted,

Annette Hutchins,

Administrative Assistant

**ERMD INTERIM FINANCIAL REPORT
MARCH 31, 2019**

BALANCE SHEET

Current assets are \$6M, consisting of \$5.9M cash and \$318K receivables and other. Of the \$5.9 M cash, \$376K is available to spend. The remainder is in reserves for each fund.

Property, Plant and Equipment is \$7.8 million, which primarily represents the water and sewer infrastructure.

Other Assets are \$4.3 million, made up primarily of all the roads for which the District has responsibility.

Liabilities are \$6 million.

Total capital is \$12 million.

FINANCIAL OVERVIEW:

The District's YTD Total Cash Inflow was \$611K, which is \$6.5K more than budgeted. The variances are due to timing in relation to the budget. There have been 6 new meters installed and 2 Highlands and Meadows lots sold as of March 31. After transferring \$240K to Reserves, Net Operating Cash Inflow is \$371K.

Total Operating Cash Outflow was \$244K, which is \$58K less than budgeted. Again, the large variance is caused by timing regarding the quarterly budget. We did have to replace the hot water heater and storm door on the office this quarter. The Cash Flow before Reserves was \$127K, which is \$67K more than the budget. Total cash flow including reserve activity is \$188K, \$511K more than budgeted

ANALYSIS OF RESERVE ACTIVITY:

Total Reserve Cash Inflow was \$240K, which is \$2K less than budgeted.

Total Reserve Cash Outflow was \$179K.

Total Reserve increased by \$62K, beginning the year at \$5.495M and ending the quarter at \$5.556M.

CURRENT INFRASTRUCTURE STATUS

| 3/31/2019 | WATER/SEWER CUSTOMERS | <u>RANCH</u> | <u>HIGHLAND</u> | <u>MEADOWS</u> | <u>TOTAL</u> |
|-----------|-----------------------|--------------|-----------------|----------------|--------------|
| | UNIMPROVED | 13 | 73 | 66 | 152 |
| | RESIDENTIAL | 218 | 327 | 18 | 563 |
| | PONDS | 3 | 0 | 0 | 3 |
| | LANDSCAPING | 3 | 2 | 1 | 6 |
| | TOTAL | 237 | 402 | 85 | 724 |

| | | | | |
|--------------------------|-----|-----|-----|-----|
| Miles of Road (estimate) | 3.4 | 5.4 | 1.1 | 9.9 |
|--------------------------|-----|-----|-----|-----|

EDGEMONT RANCH METROPOLITAN DISTRICT
Consolidated Balance Sheet
MARCH 31, 2019

| ASSETS | | |
|--|---------------------|--|
| Current Assets | | |
| Cash | \$376,147 | |
| Water System Reserve | 145,382 | |
| Sewer System Reserve | 4,980,925 | |
| Road Maintenance Reserve | 294,930 | |
| Snow Removal Reserve | 135,178 | |
| Property Taxes Receivable | 159,920 | |
| Water/Sewer Base Fees Receivable | 37,870 | |
| Infrastructure Maintenance Fees Receivable | 115,590 | |
| Other Current Assets | 6,783 | |
| Bad Debt Reserve | -1,704 | |
| Total Current Assets | 6,251,021 | |
| Property, Plant and Equipment | | |
| Water Source and Distribution Infrastructure | 5,420,139 | |
| Water Treatment Infrastructure | 676,371 | |
| Water Plant Equipment | 160,718 | |
| Sewer Transmission Infrastructure | 3,272,293 | |
| Sewer Treatment Infrastructure | 427,813 | |
| Sewer Treatment Plant Construction in Progress | 68,731 | |
| Sewer Plant Equipment | 102,651 | |
| Transportation Equipment | 206,491 | |
| Office Building | 71,280 | |
| Accumulated Depreciation | -2,532,084 | |
| Total Property, Plant and Equipment | 7,874,403 | |
| Other Assets | | |
| Building Improvements | 87,536 | |
| Security Infrastructure | 205,900 | |
| Roads Infrastructure | 5,425,173 | |
| Office Building & Equipment | 333,377 | |
| Land | 62,609 | |
| Accumulated Depreciation | -1,768,765 | |
| Total Other Assets | 4,345,830 | |
| TOTAL ASSETS | \$18,471,254 | |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 40,740 | |
| Current Portion of Long-term Debt | 438,612 | |
| Unearned revenue | 20,000 | |
| Total Current Liabilities | 499,352 | |
| Long-term Debt | | |
| Leases Payable | 253,771 | |
| Notes Payable | 5,145,019 | |
| Total Long-term Debt | 5,398,790 | |
| TOTAL LIABILITIES | 5,898,142 | |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Property Tax Revenue | 159,920 | |
| NET POSITION | | |
| Investment in General Fixed Assets | 7,915,425 | |
| Restricted for Roads | 218,750 | |
| Contributed Capital | 4,090,641 | |
| Net Cash Flow | 188,376 | |
| TOTAL NET POSITION | 12,413,192 | |
| TOTAL LIABILITIES AND NET POSITION | \$18,471,254 | |

EDGEMONT RANCH METROPOLITAN DISTRICT
Consolidated Statement of Cash Flows
MARCH 31, 2019 YTD

| CASH INFLOW | Water Fund | Sewer Fund | General Fund | Long Term Debt | Total | Budget | Variance | % |
|---------------------------------------|-----------------------|-----------------------|-------------------------|---------------------------|------------------|-------------------|------------------|--------------|
| Water / Sewer Base Fees | \$50,521 | \$41,963 | | | \$92,484 | \$92,745 | -\$261 | 0% |
| Infrastructure Maintenance Fees | 84,406 | 86,938 | | | 171,344 | 173,883 | (2,539) | -1% |
| Property Tax Income | | | \$80,568 | \$25,092 | 105,660 | 93,718 | 11,942 | 13% |
| Snow Removal Fees | | | 20,880 | | 20,880 | 21,186 | (306) | -1% |
| Developer Lot Sale Fees | 2,350 | 2,350 | | | 4,700 | 4,700 | 0 | 0% |
| Water / Sewer Reserves | 35,169 | 156,489 | | | 191,658 | 194,565 | (2,907) | -1% |
| Inspection/Equipment/Impact Fees | 2,826 | 150 | 3,175 | | 6,151 | 4,980 | 1,171 | 24% |
| Lease Income | | | 13,824 | | 13,824 | 13,824 | 0 | 0% |
| EPOA Reimbursement | | | 1,987 | | 1,987 | 3,243 | (1,256) | -39% |
| Other | 751 | 876 | 876 | | 2,503 | 75 | 2,428 | 3237% |
| Interest Income | | 1,651 | | | 1,651 | 1,675 | (24) | -1% |
| Bad Debt Reserve | -674 | -958 | -72 | | -1,704 | 0 | (1,704) | |
| TOTAL CASH INFLOW | 175,349 | 289,459 | 121,238 | 25,092 | 611,138 | 604,594 | 6,544 | 1% |
| Transfers to Reserves | -37,519 | -160,490 | -42,265 | 0 | -240,274 | -242,239 | | |
| NET OPERATING CASH INFLOW | 137,830 | 128,969 | 78,973 | 25,092 | 370,864 | 362,355 | 8,509 | 2% |
| OPERATING CASH OUTFLOW | | | | | | | | |
| Professional Fees | 536 | 536 | 2,928 | 714 | 4,714 | 6,030 | 1,316 | 22% |
| Office Expenses | 1,687 | 794 | 1,687 | | 4,168 | 3,521 | (647) | -18% |
| Lease Expense | 21,324 | 12,524 | 0 | | 33,848 | 34,050 | 202 | 1% |
| Employee Expenses - Personnel | 19,066 | 22,183 | 22,196 | | 63,445 | 79,100 | 15,655 | 20% |
| Employee Exp - Taxes, Insurance, etc. | 9,103 | 11,171 | 9,912 | | 30,186 | 33,295 | 3,109 | 9% |
| Insurance | 6,645 | 6,543 | 6,645 | | 19,833 | 24,900 | 5,067 | 20% |
| Vehicle Expenses | 344 | 563 | 3,722 | | 4,629 | 4,500 | (129) | -3% |
| Operations Expenses | 11,844 | 9,420 | 3,160 | | 24,424 | 37,348 | 12,924 | 35% |
| Maintenance/Repair Equipment | 5,497 | 490 | 0 | | 5,987 | 3,160 | (2,827) | -89% |
| Maintenance/Repair Infrastructure | 6,968 | 155 | 2,062 | | 9,185 | 6,875 | (2,310) | -34% |
| Distribution / Collections | 1,108 | 649 | | | 1,757 | 10,775 | 9,018 | 84% |
| Capital Expenditures | 19,587 | 0 | 0 | | 19,587 | 21,000 | 1,413 | 7% |
| Debt Payments | | 0 | | 15,349 | 15,349 | 15,349 | 0 | 0% |
| Other | 6,852 | 0 | 162 | | 7,014 | 22,646 | 15,632 | 69% |
| TOTAL OPERATING CASH OUTFLOW | 110,561 | 65,028 | 52,474 | 16,063 | 244,126 | 302,549 | 58,423 | 19% |
| CASH FLOW BEFORE RESERVES | \$27,269 | \$63,941 | \$26,499 | \$9,029 | \$126,738 | \$59,806 | \$66,932 | 112% |
| NET RESERVE ACTIVITY | 6,965 | 38,167 | 16,506 | 0 | 61,638 | -382,486 | 444,124 | |
| TOTAL CASH FLOW | \$34,234 | \$102,108 | \$43,005 | \$9,029 | \$188,376 | -\$322,680 | \$511,056 | -158% |

EDGEMONT RANCH METROPOLITAN DISTRICT
Analysis of Reserve Activity
MARCH 31, 2019 YTD

| | <u>Water System Reserve</u> | <u>Waste Water System Reserve</u> | <u>Road Maintenance Reserve</u> | <u>Snow Removal Reserve</u> | <u>Total</u> | <u>Budget</u> | <u>Variance</u> |
|---------------------------------------|-------------------------------------|---|---|-------------------------------------|--------------------|-------------------|-------------------|
| CURRENT RESERVE CASH INFLOW | | | | | | | |
| Highlands Lot Sale Fee | \$2,350 | \$2,350 | | | \$4,700 | \$4,700 | 0 |
| Spring Valley Reservoir Reserve Fees | 35,169 | | | | \$35,169 | \$35,670 | (501) |
| WWTP Reserve | | 156,489 | | | \$156,489 | 158,895 | (2,406) |
| Interest on Loan Proceeds | | 1,651 | | | \$1,651 | 1,675 | (24) |
| Road Maintenance Tax Levy | | | \$18,210 | | \$18,210 | 17,613 | 597 |
| Snow Removal Fee | | | | \$20,880 | \$20,880 | 21,186 | (306) |
| Road Impact Fees | | | 3,175 | | \$3,175 | 2,500 | 675 |
| TOTAL CASH INFLOW | 37,519 | 160,490 | 21,385 | 20,880 | 240,274 | 242,239 | -1,965 |
| CURRENT RESERVE CASH OUTFLOW | | | | | | | |
| Spring Valley Reservoir Loan Payments | 30,554 | | | | 30,554 | 30,554 | 0 |
| WWTP Loan Payments | | 77,771 | | | 77,771 | 77,771 | 0 |
| WWTP Development | | 44,552 | | | 44,552 | 500,000 | 455,448 |
| R&M Roads | | | 0 | | 0 | 0 | 0 |
| Snow Removal Expense | | | | 12,982 | 12,982 | 8,200 | (4,782) |
| Snow Equipment R&M | | | | 12,777 | 12,777 | 8,200 | (4,577) |
| TOTAL RESERVE CASH OUTFLOW | 30,554 | 122,323 | 0 | 25,759 | 178,636 | 624,725 | 446,089 |
| NET RESERVE CASH FLOW | \$6,965 | \$38,167 | \$21,385 | -\$4,879 | \$61,638 | -\$382,486 | -\$444,124 |
| PREVIOUS BALANCE (12/31/18) | 138,417 | 4,942,758 | 273,545 | 140,057 | 5,494,777 | | |
| TOTAL RESERVE BALANCE | \$145,382 | \$4,980,925 | \$294,930 | \$135,178 | \$5,556,415 | | |

FIRST AMENDMENT TO MEMORANDUM OF AGREEMENT AFFECTING REAL PROPERTY AND UNDERTAKINGS

THIS FIRST AMENDMENT TO MEMORANDUM OF AGREEMENT AFFECTING REAL PROPERTY AND UNDERTAKINGS (“First Amendment”) is made and entered into this 18th day of April, 2019, Edgemont Ranch Metropolitan District, a Colorado special district of the County of La Plata, State of Colorado (“ERMD”) and Tom D. Gorton, (“Gorton”) successor in interest to the property described on Exhibit A, formerly owned by Gorton Family Partnership, LLLP, a Colorado limited liability company of the County of La Plata, State of Colorado . Gorton and ERMD together are referred to as the “Parties”.

RECITALS

A. ERMD and Gorton Family Partnership, LLLP previously entered into that certain Amended and Restated 2009 Water and Sewer Service Agreement dated January 28, 2010 (Amended Water and Sewer Agreement”) and Memorandum of Agreement Affecting Real Property and Undertakings dated February 29, 2016 (“Memorandum”); and

B. Gorton is the owner of the Property described on Exhibit A attached to the Memorandum; and

C. The Parties have agreed to move forward with an Exemption Plat to be processed through La Plata County, to facilitate the conveyance of Parcel 1 (the “Sewage Treatment Plant Site”) and Parcel 2 (the “reservoir Parcel”) from Gorton to ERMD; and

D. The parties wish to set forth their agreement regarding the maintenance of the landscape improvements accomplished pursuant to Exhibit E of the Amended and Restated Water and Sewer Agreement and the offset for Raw Water Charges pursuant to Section 3.b of the Memorandum for landscaping work.

AMENDMENT

1. It is agreed that Gorton shall be responsible for the watering of trees on the banks and side slopes of the reservoir (Parcel 2 of the Exemption Plat) and the spraying for weeds, cutting and mowing grass, replacing of any dead trees and the winterizing of the irrigation line/system to irrigate the trees and grass. Gorton shall notify ERMD prior to conducting any weed spraying operation by identifying the specific type of weed spray and the intended dates of application. If any type of spray is deemed hazardous by ERMD the parties shall jointly seek to find a mutually acceptable substitute. All spraying shall be done in accordance with best management practices for such spraying to ensure that no harmful substances are allowed to drift into the reservoir as a result of such spraying operations.

2. It is further agreed that ERMD shall be responsible to ensure that the irrigation pump and irrigation lines are in good working condition, except when repairs are required due to the failure of Gorton to winterize as required by Section 1 above. ERMD shall provide a hose to access raw water in the reservoir for use in the irrigation as set forth in Section 1 above and shall give access to Gorton for the area from the perimeter of the reservoir liner over the top of the reservoir berm and down the side slopes of same to allow Gorton to accomplish the responsibilities set forth in Section 1 above. Further, ERMD agrees to allow access to the ERMD manual pump switch as reasonable and subject to ongoing ERMD processing operations.

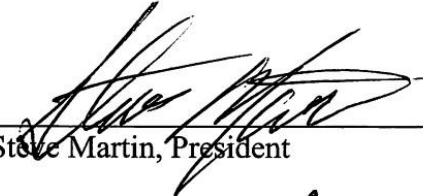
3. As partial consideration for Gorton accepting responsibility for the maintenance obligations set forth in Section 1 above, the Parties agree that Section 3.b of the Memorandum is amended to provide that Gorton, and his successors and assigns with respect to the adjacent Gorton Property, shall receive an annual credit in the amount \$4,500 against the raw water charge set forth in Section 3.b of the Memorandum. It is expressly acknowledged and agreed that any amount of the annual credit not utilized in a given year shall expire at the end of the year and that his credit shall not restrict or limit the right of ERMD to halt water delivery pursuant to Section 3.d of the Memorandum.

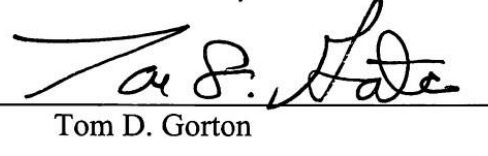
4. Unless terminated by mutual agreement of the parties, this Agreement shall continue until December 31, 2023 and shall thereafter automatically renew each year on January 1 unless either party shall give 90 days advance written notice to the other party to terminate this Agreement. Any such termination shall not affect the rights and obligations set forth in the Memorandum.

5. The rights and obligations set forth in this First Amendment were specifically negotiated by the parties based in part on their historical cooperation and trust, and as such may not be assigned by Gorton without the written approval of ERMD, in its sole discretion.

6. All other terms and provisions of the Memorandum not modified or changed pursuant to this First Amendment remain in full force and effect.

EDGEMONT RANCH METROPOLITAN DISTRICT

By  4-18-19
Steve Martin, President Date

By  4/17/19
Tom D. Gorton Date