

Origins and Responsibilities of the Starwood Metropolitan District; Bond Financings

The purpose of this memorandum is to summarize the history and role of the Starwood Metropolitan District Board. Originally the Starwood Subdivision water system was operated under the Starwood Homeowners Association (HOA) but was transferred to a Water District in September 1983. The reason was to provide a legal governmental entity to administer and finance the water system. The intent was for the District to govern, finance, and operate the water system formally purchased from the HOA for \$200,000.

A Water District is a quasi-municipal governmental entity existing under the Colorado Special District Act (C.R.S.32-1-101, et. seq.) having powers of management, taxation and condemnation, and is governed by an elected Board of 5 Directors.

Formation of Metropolitan District

On August 30, 2000, the Water District was converted to a Metropolitan District in order to undertake the improvement and maintenance of Trentaz Drive because, although the County claimed ownership of Trentaz, it did not adequately maintain the road and Trentaz was not in compliance with Pitkin County road standards. It was determined that a metropolitan district entity was best-suited to perform improvements to Trentaz, so the decision was made that converting the Starwood Water District to a metropolitan district (i.e. a special district that performs more than one function as defined in the Special District Act) that was authorized to perform road maintenance and other services, all as set forth in the approved Starwood Metropolitan District Service Plan.

Metro Assumes Additional Services

At the same time, the Metro District, pursuant to agreements with the Starwood HOA (and that can be terminated by the HOA) agreed to assume other services outlined in the Metropolitan District's Service Plan. The assumption of these services allowed Starwood property owners to take advantage of the governmental benefits which included tax deductibility, insulation from liability and lower-cost municipal financing. The areas in addition to water, funded by a real-property tax mill levy generally, are:

- parks and recreation
- safety protection
- street improvements

The Metro District is an independent governmental entity with its own taxing authority. The Metro District Board and the HOA Board have independent fiduciary responsibilities. Subject to the appropriate exercise of those responsibilities, the general practice has been for the Metro District Board essentially to defer to the HOA, which represents all homeowners on major policy and budgetary matters. The Metro District Board determines appropriate funding in conjunction with the HOA Board pursuant to agreements between the entities. In 2017 the Metro District took on the role of creating the physical building for the fire substation in Starwood which is now complete. Ongoing Starwood responsibilities for operation, maintenance and staffing remain with the HOA Board.

Lastly, the Service Plan also authorizes sanitation service, although the Metro District currently does not provide such service.

Water

As to water, Starwood and White Horse Springs are both served by the same series of springs, with Starwood entitled to (1/3 to Starwood; 2/3 to White Horse Springs) 33 gallons/minute during dry years and 66 gallons/minute in wet years. Starwood also has wells that serve as an independent supply.

Starwood HOA and Metro District Today

The HOA and Metropolitan District are housed in the same office, with the same phone number and address. As a governmental entity, the Metro District, subject to the guidance and deliberations of the HOA Board, is the formal vehicle for Starwood's annual budget, the employment of Starwood staff and maintenance of Starwood infrastructure, including roads and water. Revenue is generated through property taxes paid by Starwood homeowners to Pitkin County. A small portion of the revenue collection is used directly for HOA functions, principally the architectural review process. Starwood owns its roads and water system, has executive staff, an onsite live-in property manager, 365/24/7 gatehouse security officers, its own post office and a fire substation within the Aspen Fire District.

Initial One Million Dollar Bond Raise

In December 15, 2000 the Starwood Water District funded \$1,000,000 in General Obligation Bonds with 20-year amortization that will be totally paid off by the end of 2020.

Last few periods:

| | <u>Principal</u> | <u>Coupon</u> | <u>Interest</u> | <u>Total</u> | <u>Full Year Total</u> |
|----------|----------------------------|---------------|------------------|------------------|------------------------|
| 12/01/19 | 85,000 | 7.700% | 6,930 | 91,930 | 98,860 |
| 06/01/20 | | | 3,658 | 3,658 | |
| 12/01/20 | 95,000 | 7.700% | 3,658 | 98,658 | 102,315 |
| | <u>1,000,000</u> | | <u>1,020,507</u> | <u>2,020,507</u> | <u>2,020,507</u> |
| | <u>Average Coupon Rate</u> | | <u>7.877%</u> | | |

2012 Refinancing Bonds:

Outstanding principal as of 12/31/2019 will be \$295,000 and will be paid off by 2021 -- these bonds were issued to take advantage of lower interest rates and to refinance bonds issued in 2001, 2005 and certain bonds issued in 2008. The interest rate is 2%

2016 Refinancing of Water Improvement and Office Construction Bonds:

Outstanding principal as of 12/31/2019 will be \$1,005,000 and will be paid off by 2026 -- these bonds were also issued to refinance certain bonds issued in 2008, to take advantage of lower interest rates. The rates on these bonds vary between 2% - 3%. FYI, the debt in 2008 was in the amount of \$2,000,000 and was issued to finance water improvements, improvements to the pump stations,

replacement of certain water tanks, the acquisition of water rights, and then to finance construction of the office facility. The 2008 bonds were issued with interest rates ranging from 4% to 4.8%.

2018 Fire Substation Debt to ANB bank:

12/31/2019 balance will be \$1,422,379 and will be paid off in 2037 -- proceeds were used to partially fund the fire house. The interest rate is 3%. One note re: the 2018 debt: the loan agreement actually has a 30-year amortization, with a rate adjustment after 20 years. The Board has proceeded to pay the loan as if it has a 20 year amortization (in other words, it is paying down the loan faster than needed, but to avoid the rate adjustment in year 20)