

Edgemont Ranch Metropolitan District
Meeting of the Board of Directors and Public Rate Hearing
Minutes

The Regular meeting of the Board of Directors of the Edgemont Ranch Metropolitan District was called to order on Thursday, October 17, 2024 at 4:00 PM at 5972 CR 234, Durango, Colorado.

Directors in attendance were: Steve Martin and Richard Butler. Larry Mongelli attended the meeting via speaker phone. This made a quorum. Ms. deCarion was not able to attend the meeting. (Mr. Winzerling has moved and has resigned from the Metro Board.) Staff members in attendance were: Robert Ludwig, Gilbert Martinez, James White, Kevin White, James Hobby, Marilyn Heide, and Annette Hutchins. Residents in attendance were: Linda Riggle, Steve & Betsy Iwaniki, Linda Riggle, Jean Aaro & David Stiller, Steve Wolff, Brian Jewell and Tim Miller.

Mr. Mongelli moved to approve the August 20, 2024 ERMD Regular Board Meeting Minutes, seconded by Mr. Butler and was unanimously carried.

Marilyn reviewed the Third Quarter Financial Report. ERMD Interim Financial Report September 30, 2024; ERMD Consolidated Balance Sheet, September 30, 2024; ERMD Consolidated Statement of Cash Flows, September 30, 2024 YTD, and ERMD Analysis of Reserve Activity, September 30, 2024. (See Attachment). Marilyn stated that Metro was 160K over budget. The Victorian Village and Iron King water line replacement was originally estimated to be \$350K. But only one out of five interested companies ended up bidding costing the Metro \$560K.

Marilyn reviewed the preliminary budget for 2025. Metro's expenses have increased due to inflation. The capital expenditure was not finalized – they were waiting for a couple of other items from the suppliers. (See attachment)

Public rate Hearing

The previously noticed Public Rate Hearing was opened. Mr. Butler explained the Board would consider water and sewer rate increases. He described the Metro's budget currently having a positive cash flow, however, the issue for the District greatly increased costs which are expected to tip ERMD into negative cash flow. An example: the Victorian Village water line replacement costing almost double the original estimate. In addition, Staff have reported significantly higher costs for maintenance and servicing of ERMD assets over the past two years. To better deal with this issue the Board engaged Association Reserves, a well-known cost analysis company based in Golden, CO. The Board received the final report from Association and a report prepared by Staff and Mr. Butler that forecasted future maintenance, repair and operating costs for ERMD. Association's report found that ERMD needed to increase reserves over the next several years to cover the increase in costs facing the District. The primary reserve shortfall is related to ERMD's 13.2 miles of roads.

They discussed various ways they could collect the needed funds. They considered a special assessment (one-time fee) of up to \$4.1 million but decided it would be too costly for the current residents and fairer to spread the costs over time. Mr. Butler reported that he, Mr. Ludwig and

Marilyn worked on this presentation and determined that an increase in the water maintenance of \$8/month and an increase of \$4/month for the sewer maintenance fee would be appropriate at this time. They recommended that any major road repair needs be dealt with using long term debt that would spread the costs over time and share the burden with future residents as well as current residents.

Ms. Aaro asked about the mil levy collected by the District. The 7.8 mill levy ERMD collects the second lowest in the county and funds our General Account, which is primarily for our roads. Mr. Butler explained that the Metro has a capacity to borrow for major projects as they have in the past for the reservoir, waste-water plant and the jetter. And because of good timing were able to get reasonable interest rates on the loans. He felt the replacement of the road could wait until the home construction is done because of the wear and tear on the roads – sometime in the next four to five years. Finally, the Board discussed implementing tiered structure for water usage in the very near future. There are assumptions and unknowns with the economy, the water supply that may or may not pan out. The Board will keep a watch on costs, water developments and our reserve levels. The three subdivisions are almost completely built out and Metro won't be seeing the growth in annual maintenance fees on new lot developments which had been a steady supplier of revenue growth. The Board reminded the audience that ERMD has never collected one time water tap fees for lots, which can exceed \$25,000. Mr. Mongelli made a motion to adopt the new water maintenance fee of \$4/month and the sewer maintenance fee of \$8/month, for a total increase of \$12 /month, going into effect January 1, 2025, seconded by Mr. Butler and was unanimously approved. Mr. Mongelli thanked the board and staff for their hard work in researching, explaining and then implementing the Metro's plan to build up the reserves for future expenses

Mr. Ludwig gave a waste water plant update. (Mr. Kurtis Martinez was not able to attend the meeting.) He related that the waste water plant was going well. There is 4 ½ tons of sludge each month that is taken out. He wondered about a way to reuse the sludge.

The audit firm that the Metro used last year has merged with MBE CPAs, LLP. Mr. Butler commented that Frederick Zink & Associated, PC did a good job on last year's audit. Mr. Martin moved to allow FZA to disclose the Metro financial files with the new company, seconded by Mr. Butler and was unanimously approved.

Ms. Riggle thanked the board, staff and all who worked on the water line replacement in Victorian Village; they did a good job. She appreciated all of the hard work that was done to complete the project. She also stated that Mr. Ludwig was very responsive and replied to her concerns within a day. Mr. Ludwig commented that the water line replacement project was completed even with a serious shortage of labor. He also commented that two driveways still needed to be redone.

Mr. Martin explained that board member, Al Winzerling, had moved and left the Metro Board leaving a vacancy. Mr. Steve Martin moved to appoint Mr. Steve Iwanicki to replace Mr. Winzerling's position on the Metro board. Mr. Wintering's term was set to expire May 2025. Mr. Butler moved to appoint Mr. Iwanicki to the Metro Board, to serve out Mr. Winzerling's term, seconded by Mr. Martin and was unanimously approved.

Mr. Martin moved to adjourn the meeting, seconded by Mr. Mongelli at 5:00 PM.

Respectfully submitted,

Annette Hutchins,

Administrative Assistant