

LETTER OF BUDGET TRANSMITTAL

Date: January 14, 2023

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2023 budget and budget message for THE SANDS METROPOLITAN DISTRICT NO. 1 in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on November 28, 2022. If there are any questions on the budget, please contact:

Carrie Bartow
CliftonLarsonAllen LLP
8390 Crescent Pkwy., Ste. 300
Greenwood Village, CO 80111
Tel.: (303) 779-5710

I, S. Alan Vancil as Secretary of The Sands Metropolitan District No. 1, hereby certify that the attached is a true and correct copy of the 2023 budget.

By: S. Alan Vancil

RESOLUTION
TO ADOPT 2023 BUDGET, APPROPRIATE SUMS OF MONEY,
AND AUTHORIZE THE CERTIFICATION OF THE TAX LEVY
THE SANDS METROPOLITAN DISTRICT NO. 1

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2023 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE SANDS METROPOLITAN DISTRICT NO. 1, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2023, AND ENDING ON THE LAST DAY OF DECEMBER, 2023,

WHEREAS, the Board of Directors of The Sands Metropolitan District No. 1 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on November 28, 2022 and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves or fund balances so that the budget remains in balance, as required by law; and

WHEREAS, the amount of money necessary to balance the budget for general operating purposes from property tax revenue is \$9,325; and

WHEREAS, the Board of Directors finds that it is required to temporarily lower the operating mill levy to render a refund for \$0; and

WHEREAS, the amount of money necessary to balance the budget for voter-approved bonds and interest is \$ 0 ; and

WHEREAS, the amount of money necessary to balance the budget for contractual obligation purposes from property tax revenue as approved by voters from property tax revenue is \$ 37,300 ; and

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue as approved by voters or at public hearing is \$0; and

WHEREAS, the amount of money necessary to balance the budget for refunds/abatements is \$0; and

WHEREAS, the 2022 valuation for assessment for the District as certified by the County Assessor of El Paso County is \$ 814,190; and

WHEREAS, at an election held on November 8, 2016, the District has eliminated the revenue and expenditure limitations imposed on governmental entities by Article X, Section 20 of the Colorado Constitution and Section 29-1-301, C.R.S., as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SANDS METROPOLITAN DISTRICT NO. 1 OF EL PASO COUNTY, COLORADO:

Section 1. Adoption of Budget. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of The Sands Metropolitan District No. 1 for calendar year 2023.

Section 2. Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 4. Levy of General Property Taxes. That the Board of Directors does hereby certify the levy of general property taxes for collection in 2023 as follows:

A. Levy for General Operating and Other Expenses. That for the purposes of meeting all general operating expense of the District during the 2023 budget year, there is hereby levied a tax of 11.453 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2022.

B. Temporary Tax Credit or Rate Reduction. That pursuant to Section 39-1-111.5, C.R.S. for the purposes of effect of a refund for the purposes set forth in Section 20 of Article X of the Colorado Constitution, there is hereby certified a temporary property tax credit or temporary mill levy rate reduction of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2022.

C. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all debt retirement expense of the District during the 2023 budget

year, as the funding requirements of the current outstanding general obligation indebtedness is detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2022.

D. Levy for Contractual Obligations. That for the purposes of meeting the contractual obligation expense of the District during the 2023 budget year, as detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 45.812 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2022.

E. Levy for Capital Expenditures. That for the purposes of meeting all capital expenditures of the District during the 2023 budget year pursuant to Section 29-1-301(1.2) or 29-1-302(1.5), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2022.

F. Levy for Refunds/Abatements. That for the purposes of recoupment of refunds/abatements of taxes pursuant to Section 39-10-114(1)(a)(I)(B), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2022.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. That the appropriate officers of the District are hereby authorized and directed to certify by December 15, 2022, to the Board of County Commissioners of El Paso County, Colorado, the mill levies for the District herein above determined and set, or be authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, as herein above determined and set, but as recalculated as needed upon receipt of the final certification of valuation from the County Assessor on or about December 10, 2022 in order to comply with any applicable revenue and other budgetary limits or to implement the intent of the District. That said certification shall be in substantially the form set out and attached hereto and incorporated herein by this reference.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

ADOPTED this 28th day of November, 2022.

THE SANDS METROPOLITAN DISTRICT NO. 1

Jeff Mark

President

ATTEST:

S. Alan Vancil

Secretary

The Sands Metropolitan District No. 1			
General Fund Budget			
Year Ended 12/31/2023			
Modified Accrual Basis			
	2021	2022	2023
			Proposed
	Actual	Estimated	Budget
BEGINNING FUND BALANCE	\$ (2,802)	\$ 39,400	\$ 61,448
REVENUES			
Property Tax	975	1,179	9,325
Specific Ownership Tax	114	123	970
Setup Fee	10,650	3,900	3,900
Status Letter	7,100	2,800	2,800
Design Fee	3,100	250	250
Homeowner Fees	117,845	64,750	55,200
Homeowner Fines	201	1,301	-
Intergovernmental revenue from District 2	28,710	79,815	93,085
Intergovernmental revenue from District 4	5,762	6,227	12,093
Total Revenues	174,457	160,344	177,623
EXPENDITURES			
General Management			
County Collection Fee - 1.5% of Property Tax	15	18	20
Accounting	18,961	12,000	15,000
Audit	10,250	-	-
Legal	8,343	12,000	10,000
Election Expense	-	-	5,000
District Management	22,104	24,000	30,000
Insurance	6,254	4,074	5,142
Setup Fee	10,500	3,900	3,900
Status Letter	7,050	2,800	2,800
Design Fee	3,000	250	250
Dues and subscriptions	415	954	1,000
Contingent Expenses	-	1,000	1,000
Total General Management	86,892	60,996	74,112
Maintenance			
Landscape maintenance	21,643	36,300	37,752
Drainage maintenance	1,738	5,000	10,000
Landscape repairs	13,449	10,000	20,000
Landscape water & Streetlights	6,889	25,000	27,000
Snow Removal	780	1,000	5,000
Streetlights	864	-	-
Total Maintenance	45,363	77,300	99,752
Total Expenses	132,255	138,296	173,864
Excess of Revenues over Expenditures	42,202	22,048	3,759
ENDING FUND BALANCE	\$ 39,400	\$ 61,448	\$ 65,207
Emergency Reserve - 3% of Revenues	\$ 5,234	\$ 4,810	\$ 5,329
Unrestricted Fund Balance	34,166	56,638	59,878

The Sands Metropolitan District No. 1			
Capital Fund Budget			
Year Ended 12/31/2023			
Modified Accrual Basis			
	2021	2022	2023
	Actual	Estimated	Proposed Budget
BEGINNING FUND BALANCE	\$ 224,203	\$ 229	-
REVENUES			
Property Tax	3,899	4,717	37,300
Specific Ownership Tax	458	489	3,879
Intergovernmental revenue from District 4	-	-	6,450,000
Contingency	-	-	10,000
Total Revenues	4,357	5,206	6,501,179
EXPENDITURES			
County Collection Fee - 1.5% of Property Tax	58	71	560
Development Costs - District 4			6,450,000
Contingency Expense		-	10,000
Total Capital Expenditures	58	71	6,460,560
Excess of Revenues over Expenditures	4,299	5,166	40,619
Transfer to District 2 Debt Service Fund	(228,273)	(5,395)	(40,619)
NET CHANGE IN FUND BALANCE	(223,974)	(229)	-
ENDING FUND BALANCE	\$ 229	-	-

The Sands Metropolitan District No. 1 - 4					
Property Taxes					
2022 Valuations for 2023 Taxes					
		District #	District #	District #	District #
		358	359	360	361
	Combined	District No. 1	District No. 2	District No. 3	District No. 4
Vacant Residential Land - Market Value	3,340,470	307,583	34,483	2,406,220	592,184
Percentage	29%	29%	29%	29%	29%
Assessed Value	968,110	89,200	10,020	697,800	171,090
Residential Land & Improvements - Market Value	106,512,000	-	106,512,000	-	-
Percentage	6.95%	6.95%	6.95%	6.95%	6.95%
Assessed Value	7,402,710	-	7,402,710	-	-
Commercial	9,320,591	2,499,976	9,511	6,811,104	2,753,232
Percentage	29%	29%	29%	29%	29%
Assessed Value	3,501,370	724,990	2,760	1,975,190	798,430
Natural Resources					279
Percentage					29%
Assessed Value					80
State Assessed	-	-	23,966	20,621	
Percentage	29%	29%	29%	29%	29%
Assessed Value	12,930	-	6,950	5,980	
Total Assessed Value - Prelim as of 8/25/22	11,885,120	814,190	7,422,440	2,678,970	969,600
Mill Levies		57.265	57.265	35.000	57.265
2022 Property Tax to be paid in 2023	620,959	46,625	425,046	93,764	55,524
Property Tax based on Mill Levy					
Debt Service	384,456		340,037		44,419
Contractual Obligations	131,064	37,300		93,764	
Operations & Maintenance	105,439	9,325	85,009	-	11,105
Total	620,959	46,625	425,046	93,764	55,524
Mill Levy Charged					
Debt Service			45.812		45.812
Contractual Obligations		45.812		35.000	
Operations & Maintenance		11.453	11.453	-	11.453
Total		57.265	57.265	35.000	57.265

THE SANDS METROPOLITAN DISTRICT NO. 1

2023 BUDGET MESSAGE

The Sands Metropolitan District No. 1 (the “District”) is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act, and was formed in November 2016 in El Paso County. The District, along with Districts 2 and 3, annexed into the City of Colorado Springs, CO in 2018. The District was established as part of a “Multiple District Structure” for The Sands community and is generally located as follows: (i) Districts 1, 2 and 3 are located adjacent and to the North and East of the intersection of Constitution Avenue and Marksheffel Road (“Constitution/Marksheffel Parcel”); and (ii) District 4 is located to the North and West of the adjacent Highway 24 and North and East of the intersection of Highway 24 and Highway 94 (“Highway 24/94 Parcel”). Overall, the Districts’ proposed boundaries are estimated to include approximately 116.046 acres of land (more or less) in its initial boundaries (approximately 114.304 acres comprising the Constitution/Marksheffel Parcel and approximately 1.742 acres comprising the Highway 24/94 Parcel), entirely within El Paso County, State of Colorado. Along with its companion Districts Nos. 2 and 3 (“Financing Districts”) this “Service District” was organized to provide financing for the design, acquisition, construction and installation of public improvements, facilities and services. The public improvements to be provided by the Districts are proposed to include the types of facilities and improvements for a non-potable water system, streets and roadways, street landscaping, signage, monuments, and lighting, safety protection, park and recreation, sanitation and storm drainage, water improvements and other related improvements and their operation and maintenance.

The District has no employees at this time and all operations and administrative functions are contracted.

The following budget is prepared on the modified accrual basis of accounting, in accordance with requirements of Colorado Revised Statutes C.R.S. 29-1-105.

2023 BUDGET STRATEGY

GENERAL FUND

REVENUES

1. The primary source of revenue for the District General Fund in 2023 will be Homeowner Fees. The homeowners will be assessed a \$250 annual fee to cover the shortfall of revenue over expenses in 2023.
2. Property Taxes are based on the assessed value of property within the District as established by El Paso County. Mill Levies are budgeted for Operations and Maintenance at 11.453 mills.
3. Specific ownership taxes are budgeted at 10.4% of property taxes collected. These taxes are set by the state and collected by the county treasurer primarily on vehicle licensing within the county as a whole. They are allocated by the County treasurer to all taxing entities within the county.
4. Fees are charged by the Management company for the setup of new homeowner, to provide status letters to title companies and for design fees. These fees are then paid to the Management company.

THE SANDS METROPOLITAN DISTRICT NO. 1

2023 BUDGET MESSAGE

5. Intergovernmental revenue is budgeted for General Fund tax revenue from The Sands Metropolitan Districts #2 and #4 transferred to District #1. Districts #2 has assessed 11.453 mills and District #4 has assessed 11.453 mills for Operations and Maintenance for 2023. The related property tax revenue and an allocation of specific ownership tax at 11% of the Property Tax are included in this budgeted revenue.

EXPENDITURES

Expenditures include the operating and maintenance costs for Districts #1 – #4 since all of the net operating tax revenues of Districts #2 – #4 are transferred to District #1 as intergovernmental revenue.

1. Accounting fees include the monthly accounting for the District and the costs of the accounting firm to prepare periodic and annual financial statements, and to record mill levy certifications and budgets with regulatory authorities.
2. Legal fees are estimated based on the annual requirements of the District.
3. District Management costs are based on the contract with the Management Company.
4. Insurance is the estimated charges from the Colorado Special Districts Property and Liability Insurance Pool.
5. Landscape maintenance, repairs and water are for maintenance of the common areas and drainage facilities within the Districts.
6. Streetlight costs include the electric utilities to operate them.
7. A contingency expense is budgeted at \$1,000 for unexpected expenses.

CAPITAL FUND REVENUES

1. Property Taxes are based on the assessed value of property within the District as established by El Paso County. Mill Levies are budgeted for District #1 Contractual Obligations at 45.812 mills.
2. Specific ownership taxes are budgeted at 11% of property taxes collected. These taxes are set by the state and collected by the county treasurer primarily on vehicle licensing within the county as a whole. They are allocated by the County treasurer to all taxing entities within the county.

EXPENDITURES

1. County property tax collection fee is based on 1.5% of the property tax received.
2. The Capital Fund has development costs related to District #4 Capital Fund in 2023
3. The Capital Fund has budgeted a transfer to District #2 Capital Fund in 2023.

DEBT AND LEASES

The District has no debt, nor any operating or capital leases.

THE SANDS METROPOLITAN DISTRICT NO. 1

2023 BUDGET MESSAGE

RESERVES

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of revenues, excluding Developer Loan Proceeds.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of El Paso County, Colorado.

On behalf of the The Sands Metropolitan District No. 1,
(taxing entity)^A

the Board of Directors
(governing body)^B

of the The Sands Metropolitan District No. 1
(local government)^C


Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 814,190 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F 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: \$ 814,190 (NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)
USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 12/08/2022 for budget/fiscal year 2023.
(no later than Dec. 15) (mm/dd/yyyy) (yyyy)

PURPOSE <small>(see end notes for definitions and examples)</small>	LEVY ²	REVENUE ²
1. General Operating Expenses ^H	11.453 mills	\$ 9,325
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	< > mills	\$ < >
SUBTOTAL FOR GENERAL OPERATING:	11.453 mills	\$ 9,325
3. General Obligation Bonds and Interest ^J	_____ mills	\$ _____
4. Contractual Obligations ^K	45.812 mills	\$ 37,300
5. Capital Expenditures ^L	_____ mills	\$ _____
6. Refunds/Abatements ^M	_____ mills	\$ _____
7. Other ^N (specify): _____	_____ mills	\$ _____
_____	_____ mills	\$ _____
TOTAL: <small>[Sum of General Operating Subtotal and Lines 3 to 7]</small>	57.265 mills	\$ 46,625

Contact person: Seef Le Roux Daytime phone: (719) 635 - 0330

Signed:  Title: Accountant for the District

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 864-7720.

¹ If the *taxing entity's* boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's **FINAL** certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

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.). Taxing entities that are

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^J:

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

- 2. Purpose of Issue: _____
Series: _____
Date of Issue: _____
Coupon Rate: _____
Maturity Date: _____
Levy: _____
Revenue: _____

CONTRACTS^K:

- 3. Purpose of Contract: Contractual Obligation to The Sands Metropolitan District No. 2
Title: Capital Pledge Agreement
Date: September 15, 2020
Principal Amount: \$12,315,000
Maturity Date: December 1, 2050
Levy: 45.812
Revenue: \$37,300

- 4. Purpose of Contract: _____
Title: _____
Date: _____
Principal Amount: _____
Maturity Date: _____
Levy: _____
Revenue: _____

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.