

Developing a Capital Financing Plan for the Heather Gardens Metropolitan District

The Heather Gardens Metropolitan District (District) currently pays for its annual capital facility and property component expenses by including those expenses as a part of its Enterprise Fund expenses. Occasionally, the District has drawn funds from its Lottery Fund and its Foundation Fund to finance capital component costs, reducing the capital costs shown in an Enterprise Fund budget. The District currently uses a capital cost financing method known as “Pay-as-You-Go”. The annual amounts are subject to variations from year-to-year, and those variations could result in large increases or decreases in fees.

The District has not previously investigated future costs and planned for them in a way that leads to a good understanding of the expected revenue needs over a 30-year period. Prior efforts were limited to 10- and 20-year Pay-as-You-Go cost forecasts. Based on the current efforts to understand capital components, these efforts did not include all capital components. Some capital components with long lives of 15 and 20 or more years were left out of previous analysis. Further, a complete assessment of the replacement cost and remaining life of each component was not well understood.

To combat these problems, the District began developing a capital component cost financing plan to better understand the capital cost needs for the future and to define how the costs might be financed. The District’s efforts are modeled after the Heather Gardens Association’s (Association) Capital Projects Financing Plan development.

Enterprise Fund Programs

The District created the Enterprise Fund comprising the Clubhouse activities and facilities, the golf program, the restaurant, the recreation vehicle lot, the garden plots and other District property. The District charges customer user fees for participation in various clubhouse events, eating at the Rendezvous, golfing, using a recreation vehicle parking space, using a garden plot. However, these customer user fees are insufficient to cover all of the program costs. The District has an agreement with the Association whereby the Association assesses a Recreation Fee to cover the Enterprise Fund program shortfall. The amount of that fee is set each year during the budget process. It covers the Enterprise Fund programs’ budgeted shortfall for that year, cost of the programs less customer user fees.

The District’s Enterprise Fund programs are not mandatory homeowners association programs and could be changed or even ceased at any time. These programs are highly desirable and significantly aid in defining the reason people choose to buy into Heather Gardens condominium units. Dropping one or more of these programs could

have a negative impact on the ability to sell the Heather Gardens units to new buyers. Reducing the marketability would lead to lower property values.

The District applies program costs, user levels and homeowner desires to set the user fees and subsidy levels. These same characteristics can be used to determine future availability of any of these programs.

The District's population is changing. Newer residents have different desires and interests than the residents living in the District for the past 20 years. The average unit owner turnover is about 10-12 years. It is unknown whether the population change will result in changes in the District's programs.

The property taxes assessed by the District are not used to cover any of the Enterprise Fund programs. The property tax is only used to pay off the bonds and interest charges to build and refurbish the Clubhouse, restaurant, and Golf Pro shop in 2012. The assessed property taxes will cease when the Clubhouse construction bonds are retired in 2042.

Capital Components

The previous list of District capital components was reviewed. As a result, missing components were added and some large components split into logical capital components. The component details, such as component life, cost to replace, and year last done, were reviewed and updated. The District's Golf Committee, Clubhouse/ Restaurant Committee and Property Policy Committee and the Association's Reserves Subcommittee reviewed the component list at various stages to aid HGA Management in developing a working capital component list for the District's Capital Projects Financing Plan. See Attachment A for the list of capital components and their characteristics.

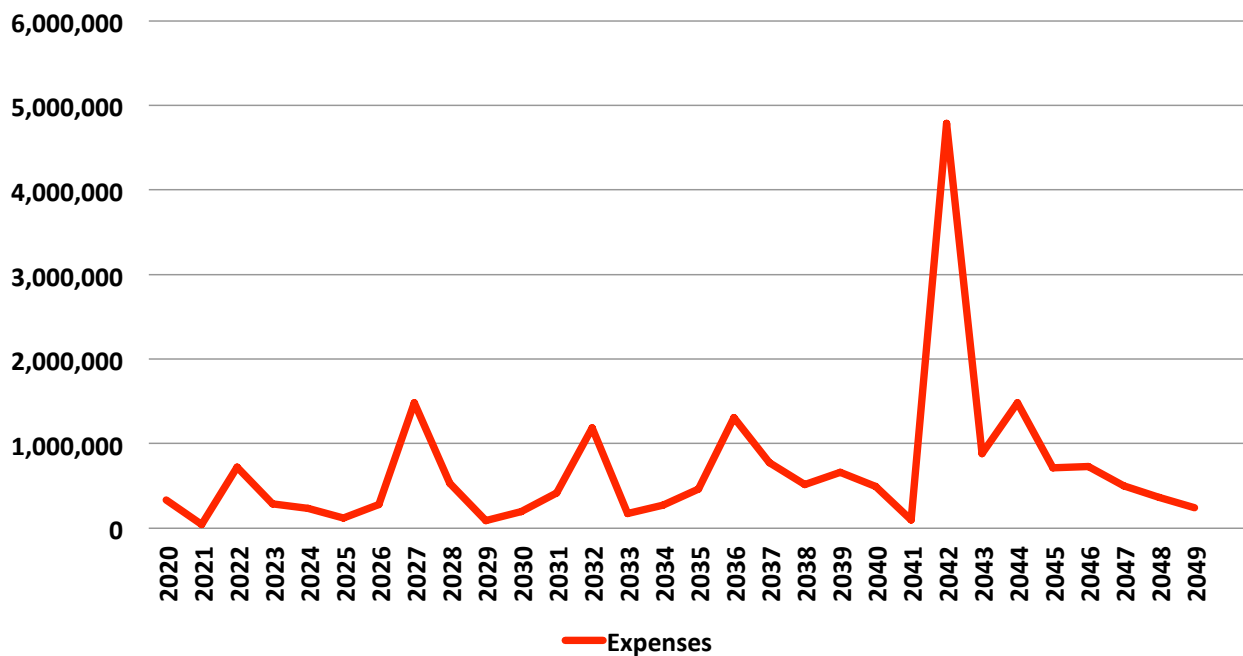
The future costs by year were determined by applying the current year replacement costs, last done year, and component life to assign a cost in the respective years for each component's replacement. An estimated annual inflation rate of 3.5% was applied to the replacement costs to yield a reasonable cost for the component replacement in the replacement year. The component cost shows a 30-year total of \$20.4 million.

The results of the cost assignment show a wide variation of the costs by year (see Figure 1). Some years the costs are as low as \$100,000. However, five years show costs over \$1 million rising to a high of \$4.8 million. Key items leading to the high cost years are:

- ◆ 2027: Clubhouse HVAC, equipment, and pools and Rendezvous
- ◆ 2032: Clubhouse equipment and solar panels

- ◆ 2036: Irrigation (2035-2039), waterfall and well rehab, golf carts and their batteries and golf equipment
- ◆ 2042: Rendezvous, asphalt areas, tennis court, pools and almost everything about the Clubhouse
- ◆ 2044: Linvale Place, golf carts and their batteries

Figure 1
30-Year Capital Component Costs



Many components have common life replacement cycles and are grouped into a few years. Examples are the Clubhouse and Rendezvous capital components. They were built/refurnished in 2012. This leads to many Clubhouse and Rendezvous components with common life cycles coming due at the same time. Figure 2 shows the annual costs by department — Clubhouse, Rendezvous, Golf and Property. The Clubhouse capital expenses dominate the high costs years 2027, 2032 and 2042. The Golf Program dominates 2036 and 2045-2047. The Rendezvous has only one high year in 2042. The property group has high years in 2042 and 2044. The Clubhouse, Rendezvous and Property combine for the big cost year 2042.

Figure 3 shows the annual costs as an average per unit per month amount. The high is around \$165 per unit month in 2042. The 2019 amount averages \$7.53 per unit per month to cover the Enterprise Fund programs capital costs. The green line shows this inflated at 3.5% per year. The red line shows the capital deposits needed to cover all capital costs through 30 years.

Figure 2 30-Year Capital Expenses by Department

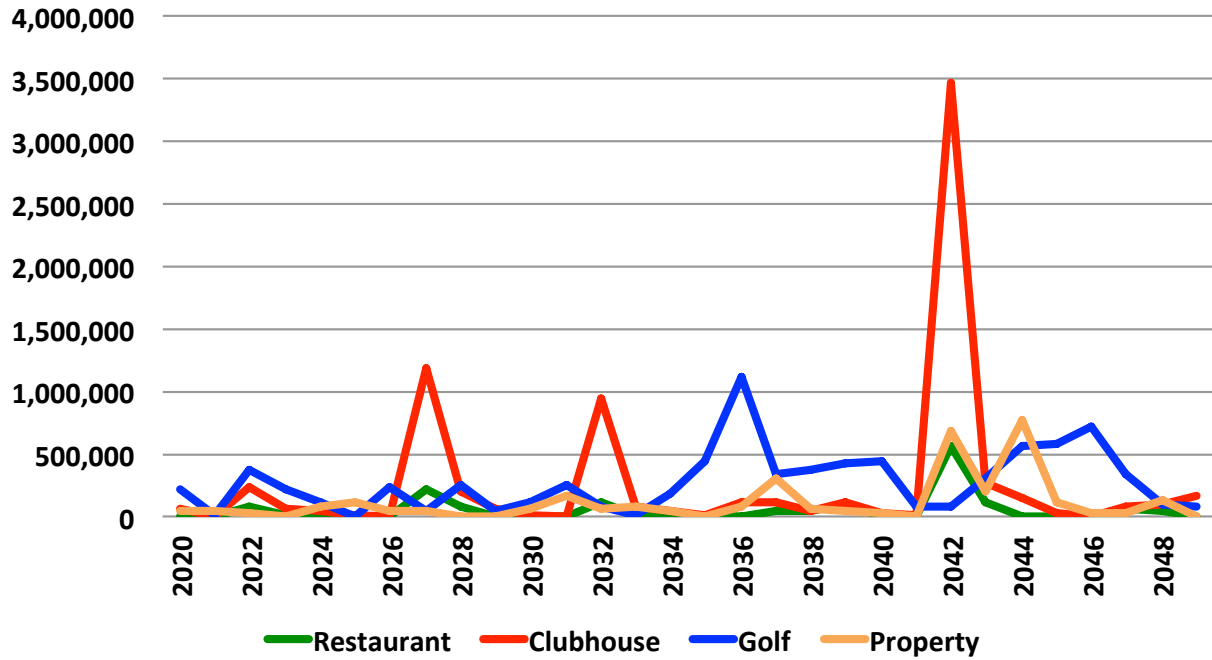
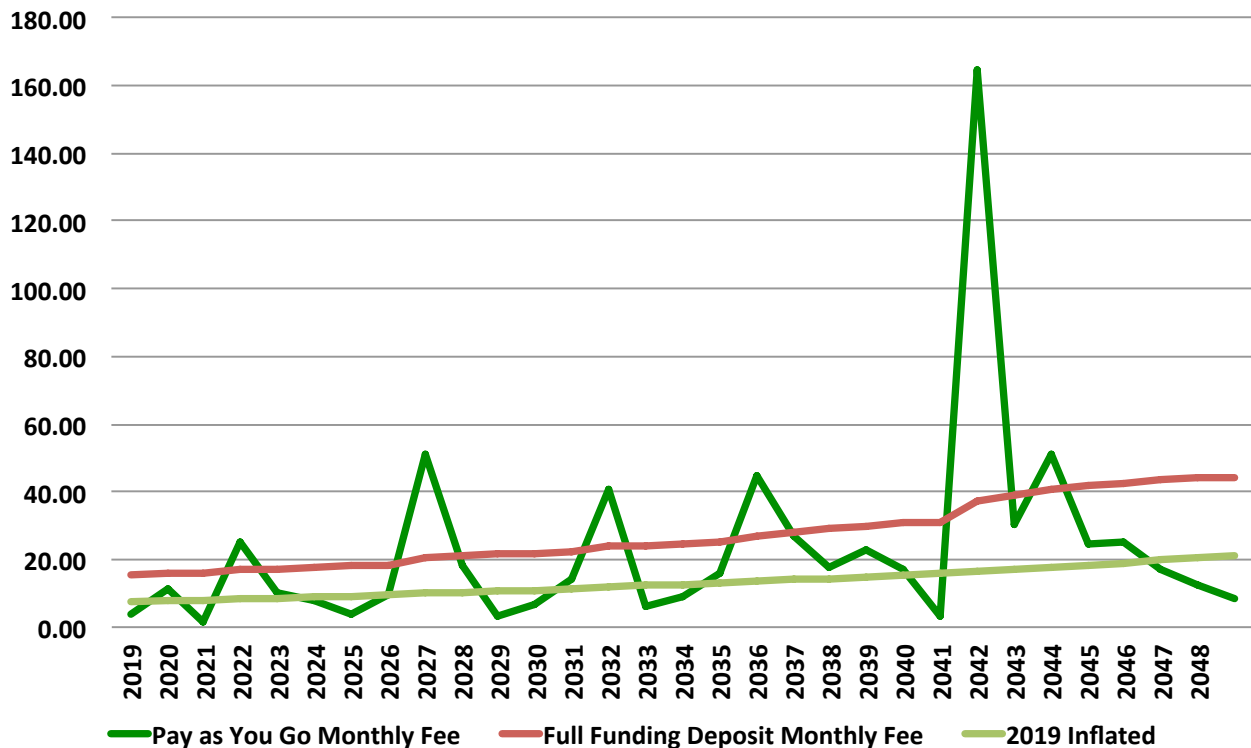


Figure 3 Pay-as-You-Go vs. Other Revenue Streams



Financing Methods

Two basic methods are available to finance the District's capital components — Pay-as-You-Go method and Straight-Line method. Each method can be modified to create a version the District chooses to adopt. The two methods can be blended if desired.

Pay-as-You-Go Method

The first method is to continue paying for the annual projects during the year needed. Applying the Pay-as-You-Go method charge to the Enterprise Fund expenses which in turn is paid through the Recreation Fee, yields values ranging from \$1.53 per unit per month up to \$164.39 per unit per month to cover all of these costs. The previous figures, especially those shown in Figure 3, show the capital fee portion of the Recreation Fee needed by year to cover the estimated expenses by year. The amount for 2019 averages \$7.53 per unit per month. The fee would rise to \$11.37 in 2020, drop to \$1.53 in 2021, rise to \$24.89 in 2022 and continue to rise and drop with a high of \$164.39 in 2042. The Pay-as-You-Go method positives are that funds are not assessed to the unit owners as fees until the year needed. This method is also the cheapest financing method. The negatives are that many residents do not like the yo-yo affect on fees and no funds exist for any emergency expenses. The constant changing in the level of Recreation Fees cannot be easy to forecast for residents and the specific level of funding needed is not actually known until the budget is adopted in October/ November of each year. This method does not guarantee any reserves in case of emergencies, nor will it pay the insurance deductible for any insurance event. As such, if emergency expenses arrive, the District might need to curtail services during the year or borrow funds to ensure the District does not go into deficit.

Straight-Line Method

Another method is to define a basic funding level to cover all future capital costs for the next 30 years. Funds would be deposited into a capital fund each year. The deposits would rise annually by the inflation rate used for capital cost increases. Funds would be withdrawn from the capital fund, as needed, to pay for capital components costs as they occur. The fund balance would be invested to earn interest when not immediately needed.

The straight-line method is the method used by the Association to finance its capital component costs. The Association's capital fee was increased by an average \$11 per month per unit in the first year of the financing plan adoption. The Association's capital fee is a straight-line over the next 30 years and only grows by the 3.5% capital cost inflation rate. Part of the increase is to finance the capital component costs and part is to raise the Association's Capital Reserve Fund to the target 60% of the standard Full Funding level from its 12% level in 2017. The 60% level was chosen to significantly minimize the potential for any special assessments. While residents do not like the

large increase, many unit owners have expressed little tolerance for a special assessment.

A key factor to consider in defining the basic funding level is (a) the size of the District's capital reserves, (b) potential for special assessments, (c) minimize increases in Recreation Fees or other funding sources assessed to unit owners, (d) consequences to services if critical funding shortage should occur, and (e) minimum reserves for capital projects. The District currently has no reserves assigned for capital projects.

The study that assessed special assessment risks was conducted for homeowners associations, not special districts. As such, the key factor might be the risk that the District's revenue programs could cease and expenses still exist. The major program that might have such a problem is the Golf Program. Land and watering expenses might continue while something happened to cause the Golf Program revenues, especially during the summer months, to be interrupted for an extended period of time. It could easily take \$300,000 to \$1,000,000 to cover the capital costs to replace items which failed. In addition, the District might need to borrow from its reserves for capital projects to cover excessive operating losses as it cannot go into deficit.

An important sixth factor (f) is having capital funds available to take advantage of an opportunity of purchasing a component now that would reduce future operating costs. The Association recently made a capital purchase and installed LED lights in parking garages and building hallways. This added capital cost is traded for future reduced operating costs for electricity. If the District wants to take advantage of a similar opportunity, some capital reserve is needed.

While all of the specific factors have not been addressed, it appears that the District should have around \$1,000,000 in reserve for capital projects and the amounts needed to cover the capital projects for the current and next year. As such, the capital reserves nearing 2042 will need to be around \$5 million in 2041. Smaller levels seem appropriate for other years.

Using this approach, it appears that an average increase of \$8.00 per unit per month for capital funding are needed to meet these requirements. The average \$8.00 per unit per month would include the amounts supplied in aggregate from all sources of funding, not just from the Recreation Fee as the District has multiple funding sources. If nothing is derived from other available funding sources, the Recreation Fee would rise from \$7.53 in 2019 to around \$15.79 per unit per month in 2020. This amount, once established, would only rise by the 3.5% capital cost inflation rate. The Full Funding balance percentage ranges from about 20% to 75%, jumping up and down from year to year. Figure 4 presents the forecast revenues and balance streams for 30 years. Figure 5 presents the District's forecast balance as a percentage of a target 60% of the Full funding balance.

Positives for using the straight-line method is a stable capital cost fee for 30-years and, except for a few years, some level of funds for emergency projects. Negatives include

Figure 4
30-Year Capital Reserve Balance, Deposits & Expenses

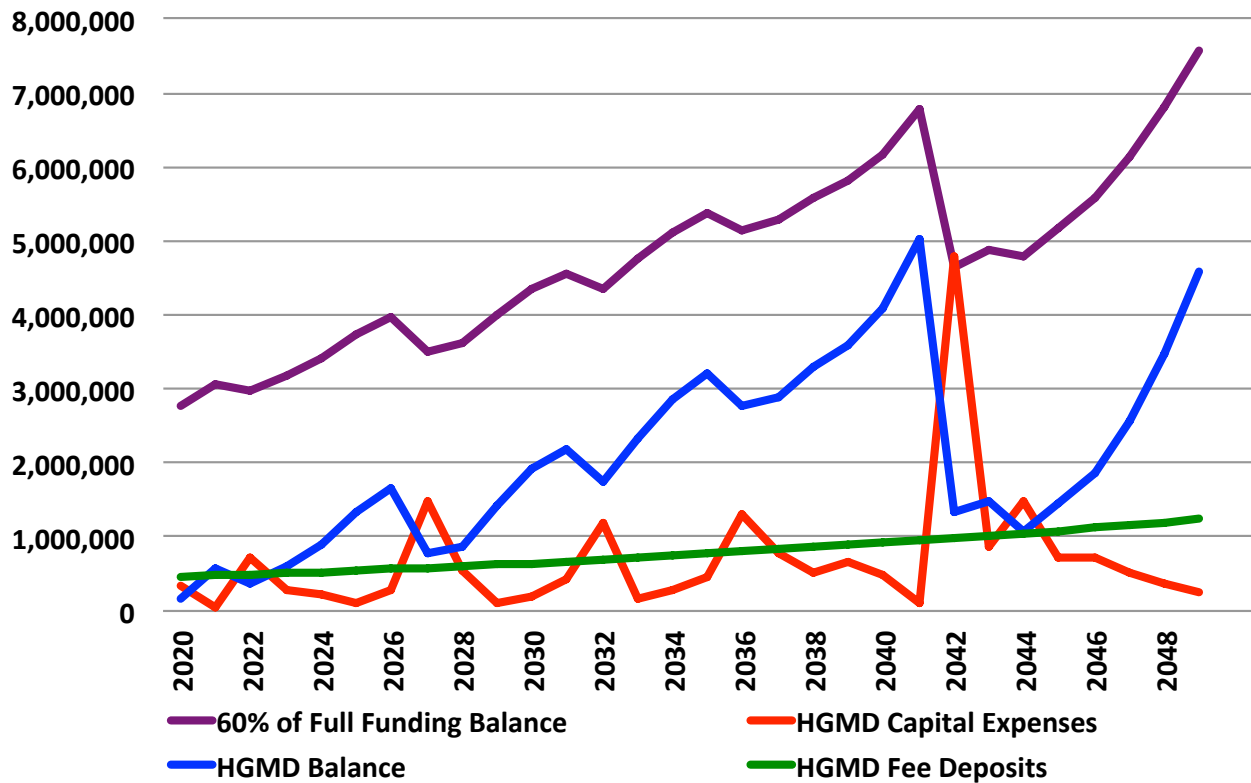
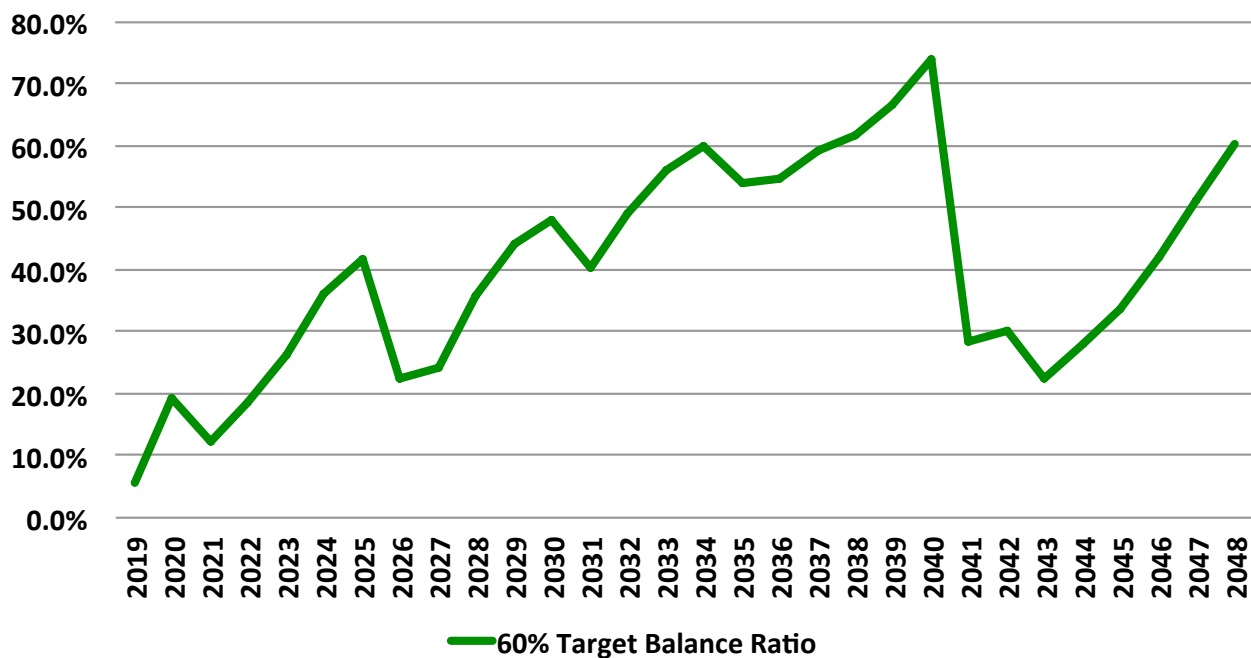


Figure 5
Percentage of 60% Fund Balance Target



the average \$8 per unit per month increase in 2020 and years with low capital fund balance percentages below 35% in 12 of 30 years. Capital projects financing could be a problem if any major cost events occur that are not insurance events. The District's capital fund balance as forecast, would be less than \$250,000 in one year, and less than \$500,000 in 2 years. Further, in 2020-2026, 2031, and 2041-2045, the needed \$1 million cushion does not exist. These are the years that major catastrophes might endanger completion of the scheduled capital projects and potentially lead to other problems.

The first question to be raised is whether any increase can be spread over 3 years or so. Yes, increases can be spread. However, any delay will increase the need for further increases beyond the approximately \$8 per unit per month in later years to make up for the lost deposits in the first few years.

As mentioned above, the two methods could be blended. An example would be defining a lower base level for the capital fee to cover all expenses up to a fixed expense level. The expenses above that level would require a supplemental amount in the fee for those selected years. Assuming \$1 million as an upper bound for a basic fee to cover, the years 2027, 2032, 2036, 2042 and 2044 would have a special assessment in the Recreation Fees for the capital expenses. The adjusted basic increase for capital would be reduced by around \$1 per unit per month. While the added surcharges would not be large in 4 of the 5 years, it leaves a surcharge that is around \$130 per unit per month in 2042.

Financing Sources

The District has a number of revenue sources which can be used to develop a plan to finance its 30-year capital costs. These include:

- ◆ Recreation Fee
- ◆ Conservation Trust Fund (Lottery Fund)
- ◆ Foundation Fund
- ◆ Customer User Fees
- ◆ Property Tax
- ◆ Insurance Funds: Insurance funds are only available based on an insurable event. No insurable events are assumed.

All of these sources have limits.

Recreation Fee



The Recreation Fee is the primary source of revenues used to cover the Enterprise Fund shortfall, including any capital projects. The Recreation Fee is annually set by the Association at budget approval time to match the District's Enterprise Fund shortfall for the coming year. If the Recreation Fund is the only funding source used for capital, the current capital share would rise by approximately \$8.00 per unit per month from \$7.53 in 2019 to \$15.79 in 2020 and continue to rise at 3.5% per year.

Positives for this approach are a stable capital cost fee for 30 years and, except for a few years, some level of funds for emergency projects. Negatives include the average \$8.00 per unit per month increase in 2020 and years with low capital fund balance percentages below 35% in 12 of 30 years. Capital projects financing could be a problem if any major cost events occur that are not insurance events. The District's capital fund balance as forecast, would be less than \$250,000 in one year and less than \$500,000 in two years. Further, in 2020-2026, 2031, and 2041-2045, the assumed \$1 million cushion would not exist. These are the years that major catastrophes might endanger completion of the scheduled capital projects and potentially lead to other problems.

Conservation Trust (Lottery) Fund

The Conservation Trust (Lottery) Fund revenues are provided by the State of Colorado from the Lottery program profits. These funds can only be used for recreational activities. As an example, the Lottery Fund revenues were previously used to finance moving the tennis courts in 2012. The District's Lottery Fund balance is about \$15,200. It is earning about \$13/month in interest. Distributions from the State of Colorado to the District are around \$16,000 per year.

The District's share of the Lottery Funds could be used for some recreational activities capital projects. Using this source can reduce the level of Recreation Fees to cover all capital projects. The key factors are (a) \$485,000 may be available over a 30-year period¹, (b) these funds can be used only for recreational activities, and (c) growth in this source is dependent upon participants in the Colorado lottery programs and number of districts eligible to receive these funds. One unknown factor is how long can the District hold funds received to have sufficient funds available for any given capital project. While nothing in the law or regulations seems to imply a limit, if the District accumulates these funds for many years for a larger cost project it might lose the ability to receive these funds. Some candidate Lottery Fund project might include:

-  Picnic Pavilion Re-roofing
-  Garden Fence Replacement

¹ The calculation assumes \$10,000 of the balance and \$10,000 from annual new revenues available for capital projects.

- ❖ Tennis Court Resurfacing
- ❖ Tennis Court R&R
- ❖ Golf Weather Station Replacement
- ❖ Indoor Pool Lighting Replacement
- ❖ Indoor Pool UV System Replacement

These specific projects would reduce the District's Enterprise Fund capital costs by \$414,000. The fee increase would be reduced from an average \$8.00 to about an average \$7.70 per month per unit.

The positive for using Lottery Funds is that the need for Recreation Fees is slightly reduced. The negative is this level of funds is not guaranteed to be available for capital projects, thus returning any identified projects to Recreation Fee funding.

Foundation Fund

The Heather Gardens Foundation receives donations to support the Foundation Fund. These funds can be used for projects that benefit or might benefit the majority of Heather Gardens residents. As an example, the Foundation Funds have previously financed the fountain repairs.

The District's Foundation Fund could be used for some capital projects. Using this source can reduce the level of Recreation Fees to cover all capital projects. The key factors are (a) eligible projects should benefit the majority of Heather Gardens residents, (b) about \$179,000 is currently available for capital projects, (c) new donations that can be allocated for capital may be only \$2,000 per year, and (d) future needs for the Foundation Funds may supersede use of these funds for capital projects. The current base and future donations with some interest might yield about \$339,000 over a 30-year period. Some Foundation Fund candidate projects might include:

- ❖ Lake Aerator Replacement (Large & North aerator locations)
- ❖ Lake Fountain Replacement (Large & North fountain locations)
- ❖ Waterfall Rebuild
- ❖ Directional Signs

These specific projects would reduce the District's Enterprise Fund capital costs by only \$284,000. The Recreation Fee increase would be reduced from an average \$8.00 to

about an average \$7.75 per month per unit. Also, the Lottery Fund candidate projects seem to be eligible Foundation Fund candidate projects.

The positive for using Foundation Funds is the need for Recreation Fees is slightly reduced. The negative is the Foundation Funds, or the level of these funds noted above, are not guaranteed to be available for capital projects thus returning any identified projects to Recreation Fee funding.

Combining Lottery Fund and Foundation Fund

Combining the Lottery Fund and Foundation Fund for capital projects would reduce the District's Enterprise Fund capital costs by \$698,000. The Recreation Fee increase would be reduced from an average \$8.00 to about an average \$7.50 per month per unit. Also, the Lottery Fund candidate projects seem to be Foundation Fund candidate projects.

While these two revenue sources can reduce the Recreation Fee level, it is only by 50¢-55¢ per unit per month. This level of reduction will not change the significant increase in the Recreation Fee for capital projects. The negative is these sources of funding may only exist for the next few years. These sources may not exist for longer term capital financing.

Customer User Fees

Customer user fees are paid by users/customers of Clubhouse events, golf program activities, Rendezvous food, recreation vehicle lot usage and garden plot use. The current income from these customer user fees is insufficient to finance the programs' operations and maintenance costs. As such, the Recreation Fee level has been set to cover the shortfall (subsidy) each year plus the capital cost for that year.

If the total customer user fees **net** income can be raised by about \$30,000 per year for the next 30 years, the Recreation Fee for operations and maintenance costs can be reduced by about \$1 per unit per month. The \$30,000 annual increase is about a 2.6% increase in current 2019 budgeted customer user fees. It will take a net income increase of around \$240,000 per year (21% increase), rising by 3.5% per year, to cover all the needed increase for capital costs over the next 30 years. The key questions towards raising the user fee income are:

- (a) Can the District attract more customers considering that HG is not on a major road?
- (b) Can the District raise the customer user fees to existing customers without losing too many customers?

Efforts are underway to attract more customers, focusing on attracting those in the new apartments across Yale. A study is underway to assess user fee levels at other homeowners association for their services to see if we are charging the appropriate levels today.

The major concern of many residents is the size of HOA fee increases which includes covering the Enterprise Fund shortfall in program operations costs and its capital costs. Some residents are concerned about the level of Enterprise Fund program subsidies. Raising the Enterprise Fund expenses implies an increase in the HOA fee derived from an increase in the Recreation Fee. That drives consideration for raising customer user fees by (a) increasing the number of customers and/or charging higher user rates to Rendezvous patrons, Clubhouse events customers, and Golf Program patrons.

Property Taxes

The Heather Gardens Metropolitan District has the authority to assess property taxes. Currently, the District assesses a property tax to finance the repayment of the bonds acquired to fund the replacement of the original Clubhouse, the restaurant, the Golf Pro Shop and the furnishings needed. This property tax was approved by the District voters in 2012 and expires in 2042.

Property taxes could be used as an alternate revenue source to finance capital expenses as opposed to using the HGA Recreation Fee. Property taxes would be calculated based on the HG condominium unit property values rather than property square footage. Using a property tax revenue source requires the District voters' approval and may carry the TABOR² future year restrictions. It should also be recognized that Arapahoe County, which collects property taxes, charges the District a fee for the District's property tax collection.

In the first option, property taxes would be used to provide the capital funds deposits. The 2020 deposit would start at about \$233,000 (around \$8.00 per unit per month or around \$97 per unit per year in 2020) and rising by 3.5% per year. This option would transfer the method of capital fund deposits from the Recreation Fund to property taxes. If this option is reasonable, maybe the entire capital deposits could be shifted from the Recreation Fund to property taxes. It will take a favorable vote by the District voters to use property taxes for the capital deposits into the District's capital fund.

While this option is available, it would require the District to deal with the TABOR requirements in determining the level of property taxes it could collect from year-to-year. Also, this might lead to TABOR being applied to the entire Enterprise Fund operations. The HGMD Enterprise Fund was defined to avoid the entanglements related to meeting TABOR requirements.

In the second option, property taxes might be used to provide the funds to pay for bonds to purchase the 2042-2044 Clubhouse capital components. In 2042, many Clubhouse capital components come due for replacement and upgrades. The concept in issuing new bonds is that the funds would not be needed until 2042 and the Recreation Fee can be maintained at a lower level. Key factors are:

² TABOR = Taxpayer's Bill of Rights, Colorado constitutional amendment approved in 1992

- (a) About \$4 million in new bonds would be needed to cover the Clubhouse capital components for the period 2042-2044. Adding interest and bond origination fees, it is estimated that the annual cost to HG units would be about \$134 per year using a 20-year bond life, 5% interest and 1% origination fee. That would translate to about \$11 per unit per month for the next 20 years beginning in 2042. The average Recreation Fee \$8 per unit per month **increase** could be reduced by approximately \$1.75 to an average \$6.25 per unit per month beginning in 2020.
- (b) The Clubhouse capital components have life spans ranging from 10 to 40 years. If a bond package included those components with shorter life spans, it may be difficult to issue 20-year bonds for only the Clubhouse capital components. To elicit interest in bond buyers, HGMD might need to (a) limit the components that can be included in a bond package or replace the entire Clubhouse which includes the capital components. The level of bonds that need to be issued in 2042 to replace the Clubhouse might be around \$50 million for the construction costs; plus \$49 million to include bond interest and bond origination costs. That translates into an annual cost to HG unit owners of around \$1,354 per year using a 30-year bond life, 5% interest and 1% origination fee. In more comparable figures, the annual cost would equate to around \$113 per unit per month. Consider that the current level of property tax to retire the current Clubhouse construction bonds translates to about \$230 per unit per year or about \$19 per unit per month. The actual amount per unit is determined by the assessed property value of each unit.
- (c) If a decision is made today to keep the Recreation Fee lower and depend upon bonds to finance the next Clubhouse in 2042, it assumes that the District voters will support raising a property tax to pay off the future bonds and their related interest for a new Clubhouse. That is not a guarantee.
- (d) Further, it may be found that the Clubhouse life might be significantly more than 30 years, skipping a replacement in 2042 until a future year. If such were to happen, a special assessment might be needed to finance the \$4 million in Clubhouse capital component replacement needs in 2042.
- (e) If the Recreation Fee level was set to cover the Clubhouse capital components in 2042 and a new Clubhouse became appropriate, the amount of bonds needed could be reduced by \$4 million as funds had already been accumulated for the regular capital component replacements.

Program Reductions

One other option exists ... that is to reduce the programs so that the shortfall is smaller. The District has the option of reducing or dropping the optional programs. However, the negative impact could be significant. Many HG residents might be very upset with program reductions. Many potential HG unit buyers might find that the reasons for

buying HG unit would be less desirable, leading to reducing all unit property values. On the positive side, those wanting lower HOA fees would favor the fee reductions.

Summary

The above describes some options on how to finance the District's capital components. No easy choice exists. In all but one case, the Enterprise Fund expenses need to be increased for capital costs yielding a larger shortfall and the Association's Recreation Fee levee needs to be increased to match the Enterprise Fund increased shortfall.

The one option that might, **only might**, show no increase in the Recreation Fee or in property taxes is to increase the **net** customer user fee income to match the needed capital cost increase. That increase must be about \$240,000 per year rising by 3.5% per year. That is a 21% increase in the 2019 budgeted level of customer user fees after costs. One potential negative impact in increasing the customer user charge rates is a potential reduction in the level of customers that yield a net income reduction, not increase.

Financing Capital Component Costs

The first question is a big question: Is it appropriate to assume that the District voters will vote to approve a bond issue and assessing property taxes to pay for rebuilding a new Clubhouse in 2042 or soon thereafter? This is the gamble that affects how homeowners annually pay for capital improvements tomorrow. If yes is assumed, the funds collected for capital components can be reduced by about \$1.75 per unit per month. The gamble is that future District voters will vote yes on a new bond issue backed by property taxes or that Heather Gardens will be closed and sold to investors in the early 2040s. If neither happens, the HG homeowners will be stuck with a large increase around \$137 per unit per month to cover the capital component costs in 2042.

The second question: Should property taxes be used to fund the increases in the capital fund deposits rather than the Recreation Fee? This option is about 1.4%-1.5% higher, as Arapahoe County charges a fee to collect property taxes. The benefits are lower Recreation Fees. The negatives are the property taxes would be increased and by a slightly higher amount. Other concerns still to be addressed are the potential impacts of TABOR. If this is reasonable, maybe the entire HGMD capital component program could be shifted from the Recreation Fee to property taxes. If that is appropriate, the capital portion of the Recreation Fee would be zeroed. A property tax would be instituted.

The third question: Is it appropriate to assume that some of the capital costs will be covered by the Conservation Trust (Lottery) Fund and the Foundation Fund? If yes, the Recreation Fees collected for capital components can be reduced by about 50¢-55¢ per unit per month; that is, as long as these funding sources continue to exist at the assumed levels.

The fourth question: Should the District maintain a capital funding level that does more than just keep the District's capital funding above zero? The \$8 per unit per month average charge starting in 2020 only keeps the District's capital funding above zero. It does not build a funding level that keeps the District's capital funds stable. In 12 of 30 years, including 5 years from 2042 through 2046, the District's fund balance ratio is below 35%. Any major expense occurrence, not an insurance event, will typically force the District to either (a) postpone major capital maintenance, (b) reduce program operating levels and/or (c) increase the next year's Enterprise Fund shortfall requiring a higher Recreation Fee. The Association set a 50% minimum and 60% target of Full Funding to significantly reduce the potential for a special assessment.

The fifth question: Will the customers of the golf program, Clubhouse events and Rendezvous accept higher charges for program participation, or will too many walk away? While studies are underway to assess comparable charges at comparable HOA properties, many customers have stated opposition to raising charges. Any **net** increases in customer user fees will decrease the amount of subsidy and the compensating Recreation Fee. Reductions in operating cost subsidy will provide some space to shift funds from operating and maintenance purposes to capital components without increasing the Recreation Fee.

Heather Gardens Metropolitan District Capital Reserve Component List

CO	Category	Component	# of Units	Cost Year	Base Cost	2019 Project Expense	2020 Cost to Replace	Last Done	Cycle Offset	Life
CR	Club Equipment	Auditorium chairs	250	2018	29,000		31,066	2009		10
CR	Club Equipment	Auditorium Curtain	1	2019	10,000		10,350	2012		20
CR	Club Equipment	Auditorium Dimming System	1	2012	25,000		32,920	2012		15
CR	Club Equipment	Auditorium sound system	1	2018	6,000		6,427	2012		12
CR	Club Equipment	Billiard tables	6	2014	28,014		34,436	1994	3	25
CR	Club Equipment	Board room AV system	1	2019	20,000		20,700	2013		10
CR	Club Equipment	Club Point of Sale System	1	2014	16,765		20,608	2012		15
CR	Club Equipment	Clubhouse Mobile Lift	1	2014	9,598		11,798	2012		20
CR	Club Equipment	Elevator	1	2012	75,000		98,761	2012		40
CR	Club Equipment	Elevator Motor	1	2018	15,984		17,122	2012		15
CR	Club Equipment	Elevator Tank Assembly	1	2018	9,821		10,521	2012		15
CR	Club Equipment	Fire Alarm at Club House	1	2012	10,000		13,168	2012		15
CR	Club Equipment	Fire Alarm Panel #1 Auxilliary	1	2018	11,694		12,527	2012		15
CR	Club Equipment	Fire Alarm Panel #2 Auxilliary	1	2018	15,498		16,602	2012		15
CR	Club Equipment	Fire alarm system - Club	1	2014	68,557		84,274	2012		30
CR	Club Equipment	Kilns	2	2012	10,000		13,168	2012		10
CR	Club Equipment	Lobby chairs	4	2014	6,480		7,966	2012		10
CR	Club Equipment	Lobby, café chair, arms	18	2014	6,624		8,143	2012		10
CR	Club Equipment	Locker Room Showers/Wall Tile	2200	2019	33,000		34,155	2012		15
CR	Club Equipment	Lockers	100	2015	20,000		23,754	2012		15
CR	Club Equipment	Piano - Auditorium	1	2014	9,680		11,899	2012		20
CR	Club Equipment	Reception Desk	1	2018	20,000		21,425	2012		10
CR	Club Equipment	Sauna, Men's, replace	1	2014	6,550		8,052	2012		20
CR	Club Equipment	Sauna, Women's, replace	1	2014	6,550		8,052	2012		20
CR	Club Equipment	Security Cameras	1	2017	5,454		6,047	2012		10
CR	Club Equipment	Storage Tank Domestic for Club House	1	2012	15,000		19,752	2012		10
CR	Club Equipment	Strength Training Equipment	1	2012	26,000		34,237	2012		15
CR	Club Equipment	Women's/Men's Restroom Renovation	7	2019	140,000		144,900	2012		15
CR	Club Exterior	Gutter replacement	1	2014	5,000		6,146	2012		30
CR	Club Exterior	Paint Clubhouse	1	2014	40,000		49,170	2012		10
CR	Club Exterior	Roof, Club, EPDM	1	2014	165,120		202,975	2012		30
CR	Club Exterior	Roof, Club, steel	1	2014	172,975		212,630	2012		30
CR	Club Exterior	Roof, Picnic Pavilion, asphalt	1	2014	7,040		8,654	2011		30
CR	Club Exterior	Window replacement, Club	1	2014	26,649		32,758	2012		25
CR	Club Exterior	Window replacement, Offices	1	2014	15,296		18,803	2012		25
CR	Club Flooring	Auditorium floor	313	2019	25,353		26,240	2012		10
CR	Club Flooring	Auditorium stage floor	113	2014	9,153		11,251	2012		10
CR	Club Flooring	Club Lobby and Hallways	285	2018	18,525		19,844	2018		5
CR	Club Flooring	Exercise Room Floor	158	2019	10,270		10,629	2012		10
CR	Club Flooring	Locker Room Floor Tile	1530	2019	22,950		23,753	2012		15
CR	Club Flooring	Management Office/Board Room	281	2018	18,265		19,566	2012		8
CR	Club Flooring	Upstairs Hallways/Activity Rooms	494	2018	32,110		34,397	2012		8
CR	Club HVAC	Boiler	1	2012	25,000		32,920	2012		15
CR	Club HVAC	Boiler #1 Copper Coil	1	2018	15,445		16,545	2012	-3	15
CR	Club HVAC	Boiler #2 Copper Coil	1	2018	6,587		7,056	2012		15
CR	Club HVAC	Boiler Unit #1 Rendezvous	1	2012	25,000		32,920	2012		15
CR	Club HVAC	Boiler Unit #2 Clubhouse	1	2012	25,000		32,920	2012		15
CR	Club HVAC	Return Air Unit - #1	1	2012	74,250		97,773	2012		15
CR	Club HVAC	Return Air Unit - #2	1	2015	29,700		35,274	2012		15
CR	Club HVAC	RTU#2 Blower Motor	1	2018	7,684		8,231	2012		15
CR	Club HVAC	RTU#2 Compressor #2	1	2018	8,654		9,270	2012		15
CR	Club HVAC	RTU#2 Evaporitive Coil	1	2018	8,486		9,090	2012		15
CR	Club HVAC	RTU#2 Motherboard	1	2018	6,478		6,939	2012		15
CR	Club HVAC	RTU#3 Blower Motor	1	2018	7,877		8,438	2012		15
CR	Club HVAC	RTU#3 Compressor #1	1	2018	12,069		12,929	2012		15
CR	Club HVAC	RTU#3 Compressor #2	1	2018	16,569		17,749	2012		15
CR	Club HVAC	RTU#3 Compressor #3	1	2018	14,155		15,163	2012		15
CR	Club HVAC	RTU#3 Compressor #4	1	2018	12,656		13,557	2012		15
CR	Club HVAC	RTU#3 Evaporative Coil	1	2018	5,983		6,409	2012		15
CR	Club HVAC	Solar Panels	1	2012	200,000		263,362	2012		20
CR	Club HVAC	Two variable speed motors	1	2012	8,000		10,534	2012	3	5
CR	Club HVAC	Unit #1 Blower Motor	1	2018	5,527		5,921	2012		15
CR	Club HVAC	Unit #1 Compressor 1	1	2018	7,068		7,571	2012		15
CR	Club HVAC	Unit #1 Compressor 2	1	2018	5,864		6,282	2012		15

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CO	Category	Component	# of Units	Cost Year	Base Cost	2019 Project Expense	2020 Cost to Replace	Last Done	Cycle Offset	Life
CR	Club HVAC	Unit #1 Condensing Coil	1	2018	15,445		16,545	2012		15
CR	Club HVAC	Unit #1 Motherboard	1	2018	5,157		5,524	2012		15
CR	Club HVAC	Unit #1 Outdoor Coil	1	2018	5,086		5,448	2012		15
CR	Club Pools	Boiler, indoor pool	1	2014	6,022		7,403	2012		20
CR	Club Pools	Boiler, outdoor pool	1	2018	20,000		21,425	2002	2	15
CR	Club Pools	Chemical control system, indoor pool/spa	1	2014	13,184		16,207	2012		10
CR	Club Pools	Clubhouse Pool PDU	1	2012	29,700		39,109	2012		15
CR	Club Pools	Compressor #1 Pool	1	2018	6,948		7,443	2012		15
CR	Club Pools	Condensing Coil Pool	1	2018	5,787		6,199	2012		15
CR	Club Pools	Deck, indoor pool, multi-layered surface	1	2014	46,680		57,382	2012		20
CR	Club Pools	Deck, outdoor pool, colored concrete	1	2014	11,124		13,674	2012		20
CR	Club Pools	Evaporative Coil Pool	1	2018	7,912		8,476	2012		15
CR	Club Pools	Fence Outdoor Pool (metal)	1	2014	6,000		7,376	2013		30
CR	Club Pools	Indoor Pool Heater/Boiler	1	2018	19,831		21,243	2012		15
CR	Club Pools	Indoor Pool Lighting	1	2017	8,271		9,170	2017		20
CR	Club Pools	Indoor Pool UV System	1	2018	6,873		7,363	2012		15
CR	Club Pools	Outdoor Pool Heater/Boiler	1	2018	17,455		18,698	2012		15
CR	Club Pools	Pool Dehumidification Unit	1	2012	29,700		39,109	2012		15
CR	Club Pools	Pool lift	1	2013	5,873		7,472	2013	5	5
CR	Club Pools	Pool Recirculation Motor	1	2012	8,000		10,534	2012	2	5
CR	Club Pools	Pool Water Filter	1	2012	35,000		46,088	2012		20
CR	Club Pools	Pool, outdoor, plaster finish	1	2014	54,135		66,546	2013		15
CR	Restaurant	Banquet Room Carpet	155	2018	10,075		10,793	2012	5	5
CR	Restaurant	Banquet Room chairs	100	2018	11,600		12,426	2012		10
CR	Restaurant	Chef's Serving Table	1	2019	45,000		46,575	1999		20
CR	Restaurant	Dining Room chairs	105	2012	21,000		27,653	2012		15
CR	Restaurant	Freezer Evaporative Coil	1	2018	8,734		9,356	2012		15
CR	Restaurant	Front lanai	760	2019	22,800		23,598	2012		30
CR	Restaurant	Pass through refrigerator	1	2019	5,378		5,566	2011		8
CR	Restaurant	Rear Lanai	737	2019	22,110		22,884	2012		30
CR	Restaurant	Rendezvous Make Up Air	1	2012	15,000		19,752	2012		15
CR	Restaurant	Rendezvous RTU #1	1	2015	44,550		52,911	2012		15
CR	Restaurant	Restaurant AV system	1	2013	11,340		14,428	2013		15
CR	Restaurant	Restaurant bar stools	15	2014	5,250		6,454	2012		15
CR	Restaurant	Restaurant carpet	145	2018	9,425		10,096	2018	-1	5
CR	Restaurant	Restaurant dining tables 48"	21	2012	8,400		11,061	2012		15
CR	Restaurant	Restaurant dining tables 60"	25	2012	12,500		16,460	2012		15
CR	Restaurant	Restaurant laminate flooring	232	2014	15,660		19,250	2018		10
CR	Restaurant	Restaurant Outdoor Freezer	1	2014	7,410		9,109	2013		10
CR	Restaurant	Restaurant Point of Sale System	1	2013	19,447		24,742	2013		15
CR	Restaurant	Storage tank Rendezvous	1	2012	15,000		19,752	2012		10
CR	Restaurant	Convection Oven	2	2019	19,000		19,665	2012		10
GC	Golf Course	Aerator, shatter 4"	1	2015	5,191		6,165	1989	5	28
GC	Golf Course	Carpet: Golf Shop/Bag Storage	69	2014	4,485		5,513	2013		7
GC	Golf Course	Cart Path Replace	7,798	2019	155,960		161,419	1985	30	30
GC	Golf Course	Cart Path Sealcoat	7,798	2019	23,394		24,213	2016		6
GC	Golf Course	Fence, Level Spreader	1	2013	12,264		15,603	2013		30
GC	Golf Course	Golf Course Bridge	1	2014	143,000		175,784	1973	20	30
GC	Golf Course	Golf Course Concrete	450	2019	13,500		13,973	2013		30
GC	Golf Course	Golf Course Concrete S. Entr. Repair	455	2019	9,100	10,414	9,419	1992		30
GC	Golf Course	Golf Course Concrete South Entrance	2,000	2019	60,000		62,100	2013		30
GC	Golf Course	Golf Course Scoreboard	1	2013	7,633		9,711	2013		20
GC	Golf Course	Golf Shop flooring	105	2018	6,825		7,311	2012		8
GC	Golf Course	Irrigation Design	1	2015	10,000		11,877	1975	40	20
GC	Golf Course	Irrigation Hole 1 & 2	1	2015	130,578		155,086	1995		40
GC	Golf Course	Irrigation Hole 3 & 4	1	2015	130,578		155,086	1996		40
GC	Golf Course	Irrigation Hole 5 & 6	1	2015	130,578		155,086	1997		40
GC	Golf Course	Irrigation Hole 7 & 8	1	2015	130,578		155,086	1998		40
GC	Golf Course	Irrigation Hole 9 & North Lake	1	2015	130,578		155,086	1999		40
GC	Golf Course	Irrigation Putting Green	1	2014	8,086		9,940	2014		30
GC	Golf Course	Lake Aerator Large	1	2017	6,141		6,809	2016		10
GC	Golf Course	Lake Aerator North	1	2017	6,141		6,809	2011		10
GC	Golf Course	Lake Fountain Large	1	2015	9,100		10,808	2016		10
GC	Golf Course	Lake Fountain North	1	2015	9,100		10,808	2010		10

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GC	Golf Course	Pond Repairs/Maintenance	1	2016	210,000		240,980	1992		30
GC	Golf Course	Update Field Controls	1	2015	19,000		22,566	1995	20	20
GC	Golf Course	Update Pump Station	1	2015	90,000		106,892	1980	30	30
GC	Golf Course	Utility cart path	3,182	2019	95,460		98,801	1987	30	30
GC	Golf Course	Waterfall Rebuild	1	2015	40,000		47,507	2016		20
GC	Golf Course	Well 150 hp: Pump & Motor rebuild/replace	1	2015	82,670		98,186	2016		15
GC	Golf Course	Well Rehab	1	2016	90,710		104,092	2016		20
GC	Golf Equip	Aerifier, fairway	1	2015	7,257		8,619	1987	26	26
GC	Golf Equip	Aerifier, greens	1	2015	21,596		25,649	2006	10	10
GC	Golf Equip	Bedknife Grinder	1	2018	20,275		21,719	2018		20
GC	Golf Equip	Blower	1	2015	7,108		8,442	2015		15
GC	Golf Equip	Cart Washer	1	2015	7,000		8,314	2016		20
GC	Golf Equip	Digger, Trencher	1	2015	12,044		14,304	2015		20
GC	Golf Equip	Dresser, top	1	2015	8,605		10,220	1998	15	15
GC	Golf Equip	Golf cart Electric	23	2015	104,650		124,291	2012		8
GC	Golf Equip	Golf cart Fleet Batteries	23	2015	18,870		22,412	2016		4
GC	Golf Equip	Golf equipment lift	1	2018	9,829		10,529	2018		20
GC	Golf Equip	Grinder, R&B knife	1	2015	22,136		26,291	2004	1	18
GC	Golf Equip	HD Utility Vehicle # 603	1	2015	17,965		21,337	2006	10	10
GC	Golf Equip	HD Utility Vehicle # 614	1	2018	24,834		26,603	2014		5
GC	Golf Equip	LD Utility Vehicle # 602	1	2015	21,610		25,666	2012		10
GC	Golf Equip	LD Utility Vehicle # 607	1	2015	7,500		8,908	2010		10
GC	Golf Equip	Mower #615 inter rough/fairway	1	2015	25,232		29,968	1999	19	19
GC	Golf Equip	Mower, fairway # 616	1	2015	61,000	63,464	72,449	2004	13	14
GC	Golf Equip	Mower, rough # 610	1	2014	45,380		55,784	2014		10
GC	Golf Equip	Mower, triplex # 601	1	2016	35,848		41,136	2010		10
GC	Golf Equip	Mower, triplex # 605	1	2016	35,848		41,136	2016		10
GC	Golf Equip	Mower, triplex # 606	1	2016	35,848		41,136	2016		10
GC	Golf Equip	Rake, bunker	1	2013	20,696		26,331	2013		13
GC	Golf Equip	Skid Steer	1	2015	48,327		57,397	2015		20
GC	Golf Equip	Spare Greens Reels	1	2016	9,291		10,662	2016		10
GC	Golf Equip	Spare Tees Reels	1	2016	8,779		10,074	2016		10
GC	Golf Equip	Spray Pro	1	2015	29,859		35,463	2007		20
GC	Golf Equip	Stump Grinder Attachment	1	2016	8,500		9,754	2016		20
GC	Golf Equip	Sweeper/Thatcher	1	2015	7,494		8,901	2008	10	10
GC	Golf Equip	Tractor w/forklift & backhoe	1	2015	38,414		45,624	1987	5	30
GC	Golf Equip	Verticut reels	1	2015	9,000		10,689	2006	12	12
GC	Golf Equip	Weather Station	1	2015	7,323		8,697	1990	25	25
PC	Asphalt	Linvale Place	11,819	2019	236,380		244,653	2014		30
PC	Asphalt	Overflow Lot Across/216	2,899	2019	57,980		60,009	2012		30
PC	Asphalt	Parking Lot - 250	4,200	2019	84,000		86,940	2013		30
PC	Asphalt	Parking Lot - Club	5,095	2019	101,900		105,467	2012		30
PC	Asphalt	Parking Lot - Shop	2,767	2019	55,340		57,277	1995		30
PC	Asphalt	RV Lot	7,026	2019	140,520		145,438	1977	30	30
PC	Concrete	Club Storm Drain Repair	1,319	2019	26,380	30,190	27,303	1992		30
PC	Exterior	Directional Signs	1	2013	14,243		18,121	2013		20
PC	Exterior	Fence, Garden, (vinyl)	1	2015	16,320		19,383	2015		30
PC	Exterior	RV Lot Fence	1	2018	30,000		32,137	2000		25
PC	Exterior	Tennis Court resurface	1	2017	8,900		9,868	2017		10
PC	Exterior	Tennis Court, R & R	1	2014	90,000		110,633	2012		30
PC	Golf Course	Path from 250 to Golf Course	1,696	2019	33,920		35,107	2013		30
PC	Maintenance Bldg	Fence, Shop, (vinyl)	1	2014	13,190		16,214	2010		30
PC	Maintenance Bldg	Fire alarm system - Shop	1	2014	5,000		6,146	2003		30
PC	Maintenance Bldg	Furnace & AC Unit	2	2018	7,500		8,034	2019	-3	30
PC	Maintenance Bldg	Gas Dispenser	1	2016	15,000		17,213	1991	20	20
PC	Maintenance Bldg	Gas Monitoring System	1	2016	5,000		5,738	1991	20	20
PC	Maintenance Bldg	Gas Storage Tank	1	2016	75,000		86,064	1991	20	20
PC	Maintenance Bldg	Gutter replacement - Shop	1	2014	5,000		6,146	2014		20
PC	Maintenance Bldg	Inventory Remodel	1	2016	10,000	10,200	11,475	1997	20	20
PC	Maintenance Bldg	Paint Shop	1	2014	13,475		16,564	2014		10
PC	Maintenance Bldg	Roof, Shop, asphalt	1	2014	33,626		41,335	2014		30
PC	Maintenance Bldg	Siding, Shop, vinyl	1	2014	11,834		14,547	1991		30
PC	Maintenance Bldg	Vehicle hoist 1992	1	2014	7,725		9,496	1992	3	25
PC	Sealcoat	Linvale Place	11,819	2019	35,457		36,698	2013	1	6

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PC	Sealcoat	Overflow Lot Across/216	2,899	2019	8,697		9,001	2018		6
PC	Sealcoat	Parking Lot - 250	4,718	2019	14,154		14,649	2018		6
PC	Sealcoat	Parking Lot - Club	5,095	2019	15,285		15,820	2018		6
PC	Sealcoat	Parking Lot - Shop	2,767	2019	8,301		8,592	2018		6
PC	Sealcoat	RV Lot	7,026	2019	21,078		21,816	2010	5	6
PROJECT TOTALS					6,156,862	114,268	7,126,571			