



Heather Gardens

METROPOLITAN DISTRICT

NOTICE OF HGMD BOARD OF DIRECTORS STUDY SESSION

February 24, 2025, at 2:30 PM

Pursuant to Section 24-6-402(2)(c), C.R.S., the Board of Directors of the Heather Gardens Metropolitan District hereby gives notice that it will hold a meeting at the Heather Gardens Clubhouse in the boardroom and via Zoom videoconference at **2:30 pm** on **February 24, 2025**. The meeting will be held for the purpose of conducting the business of the Heather Gardens Metropolitan District. This meeting is open to the public.

Join Zoom Meeting

<https://us06web.zoom.us/j/86135948962>

Meeting ID: 861 3594 8962

Passcode: Not Required

Or Dial-In:+1 346 248 7799

AGENDA

1. Pledge of Allegiance
2. Determine quorum present
3. Call meeting to order
4. Turn meeting over to Sue to officiate
5. Go over "Ground Rules" for these joint meetings with HGA and HGMD
 - a. Overall management of this meeting and how future joint meetings will be held
 - b. Only one person speaking at a time
 - c. Be respectful when speaking to other members at the table
 - d. Please identify yourself before speaking to help the participants online
 - e. How and when the public will be able to provide comments going forward
6. Update on legal review of Asset Management Agreement
7. Review Information from Breakout sessions for Shared Services option
 - a. Each of the four teams will report on issues raised for each topic
8. Next study session is scheduled for March 3, 2025
9. Adjournment

The next HGMD regular Board meeting will be held on Thursday, March 20, 2025, at 1:00 PM.

Break Out Group for Financial Issues

Mike Pula, Bill Archambault, David Kenedy, Lee Nicholson

These recommendations have been prepared under these assumptions:

- There will be a formal “Management Agreement” developed and agreed to by both entities.
- Under the Agreement the Association will continue to employ all HG personnel.
- The District will be using CRS for their regular accounting services.
- Both Boards will be actively involved in the management of HG properties and operations.
- The final Agreement will define each Boards responsibilities with respect to an assortment of issues.

What follows are our thoughts on how certain financial issues could be handled under a Management Agreement. These will require further consideration by both Boards, which fully expect will introduce more details and issues to be agreed upon.

Key elements of financial issues between HGA and HGMD

1. Recreation Fees (more detail attached)

- Annual budgeting of REC Fees
- Monthly collection of REC Fees
- Application of REC Fees
 - a. Wages and benefits of “cost center” employees
 - b. Expenses billed on “joint/split” billings
 - c. Monthly reconciliation of collection and expenses
 - d. Transfer of net balance to/from
- Costs of handling Rec Fee activity

2. Establishment of acceptable “charge out fees” for certain services (more detail attached)

- Maintenance
- Roads and Grounds
- Paint
- Plumbers

3. Budgeting process

- District Committees working with the cost center managers and CRS would be responsible for preparing an annual budget for the District.
- Input from the Association regarding wages and benefits would also be needed, as well as input from the Joint Capital Reserve Committee.
- The Association budget would be prepared by Management as it has been in the past.
- Both budgets would be presented to the Joint Budget & Finance Committee for review in the regular public budget review sessions.
- After the Joint B&F review, the budgets will then be presented to each Board for approval.
- The Association budget would continue to be subject to the veto vote required by law.

4. Participation in Joint Committees

- It is highly recommended that both Boards participate in certain Joint Committees. Currently, this includes Budget & Finance, Long Range Planning, and Capital Reserves.
- Further whenever applicable, both Boards should be represented on any Ad Hoc committees that pertain to issues that will impact both the Association and District.

- It is anticipated that each entity will maintain an Audit and Finance Committee to perform monthly reviews. However, consideration could be given to making this a Joint Committee.

5. There are certain aspects of ongoing operations that will be separately handled by each Board.

- Credit Cards
- Vendor accounts
- Purchase orders
- Expense approval
- Regular deposits
- Attorney Fees
- Insurance Coverage
- Outside Memberships

6. There are some issues unique to the District which will be handled by the District.

- Bond Payments
- Mill levy
- Foundation matters
- Lottery Funds
- ???

Recreation Fees

The handling of Rec Fees has often been questioned in the past. Any new agreement will have to put forth procedures and understandings agreed on by both boards. This will include:

1. The amount of Rec Fees will still be determined through the annual budgeting process and agreed upon by both Boards.
2. HGA will continue to collect Rec Fees from the residents monthly as a part of the monthly HOA dues.
3. The REC fee funds will be used to pay the following:
 - Wages and benefits of staff working in the three cost centers (Golf, Restaurant, Clubhouse)
 - There are certain operating expenses that are billed to the Association that include charges for both the Association and the District. This includes electricity, water, gas, and perhaps others. These will be paid, and the District's portion will be netted out of the REC fees each month.
 - If there are other expenses to be paid from the REC fees, both Boards will have to agree beforehand.
4. Other expenses will not be paid from the Rec Fees by HGA. These include:
 - All other HGMD operating expenses that are directly billed to the District.
 - General expenses such as attorney fees, election costs, insurance premiums, tech services, memberships, and perhaps others.
 - Capital improvement and contract expenses related to District projects will be paid directly by the District.
5. Both parties will agree to the needed documentation to substantiate all payments from Rec Fees. This at a minimum will include a report on Rec Fees collected, substantiation of wages and benefits paid, and copies of split invoices.
6. Both parties will agree on a time frame for reimbursement of monies that may be due to either board after a monthly reconciliation is completed. Part of this agreement will be an acknowledgement that Rec Fees are HGA monies until such time that they are actually transferred to the District.

KEY ELEMENTS OF FINANCIAL ISSUES BETWEEN HGA AND HGMD

Item 2. Establishment of acceptable “charge out fees” for services.

- 1) The following HGA cost centers staff normally provide services to HGMD which HGA should be reimbursed for the cost.
 - Custodial
 - Contracts – only for plumbers
 - Maintenance
 - Paint
 - Golf and Landscape (formerly Roads and Grounds)

The charge-out hourly rate from HGA to HGMD is based on the average hourly rate paid to employees in the specific cost center, and the rate is grossed up for the average percentage of employee burden. The rates do not include overhead costs. In the annual budget for HGA, each cost center narrative must identify and show the calculation for the charge-out rate. Also, an estimate of the number of hours to be charged, based on past experience should be shown. By separate written agreement, HGMD must agree to the hourly rate and acknowledge that the estimate of hours is just that – an estimate and the actual number of hours may vary from the estimate.

In the Contracts section, only the amount for plumbers should be used. Other staff assigned to the Contracts cost center would still be employed full-time even if HGMD ceased to exist.

In the Golf and Landscape section, the Manager of the section should not be included in the charge-out hourly rate. The Manager would still be employed full-time even if HGMD ceased to exist. The Golf Course Superintendent hourly rate should be calculated separately from the other staff of the section and charged to HGMD with time records reflecting time spent on the golf course. Other staff charge out rate should be calculated based on the hourly rate paid and the rate grossed up for the average percentage of employee burden in the same manner as in other cost centers.

Billing to HGMD by HGA should be prepared and submitted to HGMD on or before the 10th working day of the following month. HGMD should review and pay HGA for the charges by the last working day of that month. Questions about any billing should be resolved promptly.

- 2) Other HGA cost centers staff also provide services to HGMD, but HGMD should not be billed for those services.
 - Administration
 - Security

The reason that these services should not be charged to HGMD is that the services provided would continue even if HGMD ceased to exist.

- 3) There are certain HGA employees who are clearly identifiable as assigned exclusively to HGMD operations. Examples of those positions are Golf Pro Shop staff; Restaurant staff, such as Manager, Chefs, Cooks, and Wait staff; Clubhouse Manager and Assistant Manager; and others. HGMD Operations are charged directly for the cost of staff members assigned exclusively to HGMD.

HGA/HGMD Agreement

Facilities Services

DRAFT February 20, 2025

HGA will provide hourly services at rates determined each year, which will include charges for labor and benefits, including but not limited to PEO and Insurance costs, and an equipment allowance along with the cost of materials used for HGMD-owned and used portions of the property for the following services: (Note: no charges will be charged for Managers directing the work)

1. Custodial services
2. Property maintenance services, including buildings and grounds
3. Landscape services
4. Snow removal
- 5.

Services that will NOT be charged to HGMD:

1. Security
2. Capital Project Procurement and Management (Note: project costs will be charged directly to HGMD)
- 3.