



January 13, 2020

Developers, Deferred Maintenance and the Road Ahead

2019 was the first full year this board has had an opportunity to operate and maintain the District assets based on a budget of its' own creation. Essentially there are 2 components of the fees you pay each month to the District (currently at \$60 a month). The first is Operations expenses (cost about \$850,000 a year or just under \$60 a month per homeowner): the costs cover landscaping, snow removal, utilities, cleaning, pool chemicals and life guards and supervision of those activities, legal, accounting and security. The second is Maintenance: repairing and replacing equipment, fixtures, sprinklers, controllers, trees, fencing, siding, repainting and refinishing floors, surfaces, siding, roofs, security systems, lighting, etc.

Since the inception of the community, all of the fees collected were focused on operations - thus helping to keep the costs low. The residents of Murphy Creek have been paying these costs. The developers own land surrounding and bordering the District properties and have been benefiting from these expenses, but have not contributed. This has limited the past boards ability to maintain the District assets in good repair.

This board was handed a District with multiple deferred maintenance issues: 1) rotten subfloors in the clubhouse mechanical room; 2) showers leaking into the clubhouse basement; pool gate locks designed for interior use only; 3) dozens of dead trees throughout the community; 4) District trees that have not been pruned for several years; 4) the heating and cooling systems in the clubhouse are undersized; 5) indoor and outdoor furniture is need of replacement; 6) the clubhouse exterior needs to be updated with new siding and paint; and the clubhouse and pool area needed a security camera system to monitor the grounds 24hours a day; and 7) there were no material reserves in case of a problem (like item #1).

There was no way the board could address all of these issues on a timely basis without dramatically increasing the monthly fees without some creative problem solving. The board set its' priorities as repairing the clubhouse and adding cameras to protect it from vandalism. These 2 items cost over \$220,000. The board went to the Murphy Creek Master HOA to request a grant. The HOA had been accumulating funds in excess of its' operating expenses and had over \$250,000 on hand. The District requested and was granted \$150,000. The other \$70,000 came out of our operating budget - causing us to juggle some of our funding of some items to later.

We began billing the developers over \$21,000 a month using a number of formulas to compute their benefit and financial responsibility. Other developers in other metro districts pay for

undeveloped property to support the operations and maintenance of the communities they are developing. We have placed liens against the affected properties in the District benefiting from our operations and maintenance due to nonpayment.

The developers filed suit against the board for taking this action. They have requested a jury trial with a court date of March 22, 2020. The court has required we attend a mediation session to see if we can resolve our differences outside of court. The mediation date is February 7, 2020.

This will be a big issue for the District. Our Attorney feels confident of a positive outcome for the District.

Three parcels of property are currently under review for acquisition and development in the District by three separate builders. Each builder has presented plans to the community and prepared a schedule for build out. 2020 will be the year of expansion in the District. About 270 new dwellings will be added to the District - all north of Jewell and between the ninth tee on the golf course and Harvest Mile Road.

These actions (law suit and new home building) will markedly change the finances of the District. As they settle out by the end of the 2020 or early 2021, we will have an opportunity to refinance our District debt with considerably IMPROVED financials. Hopefully, this will allow us to lower the tax payments attached to our individual homes.

In the middle of all this action, the District will be holding an election for 2 Board seats. The terms will be for 4 years. Naturally, the board would like the existing board members to stay in place. We encourage members of the community to nominate themselves to serve on the board.

All Murphy Creek Metropolitan District 3 meetings are held the 3rd Wednesday of each month, start time is 6:00 PM, conducted in the Clubhouse. You are invited to attend the meetings and learn more about the activities the board is taking to improve our community and protect our real estate values.