

To: Residents  
 From: Boards of Directors for Fossil Ridge Metropolitan District Nos. 1-3  
 Re: 2018/2019 Property Tax Errors and Correction Plan  
 Date: January 21, 2019

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We wanted to inform you of certain errors made by the Districts’ management and accounting company, Community Resource Services (“CRS”), in certifying the Districts’ 2018 property taxes to Jefferson County for collection in 2019, and the steps the Districts are taking to correct those errors. **At the outset, however, we want to assure you that no one will pay more property taxes than they should.** In summary:

1. The incorrect mill levies supplied by CRS to Jefferson County for Districts 2 and 3 (which affects all residents, including those who included into District 1) are 6 mills less than approved by the Boards for bond debt service. Fortunately, the Boards have been maintaining some tax revenue reserves in the debt service funds to protect against just such an unforeseen event, so the Districts will be able to meet their obligations this year.
2. Properties that included into District 1 incorrectly had a 5 mill property tax added by CRS. **THIS WILL BE REFUNDED BY DISTRICT 1 TO THE AFFECTED HOMEOWNERS.**
3. For those interested, the table below compares the approved versus submitted mill levies:

| Category                        | Board Approved Mill Levy | CRS Submitted Mill Levy |
|---------------------------------|--------------------------|-------------------------|
| District 1 General Ops.         | 0                        | 5                       |
| Districts 2 & 3 General Ops.    | 5.458                    | 5.458                   |
| Districts 2 & 3 Bond Payment    | 38.210                   | 32.210                  |
| Districts 2 & 3 Total Mill Levy | 43.668                   | 37.668                  |

Please read below for complete details. If you have any questions, please send them to [solterraqanda@gmail.com](mailto:solterraqanda@gmail.com) and the Communication Committee will reply to your question. Official information concerning this error, corrective actions, and posting of Q&A will be provided on Solterra-Connect.com as the only official website of the Districts.

In accordance with Colorado law, during their public meeting on December 4, 2018, the Boards for the three Districts adopted Resolutions establishing the 2019 Budget for each District and setting the property taxes (mill levies) to be imposed by each District against the taxable property in its boundaries in 2018 for collection in 2019. The next step was for CRS to “certify” the Districts’ property taxes to Jefferson County, using standard forms required by the County. Unfortunately, CRS submitted forms that contained incorrect information. The Districts only became aware of the errors when Jefferson County started posting preliminary property tax information to its website during the first week of January. The Districts immediately notified the County of the errors, but the County declined to correct them. The Boards are very disappointed that the County would not correct the errors, which would have quickly and efficiently resolved the matter. Nevertheless, the Boards have developed the following plan for correcting the errors.

### **Residents of District Nos. 2 and 3**

The 2019 Budget Resolutions adopted by the Boards for Districts 2 and 3 on December 4, 2018 imposed a property tax of 5.458 each for general operations, and 38.210 mills for each District to generate the tax revenue necessary to meet the debt service on the previously issued bonds. The general operations mill levy was certified correctly. However, based on the incorrect information submitted by CRS, the County will be assessing only 32.210 mills in debt service property tax against the properties within the boundaries of Districts 2 and 3. In other words, each District is assessing 6 mills less in debt service property tax than what the Boards approved. As a result of these lower tax rates, District 2 will collect approximately \$130,878 less in taxes and District 3 will collect approximately \$217,077 less in taxes than they budgeted for 2019, for a total projected shortfall of approximately \$347,955 in debt service tax revenue.

As mentioned above, the Boards have been maintaining some tax revenue reserves in the debt service funds for the Districts to protect against just such an unforeseen event, so there are sufficient debt service fund balances between Districts 2 and 3 to absorb the tax revenue deficiency and still meet the payments on the bonds in 2019. At the end of 2019, the Boards for Districts 2 and 3 will evaluate imposing an additional 6 mills for debt service in 2019 for collection in 2020, because property taxes, like income taxes, are collected one year in arrears. This would recover the tax revenue that should have been collected in 2019 and replenish the debt service fund balances to their original levels. The Boards have had a bond attorney review the documents related to the prior bond issuances to ensure that these actions are consistent with those documents, and to ensure there are no other steps the Boards need to take. **CRS WILL BE RESPONSIBLE FOR PAYING ALL LEGAL FEES AND OTHER EXPENSES INCURRED BY THE DISTRICTS AS A RESULT OF THE ERRORS.**

### **Residents of District No. 1**

The 2019 Budget Resolution adopted by the District 1 Board on December 4, 2018 made clear that no property tax would be assessed against the 53 properties that were voluntarily included by their owners into District 1's boundaries in 2018. However, based on the incorrect information submitted by CRS, the County will be assessing a 5 mill property tax against each of the 53 properties that were included into District 1's boundaries. **The amount of property tax paid by the owners of these properties will be refunded by District 1.** The Board is working with CRS and the County to determine how much each property will be taxed, and refunds will be made to the owners of those properties to pay for the amount of property taxes imposed by the County.

The Boards sincerely apologize to all of the residents for the errors by CRS. Rest assured the Boards will be putting in place procedures to ensure that these types of errors will not occur in the future.