

SERVICE PLAN
FOR
LOS AMIGOS WATER DISTRICT
GARFIELD COUNTY, COLORADO

DRAFT UPDATED 4/28/2026

Prepared By:

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As Approved by the Board of County Commissioners
_____, 2026

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I. BACKGROUND

This Service Plan for the Los Amigos Water District is submitted in conformance with the Special District Act, Title 32 of the Colorado Revised Statutes. The purpose of the District is to take over ownership and operations of an existing treated water supply and distribution system currently primarily owned and operated by the Elk Springs Homeowners Association, Inc., a Colorado non-profit corporation (the “**ESHOA**”). ESHOA currently operates the public treated water supply system regulated by the Colorado Department of Health and Environment (“**CDPHE**”) under the Public Water System ID CO0123485. ESHOA currently provides treated water service to customers within its own boundaries and by contract to other areas outside of ESHOA boundaries as further described below.

The water system currently operated by ESHOA was designed and constructed in order to serve properties located in the Los Amigos Ranch Planned Unit Development, located in unincorporated Garfield County, Colorado (“**Los Amigos PUD**”), as approved by Resolution 2008-06 of the Garfield County Board of County Commissioners. The developer of the Los Amigos PUD previously transferred ownership and operation of said water system to ESHOA.

ESHOA currently has Water Delivery Agreements to provide treated water service to the Pinyon Mesa subdivision and to the Auburn Ridge Apartments. Upon organization of the District, all such contracts for water service are anticipated to be assigned to the District and terminated. The District will thereafter provide water service to all properties within the boundaries of the District in accordance with this Service Plan. Pursuant to the Water Delivery Agreement between ESHOA and the Pinyon Mesa Homeowners Association, Inc. (“**PMHOA**”), the PMHOA currently owns and operates certain water distribution system improvements within the PMHOA boundaries. Pursuant to the Water Delivery Agreement between ESHOA and Saratoga Auburn Ridge, LLC, *dba* Auburn Ridge Apartments, now owned by TAG Sopris LLC (“**Auburn Ridge**”), Auburn Ridge currently owns and operates certain water distribution system improvements located on the Auburn Ridge Apartment property. Upon termination of the above Water Delivery Agreements, PMHOA and Auburn Ridge, will convey all portions of the public water distribution system to the District for ownership, operation, maintenance, repair, and replacement for the use and benefit of the public, residents, and visitors to the District.

In addition to existing water service to properties within ESHOA, PMHOA, and Auburn Ridge, the District’s anticipated service area boundaries also include currently undeveloped properties owned by Eagle Ridge Homes, LLC (“**Eagle Ridge**”), Elk Mesa, LLC (“**Elk Mesa**”), Elk Springs LLC (“**Elk Springs LLC**”), and Roaring Fork School District RE-1 (the “**School District**”), (collectively, the undeveloped property owned by Eagle Ridge, Elk Mesa, Elk Springs LLC, and the School District referred to herein as “**Future Development Area**”). Within the Future Development Area, two parcels owned by Elk Springs LLC and the School District, respectively, will not be included within the initial District Boundaries, but can be included into the District Boundaries as a Future Inclusion Area as further described in this Service Plan.

ESHOA does not have any existing contracts for water service to the Future Development Area, but it is anticipated that the District will provide water service to all Future Development Area properties, upon inclusion of such property into the District’s boundaries. The

current or future owners of property located within the Future Development Area will be responsible for the initial finance and construction of Water System Infrastructure necessary to serve the property, and conveyance of said Water System Infrastructure to the District for long term ownership, operation, maintenance, repair, and replacement. Therefore, the District will not finance construction of any new Water System Infrastructure but instead development will pay for itself and convey any necessary Water System Improvements to the District after completed and accepted by the District.

II. DEFINITIONS

In this Service Plan, the following terms shall have the meanings indicated below, unless the context hereof clearly requires otherwise

Board: means the board of directors of the District.

Board of County Commissioners: means the Board of County Commissioners of Garfield County, Colorado.

Debt: means any bonds, loan, debt, or other obligations not subject to annual appropriation for the payment of which the District has promised to impose an *ad valorem* property tax mill levy and/or collect Fee revenue.

Community. refers to the area served by the public water supply system for the Los Amigos Ranch Planned Unit Development and Elk Mesa area, all located within Garfield County, Colorado, and which comprises the entirety of the District Boundaries.

County: means Garfield County, Colorado.

District: means the Los Amigos Water District.

Fees: means any fee, rate, toll, penalty or charge imposed by the District for services, programs, or facilities provided by or on behalf of the District.

Financial Plan: means the Financial Plan set forth in **Exhibit E** and described in Section VI which describes: (i) an estimated operating budget, which details projected operating revenue from Fees and/or other revenues, if applicable, for the first budget year and (ii) how the Water System Infrastructure is to be maintained pursuant to a long term capital improvement plan.

District Boundaries: means the initial boundaries of the area included in the District's legal boundaries as described in the District Boundary Map, and as described in the legal description of the District Boundaries attached hereto as **Exhibit B**.

District Boundary Map: means the map attached hereto as **Exhibit A** describing the initial District Boundaries at the time of formation of the District as well as the Future Inclusion Area further described in the Future Inclusion Area legal description attached hereto as **Exhibit C**.

Water System Infrastructure. means a part or all of the water improvements and assets authorized to be acquired, relocated, redeveloped, operated, maintained, designed, constructed, installed, or financed, as generally described in the Special District Act, to serve the inhabitants of the Service Area as determined by the Board, including but not limited to public infrastructure, real property, and water rights.

Service Area: means the property within the District Boundary Map and property included within the District from time to time, as permitted in this Service Plan.

Service Plan: means this service plan for the District as approved by the Board of County Commissioners.

Service Plan Amendment: means an amendment to the Service Plan approved by the Board of County Commissioners in accordance with the County’s procedures and the applicable state law.

Special District Act: means §§ 32-1-101, *et seq.*, C.R.S., as amended from time to time.

State: means the State of Colorado.

TABOR: means Article X, Section 20 of the Colorado Constitution.

III. INTRODUCTION

A. Purpose and Intent

The purpose of the District is to take over ownership and operations of an existing treated water supply and distribution system currently primarily owned and operated by the ESHOA under the Public Water System ID CO0123485. ESHOA, PMHOA, Auburn Ridge, Eagle Ridge, Elk Mesa, the School District, and Elk Springs LLC (collectively, the “**Proponents**”) are in support of organization of the District and have all contributed to and participated in the efforts to organize the District. Accordingly, the Proponents desire to form the District pursuant to the powers and limitations set forth in this Service Plan and for the District to become the owner/operator of the Public Water System ID CO0123485 and the treated water supply and distribution system for the Los Amigos Water District.

The District is an independent unit of local government, separate and distinct from the County, and, except as may otherwise be provided for by State or local law, or this Service Plan, its activities are subject to review by the County only insofar as they may deviate in a material manner from the requirements of the Service Plan.

The District will own, operate, and maintain all of the Water System Infrastructure necessary to provide a potable water supply to the residents of the District. The tax-exempt structure of the District, the protection provided the District by the Colorado Governmental Immunity Act, and the operational efficiencies of the District are among the advantages of the District. Individual customers or property owners of properties currently outside of the ESHOA but located within the District boundaries will obtain the opportunity for

direct representation on the District’s Board of Directors in accordance with the District’s organization under Title 32 of the Colorado Revised Statutes. In addition, the County will maintain oversight authority over the District as required by provisions of this Service Plan and Colorado law.

This Service Plan is prepared and submitted in accordance with the Special District Act as one of the initial steps in organizing the District. The contents of this Service Plan provide the basis for the formation, operation, and financial management of the District. This Service Plan has been designed with sufficient flexibility to enable the District to provide required services and facilities under evolving circumstances, without the need for numerous amendments. The District will be governed by a five-member Board of Directors comprised of eligible electors of the District, serving staggered terms, who will be able to make decisions based on future needs of the Community.

B. Support for the District.

There are currently no other governmental entities, including the County, which are able or willing to provide water service to the Community. The Proponents have each submitted their respective statements of support and need for the District. The leadership of ESHOA and PMHOA have issued statements of support and need for the District and are further submitting the matter to a vote of all members of each respective homeowners’ association. Formation of the District is, therefore, necessary in order to provide in the most economic manner possible a public potable water service to the Community and Service Area of the District.

C. Need for the District.

In order to establish compliance with the standards for Service Plan approval set forth in § 32-1-203, C.R.S., the following analysis is provided:

1. There is sufficient existing and projected need for organized service. The District will serve approximately 419.4 equivalent units (“EU”) at total buildout based upon a demand of 158,820 gallons per year per EU. The District is anticipated to serve primarily residential units, a school site, and small commercial development as anticipated by the Los Amigos PUD. The Community is approximately 55% built-out as of the date of this Service Plan, leaving approximately 200 single-EU remaining to be developed or constructed. This includes development of the Future Development Area both within the initial District Boundaries and within the Future Inclusion Area, consisting of Eagle Ridge (20.6 EU), Elk Mesa (22.5 EU), the School District site (24.5 EU), and Elk Springs LLC (2.2 EU). Accordingly, the demand for the services and Water System Infrastructure to be provided by the District is demonstrable.

2. The existing service in the area to be served is inadequate for present and projected needs/adequate service though other governmental entities will not be available within a reasonable time and on a comparable basis. The facilities and services to be provided by the District will not be provided by any county, municipal or quasi-municipal corporations, including existing special districts. Neither the County nor any existing special district, plans to provide, or is able and willing to provide, the facilities and services required for the Los Amigos

Community. The District will be capable of providing the same level of service currently provided by the ESHOA in a more economical and efficient manner while providing more transparency to the public and direct representation of individuals located throughout the District Boundaries. The District will also afford the Community with access to low-interest tax-exempt financing and grant opportunities for which ESHOA is not eligible.

3. The District is capable of providing economical and sufficient service/the District will have the financial ability to discharge proposed indebtedness on a reasonable basis. The District is necessary in order to provide the most economical and efficient means of operating the public water supply system to serve residents within its boundaries. The Financial Plan, attached as **Exhibit E**, includes a proposed annual budget for the first calendar year of operations of the District (2027) as well as a rate analysis conducted by Schmueser Gordon Meyer, Inc. (“SGM”) demonstrating the feasibility of the District operating the public water supply system proposed herein on an economical basis. Because the District will be acquiring the Water System Infrastructure at no cost to the District, the District will not have a need to finance the initial construction or acquisition of such Water System Infrastructure. Instead, the District anticipates operating as a Water Activity Enterprise in conformance with Article 45.1, Title 37, C.R.S., and within the provisions of TABOR. In other words, the District will operate primarily based upon the collection of fee-based revenues for the delivery of potable water service to its customers.

4. The creation of the District is in the best interests of the area to be served. The matters described in items 1 through 3 of this Section establish that the creation of the District is in the best interests of the area to be served in that they demonstrate a demand for facilities and services to be provided by the District.

D. District Functions & Jurisdiction.

The District shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of the Water System Infrastructure and all aspects of operation of the public water system to be owned and operated by the District. The District will be authorized to own, operate and maintain the Water System Infrastructure (after conveyance to the District by ESHOA, PMHOA, Auburn Ridge, and any owners or developers of the Future Development Area, as applicable).

The County shall have and will continue to exercise jurisdiction over any land use and building, e g, zoning, subdivision, building permit, and decisions affecting development of property within the boundaries of the District. Construction of all Water System Infrastructure shall be subject to applicable ordinances, codes, and regulations of the County, CDPHE, and any other entity with jurisdiction.

IV. BOUNDARIES

A. Initial District Boundaries

The area contained within the initial District Boundaries includes approximately 2,705 acres. A map of the District Boundaries is attached hereto as **Exhibit A**. A legal description of the initial District Boundaries is attached hereto as **Exhibit B**.

B. Future Inclusion Areas

The District's boundaries may change from time to time as it undergoes inclusions or exclusions pursuant to §§ 32-1-401, *et seq.*, C.R.S., and §§ 32-1-501, *et seq.*, C.R.S. The District shall be required to provide notice of any such permitted boundary adjustment to the County in accordance with Colorado law.

The areas anticipated to be served by the District in addition to properties within the initial District Boundaries are shown in **Exhibit A** as a "Future Inclusion Area" and a legal description of such Future Inclusion Area is attached hereto as **Exhibit C**. The Future Inclusion Area includes approximately 87 acres and is comprised of a parcel owned by Elk Springs LLC and a parcel owned by the School District. In accordance with the applicable provisions of the Special District Act described above, all or a portion of the Future Inclusion Area may be included into the District Boundaries (i) upon receiving a petition for inclusion from fee owner of 100% of such property and (ii) upon payment of the corresponding System Development Fee as further described in the Financial Plan below.

C. Extraterritorial Service

The District does not anticipate providing services to areas outside of the Initial District Boundaries and Future Inclusion Areas.

V. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The District Boundaries include primarily residential properties and contains approximately 419.4 EU at full buildout. According to the records of the Garfield County Assessor, the reported final assessed valuation of all property within the District Boundaries in 2025 was \$ [REDACTED]. The current residential population of the District is estimated to be approximately 618 people (assuming 250 residential units presently constructed and served by ESHOA with an average of 2.47 individuals per household using the latest U.S. Census data for Garfield County).

Approval of this Service Plan by the County does not imply approval of the development or redevelopment of any specific area within the District. The District will serve only as a referral agency to the County and County Planning Commission relating to the provision of potable water supply to any future development or redevelopment of property within the District.

VI. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the District.

The District has the power and authority to acquire the Water System Infrastructure and undertake related operation, maintenance, and improvements to the Water System Infrastructure within and without the boundaries of the District as such power and authority is currently or hereafter described in the Special District Act, and other applicable statutes, common law and the Constitution, subject to the limitations set forth herein. The District has the power to provide any and all services incidental to the provision of the Water

System Infrastructure. The specific types of Water System Infrastructure and services shall be determined in the discretion of the Board, including those Water System Infrastructure generally described in this Service Plan.

The District will have the power and authority to provide the services and facilities generally described in this Service Plan, either directly or by contract. Where appropriate, the District will contract with various public and/or private entities to undertake such functions.

B. Limitations of the District’s Powers and Service Plan Amendment.

1. Fire Protection Limitation. The District shall not be authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities or services, unless such facilities and services are provided pursuant to an intergovernmental agreement. The authority to plan for, design, acquire, construct, install, relocate, redevelop or finance fire hydrants and related improvements, water storage tanks, or distribution systems improvements providing limited fire protection flows installed as part of the water system shall not be limited by this provision.

2. Construction Standards Limitation. The District will ensure that the construction or development of any new Water System Infrastructure are designed and constructed in accordance with the standards and specifications of the County and of other governmental entities having proper jurisdiction. The District will obtain the County’s approval of civil engineering plans and will obtain applicable permits for construction prior to performing such work.

3. Bankruptcy Limitation. All of the limitations contained in this Service Plan have been established under the authority of the County to approve a Service Plan with conditions pursuant to § 32-1204.5, C.R.S. It is expressly intended that such limitations:

a. Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

b. Are, together with all other requirements of Colorado law, included in the “political or governmental powers” reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the “regulatory or electoral approval necessary under applicable non-bankruptcy law” as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

4. Service Plan Amendment Requirement. Actions of the District that constitute material modifications to this Service Plan under the Special District Act shall entitle the County to all remedies available under State and local law to enjoin such actions, or the District shall obtain a service plan amendment, as required by § 32-1-207, C.R.S.

C. Preliminary Engineering Survey and Water System Infrastructure.

The District has the authority to provide a public water supply system for the Community, including initial acquisition of the existing Water System Infrastructure as well as

the use, operation, improvement, extension, enlargement, repair, replacement, acquisition, disposal of, encumbrance of, and otherwise to control and supervise all public water system improvements. The District's public water system will be designed and operated in conformance with design, engineering, and regulatory standards of the County and of CDPHE, where applicable.

A list of the Water System Infrastructure to be conveyed initially by ESHOA, PMHOA, and Auburn Ridge to the District is set forth at **Exhibit D**. Water System Infrastructure for the District, and to be conveyed by ESHOA, PMHOA, and Auburn Ridge to the District, is expected to include transmission and distribution lines, fire hydrants, storage tanks, pump stations, curb stop valves, and any related landscaping and beautification improvements, together with all necessary, incidental, and appurtenant facilities, equipment, land, and easements acquired by condemnation or otherwise and extensions of and improvements to such facilities.

Water rights associated with the ESHOA's current water supply were decreed in the District Court for Water Division 5, in Case Nos. W-2156, W-3873, 94CW36, and 87CW155. The water rights associated with the Community water supply generally consists of the Rancho Los Amigos Well Nos. 5 and 6 and an entitlement to augmentation or replacement water provided by the Basalt Water Conservancy District under Contract No. 333, as amended (collectively, the "**Water Rights**"). The Water Rights will be conveyed by ESHOA to the District at no cost and are adequate to provide service to all lands within the Los Amigos PUD. Additional undeveloped properties owned by Elk Mesa within the District boundaries, but not in the Los Amigos PUD, will require the transfer additional water rights to the District as specified by current contract between ESHOA and Elk Mesa. Said contract rights will assigned to the District. The Water Rights and contract rights to dedication of water rights by Elk Mesa are adequate to provide service to the anticipated development of all areas within the District Boundaries at full build out. Full build of the District's Service Area is estimated to have a demand of 66,616,038 gallons per year of treated water supply service, provided to a total of 419.4 EU, all within the District Boundaries.

Upon approval of the Service Plan and formation of the District, ESHOA, PMHOA, and Auburn Ridge will each transfer and convey the existing Water System Infrastructure, including all associated Water Rights, to the District for ownership, operations, and maintenance. This transfer and conveyance will include conveyance of all necessary easements for access and use of the Water System Infrastructure. No conveyance of fee ownership of any real property (other than water rights) from ESHOA, PMHOA, and Auburn Ridge to the District is anticipated. The District will not be financing this initial acquisition of Water System Infrastructure as the HOA will convey all of its water system assets to the District at no cost. The District may plan, design, acquire, construct, install, relocate, redevelop, operate, maintain, or finance other public improvements, including those necessary for service to the Future Development Area, which are necessary or desirable to the District for operation of its public water supply system.

All existing Water System Infrastructure have been and remain compatible with those of the County or other such entity that may have authority over the same. Any future public improvements will be designed in such a way as to assure that they will be compatible with those of the County or other such entity that may have authority over such design and construction.

VII. FINANCIAL PLAN

A. General.

The District shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Water System Infrastructure using its revenues. The District's Financial Plan includes: (i) an estimated annual operating budget, which details projected operating revenue from Fees; and (ii) a capital improvement plan that outlines the District's approach to funding, maintaining, and replacement of all major Water System Infrastructure. A Preliminary Financial Plan is attached hereto as **Exhibit E**.

The District is anticipated to be funded through the collection of fees, rates, and charges as is customary for governmental water utilities in Colorado. The District's Water Activity Enterprise will maintain a general operating fund and capital project fund in conformance with Article 45.1, Title 37, C.R.S., and within the provisions of TABOR. Fees, rates, and charges assessed by the District will be uniform for all customers within the District Boundaries.

The District does not presently anticipate the need to impose an operations and maintenance mill levy or a debt service mill levy, nor does it intend to issue any Debt at this time. The District intends to operate the Community water supply system solely through the imposition and collection of Fees. Notwithstanding the foregoing, in the event the District determines in the future to impose an operations and maintenance mill levy, a debt service mill levy, or to issue Debt, it shall be required to provide not less than forty-five (45) days' prior written and published notice in accordance with § 32-1-207(3)(b), C.R.S. If, within such forty-five (45) day notice period, the Board of County Commissioners submits a written objection to any such action, then such action shall be prohibited and shall constitute a material modification of the Service Plan requiring a formal amendment pursuant to § 32-1-207, C.R.S.

The estimated costs of the District's organization including election costs, engineering services, legal services, and mailing and filing fees are anticipated to be \$130,000. The District may reimburse the Proponents via agreement for each entity's contribution to or payment for such District organization expenses.

B. Operating Fund.

The first year's general operating budget for the District is estimated to be approximately \$290,000. The operating budget is anticipated to be funded exclusively through the collection of User Fees assessed monthly to active customers based on metered usage by each customer. User Fees will be assessed by the District based solely upon the reasonable costs of providing service. Additional detail can be found in the Preliminary Financial Plan attached hereto as **Exhibit E**.

C. Capital Project Fund.

In addition to a general operating fund, the District also anticipates maintaining a separate capital project fund to fund long-term costs of capital maintenance, repair, and replacement of Water System Infrastructure.

The District's capital improvement plan, contained within the Preliminary Financial Plan attached hereto as **Exhibit E**, outlines the District's anticipated approach to funding, maintaining, and replacement of all major Water System Infrastructure. Although there is no absolute standard for setting capital reserves, the American Water Works Association, M54 Manual for Developing Rates for Small Systems recommends a "minimum balance for this reserve is often defined based on a percentage (1-2 percent) of the cost of the system assets or a rolling-average of planned capital expenditures." The M54 Manual also suggests an alternative for setting a contingency based on "the cost of replacing the most expensive facility of the utility system and reserving an amount equal to that cost, less any potential insurance payments." Many utilities maintain capital reserves based on the estimated costs of known capital projects within the upcoming five-year planning period.

The District's Engineer has evaluated the Water System Infrastructure and determined that it is in good condition. The District therefore does not anticipate any capital projects to be necessary within the next 15-year period. The estimated present value of the Water System Infrastructure is estimated to be approximately \$17,500,000. Therefore, a minimum capital reserve balance for the District could be established between \$175,000 - 350,000 (approximately 1%-2% of the Water System Infrastructure Value). The District anticipates maintaining a more conservative capital reserve balance, however, based upon the District Engineer's opinion of planning costs associated with catastrophic failure, including the costs associated with completing a full well rehabilitation, water tank rehabilitation, and full replacement of 3,000 linear feet of waterline. Based upon this method, the District's Engineer and Preliminary Financial Plan, attached hereto as **Exhibit E**, recommend the District ultimately achieve a total capital project fund reserve of \$2,462,000 within the next 15-years.

The District's capital project fund will be initially funded by one-time contributions of existing capital reserves, consisting of approximately \$1,200,000. These funds originated from charges previously paid by active customers within ESHOA, PMHOA, and Auburn Ridge. This initial capital reserve is roughly 3.5 times more than the AWWA M54 Manual recommended minimum balance and therefore the District proposed Financial Plan to increase it's capital project fund gradually over a planned 15-year period is reasonable.

To recognize the initial one-time capital contribution by properties within ESHOA, PMHOA, and Auburn Ridge, the District anticipates charging a System Development Fee to properties within the District Boundaries based upon the anticipated EU demand for each property and reduced by any prior capital contribution to the District's capital project fund. The initial one-time capital contributions attributed to properties within ESHOA, PMHOA, and Auburn Ridge to the District will ultimately reduce or eliminate the amount of System Development Fee owed by such properties. Future Development Area properties within the District Boundaries will be charged the full System Development Fee based upon the anticipated EU demand for that property. Properties within the Future Inclusion Area will be charged a System Development Fee based upon the anticipated EU demand for that property upon inclusion into the District Boundaries including any unpaid Capital Reserve Fees after the District's formation. The District's intent shall be to include Future Inclusion Area properties after payment of such amounts towards the District's capital project fund to equalize capital project fund contributions of the property being included with other properties already served by the District.

The District anticipates the System Development Fees being paid monthly over a 15-year period until such System Development Fees are extinguished. Property owners will be permitted to pre-pay the System Development Fees. Once the System Development Fees are fully paid by any property owner, the District will no longer assess or collect a System Development Fee from that property. The one-time contribution of capital reserves plus collection of System Development Fees are designed to raise a total of \$1,800,000 towards the District's capital project fund.

In order to raise the final \$662,000 of capital project funds recommended by the District's Engineer, the District anticipates charging a Capital Reserve Fee to all properties within the District Boundaries based upon the EU demand for each property. As further described in the Preliminary Financial Plan, the Capital Reserve Fee for a single EU is anticipated to be \$9.35 per month. The Board of Directors for the District will have the authority to amend, modify, and adjust the Capital Reserve Fee to reflect current conditions or changes to its capital improvement plan. Properties within the Future Inclusion Area will be charged a Capital Reserve Fee only after inclusion into the District Boundaries. A more detailed description of the capital project fund is contained in the attached Preliminary Financial Plan.

As long as the anticipated development and demand of a property within the initial District Boundaries is consistent with the EU demand contemplated in this Service Plan, the District shall not charge any other tap fee or system development fee to provide service to the property. As long as the anticipated development and demand of a property within the Future Inclusion Area is consistent with the EU demand contemplated in this Service Plan, the District shall charge only a System Development Fee intended to equalize capital project fund contributions of the property being included with other properties already served by the District. The District will not be limited however, from assessing such fees to properties outside of the District Boundaries and outside of the Future Inclusion Area, or from denying to provide service outside the District Boundaries and Future Inclusion Area.

D. TABOR Compliance.

The District will comply with the provisions of TABOR. After its formation, the District anticipates establishing a Water Activity Enterprise by resolution of the District's Board of Directors as contemplated by Article 45.1, Title 37, C.R.S. and TABOR for the District to manage, operate, use, maintain, and conduct all water activities, services, and facilities of the District.

E. Financial Plan Flexibility.

The District's Financial Plan is an estimate only and a projected starting point for the District. It is reasonably anticipated that costs, maintenance obligations, regulatory requirements, and other conditions will fluctuate and change; therefore, the District must necessarily have the ability to alter or modify the Financial Plan included with this Service Plan. The District is not required to strictly adhere to the Financial Plan and the District's duly elected Board of Directors will have the authority to amend, modify, and adjust its annual budget, rates, and capital improvement plan in accordance with the requirements of Colorado law.

VIII. CONTACTS

The following is a list of persons or organizations responsible for the preparation of this Service Plan:

Legal:	Cockrel Ela Glesne Greher & Ruhland, P.C. 44 Cook Street, Suite 620 Denver, Colorado 80206 Attn: Joseph W. Norris and Madison P. Plasencia Telephone: (303) 218-7200 Email: jnorris@cegrlaw.com mplasencia@cegrlaw.com
Engineering:	Schmueser Gordon Meyer, Inc. 118 West Sixth Street, Suite 200 Glenwood Springs, Colorado 81601 Attn: Brandyn Bair Telephone: (970) 384-9024 Email: BrandynB@sgm-inc.com
ESHOA:	Elk Springs Homeowners Association, Inc. 7950 Road 46, Mancos, Colorado 81328 Attn: Jesse Hill Email: president@elkspringshoa.com

Note: the previously named Proponents of the District have all contributed to the development of this Service Plan; however, contacts have been limited to the legal and engineering consultants, along with the current operator of the existing public water system.

IX. CONCLUSION

It is submitted that this Service Plan for the District, as required by § 32-1-203, C.R.S., establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the District.
2. The existing service in the area to be served by the District is inadequate for present and projected needs.
3. The District is capable of providing economical and sufficient service to the area within its proposed boundaries.
4. The area to be included in the District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

5. Adequate service is not, and will not be, available to the area through the County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis.

6. The facility and service standards of the District is compatible with the facility and service standards of the County and each municipality which is an interested party under § 32-1-204(1), C.R.S.

7. The proposal is in substantial compliance with any master plan adopted pursuant to § 30-28-106, C.R.S.

8. The proposal is in compliance with any duly adopted County, regional or state long-range water quality management plan for the area.

9. The creation of the District is in the best interests of the area proposed to be served.

EXHIBIT A

District Boundary Map
(District Boundaries and Future Inclusion Area)

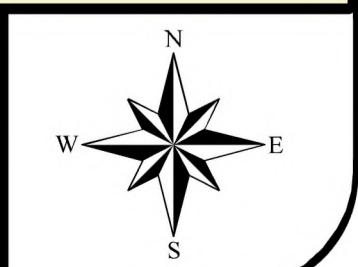
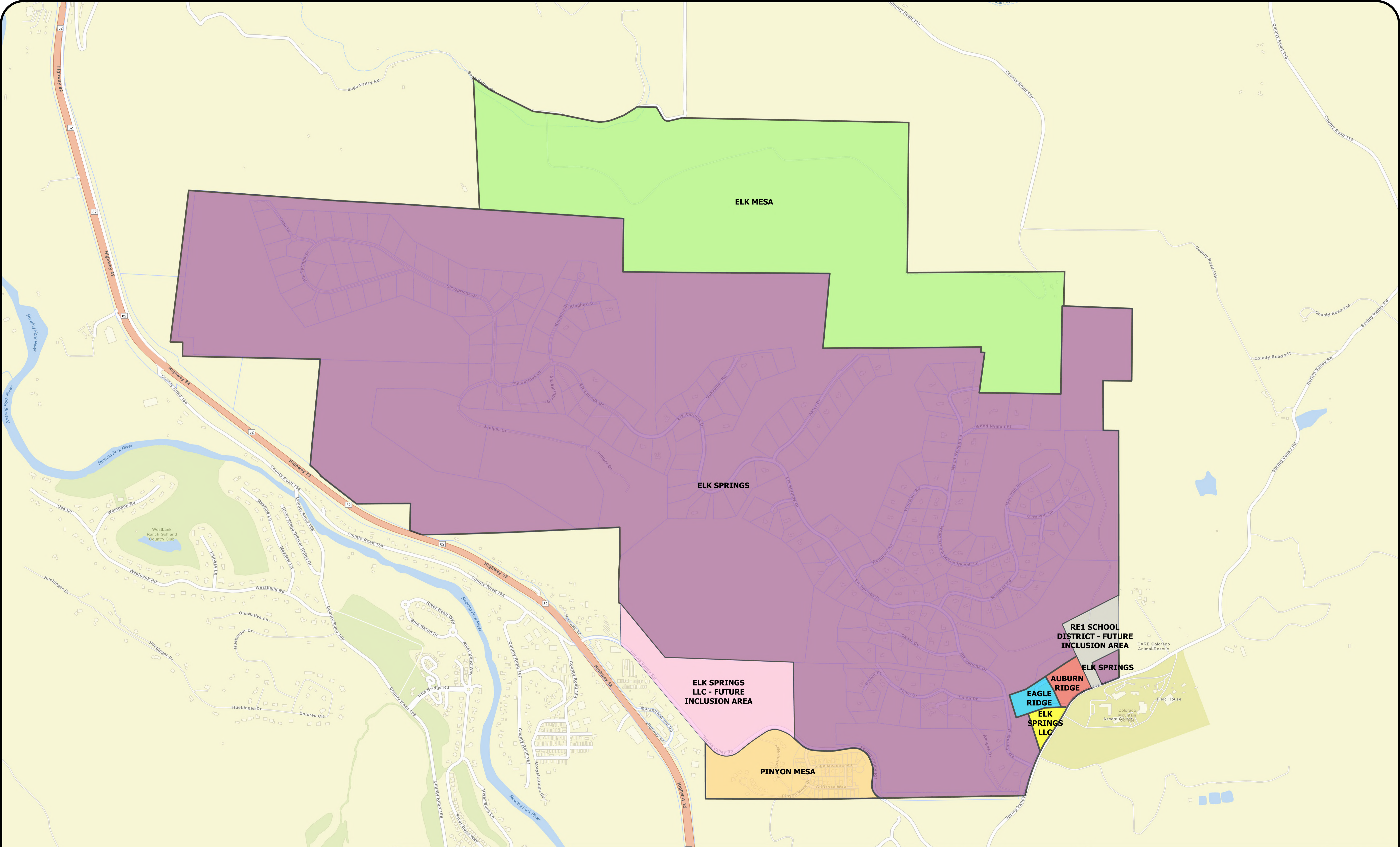


EXHIBIT B

Legal Description of District Boundary

EXHIBIT C

Legal Description of Future Inclusion Area

EXHIBIT D

Description of Public Improvements (Water System Infrastructure)

Water System Improvements Owned by Elk Springs Homeowners' Association			
Infrastructure	Location	Quantity	Unit
6" water lines	Flg. 1 (Sub.1)	232.5	LF
6" water lines	Flg. 1	3,434.3	LF
6" water lines	Flg. 2-4; Flg. 5	6,332.6	LF
6" water lines	Flg. 6-9	16,097.4	LF
6" water lines		0.0	LF
8" water lines	Flg. 1 (Sub.1)	2,673.9	LF
8" water lines		0.0	LF
8" water lines	Flg.5	5,341.5	LF
8" water lines	Flg.6-9 / PM	25,049.0	LF
8" water lines	Flg. 6A	474.1	LF
10" water lines	Flg. 5	2,019.4	LF
10" water lines	Flg. 6	1,196.8	LF
24" water lines	Flg. 5	360	LF
Fire hydrants	Flg. 1 (Sub.1)	2	EA
Fire hydrants	Flg. 1	3	EA
Fire hydrants	Flg. 2-4; Flg. 5	22	EA
Fire hydrants	Flg. 6-9 / PM	68	EA
Fire hydrants	Flg. 6A	2	EA
Valves (6")	Flg. 1 (Sub.1)	1	EA
Valves (6")	Flg. 1	2	EA
Valves (6")	Flg. 2-4; Flg. 5	14	EA
Valves (8")	Flg. 6-9 / PM	105	EA
Valves (8")	Flg. 6A	3	EA
PRV stations	Flg. 5	2	EA
PRV stations	Flg. 6-9 / PM	3	EA
PRV stations	Flg. 10	1	EA
Storage Tanks			
320,000 gal welded steel tank		320000	GAL
320k gal tank - interior coating		320000	GAL
320k gal tank - exterior coating		320000	GAL
300,000 gal welded steel tank		300000	GAL
300k gal tank - interior coating		300000	GAL
300k gal tank - exterior coating		300000	GAL
Wells			
Well #5 casing (240-ft deep)		1	EA

Well #5 pump		1	EA
Well #6 casing (214-ft deep)		1	EA
Well #6 pump		1	EA
Controls			
Chlorination building (bunker style)		1	LS
Electrical controls		1	LS
Chlorine feed system		1	LS

Water System Improvements Currently Owned by Pinyon Mesa Homeowners' Association, Inc.			
Infrastructure	Location	Quantity	Unit
8" water lines	Elk Springs to PM	2,060	LF
8" water lines	PM Phase 1	3,456	LF
8" water lines	PM Phase 2	1,944	LF
Fire hydrants	PM Phase 1	7	EA
Fire hydrants	PM Phase 2	5	EA
Valves (8")	PM Phase 1	13	EA
Valves (8")	PM Phase 2	3	EA
PRV stations	PM Phase 1	3	EA
Water Meter Pit PM	PM	1	EA

Water System Improvements Currently Owned by Saratoga Auburn Ridge, LLC dba Auburn Ridge Apartments			
Infrastructure	Location	Quantity	Unit
Water lines	All lines up to the curb stop on Auburn Ridge property, Lot 2, Re-Sub. Flg. 1	???	LF
Fire hydrant	Lot 2, Re-Sub. Flg. 1	1	EA

EXHIBIT E

Preliminary Financial Plan
(Proposed 2027 Budget, Rate Analysis, and Capital Improvement Plan)

**LOS AMIGOS WATER DISTRICT
2027 PROPOSED BUDGET
ENTERPRISE GENERAL FUND**

	<u>Budgeted 2027</u>
Beginning Balance	\$0
<u>Revenues</u>	
Water Revenue	\$285,000
Inspection Fees & Other Misc. Fees	\$5,000
Other Income	\$5,500
Total Revenues	<u>\$295,500</u>
Total Funds Available	<u><u>\$295,500</u></u>
<u>Expenses</u>	
Administrative Expenses	
Bank Service Charges	\$270
Directors Fees	\$6,000
Dues & Subscriptions	\$660
Election Services	\$2,500
Insurance	\$23,000
Office Expenses	\$1,000
District Office/Board Meeting Rent	\$1,320
Audit/Audit Exemption Form	\$2,000
District Administration	\$50,000
Engineering	\$12,000
Legal	\$15,000
Professional Training	\$1,000
District Organization and Startup Expenses	\$20,000
Water System Expenses	
Water Operator	\$24,000
Chemicals	\$2,000
Water Testing	\$10,000
Electricity	\$12,000
Inspection Costs	
Connection Inspections	\$5,000
Hydrant Inspections	\$3,300
Water Tank Dive Inspections	\$5,500
Telephone & Internet	\$858
Repairs & Maintenance	\$25,000
Snow Removal	\$4,500
Basalt Water Conservancy	\$5,214
Meter Readings	\$25,000
Subtotal of Operating Expenses	<u>\$257,122</u>
Operating Reserves and Contingency	
Operating Reserves (6-weeks of Operating Expenses)	\$29,668
Total Expenses	<u><u>\$286,790</u></u>
Ending Fund Balance	<u><u>\$8,710</u></u>

**LOS AMIGOS WATER DISTRICT
2027 PROPOSED BUDGET
ENTERPRISE CAPITAL PROJECT FUND**

	Budgeted 2027
Beginning Balance	\$0
<u>Revenues</u>	
Initial Capital Reserve Contribution from PUD Members	\$1,195,500
Capital Reserve Fee Revenue	\$3,695
System Development Fee Revenue	\$11,565
Transfers from General Fund	\$0
Developer Advances (new construction)	\$0
Interest Income	\$36,323
Other Income	\$0
Total Revenues	\$1,247,083
Total Funds Available	\$1,247,083
<u>Expenditures</u>	
Planning/Engineering	\$0
Project Management	\$0
Capital Construction	\$0
Repairs and Replacements Contingency	\$50,000
Total Expenditures	\$50,000
<u>Ending Fund Balance</u>	\$1,197,083

1.0 Service Area Background

1.1 General Background

The proposed Los Amigos Water District (District) will provide water service to the following properties/entities: Elk Springs HOA, Pinyon Mesa, Auburn Ridge, Eagle Ridge, Elk Mesa, School District, and Elk Springs Commercial.

Table 1-1 Equivalent Unit (EU) Schedule

		EQR (%)	GAL/YR	GAL/YR (%)	EQUIVALENT UNIT (EU)	EQUIVALENT UNIT (EU) IN DISTRICT
ELK SPRINGS	249	55.85%	39,546,232	59.36%	249	249
PINYON MESA	80	17.95%	12,705,655	19.07%	80	80
AUBURN RIDGE	29.5	6.62%	3,277,011	4.92%	20.6	20.6
EAGLE RIDGE	29.5	6.62%	3,277,011	4.92%	20.6	20.6
ELK MESA	28	6.28%	3,569,563	5.36%	22.5	22.5
SCHOOL DISTRICT	26.8	6.01%	3,895,875	5.85%	24.5	0
ELK SPRINGS COMMERCIAL	3	0.67%	344,692	0.52	2.2	2.2
TOTAL	445.8	100.00%	66,616,038	100.00%	419.4	394.9

Equivalent Units(EU) are used to account for the differences between water contract for domestic and irrigation water for each user group. The RE-1 School District has decided to forgo joining the District at this time. All calculations related to capital reserve fees and system development fees do not included the RE-1 School District.

1.2 Proposed Monthly User Fees

To support the \$285,000 of projected water revenue within the proposed budget, the following rate schedule is recommended.

Table 1-2 Monthly User Fees

TIERS			PAYMENT	
BASE	0	10,000 GALLONS	\$50.00	
1	10,001	15,000	\$6.00	PER 1,000 GALLONS
2	15,001	25,000	\$7.50	PER 1,000 GALLONS
3	25,001	+	\$9.75	PER 1,000 GALLONS

To help define these rates, water usage data from Elk Springs, Pinyon Mesa, and Auburn Ridge were analyzed for 2024 and 2025. This data helped set the tier structure in terms of gallons used on a monthly basis, with over 80% of users in the base tier or tier 1. Fees increase in each tier, from 20%, 25%, and 30% for each additional 1,000 gallons of water usage. These proposed rates generated approximately \$295,000.

It should be noted that a significant portion of the projected revenue was generated in tier 3, and mostly in the summer months during peak irrigation season. This proposed rate structure is to help promote water conservation.

1.3 Capital Reserve Fee

The current water system is relatively young, in terms of age of the infrastructure. With a young system, there are no identified capital improvements projects, therefore to establish



a capital reserve amount needed, we “created” a capital reserve project based on the following assumptions.

Waterline Replacement Portion

- 5% of the total LF of waterline in the water system to be replaced
- 5% of the total number of valves in the water system to be replaced
- Waterline fittings assumed to be twice the number of valves to be replaced
- 5% of the total number of fire hydrants in the water system to be replaced
- Waterline tie ins/connections to existing water system
- Asphalt removal and replacement
- Restoration
- Erosion control

Water Tank Rehab Portion

- Tank rehabilitation (assumes some structural rehab and assumed sand blasting)
- Interior tank coating
- Exterior tank coating

Only one of the water tanks was included in this capital reserve project as the smaller 300,000-gallon water tank was recently relined, inside and out.

Additional construction costs were added including mobilization/demobilization, contractor overhead and profit, bonds, project management, general conditions, design engineering, construction engineering, and contingencies. With contingency of 20% removed, the final capital reserve amount needed is \$2,462,000. Attached spreadsheet shows additional breakdown.

Through preliminary work with the District steering committee, we assumed a starting capital reserve amount of \$1,400,000 coming from existing capital reserves attributed to Elk Springs, Pinyon Mesa, and Auburn Ridge. A target balance for the capital reserve was set at \$1,800,000. This results in a difference of \$662,000 that needs to be generated by a capital reserve fee applied equally to all properties within the District Boundaries.

Table 1-3 Capital Reserve Fees

ITEMS	AMOUNT
CAPITAL RESERVE INITIAL TARGET BALANCE	\$1,800,000.00
RESERVE AMOUNT START	\$1,400,000.00
CAPITAL RESERVE AMOUNT PROPOSED	\$2,462,000.00
CAPITAL RESERVE STILL NEEDED (DIFFERENCE)	\$662,000.00
TOTAL RESERVE CHARGE PER USER/EU	\$1,676.33
RESERVE CHARGE PER USER/EU/MONTH	\$139.69
RESERVE COST (SPREAD OVER 15 YEARS)	\$9.31

1.4 System Development Fees

Additional system development fees would apply to entities that are not currently connected to the water system and have not contributed towards the \$1,800,000 target balance for the capital reserves. Values were assigned based on water agreements. System development fees could be paid via one lump sum payment or over time.



Table 1-4 System Development Fees

	EU	AMOUNT
PINYON MESA	80.0	\$265,018.40
EAGLE RIDGE	20.6	\$88,546.54
Elk Mesa	22.5	\$0
ELK SPRINGS COMMERCIAL	2.2	\$0
INTEREST RATE		3.5%
TOTAL SYSTEM DEVELOPMENT FEE PER USER/EU		\$4,291.43
RESERVE COST (SPREAD OVER 15 YEARS)		\$30.68
TOTAL SYSTEM DEVELOPMENT FEE PER USER/EU (FOR PINYON MESA)		\$3,312.74
RESERVE COST (SPREAD OVER 15 YEARS) (FOR PINYON MESA)		\$23.68

1.5 Summary of Monthly Charges

For active users (assumes using 10,000 gallons or less per month), they'd pay the Base User Fee and Capital Reserve Fee/month/EU.

- Elk Springs: \$50/month/EU + \$9.31/month/EU = \$59.31
- Pinyon Mesa: \$50/month/EU + \$9.31/month/EU = \$59.31
- Auburn Ridge: \$50/month/EU (20.6) + \$9.31/month/EU = \$1,221.79/month

For inactive users with Elk Springs and Pinyon Mesa (assumes vacant lot without water use), they'd pay the Capital Reserve Fee. Base User Fee charges would be added once a dwelling unit is connected to the water system.

- Elk Springs: \$9.31/month/EU
- Pinyon Mesa: \$9.31/month/EU

For inactive users within areas not currently connected to the water system (Eagle Ridge, Elk Mesa, School District, and Elk Springs Commercial), they'd pay Capital Reserve Fee and the System Development Fee. Base Use Fee charges would be added once a dwelling unit is connected to the water system.

- Eagle Ridge: \$9.31/month/EU (20.6) + \$30.68/month/EU = \$823.79/month
- Elk Mesa: \$9.31/month/EU, Elk Mesa to pay system development fees in one lump sum payment
- Elk Springs Commercial: \$9.31/month/EU, Elk Springs Commercial to pay system development in one lump sum payment

The RE-1 School District will not be included in the District at this time. The School District parcel will be a "Future Inclusion Area" and will pay equivalent capital reserve and system development fees at the time of inclusion.

Pinyon Mesa is currently connected to the water system, however system development are still due from this development.

- Pinyon Mesa: \$9.31/month/EU (80.0) + \$23.68/month/EU = \$2,639.20/month

1.6 Recommended Fees/Monthly Charges

All recommended fees/monthly charges have been rounded up to the nearest nickel.

1.6.1 Recommended Monthly User Fees

Table 1-5 Monthly User Fees

TIERS			PAYMENT	
BASE	0	10,000 GALLONS	\$50.00	
1	10,001	15,000	\$6.00	PER 1,000 GALLONS
2	15,001	25,000	\$7.50	PER 1,000 GALLONS
3	25,001	+	\$9.75	PER 1,000 GALLONS

1.6.1 Recommended Capital Reserve Fee

Capital reserve fee would be charged to all EUs in the District, active or inactive, over a 15-year period.

$$\text{Capital Reserve Fee} = \$9.35/\text{month}/\text{EU}$$

1.6.2 Recommended System Development Fee

System development fees would be charged to select developments and their corresponding EUs. This fee would include an interest rate of 3.5% and would be collected over a 15-year period.

$$\text{Pinyon Mesa System Development Fee} = \$23.70/\text{month}/\text{EU}$$

$$\text{All other Parcels} = \$30.70/\text{month}/\text{EU}$$

ENGINEER'S OPINION OF PLANNING COST (EOPC)



PROJECT: Los Amigos Water District
DETAIL: Capital Replacement Reserve
SGM NO.:
DATE: 16-Apr-26
EOPC LEVEL: Planning Level
PREPARED BY: Brandyn Bair, PE
REVIEWED BY:

Line Item	UNIT	QUANTITY	UNIT COST	TOTAL COST
Water Line Replacement				\$ 1,618,027
Waterline (Size Varies)	LF	3255	\$ 275	\$ 895,143
Misc. Fittings	EA	13	\$ 3,500	\$ 45,850
Gate Valves	EA	7	\$ 7,500	\$ 49,125
Fire Hydrants	EA	5	\$ 10,000	\$ 50,500
Water Line Tie-Ins	EA	4	\$ 15,000	\$ 60,000
Asphalt Remove & Replace	SY	4,340	\$ 110	\$ 477,410
Restoration	SY	1,000	\$ 25	\$ 25,000
Erosion Control	LS	1	\$ 15,000	\$ 15,000
Tank Lining / Rehabilitation				\$ 245,200
Tank Rehabilitation (320,000 Gal Tank)	LS	1	\$ 66,300	\$ 66,300
Interior Tank Lining	LS	1	\$ 110,700	\$ 110,700
Exterior Tank Lining	LS	1	\$ 68,200	\$ 68,200
Tank Rehabilitation (300,000 Gal Tank)	LS	0	\$ 66,300	\$ -
Interior Tank Lining	LS	0	\$ 110,700	\$ -
Exterior Tank Lining	LS	0	\$ 68,200	\$ -
Well Rehabilitation				\$ -
Well Rehabilitation	LS	0	\$ 100,000	\$ -
SUBTOTAL OF IMPROVEMENT ITEMS:				\$ 1,864,000

OTHER CONSTRUCTION COSTS	UNIT	QUANTITY	UNIT COST	ESTIMATED COST
Mobilization/Demobilization	%	5%	\$ -	\$ 94,000
Contractor Overhead and Profit, Bonds, and PM/General Conditions	%	15%	\$ -	\$ 280,000
Materials Testing	%	0%	\$ -	\$ -
Design Engineering	%	5%	\$ -	\$ 112,000
Construction Engineering	%	5%	\$ -	\$ 112,000
Construction Surveying	%	0%	\$ -	\$ -
Contingencies	%	0%	\$ -	\$ -
SUBTOTAL OF OTHER CONSTRUCTION COSTS:				\$ 598,000

ENGINEER'S OPINION OF TOTAL CONSTRUCTION COSTS: \$ 2,462,000

NOTES:

- Unit prices used in developing this EOPC were based on past projects completed by SGM.
- Unit prices and total costs were based on Present Value dollars. Adjustments should be made for years beyond 2025
- This EOPC was prepared on the basis of SGM's experience and qualifications and represents SGM's judgment as a professional generally familiar with the industry. However, since SGM has no control over the cost of labor, materials, equipment, or services furnished by others, over contractor's methods of determining prices, or over competitive bidding or market conditions, SGM cannot and does not guarantee that proposals, bids, or actual construction cost will not vary from SGM's EOPC.
- Contingency has not been included. Unforeseen risks, changes, or unexpected conditions could result in higher costs.