

The monies being spent by the District fall into 3 categories: (1) golf course operations; (2) capital improvement on the golf course/open space; and (3) governmental spending on bond repayment and governmental administration.

1. Golf Course Operations – the spending here is dependent on the revenue generated by the course itself. The day-to-day operational cost of the golf course functions are paid for out of the day-to-day revenue generation from the course itself (think revenue generated from green fees, cart rentals, membership payments, range ball rentals, etc). The metro district is not supplementing golf course operational costs.

2. Capital Improvement Costs – approximately \$1.478 M from the bond proceeds was set aside to be spent on needed capital improvements relative to the long neglected asset. In the District's due diligence undertaken prior to purchase, it became known that capital improvements were needed. Therefore the district knew that it would need funding to pay not just the purchase price, but to have a capital reserve fund to be spent on needed capital improvements. The size of the bond was determined such that the district had \$1.478 M of capital reserve funding to draw on to pay for the needed improvements. It is my understanding that the improvements for which this money will be spent has been available on the UAHR.ORG website since December 2009. Although the wish list was greater, the capital improvements listed on the sources and uses information page were those improvements deemed most pressing and most needed on the front end. The district is getting comparison bids and pricing from contractors as these improvements are taking place. Although some in the community may have a different opinion about what improvements should be on the list or wonder about pricing being paid, the district board is acting in a reasonable, good faith and diligent manner in its spending of the limited amount available in the capital project fund. Every dollar in this fund is precious as it is a limited amount that needs to be stretched as much as possible to get as many improvements completed as possible.

3.A. District Debt Service Expenses: The District sold bonds in the amount of \$5,195,000 at a favorable cost of borrowing/interest rate of 4.3%. The bank that bought the bonds (i.e. lent the district the \$5.195M) is owed principal and interest payments from the District each year (debt service). Interest payment is due January, April, July and October every year, and the principal payment is due October every year. The District imposes 31 mills currently for debt service revenue to be able to make the required annual debt service payments on the bonds. In 2010, the debt service related payments amount to \$327K.

3.B. Governmental Administration Expenses: The metro district, like any other governmental entity, has governmental administrative expenses. The district has statutory and regulatory annual compliance matters that must be performed. Now that the District is the owner of a large asset and has outstanding bonds its administrative activity is understandably greater than in previous years. In the first full year of the District owning the golf course/open space there is a ramping up and getting off the ground effect that inherently generates more administration activity this year, but after the first one to two years, the administrative demands on the district should decrease (which also means the corresponding administrative expenses will go down as well). The district currently imposes 11.5 mills for district admin and operational needs. The 2010 budget for admin/operational expenses is \$129K and approximately half of this budgeted expense is in a contingency line item to build an operational reserve required by the bond agreement that the District maintain a "course shut down" fund in case the golf course operations need to be suspended or closed. Each fall the district will analyze the next year's operational and administrative needs and adopt a budget accordingly. The budget hearing is an open public hearing, and members of the general public may speak at the meeting. The district encourages you and all residents to attend the district's meetings.

You have indicated below that you have reviewed certain figures and performed a monthly average based thereon. The District adopts its budget for revenues and expenditures on an annual basis. Monthly averages are not a statistic that the District works with, the District views it annually and budgets annually.

The capital improvement expenditures is a known figure of \$1.478M and the line item expenditures for this amount will be spent throughout this year and into next year. During the public education phase that took place in the summer of 2009, the estimated size of the bond was around \$5.2M and the need to pay a purchase price and pay for needed capital improvements from the bond financing were openly discussed.

As for the district's governmental/admin expenses: taking out the "course shut down" fund reserve requirement, approximately \$56K is budgeted for 2010 in a year that, as explained above, is a year in which such expenses are expected to be higher as the first year demands on the district will be greater in 2010 than in any year previous. The higher level of admin expenses is not expected to be ongoing, and in future years the level of administrative demands should start to drop as the start up/ramp up phase ends. Again, annually these expenses will be analyzed and the annual budget for the next year will be discussed and adopted at a public meeting held in Nov/December each year.

Information about these expenditures is and has been available. The capital improvement expenditures have been available on the website for some time now and the administrative expenditures were openly discussed at the district's public 2010 budget meeting held in December 2009 and are in the 2010 adopted budget as well.