

STMD Homeowners,

After careful consideration, the South Timnath Metro District Board has made the decision to raise our O&M fees to \$375 per quarter for 2026. We would like to help the homeowners understand the reasoning behind this decision.

This board, made up of primarily district homeowners, has worked hard to keep the O&M fees stable during the most recent period of significant inflation. From 2021-2023 our fees were \$300 a quarter. For 2024 and 2025 our fees were \$315 a quarter. During this period, the Colorado consumer price index increased over 20%. We chose to reduce spending in this time period to keep our fees low.

There are a number of factors that lead us to believe that it is time to raise our fees modestly. The first is water rates. STMD pays commercial water rates to the Fort Collins Loveland Water District for the watering of our green space, trees and flower/vegetation beds. As you have likely noticed in your own water bills, FCLWD has increased water rates by 30% in 2025 and 10% in 2026. You can read more about these rate increases here: <https://fclwd.com/blog-understanding-2025-rates/> and here: <https://fclwd.com/2026-rate-adjustment>. Water is one of the largest expenditures for STMD - over 25% of our annual operations and maintenance budget. We must account for this increase as we seek to maintain the amenities of the landscape. We have made recent investments to improve sprinkler system efficiency. We are also choosing to invest in next year's budget for sprinkler controller upgrades to try to reduce our usage.

The other area of significant increase in our 2026 budget is the establishment of a reserve fund. Our district is now in the middle of its second decade. Our pool and clubhouse are over a decade old. The board believes now is the time to establish reserves in case of large maintenance expenses. In the past, the board has chosen to keep fees low because we felt we could reasonably afford any pending expenses. As we approach halfway through the useful life of items with large replacement costs, we believe we must start reserving dollars for any failures of those items. This includes items like pool liner and heater, community center HVAC and irrigation systems. We are starting with a reserve of \$50,000 and intend to increase this to \$250,000 over the next few years. Having this reserve fund should allow us to avoid significant budget impacts if large items need replacement.

Finally, we continue to work to improve and maintain our community while managing growing expenses. We continue to maintain our district owned fence, replace trees annually, and regularly bid out our contracts for pools and landscape maintenance. We will repaint the community center this year, will upgrade our security/fob system and will repair a number of amenities in the pool deck.

Going forward, the board re-evaluates our budget. We will only raise dues when we believe we must do so to cover required spending or build appropriate reserves. When we decide we must raise dues, our goal is to limit increases to the inflation rate, like we are doing this year. We welcome feedback from the homeowners and would be happy to meet if you have more detailed questions.

District #2

John Cloudman
Dino DiTullio
Ben Palmer
Luke Wagner
Tom Wood

District #1

Dino DiTullio
Mike DiTullio
Ron Mullenbach