

A History of the General Improvement District (GID) - by Dr. Tom Fry

The Grand Elk General Improvement District is a governmental entity that was originated November 6, 2001 at the behest of the original developer (Grand Elk LLC) and the Town of Granby. The original purpose of the GID bonds was for the infrastructure of the Grand Elk development. The Town of Granby demanded control of the GID before approval and therefore the Board of Trustees of the Town of Granby are the board members of the GID. At its inception, there was a mill levy of 35 mills for Bond repayment and 10 mills for the operations and maintenance fund. There were 2 original Bond issuances. The first issuance was in 2002 for \$2 million and the second was in 2003 for \$5,750,000. In 2007 there was a re-financing with the Radian Assurance Group with an amount of \$9,905,000 plus \$200,000 which was to be used as a supplemental reserve.

Due to the dramatic decrease in valuation of property, the original mill levy no longer was sufficient to pay for the Bond payments. Therefore, the Gallagherization clause (State law) was implemented which raised the mill levy from 35 mills to 40.995 mills. Unfortunately, this did not produce enough revenue for Bond repayment as property values continued to decrease. Therefore, a System Development Fee was implemented by the GID Board (composed of the town of Granby Board of Trustees). This was initiated in 2012 at \$66.75 and subsequently increased to the maximum allowable amount of \$1000 per single-family equivalent unit / lot. The initial net assessed valuation of property was approximately \$18,000,000 which has decreased to approximately \$6,325,000 which is why the mill levies no longer are adequate to pay for the Bond. The 10-mill levy is budgeted for the operations and maintenance fund only (snowplowing, limited road maintenance and infrastructure repair) and produces approximately \$63,000 per year.

There have been a couple of years in which the Bond payment was due before annual income was sufficient for the payment and the senior Bond escrow money had to be used to make the scheduled payment on time. Although all payments have been made on time and this escrow money has been paid back each year. However, it has resulted in a devaluation of the credit worthiness of the Bond. Currently, restricted reserves / escrows are approximately \$900,000. This money, with few exceptions, must be held in reserve until the final balloon payment which will be due in approximately 10 years. The HOA board continues to follow these issues closely. We have looked several times at possible refinancing to decrease the monthly / annual payments but as recently as 6 months ago we have again been told that we are not a good candidate for refinancing, interest rates would not improve sufficiently and we would not be able to get Bond insurance at a reasonable cost and there could not be any maximum to the System Development Fee or similar fees. Therefore, we are not currently in active negotiations to alter the current Bonds.

On the good side however, there was initially a \$30,000 buy in (which was mandatory but is no longer required) for the club and was supposed to be refunded (which it was not). Monthly dues were initially \$60 for the HOA and \$395 for the club. Current dues total \$250 per month. Taxes based on property valuation are in general currently less than or equal to 50% of what they were in 2008. The overall cost of ownership at Grand Elk has decreased by approximately half since 2008 despite the initiation of the GID system development fee.