

CITY OF LONE TREE, COLORADO

2007 BUDGET

Adopted December 5, 2006

Mayor

John R. O'Boyle

City Council

Patricia Braden

Jim Gunning

Sharon VanRamshorst

Elton Winters



City of Lone Tree

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Suite 100
Lone Tree, CO 80124
303.708.1818
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To the Citizens of Lone Tree and other interested parties,

Enclosed is the 2007 Budget with the included Summary of Significant Assumptions as the "Budget Message" for the City of Lone Tree. The Budget was adopted by the City Council by Resolution No. 06-26 on December 5, 2006.

The primary source of revenue for the City is sales and use tax. The City does not assess a mill levy for the collection of property taxes.

Along with projected 2007 revenue, the City enters 2007 with a fund balance adequate to continue reconstruction of streets and a number of capital outlay projects.

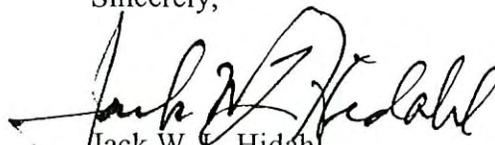
The Special Revenue Fund - RidgeGate properly segregates the revenue and expenditures related to RidgeGate annexed property from the City's General Fund, as required by agreement.

The Special Revenue Fund - Interchange accounts for the activity related to the construction of a certain interchange anticipated to commence in 2007.

I, Jack Hidahl, certify that the attached is a true and accurate copy of the adopted 2007 budget for the City of Lone Tree.

The Council and I welcome any questions or comments concerning the 2007 Budget and budget process.

Sincerely,


Jack W. L. Hidahl
City Treasurer

Accountant's Report

Honorable Mayor and Members of the City Council
City of Lone Tree
Douglas County, Colorado

We have compiled the accompanying forecasted budget of revenue, expenditures and fund balance of the City of Lone Tree for the General Fund, Special Revenue Fund - RidgeGate and Special Revenue Fund - Interchange for the year ending December 31, 2007, including the forecasted estimate of comparative information for the year ending December 31, 2006, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying budget of revenue, expenditures and fund balances or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. We have no responsibility to update this report for events or circumstances occurring after the date of this report.

The actual historical information for the year 2005 is presented for comparative purposes only. Such information is taken from the audit report of the City for the year ended December 31, 2005, as prepared by J.W. Simmons & Associates, P.C., dated June 9, 2006, wherein an unqualified opinion was expressed.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about the City's results of operations for the forecasted periods. Accordingly, this forecast is not designed for those who are not informed about such matters.

We are not independent with respect to the City of Lone Tree.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 5, 2006

**CITY OF LONE TREE
SUMMARY
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUALS AND 2006 ESTIMATED**

12/05/06

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	2005 ACTUAL	2006 ESTIMATED	2007 ADOPTED
BEGINNING FUND BALANCES	\$ 6,662,553	\$ 7,486,506	\$ 4,809,326
REVENUE			
TAXES	9,496,649	10,327,000	15,852,000
FRANCHISE FEES	484,378	760,000	699,000
INTERGOVERNMENTAL	1,374,658	5,382,315	19,379,000
LICENSES, FEES AND CHARGES	1,121,312	893,285	1,340,400
FINES AND FORFEITURES	186,839	537,000	634,000
OTHER	338,205	883,820	3,082,114
Total revenue	13,002,041	18,783,420	40,986,514
Total funds available	19,664,594	26,269,926	45,795,840
EXPENDITURES			
GENERAL GOVERNMENT	2,214,443	2,608,211	3,626,000
MUNICIPAL COURT	210,855	391,000	368,000
BUILDING DEPARTMENT	788,292	752,000	756,000
COMMUNITY DEVELOPMENT	403,305	474,200	600,750
PUBLIC SAFETY	2,769,575	3,933,200	4,633,900
PUBLIC WORKS	2,533,435	2,943,000	3,295,000
PARKS AND RECREATION	152,973	180,000	525,000
CAPITAL OUTLAY	3,053,895	9,997,169	26,847,358
OTHER	51,315	181,820	623,791
Total expenditures requiring appropriation	12,178,088	21,460,600	41,275,799
ENDING FUND BALANCES	\$ 7,486,506	\$ 4,809,326	\$ 4,520,041
FUNDS RESERVED FOR:	--		
Emergency reserves (TABOR)	358,000	376,000	586,000
Conservation Trust Funds	66,984	107,984	-
RidgeGate emergency maintenance reserve	500,000	500,000	500,000
Entertainment District emergency maintenance reserve	144,939	150,000	150,000
Long-term receivable	460,243	511,558	693,378
Park fees in lieu of land	184,275	209,775	66,450
Victims assistance surcharge fees	15,300	-	-
Certificates of participation proceeds	-	-	47,059
FUNDS DESIGNATED FOR:			
Working reserve	-	2,480,000	2,475,000
Subsequent year's expenditures in excess of revenue	2,822,372	289,285	-
Interchange project	51,315	181,820	-
Cooperative street improvements with County and PMMD	500,000	-	-
UNDESIGNATED AND UNRESERVED FUNDS	2,383,078	2,904	2,154
	\$ 7,486,506	\$ 4,809,326	\$ 4,520,041

CITY OF LONE TREE
GENERAL FUND
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUALS AND 2006 ESTIMATED

REVENUE DETAIL

12/5/2006

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	2005 ACTUAL	2006 ESTIMATED	2007 ADOPTED
BEGINNING FUND BALANCE	\$ 6,121,603	\$ 6,945,556	\$ 4,242,876
REVENUE			
TAXES			
Sales tax	8,122,056	8,447,000	13,538,000
Use tax-retail	62,638	80,000	100,000
Use tax - building materials	290,704	200,000	210,000
Lodging tax	264,480	285,000	288,000
Admissions tax	288,627	375,000	379,000
TOTAL TAXES	9,028,505	9,387,000	14,515,000
FRANCHISE FEES			
Electric and gas	390,952	525,000	551,000
Cable TV	92,821	110,000	111,000
TOTAL FRANCHISE FEES	483,773	635,000	662,000
INTERGOVERNMENTAL REVENUE			
Highway Users Tax (HUTF)	159,695	171,000	171,000
Conservation Trust Fund (Lottery)	33,316	41,000	42,000
Cigarette tax	145,652	145,000	145,000
County Road & Bridge shareback	607,688	709,000	729,000
Motor vehicle registration fees	25,590	25,000	26,000
Regional improvements contribuion - RRMDs	-	49,405	58,000
Reimbursable costs	360,832	4,210,000	878,000
Grants	21,500	6,910	5,000
TOTAL INTERGOVERNMENTAL REVENUE	1,354,273	5,357,315	2,054,000
LICENSES, FEES AND CHARGES			
Sales and use tax and business license fees	5,360	12,000	1,000
Liquor license fees	8,726	13,000	13,000
Building permit fees	412,434	325,000	225,000
Planning and zoning fees	51,148	65,000	45,000
Engineering fees	67,234	45,000	35,000
Other	80,496	3,000	3,000
TOTAL LICENSE, FEES AND CHARGES	625,398	463,000	322,000
FINES AND FORFEITURES			
Court fees	29,632	120,000	142,000
Vehicle and other code violation fines	129,329	365,000	431,000
Victims assistance surcharge	27,878	52,000	61,000
TOTAL FINES AND FORFEITURES	186,839	537,000	634,000
OTHER			
Investment income	152,142	200,000	175,000
Miscellaneous	100,452	75,000	50,000
Arts and cultural events	5,643	51,000	51,000
Police Department fees and other charges	-	30,000	35,000
Certificates of participation proceeds	-	-	1,524,000
Tenant leases	-	-	400,000
Transfer of excess revenue from Special Revenue Fund	51,315	181,820	607,114
OTHER	309,552	537,820	2,842,114
Total revenue	11,988,340	16,917,135	21,029,114
Total funds available	\$ 18,109,943	\$ 23,862,691	\$ 25,271,990

**CITY OF LONE TREE
GENERAL FUND
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUALS AND 2006 ESTIMATED**

EXPENDITURE DETAIL

12/5/2006

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2005 ACTUAL	2006 ESTIMATED	2007 ADOPTED
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EXPENDITURES

GENERAL GOVERNMENT

City Council expenditures	\$ 28,349	\$ 28,000	\$ 29,000
City Council stipend	39,403	45,500	46,000
City Clerk - elections	513	23,614	-
City Clerk - publications	10,519	7,000	8,000
Dues and memberships	46,897	98,000	113,000
City Administration	360,907	452,000	575,000
Legal - general	405,167	470,000	470,000
Legal - special	120,098	50,000	300,000
Accounting and financial services	221,327	240,000	245,000
Sales tax audits	-	50,000	50,000
Audit	7,500	9,000	9,000
Insurance	77,768	115,000	222,000
Consulting	17,473	25,000	25,000
Civic Center maintenance & utilities	32,337	35,000	36,000
Community support	70,747	62,000	100,000
Annual events	183,580	215,000	220,000
Arts and cultural events	139,612	162,000	217,000
Youth initiatives	18,000	18,000	18,000
Community education programs	-	-	30,000
Citizen survey	-	19,000	20,000
Housing Partnership	33,333	20,000	30,000
Communications & newsletter	19,724	38,000	40,000
Information Technology	-	30,000	116,000
Website maintenance	8,341	22,000	13,000
Tree City	10,356	11,097	20,000
Lone Tree City Office	158,331	140,000	285,000
Economic development	36,134	18,000	80,000
Payroll service	5,415	9,000	10,000
Miscellaneous	2,895	7,000	7,000
Contingency	-	-	-
TOTAL GENERAL GOVERNMENT	2,054,726	2,419,211	3,334,000

MUNICIPAL COURT

Municipal Judge	8,491	20,000	25,000
Legal	151,949	229,000	175,000
Administration	36,364	65,000	75,000
Office supplies and software	1,473	25,000	32,000
Victims assistance surcharge	12,578	52,000	61,000
TOTAL MUNICIPAL COURT	210,855	391,000	368,000

BUILDING DEPARTMENT

Building permit & inspection	310,948	250,000	200,000
Building Department management	37,967	20,000	16,000
Engineering	92,511	60,000	50,000
Miscellaneous	9,588	12,000	10,000
TOTAL BUILDING DEPARTMENT	451,014	342,000	276,000

**CITY OF LONE TREE
GENERAL FUND
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUALS AND 2006 ESTIMATED**

EXPENDITURE DETAIL - Continued

12/5/2006

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	2005 ACTUAL	2006 ESTIMATED	2007 ADOPTED
EXPENDITURES (Continued)			
COMMUNITY DEVELOPMENT			
Planning services	342,197	345,000	334,000
Field supplies	3,999	11,000	19,750
Planning Commission	1,231	1,200	3,000
Miscellaneous	3,983	12,000	19,500
TOTAL COMMUNITY DEVELOPMENT	351,410	369,200	376,250
PUBLIC SAFETY			
Payroll and benefits	1,832,423	2,470,000	3,250,000
Office and administration	105,210	208,100	304,700
Uniforms and equipment	36,630	142,900	66,500
Vehicles and equipment	169,588	569,300	269,200
General equipment	16,042	65,800	59,700
Dispatch	559,550	379,100	473,900
Training	33,365	58,000	88,100
Miscellaneous	16,767	40,000	71,800
Disasters	-	-	50,000
Allocation to Special Revenue Fund	(413,496)	(637,965)	(701,109)
TOTAL PUBLIC SAFETY	2,356,079	3,295,235	3,932,791
PUBLIC WORKS			
Public Works Department	227,260	250,000	280,000
Street lighting	101,166	162,000	175,000
Street maintenance	516,883	500,000	550,000
Street & sidewalk sweeping	23,715	20,000	25,000
Traffic signal energy cost and maintenance	127,668	150,000	200,000
Snow removal	390,123	550,000	650,000
Landscaping maintenance	106,785	110,000	115,000
Cooperative participation - landscaping PMMD/HHMD	155,596	155,000	160,000
Median landscape replacement	-	34,000	-
Trash and recycling service	327,638	370,000	375,000
Engineering	186,796	250,000	260,000
Geographic Information System (GIS)	123,200	150,000	155,000
Materials and equipment	586	10,000	10,000
EPA Phase 2 Drainage	64,712	70,000	75,000
State mandated noxious weeds control	23,153	15,000	25,000
Signage and striping	69,777	40,000	55,000
Public Works Facility operations and equipment	59,816	50,000	50,000
Software and support	24,283	22,000	22,000
Miscellaneous	4,278	2,000	3,000
TOTAL PUBLIC WORKS	2,533,435	2,910,000	3,185,000
PARKS AND RECREATION			
Payroll and benefits	-	-	25,000
Joint recreational projects with South Suburban	152,973	120,000	500,000
Recreational activities and support	-	60,000	-
TOTAL PARKS AND RECREATION	152,973	180,000	525,000

**CITY OF LONE TREE
GENERAL FUND
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUALS AND 2006 ESTIMATED**

EXPENDITURE DETAIL - Continued

12/5/2006

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2005 ACTUAL	2006 ESTIMATED	2007 ADOPTED
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EXPENDITURES (Continued)

CAPITAL OUTLAY

Special improvement projects	55,000	70,000	70,000
Public improvement purchases - deferred rebates	227,039	278,619	300,000
Xeriscaping grant program	-	-	40,000
Lincoln decel lane - West Parker Road	140,379	-	-
Reimbursement to RRMD for retaining wall/sidewalk	75,000	-	-
Lincoln traffic study and conceptual design	-	45,000	50,000
Median and right-of-way improvements	31,190	400,000	250,000
Overlay/reconstruction projects	246,914	300,000	300,000
Fountain/landscaping at Lone Tree Parkway/Yosemite	19,315	-	-
Traffic signalization	123,349	135,000	280,000
Traffic improvements - joint projects w/ County & PMMD	250,380	5,792,000	2,053,000
Traffic calming - Fairview	10,482	-	-
Fencing	1,159,188	1,430,000	-
Public Works maintenance facility	60,972	-	-
Water and wellheads	-	-	-
Civic Center design and reconstruction	240,679	-	-
City Office building - purchase and tenant finish	-	218,000	1,000,000
City Office building - capital leases	-	-	476,925
City Office building - letter of credit fees and remarketing fees	-	-	103,761
Pedestrian lights	68,610	349,000	-
Arts and Cultural facility design	4,938	20,490	40,000
Weather station	8,303	7,000	-
Police facility design	9,485	-	-
Reimbursement for Heritage Hills public improvement purchases	272,672	272,672	272,672
Local matching transportation contribution - TREX	50,000	50,000	-
EA Light rail	-	-	250,000
Website upgrade	-	40,000	-
Emergency plan update and equipment	-	50,000	-
UDFCD Willow Creek study	-	-	85,000
Maintenance Triangle restoration	-	25,388	-
Maintenance facility well	-	30,000	-
Willow Creek trail improvements	-	50,000	-
Lincoln Avenue improvements	-	-	1,000,000
Schweiger Ranch Preservation	-	-	75,000
Financial package software and hardware	-	150,000	100,000
Reimbursement of sales taxes to BID	-	-	2,369,000
Reimbursement of property taxes to PMMD	-	-	206,000

TOTAL CAPITAL OUTLAY 3,053,895 9,713,169 9,321,358

Total expenditures requiring appropriation 11,164,387 19,619,815 21,318,399

ENDING FUND BALANCE \$ 6,945,556 \$ 4,242,876 \$ 3,953,591

**CITY OF LONE TREE
SPECIAL REVENUE FUND - RIDGEGATE
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUALS AND 2006 ESTIMATED**

12/05/06

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	2005 ACTUAL	2006 ESTIMATED	2007 ADOPTED
BEGINNING FUND BALANCE	\$ 540,950	\$ 540,950	\$ 566,450
REVENUE			
Sales tax	180,183	630,000	661,000
Use tax-retail	69,066	60,000	25,000
Use tax - building materials	210,595	220,000	620,000
Admissions tax	8,300	30,000	31,000
Franchise fees	605	125,000	37,000
Highway Users Tax (HUTF)	20,385	25,000	25,000
Sales and use tax, business, and liquor license fees	110	110	200
Liquor license fees	1,175	1,175	1,200
Building permit fees	455,217	359,000	907,000
Planning and zoning fees	11,400	25,000	50,000
Engineering fees	28,012	45,000	60,000
Loan from General Fund for Interchange	-	51,315	181,820
Schweiger Ranch grants and contributions	-	-	300,000
Interchange reimbursement from RidgeGate	-	232,685	18,180
Interest income	23,451	32,000	35,000
Other	5,202	30,000	5,000
Total revenue	1,013,701	1,866,285	2,957,400
Total funds available	1,554,651	2,407,235	3,523,850
EXPENDITURES			
City Administration	26,349	35,000	50,000
Legal	22,782	20,000	45,000
Accounting and financial services	26,963	30,000	40,000
Administration and overhead costs	67,975	70,000	80,000
Insurance	13,648	22,000	40,000
Audit	2,000	2,000	2,000
Sales tax audits	-	10,000	25,000
Building Department management	49,113	30,000	40,000
Engineering	86,180	120,000	140,000
Planning services	51,895	105,000	224,500
Building permit and inspection	201,985	260,000	300,000
Consulting	-	-	10,000
Public safety	413,496	637,965	701,109
RidgeGate Interchange design	-	284,000	200,000
Transfer of excess revenue to General Fund	51,315	181,820	607,114
Street lighting	-	33,000	35,000
Street maintenance	-	-	75,000
Schweiger Ranch Preservation	-	-	326,000
Miscellaneous	-	-	5,000
Contingency	-	-	11,677
Total expenditures	1,013,701	1,840,785	2,957,400
ENDING FUND BALANCE	\$ 540,950	\$ 566,450	\$ 566,450
Emergency Maintenance and Repair Reserve	\$ 500,000	\$ 500,000	\$ 500,000

CITY OF LONE TREE
 SPECIAL REVENUE FUND - INTERCHANGE
 FORECASTED 2007 BUDGET AS ADOPTED
 WITH 2005 ACTUALS AND 2006 ESTIMATED

12/05/06

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	2005 ACTUAL	2006 ESTIMATED	2007 ADOPTED
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUE			
Intergovernmental revenue - CDOT	-	-	7,000,000
Intergovernmental revenue - RRMD No. 1	-	-	10,000,000
Total revenue	-	-	17,000,000
OTHER	-	-	17,000,000
EXPENDITURES			
Interchange construction	-	-	17,000,000
Total expenditures	-	-	17,000,000
ENDING FUND BALANCE	\$ -	\$ -	\$ -

CITY OF LONE TREE

2007 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The City of Lone Tree (the City) was authorized to become incorporated by a majority of the qualified voters at a general election held on November 7, 1995. On May 5, 1998, a majority of the qualified voters adopted a Home Rule Charter thereby granting the City all powers accorded to cities by the laws of the State of Colorado. The City provides services for general government, planning and building regulation, public safety, public works, and municipal court.

During 2000, the voters approved the annexation of a significant parcel of land for future development - RidgeGate, formerly known as Rampart Range. The annexation agreement requires separate accounting for revenue and expenditures related to the RidgeGate development in a separate Special Revenue Fund.

The City anticipates finalizing intergovernmental agreements with the Colorado Department of Transportation (CDOT) and Rampart Range Metropolitan District No. 1 (RRMD No. 1) in early 2007 for the financing and construction of an interchange. The City will oversee the construction of the interchange and will receive funds from both CDOT and RRMD No. 1 to finance the project. Activities related to the interchange project are accounted for separately in a separate Special Revenue Fund.

The City prepares its budget on the modified accrual basis of accounting. The City's budget does not include any component units, such as the Business Improvement District. A separate budget has been prepared for any such units.

Except for its Police Department and City Administration, the City has contracted out all services, functions, and activities that would normally be provided by city employees. City Council has determined it to be economically prudent to outsource these services rather than incur the payroll, benefit costs and related liabilities associated with maintaining permanent city employees.

The budget is in accordance with the TABOR Amendment limitations that were modified by the citizens in an election held in November 1999. Emergency reserves, required under TABOR, have been provided for.

CITY OF LONE TREE

2007 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenue

Taxes

Sales and use tax is the primary source of revenue for the City. The City assesses a 1.5% sales or use tax on all taxable retail transactions and a 1.5% use tax on building materials. The City has estimated 2007 sales and use tax revenue using historical trends and economic conditions, an estimation of additional sales tax generated from the annexation of Park Meadows Mall commencing January 1, 2007, and an estimation for expected vendors based on new commercial permits.

In November 1998, the City's electorate approved a lodging and accommodations tax and an admissions and event tax. In February 2001, the City initiated a 6.0% lodging and accommodations tax to be charged on the renting and leasing of lodging accommodations for a period of sixty consecutive days or less. In November 2001, the City initiated a 4.0% admissions and event tax to be charged on each taxable transaction, as defined by City Ordinance.

Franchise Fees

Franchise fees are generated from a negotiated franchise license with Xcel Energy for gas and electric service in the City. This fee is based on 3.0% of gross revenue collected from customers in the City. Fees are estimated based on historical trends and new building permits issued in the prior year. Additionally, a franchise fee of 1.5% for cable service provided to City residents, not including residents within the RidgeGate development, and currently collected by Comcast, was initiated effective April 2001. A franchise fee of 5.0% for cable service provided to City residents within the RidgeGate development boundaries, and currently collected by Qwest, was initiated effective May 2005.

Intergovernmental Revenue

The City receives shared revenue from the State and County from several sources. In general, the State shared revenue is distributed based on the State's fiscal year which begins July 1st. A significant portion of the projected intergovernmental revenue for 2007 relates to funds the City anticipates receiving from CDOT and RRMD No. 1 for the construction of an interchange as well as funds anticipated to be received from Park Meadows Metropolitan District and Douglas County related to joint cooperative street improvement projects. Additional intergovernmental revenue sources are detailed on page 4 of the Budget.

CITY OF LONE TREE

2007 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenue - Continued

Licenses, Fees and Charges

Building permit and inspection fees for new construction, remodeling, and improvements of commercial and residential units are expected to decline from the unusually high level of activity of prior years, except for RidgeGate. The same holds true for planning and zoning fees for existing City parcels and for annexations, except for RidgeGate. The planning and zoning fees includes a base fee, except for annexation, and a consultation fee, which will vary depending on the complexity and size of the project.

Fines and Forfeitures

Fines and forfeiture revenue are anticipated to be collected in 2007 based on the City's creation of a municipal court in 2002 and enforcement of the Municipal Code. Projected fines and forfeiture revenue is expected to increase in 2007 from previous years due to the annexation of Park Meadows Mall.

Other

The City anticipates collecting various other miscellaneous revenue in 2007 including interest income, fees collected from Arts and Cultural events, proceeds from the issuance of certificates of participation by the Lone Tree Building Authority, as well as tenant rental income received by parties leasing space in the City's hall.

Expenditures

General Government

Estimated expenditures for City Council include stipends for the Council, travel, seminars and training, and other related expenditures. City Clerk expenditures include cost of public elections and publication costs for legal publications including ordinances and hearings. Services contracted out include legal, accounting, and economic development. Estimates for these have been based on prior year's costs and adjusted for expected activity in 2007.

Community Support includes contributions to various local groups and other community related events. Annual events sponsor summer concerts, the 4th of July celebration,

CITY OF LONE TREE

2007 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Expenditures – Continued

holiday lighting and City festivities. The Arts Commission sponsors events that include the City's Arts Exhibition, Colorado Stage and the Lone Tree Symphony Orchestra.

Municipal Court

Municipal court expenditures are based on the City's creation of a municipal court in 2002. Estimated costs have been projected based on activity levels from the previous years as well as additional expenditures projected to be incurred as a result of the annexation of the Park Meadows Mall.

Building Department

Building permit, inspection fees and engineering fees are expected to decline in 2007, not including RidgeGate, as the City approaches build-out.

Community Development

Community Development includes planning services, costs incurred related to the City's Planning Commission, as well as other miscellaneous costs. Planning services, not including RidgeGate, are anticipated to decline in 2007 as the City approaches build-out.

Public Safety

The 2007 public safety budget includes payroll and related benefit expenditures for thirty-nine (39) sworn officers and four (4) civilian employees. The City has contracted with the Town of Parker to provide dispatch services to the City during 2007. Public safety costs are projected to increase in 2007 as a result of the annexation of the Park Meadows Mall.

Public Works

The City provides street lighting, street maintenance, snow removal, solid waste pickup for all single-family residents, and certain landscaping within the boundaries of the City.

The City has entered into agreements with Park Meadows Metropolitan District and Heritage Hills Metropolitan District to share in the maintenance costs of certain landscaping improvements that benefit the City.

CITY OF LONE TREE

2007 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Expenditures - Continued

Parks and Recreation

South Suburban Parks and Recreation District (SSPRD) provides the parks and recreational services for City residents. In order to enhance these services, the City has budgeted in 2007 for a cooperative participation program with SSPRD for park and trail improvements as well as other recreational programs. Additionally, the City anticipates hiring additional administrative support in 2007 for the purpose of assisting in facilitating the City's cooperative participation program with SSPRD.

Capital Outlay

To the extent funds are available and the need is established, the 2007 budget provides for capital outlay costs including street reconstruction, traffic signalization, median and right-of way improvements, landscaping improvements and joint traffic improvements with Douglas County and Park Meadows Metropolitan District. Special improvement projects is a multi-purpose grant program designed to improve the aesthetics and appearance of non-City owned property for the overall betterment of the City. Public improvement purchases and Heritage Hills improvement purchases relate to the acquisition of infrastructure through developer rebate programs. City office building includes the renovation and tenant finish of a newly leased City office building as well as the estimated lease payments and certain associated costs related to the certificates of participation anticipated to be issued by the Lone Tree Building Authority in January 2007. Reimbursement of sales taxes to BID includes the portion of sales taxes to be reimbursed to the Business Improvement District associated with the annexation of Park Meadows Mall. The capital outlay projects are detailed on page 7.

Reserve Funds

The City has provided for an emergency reserve equal to at least 3% of the fiscal year spending for 2007, defined under TABOR. Additionally, the City has provided for an emergency maintenance and repair reserve in 2007 as defined per the RidgeGate Annexation and Development Agreement and sales tax share-back agreements with several developers.

CITY OF LONE TREE

2007 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases

The City has no outstanding long-term debt.

The City leases office facilities under an operating lease for the term commencing August 1, 2003 and continuing through April 30, 2007. The monthly payment paid under the lease totals \$7,668.

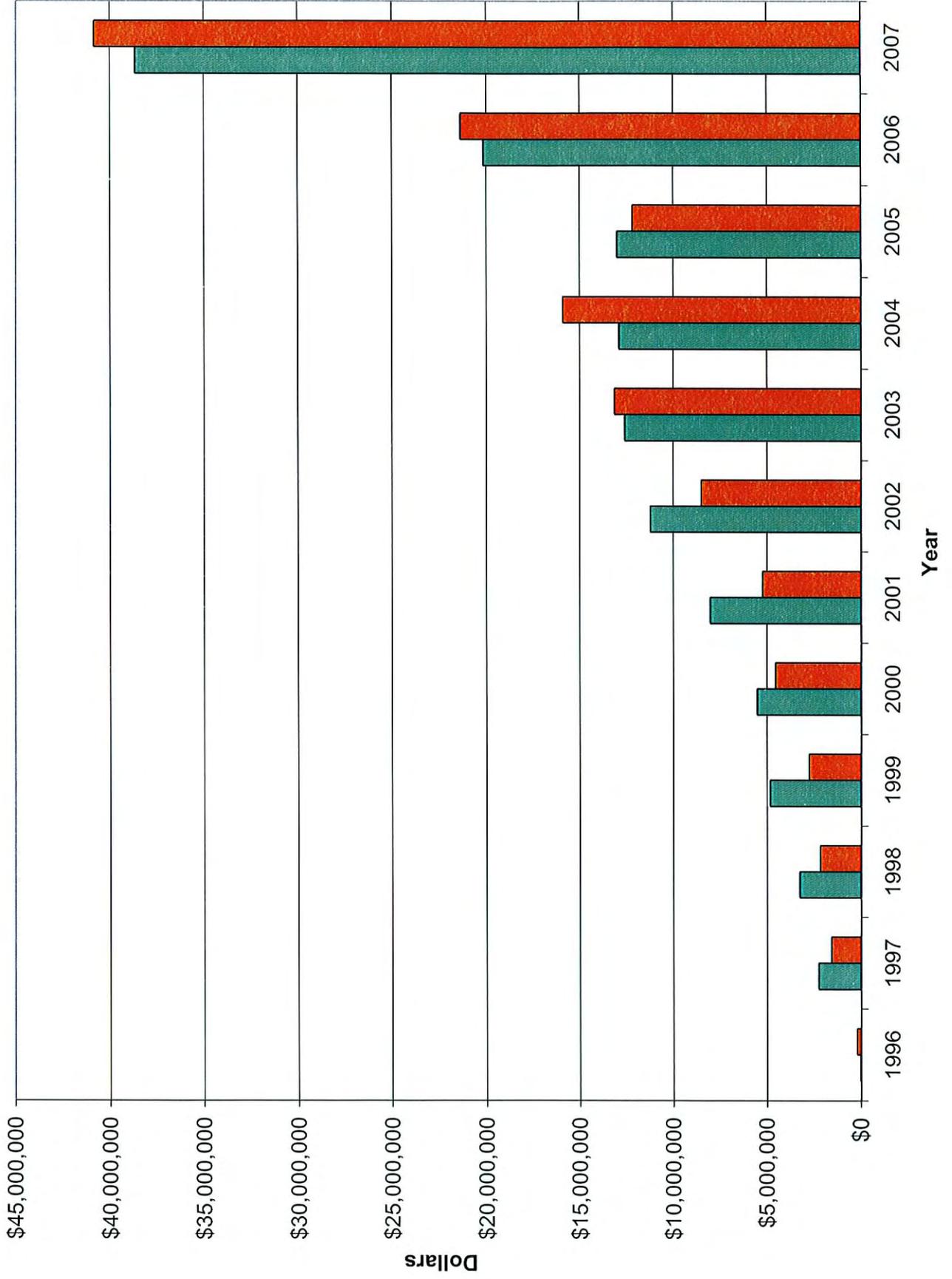
The City leases its PD facilities under an operating lease for the term commencing August 1, 2004 and continuing through April 30, 2007. The monthly payment paid under the lease totals \$4,482.

The City's PD leases two motorcycle vehicles under operating leases for the term commencing November 1, 2005 and continuing through October 31, 2007.

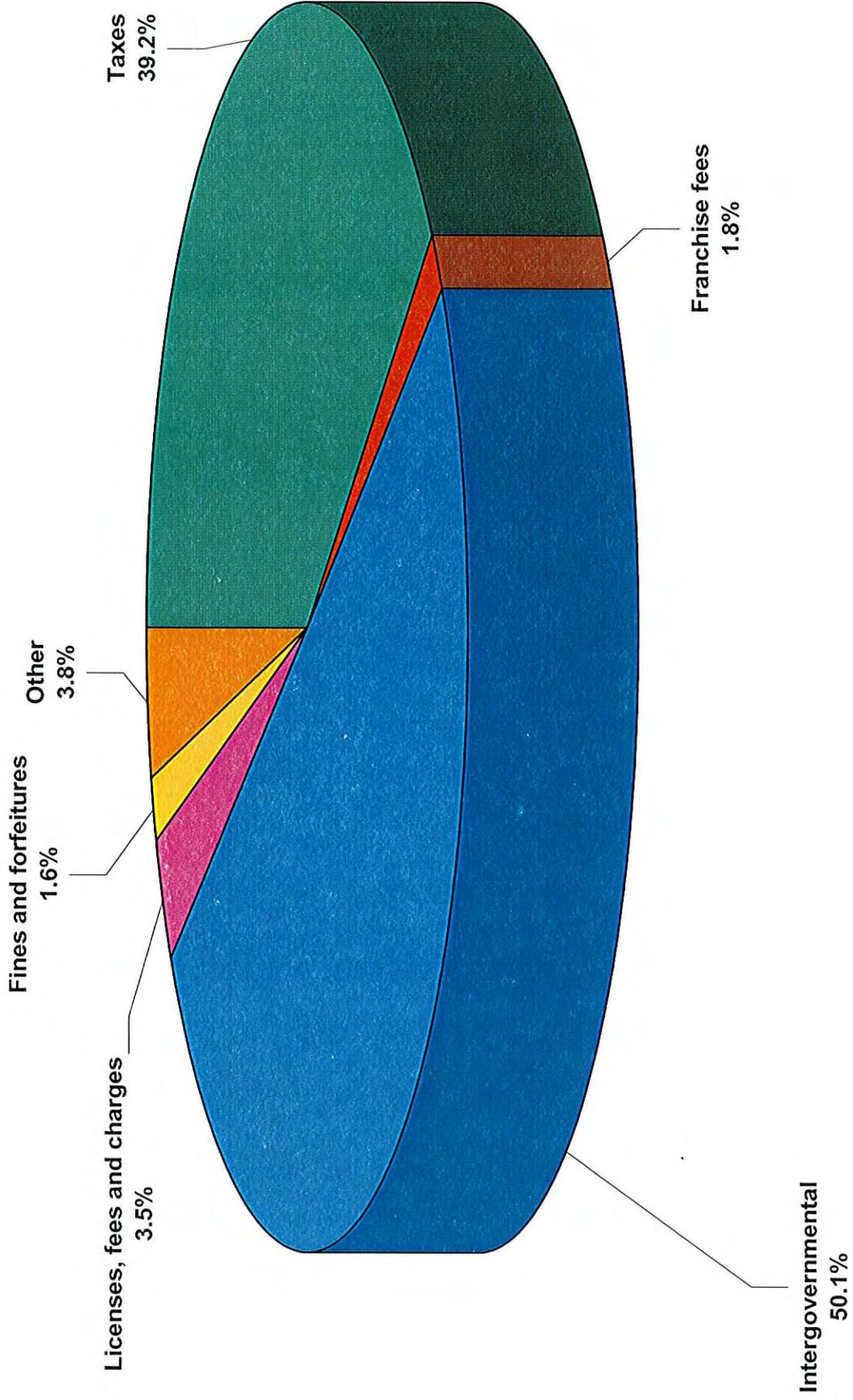
It is anticipated that the City will enter into a Lease Purchase Agreement with the Lone Tree Building Authority in early January 2007 in which the City will lease a certain building purchased by the Lone Tree Building Authority to be used as a City hall. The Lone Tree Building Authority will issue certificates of participation for the purchase of the City hall. The City will be responsible for the scheduled lease payments due under the certificates of participation.

This information is an integral part of the accompanying forecasted budget.

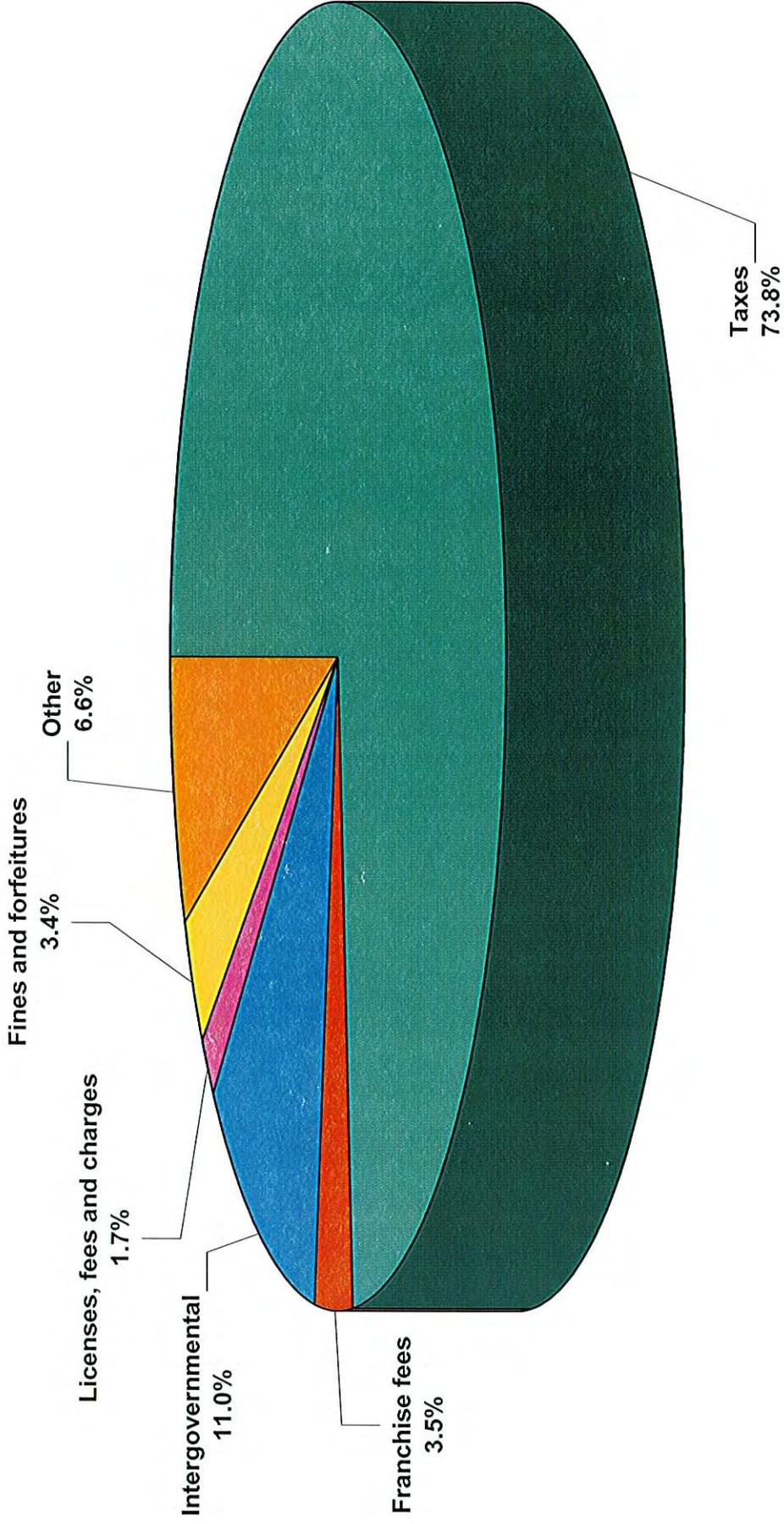
Comparison of Revenue and Expenditures
1996 - 2005 Actual, 2006 Estimated and 2007 Projected



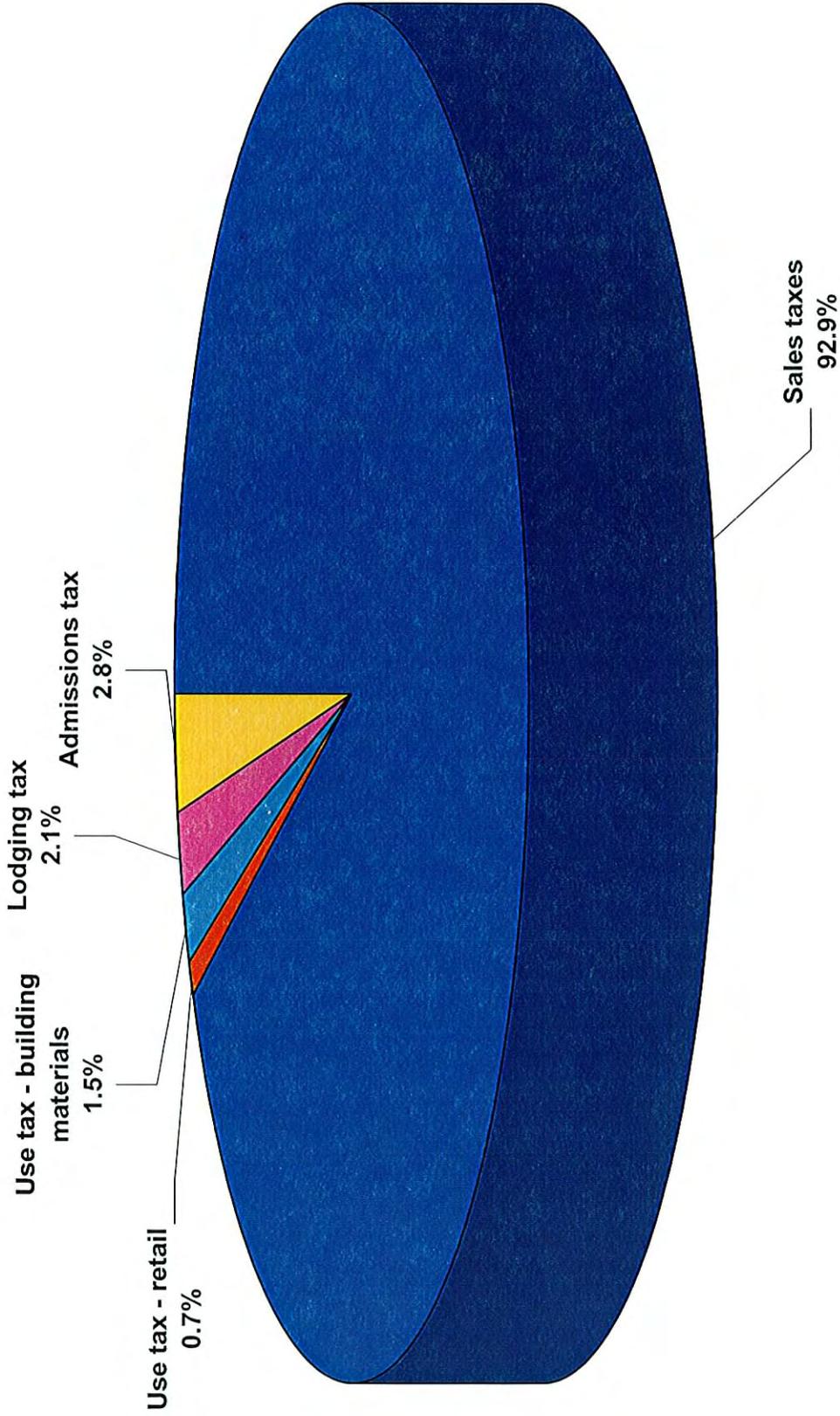
2007 Projected Revenue (All Funds)



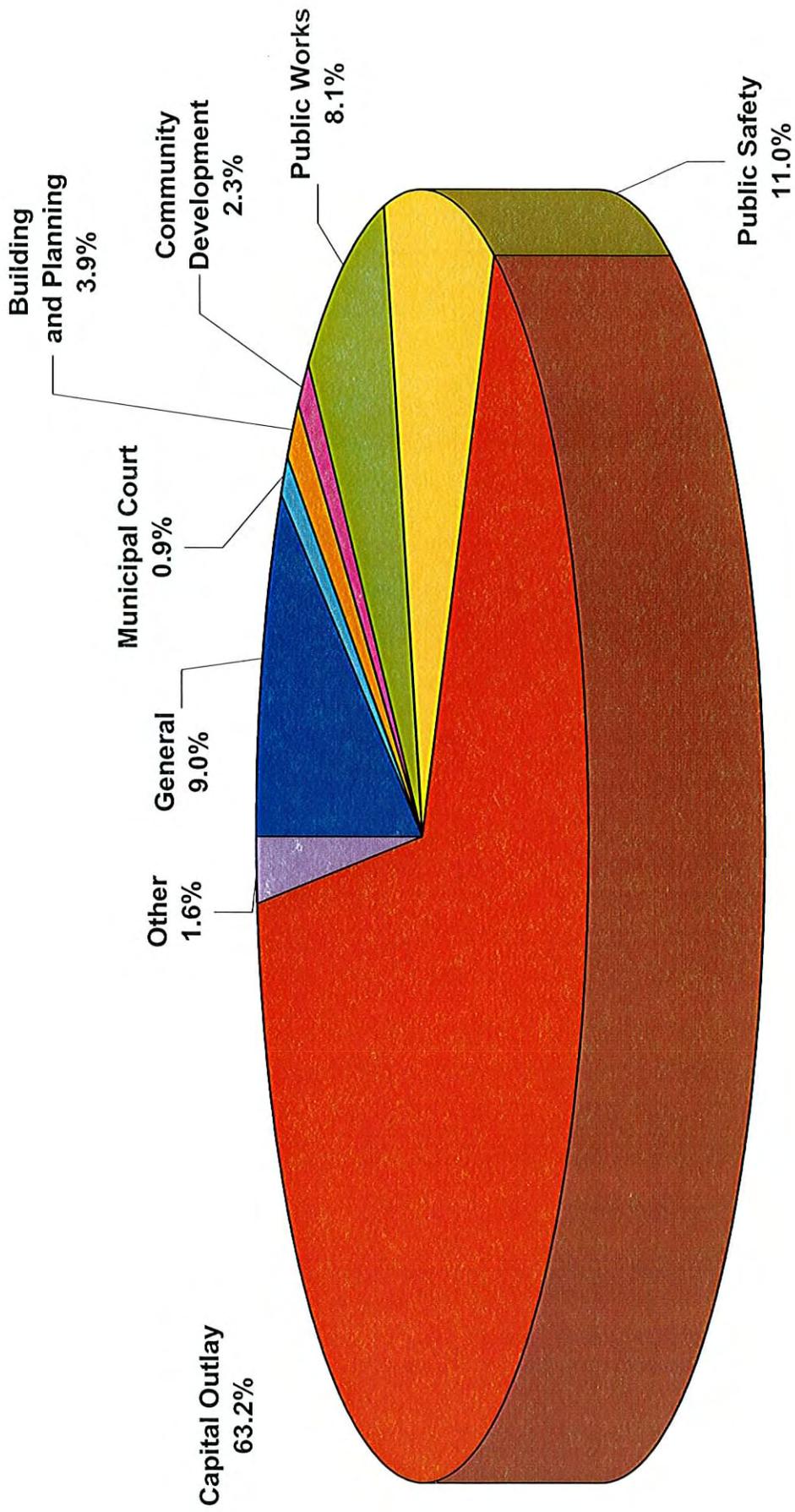
2007 Projected Total Revenue (General Fund Only)



2007 Projected Total Tax Revenue (General Fund Only)



2007 Projected Expenditures (All Funds)



2007 Projected Expenditures (General Fund Only)

