

ERIE COMMONS METROPOLITAN DISTRICT NO. 1

2020 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Erie Commons Metropolitan District No. 1 (the "District"), was formed to manage the construction and operation of facilities and improvements for the property known as "Erie Commons," which is located in Erie, Colorado. Such improvements include, but are not limited to, sanitation, water, wastewater, streets, traffic and safety controls, and parks and recreation improvements.

The Service Plan, as amended, provides the ability for the District to impose a maximum mill levy for its debt service requirements as well as a maximum aggregate mill levy for combined debt service and operational and maintenance requirements of the District. The Service Plan also provides a combined new money revenue and general obligation debt limit of \$50,000,000 for Erie Commons District Nos. 1, 2 and 3, exclusive of surety requirements, but inclusive of organizational costs, financing costs and costs of construction and operation of public infrastructure.

In 2009, the District issued Limited Property Tax Supported Revenue Refunding Bonds in the aggregate principal amount of \$8,500,000. In connection with the issuance of the Series 2009 Bonds, District No. 2 pledged certain revenues to District No. 1 for the required debt service on the Bonds.

In 2010, the District authorized the issuance and sale of Subordinate Bond Anticipation Notes ("Notes") in an aggregate principal amount not to exceed \$15,275,000 to Community Development Group of Erie, Inc., the Developer of Erie Commons. The Series 2010 Notes are to be paid from the proceeds of subsequent debt issuance(s), or from any revenues made available to the District by District No. 2.

In 2018, the District approved the 2019 Shea Homes Subordinate Annual Appropriated Reimbursement Note in the amount of \$1,424,195.14. This debt is subordinate to the Series 2009 Bonds.

On December 12, 2019, District No. 2 issued General Obligation Limited Tax Bonds in the amount of \$32,650,000 for purposes of (i) paying and discharging the Series 2009 Bonds, (ii) paying and discharging the 2019 Shea Note and (iii) paying a portion of the Series 2010 Bond Anticipation Notes.

The District prepares its budget on the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

Revenue

Ad Valorem Property Taxes

The primary source of revenue for the District is property taxes. Property taxes are assessed and collected based upon the assessed value of all of the non-exempt property located within the District. The District adopts mill levies for debt service and for operations which, when combined with the District's other sources of revenue, provide sufficient resources to pay the required debt service (if any), capital purchases and the estimated costs of operations for the calendar year.

Pursuant to the Service Plan and the Gallagher Amendment, the maximum mill levy limit increased to 55.663 mills. The District adopted a mill levy of 55.663 mills for general fund expenditures in 2020.

Specific Ownership Tax

Specific ownership tax revenue is collected on annual motor vehicle registrations within Weld County and is distributed based upon the proportion of property taxes levied within the County during the preceding

calendar year. The specific ownership tax revenue is estimated to be 6.75% of the ad valorem property taxes collected in 2020.

Expenditures

Administrative

Administrative expenditures have been estimated based upon the level of expenditures incurred by the District in prior years.

Debt Service

The District does not anticipate that funds will be available in 2020 to make interest or principal payments toward the Series 2010 BAN.

Reserve Funds

The District has provided for an emergency reserve equal to \$91,494 for 2020 which is intended for use on any unanticipated expenditures in 2020. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.