

ERIE COMMONS METROPOLITAN DISTRICT NO. 2

2020 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Erie Commons Metropolitan District No. 2 (the "District"), was formed to provide the funding and tax base needed to support the financing of the operations and capital 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, District No. 1 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, the District pledged certain revenues to District No. 1 for the required debt service on the Bonds.

On December 12, 2019, the District issued the (i) Series 2019A Senior General Obligation Limited Tax Bonds in the aggregate principal amount of \$20,250,000 (the "2019A Senior Bonds"); and (ii) Series 2019B Subordinate General Obligation Limited Tax Bonds in the aggregate principal amount of \$12,400,000 (the "2019B Subordinate Bonds") for the purposes of (i) paying and discharging the outstanding Series 2009 Bonds; and (ii) paying costs of issuance and other costs in connection with the Bonds.

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 in 2019. The District adopted a mill levy of 52.000 mills for debt service and 3.663 mills for operating expenses in 2020.

The total taxable assessed valuation within the District in 2019 was \$28,941,070, an increase of \$3,975,990 from the 2018 valuation.

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 2020 budget anticipates that the District will fund its debt service obligations for the 2019A Senior Bonds in the amount of \$215,000 in principal and \$722,665 in interest.

Reserve Funds

The District has provided for an emergency reserve equal to \$139,532, 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.