

## **SWEETGRASS METROPOLITAN DISTRICT NO. 2**

### **2022 BUDGET**

#### **SUMMARY OF SIGNIFICANT ASSUMPTIONS**

##### **Services Provided**

In accordance with its Service Plan, Sweetgrass Metropolitan District No. 2 (the "District"), was formed to provide funding to Sweetgrass Metropolitan District No. 1 for the construction, operation and maintenance of public improvements within the property known as "Sweetgrass," which is located in Dacono, Colorado. Such public improvements include, but are not limited to, storm drainage, water, sewer, utilities, streets, traffic and safety controls, and parks and recreation improvements.

The Service Plan, as amended and restated in 2021, provides the ability for the District to impose a maximum mill levy for the combined debt service and operational and maintenance requirements of the District. The Service Plan also provides limits on the issuance of general obligation debts for District Nos. 1 and 3 of \$47,000,000 and District No. 2 of \$11,500,000.

In 2018, the District entered into a Loan Agreement with ZB, N.A. d/b/a Vectra Bank Colorado, to obtain a \$10,000,000 Series 2018A Limited Tax General Obligation Note ("2018A Note") for the purpose of refunding certain amounts due under prior debt issuances by the District. The Loan is payable solely from ad valorem property tax revenues and specific ownership tax revenues collected by the District.

The District entered into second Loan Agreement in 2018 with ZB, N.A. d/b/a Vectra Bank Colorado, to obtain a not to exceed \$10,000,000 Series 2018B Limited Tax General Obligation Note ("2018B Note") for the purpose of funding future public improvements and refunding certain amounts due under prior debt issuances by the District. The Loan is payable solely from ad valorem property tax revenues and specific ownership tax revenues collected by the District. As of January 1, 2022, no amounts have been borrowed on the 2018B Note.

Also in 2018, the District issued the Series 2018C Subordinate Limited Tax General Obligation Bond ("2018C Bond") to Dacono Development Company, Inc. (the "Developer") in a principal amount not to exceed \$11,000,000. The 2018C Bond is intended to memorialize the agreement of the Districts to repay any current and future Developer advances used for funding public capital improvements.

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 is 53.663 mills in 2022. The District adopted its mill levy of 44.530 mills for debt service and 11.133 mills for operating expenses in 2022 before the Service Plan approval. The District determined, after certification of the mill levy, that the certified mill levy should be reduced by 2.000 mills. To implement this, the District will be refunding each homeowner the equivalent of 2.000 mills of ad valorem property taxes, totaling \$23,455.

The total taxable assessed valuation within the District in 2021 was \$11,727,250, an increase of \$438,760 from the 2020 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 6.00% of the ad valorem property taxes collected in 2022.

## **Expenditures**

### **Administrative**

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

### **Debt Service**

The District anticipates issuing Series 2022A Senior Bonds and 2022B Subordinate Bonds in 2022. Proceeds from the issuance of these Bonds will go to repay the Series 2018A Note in full and a portion of the 2018C Bonds. 2022 debt service costs for the Series 2022A and 2022B Bonds are anticipated to be paid from reserves established from proceeds.

## **Reserve Funds**

The District has provided for an emergency reserve equal to \$138,860, which is intended for use on any unanticipated expenditures in 2022. Such emergency reserve is an integral part of the Ending Fund Balance.

## **Leases**

The District has no operating or capital leases.