

SWEETGRASS METROPOLITAN DISTRICT NO. 2

2019 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 modified in 2009, 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 the District of \$31,295,000.

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.

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.

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.

Commencing on January 1, 2018, the residential assessment ratio was reduced from 7.96% to 7.20%. Pursuant to the Service Plan and the Gallagher Amendment, the maximum mill levy limit was automatically adjusted by the same ratio, to a maximum of 55.275 mills. The District adopted a mill levy of 40.000 mills for debt service and 15.275 mills for operating expenses in 2019.

The total taxable assessed valuation within the District in 2018 was \$9,441,360, an increase of \$391,371 from the 2017 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 5% of the ad valorem property taxes collected in 2019.

Expenditures

Administrative

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

Debt Service

The District will fund its 2019 debt service obligations under the Series 2018A Note, which includes the payment of \$60,000 in principal and \$326,140 in interest. The District intends to pay \$35,000 in interest on the 2018B Note as well as debt service payments of \$537,715 in interest and \$1,750,000 in principal toward the Series 2018C Bond.

Reserve Funds

The District has provided for an emergency reserve equal to \$53,371, which is intended for use on any unanticipated expenditures in 2019. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.