

SWEETGRASS METROPOLITAN DISTRICT NO. 2

2020 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 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

2018B Note Funding

The District expects to receive funding of approximately \$2,000,000 under the 2018B Note in 2020, which will be used for refunding certain amounts due under the 2018C Bond.

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 44.530 mills for debt service and 11.133 mills for operating expenses in 2020.

The total taxable assessed valuation within the District in 2019 was \$10,636,740, an increase of \$1,195,380 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 District will fund its 2020 debt service obligations under the Series 2018A Note, which includes the payment of \$140,000 in principal and \$329,580 in interest. The District also expects to pay approximately \$7,807 in interest under the Series 2018B Note. Additionally, the District intends to make payments under the Series 2018C Bonds of \$1,420,602 in principal and \$579,398 in interest.

Reserve Funds

The District has provided for an emergency reserve equal to \$132,786, 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.