

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

2018 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Wyndham Hill Metropolitan District No. 2 (the "District"), was formed to provide funding and tax base to Wyndham Hill Metropolitan District No. 1 for the cost of public improvements necessary to provide access to and appropriate services within the property known as "Wyndham Hill," which is located in Frederick, Colorado. Such public improvements include, but are not limited to, storm drainage, water, utilities, streets, traffic and safety and parks and recreation improvements.

The Service Plan, as amended in 2005, 2006 and 2008, provides the ability for the District to impose a maximum mill levy for the combined debt service and operational and maintenance requirements of the Wyndham Hill Metropolitan District Nos. 1, 2 and 3. The Second Amendment to the Service Plan established a combined new money revenue and general obligation debt limit of \$36,000,000 for the Districts. The Third Amendment to the Service Plan established a separate and specific revenue debt limit of \$30,000,000 to accommodate the issuance of revenue based indebtedness for the portion of public infrastructure construction costs attributable to the commercial development area of District No. 3.

In 2015, the District issued the Subordinate General Obligation Limited Tax Notes, Series 2015 ("2015 Notes") in an aggregate principal amount of \$8,230,000 to Frederick Development Company. The 2015 Notes are payable from a limited debt service mill levy.

In 2016, the District entered into a Loan Agreement with ZB, N.A. d/b/a Vectra Bank Colorado, to obtain a not to exceed \$10,000,000 2016A Limited Tax General Obligation Loan ("2016A Loan"). Also in 2016, the District entered into a second Loan Agreement with ZB, N.A. d/b/a Vectra Bank Colorado, to obtain a not to exceed \$4,000,000 2016B Limited Tax General Obligation Loan ("2016B Loan"). Both the 2016A Loan and the 2016B Loan are for the purpose of refunding certain amounts due under prior debt issuances by District No. 1 and the District. The 2016 Loans are payable solely from ad valorem property tax revenues and specific ownership tax revenues collected by the District.

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 mill levy cap was automatically adjusted by the same ratio, to a maximum of 55.275 mills. The District adopted a mill levy of 44.220 mills for debt service and 11.055 mills for operating expenses in 2018.

The total taxable assessed valuation within the District in 2017 was \$17,420,320, a decrease of \$750,070 from the 2016 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 2018.

Expenditures

Transfers to Wyndham Hill Metropolitan District No. 1

The District projects that it will transfer approximately \$126,902 in revenue derived from ad valorem property taxes and specific ownership taxes to District No. 1 in 2018 to fund operating expenses and the debt service obligations of the Districts.

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 2018 debt service obligations under the 2016A Loan, which includes the payment of \$274,489 in principal, \$382,429 in interest and \$13,468 in fees.

The District also plans to repay a portion of the accrued interest balance on the 2015 Notes in 2018.

Reserve Funds

The District has provided for an emergency reserve equal to \$83,488, which is intended for use on any unanticipated expenditures in 2018. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.