

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

2020 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's Board of Directors authorized the issuance of Subordinate General Obligation Limited Tax Notes, Series 2015 ("2015 Notes") in an aggregate principal amount of \$8,230,000 to Frederick Development Company (the "Developer"). 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 Note ("2016A Note"). 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 Note ("2016B Note"). Both the 2016A Note and the 2016B Note 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's Board of Directors authorized the issuance of the Series 2018B Subordinate Limited Tax Revenue Notes ("2018B Notes") to the Developer in an aggregate principal amount not to exceed \$10,000,000 for the purpose of reimbursing the costs of providing certain public improvements for the District.

The District entered into a Loan Agreement with ZB, N.A. d/b/a Vectra Bank Colorado dated February 8, 2019 to obtain a loan not to exceed \$10,000,000 ("2019A Loan") as evidenced by the execution of the 2019A Limited Tax General Obligation Note for the purpose of refunding certain amounts due on the District's 2015 Notes and for paying the costs of issuance of the 2019A Loan.

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

Loan Proceeds

The District expects to receive \$6,215,000 in funding from the Developer under the 2018B Notes and \$2,500,000 in proceeds from the 2019A Loan.

Ad Valorem Property Taxes

Another 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 \$24,279,940, an increase of \$84,290 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

Transfers to Wyndham Hill Metropolitan District No. 1

The District projects that it will transfer approximately \$7,773,609 in revenue derived from ad valorem property taxes, specific ownership taxes and loan proceeds to District No. 1 in 2020 to fund capital expenditures 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 expects to fund its 2020 debt service obligations as follows:

- Series 2015 Notes - \$400,000 in principal and \$878,324 in interest;
- Series 2016A Note - \$293,751 in principal and \$366,712 in interest;
- Series 2016B Note - \$87,600 in principal and \$183,293 in interest; and
- Series 2019A Loan - \$185,548 in interest.

Reserve Funds

The District has provided for an emergency reserve equal to \$52,066, 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.