

SILVERSTONE METROPOLITAN DISTRICT NO. 2

2019 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, SilverStone Metropolitan District No. 2, formerly known as Miner's Village Metropolitan District, (the "District") was formed to finance the necessary public improvements to be constructed on the property known as "Miner's Village," which is located in Frederick, 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 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 a combined new money revenue and general obligation debt limit of \$50,000,000 for SilverStone Metropolitan District Nos. 1, 2 and 3, exclusive of surety requirements, but inclusive of organizational costs, financing costs and costs of construction and operation of public infrastructure.

In 2019, the District expects to issue \$5,500,000 in Limited Tax Revenue General Obligation Municipal Bonds ("2019 Bonds") for the purpose of funding capital improvements. A portion of the proceeds from the Bonds will be held by the District in order to fund debt service on the Bonds for a period of 3 years. The remainder of the Bond proceeds will be transferred to District No. 1 in order to defray the cost of all or a portion of the public improvements within the Districts. The Bonds are payable solely from ad valorem property tax revenues and specific ownership tax revenues collected by the Districts.

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

Developer Advances

The District expects to receive \$4,407,500 in advances from Silverstone Development Company, Inc. (the "Developer") in 2019, which the District will transfer to District No. 1 for capital improvements, operations, maintenance and administrative costs.

2019 Municipal Bond Proceeds

The District anticipates receiving the entire \$5,500,000 in proceeds from the 2019 Municipal Bond issuance in 2019.

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 for required debt service, if any, capital purchases and 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 55.275 mills for general fund expenditures in 2019.

The total taxable assessed valuation within the District in 2018 was \$571,670, a decrease of \$464,320 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

Transfers to District No. 1

The District will transfer approximately \$4,592,500 from the proceeds of the 2019 Bond issuance and \$4,407,500 from the anticipated Developer advances to District No. 1 in 2019 to pay for costs associated with capital improvements.

Debt Service

In 2019, the District anticipates that it will pay \$302,500 in interest on the 2019 Bonds.

Administrative

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

Reserve Funds

The District has provided for an emergency reserve equal to \$686,590 for 2019. Of this reserve amount, \$605,000 is a required interest reserve on the 2019 Bonds and the remaining \$81,590 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.