

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
GOVERNMENTAL FUND**

	2019	2020		2021 BUDGET		
	Actual Final	Original Budget	Projected Final	General Fund Budget	Debt Service Budget	Total Budget
REVENUES						
Taxes						
Property	\$ 2,008,438	\$ 2,667,193	\$ 2,667,193	\$ 1,037,872	\$ -	\$ 1,037,872
Specific ownership	137,141	180,036	126,600	62,272	-	62,272
TIF	-	-	-	-	-	-
Intergovernmental						
Transfers from Morgan Hill MD No. 1	8,033	10,500	77,437	3,600,000	-	3,600,000
Transfers from Morgan Hill MD No. 2	-	-	-	2,000,000	-	2,000,000
Investment income	18,359	-	23,039	-	-	-
Other	-	-	-	-	-	-
Total revenue	\$ 2,171,972	\$ 2,857,728	\$ 2,894,269	\$ 6,700,145	\$ -	\$ 6,700,145
EXPENDITURES						
Current						
County Treasurer's fees	30,127	40,008	40,184	15,568	-	15,568
Letter of credit fees	-	-	91,853	91,900	-	91,900
Insurance	2,181	2,500	2,688	2,500	-	2,500
Accounting	-	-	6,576	15,000	-	15,000
Audit	5,800	7,000	6,405	7,000	-	7,000
Legal	-	-	-	1,500	-	1,500
Other	28	1,000	1,904	5,000	-	5,000
Subtotal current	38,135	50,508	149,610	138,468	-	138,468
Capital outlay						
Work in process	-	-	607,334	11,650,000	-	11,650,000
Subtotal capital outlay	-	-	607,334	11,650,000	-	11,650,000
Intergovernmental						
Transfers to Morgan Hill MD No. 1	-	13,050,000	53,000	-	-	-
Transfers to Morgan Hill MD No. 2	-	-	-	-	-	-
Subtotal intergovernmental	-	13,050,000	53,000	-	-	-
Debt Service						
Loan origination fees	-	-	-	-	-	-
Principal						
Limited Tax Revenue Bonds, Series 2018A	-	-	-	4,000,000	-	4,000,000
Sub Limited Tax Revenue Note, Series 2018B	-	-	-	3,200,000	-	3,200,000
Interest						
Limited Tax Revenue Bonds, Series 2018A	220,000	220,000	220,000	110,000	-	110,000
Sub Limited Tax Revenue Note, Series 2018B	418,035	418,035	334,428	1,174,260	-	1,174,260
Subtotal debt service	638,035	638,035	554,428	8,484,260	-	8,484,260
Total expenditures	\$ 676,170	\$ 13,738,543	\$ 1,364,372	\$ 20,272,728	\$ -	\$ 20,272,728
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 1,495,802	\$ (10,880,815)	\$ 1,529,897	\$ (13,572,584)	\$ -	\$ (13,572,584)
OTHER FINANCING SOURCES						
Debt proceeds	-	-	-	-	-	-
Developer advances received	-	11,500,000	12,169,273	-	-	-
Change in working capital	(11,510)	-	(6,566)	-	-	-
Total other financing sources	\$ (11,510)	\$ 11,500,000	\$ 12,162,708	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCE	1,484,291	619,185	13,692,605	(13,572,584)	-	(13,572,584)
FUND BALANCE - BEGINNING OF YEAR	368,209	1,852,500	1,852,500	15,545,105	-	15,545,105
FUND BALANCE - END OF CURRENT PERIOD	\$ 1,852,500	\$ 2,471,686	\$ 15,545,105	\$ 1,972,521	\$ -	\$ 1,972,521
	-	-	-	-	-	-

MORGAN HILL METROPOLITAN DISTRICT NO. 3

2021 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Morgan Hill Metropolitan District No. 3 (the "District") was formed to provide for the planning, design, acquisition, construction, installation, redevelopment, maintenance and financing of the public improvements for a portion of the property known as "Morgan Hill," which is located in Erie, Colorado. Such public improvements include, but are not limited to, streets, traffic and safety controls, water, storm and sanitary sewer, utilities and parks and recreation improvements.

The Service Plan, as amended in 2017, permits the District to impose a maximum mill levy on the taxable property within its boundaries as a primary source of revenue for the construction and maintenance of public improvements, repayment of debt and operational costs. The Service Plan also provides a combined total debt issuance limitation in an aggregate principal amount not to exceed \$35,000,000 for Morgan Hill Metropolitan District Nos. 1, 2 and 3.

In 2017, the District's Board of Directors authorized the issuance of Limited Tax Revenue Bonds, Series 2018A ("Bonds") in an aggregate principal amount not to exceed \$4,000,000. 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 two years. The remainder of the proceeds was transferred to District No. 1 in order to defray the cost of all or a portion of the public improvements within the Districts. In connection with the issuance of the Bonds, District Nos. 1 and 2 pledged certain revenues to the District for the required debt service on the Bonds.

In 2018, the District issued Subordinate Limited Tax Revenue Notes ("Subordinate Notes") to CDG Morgan Hill, Inc. (the "Developer") in a principal amount not to exceed \$20,000,000. The Subordinate Notes are intended to memorialize the agreement of the District 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.

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 55.663 mills for general fund obligations in 2021.

The total taxable assessed value within the District in 2020 was \$18,645,640, a decrease of \$29,271,160 from the 2019 valuation. This decrease in valuation was due to a significant decrease in oil and gas assessments.

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 6.00% of the ad valorem property taxes collected in 2021.

Transfers from District Nos. 1 and 2

The District expects to receive revenues of approximately \$3,600,000 from District No. 1 and \$2,000,000 from District No. 2 in 2021, which will mainly be derived from ad valorem property tax and specific ownership tax revenues.

Expenditures

Capital Outlay

The District anticipates expenditures of \$11,650,000 for capital improvements in 2021.

Debt Service

The District plans to fully repay the \$4,000,000 principal balance and all interest due on the Series 2018A Bonds in 2021. In addition, the District intends to repay approximately \$3,200,000 in principal and the interest accrued through December 1, 2021 on the Subordinate Notes in 2021.

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 \$1,972,521 which is intended for use on any unanticipated expenditures in 2021. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.