

# **MORGAN HILL METROPOLITAN DISTRICT NO. 1**

## **2020 BUDGET**

### **SUMMARY OF SIGNIFICANT ASSUMPTIONS**

#### **Services Provided**

In accordance with its Service Plan, Morgan Hill Metropolitan District No. 1 (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 Board of Directors for District No. 3 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 District No. 3 in order to fund debt service on the Bonds for a period of two years. The remainder of the proceeds will be transferred to the District 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, the District and District No. 2 pledged certain revenues to District No. 3 for the required debt service on the Bonds.

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**

##### **Transfers from District Nos. 2 and 3**

The District expects to receive revenues of approximately \$2,952,737 from District No. 2 in 2020, which will mainly be derived from ad valorem property tax and specific ownership tax revenues collected by District No. 2. The District also expects to receive revenues totaling \$13,050,000 from District No. 3 in 2020.

##### **Ad Valorem Property Taxes**

A 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 2020.

The total taxable assessed value within the District in 2019 was \$5,501,690, an increase of \$1,942,470 from the 2018 valuation. This increase in valuation was due to a significant increase 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 6.75% 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.

#### **Capital Outlay**

The District anticipates expenditures of \$13,000,000 for capital improvements in 2020.

### **Reserve Funds**

The District has provided for an emergency reserve equal to \$2,597,761, which is intended for use on future capital improvements as well as 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.