

ERIE CORPORATE CENTER METROPOLITAN DISTRICT NO. 2

2022 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Erie Corporate Center Metropolitan District No. 2 (the "District") was formed to provide the funding and tax base to Erie Corporate Center Metropolitan District No. 1 for construction, operation and maintenance of public improvements within the property known as "Erie Corporate Center," which is located in Erie, 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 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 \$27,000,000 for Erie Corporate Center Metropolitan District Nos. 1, 2 and 3.

On July 1, 2019, the District has issued the Series 2019A Limited Tax Revenue Bonds (the "2019A Bonds") in the aggregate principal amount of \$3,000,000 to assist in the financing of the acquisition of certain real property by the District and funding capitalized interest on the Bonds for a period of three years. The 2019A Bonds will be payable from (i) amounts collected by the District from the ad valorem property taxes attributable to any and all oil and gas production and operations within the District; (ii) amounts received from Summerfield Metropolitan District No. 2 pursuant to the Pledge Agreement dated July 1, 2019; (iii) revenues derived from specific ownership taxes imposed by the District; and (iv) any other legally available amounts permitted under the Service Plan (collectively, the "Pledged Revenues").

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 ad valorem 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 2022.

The total taxable assessed valuation within the District in 2021 was \$24,114,850, an increase of \$22,767,150 from the 2020 valuation due to oil and gas production from 2020.

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 2022.

Transfers from Summerfield Metropolitan District No. 2

Pursuant to the Pledge Agreement dated July 1, 2019, the District is expecting a transfer from the Summerfield Metropolitan District No. 2 of \$1,374,194 in 2022, to be used by the District for debt service costs on the 2019A Bonds.

Expenditures

Transfers to Erie Corporate Center Metropolitan District No. 1

The District projects that it will transfer \$50,000 in revenue from ad valorem property taxes and specific ownership taxes to District No. 1 in 2022 to fund operating expenses.

Administrative

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

Capital Outlay

The District expects to spend the remaining KPK Surface Rights Relinquishment capital improvements of approximately \$270,000 in 2022.

Reserve Funds

The District has provided for a reserve equal to \$526,082 in 2022 as an emergency reserve balance, which is intended for use on any unanticipated expenditures in 2022. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.