

**RESPONSES TO ADDITIONAL QUESTIONS
REGARDING METROPOLITAN DISTRICTS
PROPOSED SERVICE PLAN AMENDMENT(S)**

Dated June 6, 2016

The following information is provided pursuant to questions posed at the Murphy Creek Metropolitan District Nos. 1-4 May 18, 2016, Regular Board Meeting regarding the Presentation on Service Plan Amendment for Districts. The questions posed by members of the public at the meeting are noted below in *italics* with the responses provided below each question. The responses below are intended to act as a supplement to the Responses to Questions Regarding Metropolitan Districts Proposed Service Plan Amendment(s), dated May 5, 2016, and can be viewed in connection with information provided in the PowerPoint presentation given at the meeting and posted on the Districts' website. As a reminder, the Boards will be holding a special meeting on June 8, 2016 to address any additional questions on the proposed Amended and Restated Consolidated Service Plan.

1. Why was District No. 4 dissolved and then recreated?

After organization of all four Districts in 1998, the development plan was changed to address the then-anticipated development of the residential properties within the same timeframe and by the same builder so that all properties could be included within one district. As a result, District No. 4 was dissolved. In 2005, a new home builder became involved in the project and wanted to purchase all property south of Jewell (the former and current District No. 4 boundaries). As part of the potential sale, the new builder also wanted a separate district for that property and District No. 4 was then re-organized.

2. What areas do the various Districts cover?

Please see the attached boundary map for the current boundaries of District Nos. 1-4 and the anticipated District No. 5 boundaries.

3. Who is the Developer?

Murphy Creek, LLC is the current developer and owner of the undeveloped properties.

4. Why is a District No. 5 being created from the boundaries of District No. 4?

Splitting District No. 4 into two separate districts allows the developer greater flexibility to finance and develop these areas and better allows costs to be borne by these two Districts on an equitable basis. It is anticipated that this bifurcation will enable these areas to develop faster and will enable different development entities to be involved in these efforts.

5. *In 2019, when the voter authorization is set to expire, will the Districts need to hold an election regardless?*

No, there is nothing requiring the Districts to hold elections when the authorization expires in 2019 if the Districts do not want to have the ability to collect operational revenue through taxes and if this approval is not obtained prior to 2019. If the Districts desire to collect operational revenues through taxes, an election will need to be conducted prior to 2019 to enable this to happen.

6. *Does the Service Plan expire in 2019?*

No. The Service Plan exists in perpetuity.

7. *Who votes in the elections?*

Eligible electors of each District are permitted to vote in that District's election. Eligible electors are individuals who are registered to vote in the State of Colorado AND meet one of the following criteria: 1) reside within the District; 2) own, or have a spouse or common law partner who owns, taxable property within the District; or 3) has an option to purchase taxable property within the District.

8. *Does the Service Plan Amendment extend outstanding debt of the Districts or affect that debt in any way?*

The current outstanding bonds of District No. 3 are expressly preserved in the proposed Service Plan Amendment so that the terms of the current bonds are not affected in any way. Further, the Service Plan Amendment does not authorize additional debt for District No. 3 above that which was previously authorized in the original Service Plan.

9. *Why wasn't the structure being proposed with the Service Plan Amendment (i.e. making the mill levy cap apply only to debt, thus unrestricting the mill levy the Districts can use for operations and maintenance) done originally when the Service Plan was approved in 1998?*

At the time of the Districts' organization, the format of the City's service plan was different and did not contemplate this structure. Since that time, the City has adopted a model service plan which, among other things, provides the boards of special districts with greater flexibility in making decisions on how to best pay for operational expenses.

10. *What does the community gain with the savings anticipated from collecting operations and maintenance revenues through property taxes instead of the fee?*

At their budget hearings each year, the Boards of Directors of the Districts determine how to allocate and use funds of the Districts and determine what projects are necessary for the ensuing fiscal year. If the Board of District No. 3 determines to keep the revenues the same as prior years, the Board can determine to use these revenues for many much

needed projects throughout the community (i.e. replacement of trees, renovations to the clubhouse and other amenities, etc.) or the Board could create a capital replacement fund to address repair and replacement needs of existing amenities and improvements in the future. Alternatively, the Board could determine that these improvements or reserve funds are not necessary and simply reduce the projected mill levy by that amount. The elected Board will review its goals and needs each year and make these determinations on an annual basis. The Service Plan Amendment simply provides the flexibility and more options for this process.

11. The mill levy for operations will be unlimited—should this be a concern?

The Boards currently have the ability to collect unlimited revenues for operations through the monthly fee. The Service Plan Amendment does not change their current abilities but simply changes the source of the revenue. As noted above, the Boards review their revenue needs each year at their budget hearing and determine what revenues will be needed for the upcoming year. For District No. 3, the directors are also residents of the District and are subject to the same fees and taxes as everyone else. Therefore, any decisions made by them affect them personally as well.

12. My home is valued at more than \$300,000. Does this mean I'll pay more than the current annual fee?

Yes. The method of calculating property taxes is based upon each property's value, as determined by the County's Assessor. For homes which are valued by the Assessor at more than \$300,000, there will be a slight increase in what the property owner pays in taxes. Similarly, for homes valued at less than \$300,000, there will be a slight decrease.

The following is a chart depicting the homes within District No. 3 and demonstrates the effect on homeowners by collecting the operation and maintenance revenues through property taxes rather than the Fee. Home valuations are based on information provided by the Arapahoe County Assessor. Increase/Decrease amounts are based on the Districts' current annual Fee of \$600 and compared with a 25.100 mill levy which is the projected mill levy needed to generate the same annual revenues as the Fee. Increase/Decrease amounts do not include deductions available to homeowners for property taxes.

Home Value (per Arapahoe County Assessor records)	Number of Homes Within this Range	Approx. Annual Dollar Increase/Decrease due to Tax instead of Fee
\$440,000 plus	1	\$289.29 increase
\$400,000 - \$439,000	17	\$202.77 - \$266.90 increase
\$375,000 - \$399,000	51	\$149.64 - \$198.78 increase
\$350,000 - \$374,000	111	\$99.29 - \$148.83 increase
\$325,000 - \$349,000	141	\$49.74 - \$98.68 increase
\$300,000 - \$324,000	142	\$49.14 - \$1.00 increase
\$275,000 - \$299,000	211	\$50.56 - \$1.00 decrease
\$250,000 - \$274,000	208	\$100.13 - \$50.76 decrease

Less than \$250,000	227	\$242.95 - \$100.91 decrease
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13. Does the collection of the revenues through taxes help with the Districts' cash flow throughout the year?

Yes. Revenues collected from property taxes helps with the Districts' cash flow throughout the year because nearly all revenue will be received by July whereas fees are collected monthly and, therefore, the revenues are received over a 12 month period.