V. Financial Information of the Districts

1. What is the current mill levy imposed by FRMD, how does it compare to other Metro Districts, and how has it changed over the years?

For 2022 taxes paid in 2023, the FRMD 2 and FRMD 3 boards approved 30.7000 mills for Debt Service and 5.8000 mills for Operations for a total of 36.500 mills. This is an increase from 35.5 total mills paid in 2022. The FRMD 1 Board approved 0.000 mills for Debt Service and 0.000 mills for Operations. The mill levy for FRMD 1 is 0.000 because the homes in FRMD 1 are in either FRMD 2 or FRMD 3, so they are already paying the same mill levy as everyone else.

The table below shows how the FRMD mill levy compares to other Metro District mill levies. With the exceptions of Ken Caryl and Mt. Carbon, all these Metro Districts have been developed in recent years. Ken Caryl was established in 1988. Mt. Carbon was created in the 1980s with over half of its mill levy to repay bonds issued in 2004 when Mt. Carbon's bankruptcy plan was approved.

Metro District	**Location**	**2023 Mill Levy**
Vauxmont (Candelas)	Arvada	89.0930
Hawthorne	Golden	70.0000
Mountain Shadows	Arvada	70.7110
Green Gables MD #1	Jeffco	63.6880
Green Gables MD #2	Jeffco	66.3400
Table Mountain	Golden	55.0000
Lyons Ridge	Morrison	50.3100
Red Rocks Ranch	Jeffco	58.8350
Leyden Rock	Arvada	62.0000
Mt. Carbon (not in Solterra)	Lakewood/Jeffco	27.0000
Mt. Carbon EX07/EX08 (Solterra)	Lakewood	21.6640
Fossil Ridge	Lakewood	36.5000
Ken Caryl (established in 1988)	Littleton	19.2110

In addition to the FRMD mill levy, FRMD homes pay the following mill levies in 2023. The total of all mill levies for an FRMD home is 148.7530 mills.

46.1330	Jefferson County Schools (2 separate Mill Levies)
36.5000	FRMD 1 and 2 (Debt Service: 30.7000, Operating: 5.8000)
26.9780	Jefferson County
20.0000	Mt. Carbon Metro District (EX07, EX08)
13.4310	West Metro Fire Protection (Total of 2 Mill Levies)
4.7110	City of Lakewood
1.0000	Urban Drainage and Flood Control (Total of 2 Mill Levies)

The FRMD Maximum Mill Levy is currently capped at 57.2662 but can be adjusted if the Resident Assessment Rate (“RAR “) is changed by the Colorado State Legislature.

Following is a historical review of the total mill levy imposed on property within the boundaries of Fossil Ridge Metropolitan District Nos. 1-3. The year listed is the year that the taxes are collected.

2008 through 2014 - 30 mills (FRMD 2 and FRMD 3)
2015 through 2017- 40 mills (FRMD 2 and FRMD 3)
2018 – 43.668 mills (FRMD 2 and FRMD 3)
2019 – 37.668 mills (FRMD 2 and FRMD 3), 5.000 mills (FRMD 1) [1]
2020 – 43.668 mills (FRMD 2 and FRMD 3)
2021 – 39.000 mills (FRMD 2 and FRMD 3)
2022 – 35.500 mills (FRMD2 and FRMD 3)
2023 – 36.500 mills (FRMD2 and FRMD 3)

2. How are the funds raised by the FRMD mill levy used?

The mills are adjusted every two years based on the RAR approved by the state legislature. In 2023, 30.7000 mills is applied to the Debt Service requirements of FRMD, such as outstanding bond obligations, and 5.8000 mills is used for Operational and Administrative requirements, such as maintenance of the pool, retreat and landscaping. FRMD current year budgets are the best way to review how property taxes are utilized by FRMD. Current FRMD Budgets may be accessed by using the following link:

Solterra District Budget Information - SOLTERRA (solterra-connect.com)

3. What is the maximum FRMD mill levy?

[1] The 2019 mill levy rate for FRMD 2 and FRMD 3 was supposed to be 43.668. However, a clerical error was made resulting in the 37.668 mill levy rate for FRMD 2 and FRMD 3. The clerical error also resulted in an FRMD 1 mill levy rate of 5.000 mills. The taxes collected from FRMD 1 were returned to the homeowners since their homes reside in either FRMD 2 or FRMD 3 and they paid the 37.668 mill levy rate.

The Service Plan limits the FRMD mill levy to a total of 50 mills, which includes both debt and operations purposes. The 50 mills may be adjusted proportionately to the extent the RAR is decreased/increased such that FRMD property tax revenue remains neutral. (See Section V(8) for additional discussion on the Gallagher Adjustment, which was repealed by a vote of Colorado residents in 2020.).

4. How was the level of maximum Mill Levy decided?

The City of Lakewood approved the Service Plan for FRMD on August 27, 2007, which sets the maximum mill levy. The Maximum Mill Levy of 50 approved in the Service Plan was relatively common in the Denver metropolitan area for Title 32 metropolitan districts. The Maximum Mill Levy has historically been adjusted whenever the state legislature approved a change in the Residential Assessment Rate (RAR). (See Section V (8) for additional discussion on the Gallagher Adjustment, which was repealed by a vote of Colorado residents in 2020.)

5. If it is determined that the Mill Levy for FRMD needs to be increased above the current Mill Levy rate, how does that happen?

The boards of directors will approve the district mill levies, including any proposed increases, when approving the subsequent year's budget at a public hearing. The mill levy of FRMD is required to be certified to Jefferson County by December 15 of each year.

6. How do I calculate my taxes?

Following is an example of calculating FRMD taxes on a $700,000 property using information for 2022 taxes collected in 2023:

Actual Value of Property (can be found via Jefferson County Assessor) - $700,000
Current Assessed Valuation Percentage – 6.95%
$700,000 x .0695 = $48,650
2022 FRMD Mill Levy – 36.500 Mills[2]
Calculation of FRMD Property Taxes- $48,650 x .03650 = $1,775.73

7. Why did my tax bill go up exponentially a year or two after I purchased my new home?

As shown above, property taxes are calculated as a percentage of the actual value of the property. Before there are any improvements on the land, the valuation is low and the resulting property taxes are low as well. However, once the house is constructed the valuation increases

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[2] Mill rate represents amount per $1,000 of assessed value. So, to calculate property taxes, divide the mill rate by 1000. In this instance, it would equal .036500.

substantially and the property taxes increase proportionally. The county assessor also conducts a re-assessment of all property in every odd numbered year and values may be adjusted at that time.

Finally, property taxes are imposed on the prior year's assessment. For example, property taxes collected in 2023 are based on assessed valuations from 2022.

Additional Jefferson County tax information may be accessed by using the following link. [Assessor | Jefferson County, CO (jeffco.us)] Please note that this is not a FRMD document.

8. What is the Gallagher Adjustment?

The purpose of the Gallagher Amendment was to fix the ratio of statewide residential versus non-residential property taxes. FRMD has never been bound by the Gallagher Amendment due to approval of a 2006 FRMD ballot issue. As a result of passage of that ballot issue, the FRMD mill levy can be adjusted based on changes to the RAR so that resulting revenues are neutral. In November 2020, the residents of Colorado voted to repeal the Gallagher Amendment.

The authority to perform a revenue neutral mill levy adjustment is stated in the FRMD Service Plan. The FRMD Maximum Mill Levy may not exceed fifty (50) mills; provided that if, on or after January 1, 2007, there are changes in the method of calculating assessed valuation, the mill levy limitation may be increased or decreased to reflect such changes so that actual tax revenue generated by the mill levy are neither diminished nor enhanced.

For instance, when the RAR decreased from 7.15% to 6.95% for 2022, the District was able to increase its Mill Levy from 35.5 mills to 36.5. The dollar amount generated by FRMD would then remain constant despite the reduction in assessed valuation. Please refer to section V (1) for historical mill levy rates.

In this example, FRMD increased the mill levy to recover some lost property tax revenue due to the change in the Residential Assessment Rate from 7.15% to 6.95%.

1. Calculation based on 7.15% RAR:
   a. 35.500 mills on a $800,000 home is **$2,031** ($800,000 x 7.15% x .03550)
2. Calculation based on 6.95% RAR after authorized adjustment per the Service Plan:
   a. 36.500 on a $800,000 home is **$2,029** ($800,000 x 6.95% x .03650)

The state legislature changed the assessment RAR and process for 2023 taxes payable in 2024.

9. What is the maximum debt permitted to be issued by FRMD?

The FRMD debt limitation is set forth in the Service Plan.

Aggregate limitation of $91,000,000
General Obligation Debt is limited to $70,000,000
Revenue Debt is limited to $21,000,000

10. What is the FRMD "TABOR Authorization"?

In order to impose taxes, issue debt, and impose certain fees, metropolitan districts are required to obtain voter approval, commonly referred to as TABOR (Tax Payer Bill of Rights) Authorization. FRMD obtained initial TABOR Authorization at an election on November 7, 2006. Initial TABOR Authorization is typically structured in a manner to maximize flexibility of the district when allocating financial resources, yet the district remains subject to the limitations set forth in its Service Plan. For example, FRMD has voted TABOR authorization to issue up to $60 million in debt for Street Improvements and has additional voted TABOR authorization to issue up to $60 million in debt for Water Improvements. However, FRMD is unable to issue the total amount of General Obligation (G.O.) debt for each individual power such as Street Improvements and Water Improvements based upon the voted amounts because the FRMD Service Plan limits *total* General Obligation debt to $70 million. As General Obligation debt is issued by FRMD, up to the $70 million authorized in the Service Plan, it must be allocated between the various voter authorized uses (i.e. streets, water, sewer, parks and recreation, mosquito control etc.).

11. What is General Obligation Debt?

General Obligation Debt is debt issued by FRMD, which is discharged by a pledge of property taxes that are imposed in District Nos. 2-3. General Obligation debt is permitted under the Service Plan for purposes of financing on-site improvements or the FRMD proportionate share of Regional Improvements.

12. What is Revenue Debt?

Revenue Debt is supported by revenues other than property taxes, specifically including the following sources: 1) Regional Service Providers, 2) property owners *outside* of the Districts who may benefit from the Districts' improvements, 3) grants from other governmental agencies, and 4) Capital Fees which are generally paid by builders/developers. Revenue debt may be issued for that portion of the Regional Improvements that are of benefit and allocable to properties adjacent to Solterra. FRMD does not impose any property taxes or capital fees upon residents or property owners in connection with the Revenue Debt and residents within FRMD are not part of any Regional Service Provider. Ultimately, risk of reimbursement for any Regional Improvements that are required to be funded through Revenue Debt is directly attributable to the developer and its ability to obtain cost share from adjacent property owners.

A map showing current district and regional improvements may be accessed by using the following link:

Solterra Public Improvements - SOLTERRA (solterra-connect.com)

13. When are Bonds Issued?

As FRMD develops, and the cumulative value of its property increases, FRMD is then able to support a higher capacity of debt. When there is sufficient valuation within FRMD to support a bond issuance, and when FRMD has sufficient outstanding obligations (developer advances), FRMD may issue bonds. As FRMD is a governmental entity, bonds may generally be issued on a tax-exempt basis and the bond purchasers therefore are not required to pay certain taxes on income related to the bonds which results in lower interest rates for FRMD.

14. What is the current outstanding debt of FRMD?

On October 29, 2020, FRMD issued its Limited Tax General Obligation Refunding and Improvement Bonds, Series 2020 in the total amount of $33,105,000 (the "2020 Bonds"). The 2020 Bonds were issued (i) to refund all the previous bonds issued in 2010, 2014, and 2016 and (ii) to repay Developer Advances in the amount of $10,000,000. The new, blended interest rate on the 2020 Bonds is equal to 2.83%, as measured by the All-In True Interest Cost. This compares to the prior blended interest rate of 5.51%. FRMD refunding of the prior bonds resulted in the reducing the annual bond principal and interest requirements by approximately $280,000, even with the additional new bond issuance of $10,000,000.

New 2020 Bonds as issued by FRMD No. 3

- $33,105,000 Limited Tax General Obligation Refunding and Improvement Bonds
- All-In True Interest Cost equal to 2.83%
- Maturity Date of June 1, 2050
- Level annual debt service requirements of approximately $1,720,000
- Refunding component generated significant Present Value Debt Service Savings of over $10,000,0000 or 36.5% of the Refunded Par Amount of $27,915,000
- Gross Debt Service Savings totaled more than $18,230,000
- 2020 Bonds are insured by Build America Mutual
- Link to Final Official Offering Statement: Municipal Securities Rulemaking Board::Emma (msrb.org)

Bonds Refunded

Series 2010 issued by FRMD No. 1

- $8,350,000 Tax-Supported Revenue Refunding Bonds (Refunded 2009 Bonds)
- Refunded Par Amount of $7,960,000
- 7.25% Interest Rate
- Maturity Date of December 1, 2040

Series 2014 issued by FRMD No. 3

- $8,715,000 General Obligation Limited Tax Bonds
- Refunded Par Amount of $8,020,000

- 4.49% Average Interest Rate
- Maturity Date of December 1, 2044

Series 2016 issued by FRMD No. 3

- $12,415,000 General Obligation Limited Tax Bonds
- Refunded Par Amount of $11,935,000
- 4.77% Average Interest Rate
- Maturity Date of December 1, 2016

15. Why was the first bond issued out of District No. 1 and the subsequent two from District No. 3?

It was originally contemplated that District No. 1 would be the issuer of debt to be supported by mill levy pledge agreements of District Nos. 2 and 3. Due to subsequent IRS regulations and bond counsel requirements in connection with tax exempt financing, the structure was modified with the 2014 issuance such that District No. 3 was the designated issuer. While the issuer may have changed, all developable property in Solterra is paying the same mill levy toward all debt issued by FRMD.

16. What are FRMD's responsible costs?

The FRMD share of eligible costs is currently under review with assistance from the District Engineer and District Legal Counsel. The primary documents for determining FRMD's share of development costs are the Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement dated May 13, 2008 and the Second Amended and Restated Service Plan dated August 27, 2007.

A copy of the Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement may be accessed by using the following link:

Solterra Public Improvements - SOLTERRA (solterra-connect.com)

A copy of the Second Amended and Restated Service Plan may be accessed by using the following link:

Solterra District Governing Documents and Notices - SOLTERRA (solterra-connect.com)

17. What specific infrastructure was reimbursed with each bond?

As stated in the Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement, there are two scenarios under which reimbursements for public improvements may occur.

District Construction Contracts: For infrastructure constructed by FRMD, the developer may loan money to FRMD to pay for such construction. These loans are tracked by the FRMD accountants and are eligible for reimbursement with interest, as the same accrues through the time of payment. The FRMD engineer assists with public bidding that may be necessary and monitors and manages all construction that takes place throughout FRMD.

Developer Construction Contracts: The Developer often constructs improvements on behalf of FRMD and can request reimbursement once the improvements are substantially complete. The FRMD engineer and accountant follow the certification and acceptance process that has been adopted by FRMD, which includes a review of the underlying documents, invoices and the improvements. If acceptable, the FRMD engineer and consultants then make a recommendation to FRMD as to acceptance of the costs. Upon adoption of a Resolution of acceptance, the costs are recognized for reimbursement.

In December 2014, the FRMD engineer certified costs for improvements constructed by the developer, which was accepted by FRMD. The total costs recognized pursuant to the certification were $24.6 million.

The Resolution accepting certified costs for improvements constructed by the developer in 2014 may be accessed by using the following link:

Solterra Public Improvements - SOLTERRA (solterra-connect.com)

A map highlighting the improvements constructed by the developer on behalf of the District, the costs of which were accepted by the District in 2014, may be accessed by using the same link:

Solterra Public Improvements - SOLTERRA (solterra-connect.com)

To the extent that FRMD recognizes District Construction Contracts and/or Developer Construction Contracts in excess of the General Obligation Bond limitation of $70 million or Revenue Bond limitation of $21 million, those amounts will not be subject to reimbursement by FRMD.

The only other infrastructure accepted using this process is Orchard Park in December 2020. The District is still evaluating its share of other remaining infrastructure costs.