

**CUNDALL FARMS METROPOLITAN DISTRICT
FREQUENTLY ASKED QUESTIONS**

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| What is the Cundall Farms Metropolitan District (the “District”)? | A metropolitan district is a unit of local government authorized by Colorado state statute. |
| Do I live in the District? | All homes within the KB Homes’ Trailside community are in the District. |
| What is the purpose of the District? | The District was organized to (i) finance public improvements necessary for the development of the Trailside community, (ii) operate and maintain park and recreation improvements and landscaping not dedicated to the City of Thornton, and (iii) provide covenant enforcement and design review services. |
| Who governs the District? | The District is governed by five elected Board members. The Board members are elected to staggered terms of office at regular elections. The next four regular election dates are May 5, 2020; May 3, 2022; May 2, 2023; and May 6, 2025. Pursuant to §1-13.5-303, C.R.S. any person interested in being a candidate for the Board must submit a self-nomination and acceptance form signed by the candidate and by a registered elector of the state as a witness to the candidate. |
| What public improvements has the District paid for? | <p>The District has paid for the following public improvements:</p> <ul style="list-style-type: none"> - Streets (including curbs, gutters, sidewalks medians) - Water Transmission and Distribution systems - Sanitary Sewer Collection and Transmission - Storm Sewer, Flood and Surface Drainage - Traffic and Safety Controls - Parks and Recreation (including open space and landscaping) <p>At Trailside, the District has contributed to the cost of the following large scale improvements:</p> <ul style="list-style-type: none"> - Central Park, all pocket parks and all greenbelts and open spaces - Improvements to Highway 7, York Street, and 156th Avenue - Cash payment to City of Thornton in lieu of the completion of 156th Ave and the bridge over Big Dry Creek. These funds are going to be used by Thornton to pay for the rebuilding of the York St bridge over Big Dry Creek and the realignment of York St south of the community towards E470. - Allowed for the dedication of the large open space east of the community. |

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| <p>How did the District pay for the public improvements?</p> | <p>The District issued general obligation bonds to pay for the public improvements, and currently has the following debt outstanding:</p> <ul style="list-style-type: none"> - \$9,720,000 Series 2017A GO Refunding Bonds - \$1,500,000 Series 2017B Subordinate Limited Tax GO improvement Bonds - \$792,000 Series 2017C Limited Tax Junior Lien Subordinate GO Bonds <p>More information about the debt can be found in the District’s audited financial statements which are available on the District website and OSA website: https://apps.leg.co.gov/osa/lg</p> |
| <p>Does the debt go on forever, until paid?</p> | <p>No. The debt automatically discharges on December 15, 2055, regardless of the amount of principal and interest paid or outstanding.</p> |
| <p>Do I pay for the debt?</p> | <p>Yes. The District imposes taxes on all taxable property within the District. Currently, the District is authorized to impose a maximum debt mill levy of 50 mills (subject to any Gallagher adjustments which are explained below) for up to 40 years on residential property.</p> |
| <p>What operations and maintenance services do the District provide?</p> | <p>The District provides the following operations and maintenance services:</p> <ul style="list-style-type: none"> - Landscape Maintenance (including pet waste stations, irrigation, snow removal, and mowing grass in the common areas) - Covenant Enforcement - Design Review |
| <p>How does the District pay for operation and maintenance expenses?</p> | <p>The District pays for operations and maintenance expenses through the assessment of an Operations Fee which is currently at \$47 per month per residence and an Operations Fee – Due Upon Transfer of \$500 per transfer of ownership of a residence. Revenues generated from the Operations Fee and Operations Fee – Due Upon Transfer is restricted and can only be used for operations and maintenance expenses of the District.</p> <p>Further, the District also imposes a general operating mill levy of 10 mills (subject to Gallagher adjustments) to pay for general and administrative expenses such as legal, accounting, audit, insurance, and dues. Any excess revenues generated from this general operating mill levy that are not used for general and administrative expenses can be used to pay for operations and maintenance expenses of the District.</p> |

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| <p>Was the fact I lived in the District disclosed?</p> | <p>Yes. The District, developer, and homebuilder provided notice to all future and current property owners through the following means:</p> <ul style="list-style-type: none"> - <u>Order and Decree</u> recorded with the Adams County Clerk and Recorder (“Clerk and Recorder”) - <u>Disclosure to Purchasers</u> recorded with the Clerk and Recorder, provided to City and posted at the sales offices - <u>Special District Public Disclosure</u> recorded with the Clerk and Recorder - <u>Real Estate Contract disclosure language</u> - <u>KB Home Long Form Disclosure</u>, provided to each purchaser - <u>Transparency Notice</u>, posted on District website, on file with County - <u>Annual Tax Statement</u> |
| <p>Where do I find out more information?</p> | <p>District’s website: https://cfmd.co/</p> <p>Division of Local Government: https://dola.colorado.gov/dlg_portal/filings.jsf?id=66186</p> <p>Office of the State Auditor: https://apps.leg.co.gov/osa/lg</p> <p>EMMA: https://emma.msrb.org/IssuerHomePage/Issuer?id=54B2F5CCBA86B74B40E40607EC38CBF0&type=G</p> |

**CUNDALL FARMS METROPOLITAN DISTRICT
GALLAGHER ADJUSTMENT AND MAXIMUM MILL LEVY**

The Gallagher Amendment, passed in 1982, was designed to maintain a constant ratio between the property tax revenue that comes from residential property and from business property.

| Commercial Property | Residential Property |
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| Pays 55% of the total amount of state property taxes | Pays 45% of the total amount of state property taxes |
| Assessment ratio is fixed at 29% | Assessment ratio adjusts to maintain the 55/45 balance. |
| | This adjustment in the residential assessment ratio is known as a “Gallagher adjustment.” |

The District is governed by its Service Plan. The Service Plan states a Maximum Debt Service Mill Levy of 50 mills subject to a Gallagher adjustment. The actual Maximum Mill Levy the District is permitted to impose in any year may be higher than the number in the Service Plan due to a Gallagher adjustment.

If there is a Gallagher adjustment that reduces the residential assessment ratio, the District’s Bonds require the adjustment to the Maximum Mill Debt Service Levy increases proportionately so that the District is able to bring in the same revenue as the District did prior to the Gallagher adjustment.

Starting in property tax year 2018, the District has increased the mill levy it is imposing in response to Gallagher adjustments. **Please note that increasing the mill levy due to a Gallagher adjustment will not, by itself, result in higher property taxes on residents.** If residents are paying more property taxes, that may be due to an increased in the assessed valuation of their home or increasing mill levies imposed by other taxing entities. Please see the tables below for a detailed example that is specific to the District.

| Historical Property Taxes Imposed by Cundall Farms Metropolitan District | | | |
|---|-------------------------------|---|-------------------------------------|
| Property Tax Collections Year | Debt Service Mill Levy | Operations and Maintenance Mill Levy | Residential Assessment Ratio |
| 2015 | 50.000 | 10.000 | 7.96% |
| 2016 | 50.000 | 10.000 | 7.96% |
| 2017 | 50.000 | 10.000 | 7.96% |
| 2018 | 55.277 | 11.055 | 7.20% |
| 2019 | 55.277 | 11.055 | 7.20% |
| 2020 | 55.664 | 11.133 | 7.15% |

| Example of Gallagher Adjustment | | | |
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| | 2003-2016 | 2017-2018 | 2019-2020 |
| Market Value of House | \$500,000.00 | \$500,000.00 | \$500,000.00 |
| Residential Assessment Ratio | 7.96% | 7.20% | 7.15% |
| Assessed Value of House | \$39,800.00 | \$36,000.00 | \$35,750.00 |
| Debt Service Mill Levy | 50.000 | 55.277 | 55.664 |
| Operations Mill Levy | 10.000 | 11.055 | 11.133 |
| Property Taxes Paid to the District | \$2,388.00 | \$2,387.95 | \$2,387.99 |