

Town of Granby Board of Trustees
P.O. Box 440
Granby, Colorado 80446

March 29, 2021

On behalf of the Granby Ranch Metropolitan District (GRMD) Board of Directors it is our pleasure to provide a response to the Town of Granby's Quinquennial Finding request, dated January 29, 2021.

A substantial portion of our response is provided by the GRMD Manager, Community Resource Services (CRS) of Colorado. Please find attached a memorandum and supporting documents provided by Phyllis Brown, Director of Finance and Accounting for CRS. Contained within the supporting documents are, Schedule of Authorized and Unissued General Obligation Debt and the GRMD Financial Statements and Report of Independent Certified Public Accountants as of December 31, 2019. The financial statements for 2020 are currently under audit. GRMD will provide a copy to the Town of Granby upon completion of the audit and submission and acceptance of the report from the Auditors to the Board of GRMD.

It is our understanding that the last time that GRMD participated in a Quinquennial Finding with the Town of Granby was during the summer of 2011. It is important to note that the composition of the Town Board of Trustees and Town Manager, along with the composition of the GRMD Board of Directors has changed significantly since 2011. As such, it is helpful to discuss the significant and meaningful changes that have occurred since that time. We will briefly discuss those changes and why the GRMD Board believes that the District is well positioned to meet its debt obligations today and will continue to improve its financial condition to take advantage of refinancing opportunities in the near future.

In 2011 the GRMD financial situation was precarious. The district was charging the full 50 mils of tax levy as provided by the mil levy cap. This was insufficient to generate the tax revenue to cover the current debt interest and principal payments on the public debt that was issued in 2006. This bond issue was in the amount of \$ 14,725,000 at the rate of 6.75%, maturing December 1, 2040. By 2011 the district was already utilizing bond reserves to make current payments. District Assessed Value was significantly lower as the result of reduced real estate sales. The district budget did not have sufficient revenues to cover any operations. In addition to the public debt issued listed above, the district approved additional Subordinate Limited Tax Bonds in April of 2010 in the amount of \$11,190,000 at the rate of 6.75%, maturing in 2049. This additional debt was to reimburse Headwaters Metropolitan District (HMD) for capital and service obligations incurred by the developer. It is important to note that at this time both the GRMD and HMD Boards were controlled by the Developer of Granby Ranch. This subordinate debt was accruing compounding interest as there were insufficient revenues to make interest or principal payments.

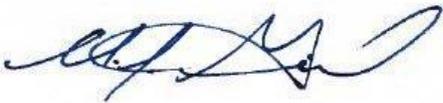
The financial conditions listed above continued until 2018. The GRMD Board composition changed and became a majority homeowner-controlled Board as a result of the May, 2016 election of the GRMD Board Directors. In the ensuing two years the GRMD Board endeavored to improve the districts' financial position. At the time of the 2018 GRMD Board of Directors election, the board composition became 100 percent homeowners. Several key events took place during this period of time. First, the district amended its Service Plan to allow for an increase in its total tax mill levy from 50 mills for operating and debt repayment purposes to 60 mills for operations, maintenance and debt repayment, with a limit of 50 mills for debt and 50 mills for operations and maintenance, subject to certain adjustments. Increasing the overall levy to 60 mills allowed the district to apportion mills to both debt and operations. This generated additional tax revenue to the district. Second, we successfully negotiated an agreement with the developer to eliminate the subordinate debt. Simultaneous with this debt elimination the district was able to refinance the existing public debt issue. The new refunding debt was issued in the amount of \$11,970,000. There are two tranches, one in the amount of \$990,000, with an interest rate of 4.875%, maturing December 1, 2028, the second tranche is in the amount of \$10,980,000, at the rate of 5.50%, maturing December 1, 2052. While these events significantly improved our financial footing, it is important to note that it required the district to increase the tax mill levy, therefore increase the tax burden upon the district homeowners. Additionally, the new debt issued was unrated due to the substantial risks that still existed with the Granby Ranch development. These risks are outlined over seven pages of the offering document. As such, the rates of interest charged essentially put the GRMD debt in the "junk" category. Also, we were required to extend the maturity out by 35 years. The original debt was due to mature in 2040, which is now extended to 2049. Most municipal bond debt would be issued in 30-year maturity time periods. All of these steps were necessary and have proven to be prudent, even if undesired, moves. The District went from approximately \$30 million in debt, which equated to approximately \$60,000 per GRMD member, to under \$12 million, which equates to approximately \$24,000 per GRMD member. The GRMD Boards from 2016 on deserve significant credit for "steadying the ship".

Today, in 2021, the District's finances have improved significantly. The District's Assessed Value has improved to just shy of \$19,000,000, which compares favorably to the assessed value of just over \$14,000,000 in 2017. The District's 2020 financial statements will show reserves being budgeted and accrued for both the General and Debt service accounts. In prior fiscal years the 60 mills levy was bifurcated to apportion 20 mills towards the General Fund to cover district operations, and 40 mills to cover debt service. The GRMD Board voted and approved at our November 13, 2020 Budget meeting the bifurcation to apportion 15 mills to cover General Fund needs and 45 mills to cover the Debt Service Fund and build reserves in said Fund. This change is part of the Board's strategy and intent to position the District to take advantage of our improved financial position and refinance our debt at the earliest practical time. It would appear that first practical time would be December in 2023, which coincides with our first call opportunity. It is important to note that the provision that allowed for advanced refunding of tax-exempt municipal debt on a tax-exempt basis was eliminated several years ago. There are current efforts underway to change the legislation and once again allow advanced refundings on a tax-exempt basis. We closely monitor these legislative efforts.

Our commitment to refinancing our debt is demonstrated by the establishment of a sub-committee of the GRMD Board, comprised of Fran Mejer and Glenn O’Flaherty, focused specifically on refinancing. They possess significant experience and backgrounds in municipal finance and investments. They meet quarterly with our outside advisor, D.A. Davidson to review current market conditions, legislative updates and discuss the District’s finances, along with reviewing the current Granby Ranch developments. We are better positioned to take advantage of our improved financial situation by seeking a rated status, which should help to reduce our rate of interest to an investment grade level. In addition, to the extent possible we seek to shorten our maturity and reduce the principal amount. Simultaneously, we would like to reduce our 60 mill levy to provide our current district members tax relief. While these are ambitious goals to try and accomplish in the next few years it does demonstrate the benefit of having a homeowner controlled GRMD Board that is solely focused on the best interests of the homeowners. One significant headwind to overcome is the uncertainty of the ownership status of Granby Ranch. It is our understanding that the current owner, GP Granby Holdings, is intent on selling the property as soon as possible. We welcome this change and look forward to a long-term permanent owner that we can work with in a mutually beneficial manner. In the interim we realize that the public debt markets will look upon this current uncertainty with some level of “headline risk” associated with it and therefore make refinancing potentially more expensive. We seek to avoid this additional premium in any refinancing opportunity.

In summary, again, we are glad to be able to provide you our response to the Quinquennial Finding request. Should you need additional information please do not hesitate to contact me. We look forward to hearing back from the Town of Granby Board of Trustees, ideally with acceptance of this submission.

Best Regard,

A handwritten signature in blue ink, appearing to read 'Matt Girard', with a stylized flourish at the end.

Matt Girard
President of the Board of Directors
Granby Ranch Metropolitan District