

Granby Ranch

Summary of Questions and Answers from Community Meeting 4:30 p.m. to 6:00 p.m. October 28, 2016 at the Ranch Hall

1. How is the Granby Ranch Metropolitan District debt being reduced from approximately \$30 million to approximately \$11 million?

Granby Ranch Metropolitan District currently has two outstanding bonds: 2006 Bond and 2010 Bond. The 2006 Bonds are outstanding in the amount of approximately \$13.5 million, and the 2010 Bonds are outstanding in the amount of approximately \$17 million. The 2010 Bonds will be discharged and released in full by the bond holder, Granby Realty Holdings, LLC, at the time the 2006 Bonds are refinanced. The outstanding amount of the 2016 Bonds will be reduced to approximately \$11.68 million due to the use of surplus and reserve funds from the 2006 Bonds as well as \$250,000 in pre-paid capital facility fees purchased by Granby Realty Holdings, LLC to reduce the principal amount owed.

2. Why were the 2006 Bonds not refinanced sooner?

The 2006 Bonds were not eligible for refinancing until December 1, 2015. A majority of the Board of Directors of Granby Ranch Metropolitan District changed following the May 2016 Board of Director's election. At this time, new general counsel and management teams were retained and discussion regarding the refinance and related issues were held between Granby Ranch Metropolitan District and interested parties, which completed in late August 2016. The parties have been working diligently to accomplish the refinancing before the end of 2016.

3. Why did Granby Ranch Metropolitan District hire Piper Jaffray as its underwriter for the 2016 bonds as opposed to a different company?

In late 2015, Granby Ranch Metropolitan District requested proposals from a number of underwriters with expertise in special district and government bonds for the issuance of the 2016 bonds. Piper Jaffray provided the most competitive and favorable response.

4. What happens if the refinance does not go through?

If the refinance of the 2006 bonds is not completed, the other parts of the agreement will not take effect, including the discharge of the 2010 bonds and the funding of road maintenance and snow removal by Granby Ranch Metropolitan District. The parties will have to renegotiate these issues.

There is, however, no current expectation that the refinance will not occur on terms favorable to the District.

5. Is the forgiveness of the 2010 Bonds a "default" and does it affect the District's credit rating?

No, the forgiveness and discharge of the 2010 Bonds is not a default by the District. Currently, the District does not have a credit rating so there is no effect on its credit worthiness.

6. Does the Granby Ranch Conservancy pay for road maintenance?

The Granby Ranch Conservancy contributes to beautification, such as the planting of annual flowers. It does not contribute to items traditionally classified as road maintenance, such as crack sealing or pothole repair.

7. Will the Town of Granby own and maintain the roads in Granby Ranch?

No, the Town of Granby will not own or maintain the roads in Granby Ranch.

8. When and where will the road repairs occur?

The major road repairs are expected to occur primarily in Granby Ranch Filing 10, but repairs will also occur in other areas. Repairs are expected to commence in the spring of 2017, with completion by the fall of 2017. These repairs are contingent upon the successful refinancing of the 2006 bonds.

9. How are the costs for road maintenance and snow removal being allocated?

Granby Ranch Metropolitan District is paying for its share of the road maintenance and snow removal expense based on the proportion of its assessed valuation compared to the assessed valuation of all of the special districts in Granby Ranch. This cost includes the costs of Headwaters Metropolitan District to administer the contract.

10. Why is road maintenance and snow removal being funded through Granby Ranch Metropolitan District as opposed to through the Granby Ranch Conservancy?

The Granby Ranch Metropolitan District has the power to raise funds for road maintenance and snow removal through property taxes. Collecting funds for public services through property taxes is a more reliable way to obtain funding than through private homeowner association assessments. Further, if a property owner itemizes their deductions on their taxes, taxes paid are tax deductible, unlike homeowner association assessments.

The Granby Ranch Conservancy could impose a special assessment to pay for the road maintenance and snow removal if required.

11. How will the road maintenance and snow removal contract be managed?

Headwaters Metropolitan District will contract with the snow removal contractor following recommendations from the road committee on the preferred contractor. As part of its share of road maintenance and snow removal costs, Granby Ranch Metropolitan District will pay a portion of the costs to administer the contract.

12. How come my total property tax bill is higher than what is listed in the October 24, 2016 letter?

The October 24, 2016 letter only discusses property taxes levied by the Granby Ranch Metropolitan District. This entity is one of many entities that impose property taxes on your property. Your property tax bill includes the property taxes levied by all of the entities imposing property tax on you property.

13. Can Granby Ranch Metropolitan District levy less than 60 mills in property taxes?

Yes. Granby Ranch Metropolitan District determines its property tax levy based on the amount of revenue needed to make its debt service payments, to fund its operation and maintenance expenses, and build its capital reserve. Subject to meeting these funding requirements, Granby Ranch Metropolitan District can levy an amount less than 60 mills.

14. What is the Town's feeling toward the requested mill levy increase?

Since the mill levy increase will be paid by those persons in Granby Ranch, voicing your support to the Town prior to or at the Town of Granby Board of Trustees meeting on November 8, 2016 at 6:00 p.m. would be helpful in the Town's determination to approve the increase in the mill levy cap.

15. How come there is no vote required for the increase in property tax?

The electors of Granby Ranch Metropolitan District previously approved the requested increase in the property tax. This is similar to moving to a town or county where the voters previously approved taxes or debt before you were eligible to vote in that town's or county's election.

16. Why does the Town of Granby need to approve the property tax increase?

The Granby Ranch Metropolitan District's governing documents limits its maximum mill levy to 50 mills, subject to certain adjustments. The Town of Granby, as the authority that approved the District's formation and governing documents, must approve the change in the maximum mill levy so that Granby Ranch Metropolitan District can certify the higher levy for collection in 2017.

17. Are the proposed 60 mills Gallagherized?

Yes, with the adjustment period calculated from November 1, 2016.

18. How often is the Granby Ranch Metropolitan District budget reviewed and approved?

The budget is reviewed and adopted annually, usually in the fourth quarter of the year.

19. How were Granby Ranch Metropolitan District operations funded prior to the refinancing of the bonds and higher mill levy limit?

Granby Ranch Metropolitan District operation expenses were paid directly by Granby Realty Holdings, LLC. GRH is not requesting repayment of these expenses.

20. Why did Granby Realty Holdings have to fund operations in prior years?

Granby Ranch Metropolitan District's promise to repay the 2006 bonds required the use of all of the District's property tax revenue since 2010. This occurred due to a large drop in the value of the property subject to the District's property tax as well and increased payment obligations.

21. How does Granby Ranch Metropolitan District determine its budget for debt and operations and maintenance?

The District's debt budget is based on its required principal and interest payments for the year, which are based on the bond repayment schedule.

The District's operation and maintenance budget is based on its expected expenses for the upcoming year based on its estimated needs. A budget is an estimate of expenses and does not mandate that the funds be spent.

22. Does the Granby Ranch Metropolitan District proposed 2017 budget provide for the 3% emergency reserve requirements set by the Taxpayers Bill of Rights (TABOR) (art. X, section 20 of the Colorado Constitution)?

Yes. TABOR requires a 3% reserve to be set aside for emergencies. The 3% emergency reserve is based on operations/general fund revenue and excludes funds earmarked for payment of bonded debt. For fiscal year 2016, Granby Ranch Metropolitan District did not have any operations revenue and therefore no reserve was required. For 2017, a 3% emergency reserve of \$7,900 has been budgeted based on total operations/general fund budgeted expenditures of \$261,000.

23. Why are Granby Ranch Metropolitan District expenditures estimated to be higher in 2017 than they were in 2016?

Although the Granby Ranch Metropolitan District will save money through the refinancing and reduction in its debt, it will begin raising funds for road maintenance and snow removal in 2017, a service it did not fund in 2016. In addition, potential purchasers of the 2016 bonds want to see a budget where they are assured that the Granby Ranch Metropolitan District can support its operations in addition to its debt service obligations.

24. What is the Facilities Management Fee reflected on the District's draft 2017 budget?

This is Granby Ranch Metropolitan District's proportion of the costs to administer the snow removal contract and pay for a dedicated person to serve as a single point of contact for Granby Ranch issues.

25. Why did Granby Ranch Metropolitan District hire new consultants in May 2016?

The majority of the Board of Directors of the Granby Ranch Metropolitan District changed in May 2016. A majority of the new board determined to hire new consultants to obtain independent consultation regarding the various issues facing Granby Ranch Metropolitan District and the community.

26. Why are Granby Ranch Filing Nos. 17 and 18 being included in the boundaries of Granby Ranch Metropolitan District?

These two filings are being included in Granby Ranch Metropolitan District to provide additional taxable property to help the District meet its debt and operation obligations. The District will provide road maintenance and snow removal following completion of the roads.

27. Are the streets in Granby Ranch Filing Nos. 17 and 18 intended to be paid for by Granby Ranch Metropolitan District?

The construction costs for the streets and other public improvements in Granby Ranch Filing Nos. 17 and 18 are not intended to be paid for by Granby Ranch Metropolitan District. These costs are expected to be paid directly by Granby Realty Holdings, LLC. Once the streets and other public improvements are completed, they will be maintained by Granby Ranch Metropolitan District in the same manner as the other roads in Granby Ranch.

28. Will there be a waiver and release of liability between Granby Realty Holdings, LLC, Granby Ranch Metropolitan District, and the other special districts, as part of the 2016 bond issuance?

The parties have discussed signing a waiver and release of liability concurrent with the 2016 bond issuance.