

Thompson Crossing Metro District Analysis



OCTOBER 2017

Background & Timeline

Background

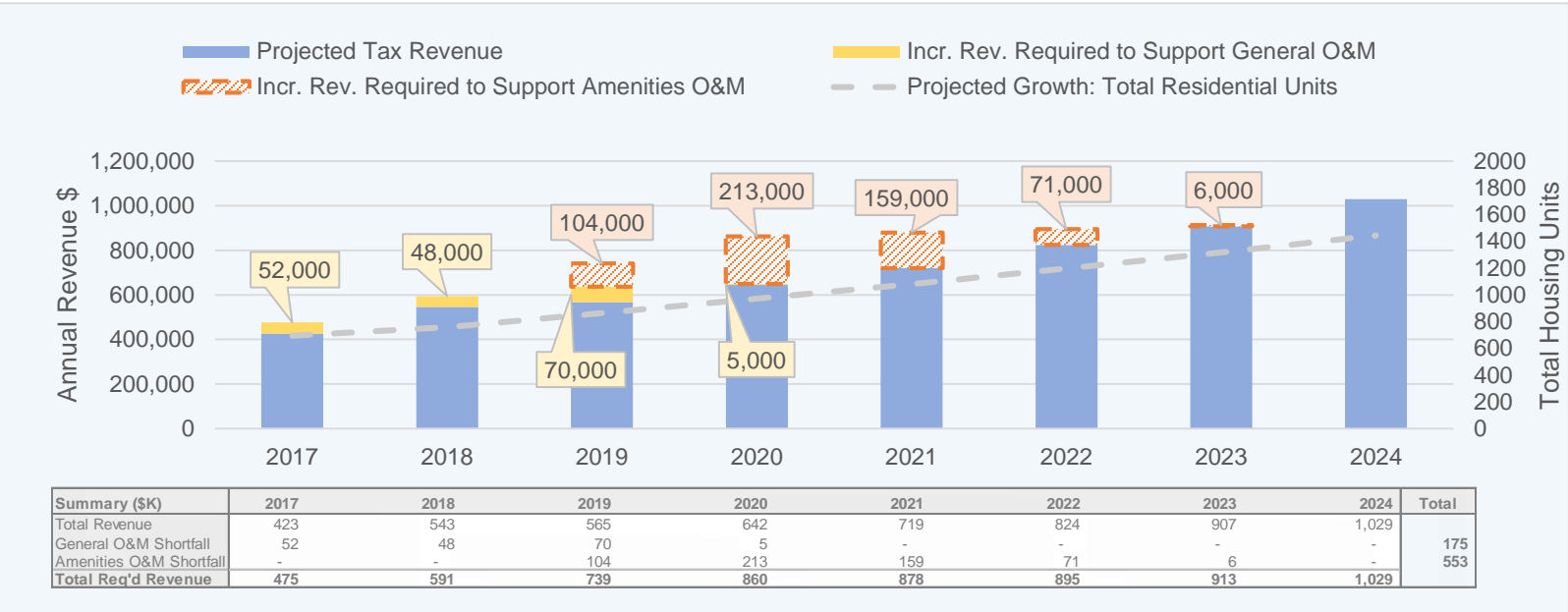
- The Thompson Crossing Metropolitan Districts (TCMD) were established in 2001 by the Town of Johnstown
 - Comprised of multiple districts, with the residential development of Thompson River Ranch (TRR) located in districts 4 & 6
 - The TRR development contains 688 completed units*; with ~1,051 more projected in the next 10 years
- Based on original project plan, Oakwood (the “Developer”) represented to buyers that a community building and swimming pool (“Amenities”) would be constructed within a reasonable timeframe
 - Developer does not intend to seek reimbursement from the TCMD for the est. \$3.5M of construction costs
 - Delivery deadlines agreed with the Town of Johnstown have been amended and extended multiple times
 - Current deadline is June 2018, however Developer indicates that this target is no longer achievable, and that the earliest possible completion date would be June 2019
 - Developer continues to request extensions, asserting that the amenities’ ongoing operating costs will be too burdensome
- Due to economic conditions and pace of development within TRR, TCMD has not met original financial projections, and revenue has fallen short of levels required to be self-sufficient
 - Developer has subsidized TCMD’s shortfalls to-date through developer advances (~\$1.9M outstanding as of YE 2016)

* As of September 2017

TCMD Financial Projection: How much funding is needed to support operations?

- Strae performed an independent review of the TCMD financial projections and made adjustments to the following factors within TCMD financial projections dated July 3, 2017
 - Update of 2016/17 AVs to reflect public records for 4 & 6 and to include District 5
 - Start of amenities O&M delayed from 2018 to 2019 to reflect current Developer construction timing estimate
 - Increase of biennial AV growth rate from 2% to 4%*
- With the above noted adjustments, an estimated general O&M shortfall of ~\$175k occurs over years 2017-2020
- Assuming amenities are opened in June 2019, district would need an incremental ~\$550k of funding over the next 5 years to support facility operations

TCMD Revised Financial Projections



* In line with CPI core inflation, as well as growth rates cited by other nearby Metropolitan Districts in public documents (Centerra Met District #1, 2017 Bond Issuance)

Notes: Above projection represents an estimate, and is not a guarantee of future performance. Estimates are based on TCMD No.3 Projected Surplus Cash Balances and Cash Receipts and Disbursements as of July 13, 2017, with above noted adjustments. Does not assume any future changes to district Mill Levy or tax assessment rates. Oakwood has since provided revised projections showing slower rates of absorption through 2026

Scenario Analysis: Funding required to support amenities

Conclusions based on Strae's adjustments to TCMD's financial projections

- **Accelerated Scenario (Amenities built by 2019):**
 - In an accelerated Scenario, TCMD would need to find ~\$550k in alternative funding sources to support the amenities' operation over the multi-year period
 - Overall, funding requirements estimated to be lower than original projection
 - Amenities' cost for operation does not represent a material balance when compared with estimated cost of overall construction
- **Delayed Build Scenario (Amenities Built by 2022):**
 - Based on revised assumptions, TCMD will be self sufficient to fund amenities O&M without any outside funding by mid-year 2022
 - Variance / total funding when comparing costs

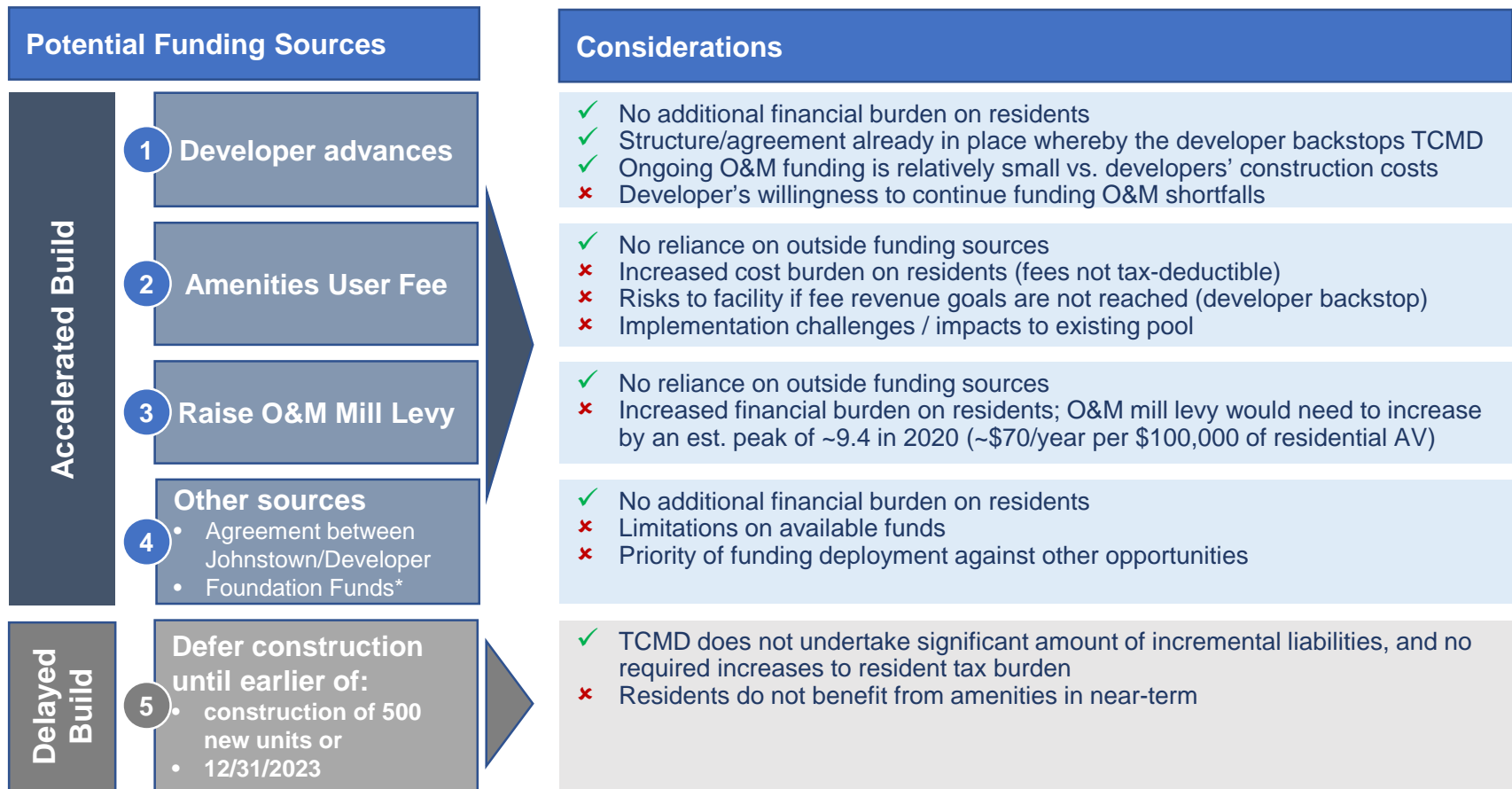
TCMD Total Projected Funding Related to New Amenities (Est 2017 - 2023)

(\$000's)	Original Projection (07/13/2017)	Strae Adjusted Projection	Variance
Accelerated Build			
Est. Amenity Construction Costs*	3,500	3,500	-
<i>Total Amenity O&M Costs</i>	1,224	984	(240)
<i>O&M funded by TCMD Rev.</i>	(123)	(431)	(308)
Est. Amenity O&M Budget Shortfall	1,101	553	(548)
Total Funding Required	4,601	4,053	(548)
Delayed Build			
Est. Amenity Construction Costs*	3,789	3,789	-
Est. Amenity O&M Budget Shortfall	-	-	-
Total Funding Required	4,038	3,964	(74)
Total Var. (Acc'd vs. Delayed)	(563)	(89)	

Notes: Amenities Construction Costs based on Oakwood provided estimate; Delayed build construction costs include 2% annual inflator applied over 4 years; Original projection delayed build scenario represents Strae estimate of future construction costs. Above projection represents an estimate, and is not a guarantee of future performance. Estimates are based on TCMD No.3 Projected Surplus Cash Balances and Cash Receipts and Disbursements as of July 13, 2017, with noted Strae adjustments (see page 3). O&M for amenities does not include lifeguard costs for existing pool. Does not assume any future changes to mill levy or tax assessment rates. * Amenities construction costs will not be reimbursed to developer

TCMD has a number of options available to address the funding shortfalls

- TCMD has a variety of funding options to evaluate when considering the potential O&M funding shortfall related to the amenities



*The Foundation was established by the Met District for the benefit of the community and funded by transfer fees when units are sold from one owner to another

Notes: Estimated mill levy increases based on projections, and is not a guarantee of future performance. Does not take into account any future adjustments to mill levy as a result of changes to assessment rates. Estimates are based on TCMD No.3 Projected Surplus Cash Balances and Cash Receipts and Disbursements as of July 13, 2017, with Strae adjustments as noted on page 3.

Conclusion

- **Based on review of the current developer projected unit absorption rates, Strae expects that TCMD will likely face a cumulative operational deficit of ~\$175k through 2020**
 - Costs to operate new amenities, once built, will increase this deficit by an additional ~\$550k over the next ~5 years (through 2023)
- **Options with the least impact to residents involve sourcing funding from developer advances and/or the Foundation**
 - Developer currently backstops any TCMD budget shortfalls through advances
 - Barring any higher priority use of funds, Foundation has the potential to supplement the amenities O&M budget.
 - Foundation currently has ~\$100k, and is generating an estimated \$30k/year from transfer fees.
- **If residents were to self-fund amenities operations, TCMD's O&M mill levy would need to increase by an estimated maximum of ~9.4 mills**
 - Effectively ~\$205/year (estimated) for a home assessed at \$300,000
- **TCMD's current debt is reflective of their existing credit status, and unlikely to change in the near-term**
 - Limited opportunity in the near term to provide taxpayer relief

Appendix: Thompson Crossing Met District Map

