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D.A. DAVIDSON & CO.
SPECIAL DISTRICT GROUP

FROM BLUEPRINT TO BOTTOM LINE

D.A. Davidson & Co.
member SIPC
FIXED INCOME CAPITAL MARKETS

Agenda

1. What is a Metropolitan District?
2. Information about High Plains Metropolitan District
3. Details of currently outstanding debt
4. Plan to lower homeowner taxes
5. Costs/Benefit analysis
6. Next Steps

D.A. Davidson & Co.

Our firm is a leader in the region:

- 75-year history
- One of the largest full-service investment firms in the region, serving clients across 23 states
- Fixed Income Capital Markets Group headquartered in Denver
- One of the largest Institutional Sales and Trading Desks in the region

The Special District Group:

- Practice group within D.A. Davidson Fixed Income Capital Markets
- Consists of 9 professionals focused exclusively on Colorado Special District debt for 25 years
- Has underwritten more than $4.7 billion in Colorado Special District bonds in the last 10 years*
- 4 times the number of transactions of our closest competitor*

*Thomson Reuters data plus bank placements for the years 2005 through 2016, ranked by par amount issued. Includes bonds underwritten or privately placed for Metropolitan Districts, GIDs, BIDs, SIDs, LIDs and PIDs.

Metropolitan Districts

- Metropolitan Districts are a form of local government in Colorado that have the authority to build public infrastructure including (but not limited to):
  - Street improvements
  - Water and Wastewater infrastructure
  - Park and recreation improvements
- Metropolitan Districts are authorized by the local jurisdiction in which they reside (Aurora in this case)
  - They are created under Title 32 of the Colorado Revised Statutes and governed by the Service Plan
  - In part, the Service Plan outlines the infrastructure and services that the district may provide
  - High Plains' Service Plan contains limitations on the District's ability to impose taxes to repay debt, including a debt service mill levy cap of 50 mills
- Very common form of local government in Colorado
  - There are currently 1,540 Metropolitan Districts in the state
  - In place on essentially all new master planned subdivisions in the Denver Metro Area
  - Allow for new growth to pay its own way

High Plains Metropolitan District

- The District includes all properties in the Blackstone Country Club subdivision
  - Created in 2002 by the original master developer with the authorization of Aurora
  - No full-time employees
- Governed by a 5 member board that is made up exclusively of homeowners within the district
  - Kevin McGlynn
  - Kevin Cahill
  - Joanne Collins
  - Andrew Messerli
  - Josie O'Neill
- District Counsel: Clint Waldron; *White Bear Ankele Tanaka & Waldron*
- District Accountant: Sarah Hunsche; *CliftonLarsonAllen*

High Plains Metropolitan District

Current debt situation:

- High Plains MD pledges the 50 mills it collects for debt to bonds that were issued in 2005 to pay for the community's public improvements
- $23,675,000 Series 2005A senior principal remains outstanding
    - 6.125% - 6.25% interest rate on remaining debt
    - 12/1/2015 call date at par, 12/1/2035 final maturity
    - Estimated accrued interest through 12/1/2016 equals $3.3 million
- Key credit features
    - 50 mill levy cap (until Debt/Assessed Value drops below 50%)
    - Debt to Assessed Ratio of 117% assuming Final 2016 AV of $23.0 million
    - Approximately 50% built out

Plan of Finance

- Refinance outstanding bonds and extend the final maturity
  - Refund the Series 2005A Bonds
  - Series 2017 bond with par of $28,605,000 maturing in 2047
  - New estimated rate of 4.89% (true interest cost)
  - Projected 40 debt service mills through 2022 and ~39 debt service mills thereafter
  - Savings of $3.6 million on a present value basis (15% of refunded bonds)
- The District’s mill levy cap must be removed in order to refinance with a credit rating (assuming BB)

Opportunity to Lower Taxes

- Property taxes can be lowered significantly by refinancing the existing bonds to lower interest rate debt, while also extending the final maturity to 2047
  - The District could reduce the interest rate on its debt from 6.25% to 4.9% fixed for 30 years
  - $930,000 per year on average for 19 years
  - $3.6 million in savings in today's dollars net of issuance costs (15% of refunded par)
- Estimated near-term mill levy reduction:

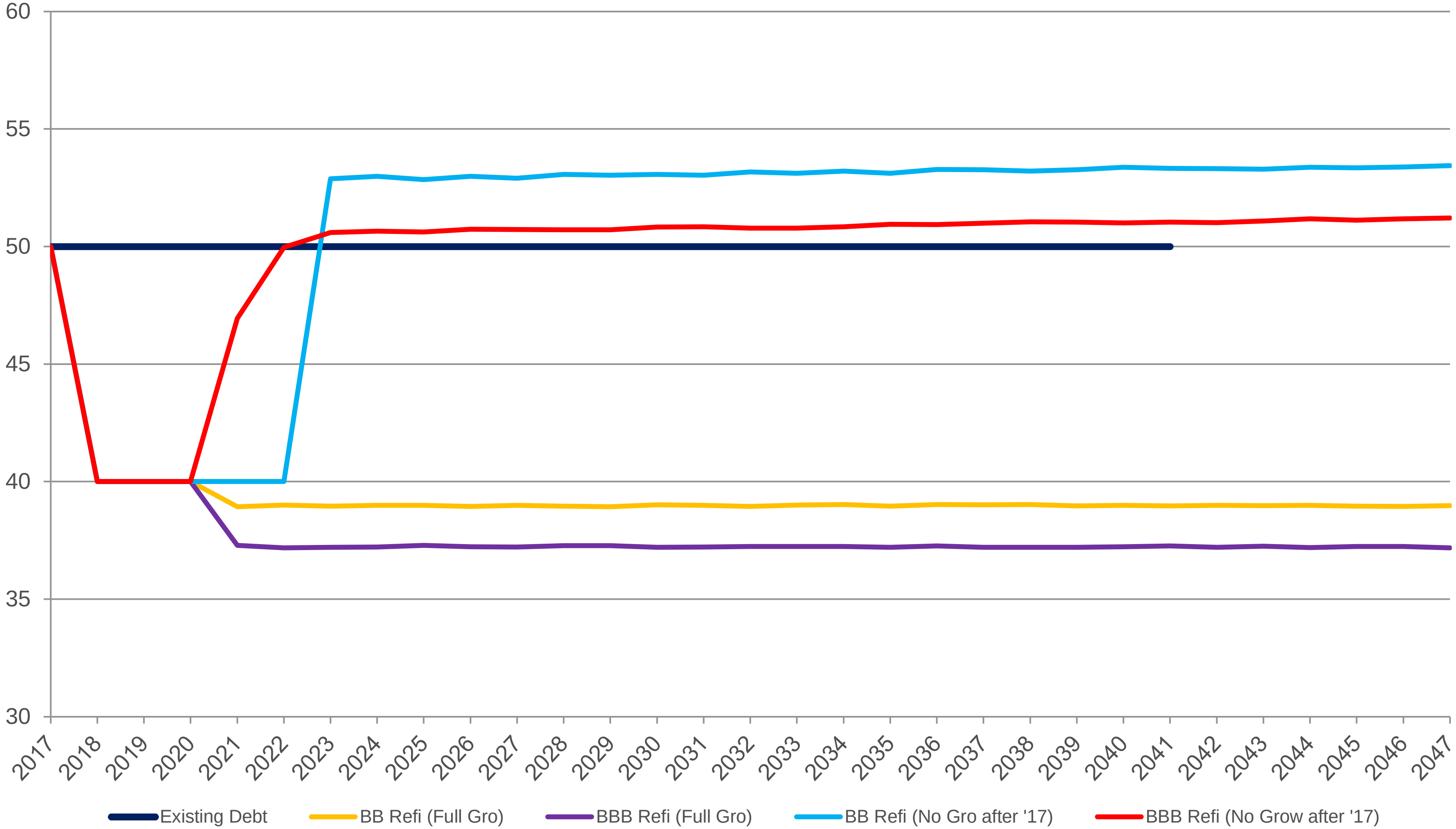
	Current Mill Levy	Proposed Mill Levy	Difference
High Plains	71.0	61.0	(10.0)
All Other Entities	77.5	77.5	0.0
Total Mill Levy	**148.5**	**138.5**	**(10.0)**

- The owner of a $500,000 home would save $398 per year from a 10 mill reduction in taxes
  - $500,000 x 0.0796 = $39,800 x .01 = $398
  - $600,000 x 0.0796 = $47,760 x .01 = $478
  - $700,000 x 0.0796 = $55,720 x .01 = $557

Structuring Options

Debt Structure	Interest Rate	D/S Mill Levy	PV Savings	Maturity	2017 Debt Service
Existing	6.25% (avg.)	50 mills	N/A	2035	$1.85mm
BB Rated Bond	4.89%	40-39 mills	$3.6mm	2047	$0.82mm
BBB Rated Bond	4.55%	40-37 mills	$4.3mm	2047	$0.80mm

Projected Mill Levy Analysis



Benefits/Risks of Mill Levy Cap Removal

Benefits:

- Allows the district to pay off high cost debt in a low rate environment
- Results in the highest possible credit rating for the district
- Potential 20% reduction in debt service mill levy in 2018. This equates to $458 per year on a $575,000 home in 2018
- Only way to refinance is to remove mill levy cap

Key Risk:

- If assessed values don't increase as projected because new development slows, the mill levy could increase in the future above the old cap
  - In order for the debt service mill levy to rise up to 50 mills, development would have to slow to an average of 9 homes per year from a current pace of 87 homes per year
  - If home building stops at the end of this year and existing homes inflate at a 2% biennial rate, the levy would climb above 50 mills in 2023 and settle at a rate of roughly 54 mills thereafter
  - Regardless of whether the District's tax rate rises or falls in the future, the nominal dollar payment that taxpayers experience will be on average $930,000 lower every year for 19 years

Mill Levy Comparison

	Non-District Mills	Metro District Mills	Total Mill Levy
Whispering Pines No.1	93.15	66.00	159.15
High Plains	77.50	71.00	148.50
Sorrel Ranch	81.76	57.00	138.76
Wheatlands	77.50	61.00	138.50
Tollgate Crossing No.2	83.42	52.06	135.48
Southshore No.2	77.50	52.06	129.56
Beacon Point	77.50	52.00	129.50
Tallyn's Reach No.3	77.97	48.96	126.93
Eagle Bend No.2	83.90	36.50	120.40

Interest Rate History - 'BBB' Rated Bonds

Source: Thomson MMD – BBB Rated GO, 20 year average life

Next Steps

- Consider Service Plan Amendment to remove mill levy cap
  - Collect community feedback
    - Amanda Johnson Gorton (agorton@wbapc.com)
  - Discuss financing proposal with the City Staff
  - Submit a Service Plan Amendment to City staff to remove the cap
  - Publication of Notice regarding Public Hearing of City Council on Service Plan Amendment
  - Issuance of a resolution approving the Service Plan Amendment by Aurora City Council at the Public Hearing
- Potential milestones:
  - Board Meeting – February 2, 2017
  - Community Outreach – February 23, 2017
  - Community Feedback – February 23-March 3, 2017
  - Service Plan Amendment Hearing – April 3, 2017
  - Credit Rating Process – April 2017
  - Bond Offering – May 2017
  - Bond Pricing (lock rates) – May 2017
  - Bond Closing – May 2017
  - Reduce mill levy for 2018 collections – November/December 2017