

SKY RANCH COMMUNITY AUTHORITY BOARD
DISCLOSURE TO PURCHASERS – SKY RANCH METROPOLITAN DISTRICT NO. 3

This Disclosure to Purchasers has been prepared by Sky Ranch Community Authority Board, a separate legal entity, political subdivision and public corporation of the State of Colorado (the “CAB”) to provide prospective property owners with general information regarding the CAB and its operations. This Disclosure to Purchasers is intended to provide an overview of pertinent information related to the CAB and does not purport to be comprehensive or definitive. You are encouraged to independently confirm the accuracy and completeness of all statements contained herein.

THE CAB’S POWERS, IMPROVEMENTS AND SERVICES

Sky Ranch Metropolitan District No. 1 (“District No. 1”), Sky Ranch Metropolitan District No. 3 (“District No. 3”), and Sky Ranch Metropolitan District No. 5 (“District No. 5”, and together with District No. 1, the “CAB Districts”), each a quasi-municipal corporation and political subdivision of the State of Colorado, entered into that certain Second Amended & Restated Community Authority Board Establishment Agreement dated August 13, 2021 (the “CABEA”), as the same may be amended from time to time.

District No. 3 operates pursuant to its Amended and Restated Service Plan, which the Board of County Commissioners (the “BOCC”) of Arapahoe County, Colorado (the “County”) approved on December 8, 2020, as it may be amended from time to time (the “District No. 3 Service Plan”).

District No. 1 operates pursuant to a Modified Service Plan, which the BOCC of the County approved on September 14, 2004, as it may be amended from time to time (the “District No. 1 Service Plan”). Sky Ranch Metropolitan District No. 4 (“District No. 4”) and District No. 5 each operate pursuant to their respective Amended and Restated Service Plans, which the BOCC of the County approved on December 8, 2020, as may be amended from time to time (the “District No. 4 Service Plan,” or the “District No. 5 Service Plan,” as applicable).

Sky Ranch Metropolitan District No. 6 (“District No. 6”), Sky Ranch Metropolitan District No. 7 (“District No. 7”), and Sky Ranch Metropolitan District No. 8 (“District No. 8,” and together, with District No. 6 and District No. 7, the “New Districts”) each operate pursuant to their respective Service Plans as may be amended from time to time (the “District No. 6 Service Plan,” the “District No. 7 Service Plan,” or the “District No. 8 Service Plan,” as applicable, and together with the District No. 3 Service Plan, District No. 4 Service Plan, and the District No. 5 Service Plan, the “New Service Plans”), which the BOCC of the County approved on December 8, 2020.

The District No. 1 Service Plan and the New Service Plans are referred to herein, collectively, as the “Service Plans.” District No. 1, District No. 3, and District Nos. 5 through 8 are, individually, each a “District,” and referred to herein, collectively, as the “Districts.” District No. 4 and the New Districts (collectively, the “Inactive Districts”) are in inactive status pursuant to Section 32-1-104(3)(a), C.R.S.

A copy of each Districts' Service Plans is available from the Division of Local Government in the State Department of Local Affairs (the "Division").

The Districts exist for the purpose of designing, acquiring, constructing, installing, financing, and operating and maintaining certain street, traffic and safety controls, stormwater, parks and recreation, television relay and translation, transportation, and mosquito control, all in accordance with the Service Plans. Rangeview Metropolitan District provides water and sanitation services to the CAB's service area.

The CAB Districts established the CAB to furnish, operate and plan for the public improvements authorized by the Service Plans, and will transfer certain revenues received by the CAB Districts to the CAB in order to fund operations and maintenance costs and capital costs of the public improvements. Each CAB District has agreed that the CAB will own, operate, maintain, finance and construct the public improvements benefiting the CAB Districts, and that the CAB Districts will contribute to the costs of construction, operation, and maintenance of such public improvements.

The CAB is governed by a Board of Directors consisting of up to eleven members, of which up to three members are appointed by each of District No. 4 and District No. 5 from the applicable District's Board of Directors, and one member is appointed by each of District No. 1, District No. 3, and District Nos. 6-8, from the applicable District's Board of Directors. Each Director on the CAB Board of Directors serves a term that is concurrent with that Director's term on the applicable District's Board of Directors.

The Inactive Districts may become parties to the CABEA, and therefore may also become CAB Districts, in the future.

The residential lots in Sky Ranch Subdivision Filing No. 4 are within the boundaries of District No. 3.

IT IS STRONGLY SUGGESTED THAT YOU CONFIRM IN WHICH DISTRICT THE PROPERTY OR LOT IN WHICH YOU HAVE AN INTEREST IS LOCATED, AS THE REAL PROPERTY TAXES TO BE PAID IN EACH DISTRICT CAN VARY.

DEBT AND DEBT AUTHORIZATION

Each District is authorized by Title 32 of the Colorado Revised Statutes to use several methods to raise revenues for capital needs and general operations costs. These methods, subject to the limitations imposed by Section 20 of Article X of the Colorado Constitution ("TABOR"), include issuing debt, levying taxes, and imposing fees and charges. Information concerning District directors, management, meetings, elections, and current taxes are provided annually in the Notice to Electors described in Section 32-1-809(1), C.R.S., which can be found at the office of General Counsel for the Districts, on file at the Division, or on file at the office of the Clerk and Recorder of the County.

Pursuant to the CABEA, the CAB Districts, through the CAB, will finance the construction and the operations and maintenance of the public improvements. In no case shall the mill levy imposed by the CAB Districts for debt service and operations and maintenance exceed their respective mill levy caps (described below).

Any debt issued by the Districts will be repaid through ad valorem property taxes, from a District-imposed debt service mill levy on all taxable property within the applicable District, together with any other legally available revenues of the applicable District. The CAB Districts may also pledge tax revenue to the CAB for the CAB to issue CAB debt in accordance with the terms of the CABEA and Service Plans.

Pursuant to the New Service Plans, District Nos. 3 through 5 and the New Districts, collectively, have authority to issue up to an aggregate of Three Hundred Twelve Million Dollars (\$312,000,000) of debt to provide and pay for public infrastructure improvement costs.

Pursuant to the District No. 1 Service Plan, District No. 1 has authority to issue up to One Hundred Sixty-Two Million Dollars (\$162,000,000) of debt to provide and pay for public infrastructure improvement costs (“District No. 1 Maximum Debt Authority”). District No. 1 pledged the District No. 1 Maximum Debt Authority to the CAB pursuant to a Capital Pledge Agreement related to the CAB’s 2019 Bonds, under which District No. 1 pledged certain revenue to the CAB for the repayment of certain public improvements that benefit the users and residents of District No. 1.

TAXES AND FEES IMPOSED ON PROPERTIES WITHIN THE DISTRICTS

Ad Valorem Property Taxes

Each District’s primary source of revenue is from property taxes imposed on property within that District. The CAB Districts may be required to transfer certain revenue to the CAB in accordance with the CABEA. Along with other taxing entities, each District certifies a mill levy by December 15th of each year, which certification determines the taxes paid by each property owner in that District the following year.

The various mill levies described in this Disclosure to Purchasers are examples only and were the mill levies that District No. 3 certified in 2022, for collection in 2023. The mill levies certified for collection in future years may change.

In December 2022, District No. 3 imposed a total combined Mill Levy of 122.215 for tax collection year 2023 (as described below). The total overlapping mill levy imposed on the property within District No. 3 in 2022 for collection in 2023 was 185.191 mills (inclusive of District No. 3’s Mill Levy), as described in the Overlapping Mill Levy section, below.

Debt Service Mill Levy

The maximum debt service mill levy that District No. 3 is permitted to impose upon the taxable property within District No. 3 for payment of debt under the District No. 3 Service Plan

is 55.664 mills (“District No. 3 Debt Mill Levy Cap”); provided, however that in the event the method of calculating assessed valuation is changed after January 1, 2020, the District No. 3 Debt Mill Levy Cap for residential property may be adjusted due to changes in the statutory or constitutional method of assessing property tax or in the assessment ratio. The purpose of such adjustment is to assure, to the extent possible, that the actual tax revenues generated by the mill levy are neither decreased nor increased (the “Assessment Adjustment”), as shown in the example below. In 2020, the residential assessment ratio was 7.15%. The residential assessment ratio for 2021, for collection in 2022, remained at 7.15%. For imposition year 2022, for collection year 2023, the residential assessment ratio is 6.95% for single-family homes and 6.80% for multi-family homes.

In 2022, District No. 3 executed a Capital Pledge Agreement related to the CAB’s \$23,345,000 Limited Tax Supported District No. 3 Senior Bonds (Tax-Exempt Fixed Rate), Series 2022A (the CAB Series 2022A Bonds) and \$6,367,000 Limited Tax Supported District No. 3 Subordinate Bonds (Tax-Exempt Fixed Rate), Series 2022B(3) (the CAB Series 2022B Bonds and together with the CAB Series 2022A bonds, the CAB Series 2022 Bonds), and future bond issuances by the CAB, under which District No. 3 pledged certain revenue to the CAB for the repayment of the CAB Series 2022 Bonds, which paid for certain public improvements that benefit the users and residents of District No. 3 and the CAB’s service area.

Pursuant to the Capital Pledge Agreement, in 2022, District No. 3 certified a Debt Service Mill Levy in the amount of 55.666, for collection in 2023. District No. 3’s Debt Service Mill Levy of 55.666 mills does not exceed the District No. 3 Debt Mill Levy Cap, pursuant to the Assessment Adjustment between 2004 and 2022, as shown in the example below.

THE FOLLOWING EXAMPLE IS PROVIDED SOLELY FOR THE PURPOSE OF ILLUSTRATION AND IS NOT TO BE INTERPRETED AS A REPRESENTATION OF ANY ACTUAL CURRENT OR FUTURE VALUE INCLUDING, BUT NOT LIMITED TO, ANY ACTUAL VALUE, ASSESSMENT RATIO, OR MILL LEVY.

***District Property Tax (Debt Service Mill Levy ONLY) Calculation Example-
Reduction in Residential Assessment Ratio***

Tax Collection Year	Actual Value (V)	Assessment Ratio (R)	Assessed Value (AV) [V x R = AV]	Mill Levy ¹ /Rate ² (M)	Amount of District Tax Due for Debt Service [AV x M]
(a) 2004 – 2017	\$450,000	7.96%	\$35,820	50.000/0.05000	\$1,791
(b) 2018 and 2019	\$450,000	7.20%	\$32,400	55.277/0.055277	\$1,791
(c) 2020 -2022	\$450,000	7.15%	\$32,175	55.664/0.055664	\$1,791
(b) 2023	\$450,000	6.95% (single family)	\$31,275	57.266/0.057266	\$1,791
		6.8% (multi-family)	\$30,600	58.529/0.058529	\$1,791

¹ Based on a projected mill levy, not a representation of any actual current or future mill levy

² Each mill is equal to 1/1000th of a dollar

If in 2021 the Actual Value of the Property was \$450,000, and the Residential Assessment Ratio established by the State Legislature for that year was 7.15%, the Assessed Value of the Property was \$32,175 (i.e., \$450,000 x 7.15% = \$32,175). Therefore, if District No. 3 had certified a debt service mill levy of 55.664 mills for collection in 2022, it would have generated approximately \$1,791 in revenue for District No. 3.

If in 2022, the Actual Value of the Property remains at \$450,000, based upon the State Legislature's determination to change the Residential Assessment Ratio for 2022 (for collection in 2023) to 6.95% for single-family residences, the Assessed Value would be \$31,275 (i.e., \$450,000 x 6.95% = \$31,275). Therefore, District No. 3 would need to certify a debt service mill levy of 57.266 mills in order to generate the same \$1,791 in revenue in 2023 that it would have received from the 2021 debt service mill levy in 2022 had a debt service mill levy been imposed.

If in 2022, the Actual Value of the Property remains at \$450,000, based upon the State Legislature's determination to change the Residential Assessment Ratio for 2022 (for collection in 2023) to 6.8% for multi-family residences, the Assessed Value would be \$30,600 (i.e., \$450,000 x 6.8% = \$30,600). Therefore, District No. 3 would need to certify a debt service mill levy of 58.229 mills in order to generate the same \$1,791 in revenue in 2023 that it would have received from the 2021 debt service mill levy in 2022 had a debt service mill levy been imposed.

For tax collection year 2023, if the Actual Value of the Property remains at \$450,000, based upon Senate Bill 21-293, under which the Residential Assessment Ratio for 2022 (for collection in 2023) was 6.95% for single-family residential property, the Assessed Value would be \$31,275 (i.e., \$450,000 x 6.95% = \$31,275). Therefore, the District No. 3 Debt Mill Levy Cap would be 57.266 mills for single-family residential property in order to generate the same \$1,791 in revenue in tax collection year 2023, that it had received from the 2004 - 2022 debt service mill levy. District No. 3 certified a Debt Service Mill Levy of 56.666 mills in imposition year 2022 for collection in year 2023, which is below the District No. 3 Debt Mill Levy Cap of 57.266 mills for single-family residential property.

Regional Improvements Mill Levy

Pursuant to the New Service Plans, District Nos. 3 through 5 and the New Districts, collectively, are also authorized to impose a Regional Improvements Mill Levy to generate revenue for the planning, design, acquisition, construction, installation, relocation and/or redevelopment, and the administration, overhead and operations and maintenance costs incurred with respect to regional improvements. The Regional Improvements Mill Levy is calculated as the difference between the overlapping mill levies of property subject to the Aurora Public Schools mill levy (“APS Mill Levy”), which is in District No. 1, and the overlapping mill levies of property not subject to the APS Mill Levy, which is in the other Districts. The District No. 3 Debt Mill Levy Cap does not apply to its ability to increase its Regional Improvements Mill Levy as necessary for provision of regional improvements.

In December 2022, District No. 3 imposed a Regional Improvements Mill Levy of 55.417 mills, for collection in 2023.

Operations and Maintenance Mill Levy

In addition to imposing a debt service mill levy and regional improvements mill levy, each District is also authorized by its respective Service Plan to impose a separate mill levy to generate revenues for the provision of administrative, operations and maintenance services. The Service Plans do not limit the Districts’ ability to increase their respective mill levy as necessary for provision of operations and maintenance services.

The CAB operates in place of an owners’ association to provide covenant enforcement and design review services, as well as providing for the operation and maintenance of the park and recreation improvements, within the CAB’s service area. The CAB also coordinates the services of a single trash provider within the CAB’s service area; however, the trash provider (and not the CAB) will directly bill property owners for trash and recycling services. Rangeview Metropolitan District provides water and sanitation services to the CAB’s service area.

In December 2022, District No. 3 imposed an Operations and Maintenance Mill Levy of 11.132 mills, for collection in 2023.

There are several benefits to the use of a metropolitan district or community authority such as the CAB as opposed to, or in cooperation with, an owners’ association, including, but not limited to the following:

(a) Cost Efficiency. Metropolitan districts and community authorities such as the CAB fund their operations from revenues generated from real property taxes while homeowner’s associations assess dues and collect them from property owners. A metropolitan district or community authority can, therefore, operate more efficiently than an owners’ association as the collection of taxes is significantly more effective than separately billing individual homeowners, and dealing with the collection efforts.

(b) Homeowner Savings. Out of pocket expenses for the homeowner are generally less when paid through ad valorem tax as opposed to owners' association dues, and certain property taxes may also be tax deductible.

(c) Transparency. A metropolitan district or community authority such as the CAB is subject to various regulatory requirements that an owners' association is not, such as annual reporting of budgets and audited financials; annual audits, or audit exemptions, are required, not just recommended as with an owners' association.

Overlapping Mill Levies

In addition to the mill levies that District No. 3 imposes, as described above, the property located within District No. 3 is also subject to additional "overlapping" mill levies from additional taxing authorities.

The overlapping mill levies imposed in 2022 (for collection in 2023) for the property within District No. 3, inclusive of the mill levies that District No. 3 imposes, was 185.191 mills. Mill levies are certified in December of each year, and generally published by the County by the end of the first quarter. The breakdown of the overlapping mill levy imposed in 2022 for collection in 2023 was as follows:

Taxing Authority	Levy
Bennett School Dist. # 29	24.321
Arapahoe County	12.750
Developmental Disability	01.000
Arapahoe County L.E.A.	04.982
Arapahoe Library District	05.771
Bennett Fire Protection	13.152
Regional Transportation	00.000
Urban Drainage & Flood	00.900
Urban Drnge&Fld (S Platte)	00.100
OVERLAPPING MILL LEVY (2022)	62.976
Sky Ranch Metropolitan District No. 3 (2022)	122.215
TOTAL WITH DISTRICT MILL LEVY	185.191

Overlapping Mill Levy Property Tax Calculation Example-2023

Tax Collection Year	Actual Value (V)	Assessment Ratio (R)	Assessed Value (AV) [V x R = AV]	Mill Levy¹/Rate² (M)	Amount of Total Property Tax Due [AV x M]
(a) 2023	\$450,000	6.95%	\$32,175	185.191/185191	\$5.792

¹ Based on a projected mill levy, not a representation of any actual current or future mill levy

² Each mill is equal to 1/1000th of a dollar

THE ABOVE EXAMPLE IS PROVIDED SOLELY FOR THE PURPOSE OF ILLUSTRATION AND IS NOT TO BE INTERPRETED AS A REPRESENTATION OF ANY ACTUAL CURRENT OR FUTURE VALUE INCLUDING, BUT NOT LIMITED TO, ANY ACTUAL VALUE, ASSESSMENT RATIO, OR MILL LEVY.

Fees

In addition to property taxes, each District and the CAB may also rely upon various other revenue sources authorized by law to offset the expenses of capital construction and district management, operations and maintenance. Pursuant to their respective Service Plans and the CABEA, each District and the CAB have the power to assess fees, rates, tolls, penalties, or charges as provided in Title 32 of the Colorado Revised Statutes, as amended.

The CAB incurs certain direct and indirect costs (the "Service Costs") associated with the provision of operation and maintenance services benefiting property and inhabitants within the CAB's service area.

In order that the health, safety, and welfare of the CAB and its inhabitants may be safeguarded, the CAB established an Operations and Maintenance Fee ("O&M Fee") for each lot and/or single-family residential dwelling unit located within the boundaries of District No. 3 (each a "Residential Unit"), to provide a source of funding to pay for the provision of the Service Costs which are generally attributable to each Residential Unit. The CAB established "CAB Alleyway Fees" for certain alley-loaded units in District No. 3 to provide revenue for additional services provided by the CAB to alley-loaded units. The CAB also imposes an Administrative Fee (and together with the O&M Fee, and CAB Alleyway Fees, the "CAB Fees"), which is payable to the CAB at the time of any sale, transfer, or re-sale of any Residential Unit.

The CAB Fees are set by, and can be amended by, Resolutions (each, a "Fee Resolution") of the CAB Board of Directors from time to time and shall constitute a statutory and perpetual lien pursuant to Section 32-1-1001(1)(j), C.R.S., from the date same becomes due and payable until paid. Please note that the amount of the CAB Fees may increase or decrease. The Fee Resolution, and any amendments thereto, are recorded in the real property records of Arapahoe County, Colorado.

DISTRICT BOUNDARIES

This Disclosure shall apply to the property within the boundaries of District No. 3, which property is legally described on **Exhibit A**, attached hereto and incorporated herein by this reference.

CONTACT INFORMATION

For any questions regarding the CAB, the Districts or this Disclosure to Purchasers, please contact:

District Manager:
CliftonLarsonAllen LLP
Attn: Lisa A. Johnson

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Greenwood Village, CO 80111
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Dated this 6th day of February, 2023.

EXHIBIT A**Legal Description**

LOTS 1 THROUGH 24, INCLUSIVE, BLOCK 1;

LOTS 1 THROUGH 23, INCLUSIVE, BLOCK 2;

LOTS 1 THROUGH 18, INCLUSIVE, BLOCK 3;

LOTS 1 THROUGH 46, INCLUSIVE, BLOCK 4;

LOTS 1 THROUGH 28, INCLUSIVE, BLOCK 5;

LOTS 1 THROUGH 10, INCLUSIVE, BLOCK 6;

LOTS 1 THROUGH 22, INCLUSIVE, BLOCK 7;

LOTS 1 THROUGH 28, INCLUSIVE, BLOCK 8;

LOTS 1 THROUGH 10, INCLUSIVE, BLOCK 9;

LOTS 1 THROUGH 20, INCLUSIVE, BLOCK 10;

SKY RANCH SUBDIVISION FILING NO. 4, RECORDED AUGUST 18, 2021, AT RECEPTION NO. E112006, COUNTY OF ARAPAHOE, STATE OF COLORADO.