

A RESOLUTION REPEALING RESOLUTION NO. 122-00 ADOPTING A NEW POLICY TO BE APPLIED TO APPLICATIONS TO CREATE OR MODIFY A DISTRICT AUTHORIZED UNDER TITLES 31 AND 32 OF THE COLORADO REVISED STATUTES AND ADOPTING MODEL SERVICE PLANS TO BE USED IN ESTABLISHING AND MODIFYING METROPOLITAN DISTRICTS

WHEREAS, Resolution No. 122-00 provides that all general improvement districts and metropolitan districts under Titles 31 and 32 of the Colorado Revised Statutes are subject to the financial controls and provisions specified in that resolution; and

WHEREAS, Resolution No. 122-00 provides for periodic reviews of the policy related to special districts; and

WHEREAS, staff has reviewed the policy and has recommended repeal of that policy and that a new policy be established and that this new policy should also apply to business improvement districts established or modified under Title 31 of the Colorado Revised Statutes; and

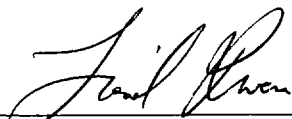
WHEREAS, staff has also proposed model service plans to be used by applicants proposing or modifying metropolitan districts and an application form to be used when establishing or modifying districts established under Titles 31 and 32 of the Colorado Revised Statutes; and

WHEREAS, the City Council has determined that the recommendations of staff are reasonable, that adoption of those recommendations will promote the general welfare of the residents of the city, and that the recommendations of staff should be adopted.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

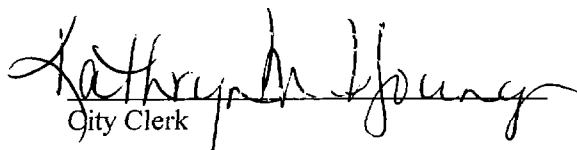
Section 1. That Resolution 122-00 is repealed; that the attached policy, Appendix A, relating to districts established or modified under Titles 31 and 32 of the Colorado Revised Statutes is adopted; and that the attached model service plans, Appendix B and Appendix C, are adopted.

Dated at Colorado Springs, Colorado, this 24th day of January 2006.



Mayor

ATTEST:



City Clerk

**Special District Policy
January 2006**

Council Revisions are noted as follows: deletions, *additions*

1. This policy applies to Business Improvement Districts (BID), General Improvement Districts (GID), and Metropolitan Service Districts as allowed under Colorado Revised Statutes Titles 31 and 32.
2. Applicants must complete and submit a Titles 31 and 32 Special District Transmittal Form and applicants for Title 32 Metropolitan Districts must complete and submit a Service Plan. Any deviation from the Metropolitan District Model Service Plan will be reviewed by City Staff and, if deemed material by Staff, will require specific City Council review and approval as a Service Plan modification. For Title 32 Metropolitan Districts, the Model Service Plan contains the complete and comprehensive description of all Policy components.
3. In accordance with 7-100 of the City Charter, the District shall not issue any debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development.
4. As set forth in 7-100 of the City Charter, the total debt of any proposed District shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire City Council.
5. Any proposed District must commit to the City that its mill levy dedicated to repaying any bonded debt will not exceed the greater of 30 mills for residential properties or 50 mills for commercial properties and may be Gallagher adjusted (or otherwise adjusted) to the extent permitted by law. The maximum allowed for operating is 10 mills for both residential and commercial properties which may be Gallagher adjusted (or otherwise adjusted) to the extent permitted by law. ~~Once the District's debt is equal to or less than five percent (5%) of actual market valuation for a Residential District or equal to or less than fifteen percent (15%) for a Commercial District, the debt mill levy cap is no longer applicable.~~
6. The District shall not consent to the organization of any other district organized under the Special District Act within the Service Area which will overlap the boundaries of the District unless the aggregate mill levy for payment of Debt of such proposed districts will not at any time exceed the Maximum Debt Mill Levy of the District.
7. Districts shall not impose a debt service mill levy on any District initially established as a Residential District which exceeds 40 years after the year of the initial imposition of such debt service mill levy unless: (1) a majority of the Board of Directors of the District imposing the mill levy are residents of such District and (2) such Board has voted in favor of issuing debt with a term which requires or contemplates the imposition of a debt service mill levy for a longer period of time than the limitation contained herein.

8. The District cannot issue debt or certify a debt service mill levy until the property included within the District has a City approved Master Plan and other more detailed land use approvals.
9. Limited tax general obligation bonds issued by a District shall be structured and/or credit enhancements provided such that the bonds cannot default as long as the District is imposing the required maximum allowed mill levy.
10. Prior to the issuance of any privately placed debt for capital related costs, the District shall obtain the certification of an External Financial Advisor regarding the fairness and feasibility of the interest rate and the structure of the debt.
11. The bonds or other debt instruments of Districts will be limited to those that are payable either from ad valorem property taxes, assessments, permitted user fees, reimbursements and interest earnings of the District, and from other revenues made available to the District. No District will be allowed to impose a sales tax.
12. The debt of any District will not constitute a debt or obligation of the City in any manner. The faith and credit of the City will not be pledged for the repayment of the debt of any District. This will be clearly stated on all offering circulars, prospectus, or disclosure statements associated with any securities issued by the District. Districts formed under Title 32, CRS shall not utilize the City of Colorado Springs' name in the name of the District.
- 13. *The issuance of all bonds or other debt instruments of Districts shall be subject to the approval of the City Council.***
- 14. *All District bonds or other debt instrument, if not rated as investment grade, must be issued in minimum denominations of \$100,000 and sold only to either accredited investors as defined in rule 501 (a) promulgated under the Securities Act of 1933 or to the developer(s) of property within the District.***
15. Proceeds from the sale of debt instruments and other revenue of Districts may not be used to pay landowners within the District for any real property required to be dedicated for public use by annexation agreements or land use codes. Examples of ineligible reimbursements include but are not limited to: the acquisition of rights of way, easements, water rights, land for prudent line drainage, parkland, or open space unless consent from the City Council is given. Proceeds from the sale of debt instruments and other revenue of Districts also may not be used to pay for the construction of any utility infrastructure except for those categories of utility infrastructure covered by utility tariffs, rules, and regulations. Additionally, if the landowner/developer constructs the public infrastructure and conveys it to the District in return for a reimbursement obligation from the District, prior to making such reimbursement for such amounts, the District must receive the report of an independent engineer or accountant confirming that the amount of the reimbursement is reasonable.

16. Should the District construct infrastructure subject to a recovery agreement with the City or other entity, the District retains all benefits under the recovery agreement. Any such reimbursements for public improvements installed or financed by a District will remain the property of the District and be applied towards the repayment of its bonded debt, if any. Any reimbursement revenue not necessary to repay District bonded debt may be utilized by the District to construct additional public improvements as approved by City Council. The above provisions also apply in their entirety to circumstances where the public infrastructure has been constructed by the landowner/developer and subsequently conveyed to the District in return for a reimbursement obligation from the District; under those circumstances all applicable recovery agreements will be assigned to the District.
17. The existence of the District will not be considered a substitute for a financial assurance.
18. The City will establish and charge review and filing fees commensurate with the actual cost of processing and reviewing new and amended plans. Such fees are established by separate Council resolution and made available to all Service Plan applicants.
19. Districts shall take all reasonable steps necessary to ensure adequate disclosure of the existence, financial condition, and status of the District to all property owners within its boundaries. Specific written disclosure will be provided to all buyers of property within the District as required in 38-35.7-101 CRS. As required by 7-100 of the City Charter, the City will make available to the public all information regarding the financial condition and status of all General Improvement Districts within the City. Within 90 days of District formation, the District will record the approved Disclosure form included as an Exhibit in the approved Service Plan with the El Paso County Clerk and Recorder against all property included in the District.
20. All BIDs are required to submit an annual audit by March 31 performed by an independent certified public accounting firm.
21. No District shall have the authority of eminent domain or dominant eminent domain without prior City Council approval.
22. The Districts shall not include within any of their boundaries any property outside the Service Area (as described in the Service Plan) without the prior written consent of the City Council.

**City of Colorado Springs Titles 31 and 32 Special District
Application Process and Transmittal Form**

1. Filing of proposed plan(s)

- (a) **Compliance with model plan(s).** The proposed Metropolitan service plan(s) shall substantially comply with the form and content of the Model Plan(s) current at the time. Other plans shall conform to the state statutes.
- (b) **Copies.** Submit fifteen (15) hardcopy sets of the proposed plan and an electronic version (compatible with Microsoft Office - Word 2003). Service Plans must be submitted, in both a "clean" version of proposed service plan and a "redlined" version, showing any changes to the Model Plan(s) (exclusive of filling in blanks), using this format: additions shown in underline, ~~deletions shown in strikethrough~~. Exhibits A through D should be excluded from the redline version, but Exhibit E should be included.
- (c) **Fee.** At the time of filing the proposed or amended plan, petitioners shall pay a nonrefundable application fee made payable to the "City of Colorado Springs" in the following amounts, depending on request:

Metropolitan District	\$3,500
Business Improvement District	\$1,000
General Improvement District	\$1,000
All Other Districts under Titles 31 and 32	\$2,000

Additionally, petitioners shall pay all costs that the city may reasonably incur in retaining an outside consultant or consultants for the purpose of reviewing any proposed plan or amended service plan that does not comply with the form and content of the Model Plan(s).

- (d) **Transmittal form.** The attached transmittal form shall accompany the plan submittal.

2. Schedule for proposed plan review

Date	Action
60 days before hearing date	Deadline for plan submittal
45 days before hearing date	City confirms compliance
30 days before hearing date	Staff schedules City Council hearing date. All documents must be in final form
Hearing date	Consideration for adoption by City Council

3. Proposed plans shall be submitted to:

Fifteen hardcopies (clean & redline):
 City Clerk's Office
 PO Box 1575
 30 S. Nevada Ave., Suite 101
 Colorado Springs, Colorado 80901
 (719) 385-5901

Electronic submittal (clean & redline):
 CityClerk@SpringsGov.com

City of Colorado Springs Titles 31 and 32 Special District Transmittal Form

Date plan received (to be filled in by City):
--

Petitioner: _____

District name(s): _____

District location: _____

District size (acres): _____

Metropolitan District	Business Improvement District	General Improvement District
<input type="checkbox"/> Residential <input type="checkbox"/> Commercial	N/A – Commercial Only	<input type="checkbox"/> Residential <input type="checkbox"/> Commercial
<input type="checkbox"/> New <input type="checkbox"/> Amended/restated: Does current metro district have existing residents? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> New <input type="checkbox"/> Amended/restated:	N/A
<input type="checkbox"/> Single District Service Plan <input type="checkbox"/> Multiple District Service Plan	N/A	N/A

Requested City Council hearing date (not less than 60 days from submittal): _____

Please attach a transmittal letter which includes the following summary information:

1. Justification for petitioner’s request to City Council to approve this district.
2. A general description of future development plans, if known.
3. Identify any deviation from the Model Plan(s) and provide an explanation/justification for each one.

Council Revisions Are Noted As Follows: Deletions, *Additions*

[SINGLE DISTRICT PLAN]

**MODEL SERVICE PLAN
FOR**

_____ METROPOLITAN DISTRICT NO. _____

IN THE CITY OF COLORADO SPRINGS, COLORADO

Prepared

by

[NAME OF PERSON OR ENTITY]

[ADDRESS]

[ADDRESS]

[DATE]

TABLE OF CONTENTS

I. INTRODUCTION 1
A. Purpose and Intent..... 1
B. Need for the District..... 1
C. Objective of the City Regarding District Service Plan 1

II. DEFINITIONS..... 2

III. BOUNDARIES..... 4

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION. 4

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES..... 5
A. Powers of the District and Service Plan Amendment 5
1. Operations and Maintenance Limitation..... 5
2. City Charter Limitations 5
3. Use of Bond Proceeds and Other Revenue of the District Limitation 5
4. Recovery Agreement Limitation..... 6
5. Construction Standards Limitation 6
6. Privately Placed Debt Limitation..... 6
7. Inclusion Limitation..... 6
8. Overlap Limitation..... 6
9. Initial Debt Limitation 6
10. Total Debt Issuance Limitation 7
11. Monies from Other Governmental Sources 7
12. Consolidation Limitation 7
13. Bankruptcy Limitation 7
14. Service Plan Amendment Requirement 7
15. Eminent Domain Powers Limitation 8
B. Preliminary Engineering Survey 8

VI. FINANCIAL PLAN..... 8
A. General 8
B. Maximum Voted Interest Rate and Maximum Underwriting Discount 9
C. No-Default Provisions 9
D. Eligible Bondholders..... 9
E. Maximum Debt Mill Levy 9
F. Maximum Debt Mill Levy Imposition Term 11
G. Debt Repayment Sources..... 11
H. Debt Instrument Disclosure Requirement..... 11
I. Security for Debt..... 11
J. Maximum Operating Mill Levy 12
K. Developer Financial Assurances..... 12

VII. ANNUAL REPORT 12

A. General..... 12
B. Reporting of Significant Events..... 12
VIII. DISSOLUTION 13
IX. DISCLOSURE TO PURCHASERS..... 13
X. CONCLUSION..... 14

LIST OF EXHIBITS

EXHIBIT A	Legal Descriptions
EXHIBIT B	Colorado Springs Vicinity Map
EXHIBIT C-1	Initial District Boundary Map
EXHIBIT C-2	Inclusion Area Boundary Map
EXHIBIT D	Description of Permitted Services to be Provided by the District
EXHIBIT E	Form of Disclosure to Purchasers of Property within the District

I. INTRODUCTION

A. Purpose and Intent

The District is an independent unit of local government, separate and distinct from the City, and, except as may otherwise be provided for by State or local law or this Service Plan, its activities are subject to review by the City only insofar as they may deviate in a material matter from the requirements of the Service Plan. It is intended that the District will provide a part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the District. The primary purpose of the District will be to finance the construction of these Public Improvements.

The District is not being created to provide ongoing operations and maintenance services other than those specifically set forth in Exhibit D to this Service Plan.

B. Need for the District

There are currently no other governmental entities, including the City, located in the immediate vicinity of the District that consider it desirable, feasible or practical to undertake the planning, design, acquisition, construction installation, relocation, redevelopment, and financing of the Public Improvements needed for the Project. Formation of the District is therefore necessary in order for the Public Improvements required for the Project to be provided in the most economic manner possible.

C. Objective of the City Regarding District Service Plan

The City's objective in approving the Service Plan for the District is to authorize the District to provide for the planning, design, acquisition, construction, installation, relocation, and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the District. All Debt is expected to be repaid by taxes imposed and collected for no longer than the Maximum Debt Mill Levy Imposition Term for Residential Districts and at a tax mill levy no higher than the Maximum Debt Mill Levy for all Districts. Debt which is issued within these parameters and, as further described in the Financial Plan, will insulate property owners from excessive tax burdens to support the servicing of the Debt and will result in a timely and reasonable discharge of the Debt.

This Service Plan is intended to establish a limited purpose for the District and explicit financial constraints that are not to be violated under any circumstances. The primary purpose is to provide for the Public Improvements associated with development and regional needs. Operational activities are allowed but only as specified in Exhibit D to this Service Plan.

It is the intent of the District to dissolve upon payment or defeasance of all Debt incurred or upon a court determination that adequate provision has been made for the payment of all Debt, and if any District has authorized operating functions under an intergovernmental agreement with the City, to retain only the power necessary to impose and collect taxes or fees to pay for these costs.

The District shall be authorized to finance the Public Improvements that can be funded from Debt to be repaid from tax revenue collected from a mill levy which shall not exceed the Maximum Debt Mill Levy in any District and which shall not exceed the Maximum Debt Mill Levy Imposition Term in Residential Districts. It is the intent of this Service Plan to assure to the extent possible that no property in any District bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy in amount, and that no property in a Residential District bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy Imposition Term in duration even under bankruptcy or other unusual situations. Generally, the costs of Public Improvements that cannot be funded within these parameters are not costs to be paid by the District.

II. DEFINITIONS

In this Service Plan, the following terms shall have the meanings indicated below, unless the context hereof clearly requires otherwise:

Approved Development Plan: a Master Plan and other more detailed land use approvals established by the City for identifying, among other things, Public Improvements necessary for facilitating the development of property within the Service Area as approved by the City pursuant to the City Code and as amended pursuant to the City Code from time to time.

Board: the board of directors of one District.

Bond, Bonds or Debt: bonds or other obligations for the payment of which any District has promised to impose an *ad valorem* property tax mill levy.

City: the City of Colorado Springs, Colorado.

City Code: the City Code of the City of Colorado Springs, Colorado.

City Council: the City Council of the City of Colorado Springs, Colorado.

Commercial District: a District containing property classified for assessment as nonresidential. (NOTE: all districts which include or are expected to include any residential property must be defined as a Residential District and not a Commercial District).

Debt: any bond, note debenture, contract or other multiple-year financial obligation of a District which is payable in whole or in part from, or which constitutes a lien or encumbrance on the proceeds of ad valorem property tax imposed by a District.

~~Debt to Actual Market Value Ratio: the ratio derived by dividing the then outstanding principal amount of all Debt of the District by the actual market valuation of the taxable property of the District, as such actual market valuation is certified from time to time by the appropriate county assessor.~~

District: the _____ Metropolitan District.

{Note: A District is not permitted to use the name “City of Colorado Springs” in the name of the District}

External Financial Advisor: a consultant that (1) advises Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities, including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (2) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer’s Municipal Market Place; and (3) is not an officer of the District.

Financial Plan: the Financial Plan described in Section VI which describes (a) how the Public Improvements are to be financed; (b) how the Debt is expected to be incurred; and (c) the estimated operating revenue derived from property taxes for the first budget year.

Inclusion Area Boundaries: the boundaries of the area described in the Inclusion Area Boundary Map.

Inclusion Area Boundary Map: the map attached hereto as Exhibit C-2, describing the property proposed for inclusion within the District.

Initial District Boundaries: the boundaries of the area described in the Initial District Boundary Map.

Initial District Boundary Map: the map attached hereto as Exhibit C-1, describing the District’s initial boundaries.

Maximum Debt Mill Levy: the maximum mill levy of the District is permitted to impose for payment of Debt as set forth in Section VI.D below.

Maximum Debt Mill Levy Imposition Term: the maximum term for imposition of a Debt Service mill levy in a Residential District as set forth in Section VI.E below.

Maximum Operating Mill Levy: the maximum mill levy of the District is permitted to impose for payment of operating and maintenance expenses as set forth in Section VI. I below.

Project: the development or property commonly referred to as _____.

Public Improvements: a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed as generally described in the Special District Act, except as specifically limited in Section V below to serve the future taxpayers and inhabitants of the Service Area as determined by the Board of the District.

Regional Improvements: Public Improvements and facilities that benefit the Service Area and which are to be financed pursuant to Section VI below.

Residential District: a District containing property classified for assessment as residential. (NOTE: all districts which include or are expected to include any residential property must be defined as Residential Districts and not Commercial Districts).

Service Area: the property within the Initial District Boundary Map and the Inclusion Area Boundary Map.

Service Plan: the service plan for the District approved by City Council.

Service Plan Amendment: an amendment to the Service Plan approved by City Council in accordance with the City's ordinance and the applicable State law.

Special District Act: Section 32-1-101, et seq., of the Colorado Revised Statutes, as amended from time to time.

State: the State of Colorado.

III. **BOUNDARIES**

The area of the Initial District Boundaries includes approximately _____ acres and the total area proposed to be included in the Inclusion Area Boundaries is approximately _____ acres. A legal description of the Initial District Boundaries and the Inclusion Area Boundaries is attached hereto as Exhibit A. A map of the Initial District Boundaries is attached hereto as Exhibit C-1, and a map of the Inclusion Area Boundaries is attached hereto as Exhibit C-2. A vicinity map is attached hereto as Exhibit B. It is anticipated that the District's Boundaries may change from time to time as it undergoes inclusions and exclusions pursuant to Section 32-1-401, et seq., CRS, and Section 32-1-501, et seq., CRS, subject to the limitations set forth in Article V below.

IV. **PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION**

The Service Area consists of approximately _____ acres of _____ land. The current assessed valuation of the Service Area is \$0.00 for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the Financial Plan. The population of the District at build-out is estimated to be approximately _____ people.

Approval of this Service Plan by the City does not imply approval of the development of a specific area within the District, nor does it imply approval of the number of residential units or the total site/floor area of commercial or industrial buildings identified in this Service Plan or any of the exhibits attached thereto, unless the same is contained within an Approved Development Plan.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the District and Service Plan Amendment

The District shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the District as such power and authority is described in the Special District Act, and other applicable statutes, common law and the Constitution, subject to the limitations set forth herein.

1. Operations and Maintenance Limitation. The purpose of the District is to plan for, design, acquire, construct, install, relocate, redevelop, and finance the Public Improvements. The District shall dedicate the Public Improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and other rules and regulations of the City and applicable provisions of the City Code. The District shall not be authorized to operate and maintain any part or all of the Public Improvements after such dedication, including park and recreation improvements, unless the provision of such ongoing operation and maintenance is specifically identified in Exhibit D attached hereto. In the City's sole discretion, an IGA between the City and the District may be required in order to better describe the conditions under which these permitted services will be provided by the District. If the District is authorized to operate and maintain certain park and recreation improvements set forth in Exhibit D, any fee imposed by the District for access to such park and recreation improvements shall not result in non-District Colorado Springs residents paying a user fee that is greater than, or otherwise disproportionate to, similar fees and taxes paid by residents of the District. However, the District shall be entitled to impose an administrative fee as necessary to cover additional expenses associated with non-District Colorado Springs residents to ensure that such costs are not the responsibility of the District residents. All such fees shall be based upon the determination of the District imposing such fee that such fee does not exceed a reasonable annual market fee for users of such facilities. Notwithstanding the foregoing, all parks and trails shall be open to the general public including non-District Colorado Springs residents free of charge.

2. City Charter Limitations. In accordance with Article 7-100 of the City Charter, the District shall not issue any Debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development.

As further set forth in Article 7-100 of the City Charter, the total Debt of any proposed District shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire City Council.

3. Use of Bond Proceeds and Other Revenue of the District Limitation. Proceeds from the sale of debt instruments and other revenue of the District may not be used to pay landowners within the District for any real property required to be dedicated for public use by annexation agreements or land use codes. Examples of ineligible reimbursements include, but are not limited to: the acquisition of rights of way, easements, water rights, land for prudent line drainage, parkland, or open space, unless consent from the City Council is given. Proceeds from the sale of debt instruments and other revenue of the District also may not be used to pay for the construction of any utility infrastructure except for those categories of utility

infrastructure covered by utility tariffs, rules, and regulations. Additionally, if the landowner/developer constructs the public infrastructure and conveys it to the District in return for a reimbursement obligation from the District, prior to making such reimbursement for such amounts, the District must receive the report of an independent engineer or accountant confirming that the amount of the reimbursement is reasonable.

4. Recovery Agreement Limitation. Should the District construct infrastructure subject to a recovery agreement with the City or other entity, the District retain all benefits under the recovery agreement. Any subsequent reimbursement for public improvements installed or financed by the District will remain the property of the District to be applied toward repayment of their Debt, if any. Any reimbursement revenue not necessary to repay the District Debt may be utilized by the District to construct additional public improvements permitted under the approved Service Plan.

5. Construction Standards Limitation. The District will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City and of other governmental entities having proper jurisdiction. The District will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

6. Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt for capital related costs, the District shall obtain the certification of an External Financial Advisor substantially as follows:

We are [I am] an External Financial Advisor within the meaning of the District's Service Plan.

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), CRS) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

7. Inclusion Limitation. The District shall not include within any of their boundaries any property outside the Service Area without the prior written consent of the City Council.

8. Overlap Limitation. The District shall not consent to the organization of any other district organized under the Special District Act within the Service Area which will overlap the boundaries of the District unless the aggregate mill levy for payment of Debt of such proposed districts will not at any time exceed the Maximum Debt Mill Levy of the District.

9. Initial Debt Limitation. On or before the date on which there is an Approved Development Plan, the District shall not (a) issue any Debt; (b) impose a mill levy for

the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds; or (c) impose and collect any fees used for the purpose of repayment of Debt.

10. Total Debt Issuance Limitation. *The issuance of all bonds or other debt instruments of Districts shall be subject to the approval of the City Council.* The District shall not issue Debt in an aggregate principal amount in excess of \$_____, provided that the foregoing shall not include the principal amount of Debt issued for the purpose of refunding or refinancing lawfully issued Debt.

11. **Monies from Other Governmental Sources.** The District shall not apply for or accept Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or nonprofit entities that the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the District without any limitation.

12. **Consolidation Limitation.** The District shall not file a request with any court to consolidate with another Title 32 district without the prior written consent of the City.

13. **Bankruptcy Limitation.** All of the limitations contained in this Service Plan, including, but not limited to, those pertaining to the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term have been established under the authority of the City to approve a Service Plan with conditions pursuant to Section 32-1-204.5, CRS. It is expressly intended that such limitations:

(a) Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

(b) Are, together with all other requirements of Colorado law, included in the “political or governmental powers” reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the “regulatory or electoral approval necessary under applicable nonbankruptcy law” as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy or, for Residential Districts, the Maximum Debt Mill Levy Imposition Term, shall be deemed a material departure from this Service Plan pursuant to Section 32-1-207, CRS and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

14. **Service Plan Amendment Requirement.** This Service Plan has been designed with sufficient flexibility to enable the District to provide required services and facilities under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based are reflective of an Approved Development Plan for the property within the District, the cost estimates and Financing Plan are sufficiently flexible to enable the District to provide necessary services and facilities without the need to amend this Service Plan as development plans change. Modification of the general types of services and facilities, and changes in proposed configurations, locations, or dimensions of

various facilities and improvements shall be permitted to accommodate development needs consistent with then-current Approved Development Plans for the property. Actions of the District which violate the limitations set forth in V.A.1-12 above or in VI.B-F. shall be deemed to be material departures from this Service Plan and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the District.

15. Eminent Domain Powers Limitation. Currently, the District does not expect to use the power of eminent domain. The District shall not exercise the power of eminent domain except upon the prior written consent of the City.

B. Preliminary Engineering Survey

The District shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the Public Improvements within and without the boundaries of the District, to be more specifically defined in an Approved Development Plan. An estimate of the costs of the Public Improvements which may be planned for, designed, acquired, constructed, installed, relocated, redeveloped, maintained or financed was prepared based upon a preliminary engineering survey and estimates derived from the Approved Development Plan on the property in the Service Area and is approximately \$_____.

The District shall be permitted to allocate costs between such categories of the Public Improvements as deemed necessary in their discretion.

All of the Public Improvements described herein will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of the City and shall be in accordance with the requirements of the Approved Development Plan. All descriptions of the Public Improvements to be constructed, and their related costs, are estimates only and are subject to modification as engineering, development plans, economics, the City's requirements, and construction scheduling may require. Upon approval of this Service Plan, the District will continue to develop and refine cost estimates contained herein and prepare for issuance of Debt. All cost estimates will be inflated to then-current dollars at the time of the issuance of Debt and construction. All construction cost estimates assume construction to applicable local, State or Federal requirements.

VI. FINANCIAL PLAN

A. General

The District shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenue and by and through the proceeds of Debt to be issued by the District. The Financial Plan for the District shall be to issue such Debt as the District can reasonably pay from revenue derived from the Maximum Debt Mill Levy and other legally available revenue, within the Maximum Debt Mill Levy Term for Residential Districts. The total Debt that the District shall be permitted to issue shall not exceed the total Debt issuance limitation set forth in Section V.A.9 hereof, and shall be permitted to be issued on a schedule and in such year or years as the District

determine shall meet the needs of the Financial Plan referenced above and phased to serve development as it occurs. All bonds and other Debt issued by the District may be payable from any and all legally available revenue of the District, including general ad valorem taxes to be imposed upon all taxable property of the District. The District will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in the Special District Act or other State statutes. No District will be allowed to impose a sales tax.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount

The interest rate on any Debt is expected to be the market rate at the time the Debt is issued. The proposed maximum interest rate on any Debt is not expected to exceed 18%. The proposed maximum underwriting discount will be 5%. Debt, when issued, will comply with all relevant requirements of this Service Plan, State law and Federal law as then applicable to the issuance of public securities.

C. No-Default Provisions

Debt issued by a District shall be structured so that failure to pay debt service when due shall not of itself constitute an event of default or result in the exercise of remedies. The foregoing shall not be construed to prohibit events of default and remedies for other occurrences including, without limitation, (1) failure to impose or collect the Maximum Debt Mill Levy or such portion thereof as may be pledged thereto, or to apply the same in accordance with the terms of the Debt, (2) failure to impose or collect other revenue sources lawfully pledged to the payment thereof or to apply the same in accordance with the terms of the Debt, (3) failure to abide by other covenants made in connection with such Debt, or (4) filing by a District as a debtor under any bankruptcy or other applicable insolvency laws. Notwithstanding the foregoing, Debt will not be structured with a remedy which requires the District to increase the Maximum Debt Mill Levy in any District or, in Residential Districts, the Maximum Debt Mill Levy Imposition Term.

D. Eligible Bondholders

All District bonds or other debt instrument, if not rated as investment grade, must be issued in minimum denominations of \$100,000 and sold only to either accredited investors as defined in rule 501 (a) promulgated under the Securities Act of 1933 or to the developer(s) of property within the District.

E. Maximum Debt Mill Levy

The “Maximum Debt Mill Levy” shall be the maximum mill levy a District is permitted to impose upon the taxable property of the District for payment of Debt, and shall be determined as follows:

1. For Residential District the Maximum Debt Mill Levy shall be calculated as follows:

~~(a) For so long as the Debt to Actual Market Value Ratio of a Residential District is greater than 5%, The Maximum Debt Mill Levy shall be 30 mills; provided that if, on or after January 1, 2006, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.~~

~~(b) Once the District's Debt is equal to or less than 5% of the District's actual market valuation, the mill levy to be imposed to repay such Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate. For purposes of the foregoing, once Debt has been determined to meet the above criterion, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, such District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in such District's Debt to assessed ratio. All Debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, CRS and all other requirements of State law.~~

2. For Commercial Districts the Maximum Debt Mill Levy shall be calculated as follows:

~~(a) For so long as the Debt to Actual Market Value Ratio of a Commercial District is greater than 15%, The Maximum Debt Mill Levy shall be 50 mills; provided that if, on or after January 1, 2006, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.~~

~~(b) Once the District's Debt is equal to or less than 15% of the District's actual market valuation, the mill levy to be imposed to repay such Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate. For purposes of the foregoing, once Debt has been determined to meet the above criterion, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, such District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in such District's Debt to assessed ratio. All Debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, CRS and all other requirements of State law.~~

To the extent that the District is composed of or subsequently organized into one or more sub districts as permitted under Section 32-1-1101, CRS, the term “District” as used in this Section VI. D. shall be deemed to refer to the District and to each such sub district separately, so that each of the sub districts shall be treated as a separate, independent district for purposes of the application of this Section VI. D.

F. Maximum Debt Mill Levy Imposition Term

Residential Districts shall not impose a Debt Service mill levy which exceeds 40 years after the year of the initial imposition of such Debt Service mill levy unless (1) a majority of the Board of Directors of the District imposing the mill levy are residents of such District, and (2) such Board has voted in favor of issuing Debt with a term which requires or contemplates the imposition of a Debt service mill levy for a longer period of time than the limitation contained herein. There shall be no Maximum Debt Mill Levy Imposition Term in Commercial Districts.

G. Debt Repayment Sources

Each District may impose a mill levy on taxable property within its boundaries as a primary source of revenue for repayment of debt service and for operations and maintenance. The District may also rely upon various other revenue sources authorized by law. At the District’s discretion, these may include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(l), CRS, as amended from time to time. In no event shall the debt service mill levy in any District exceed the Maximum Debt Mill Levy or, for a Residential District, the Maximum Debt Mill Levy Imposition Term.

H. Debt Instrument Disclosure Requirement

In the text of each Bond and any other instrument representing and constituting Debt, the District shall set forth a statement in substantially the following form:

By acceptance of this instrument, the owner of this Bond agrees and consents to all of the limitations in respect of the payment of the principal of and interest on this Bond contained herein, in the resolution of the District authorizing the issuance of this Bond and in the Service Plan for the District.

Similar language describing the limitations in respect of the payment of the principal of and interest on Debt set forth in this Service Plan shall be included in any document used for the offering of the Debt for sale to persons including, but not limited to, a developer of property within the boundaries of the District.

I. Security for Debt

No Debt or other financial obligation of any District will constitute a debt or obligation of the City in any manner. The faith and credit of the City will not be pledged for the repayment of any Debt or other financial obligation of any District. This will be clearly stated on

all offering circulars, prospectuses, or disclosure statements associated with any securities issued by any District. The District shall not utilize the City of Colorado Springs' name in the name of the District.

J. Maximum Operating Mill Levy

In addition to the capital costs of the Public Improvements, the District will require operating funds for administration and to plan and cause the Public Improvements to be constructed and maintained. The first year's operating budget is estimated to be \$ _____ which is anticipated to be derived from property taxes and other revenue.

The Maximum Operating Mill Levy for the payment of the District operating and maintenance expenses shall be 10 mills; provided that if, on or after January 1, 2006, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such operating and maintenance expenses may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

K. Developer Financial Assurances

The mere existence of the District will not be considered a substitute for financial assurances required under applicable City land use ordinances and regulations.

VII. ANNUAL REPORT

A. General

Each District shall be responsible for submitting an annual report to the Director of the City's Budget Department no later than August 1 of each year following the year in which the Order and Decree creating the District has been issued. The District may cooperate in the creation and submittal of the report, provided the presentation of information in the report clearly identifies the applicable information pertaining to each District.

B. Reporting of Significant Events

The annual report shall include information as to any of the following:

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year.

2. Intergovernmental agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.
3. Copies of the District's rules and regulations, if any, as of December 31 of the prior year.
4. A summary of any litigation which involves the any District's Public Improvements as of December 31 of the prior year.
5. Status of the District's construction of the Public Improvements as of December 31 of the prior year.
6. A list of all facilities and improvements constructed by the District that have been dedicated to and accepted by the City as of December 31 of the prior year.
7. The assessed valuation of the District for the current year.
8. Current year budget including a description of the Public Improvements to be constructed in such year.
9. Audit of the District financial statements for the year ending December 31 of the previous year prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.
10. Notice of any uncured events of noncompliance by the District under any Debt instrument, which continue beyond a 90-day period.
11. Any inability of the District to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a 90-day period.
12. Copies of any Certifications of an External Financial Advisor provided as required by the Privately Placed Debt Limitation provision.

VIII. DISSOLUTION

Upon an independent determination of the City Council that the purposes for which the District was created have been accomplished, the District agrees to file petitions in the appropriate District Court for dissolution pursuant to the applicable State statutes. In no event shall a dissolution occur until the District has provided for the payment or discharge of all of its outstanding indebtedness and other financial obligations as required pursuant to State statutes.

IX. DISCLOSURE TO PURCHASERS

The District will use reasonable efforts to assure that all developers of the property located within the District provide written notice to all purchasers of property in the District regarding the Maximum Debt Mill Levy, as well as a general description of the District's authority to impose and collect rates, fees, tolls and charges. The form of notice shall be substantially in the form of Exhibit E hereto; provided that such form may be modified by the

District so long as a new form is submitted to the City prior to modification. Within 90 days of District formation, the District will record the approved Disclosure form with the El Paso County Clerk and Recorder against all property included in the District and provide a copy to the City Clerk's Office.

X. CONCLUSION

It is submitted that this Service Plan for the District, as required by Section 32-1-203(2), CRS, and Section 122-35 of the City Code, establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the District;
2. The existing service in the area to be served by the District is inadequate for present and projected needs;
3. The District is capable of providing economical and sufficient service to the area within its proposed boundaries; and
4. The area to be included in the District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.
5. Adequate service is not, and will not be, available to the area through the City or County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis.
6. The facility and service standards of the District are compatible with the facility and service standards of the City within which the special district is to be located and each municipality which is an interested party under Section 32-1-204(1), CRS
7. The proposal is in substantial compliance with a comprehensive plan adopted pursuant to the City Code.
8. The proposal is in compliance with any duly adopted City, regional or State long-range water quality management plan for the area.
9. The creation of the District is in the best interests of the area proposed to be served.

EXHIBIT A

Legal Descriptions

EXHIBIT B

Colorado Springs Vicinity Map

EXHIBIT C-1

Initial District Boundary Map

EXHIBIT C-2

Inclusion Area Boundary Map

EXHIBIT D

Description of Permitted Services to be Provided by the District

Description of Services _____

IGA Required (Yes or No)

Exhibit E

NOTICE OF SPECIAL DISTRICT DISCLOSURE
(to be provided to every purchaser of real property within the boundaries of the District)

Name of District(s):	
Contact Information for District:	
Type of District(s): (i.e. if dual or three districts concept - insert language regarding limited rights of property owners)	
Identify District(s) Improvements Financed by Proposed Bonds (List by major categories, i.e. Roads – Powers Blvd):	
Identify Services/Facilities Operated/Maintained by District(s):	
Mill Levy Cap: (Describe Procedure for any Adjustments to Mill Levy Cap) <i>(Note: This District may or may not be certifying a mill levy at the time of your purchase. Please verify by contacting the District.)</i>	
Authorized Debt of the District(s) per Operating or Service Plan:	
Voter Authorized Debt per Election:	
District Boundaries:	See attached map

<p><u>Sample Calculation of Mill Levy Cap for a Residential Property</u></p> <p>Assumptions: Market value is \$250,000 Mill levy cap is 40 mills</p> <p>Calculation: $\\$250,000 \times .0796 = \\$19,900$ (Assessed Valuation) $\\$19,900 \times .040$ mills = \$796 per year in taxes owed solely to the Special District</p>	<p><u>Sample Calculation of Mill Levy Cap for a Commercial, Office or Industrial Property</u></p> <p>Assumptions: Market value is \$750,000 Mill levy cap is 60 mills</p> <p>Calculation: $\\$750,000 \times .29 = \\$217,500$ (Assessed Valuation) $\\$217,500 \times .060$ mills = \$13,050 per year in taxes owed solely to the Special District</p>
--	--

FIGURE 1

Council Revisions Are Noted As Follows: Deletions, *Additions*

[MULTIPLE DISTRICT PLAN]

**MODEL SERVICE PLAN
FOR**

_____ METROPOLITAN DISTRICT NO. _____

IN THE CITY OF COLORADO SPRINGS, COLORADO

Prepared

by

[NAME OF PERSON OR ENTITY]

[ADDRESS]

[ADDRESS]

[DATE]

TABLE OF CONTENTS

I. INTRODUCTION 1
 A. Purpose and Intent..... 1
 B. Need for the Districts..... 1
 C. Objective of the City Regarding Districts Service Plan..... 1

II. DEFINITIONS..... 2

III. BOUNDARIES..... 4

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION. 4

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES..... 5
 A. Powers of the Districts and Service Plan Amendment 5
 1. Operations and Maintenance Limitation..... 5
 2. City Charter Limitations 5
 3. Use of Bond Proceeds and Other Revenue of the Districts Limitation 5
 4. Recovery Agreement Limitation..... 6
 5. Construction Standards Limitation 6
 6. Privately Placed Debt Limitation..... 6
 7. Inclusion Limitation..... 6
 8. Overlap Limitation..... 6
 9. Initial Debt Limitation 7
 10. **Total Debt Issuance Limitation** 7
 11. Monies from Other Governmental Sources 7
 12. Consolidation Limitation 7
 13. Bankruptcy Limitation 7
 14. Service Plan Amendment Requirement 8
 15. Eminent Domain Powers Limitation 8
 B. Preliminary Engineering Survey..... 8
 C. Multiple District Structure. 9

VI. FINANCIAL PLAN..... 9
 A. General 9
 B. Maximum Voted Interest Rate and Maximum Underwriting Discount 9
 C. No-Default Provisions 10
 D. **Eligible Bondholders**..... 10
 E. Maximum Debt Mill Levy 10
 F. Maximum Debt Mill Levy Imposition Term 11
 G. Debt Repayment Sources..... 12
 H. Debt Instrument Disclosure Requirement..... 12
 I. Security for Debt..... 12
 J. Maximum Operating Mill Levy..... 12
 K. Developer Financial Assurances..... 13

VII. ANNUAL REPORT 13
 A. General..... 13
 B. Reporting of Significant Events..... 13
VIII. DISSOLUTION 14
IX. DISCLOSURE TO PURCHASERS..... 14
X. CONCLUSION..... 14

LIST OF EXHIBITS

EXHIBIT A	Legal Descriptions
EXHIBIT B	Colorado Springs Vicinity Map
EXHIBIT C-1	Initial District Boundary Map
EXHIBIT C-2	Inclusion Area Boundary Map
EXHIBIT D	Description of Permitted Services to be Provided by the Districts
EXHIBIT E	Form of Disclosure to Purchasers of Property within the Districts

I. INTRODUCTION

A. Purpose and Intent

The Districts are independent units of local government, separate and distinct from the City, and, except as may otherwise be provided for by State or local law or this Service Plan, their activities are subject to review by the City only insofar as they may deviate in a material matter from the requirements of the Service Plan. It is intended that the Districts will provide a part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The primary purpose of the Districts will be to finance the construction of these Public Improvements.

The Districts are not being created to provide ongoing operations and maintenance services other than those specifically set forth in Exhibit D to this Service Plan.

B. Need for the Districts

There are currently no other governmental entities, including the City, located in the immediate vicinity of the Districts that consider it desirable, feasible or practical to undertake the planning, design, acquisition, construction installation, relocation, redevelopment, and financing of the Public Improvements needed for the Project. Formation of the Districts is, therefore, necessary in order for the Public Improvements required for the Project to be provided in the most economic manner possible.

C. Objective of the City Regarding Districts Service Plan

The City's objective in approving the Service Plan for the Districts is to authorize the Districts to provide for the planning, design, acquisition, construction, installation, relocation, and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the Districts. All Debt is expected to be repaid by taxes imposed and collected for no longer than the Maximum Debt Mill Levy Imposition Term for Residential Districts and at a tax mill levy no higher than the Maximum Debt Mill Levy for all Districts. Debt which is issued within these parameters and, as further described in the Financial Plan, will insulate property owners from excessive tax burdens to support the servicing of the Debt and will result in a timely and reasonable discharge of the Debt.

This Service Plan is intended to establish a limited purpose for the Districts and explicit financial constraints that are not to be violated under any circumstances. The primary purpose is to provide for the Public Improvements associated with development and regional needs. Operational activities are allowed, but only as specified in Exhibit D to this Service Plan.

It is the intent of the Districts to dissolve upon payment or defeasance of all Debt incurred or upon a court determination that adequate provision has been made for the payment of all Debt, and if any District has authorized operating functions under an intergovernmental agreement (IGA) with the City, to retain only the power necessary to impose and collect taxes or fees to pay for these costs.

The Districts shall be authorized to finance the Public Improvements that can be funded from Debt to be repaid from tax revenue collected from a mill levy which shall not exceed the Maximum Debt Mill Levy in any District and which shall not exceed the Maximum Debt Mill Levy Imposition Term in Residential Districts. It is the intent of this Service Plan to assure to the extent possible that no property in any District bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy in amount, and that no property in a Residential District bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy Imposition Term in duration even under bankruptcy or other unusual situations. Generally, the costs of Public Improvements that cannot be funded within these parameters are not costs to be paid by the Districts.

II. DEFINITIONS

In this Service Plan, the following terms shall have the meanings indicated below, unless the context hereof clearly requires otherwise:

Approved Development Plan: a Master Plan and other more detailed land use approvals established by the City for identifying, among other things, Public Improvements necessary for facilitating the development of property within the Service Area as approved by the City pursuant to the City Code and as amended pursuant to the City Code from time to time.

Board: the board of directors of one District or the boards of directors of all Districts, in the aggregate.

Bond, Bonds or Debt: bonds or other obligations for the payment of which any District has promised to impose an ad valorem property tax mill levy.

City: the City of Colorado Springs, Colorado.

City Code: the City Code of the City of Colorado Springs, Colorado.

City Council: the City Council of the City of Colorado Springs, Colorado.

Commercial Districts: District Nos. _____, inclusive, containing property classified for assessment as nonresidential. (NOTE: all districts which include or are expected to include any residential property must be defined as Residential Districts and not Commercial Districts).

Debt: any bond, note debenture, contract or other multiple-year financial obligation of a District which is payable in whole or in part from, or which constitutes a lien or encumbrance on the proceeds of ad valorem property tax imposed by a District.

~~Debt to Actual Market Value Ratio: the ratio derived by dividing the then-outstanding principal amount of all Debt of the District by the actual market valuation of the taxable property of the District, as such actual market valuation is certified from time to time by the appropriate county assessor.~~

District No. 1: the _____ Metropolitan District No. 1.

District No. ___: the _____ Metropolitan District No. ___.

District No. ___: the _____ Metropolitan District No. ___.

District or Districts: any one or all of the District Nos. 1 through ___ inclusive.

{Note: complete the above for all Districts to be organized. Districts are not permitted to use the name “City of Colorado Springs” in the name of the District}

External Financial Advisor: a consultant that: (1) advises Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities, including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (2) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer’s Municipal Market Place; and (3) is not an officer of the District.

Financial Plan: the Financial Plan described in Section VII which describes (a) how the Public Improvements are to be financed; (b) how the Debt is expected to be incurred; and (c) the estimated operating revenue derived from property taxes for the first budget year.

Inclusion Area Boundaries: the boundaries of the area described in the Inclusion Area Boundary Map.

Inclusion Area Boundary Map: the map attached hereto as Exhibit C-2, describing the property proposed for inclusion within one, but not any more than one, of the boundaries of the Districts.

Initial District Boundaries: the boundaries of the area described in the Initial District Boundary Map.

Initial District Boundary Map: the map attached hereto as Exhibit C-1, describing the District’s initial boundaries.

Maximum Debt Mill Levy: the maximum mill levy any of the Districts is permitted to impose for payment of Debt as set forth in Section VI.D below.

Maximum Debt Mill Levy Imposition Term: the maximum term for imposition of a Debt Service mill levy in Residential Districts as set forth in Section VI.E below.

Maximum Operating Mill Levy: the maximum mill levy any of the Districts is permitted to impose for payment of operating and maintenance expenses as set forth in Section VI. I below.

Project: the development or property commonly referred to as _____.

Public Improvements: a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed as generally described in the Special District Act, except as specifically limited in Section V below to serve the future taxpayers and inhabitants of the Service Area as determined by the Board of one or more of the Districts.

Regional Improvements: Public Improvements and facilities that benefit the Service Area and which are to be financed pursuant to Section VI below.

Residential Districts: District Nos. _____, inclusive, containing property classified for assessment as residential. (NOTE: all districts which include or are expected to include any residential property must be defined as Residential Districts and not Commercial Districts.)

Service Area: the property within the Initial District Boundary Map and the Inclusion Area Boundary Map.

Service Plan: the service plan for the Districts approved by City Council.

Service Plan Amendment: an amendment to the Service Plan approved by City Council in accordance with the City's ordinance and the applicable State law.

Special District Act: Section 32-1-101, et seq., of the Colorado Revised Statutes, as amended from time to time.

State: the State of Colorado.

III. BOUNDARIES

The area of the Initial District Boundaries includes approximately _____ acres and the total area proposed to be included in the Inclusion Area Boundaries is approximately _____ acres. A legal description of the Initial District Boundaries and the Inclusion Area Boundaries is attached hereto as Exhibit A. A map of the Initial District Boundaries is attached hereto as Exhibit C-1, and a map of the Inclusion Area Boundaries is attached hereto as Exhibit C-2. A vicinity map is attached hereto as Exhibit B. It is anticipated that the District's Boundaries may change from time to time as it undergoes inclusions and exclusions pursuant to Section 32-1-401, et seq., CRS, and Section 32-1-501, et seq., CRS, subject to the limitations set forth in Article V below.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The Service Area consists of approximately ___ acres of _____ land. The current assessed valuation of the Service Area is \$0.00 for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the Financial Plan. The population of the Districts at build-out is estimated to be approximately _____ people.

Approval of this Service Plan by the City does not imply approval of the development of a specific area within the Districts nor does it imply approval of the number of residential units or the total site/floor area of commercial or industrial buildings identified in this Service Plan or any of the exhibits attached thereto, unless the same is contained within an Approved Development Plan.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the Districts and Service Plan Amendment

The Districts shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the Districts as such power and authority is described in the Special District Act, and other applicable statutes, common law and the Constitution, subject to the limitations set forth herein.

1. Operations and Maintenance Limitation. The purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop, and finance the Public Improvements. The Districts shall dedicate the Public Improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and other rules and regulations of the City and applicable provisions of the City Code. The Districts shall not be authorized to operate and maintain any part or all of the Public Improvements after such dedication, including park and recreation improvements, unless the provision of such ongoing operation and maintenance is specifically identified in Exhibit D attached hereto. In the City's sole discretion, an IGA between the City and the District may be required in order to better describe the conditions under which these permitted services will be provided by the District. If the Districts are authorized to operate and maintain certain park and recreation improvements set forth in Exhibit D, any fee imposed by the Districts for access to such park and recreation improvements shall not result in non-District residents paying a user fee that is greater than, or otherwise disproportionate to, similar fees and taxes paid by residents of the Districts. However, the Districts shall be entitled to impose an administrative fee as necessary to cover additional expenses associated with non-District residents to ensure that such costs are not the responsibility of the Districts residents. All such fees shall be based upon the determination of the District imposing such fee that such fee does not exceed a reasonable annual market fee for users of such facilities. Notwithstanding the foregoing, all parks and trails shall be open to the general public including non-District residents free of charge.

2. City Charter Limitations. In accordance with Article 7-100 of the City Charter, the Districts shall not issue any Debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development.

As further set forth in Article 7-100 of the City Charter, the total Debt of any proposed District shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire City Council.

3. Use of Bond Proceeds and Other Revenue of the Districts Limitation. Proceeds from the sale of debt instruments and other revenue of Districts may not be used to pay landowners within the District for any real property required to be dedicated for public use by

annexation agreements or land use codes. Examples of ineligible reimbursements include, but are not limited to: the acquisition of rights of way, easements, water rights, land for prudent line drainage, parkland, or open space, unless consent from the City Council is given. Proceeds from the sale of debt instruments and other revenue of the Districts also may not be used to pay for the construction of any utility infrastructure except for those categories of utility infrastructure covered by utility tariffs, rules, and regulations. Additionally, if the landowner/developer constructs the public infrastructure and conveys it to the District in return for a reimbursement obligation from the District, prior to making such reimbursement for such amounts, the District must receive the report of an independent engineer or accountant confirming that the amount of the reimbursement is reasonable.

4. Recovery Agreement Limitation. Should the Districts construct infrastructure subject to a recovery agreement with the City or other entity, the Districts retain all benefits under the recovery agreement. Any subsequent reimbursement for public improvements installed or financed by the Districts will remain the property of the Districts to be applied toward repayment of their Debt, if any. Any reimbursement revenue not necessary to repay the Districts Debt may be utilized by the District to construct additional public improvements permitted under the approved Service Plan.

5. Construction Standards Limitation. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City and of other governmental entities having proper jurisdiction. The Districts will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

6. Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt for capital related costs, the District shall obtain the certification of an External Financial Advisor substantially as follows:

We are [I am] an External Financial Advisor within the meaning of the Districts' Service Plan.

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), CRS) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

7. Inclusion Limitation. The Districts shall not include within any of their boundaries any property outside the Service Area without the prior written consent of the City Council.

8. Overlap Limitation. The boundaries of the Districts shall not overlap unless the aggregate mill levy for payment of Debt of the overlapping Districts will not at any time

exceed the Maximum Debt Mill Levy of the Districts. Additionally, the Districts shall not consent to the organization of any other district organized under the Special District Act within the Service Area which will overlap the boundaries of the Districts unless the aggregate mill levy for payment of Debt of such proposed districts will not at any time exceed the Maximum Debt Mill Levy of the Districts.

9. Initial Debt Limitation. On or before the date on which there is an Approved Development Plan, the District shall not (a) issue any Debt, (b) impose a mill levy for the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds, or (c) impose and collect any fees used for the purpose of repayment of Debt.

10. Total Debt Issuance Limitation. The issuance of all bonds or other debt instruments of Districts shall be subject to the approval of the City Council. The Districts shall not issue Debt in an aggregate principal amount in excess of \$_____, provided that the foregoing shall not include the principal amount of Debt issued for the purpose of refunding or refinancing lawfully issued Debt.

OR

District No. ___ shall not issue Debt in an aggregate principal amount in excess of \$_____, District No. ___ shall not issue Debt in an aggregate principal amount in excess of \$_____, provided that the foregoing shall not include the principal amount of Debt issued for the purpose of refunding or refinancing lawfully issued Debt.

11. Monies from Other Governmental Sources. The Districts shall not apply for or accept Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or nonprofit entities that the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the Districts without any limitation.

12. Consolidation Limitation. The Districts shall not file a request with any court to consolidate with another Title 32 district without the prior written consent of the City.

13. Bankruptcy Limitation. All of the limitations contained in this Service Plan, including, but not limited to, those pertaining to the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term have been established under the authority of the City to approve a Service Plan with conditions pursuant to Section 32-1-204.5, CRS. It is expressly intended that such limitations:

(a) Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

(b) Are, together with all other requirements of Colorado law, included in the “political or governmental powers” reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the “regulatory or electoral approval necessary under applicable nonbankruptcy law” as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy or, for Residential Districts, the Maximum Debt Mill Levy Imposition Term, shall be deemed a material departure from this Service Plan pursuant to Section 32-1-207, CRS and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

14. Service Plan Amendment Requirement. This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based are reflective of an Approved Development Plan for the property within the Districts, the cost estimates and Financing Plan are sufficiently flexible to enable the Districts to provide necessary services and facilities without the need to amend this Service Plan as development plans change. Modification of the general types of services and facilities, and changes in proposed configurations, locations, or dimensions of various facilities and improvements shall be permitted to accommodate development needs consistent with then-current Approved Development Plans for the property. Actions of the Districts which violate the limitations set forth in V.A.1-12 above or in VI.B-F. shall be deemed to be material departures from this Service Plan and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

15. Eminent Domain Powers Limitation. Currently, the District does not expect to use the power of eminent domain. The District shall not exercise the power of eminent domain except upon the prior written consent of the City.

B. Preliminary Engineering Survey

The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the Public Improvements within and without the boundaries of the Districts, to be more specifically defined in an Approved Development Plan. An estimate of the costs of the Public Improvements which may be planned for, designed, acquired, constructed, installed, relocated, redeveloped, maintained or financed was prepared based upon a preliminary engineering survey and estimates derived from the Approved Development Plan on the property in the Service Area and is approximately \$ _____.

The Districts shall be permitted to allocate costs between such categories of the Public Improvements as deemed necessary in their discretion.

All of the Public Improvements described herein will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of the City and shall be in accordance with the requirements of the Approved Development Plan. All descriptions of the Public Improvements to be constructed, and their related costs, are estimates only and are subject to modification as engineering, development plans, economics, the City's requirements, and construction scheduling may require. Upon approval of this Service Plan, the Districts will continue to develop and refine cost estimates contained herein and prepare for issuance of Debt. All cost estimates will be inflated to then-current dollars at the time of the

issuance of Debt and construction. All construction cost estimates assume construction to applicable local, State or Federal requirements.

C. Multiple District Structure.

It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in an IGA between and among the Districts. The maximum term of such IGA shall be forty (40) years from its effective date. All such agreements will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of this Service Plan. Implementation of such IGA is essential to the orderly implementation of this Service Plan. Accordingly, except as may be otherwise provided in such IGA, any determination of any one of the Board of Directors to set aside at the Agreement without the consent of all of the Board of Directors of the other Districts shall be a material modification of the Service Plan. Said IGA may be amended by mutual agreement of the Districts without the need to amend this Service Plan.

VI. FINANCIAL PLAN

A. General

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenue and by and through the proceeds of Debt to be issued by the Districts. The Financial Plan for the Districts shall be to issue such Debt as the Districts can reasonably pay from revenue derived from the Maximum Debt Mill Levy and other legally available revenue, within the Maximum Debt Mill Levy Term for Residential Districts. The total Debt that the Districts shall be permitted to issue shall not exceed the total Debt issuance limitation set forth in Section V.A.9 hereof, and shall be permitted to be issued on a schedule and in such year or years as the Districts determine shall meet the needs of the Financial Plan referenced above and phased to serve development as it occurs. All bonds and other Debt issued by the Districts may be payable from any and all legally available revenue of the Districts, including general ad valorem taxes to be imposed upon all taxable property of the Districts. The Districts will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in the Special District Act or other State statutes. No Districts will be allowed to impose a sales tax.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount

The interest rate on any Debt is expected to be the market rate at the time the Debt is issued. The proposed maximum interest rate on any Debt is not expected to exceed 18%. The proposed maximum underwriting discount will be 5%. Debt, when issued, will comply with all relevant requirements of this Service Plan, State law and Federal law as then applicable to the issuance of public securities.

C. No-Default Provisions

Debt issued by a District shall be structured so that failure to pay debt service when due shall not of itself constitute an event of default or result in the exercise of remedies. The foregoing shall not be construed to prohibit events of default and remedies for other occurrences including, without limitation, (1) failure to impose or collect the Maximum Debt Mill Levy or such portion thereof as may be pledged thereto, or to apply the same in accordance with the terms of the Debt, (2) failure to impose or collect other revenue sources lawfully pledged to the payment thereof or to apply the same in accordance with the terms of the Debt, (3) failure to abide by other covenants made in connection with such Debt, or (4) filing by a District as a debtor under any bankruptcy or other applicable insolvency laws. Notwithstanding the foregoing, Debt will not be structured with a remedy which requires the District to increase the Maximum Debt Mill Levy in any District or, in Residential Districts, the Maximum Debt Mill Levy Imposition Term.

D. Eligible Bondholders

All District bonds or other debt instrument, if not rated as investment grade, must be issued in minimum denominations of \$100,000 and sold only to either accredited investors as defined in rule 501 (a) promulgated under the Securities Act of 1933 or to the developer(s) of property within the District.

E. Maximum Debt Mill Levy

The Maximum Debt Mill Levy shall be the maximum mill levy a District is permitted to impose upon the taxable property of the Districts for payment of Debt, and shall be determined as follows:

1. For Residential Districts the Maximum Debt Mill Levy shall be calculated as follows:

~~(a) For so long as the Debt to Actual Market Value Ratio of a Residential District is greater than 5%,~~ The Maximum Debt Mill Levy shall be 30 mills; provided that if, on or after January 1, 2006, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

~~(b) Once the District's Debt is equal to or less than 5% of the District's actual market valuation, the mill levy to be imposed to repay such Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate. For purposes of the foregoing, once Debt has been determined to meet the above criterion, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, such District may provide that such~~

~~Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in such District's Debt to assessed ratio. All Debt issued by the Districts must be issued in compliance with the requirements of Section 32-1-1101, CRS and all other requirements of State law.~~

2. For Commercial Districts the Maximum Debt Mill Levy shall be calculated as follows:

~~(a) For so long as the Debt to Actual Market Value Ratio of a Commercial District is greater than 15%, The Maximum Debt Mill Levy shall be 50 mills; provided that if, on or after January 1, 2006, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.~~

~~(b) Once the District's Debt is equal to or less than 15% of the District's actual market valuation, the mill levy to be imposed to repay such Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate. For purposes of the foregoing, once Debt has been determined to meet the above criterion, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, such District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in such District's Debt to assessed ratio. All Debt issued by the Districts must be issued in compliance with the requirements of Section 32-1-1101, CRS and all other requirements of State law.~~

To the extent that the Districts are composed of or subsequently organized into one or more subdistricts as permitted under Section 32-1-1101, CRS, the term "District" as used in this Section VI. D. shall be deemed to refer to the District and to each such sub district separately, so that each of the subdistricts shall be treated as a separate, independent district for purposes of the application of this Section VI. D.

F. Maximum Debt Mill Levy Imposition Term

Residential Districts shall not impose a Debt Service mill levy which exceeds 40 years after the year of the initial imposition of such Debt Service mill levy unless (1) a majority of the Board of Directors of the District imposing the mill levy are residents of such District, and (2) such Board has voted in favor of issuing Debt with a term which requires or contemplates the imposition of a Debt service mill levy for a longer period of time than the limitation contained herein. There shall be no Maximum Debt Mill Levy Imposition Term in Commercial Districts.

G. Debt Repayment Sources

Each of the Districts may impose a mill levy on taxable property within its boundaries as a primary source of revenue for repayment of debt service and for operations and maintenance. The Districts may also rely upon various other revenue sources authorized by law. At the Districts discretion, these may include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(1), CRS, as amended from time to time. In no event shall the debt service mill levy in any District exceed the Maximum Debt Mill Levy or, for Residential Districts, the Maximum Debt Mill Levy Imposition Term.

H. Debt Instrument Disclosure Requirement

In the text of each Bond and any other instrument representing and constituting Debt, the District shall set forth a statement in substantially the following form:

By acceptance of this instrument, the owner of this Bond agrees and consents to all of the limitations in respect of the payment of the principal of and interest on this Bond contained herein, in the resolution of the District authorizing the issuance of this Bond and in the Service Plan for the District.

Similar language describing the limitations in respect of the payment of the principal of and interest on Debt set forth in this Service Plan shall be included in any document used for the offering of the Debt for sale to persons including, but not limited to, a developer of property within the boundaries of the Districts.

I. Security for Debt

No Debt or other financial obligation of any Districts will constitute a debt or obligation of the City in any manner. The faith and credit of the City will not be pledged for the repayment of any Debt or other financial obligation of any Districts. This will be clearly stated on all offering circulars, prospectuses, or disclosure statements associated with any securities issued by any Districts. Districts shall not utilize the City of Colorado Springs' name in the name of the District.

J. Maximum Operating Mill Levy

In addition to the capital costs of the Public Improvements, the Districts will require operating funds for administration and to plan and cause the Public Improvements to be constructed and maintained. The first year's operating budget is estimated to be \$ _____ which is anticipated to be derived from property taxes and other revenue.

The Maximum Operating Mill Levy for the payment of the Districts operating and maintenance expenses shall be 10 mills; provided that if, on or after January 1, 2006, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such operating and maintenance expenses may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent

possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

K. Developer Financial Assurances

The mere existence of the District will not be considered a substitute for financial assurances required under applicable City land use ordinances and regulations.

VII. ANNUAL REPORT

A. General

Each of the Districts shall be responsible for submitting an annual report to the Director of the City's Budget Department no later than August 1 of each year following the year in which the Order and Decree creating the District has been issued. The Districts may cooperate in the creation and submittal of the report, provided the presentation of information in the report clearly identifies the applicable information pertaining to each District.

B. Reporting of Significant Events

The annual report shall include information as to any of the following:

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year.
2. Intergovernmental agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.
3. Copies of the Districts' rules and regulations, if any, as of December 31 of the prior year.
4. A summary of any litigation which involves the any District's Public Improvements as of December 31 of the prior year.
5. Status of the Districts' construction of the Public Improvements as of December 31 of the prior year.
6. A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by the City as of December 31 of the prior year.
7. The assessed valuation of the Districts for the current year.
8. Current year budget including a description of the Public Improvements to be constructed in such year.

9. Audit of the Districts financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.

10. Notice of any uncured events of noncompliance by the Districts under any Debt instrument which continue beyond a 90-day period.

11. Any inability of the Districts to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a 90-day period.

12. Copies of any Certifications of an External Financial Advisor provided as required by the Privately Placed Debt Limitation provision.

VIII. DISSOLUTION

Upon an independent determination of the City Council that the purposes for which the Districts were created have been accomplished, the Districts agree to file petitions in the appropriate District Court for dissolution pursuant to the applicable State statutes. In no event shall a dissolution occur until the Districts have provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes.

IX. DISCLOSURE TO PURCHASERS

The Districts will use reasonable efforts to assure that all developers of the property located within the Districts provide written notice to all purchasers of property in the Districts regarding the Maximum Debt Mill Levy, as well as a general description of the Districts' authority to impose and collect rates, fees, tolls and charges. The form of notice shall be substantially in the form of Exhibit E hereto; provided that such form may be modified by the District so long as a new form is submitted to the City prior to modification. Within 90 days of District formation, the District will record the approved Disclosure form with the El Paso County Clerk and Recorder against all property included in the District and a copy to the City Clerk's Office.

X. CONCLUSION

It is submitted that this Service Plan for the Districts, as required by Section 32-1-203(2), CRS, and Section 122-35 of the City Code, establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;
2. The existing service in the area to be served by the Districts is inadequate for present and projected needs;
3. The Districts are capable of providing economical and sufficient service to the area within its proposed boundaries; and

4. The area to be included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

5. Adequate service is not, and will not be, available to the area through the City or County or other existing municipal or quasimunicipal corporations, including existing special districts, within a reasonable time and on a comparable basis.

6. The facility and service standards of the District are compatible with the facility and service standards of the City within which the special district is to be located and each municipality which is an interested party under Section 32-1-204(1), CRS.

7. The proposal is in substantial compliance with a comprehensive plan adopted pursuant to the City Code.

8. The proposal is in compliance with any duly adopted City, regional or State long-range water quality management plan for the area.

9. The creation of the District is in the best interests of the area proposed to be served.

EXHIBIT A

Legal Descriptions

EXHIBIT B

Colorado Springs Vicinity Map

EXHIBIT C-1

Initial District Boundary Map

EXHIBIT C-2

Inclusion Area Boundary Map

EXHIBIT D

Description of Permitted Services to be Provided by the Districts

Description of Services _____

IGA Required (Yes or No)

Exhibit E

NOTICE OF SPECIAL DISTRICT DISCLOSURE

(to be provided to every purchaser of real property within the boundaries of the District)

Name of District(s):	
Contact Information for District:	
Type of District(s): (i.e. if dual or three districts concept - insert language regarding limited rights of property owners)	
Identify District(s) Improvements Financed by Proposed Bonds (List by major categories, i.e. Roads – Powers Blvd):	
Identify Services/Facilities Operated/Maintained by District(s):	
Mill Levy Cap: (Describe Procedure for any Adjustments to Mill Levy Cap) <i>(Note: This District may or may not be certifying a mill levy at the time of your purchase. Please verify by contacting the District.)</i>	
Authorized Debt of the District(s) per Operating or Service Plan:	
Voter Authorized Debt per Election:	
District Boundaries:	See attached map

<p><u>Sample Calculation of Mill Levy Cap for a Residential Property</u></p> <p>Assumptions: Market value is \$250,000 Mill levy cap is 40 mills</p> <p>Calculation: \$250,000 x .0796 = \$19,900 (Assessed Valuation) \$19,900 x .040 mills = \$796 per year in taxes owed solely to the Special District</p>	<p><u>Sample Calculation of Mill Levy Cap for a Commercial, Office or Industrial Property</u></p> <p>Assumptions: Market value is \$750,000 Mill levy cap is 60 mills</p> <p>Calculation: \$750,000 x .29 = \$217,500 (Assessed Valuation) \$217,500 x .060 mills = \$13,050 per year in taxes owed solely to the Special District</p>
---	---

FIGURE 1

INTEROFFICE
MEMORANDUM

9-06



CITY OF COLORADO SPRINGS

Date: January 12, 2006

To: Lorne Kramer, City Manager *Lorne Kramer*

Through: Steve Reed, Acting Director, Budget Department *SR*

From: Lisa Bigelow, Principal Analyst, Budget Department *LB*

Subject: **A Resolution Repealing Resolution No. 122-00, Adopting a New Policy to be Applied to Applications to Create or Modify a District Authorized under Titles 31 and 32 of the Colorado Revised Statutes, and Adopting Model Service Plans for Metropolitan Districts**

SUMMARY: A resolution is attached repealing Resolution No. 122-00, adopting a new policy to be applied to applications to create or modify a district authorized under Titles 31 and 32 of the Colorado Revised Statutes, and adopting model service plans for metropolitan districts. The current Policy for Special Districts, which required a periodic review of the Policy, was adopted by City Council in August 2000. Beginning in 2001, City staff began a comprehensive evaluation of the current Policy with regard to current practices in the industry and with special focus on the effectiveness of the current process. As a result of that evaluation and input from interested parties, staff developed the attached Policy and Model Service Plans. In addition, based on comments received at the January 9, 2006, Informal Council Meeting, Council's revisions are incorporated into the new Policy and Model Service Plans.

PREVIOUS COUNCIL ACTION: City Council approved Resolution No. 122-00 in August 2000, which established a City financial policy regarding the use of certain districts authorized under Titles 31 and 32 of the Colorado Revised Statutes. At the January 9, 2006, Informal Council Meeting, a discussion item on the proposed Policy and Model Service Plans were presented to City Council.

BACKGROUND: The current Policy was adopted by City Council in August 2000. The Policy was necessary due to a history of failed districts in El Paso County and the State, skyrocketing mill levies in some districts, and the need to incorporate two voter approved ballot measures that dealt with District debt. The Policy provided for periodic review of the key Policy provisions. Beginning in 2001, City staff began a comprehensive evaluation of the current Policy with regard to current industry practices and with a special focus on the effectiveness of the current process. Throughout the review period, the Special District environment was rapidly changing in the following ways:

- Evolution from single District structure to dual District structure
- Increased use of model service plans
- Evolution to pod Districts and inclusion areas
- Preference for distinct residential and commercial Districts

In 2003-2004, the City of Aurora started an extensive process to revise their Policy, evaluate District formation issues, and create a new Model Service Plan which included most of the major Special District participants (i.e., developers, special district counsels, underwriters, and bond counsels). City staff closely monitored Aurora discussions and outcomes and engaged in discussions with Aurora's Finance Department personnel. The results of the Aurora District process provided valuable background and input for the revisions to the City's Special District Policy. Also, throughout the evaluation process, City staff received suggestions/input from local Special District interests in conjunction with specific Special District approval requests. City staff conducted an abbreviated public input process locally during September to collect input from local developers, their Special District consultants, and other interested parties. The insights gained from this very extensive 3-4 year process form the foundation for the new Policy provisions.

Staff has identified five key assumptions that provide the logical foundation for the proposed Special District Policy. These assumptions are as follows:

1. Colorado Statutory provisions for Titles 31 and 32 special districts provide adequate direction, controls and constraints with regard to the formation and operation of special districts. There is no need to duplicate those provisions; the Policy should simply supplement them where issues of local significance require additional regulation or control;
2. The bond market provides adequate discipline with regard to the parameters of bond issuance; the few exceptions will be addressed specifically in the Policy;
3. Staff's very detail-oriented review of District formation and operation has been very time consuming and costly for both District proponents and City staff, and the District outcomes have not been materially impacted or improved;
4. The City's primary objective is to protect the residential taxpayers of the Districts and that outcome can be most effectively achieved by capping the debt service mill levy and limiting its duration; and
5. The processes of District formation and land development plan approval both work best if completely segregated.

Key features of the new Policy include:

- The applicable City Charter provisions will remain in the Policy.
- A Model Service Plan template has been developed which includes all Policy provisions. If the applicant adopts the Model Service Plan without change, staff review and City Council approval will be streamlined.
- Applicants will not provide a detailed Plan of Finance.
- The Policy provisions that deal with District dissolution and the elimination of authorized but unissued debt have been eliminated. The stakeholder consensus was that existing State statutory provisions adequately deal with both of these matters.
- The Policy establishes maximum debt service mill levies of 30 for residential districts and 50 for commercial districts and a maximum operations and maintenance (O & M) mill levy of 10 mills for all Districts. The current Policy does not separately address the O & M mill levy.

- The Policy prohibits the overlapping of Districts unless the aggregate mill levy does not exceed the Maximum Debt Mill Levy of the District.
- The Policy sets a maximum of 40 years for the time that a debt service mill levy can be imposed for residential districts.
- The Policy continues to require that bonds will be structured to prevent default as long as the maximum mill levy is imposed.
- The Policy continues to prohibit the use of District revenue or bond proceeds to reimburse the developer for land, water rights, etc. An additional limitation on the use of bond proceeds has been added to prohibit their use for utility infrastructure except for those categories of utility infrastructure covered by utility tariff, rules, and regulations.
- A provision has been added to require an External Financial Advisor to provide appropriate “fairness and feasibility” assurances on all privately placed debt.
- The existing provision, which requires appropriate assurances in the bond documents that the debt is not a debt of the City, has been retained.
- The existing provision requiring that recovery agreements triggered by District construction of public infrastructure remain the property of the District has been retained.
- A provision has been added providing that no bonds will be issued and no debt service mill levy will be certified until the City has approved a Master Plan and other more detailed land use approval for the property within the District.
- The provisions on disclosure to property owners have been retained. A requirement has been added to require the District to use a form of disclosure that has been approved by the City and to record that disclosure form within 90 days of District formation with the El Paso County Clerk & Recorder against all property within the District.
- The provision providing for the establishment of appropriate review/filing fees has been retained.
- A provision has been added removing the District’s powers of eminent domain without prior City Council approval.
- A provision has been added to clarify that the mere existence of a Metropolitan District cannot serve as the financial assurance for infrastructure required under a final plat.
- A provision has been added to require Business Improvement Districts (BID’s) to complete an annual audit by March 31 of each year. A BID cannot request exemptions from the annual audit requirement even if State law would permit them to do so.
- A provision has been added addressing the circumstance where the developer/landowner constructs the public infrastructure and then conveys it to the District in return for a reimbursement obligation from the District. Before any reimbursement can be made, the Policy requires confirmation from an independent engineer or accountant of the reasonableness of the amount of reimbursement.
- A provision has been added that requires City Council approval for inclusion of property into a District outside of the originally defined Service Area.

The changes to this Policy will streamline the process for both the proponents of the Districts and the City by relying on existing State statutes that govern the use of Districts. However, it provides City Council the ability to retain local control in specific areas of interest.

CITY COUNCIL REVISIONS: Based on the January 9, 2006 Informal Council Meeting, changes incorporated into the Policy are as follows:

1. Proposed Policy:

- The District will not be required to seek City Council approval of bond issues.

City Council Change to Proposed Policy:

- The issuance of all bonds or other debt instruments of Districts shall be subject to the approval of City Council.

Staff's Comments:

- Experts in the field are legally and statutorily required to issue debt in accordance with all applicable laws and regulations and are obligated to adhere to the parameters approved by City Council in the Service Plan. Due to legal liability associated with each bond issue, it is extensively reviewed by the bond counsel, underwriter, district counsel, developer counsel, and others. Proponents question the value of the City's review and approval of each issue in light of the detailed process required by the bond market and tax code regulations.

2. Proposed Policy:

- The Policy provision which limits who can hold the District bonds has been eliminated. The majority of the stakeholders argued that this provision is duplicative of State statutes and, therefore, is unnecessary.

City Council Change to Proposed Policy:

- All District bonds or other debt instrument, if not rated as investment grade, must be issued in minimum denominations of \$100,000 and sold only to either accredited investors as defined in rule 501 (a) promulgated under the Securities Act of 1933 or to the developer(s) of property within the District.

Staff's Comments:

- State statute specifically states that the debt cannot exceed the greater of two million dollars or fifty percent of the valuation for assessment unless issued to financial institutions or institutional investors [CRS 32-1-1101 (6)(a)(IV)].

3. Proposed Policy:

- The Policy adds a provision that allows automatic removal of the debt service mill levy cap when the Debt to Actual Market Valuation Ratio reaches 5 percent or less for Residential Districts and 15 percent or less for Commercial Districts.

City Council Change to Proposed Policy:

- Remove the provision to allow the automatic removal of the debt service mill levy cap.

Staff's Comments:

- The intent of this provision is to allow the District Board, which will be controlled by residents or commercial property owners by the time the Debt to Actual Market Valuation Ratio reaches 5 percent or 15 percent, respectively, to refund the Limited Tax General Obligation bonds as General Obligation bonds with a lower interest rate. Under separate cover, staff will provide the requested mathematical calculations.

In conclusion, it is the City staff's intent to continue to monitor any statutory changes, review specific local outcomes of District proposals, and review statewide developments in Special District policies. Based on the results of the review, staff will submit to City Council any further changes to the new Policy that are necessary.

FINANCIAL IMPLICATIONS: There is a separate agenda item that establishes filing fees for district proposals and modifications to existing Districts.

BOARD/COMMISSION RECOMMENDATION: N/A

STAKEHOLDER PROCESS: The proposed Special District Policy and Model Service Plans are a result of the stakeholder input process.

ALTERNATIVES: (1) City Council may choose to approve the resolution repealing Resolution No. 122-00, adopting a new policy to be applied to applications to create or modify a district authorized under Titles 31 and 32 of the Colorado Revised Statutes, and adopting model service plans for metropolitan districts or (2) City Council may choose not to approve the resolution.

RECOMMENDATION: Staff recommends approval of the resolution repealing Resolution No. 122-00, adopting a new policy to be applied to applications to create or modify a district authorized under Titles 31 and 32 of the Colorado Revised Statutes, and adopting model service plans for metropolitan districts.

PROPOSED MOTION: Move approval of this resolution.

Attachment: Resolution, Special District Policy with Application and Transmittal Form (Appendix A), Single District Model Service Plan (Appendix B), and Multiple District Model Service Plan (Appendix C)

- c: Special District Review Committee
 - Kathryn Young, City Clerk
 - Ron Mitchell, Public Works Director
 - Pat McDivitt, Senior Attorney
 - Ira Joseph, Comprehensive Planning Division Manager
 - Vicki Phillips, Accounting/Payroll Manager, Finance
 - Shelli Morgan, Sales and Use Tax Manager, Finance
 - Sarah Keith, Landscape Architect I, Parks, Recreation and Cultural Services
 - Leslie Hickey, Senior Analyst, Budget Department
 - Brent Schubloom, Manager, Colorado Springs Utilities System Extensions Unit
 - Ann Nichols, Consultant