



Memorandum

To: City of Colorado Springs
From: David S. O'Leary Esq.
Re: Updated Executive Summary for Proposed Mountain Valley Metropolitan District
Date: August 29, 2016

The proposed formation of the Mountain Valley Metropolitan District (the "District") encompasses the land generally located to the South of Dublin Boulevard and to the West of Sayres Road and to the East of the adjacent Marksheffel Road, and to the North and East of the intersection of Stetson Hills Boulevard (where it meets and becomes Huber Road) and Marksheffel Road, and is estimated to include approximately 37.35 acres of land in its initial boundaries including exclusively residential development, all entirely within the boundaries of the City of Colorado Springs (the "City").

The District is proposed to provide services and powers provided for metropolitan districts authorized by the Special District Act, pursuant to Title 32, C.R.S. and provided within similar districts within the City, for consideration on the next possible public hearing of the City Council in order to meet the requirements of a formation election in November 2016.

It is the intention of the Developer of the project that public improvements for the project will be advanced and reimbursed by the District to the extent there is financial feasibility to do so. Those public improvements that cannot be financed through the District shall be paid for by the Developer. It is not the current intent to utilize a Homeowners' Association ("HOA"), rather, the District will be providing for ongoing operations and maintenance. Those costs and expenses of all HOA type functions are intended to be provided through an O&M Mill levy not anticipated to exceed 10 mills, inclusive of operations and maintenance of design review, covenant enforcement and all HOA type activities permitted by statute.

The owner of the property is Newport Center, LLC. Preparation of the Financing Plan was provided by George K. Baum & Company. The Developer of the Mountain Valley Preserve community is Eagle Development Company. Construction cost estimates were assembled by the Developer with consultation with the District Engineer, Drexel, Barrell & Co., which has experience in the costing and construction of similar facilities.

Developer representatives will make up the initial District Board in order to develop the area in accordance with approved development plans with the City. The new District will help pay for and structure the financing of public improvements and to make the lots and the property permit ready and will help absorb finished lots, homes and commercial property into the City tax base.

I. Major Service Plan Points for Mountain Valley Metropolitan District.

- 37.35 acres of property in the initial boundaries within the City of Colorado Springs.



- Completion of over \$5,813,600 of on and off-site public improvements including, but not limited to on and offsite streets, roadway, water and sanitary sewer improvements.
- Anticipated development of approximately 141 single family homes.
- The estimated assessed value at full build-out is \$3,651,650.
- The estimated cost of the public improvements needed for the project is \$5,813,600 which is needed for development of the property within the District.
- Public Improvements need additional financing from the District to complete.
- Debt is proposed to be issued in one or more series of bond issuances to allow for financing of constructed infrastructure and expedient completion of the Development.
- Maximum Mill Levy of 40 mills inclusive of both debt and operations and administration is proposed.
- Total projected mill levy of 30 mills for debt and 10 mills for operations and maintenance allows for financing of \$2,455,000 based upon initial financial plan estimates, which constitutes approximately 42% of the improvement costs estimated for the project.
- Requested Debt Authorization of \$7,267,000 allows for 125% coverage to allow for contingencies and financing variations based upon changes to construction costs, development build out and absorption of the project.
- Capital Improvements needed for the Development of the project will remain the responsibility of the Developer through approved development plans entered into between the Developer and the City.
- District Operations will include those operations typically provided by an HOA (covenant enforcement, design review, etc.) as well as operations and administration of all public improvements not otherwise dedicated to the City or other public entity for ownership, operation and maintenance.
- Maximum voted interest rate of 12%, maximum underwriting discount of 5%.
- Metropolitan district powers allowed by the Special District Act and consistent with other City of Colorado Springs metropolitan districts.
- Formation Election after approval of the Service Plan in November 2016.
- There are no current residents within the District and no debt or bonds have been issued.
- Mill levies, interest rate limitations and underwriting discounts will be consistent with the present City imposed limitations with other service plans approved by the City.
- Maximum term of any bond issue is 40 years for General Obligation Bonds.



- Intergovernmental Agreement with City of Colorado Springs to implement Service Plan restrictions.
- Mountain Valley Metropolitan District shall develop and finance its own property.

Mountain Valley Metropolitan District Service Plan will serve the best interests of the taxpayers, property owners and development of the property within the Mountain Valley Preserve development, will minimize non-interested party obligations, and will maximize both development and absorption within the District and City without delays in development. The formation of the District will allow for financing and development to pay for only those improvements and costs which are a direct benefit to the property within the District.

We look forward to working with the City on this matter.