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May 5, 2019

Carl Schueler  
Comprehensive Planning Division  
City Administration Building  
30 S. Nevada Avenue  
Colorado Springs, Colorado 80903

Re: Proposed Flying Horse Metropolitan District No. 3 in the City of Colorado Springs, El Paso County, Colorado, General Obligation Limited Tax Refunding Bonds, Series 2019 in a principal amount not to exceed \$20,000,000.

Dear Mr. Schueler:

This office represents the Flying Horse Metropolitan District No. 3 (the "District"). The "District" intends to issue a not to exceed amount of \$20,000,000 of General Obligation Limited Tax Refunding Bonds, Series 2019 (the "2019 Bonds"). The 2019 Bonds are being issued for the purpose of refunding the following obligations: (i) the District's General Obligation Limited Tax Convertible Capital Appreciation Bonds, Series 2005 (the "2005 Bonds"), currently outstanding in the amount of \$5,895,000, and (ii) a portion of Flying Horse Metropolitan District No. 1's Special Revenue Bonds, Series 2005, currently outstanding in the amount of \$17,600,000 (together the "Refunded Bonds"). The 2019 Bonds will be secured by debt service mill levy revenues and system development fees paid at the time a building permit is issued. Proceeds of the 2019 Bonds are being used entirely to refund the Refunded Bonds and pay cost of issuance of the 2019 Bonds. The 2019 Bonds are expected to be sold at rates lower than the rates on the bonds that are being refunded.

Enclosed are: (a) the draft Resolution of the Board of Directors of the District authorizing the issuance of the District's General Obligation Limited Tax Refunding Bonds, Series 2019 in a principal amount not to exceed \$20,000,000 (the "Bond Resolution") and the form of bond (as Exhibit B to the Bond Resolution) (the "2019 Bond"); (b) the financial plan for the bonds as prepared by D.A. Davidson; and (c) and a draft opinion letter from Spencer Fane LLP as general counsel. The final bond amount will be determined at the time of issuance.

Pursuant to the City of Colorado Spring's current policy relating to special districts (which policy was approved by the City on January 24, 2006) (hereinafter, the "Special District Policy"), copies of the Bond Resolution and the 2019 Bond are being provided to your office in order that City Council may act to approve the same at an upcoming meeting. The 2019 Bond will be repaid by a mill levy that will not exceed the maximum mill levy or interest rate as limited by the District Service Plan, subject to additional Gallagher adjustments as described in the Bond Resolution.

In accordance with the Special District Policy:

A. Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the limited debt service mill levy set forth in the Service Plan. The Service Plan contains a maximum debt service mill levy 30 mills, which has been adjusted due to a change

DN 2904230.1

May 5, 2019

Page 2



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in the rate off assessing residential property as allowed for in the Service Plan. The enclosed tax levy analysis completed by D.A. Davidson reflects a debt service mill levy within that limit.

B. Repayment of principal and interest on the 2019 Bond is limited to ad valorem property taxes and the system development fees collected by the District.

C. The 2019 Bond shall not default for nonpayment if the District is levying the maximum allowed mill levy.

D. The Refund Bonds were issued for the purpose of providing public improvements consisting of street, water, sewer, and park and recreation improvements, together with all necessary incidental, and appurtenant facilities, equipment, land and easements and extension of any improvements to said facilities.

In accordance with the Special District Policy, issuance of the 2019 Bond will not occur until the enclosed documents have been reviewed by City Council to ensure compliance with City policy.

The principal amount of the 2019 Bond (\$15,000,000) is within the debt limitation established in the District's Service Plan.

At your earliest convenience, please have City Council review the enclosed documents to ensure that the 2019 Bond is being issued in compliance with the Special District Policy. The District would like to close the transaction as soon as possible.

If you have any questions, or need anything further, please do not hesitate to contact this office.

Sincerely,

*Russell W. Dykstra*

Russell W. Dykstra

RWD/ihl  
Enclosures

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