RESOLUTION NO. 37-06

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS, COLORADO APPROVING THE AMENDED AND RESTATED SERVICE PLAN FOR OLD RANCH METROPOLITAN DISTRICT AND UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT

WHEREAS, Section 32-1-204.5, C.R.S., provides that no special district shall be organized within a municipality except upon adoption of a resolution approving or conditionally approving the Service Plan of a proposed special district; and

WHEREAS, the City Council of the City of Colorado Springs, Colorado (the "City") passed Resolution No. 122-00 establishing a City Financial Policy Regarding the Use of Districts providing for certain financial and other limitations in the use of special districts as an available method in financing public infrastructure; and

WHEREAS, the City passed Resolution No. 9-06 repealing Resolution No. 122-00 and 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 (the "Policy and Model Service Plan"); and

WHEREAS, the City has considered the Amended and Restated Service Plan for Old Ranch Metropolitan District and Upper Cottonwood Creek Metropolitan District (the "Districts") with the recommended maximum mill levies, the requested waivers and minor deviations from the Policy and Model Service Plan, additional conditions, and all other testimony and evidence presented at the Council meeting; and

WHEREAS, it appears to the City Council that the recommended maximum mill levies, the requested waivers and minor deviations from the Policy and Model Service Plan, additional conditions should be approved as provided in this Resolution.

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

Section 1. The above and foregoing recitals are incorporated herein by reference and are adopted as findings and determinations of the City Council.

Section 2. The City Council hereby finds and determines as follows:

a) There is a sufficient and existing and projected need for organized service in the area to be served by the Districts;
b) The existing service in the area to be served by the Districts is not adequate for present and projected needs;
c) The proposed Districts are capable of providing economic and sufficient service to the area within their boundaries.

Section 3. The Districts request, and Council grants, a limited number of waivers and minor deviations from the provisions of the Policy and Model Service Plan. These are granted as follows:

- The deletion of any reference to an "inclusion area" since this concept is not applicable to the Amended and Restated Service Plan;
- Addition of language to Section I. C. referencing those certain ongoing operating and maintenance functions of the District, as identified in Exhibit D. It is the intent of the Districts to continue to provide such services (including but not limited to operating and maintenance functions related to improvements owned by the Districts) even after such time as outstanding debt has been retired;
- Deletion of any reference to Commercial district which is not applicable;
- Addition of language to Section V.A. 10 clarifying that City Council's review of bonds or other debt instruments of the District shall be conducted to ensure compliance with the Service Plan;
- Section VI. B. amended to reflect a maximum interest rate of twelve percent (12%) and a maximum underwriting discount of four percent (4%) since these were the maximum interest rate and underwriting discount in the original Service Plan and are more restrictive than the new Policy;
- Section VI. E. amended to reflect a Maximum Debt Mill Levy of 16.5 mills, Gallagher-adjusted from January 1, 2003, as per the Original Service Plan;
- Section VI. J. amended to reflect a Maximum Operation Mill Levy of 3.5 mills, Gallagher-adjusted from January 1, 2003, as per the Original Service Plan; and
- Section IX amended such that the "notice" (Exhibit E) will be recorded against all remaining undeveloped lots within the Districts.

Section 4. The Amended and Restated Service Plan is hereby approved with the following condition:

1. The Service Plan is subject to the Letter Agreement, dated March 27, 2006 between Nor'wood Development Group and Colorado Springs Utilities attached hereto.

Section 5. This resolution shall be effective upon its approval by City Council.

Dated at Colorado Springs, Colorado, this 28th day of March, 2006.

Mayor

ATTEST:

City Clerk

NOR'WOOD
Real Estate
Development & Management

RALPH A. BRADEN

March 27, 2006

John A. Fredell
Deputy City Attorney - Utilities
Colorado Springs City Attorney's Office
121 South Tejon Street, Fourth Floor
P.O. Box 1103, Mail Code 946
Colorado Springs, CO 80947-0946

Re: Wolf Ranch/Upper Cottonwood Metropolitan Districts

Dear John:

JVRC, Inc. and the City of Colorado Springs (the "City")entered into an agreement dated June 12, 1987 related to ground water located under the "Briargate Development." Wolf Ranch was a part of the property included within the defined term "Briargate Development."

When the service plan for the Old Ranch Metropolitan District and the Upper Cottonwood Metropolitan District was approved in August 2002, there was a condition of the Service Plan that the "Applicant and [Colorado Springs Utilities ("Utilities")] shall use their best efforts to execute the supplemental agreement by December 31, 2002." At the time, Utilities and the Applicant were negotiating an agreement that would supplement the 1987 agreement related to use of the Denver and Arapahoe basin water underlying Wolf Ranch. The parties have negotiated with each other since August 2002, but to date have been unsuccessful in reaching the agreement contemplated by the condition in the 2002 service plan.

Utilities has requested that a condition related to the negotiation of a supplemental agreement be included as a condition of approval for the Amended and Restated Service Plan for Old Ranch Metropolitan District and Upper Cottonwood Creek Metropolitan District and as a condition of approval of the Service Plan for Upper Cottonwood Creek Metropolitan District Nos. 2, 3, 4 and 5. These matters are scheduled for hearing before City Council on March 28, 2006.

The Applicant and Utilities have reached an agreement, in consideration of which Utilities will withdraw its request to include the condition that the Applicant will not operate and maintain the nonpotable irrigation system until the supplemental Agreement has been executed.

The Agreement between the Applicant and CS-U is as follows:

1. Applicant agrees to provide an annual statement that sufficiently reports the location and type of use to which the groundwater it withdraws is applied, as required under the 1987 Agreement.
2. Under the 1987 Agreement, all withdrawals of groundwater by the Applicant are to be metered at Applicant's expense, sufficient for the purposes of calculating billing, augmentation replacements, and reusable return flows as contemplated in that Agreement. Therefore, the Applicant agrees to permit access to Utilities personnel at reasonable times to verify the appropriate installation, calibration, and reading of said meters.
3. The Applicant agrees to continue good faith negotiations with Utilities on a mutually acceptable agreement regarding the allocation and use of Denver and Arapahoe Basin groundwater by Colorado Springs until October 1, 2006.
4. In consideration of these agreements between the parties, and as a condition of such agreements, Colorado Springs Utilities will withdraw its request that the execution of the supplemental agreement be a condition to the approval of the Applicant's operation and maintenance of its nonpotable irrigation system, and proposed service plans.

If this correctly reflects our agreement, please return a copy of this letter to me signed by the appropriate representative of CS-U so signifying.

Thank you,

Ralph Braden, Vice President
On behalf of Norwood

Jerome A. Forte, Jr.
Chief Executive Officer
On behalf of CS-U

Copy:
Pat Kelly, City Attorney
Lorne Kramer, City Manager
Lisa Bigelow

APPROVED AS TO FORM
CITY ATTORNEY'S OFFICE
UTILITIES DIVISION

AMENDED AND RESTATED SERVICE PLAN
FOR

OLD RANCH METROPOLITAN DISTRICT
UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT

IN THE CITY OF COLORADO SPRINGS, COLORADO

Prepared

by

Grimshaw & Harring, P.C.
1700 Lincoln Street, Suite 3800
Denver, Colorado 80203

Submitted February 6, 2006

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LIST OF EXHIBITS

I. INTRODUCTION

A. Purpose and Intent

This Service Plan amends and restates the Joint Service Plan for Upper Cottonwood Creek Metropolitan District and Old Ranch Metropolitan District previously approved by City Council on August 27, 2002, a copy of which is filed and of record with the El Paso County District Court in Case No. 02CV3074.

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. Approval of this amended and restated Service Plan 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 or has authorized operating functions specifically identified in Exhibit D attached hereto, 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 Old Ranch or Upper Cottonwood, or the boards of directors of the 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.

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 or Districts: any one or both of Old Ranch and Upper Cottonwood, inclusive.

District Boundaries: the boundaries of the areas described in Exhibit A and depicted on the District Boundary Map.

District Boundary Map: the map attached hereto as Exhibit C, depicting the boundaries of the Districts.

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.

District Boundaries: the boundaries of the areas described in the District Boundary Map.

District Boundary Map: the map attached hereto as Exhibit C, depicting the boundaries of Old Ranch and Upper Cottonwood.

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.

Old Ranch: the Old Ranch Metropolitan District.

Project: the development or property commonly referred to as Wolf Ranch.

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.

Residential Districts: any one or both of Old Ranch and Upper Cottonwood, inclusive, containing property classified for assessment as residential.

Service Area: the property within the District Boundary Map.

Service Plan: the amended and restated 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.

Upper Cottonwood: the Upper Cottonwood Creek Metropolitan District.

III. BOUNDARIES

The area of the District Boundaries includes approximately 244.026 acres. A legal description of the District Boundaries is attached hereto as Exhibit A and a vicinity map is attached hereto as Exhibit B. A map of the District Boundaries is attached hereto as Exhibit C. It is anticipated that the boundaries of the Districts may change from time to time as they undergo 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 244.026 acres of land zoned for residential use and uses supporting said residential use. 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 2,000 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. City Council's review of the bonds or other debt instruments of the Districts shall be conducted to ensure compliance with the Service Plan. The Districts shall not issue Debt in an aggregate principal

amount in excess of $7,000,000.00, 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 $10,000,000.00.

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 Boards of Directors to set aside 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 12%. The proposed maximum underwriting discount will be 4%. 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) The Maximum Debt Mill Levy shall be sixteen and one-half (16.5) mills[1]; provided that if, on or after January 1, 2003, 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, 2003, 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) At such time as the Debt to Actual Market Value Ratio within a Residential District is equal to or less than three percent (3%), the Board of that Residential District may request City Council approval for the right to pledge such mill levy as is necessary to pay the Debt service on such Debt, without limitation of rate. At the time of such request, a majority of the members of the Board must consist of homeowners owning property within the District. 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 Actual Market Value Ratio.

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.E.

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

[1] equal to 18.9 mills in 2006.

imposition of a Debt service mill levy for a longer period of time than the limitation contained herein.

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(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 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 operating budget for 2006 is estimated to be $325,000.00, 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 three and one-half (3.5) mills[2]; provided that if, on or after January 1, 2003, 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, 2003, 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, including the year in which this Amended and Restated Service Plan is approved. 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.

[2] equal to 4 mills in 2006.

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 ninety (90) days of approval of this Service Plan, the District will record the approved disclosure form with the El Paso County Clerk and Recorder against all undeveloped lots included within the Districts, and shall submit a copy of the notice 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 approval of this Amended and Restated Service Plan is in the best interests of the area proposed to be served.

EXHIBIT A

Legal Descriptions

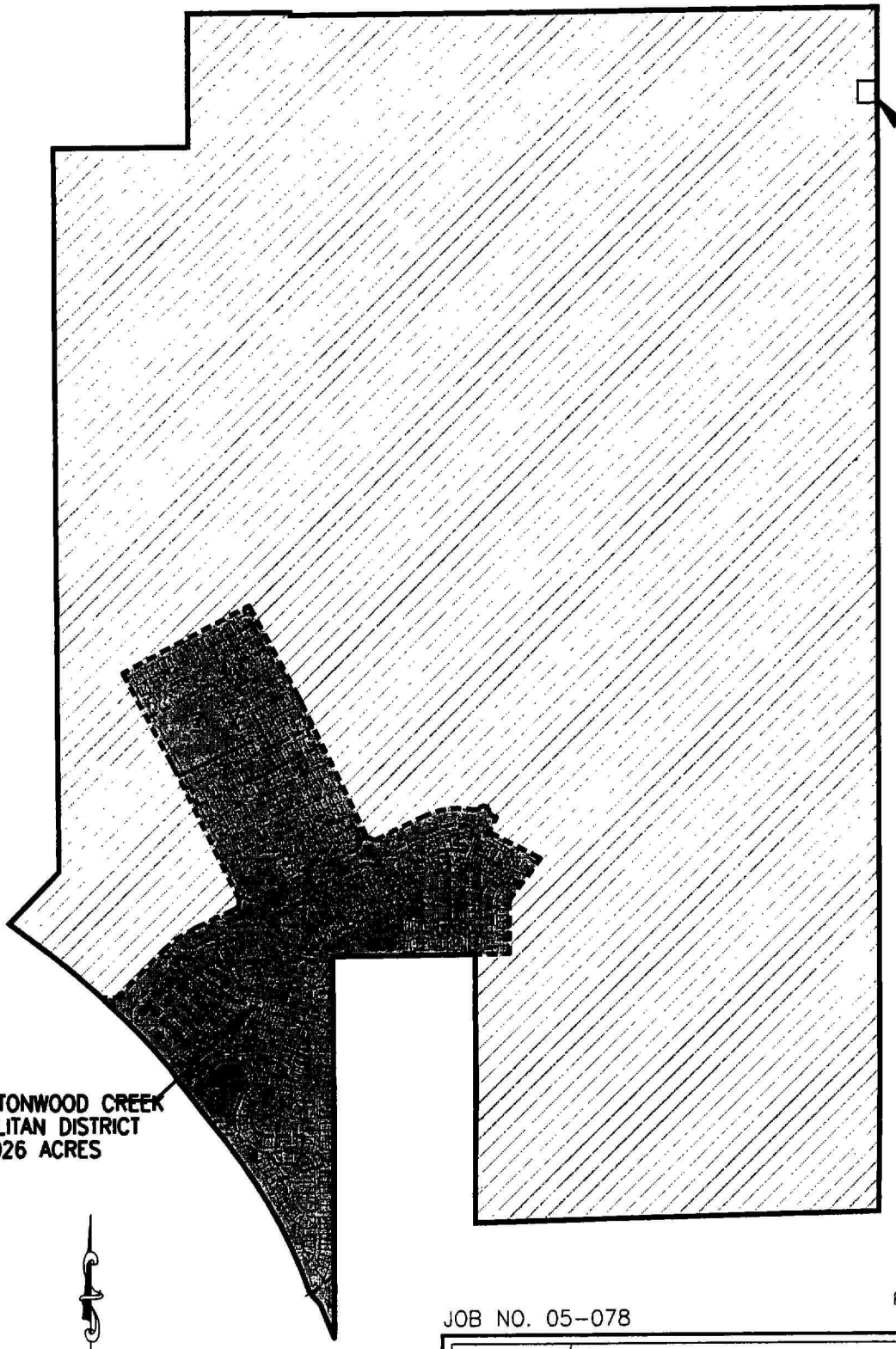
Legal Description of Upper Cottonwood Creek Metropolitan District

Westcreek at Wolf Ranch Subdivision Filing No. 1 as recorded at Reception No. 203256016
Westcreek at Wolf Ranch Subdivision Filing No. 2 as recorded at Reception No. 203295305
Westcreek at Wolf Ranch Subdivision Filing No. 3 as recorded at Reception No. 203295306
Westcreek at Wolf Ranch Subdivision Filing No. 4 as recorded at Reception No. 203295307
Westcreek at Wolf Ranch Subdivision Filing No. 5 as recorded at Reception No. 203295308
Westcreek at Wolf Ranch Subdivision Filing No. 6 as recorded at Reception No. 204158024
Westcreek at Wolf Ranch Subdivision Filing No. 7 as recorded at Reception No. 204210392
Westcreek at Wolf Ranch Subdivision Filing No. 8 as recorded at Reception No. 204210393
Westcreek at Wolf Ranch Subdivision Filing No. 9 as recorded at Reception No. 204210394
Westcreek at Wolf Ranch Subdivision Filing No. 10 as recorded at Reception No. 205002479
Westcreek at Wolf Ranch Subdivision Filing No. 11 as recorded at Reception No. 205002480
Westcreek at Wolf Ranch Subdivision Filing No. 12 as recorded at Reception No. 205058003
Research Parkway at Wolf Ranch Filing No. 1 as recorded at Reception No. 204210391
Research Parkway at Wolf Ranch Filing No. 2 as recorded at Reception No. 204210395
Research Parkway at Wolf Ranch Filing No. 3 as recorded at Reception No. 205140557
The Overlook at Wolf Ranch as recorded at Reception No. 204174237
Westcreek Neighborhood Park Filing No. 1 as recorded at Reception No. 205110954
Villages at Wolf Ranch Subdivision Filing No. 1 as recorded at Reception No. 205143926
Villages at Wolf Ranch Subdivision Filing No. 2 as recorded at Reception No. 205160433
Villages at Wolf Ranch Subdivision Filing No. 3 as recorded at Reception No. 205160434
Villages at Wolf Ranch Subdivision Filing No. 4 as recorded at Reception No. 205160435
Villages at Wolf Ranch Subdivision Filing No. 5 as recorded at Reception No. 206712210
Villages at Wolf Ranch Subdivision Filing No. 7 as recorded at Reception No. 206712211
Villages at Wolf Ranch Subdivision Filing No. 8 as recorded at Reception No. 206712212

Remaining portion of that Tract of Land described at Reception No. 202219157 south of Westcreek at Wolf Ranch Subdivision Filing No. 4 recorded at Reception No. 203295307, containing 1.43 acres of land, more or less.

BEGINNING at the Northwest Right-of-Way corner of Wolf Center Drive as shown in Villages at Wolf Ranch Subdivision Filing No. 8 as recorded at Reception No. 206712212 of the records of said El Paso County, the following nine (9) courses are on the Westerly line of said Filing No. 8, the Northerly and Westerly line of Villages at Wolf Ranch Subdivision Filing No. 7 as recorded at Reception No. 206712211 of the records of said El Paso County; thence: 1) S28°15'26"E a distance of 175.00 feet; 2) S61°44'34"W a distance of 430.00 feet; 3) S28°15'26"E a distance of 110.00 feet; 4) S61°44'34"W a distance of 20.00 feet; 5) S28°15'26"E a distance of 215.00 feet; 6) S61°44'34"W a distance of 145.00 feet; 7) S28°15'27"E a distance of 414.93 feet; 8) S27°01'09"E a distance of 256.26 feet; 9) S63°58'41"W a distance of 722.00 feet; thence N26°01'19"W a distance of 104.75 feet to a point of curve; thence on said curve to the left having a central angle of 02°14'07", a radius of 970.00 feet for an arc distance of 37.84 feet; thence N28°15'26"W a distance of 1000.47 feet; thence N61°44'34"E a distance of 1317.16 feet to the Point of Beginning, containing 22.699 acres of land, more or less.

Total area within the Upper Cottonwood Creek Metropolitan District = 243.026 acres of land, more of less.



SCALE 1"=1500'

UPPER COTTONWOOD CREEK 1 METRO DISTRICT

JOB NO. 05-078

FILE: 05078UCC1.DWG
DATE: 2/3/06

ROCKWELL CONSULTING, Inc.
ENGINEERING • SURVEYING
1955 N. UNION BLVD., SUITE 200
COLORADO SPRINGS, CO 80909
(719) 475-2575 • FAX (719) 475-9223

ROCKWELL MINCHOW
CONSULTANTS, INC.

EXHIBIT "A"

PART 2

Legal Description and Map of
Old Ranch Metropolitan District

A tract of land located in a portion of the Northeast one-quarter of the Northeast one-quarter (NE ¼ NE ¼) of Section 30, Township 12 South, Range 65 West of the 6th P.M., El Paso County, Colorado, more particularly described as follows:

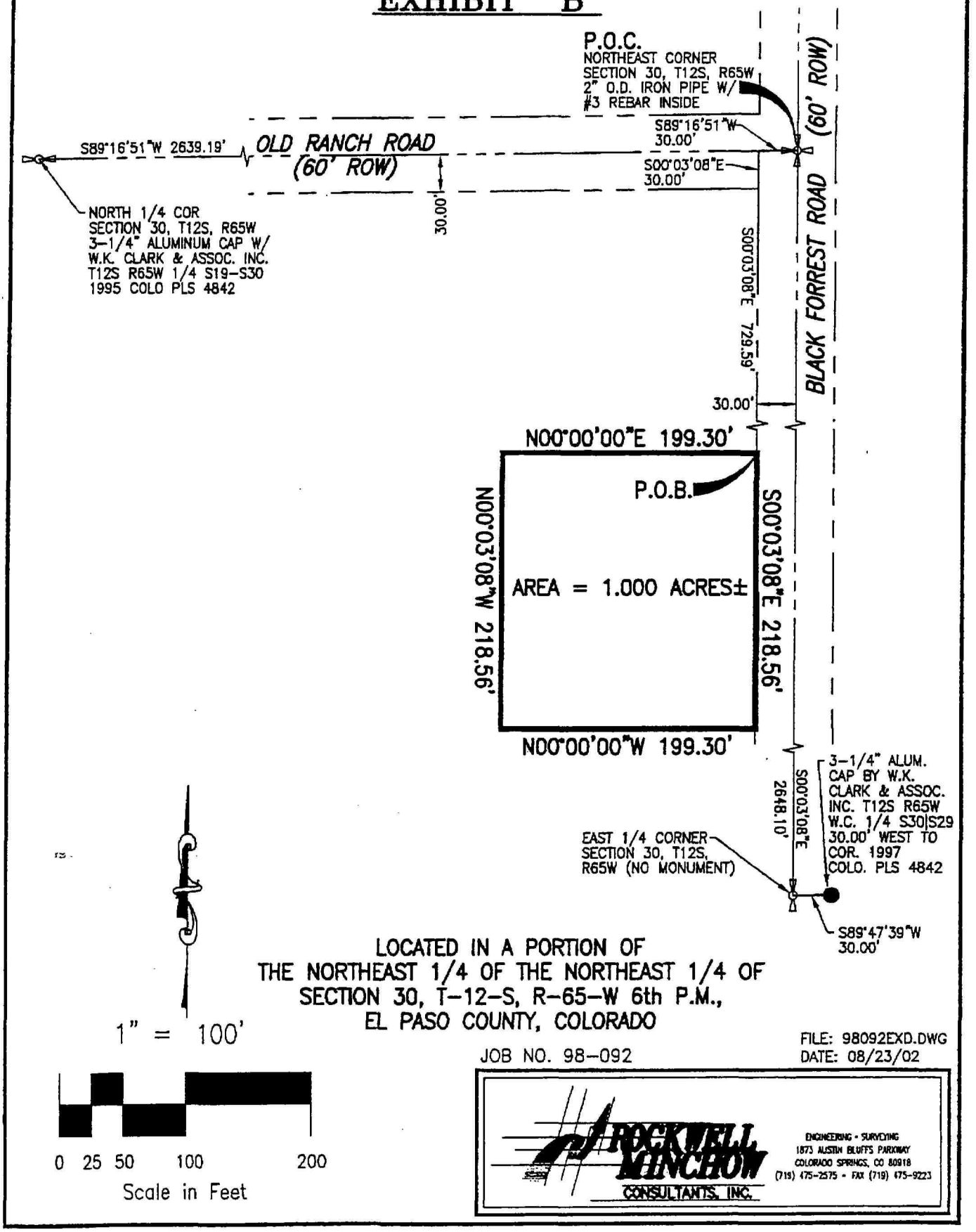
COMMENCING at a 2" O.D. iron pipe at the Northeast corner of said Section 30, from which a 3¼" aluminum cap by PLS 4842 at the North ¼ corner of said Section 30 bears S89°16'51"W a distance of 2639.19 feet and is the basis of bearings used herein; thence S89°16'51"W on the North line of the Northeast one-quarter (NE ¼) of said Section 30, a distance of 30.00 feet to a point thirty (30) feet Westerly as measured perpendicular to the East line of said NE ¼; thence S00°03'08"E parallel with said East line, a distance of 30.00 feet to a point thirty (30) feet Southerly as measured perpendicular to the North line of said NE ¼; thence continuing S00°03'08"E parallel with said East line, a distance of 729.59 feet to the POINT OF BEGINNING; thence continuing S00°03'08"E parallel with said East line, a distance of 218.56 feet; thence N90°00'00"W a distance of 199.30 feet; thence N00°03'08"W parallel with said East line, a distance of 218.56 feet; thence N90°00'00"E, a distance of 199.30 feet to the POINT OF BEGINNING and containing 1.00 acre of land more or less

SEE EXHIBIT "B" ATTACHED

Prepared By: Rockwell-Minchow Consultants, Inc.
August 23, 2002
Project #98-092
File 98092exd.doc

ENGINEERING • SURVEYING • CONSTRUCTION MANAGEMENT
1873 Austin Bluffs Parkway Colorado Springs, CO 80918 (719) 475-2575 Fax (719) 475-9223

EXHIBIT "B"



LOCATED IN A PORTION OF
THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF
SECTION 30, T-12-S, R-65-W 6th P.M.,
EL PASO COUNTY, COLORADO

1" = 100'

0 25 50 100 200
Scale in Feet

JOB NO. 98-092

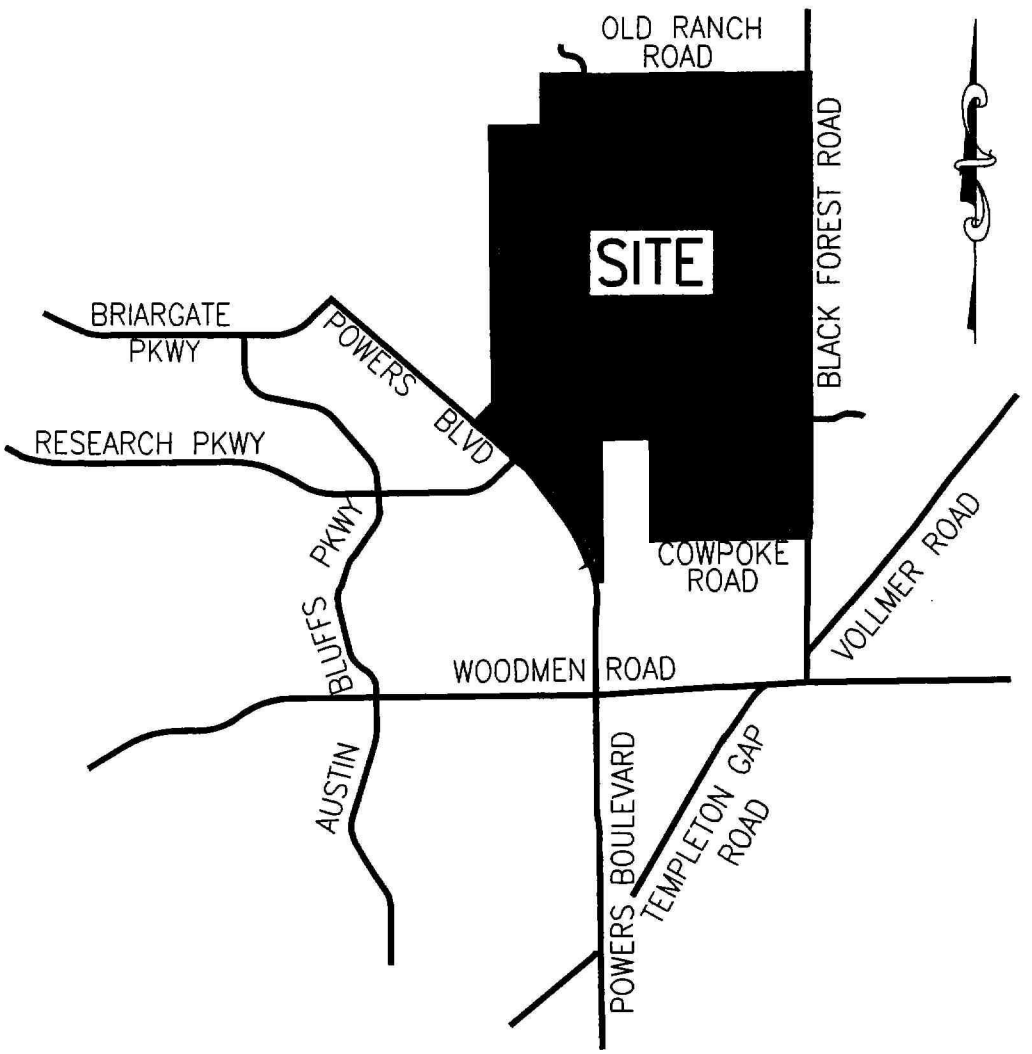
FILE: 98092EXD.DWG
DATE: 08/23/02

ROCKWELL MINCHOW CONSULTANTS, INC.
ENGINEERING - SURVEYING
1873 AUSTIN BLUFFS PARKWAY
COLORADO SPRINGS, CO 80918
(719) 475-2575 - FAX (719) 475-9223

EXHIBIT B

Colorado Springs Vicinity Map

EXHIBIT B, COLORADO SPRINGS VICINITY MAP



Vicinity Map

NOT TO SCALE

JOB NO. 05-078

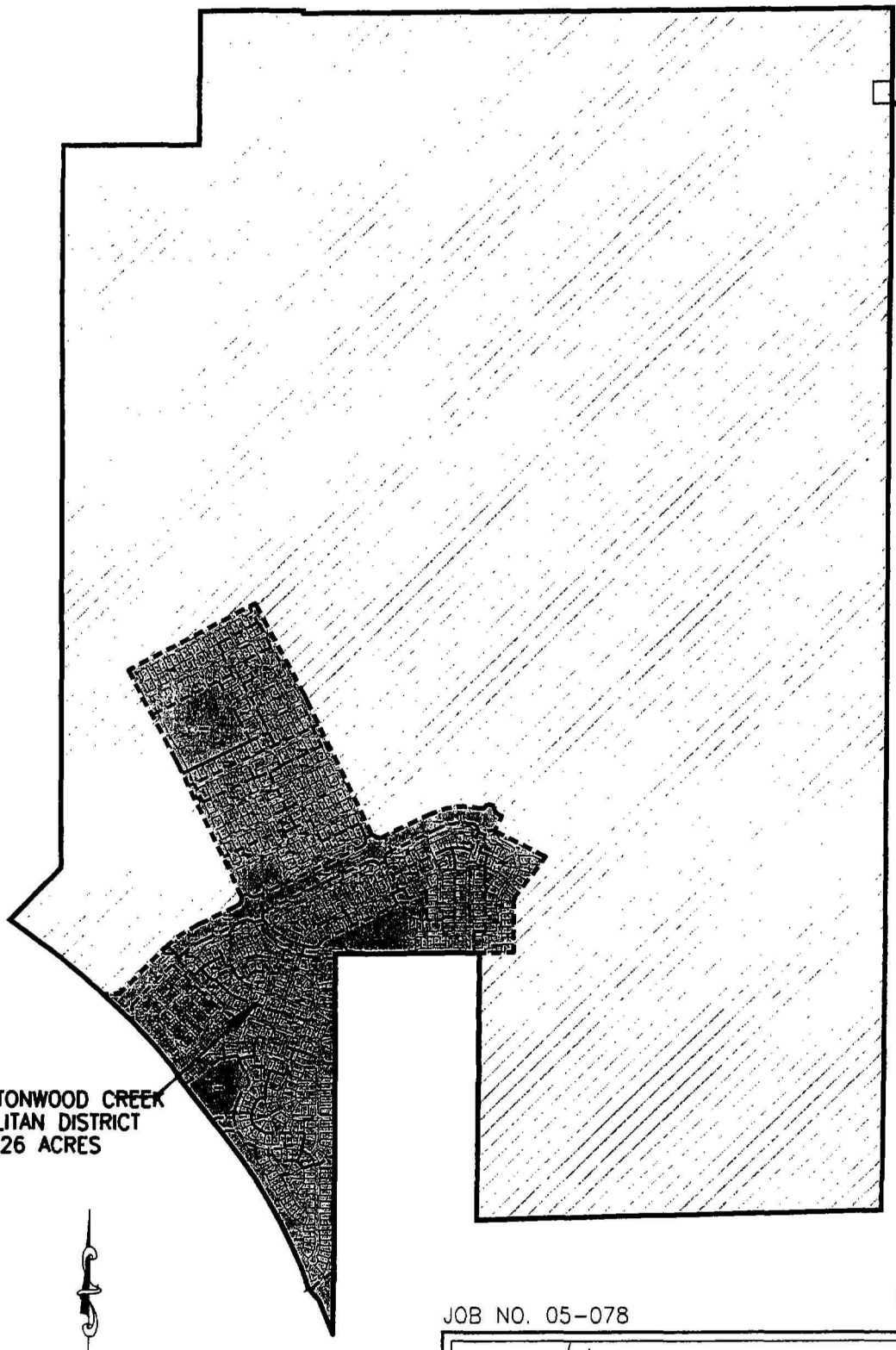
FILE: 05078UCC2.DWG
DATE: 2/3/06

ROCKWELL CONSULTING, Inc.
ENGINEERING • SURVEYING
1955 N. UNION BLVD., SUITE 200
COLORADO SPRINGS, CO 80909
(719) 475-2575 • FAX (719) 475-9223

UPPER COTTONWOOD CREEK METRO DISTRICTS

EXHIBIT C

District Boundary Map



SCALE 1"=1500'

JOB NO. 05-078

FILE: 05078UCC1.DWG
DATE: 2/3/06

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COLORADO SPRINGS, CO 80909
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UPPER COTTONWOOD CREEK 1 METRO DISTRICT

EXHIBIT D - REVISED

Description of Permitted Services to be Provided by the Districts

Description of Services	IGA Required (Yes or No)
1. Operation and maintenance services related to the Main Lake, planned with a surface area of approximately fourteen (14) acres, and its immediately surrounding landscaping	No
2. Operation and maintenance services related to two (2) Entry Parks, each planned to be approximately three and one-half (3.5) acres, one to be on Briargate Parkway and the other on Research Parkway, and all landscaping, monumentation, and/or other improvements or property owned by the Districts.	No
3. Operation and maintenance of recreational facilities within the Districts, including but not limited to: that portion of the internal trail system constructed by the Districts and a community recreation center.	No
4. Operation and maintenance services related to the nonpotable irrigation system that will serve certain public landscaping within the Districts will not be permitted until a Supplemental Agreement to the 1987 Agreement is executed with the City of Colorado Springs	Yes, a Supplemental Agreement must be executed prior to operation and maintenance service permitted.
5. Maintenance of landscaping within the public right-of-way.	No
6. The Districts may set up enterprises (using the procedures and criteria provided by Section 20 of Article X of the Colorado Constitution) to manage, fund and operate the following facilities, services and programs when they qualify for enterprise status: paddle boat operation on the Main Lake, pitch and putt golf, and use of District owned or operated facilities for events such as weddings and group gatherings.	No

EXHIBIT D - ORIGINAL

Description of Permitted Services to be Provided by the Districts

Description of Services	IGA Required (Yes or No)
1. Operation and maintenance services related to the Main Lake, planned with a surface area of approximately fourteen (14) acres, and its immediately surrounding landscaping	
2. Operation and maintenance services related to two (2) Entry Parks, each planned to be approximately three and one-half (3.5) acres, one to be on Briargate Parkway and the other on Research Parkway, and all landscaping, monumentation, and/or other improvements or property owned by the Districts.	
3. Operation and maintenance of recreational facilities within the Districts, including but not limited to: that portion of the internal trail system constructed by the Districts and a community recreation center.	
4. Operation and maintenance services related to the non-potable irrigation system that will serve certain public landscaping within the Districts. Old Ranch shall comply with the June 12, 1987 "Agreement" between the City and JVRC, Inc. subject to the use restrictions and the allocation of groundwater among the landowners as outlined in the proposed 1997 First Amendment to the June 12, 1987 Contract that was signed by the landowners. Old Ranch may develop water from the Denver and Arapahoe formations for the purposes of providing non-potable water for uses in or on District-owned or maintained public improvements in accordance with and subject to the 1987 Agreement as the same may be amended with the City. Old Ranch may sell water from wells developed by Old Ranch to CSU pursuant to rates and terms as agreed upon by CSU and Old Ranch. Old Ranch and its successors and assigns have the right to use groundwater in the Denver and Arapahoe formations as described in the 1987 Agreement.	
5. Maintenance of landscaping within the public right-of-way.	
6. Operation and maintenance services related to drainage detention and retention facilities located within the Districts.	
7. The Districts may set up enterprises (using the procedures and criteria provided by Section 20 of Article X of the Colorado Constitution) to manage, fund and operate the following facilities, services and programs when they qualify for enterprise status: paddle boat operation on the Main Lake, pitch and putt golf, and use of District owned or operated facilities for events such as weddings and group gatherings.	

Exhibit E

NOTICE OF SPECIAL DISTRICT DISCLOSURE

Name of District(s):	Old Ranch Metropolitan District ("Old Ranch") and Upper Cottonwood Creek Metropolitan District ("Upper Cottonwood"). Old Ranch and Upper Cottonwood are Residential Districts.
Contact Information for District:	R.S. Wells, Attn: District Manager 6399 S. Fiddler's Green Circle, Suite 102 Greenwood Village, CO 80111-4974 303.779.4525 (main line) 303.773-2050 (fax)
Type of District(s):	Metropolitan Districts organized pursuant to CRS 32-1-101 *et seq.* The Districts will provide limited operating and maintenance of certain Public Improvements within the Project, which operations and maintenance functions may be provided through an intergovernmental agreement by and between the Districts.
Identify District(s) Improvements Financed by Proposed Bonds:	Road improvements – Research Parkway, Briargate Parkway, Old Ranch Road realignment, Black Forest Road On and off-site utilities, including water and wastewater improvements Recreational facilities and park improvements, including entry parks, pocket parks, trail system, Main Lake, community recreation center Landscaping within public right-of-way Drainage improvements (grade control structures, drainage way improvements, wetland improvements, drainage detention and retention facilities)
Identify Services/Facilities Operated/Maintained by District(s):	Trail system, lake, entry parks, non-potable irrigation system, drainage facilities
Mill Levy Cap: ***(Note: This District may or may not be certifying a mill levy at the time of your purchase. Please verify by contacting the District.)***	**Residential Districts:** Maximum Debt Mill Levy = 16.5 mills (18.9 mills in 2006). Maximum Operating Mill Levy = 3.5 mills (4 mills in 2006). If there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation may be increased or decreased to reflect such changes, so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2003, are neither diminished nor enhanced as a result of such changes.
Authorized Debt of the District(s) per Amended and Restated Service Plan:	$7,000,000.00, but limited to what may be financed by the Maximum Debt Mill Levy.
Voter Authorized Debt per Election:	In excess of $7,000,000.00
District Boundaries:	See attached map

Sample Mill Levy Calculation for a Residential Property

Assumptions:

Actual Market Value (as determined by assessor) is $300,000

Mill levy is 25 mills

Calculation:

$300,000 x .0796 = $23,880 (Assessed Valuation)

$23,880 x .025 mills = **$597 per year in taxes owed solely to the Special District**

INTEROFFICE MEMORANDUM

37-06

CITY OF COLORADO SPRINGS

Date: March 16, 2006

To: Lorne Kramer, City Manager

Through: Steve Reed, Budget Director

From: Lisa Bigelow, Principal Analyst, Budget Department

Subject: **A Resolution Approving the Amended and Restated Service Plan for Old Ranch Metropolitan District and Upper Cottonwood Creek Metropolitan District**

SUMMARY: A resolution is attached approving the Amended and Restated Service Plan for Old Ranch Metropolitan District and Upper Cottonwood Creek Metropolitan District. This Service Plan amends and restates the Original Service Plan which was approved by City Council on August 27, 2002. The proposed Amended and Restated Service includes only those properties in the Wolf Ranch Master Plan that have been sold or are being developed. Nor'wood proposes the formation of four (4) additional metropolitan districts to accommodate the phasing of the remaining portion of the Wolf Ranch Master Plan under the new Special District Policy.

PREVIOUS COUNCIL ACTION: The Joint Service Plan for Upper Cottonwood Creek Metropolitan District and Old Ranch Metropolitan District was approved by City Council by Resolution No. 144-02 in August 2002.

BACKGROUND: The Joint Service Plan was the first dual district approved by City Council in August 2002. Since then, in January 2006, City Council approved a new Special District Policy and Model Service Plan. The applicant seeks to revise the District boundaries, amend the Original Service Plan, and to create four additional districts under the new Policy. The Amended Service Plan retains the significant conditions of the Original Service Plan since there are existing property owners within the District.

The Old Ranch Metropolitan District is a one-acre District which is the developer-controlled District and the Upper Cottonwood Creek Metropolitan District contains 243 acres which includes the existing property owners as well as other undeveloped lots.

The Original Service Plan limits the mill levy to 20 mills for both debt service and operation mill levies, which will be retained since there are already property owners within the District. The Amended and Restated Service Plan proposes a maximum debt mill levy of 16.5 mills adjusted per Gallagher as of January 1, 2003 and a maximum operation mill levy of 3.5 mills adjusted per Gallagher as of January 1, 2003. The 2006 mill levies adjusted per Gallagher are 18.9 mills for debt service and 4 mills for operations.

Also, there was a condition on the Original Service Plan relating to the nonpotable irrigation system which reads:

> "Applicant and Colorado Springs Utilities (CSU) an enterprise of the City of Colorado Springs are working on a supplemental agreement relating to the allocation and use of Denver Basin groundwater underlying the Wolf Ranch. This supplemental agreement will clarify and set forth the rights and responsibilities of Applicant, the Districts, and CSU with respect to the withdrawal and use of groundwater pursuant to an Agreement dated June 12, 1987 between the City of Colorado Springs and JVRC. That supplemental agreement has not been concluded. Applicant and CSU shall use their best efforts to execute the supplemental agreement by December 31, 2002."

This condition has not been met. The Special District Review Committee recommends a condition that the District not be permitted to provide operation and maintenance services related to the nonpotable irrigation system until the Supplemental Agreement is executed with the City of Colorado Springs, as originally required by City Council in August 2002. Colorado Springs Utilities indicates that despite best efforts over the past three years, Nor'wood and Colorado Springs Utilities have not executed a supplemental agreement. Again, based on Colorado Springs Utilities review and comments, it is recommended that the District is not permitted to operate and maintain the nonpotable irrigation system until the Supplemental Agreement has been executed.

The Special District Review Committee reviewed the Amended and Restated Service Plan and it is in compliance with the Special District Policy and Model Service Plan except for some minor deviations. The minor deviations are:

- The deletion of any reference to an "inclusion area" since this concept is not applicable to the Amended and Restated Service Plan;
- Addition of language to Section I. C. referencing those certain ongoing operating and maintenance functions of the District, as identified in Exhibit D. It is the intent of the Districts to continue to provide such services (including but not limited to operating and maintenance functions related to improvements owned by the Districts) even after such time as outstanding debt has been retired;
- Deletion of any reference to Commercial district which is not applicable;
- Addition of language to Section V.A. 10 clarifying that City Council's review of bonds or other debt instruments of the District shall be conducted to ensure compliance with the Service Plan;
- Section VI. B. amended to reflect a maximum interest rate of twelve percent (12%) and a maximum underwriting discount of four percent (4%) since these were the maximum interest rate and underwriting discount in the original Service Plan and are more restrictive than the new Policy;
- Section VI. E. amended to reflect a Maximum Debt Mill Levy of 16.5 mills, Gallagher-adjusted from January 1, 2003, as per the Original Service Plan;
- Section VI. J. amended to reflect a Maximum Operation Mill Levy of 3.5 mills, Gallagher-adjusted from January 1, 2003, as per the Original Service Plan; and
- Section IX amended such that the "notice" (Exhibit E) will be recorded against all remaining undeveloped lots within the Districts.

Lastly, the Special District Review Committee revised Exhibit D, which is titled the Description of Permitted Services to be Provided by the Districts. Under #4, the District will not be permitted to provide the service unless the Supplemental Agreement is executed with the City of Colorado Springs as described above. The Public Works Department recommends that #6 be deleted since this issue will be addressed by the Stormwater Enterprise and the applicant is in favor of removing this condition.

FINANCIAL IMPLICATIONS: The maximum mill levy for the existing properties is 20 mills and is adjusted per Gallagher (22.9 mills for debt service and operations). This is consistent with the Original Service Plan. The total debt issuance limitation is $104.5 million ($7.5 for Amended Service Plan and $97.5 for Districts No. 2-5) for these Districts while the Original Service Plan authorized $52.3 million. This is a function of an increase of the total mill levy cap of 20 mills (includes both debt service and operations and maintenance) to a higher debt service mill levy cap, as now allowed by City policy. The new debt limit of $104.5 million is also related to the fact that the project has been building out faster than expected, that the assessed value projections are ahead of schedule, and that the cost of money is currently lower than originally estimated in the original service plan.

BOARD/COMMISSION RECOMMENDATION: N/A

STAKEHOLDER PROCESS: N/A.

ALTERNATIVES: (1) City Council may choose to approve the resolution or (2) City Council may choose to modify the resolution or (3) City Council may choose not to approve the resolution.

RECOMMENDATION: The Special District Review Committee recommends approval of the resolution approving the Amended and Restated Service Plan for Old Ranch Metropolitan District and Upper Cottonwood Creek Metropolitan District with the condition that the District not operate or maintain the nonpotable irrigation system until a Supplemental Agreement has been executed.

PROPOSED MOTION: Move approval of this resolution.

Attachment: Resolution, Applicant's Transmittal Letter, Amended and Restated Service Plan

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

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SUITE 3800
WELLS FARGO CENTER
1700 LINCOLN STREET
DENVER, COLORADO 80203-4538

TELEPHONE (303) 839-3800
TELECOPIER (303) 839-3838
WWW.GRIMSHAWHARRING.COM

MERITAS
LAW FIRMS WORLDWIDE

Marcus A. McAskin
303-839-3852

mcaskin@grimshawharring.com
www.grimshawharring.com

February 6, 2006

VIA EMAIL

Lisa Bigelow
Office of Budget and Financial Analysis
City of Colorado Springs
PO Box 1575, Mail Code 1541
Colorado Springs, CO 80901

Re: Amended and Restated Service Plan
Upper Cottonwood Creek Metropolitan District / Old Ranch Metropolitan District

Lisa:

As you know, this firm represents Nor'wood Development Group, LLC, the developer of Wolf Ranch, with respect to the enclosed Amended and Restated Service Plan for Old Ranch Metropolitan District and Upper Cottonwood Creek Metropolitan District (the "Service Plan").

At build-out, it is anticipated that Upper Cottonwood will have approximately 763 residential units within its boundaries, including approximately 127 townhome units. At this point in time, no development is planned for Old Ranch.

The Service Plan is submitted in order to conform Upper Cottonwood and Old Ranch to the City of Colorado Springs' new special district policy and model service plan, which should improve the City's administration of matters pertaining to the Districts moving forward.

The Service Plan contains only minor deviations from the City's model plan, including:

- deletion of any reference to an "inclusion area." Such a concept is not applicable to the Service Plan.

- addition of language to Section I.C. making reference to those certain ongoing operating and maintenance functions of the Districts, as identified in Exhibit D. It is the intent of the Districts to continue to provide such services (including but not

limited to operating and maintenance functions related to improvements owned by the Districts) even after such time as outstanding debt has been retired.

- deletion of any reference to Commercial Districts. Such a concept is not applicable to the Service Plan.

- addition of language to Section V.A.10 clarifying that City Council's review of bonds or other debt instruments of the Districts shall be conducted to ensure compliance with the Service Plan.

- Section VI.B. amended to reflect a maximum interest rate of twelve percent (12%) and a maximum underwriting discount of four percent (4%). These figures were retained from the Districts' originally approved service plan ("Original Plan").

- Section VI.E. amended to reflect a Maximum Debt Mill Levy of 16.5 mills, Gallagher-adjusted from January 1, 2003, as per the Original Plan. The Original Plan contained a total mill levy cap (debt service plus operations) of twenty (20) mills, Gallagher adjusted from January 1, 2003. The Maximum Debt Mill Levy has been set at 16.5 (and not 30 as permitted in the City's model plan) in order to remain consistent with the Original Plan and to ensure that existing residents within Upper Cottonwood do not experience any increase in the mill levy within Upper Cottonwood.

- Section VI.J. amended to reflect a Maximum Operation Mill Levy of 3.5 mills, Gallagher-adjusted from January 1, 2003, as per the Original Plan. The Original Plan contained a total mill levy cap (debt service plus operations) of twenty (20) mills, Gallagher adjusted from January 1, 2003. The Maximum Operating Mill Levy has been set at 3.5 (and not 10 as permitted in the City's model plan) in order to remain consistent with the Original Plan and to ensure that existing residents within Upper Cottonwood do not experience any increase in the mill levy within Upper Cottonwood.

- Section IX. amended such that the "notice" (Exhibit E) will be recorded against all remaining undeveloped lots within the Districts.

Grimshaw & Harring, P.C. looks forward to working closely with the City as pertains to the Amended and Restated Service Plan for Upper Cottonwood and Old Ranch. Please feel free to call or email if there are any questions pertaining to the submittal.

Sincerely,

GRIMSHAW & HARRING,
A Professional Corporation

Marcus A. McAskin

Enclosures

cc: Ralph Braden
City Clerk (via email)

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