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VIA ELECTRONIC MAIL

City Council
City of Colorado Springs
107 N. Nevada Avenue
Colorado Springs, CO 80903
allCouncil@springsgov.com

Re: Banning Lewis Ranch Metropolitan District No. 2; 2016 Service Plan Amendment

Dear Council Members,

Our firm represents the Banning Lewis Ranch Metropolitan District No. 2 (the "District"). With this letter, the Board of Directors of the District petitions the Colorado Springs City Council to amend the Amended and Restated Service Plan for Banning Lewis Ranch Metropolitan District Nos. 1, 2, 3, 4, 5, and 7 (the "Consolidated Service Plan"). As described in the proposed 2016 Service Plan Amendment, a copy of which is attached hereto (the "Amendment"), the sole purpose of the Amendment is to amend the Consolidated Service Plan to allow the District to utilize an unlimited Maximum Debt Service Levy. The Consolidated Service Plan is to remain unchanged in all other respects and as to the other districts.

The Board of Directors of the District has determined it to be in the best interests of the District to amend the Consolidated Service Plan in order to allow the District to refinance its outstanding indebtedness ("Debt") to take advantage of current, favorable market conditions; to lower the overall interest rate applicable to the Debt; to lower the mill levy necessary to service the Debt; and to afford its residents and taxpayers the savings associated with these actions. The District's current Maximum Debt Service Mill Levy, as described in the Consolidated Service Plan, is capped at 30 mills. The most advantageous refinancing model requires that the Maximum Debt Service Levy be amended to allow the District to pledge to the payment of the Debt, as refinanced, the promise that the District will certify a mill levy that is unlimited as to rate or amount, even if the mill levy never actually exceeds 30 mills.

The Amendment is proposed consistent with the Consolidated Service Plan, which provides in Sections V.A.14. and V.E.1.(b) as follows:

In accordance with C.R.S. 32-1-207, each District separately (or the Districts together) shall be entitled to petition City Council for an increase in the Maximum Debt Mill Levy and/or the Maximum Operating Mill Levy as the Public Improvements within each District are completed, including but not limited to

recreation centers or other park and recreation facilities, and once the capital expense, operations, and maintenance budget figures have been established.

[. . .]

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.

While the District's Debt to Actual Market Value Ratio has not reached 3% (as provided in the Consolidated Service Plan), the District's debt to assessed value ratio is approximately forty-two percent (42%) – well below the fifty percent (50%) margin prescribed by C.R.S. Section 32-1-1101(6) permitting the issuance of debt secured by an unlimited mill levy – and market conditions are currently such that refinancing the District's Debt with an unlimited Maximum Debt Service Levy would likely allow the District to obtain a "BBB" rating on its refinancing bonds and a significantly lower interest rate, and allow the District to reduce its debt service mill levy going forward, saving homeowners approximately \$200 per year and paying off all debt within 30 years. For this reason, the District now petitions the City Council for the proposed Amendment.

The District has retained the services of D.A. Davidson & Co. in order to analyze the District's financial situation and develop a financial plan consistent with the proposed Amendment. D.A. Davidson's analysis and projections have been made available to City staff. We look forward to working with you on this matter. Please do not hesitate to contact us with questions.

Respectfully submitted,

Matthew R. Dalton