

SERVICE PLAN

FOR

CRYSTAL CROSSING METROPOLITAN DISTRICT

(TOWN OF CASTLE ROCK, COLORADO)

Prepared by: BREGA & WINTERS, P.C.  
1700 LINCOLN, SUITE 2222  
DENVER, COLORADO 80203  
(303) 866-9400

SPECIAL DISTRICT MANAGEMENT SERVICES, INC.  
141 UNION BOULEVARD, SUITE 150  
LAKEWOOD, COLORADO 80228  
(303) 987-0835

EMK CONSULTANTS, INC.  
7006 S. ALTON WAY, BUILDING F.  
ENGLEWOOD, COLORADO 80112  
(303) 694-1520

J W SIMMONS & ASSOCIATES, P.C.  
9155 E. NICHOLS AVE., SUITE 330  
ENGLEWOOD, CO 80112-3419  
(303) 689-0833

Received

DEC 10 2002

Dept. of Local Affairs

TABLE OF CONTENTS

	Page
I. <u>INTRODUCTION</u> .....	1
II. <u>PURPOSE OF THE DISTRICT</u> .....	3
III. <u>DISTRICT BOUNDARIES AND MAPS</u> .....	4
IV. <u>PROPOSED LAND USE AND POPULATION PROJECTIONS</u> .....	4
V. <u>DESCRIPTION OF PROPOSED SERVICES</u> .....	5
A. <u>Types of Improvements</u> .....	5
1. <u>Water</u> .....	6
2. <u>Sanitation</u> .....	6
3. <u>Streets</u> .....	6
4. <u>Safety Protection</u> .....	7
5. <u>Park and Recreation</u> .....	7
6. <u>Transportation</u> .....	8
7. <u>Mosquito Control</u> .....	8
8. <u>Fire Protection</u> .....	8
9. <u>Television Relay and Translation</u> .....	8
10. <u>Other Powers</u> .....	8
a. <u>Service Plan Amendments</u> .....	8
b. <u>Phasing, Deferral</u> .....	8
c. <u>Additional Services</u> .....	9
B. <u>Standards of Construction/Statement of Compatibility</u> .....	9
C. <u>Facilities to be Constructed and/or Acquired</u> ...	10
D. <u>Notice of Meetings</u> .....	10
VI. <u>ASSESSED VALUATION</u> .....	10
VII. <u>ESTIMATED COSTS OF FACILITIES</u> .....	10
VIII. <u>ESTIMATED COSTS OF OPERATION AND MAINTENANCE</u> .....	11
IX. <u>FINANCIAL PLAN-PROPOSED INDEBTEDNESS</u> .....	11
A. <u>General</u> .....	11
B. <u>Mill Levy</u> .....	12
C. <u>System Development Fees</u> .....	14
D. <u>Modification of Financing Plan</u> .....	14
E. <u>Operations</u> .....	15
F. <u>Economic Viability</u> .....	15
X. <u>ANNUAL REPORT</u> .....	16
XI. <u>DISSOLUTION</u> .....	16

XII. <u>CONCLUSION</u> .....	16
XIII. <u>ACKNOWLEDGEMENTS</u> .....	17

## TABLE OF EXHIBITS

EXHIBIT A	Boundary Map
EXHIBIT A-1	Vicinity Map
EXHIBIT A-2	Legal Description
EXHIBIT B	Capital Plan
EXHIBIT B-1	Street and Drainage Improvements
EXHIBIT B-2	Sewer Improvements
EXHIBIT B-3	Water Improvements
EXHIBIT B-4	Amenities Map
EXHIBIT B-5	Cost Estimates for Street, Sewer, and Water Improvements
EXHIBIT C	Financial Plan
EXHIBIT C-1	Mill Levies of Overlapping Entities
EXHIBIT C-2	Mill Levy Comparison of Competing Developments
EXHIBIT D	Proposed Board of Directors
EXHIBIT E	Proof of Ownership of All Properties Within the District
EXHIBIT F	Proposed Petition for Organization of a Metropolitan District

# SERVICE PLAN FOR THE CRYSTAL CROSSING METROPOLITAN DISTRICT

## I. INTRODUCTION

Pursuant to the requirements of Chapter 11 of the Castle Rock Municipal Code and the Special District Control Act, Section 32-1-201, et seq., Colorado Revised Statutes, this Service Plan consists of a financial analysis and an engineering plan showing how the proposed facilities and services of Crystal Crossing Metropolitan District ("District") will be provided and financed. Pursuant to that certain Annexation and Development Contract between the Town of Castle Rock ("Town") and Francis A. Heckendorf, Jr. and Darlene L. Heckendorf and Environmental Developers, Inc., dated June 3, 1985, the Town agreed to cooperate in the approval of any special districts deemed to be reasonably necessary to finance and provide public improvements within the District. The following items are included in this Service Plan:

1. A description of the proposed services;
2. A financial plan showing how the proposed services are to be financed, including the proposed operating revenue derived from property taxes for the first budget year of the District;
3. A preliminary engineering or architectural survey showing how the proposed services are to be provided;
4. A map of the District boundaries and an estimate of the population and valuation for assessment of the District, which includes an attached legal description;
5. A general description of the facilities to be constructed and the standards of such construction, including a statement of how the facility and service standards of the District are compatible with facility and service standards of the Town and of any municipalities and special districts which are interested parties pursuant to Section 32-1-204(1), Colorado Revised Statutes;
6. A general description of the estimated cost of acquiring land, engineering services, legal services, administrative services, initial proposed indebtedness and estimated proposed maximum interest rates and discounts, and other major expenses related to the organization and initial operation of the District;

7. A description of any arrangement or proposed agreement with any political subdivision for the performance of any services between the District and such other political subdivision, and if applicable a form of the agreement is attached hereto;

8. An itemization of any costs which petitioners expect to be assumed by the Town for the construction of public improvements;

9. An identification, by name, address, and phone number, of those persons who are intended to be the nominees for the initial Board of Directors (the names, addresses and phone numbers of the proposed Board members are included on **Exhibit D** attached hereto);

10. Proof of ownership of all properties within the District (attached as **Exhibit E** to this Service Plan); and

11. A copy of any and all proposed enabling, controlling, contractual, and/or operational documents which would affect or be executed by the District, including the form of any intergovernmental agreement between the District and the Town.

12. A capital plan which includes the following:

a. a description of the type of capital facilities to be developed by the District; and

b. an estimate of the cost of the proposed facilities; and

c. a pro forma capital expenditure plan correlating expenditures with development.

13. A financial plan (the "Financial Plan" attached as **Exhibit C** to this Service Plan) which includes the following:

a. the total amount of debt issuance planned for the five-year period commencing with the formation of the District;

b. all proposed sources of revenue and projected District expenses, as well as the assumptions upon which they are based, including the proposed operating revenue derived from property taxes for the first budget year of the District, for at least a ten-year period from the date of the approval of the formation of the District;

c. the dollar amount of any anticipated financing, including capitalized interest, costs of issuance, estimated maximum rates and discounts, and any expenses related to the organization and initial operation of the District;

d. a detailed repayment plan covering the life of any financing, including the frequency and amounts expected to be collected from all sources;

e. the amount of any reserve fund and the expected level of annual debt service coverage which will be maintained for any financing;

f. the total authorized debt for the District, including a schedule indicating the year or years in which the debt is scheduled to be issued;

g. the provisions regarding credit enhancement, if any, for the proposed financing, including but not limited to, letters of credit and insurance; and

h. a list and written explanation of potential risks of the financing.

## II. PURPOSE OF THE DISTRICT

Services will be provided to the properties located within the boundaries of the Crystal Crossing Metropolitan District. The District's powers and functions shall be limited to construction and financing of the improvements described below. It is anticipated that the District will function to provide (1) water improvements, (2) sanitary and storm sewer improvements, (3) street improvements, (4) parks and recreation facilities, (5) safety protection improvements, (6) transportation (7) television relay and transmission, and (8) mosquito control improvements and services within and without the District's boundaries. Additional services may be provided by the District if determined by the District's Board of Directors to be in the best interest of the District so long as the Town, in accordance with the notification and comment procedure set forth in Article IV, Section A and B, does not object. Upon completion of the public improvements to Town standards, the District will convey to the Town such improvements constructed by the District as hereinafter discussed. It is anticipated that the specific arrangements regarding construction, financing and dedication will be addressed in proposed Development and Cost Reimbursement Agreements ("Development Agreement(s)") which will include as parties Crystal Valley Ranch Development Co., LLC, Castle Star Development Company,

LLC and Premise Real Estate Co. The Development Agreements will be finalized concurrently with the presentation of the Service Plan.

### III. DISTRICT BOUNDARIES AND MAPS

The property included within the District's boundaries is located entirely within the Town and is approximately 173.127 acres (the "Property"). A vicinity map, a map of the boundaries of the District, and a legal description of the Property is attached hereto as Exhibit A, A-1 and A-2.

### IV. PROPOSED LAND USE AND POPULATION PROJECTIONS

At present, the Property within the District is zoned pursuant to Preliminary PUD Plan Heckendorf Ranch, approved by the Town of Castle Rock, Colorado on November 29, 1984, which allows for those uses set forth thereon and recorded in the records of the Clerk and Recorder, Douglas County, Colorado on June 27, 1985 at Reception No. 356320. The Developer has proposed that the Property be platted to allow for up to approximately 350 single-family units and the development of 25 acres for commercial or multi-family use. The peak daytime population is estimated at 1,750 persons. The Property will be vacant (a tenant currently occupies an existing ranch house and related structures and will be in possession until development commences) and is not presently served with the facilities and/or services proposed to be provided by the District, nor does the Town nor any other special district have any plans to provide such services within a reasonable time and on a comparable basis. Approval of this Service Plan shall not indicate, implicitly or expressly, that any land use applications now on file with the Town or any land use applications filed in the future will be approved by the Town.

Inclusions or exclusions of property within the District will be determined by the Board of Directors of the District at the time of consideration in accordance with the state statutes. In the event the District proposes to expand its boundaries and such expansion will require the incurrence of indebtedness in addition to the amounts contemplated by the Financial Plan, the District shall have the authority to include the property and to issue general obligation bonds provided the following requirements have been met:

1. The District shall submit to the Town Manager, with a copy to the Town Attorney, a written notice (the "Notice") of its intention to issue general obligation bonds above the amount projected herein with a Revised Financial Plan. Revised Financial Plan shall mean a Revised Financial Plan based upon Verifiable



Build-out Projections (defined below) which shows that the District has the ability to pay the required debt service payments on the proposed indebtedness and the previously authorized indebtedness. Verifiable Build-out Projections shall mean build-out projections which are based upon approved zoning or upon planned unit development and/or approved preliminary or final plats for the applicable property.

2. If the Town does not object in writing within forty-five (45) days after receiving the Notice, the Revised Financial Plan and the Verifiable Build-out Projections are considered approved. If the Town objects within the requisite time period, the additional debt will not be incurred until the District has received the approval of the Town to a modified Service Plan pursuant to the requirements of Colorado Statute and Castle Rock Municipal Code:

All debt issuance, the Mill Levy Cap (as hereinafter defined), and other restrictions provided for in this Service Plan and in the proposed Intergovernmental Agreement shall continue to apply to the District if any additional property is included within the District's boundaries.

#### V. DESCRIPTION OF PROPOSED SERVICES

The following paragraphs provide a description of the proposed services to be provided by the District.

##### A. Types of Improvements.

The District plans to provide for the design, acquisition, construction, installation, and financing of certain water, sanitary and storm sewer, street, safety protection, park and recreation, transportation, television relay and translation, and mosquito control improvements and services within and without the boundaries of the District. This Service Plan describes those improvements anticipated for construction. The improvements will benefit the Property. A general description of each type of improvement and service to be provided by the District follows this paragraph, and the Capital Plan attached as **Exhibit B** lists the improvements ("Improvements") currently planned to be provided relating to each type, and the costs in current dollars. An explanation of the methods, basis, and/or assumptions used to prepare the above estimates is also included in the Capital Plan. The Improvements generally depicted and described in the Capital Plan have been presented for illustration only, and the exact design, subphasing of construction and location of the Improvements will be determined at the time of platting and such decisions shall

not be considered to be a material modification of the Service Plan.

1. Water. It is not anticipated that the District will finance any regional water improvements required to provide potable water to its boundary. To the extent deemed necessary by the District, it shall have the power to provide for the design, acquisition, construction, completion, installation, operation and maintenance of a water transmission and distribution system (other than those improvements being constructed by the Town), which may include, but shall not be limited to, transmission lines, distribution mains and laterals, fire hydrants, irrigation facilities, storage facilities, treatment facilities, wells or development of other sources of water, pump stations, land and easements, and all necessary, incidental, and appurtenant facilities, together with extensions of and improvements to said system within the boundaries of the District provided the improvements comply with the Town's Utility Master Plans, or are otherwise approved by the Town. Following acceptance, any water improvements constructed by either the Town or the District will be owned, operated and maintained by the Town. The District shall be prohibited from acquiring or owning water rights.

2. Sanitation. The District shall have the power to provide for the design, acquisition, construction, completion, installation, operation and maintenance of a complete sanitary sewage collection, transmission, and disposal system which may include, but shall not be limited to, collection mains and laterals, return/reuse piping, lift stations, transmission lines, sludge handling and disposal facilities, and storm sewer, flood and surface drainage facilities and systems, including detention/retention ponds and associated irrigation facilities, and all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said system within and without the boundaries of the District. The sanitary sewer system will be designed to adequately serve the entire Property, and will comply with the Town's Utility Master Plans.

Upon acceptance by the Town, the sanitation improvements will be owned, operated and maintained by the Town.

3. Streets. The District shall have the power to provide for the acquisition, construction, completion, installation and/or operation and maintenance of street improvements, including curbs, gutters, culverts, and other drainage facilities, sidewalks, bike paths and pedestrian ways, bridges, overpasses, interchanges,

median islands, paving, lighting, grading, landscaping and irrigation, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities within and without the boundaries of the District. It is anticipated that, following acceptance by the Town, the Town will maintain the streets within the District. The District may supplement the Town's maintenance as it deems necessary or desirable to benefit its taxpayers and service users. Following acceptance, the street improvements will be owned, operated and maintained by the Town.

A Development Agreement may be entered into for cost sharing of street improvements including but not limited to the design, acquisition, construction, completion and installation of public street improvements on Douglas lane, Plum Creek Boulevard, Ranch Road and platted roads serving the residents of the District, including bridge, curbs; gutters; other drainage facilities; pedestrian ramps; pedestrian ways; paving, traffic signalization; grading; and all necessary incidental and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities, within and without the boundaries of the District.

4. Safety Protection: The District shall have the power to provide for the acquisition, construction, completion, installation and/or operation and maintenance of facilities and/or services for a system of traffic and safety controls and devices on streets and highways, including signalization, lighting, signage and striping, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities within and without the boundaries of the District. Following acceptance, all safety protection improvements will be transferred to the Town for ownership and maintenance.

5. Park and Recreation. The District shall have the power to provide for the design, acquisition, construction, completion, installation, operation and maintenance of parks and recreational facilities and programs including, but not limited to, parks, bike paths and pedestrian ways, open space, landscaping, cultural activities, community recreational centers, water bodies, irrigation facilities, and other active and passive recreational facilities and programs, and all necessary, incidental and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities within and without the boundaries of the District. The park and recreational facilities will be owned, operated and maintained by the Town, the District or an association of homeowners within the boundaries of the District, as appropriate.

6. Transportation. The District shall have the power to provide for the design, acquisition, construction, completion, and installation of a system to transport the public by bus, rail, or any other means of conveyance, or combination thereof, or pursuant to contract, including park and ride facilities and parking lots, structures, and facilities; together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems within and without the boundaries of the District. Transportation facilities will be owned and operated by the Town or other governmental entity.

7. Mosquito Control. The District shall have the power to provide for the eradication and control of mosquitoes, including but not limited to elimination or treatment of breeding grounds and purchase, lease, contracting or other use of equipment or supplies for mosquito control.

8. Fire Protection. The Property and the Development are wholly within the boundaries of the Town. The District shall not have any powers to provide fire protection or emergency response services. The Development will obtain its fire protection and emergency response services from the Town.

9. Television Relay and Translation. The District shall have the power to provide for the design, acquisition, construction, completion, installation, operation and maintenance of television relay and translation facilities, cable and communication facilities, fiber optic conduit network, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities within and without the boundaries of the District.

10. Other Powers. In addition to the enumerated powers, the Board of Directors of the District shall also have the following authority:

a. Service Plan Amendments. To amend the Service Plan as needed, subject to the appropriate statutory procedures and Town ordinance, and the provisions of the Service Plan and the Master Intergovernmental Agreement.

b. Phasing, Deferral. Without amending this Service Plan, to defer, forego, reschedule, or restructure the financing and/or construction of certain improvements and facilities, to better accommodate the pace of growth, resource availability, and potential inclusions of property within the District.

c. Additional Services... Except as specifically provided herein, to provide such additional services and exercise such powers as are expressly or impliedly granted by Colorado law.

B. Standards of Construction/Statement of Compatibility.

1. All water improvements will be designed, constructed and maintained in accordance with the standards, if any, of the Colorado Department of Health, the Town and any other jurisdiction, as appropriate.

2. All sanitary sewer improvements will be designed, constructed and maintained in accordance with the standards, if any, of the Colorado Department of Health, the Town and other applicable local, state or federal rules and regulations. All storm sewers and facilities will be constructed in accordance with the standards and specifications of the Town and other jurisdictions, as appropriate.

3. All streets and safety protection facilities to be dedicated to the Town will be constructed in accordance with the standards and specifications of the Town. Any street and safety protection facilities to be dedicated to Douglas County will be constructed in accordance with the standards and specifications of the County.

4. All park and recreational facilities and/or services will be constructed in accordance with engineering and design requirements appropriate for the surrounding terrain, and shall be in accordance with standards of the Town, or other local public entities, as appropriate.

5. All transportation facilities shall be provided in accordance with the standards and specifications, if any, of the Town, the Regional Transportation District or other local public entities, as appropriate.

6. All mosquito control facilities will be designed, constructed, maintained and operated in accordance with the specifications, if any, of the Colorado Department of Health, the Town or other jurisdictions, as appropriate.

7. All television relay and translation facilities will be designed, constructed, maintained and operated in accordance with the standards and specifications of the Federal Communications Commission, the Town, if any, or other jurisdictions, as appropriate.

Any construction of facilities must first be authorized by the Town through the issuance of a public works permit. Based on an analysis of jurisdictions which are interested parties in the Service Plan proceedings as defined in the Colorado Revised Statutes, the District's Engineers have determined that the standards by which the facilities are to be constructed are compatible with the facilities of such other jurisdictions.

C. Facilities to be Constructed and/or Acquired.

The District proposes to provide and/or acquire those facilities generally described herein. A general description and preliminary engineering survey, as appropriate, of the facilities to be constructed and/or acquired are shown on the Capital Plan attached hereto as **Exhibit B**.

Notwithstanding anything herein to the contrary, the District shall have the authority to enter into intergovernmental agreements deemed necessary to effectuate the long-term plans of the District without further approval from the Town and to perform its obligations thereunder. To the extent necessary to comply with statutory and/or Constitutional requirements for approval of debt or long-term financial obligations, the terms of the aforementioned intergovernmental agreements and any other intergovernmental agreements deemed necessary to effectuate the long-term plans of the District will be submitted to the electors of the District for approval.

D. Notice of Meetings.

A copy of the written notice for every regular or special meeting of the District will be delivered to the Town Clerk at least three (3) days prior to such meeting.

VI. ASSESSED VALUATION

For purposes of the Financial Plan it is assumed that the District has an assessed valuation as of January 2002 of zero (0) dollars. The projected build-out for the District is set forth in the Financial Plan set forth in **Exhibit C**. The projected assessed valuation of the property to be included within the District, based upon the land use expectations heretofore noted, is set forth in the Financial Plan. At build-out, the assessed valuation is expected to be Twenty Six Million One Hundred Seventy Five Thousand Eight Hundred and Twenty Five Dollars (\$26,175,825).

VII. ESTIMATED COSTS OF FACILITIES

The Capital Plan attached hereto as **Exhibit B** includes the estimated costs of the facilities to be constructed, installed

and/or acquired by the District, a facility map and preliminary drawings for each type of service or facility to be provided by the District.

#### VIII. ESTIMATED COSTS OF OPERATION AND MAINTENANCE

Subject to the applicable warranty, the District intends to dedicate certain facilities constructed or acquired to the Town, for operations and maintenance. The District may also enter into a contract with a homeowners association whereby the homeowners association will assume the responsibility for operations and maintenance of certain improvements. Estimated costs for operation and maintenance functions are shown on the Financial Plan. The Financial Plan assumes no operating expenses or debt will be incurred until 2002.

#### IX. FINANCIAL PLAN—PROPOSED INDEBTEDNESS

The Financial Plan shows how the proposed facilities and/or services are to be financed including the estimated costs of engineering services, legal services, administrative services, proposed indebtedness and estimated interest rates and discounts, and other major expenses related to this Service Plan. It demonstrates the issuance of the debt and the anticipated repayment based on the projected development in the District's boundaries. The Financial Plan also demonstrates that, at various projected levels of development, the District has the ability to finance the facilities identified herein and will be capable of discharging the proposed indebtedness on a reasonable basis. The District acknowledges that it is subject to the requirements of and shall comply with Chapter 11.02 of the Castle Rock Municipal Code, including but not limited to, the requirements of filing the annual reports and obtaining timely service plan amendments when material modifications occur as defined in Section 11.02.060 of the Code.

A. General. The provision of facilities by the District and the repayment of its outstanding obligations will be primarily financed by the issuance of general obligation bonds, secured by the ad valorem taxing authority of the District.

When the issuance of bonds by the District entails pledging its mill levy to the payment of the bonds, the District's obligation to the Bondholders with regard to the mill levy shall be to certify the required mill levy and the Bondholders shall have no other remedy with regard to the mill levy pledge.

The Financial Plan demonstrates the issuance of the debt and the anticipated repayment based on the projected development in

the District boundaries. It is anticipated that the first bond issue will occur in 2003. Prior to that time, the construction costs for necessary improvements will be advanced by the developer(s) within the District, subject to subsequent acquisition by the District of the completed improvements and reimbursement to the developer(s) of such advanced construction costs.

General obligation bonds will mature as determined by the Board of Directors consistent with the applicable law at the time of issuance. The maximum voted interest rate will be eighteen percent (18%) and the maximum underwriter's discount will be five percent (5%). The exact interest rates and discounts will be determined at the time the bonds are sold by the District and will reflect market conditions at the time of sale but shall not exceed the maximum voted interest rate or underwriter's discount. The District may also issue notes, certificates, debentures, or other multiple fiscal year obligations, which issuances shall be subject to the limitations set forth in this Service Plan.

Based upon construction cost estimates and financing cost estimates as computed during the preparation of this Service Plan, it is anticipated that a total of Nine Million Five Hundred Thousand Dollars (\$9,500,000) of bonds will be issued. The District will have the authority to finance and construct all facilities contemplated herein without the need to seek approval of any modification of this Service Plan, provided the District is not then required to obtain an amendment to the Service Plan as required under Section 11.02.060 of the Code. The District anticipates that the amount of voted authorization will exceed the amount of bonds anticipated to be sold, as shown in the Financial Plan, to allow for unforeseen contingencies and increases in construction costs due to inflation, and to cover all issuance costs, including capitalized interest, reserve funds, discounts, legal fees and other incidental costs of issuance. The District shall not issue any new debt or revenue obligations if a material modification to this Service Plan has occurred under Section 11.02.060 of the Code for which the District has not obtained a conforming amendment.

B. Mill Levy. The District will have a mill levy assessed on all taxable property in the District as a primary source of revenue for repayment of debt service and for operations and maintenance. It is estimated that a mill levy of Thirty Six (36.000) mills will produce revenue sufficient to support the debt retirement throughout the bond repayment period. It is estimated that a mill levy of five (5.000) mills will produce revenue sufficient to support the operation and maintenance requirements of the District. In addition, the District may capitalize interest to permit payment of interest during the time lapse between development of taxable properties and the collection of tax levies therefrom to the extent permitted under federal law. Interest



income through the reinvestment of construction funds, capitalized interest and annual tax receipts will provide additional funds. These revenue sources should be sufficient to retire the proposed indebtedness if growth occurs as projected; otherwise, the imposition of rates, tolls, fees and charges may be necessary.

The District may authorize, issue, sell and deliver such bonds, notes, contracts, or other obligations evidencing a borrowing (collectively, "Bonds") as are permitted by law; provided that, without the prior written consent of the Town, the following limitations shall apply:

1. All Bonds, regardless of whether the District has promised to impose an ad valorem mill levy for their payment, shall be exempt from registration under the Colorado Municipal Bond Supervision Act, or shall be registered under such Act.

2. The principal amount of any issue of Bonds for the payment of which the District promises to impose an ad valorem property tax ("General Obligation Bonds"), together with any other outstanding issue of General Obligation Bonds of the District, may not at the time of issuance exceed fifty percent (50%) of the valuation for assessment of the taxable property in the District, as certified by the assessor, except that the foregoing shall not apply to an issue of General Obligation Bonds for the payment of which the District has covenanted to impose a maximum mill levy for all outstanding General Obligation Bonds ("Mill Levy Cap") of not more than 45 mills (a mill being equal to 1/10 of 1¢) per annum ("Limited Mill Levy Bonds"); provided that, such Limited Mill Levy Bonds may also provide that in the event the method of calculating assessed valuation is changed after the date of approval of this Service Plan by any change in law, change in method of calculation, or change in the percentage of actual valuation used to determine assessed valuation, the Mill Levy Cap 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 revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes.

The Financial Plan reflects the total amount of bonds to be sold to finance the completion, construction, acquisition and/or installation of the proposed facilities, including all costs and expenses related to the anticipated bond issuances. Organizational costs of the District, including legal fees, and capitalized engineering costs, are to be paid or reimbursed from the proceeds of the bond issues.

The Financial Plan projects the anticipated flow of funds and is based upon estimates of construction and project needs for bond proceeds to finance the District's improvements. The District's engineer has evaluated the timing and cost estimate of the District's improvements which are necessary to support the proposed absorptions of development as projected in the Financial Plan and has concurred with the assumptions. The Financial Plan sets forth the most reasonable estimate of growth within the District and allows the Board of Directors a measure of flexibility such that the District need not incur debt in excess of what it needs to meet a growing population's demands for facilities and services. The interest rates as set forth in the Financial Plan, prepared by J W Simmons & Associates, P.C., are based upon the advice of Kirkpatrick Pettis. All issuances of general obligation bonds shall be deemed to be in compliance with the Financial Plan so long as the Minimum Criteria, as hereinafter defined, have been met.

Minimum Criteria shall mean that the general obligation bonds are: (1) subject to the Mill Levy Cap, (2) together with other outstanding general obligation bonds, not in excess of the general obligation debt authorization set forth in this Service Plan, as may be amended from time to time, and (3) together with other outstanding general obligation bonds, are not in excess of the general obligation debt authority approved by the District's electorate.

C. System Development Fees. The Town imposes and collects System Development Fees for purposes of funding water, sanitary sewer, street and park and recreation improvements. The District may impose an impact fee upon each residential unit and commercial structure constructed within the District.

D. Modification of Financing Plan. In the event the District determines that its assessed valuation has reached a level sufficient to enable the District to discharge its indebtedness with reasonable mill levies, it shall be entitled to seek approval from the Town to issue, refund and/or otherwise restructure its outstanding indebtedness to eliminate the Mill Levy Cap. Elimination of the Mill Levy Cap will be authorized by Town provided the modified financing plan demonstrates that the *ad valorem* property tax revenue received by the District in the preceding fiscal year, if collected in that amount in subsequent years, would be sufficient to make all annual scheduled debt payments (inclusive of "balloon payments"), without use of any other District revenues, such as development fees. Approval for release of the Mill Levy Cap will be evidenced by a resolution of the Town Council approving a modified financial plan to be submitted by the District for review by the

Town. Such modification shall not be considered a material modification of the Service Plan, but shall be in furtherance of the District's purposes and authority in the Service Plan as a means by which the Service Plan is implemented by the District for the benefit of the residents and property owners of the District.

Prior to the submission of the modified financial plan, the District shall undertake reasonable efforts to notify residents and property owners of the modification and proposed release of the Mill Levy Cap. Publication of notice in the Douglas County News Press or similar newspaper generally circulated in the boundaries of the District and published in Douglas County shall constitute sufficient notice provided that such notice is published on two occasions at least one week apart indicating that the District will hold a board meeting to consider the modification of its financing plan to eliminate the Mill Levy Cap for outstanding indebtedness. No other notice shall be required to be made by the District.

E. Operations. Annual administrative, operational and maintenance expenses are estimated as shown in Exhibit C attached hereto. If necessary, however, the District reserves the right to supplement these revenues with additional revenue sources as described in this Service Plan. Initially, operations and maintenance expenses may be advanced by the Developer and will be repaid by the District. Repayment of Developer advances shall be subordinate to all other debt of the District.

The Mill Levy Cap proposed herein for repayment of the bonds does not apply to the District's ability to increase its mill levy as necessary for provision of operation and maintenance services to its taxpayers and service users. There are statutory and constitutional limits on the District's ability to increase its mill levy for provision of operation and maintenance services without an election.

F. Economic Viability. The Financial Plan illustrates the estimated income and expenses for the District over a thirty five (35) year period presuming the issuance of two series of bonds, maturing within a thirty (30) year period from the date of issuance for each series. The analysis reflects a total build-out period of approximately Seven (7) years, and a mill levy of Thirty Six (36) mills. The Financial Plan contained in this Service Plan demonstrates the economic viability of the District.

X. ANNUAL REPORT

The District shall file an annual report with the Town no later than September 1 of each calendar year. The report shall reflect activity and financial events through the preceding December 31, and shall include the information required by Section 11.02.040, Castle Rock Municipal Code.

XI. DISSOLUTION

At such time as the District has completed construction of the improvements provided for in its Service Plan, and upon arrangement for repayment of all of its outstanding debt, the District Board will place the question of dissolution of the District before its constituents and will exercise every reasonable effort to process the dissolution of the District in accordance with Colorado Statute.

XII. CONCLUSION

It is submitted that this Service Plan for the District 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 boundaries;
4. The area 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 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 County within which the District is located and each municipality which is an interested party under Section 32-1-204(1), Colorado Revised Statutes;

7. The proposal is in compliance with any duly adopted County, regional, or state long-range water quality management plan for the area; and

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

### **XIII. ACKNOWLEDGEMENTS**

The authorization granted to the District under this Service Plan to construct or finance the construction of facilities and to issue bonds or otherwise incur debt is subject to the following:

1. The capital and financial plans are good faith estimates of the scope and costs of public improvements, and attendant bond financing. However, the actual public improvements required to serve development (and the sequencing and phasing of such improvements) will be determined after land use review and approval, and the application of applicable Town regulations. The District's proportionate financial share in regional facilities, such as the Crystal Valley Parkway Interchange will be determined in accordance with land use regulations and/or specific joint funding agreements. Site-specific land use approvals and joint-funding agreements may result in the change in the scale, nature, timing and sequencing of improvements currently in the capital plan, or the addition or deletion of such public improvements.

2. Approval of the Master Intergovernmental Agreement by the governing bodies of the Town and the District.