

FINAL 8/30/2022

**CASTLE ROCK
MODEL SERVICE PLAN**

Prepared
By:

Town of Castle Rock
Town Attorney's Office
100 N. Wilcox St.
Castle Rock, CO 80104

Approved _____, 20__

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EXHIBIT C	Town of Castle Rock Vicinity Map
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I. INTRODUCTION

A. Purpose and Intent.

This Service Plan is submitted in accordance with the Special District Act and Chapter 11 of the Town Code. It defines the powers and authorities of the District and describes the limitations and restrictions placed thereon.

The District is an independent unit of local government, separate and distinct from the Town, and, except as may otherwise be provided for by State or local law or this Service Plan, its activities are subject to review by the Town only insofar as they may deviate in a material manner from the requirements of the Service Plan and the Town Code. The purpose of the District will be to provide all or a part of the Public Improvements, as further defined and described in this Service Plan, for the use and benefit of the residents and taxpayers of the District and the general public, subject to such policies, rules, and regulations as may be permitted under applicable law. Such Public Improvements may be located within and without the District's boundaries, as determined by the Board to be in the best interest of the District, and in accordance with the Service Plan. Upon completion to Town standards, the District will convey, or cause to be conveyed, to the Town such Public Improvements as may be required by the Town Land Use Approvals.

It is the intent of the District to finance the construction or acquisition of all or a part of the Public Improvements. To this end, the District is authorized to implement the Capital Plan and Financial Plan within its boundaries. The District is further authorized to provide ongoing operations and maintenance services for Public Improvements that are not dedicated to the Town or to another governmental entity to perform such services, subject to the limitations set forth in this Service Plan. The District is also authorized, but not required, to provide covenant enforcement and design review services in accordance with State statute.

B. Need for the District.

There are currently no other governmental entities located in the immediate vicinity of the District that have the means or desire to undertake the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the Public Improvements needed for the Project. Formation of the District is, therefore, necessary in order to provide the Public Improvements required for the Project in the most economic manner possible.

C. Capital Plan.

This Service Plan includes a Capital Plan set forth in **Exhibit E**, which matches the anticipated public infrastructure needs of the Project. This Service Plan will facilitate the issuance of Debt necessary to finance and construct the Public Improvements for the Project.

D. Financial Plan.

A Financial Plan reflecting the approximate development absorption rates, projected annual revenues and expenditures, anticipated debt issuances and amortization schedules, and a

projection of anticipated capital outlays for the construction of Public Improvements to serve the Project is set forth in **Exhibit F**. The parameters in the Financial Plan are based upon current estimates; however, actual results may differ from the Financial Plan based on actual development of the Project and market conditions.

E. Financial Impact on Existing Residents.

At this time, no residents live in the District. Therefore, this Service Plan will not impact existing residents.

F. Objective of the Town Regarding Service Plan.

The Town's objective in approving the Service Plan for the District is to authorize the District to provide for the planning, design, acquisition, demolition, construction, installation, relocation and redevelopment of the Public Improvements for the Project, *inter alia*, from the proceeds of Debt to be issued by the District. All Debt is expected to be repaid by taxes imposed and collected for no longer than the Maximum Debt Mill Levy Imposition Term and at a mill levy no higher than the Maximum Debt Mill Levy and/or repaid by Development Fees, as limited by Section V.A.10. Debt which is issued within these parameters will insulate property owners from excessive taxes and fees 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 District and 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.

It is the intent of this Service Plan to assure to the extent possible that no property bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy and that no property bears an economic burden for Debt 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 cost of Public Improvements that cannot be funded within these parameters are not costs to be paid by the District. The District is authorized to implement the Capital Plan and Financial Plan within and without its boundaries. The District is also being organized to provide operations and maintenance services to the District.

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.

II. DEFINITIONS

In this Service Plan, the following terms shall have the meanings indicated below, unless the context hereof clearly requires otherwise:

Assessed Valuation Adjustment: means if, on or after the date of approval of this Service Plan by the Town, changes are made in the method of calculating assessed valuation or any constitutionally or statutorily mandated tax credit, cut, or abatement, then the Maximum Debt Mill

Levy, the Maximum Aggregate Mill Levy, and the Regional Mill Levy may be increased or decreased to reflect such changes so that, to the extent possible, the actual tax revenues generated by the applicable mill levy, as adjusted for changes occurring after the date of approval of this Service Plan by the Town, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in residential rate as defined in Section 39-1-104.2, C.R.S., and any constitutional or legislative changes in the actual value against which the assessment rate is applied, shall be deemed to be a change in the method of calculating assessed valuation.

Board: means the board of directors of the District.

Capital Plan: means the pro forma capital plan regarding the Public Improvements as set forth in **Exhibit E**.

County: means the County of Douglas, Colorado.

Debt: means bonds or other obligations for the payment of which the District has promised to impose an *ad valorem* property tax mill levy. The definition of Debt shall not include intergovernmental agreements that do not contain a pledge of an ad valorem property tax mill levy in the District. The obligation of the District to remit revenues from the Regional Mill Levy to the Town, as required by this Section VI.J. below, shall not be deemed a Debt for purposes of this Service Plan.

Developer: means the owner or owners of the Project, any affiliates of such owner or owners, and their respective successors and assigns other than an End User.

Developer Debt: means bonds, notes, or other multiple-fiscal-year financial obligations issued to or entered with the Developer for reimbursement of sums advanced or paid by the Developer for funding of Public Improvements and/or operations and maintenance expenses, for the payment of which the District has promised to impose, charge, assess and/or levy a mill levy or fees, and/or pledge other revenues. Developer Debt shall be subordinate to other Debt of the District, and any interest on Developer Debt shall be simple and shall not compound.

Development Fee: means the one-time development fee imposed by the District on a per-unit basis, at or prior to the issuance of a certificate of occupancy for the unit, to assist with the planning, development, and financing of the Public Improvements, subject to the limitations set forth in Section VI.E of the Service Plan. The Development Fee may be used to finance, plan, acquire, and construct the Public Improvements, and pay debt service.

District: means the _____ Metropolitan District.

End User: means any third-party owner, or tenant of any third-party owner, of any taxable improvement within the District, who is intended to become burdened by the imposition of ad valorem property taxes subject to the Maximum Debt Mill Levy. By way of illustration, a resident homeowner, renter, commercial property owner, or commercial tenant is an End User. The Developer or the business entity that constructs homes or commercial structures is not an End User.

External Financial Advisor: a consultant that: (i) 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; (ii) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Marketplace; and (iii) is not an officer or employee of the District and has not been otherwise engaged to provide services in connection with the transaction related to the applicable Debt.

Financial Plan: means the pro forma financial plan described in Section VI and set forth in **Exhibit F** which describes generally (i) how the Public Improvements are anticipated to be financed; (ii) how the Debt is expected to be incurred; and (iii) the estimated operating revenue derived from property taxes for the first budget year. The parameters in the Financial Plan are based upon current estimates; however, actual results may differ from the Financial Plan based on actual development of the Project and market conditions.

Inclusion Area Boundaries: means the boundaries of the area described in **Exhibit A-2**.

Inclusion Area Boundary Map: means the map attached hereto as **Exhibit B-2**, describing the property proposed for inclusion within the District.

Initial District Boundaries: means the legal boundaries of the District as described in **Exhibit A-1**, as may be altered pursuant to Section III of this Service Plan, or pursuant to the inclusion and exclusion procedures set forth in the Special District Act.

Initial District Boundary Map: means the map attached hereto as **Exhibit B-1**, describing the Initial District Boundaries.

Maximum Aggregate Mill Levy: means the maximum aggregate mill levy the District is permitted to impose as set forth in Section VI.I below, including the Maximum Debt Mill Levy and any mill levy imposed to pay or offset the District's operating costs, but excluding the Regional Mill Levy.

Maximum Debt Mill Levy: means the maximum mill levy the District is permitted to impose for payment of Debt as set forth in Section VI.C below.

Maximum Debt Mill Levy Imposition Term: means the maximum term for imposition of a debt service mill levy on a particular property as set forth in Section VI.D below.

Project: means the development or property commonly referred to as _____.

Public Improvements: means a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed by the District, as generally described in the Special District Act, and in conformance with the Town Code and regulations, 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 the District.

Regional Mill Levy: means a property tax of five (5) mills, subject to future Assessed Valuation Adjustments, to be imposed by the District and remitted to the Town on an annual basis in accordance with the requirements of Section VI.J. below, for the purpose of defraying costs

incurred by the Town in providing such services and improvements as the Town, in its sole and reasonable discretion, believes are: (i) public in nature; (ii) for the benefit of the residents and taxpayers of the District; and (iii) permitted by State law to be paid for from taxes imposed by the District. Each Assessed Valuation Adjustment shall be determined by the Board in good faith, with such determination to be binding and final.

Residential Unit: means each residential dwelling unit (including, without limitation, condominiums, townhomes, and any other attached dwelling unit and detached single-family dwelling units) located within the District Boundaries which has been transferred to an End User.

Service Area: means the property that is served or is intended to be served by the District, which consists of the combined acreage of the Initial District Boundaries and the Inclusion Area Boundaries.

Service Plan: means this service plan for the District approved by the Town Council.

Service Plan Amendment: means an amendment to the Service Plan approved by the Town Council in accordance with the Town Code and applicable State law.

Special District Act: means Section 32-1-101, et seq., of the Colorado Revised Statutes, as amended from time to time.

State: means the State of Colorado.

TABOR: means Article X, Section 20 of the Colorado Constitution.

Taxable Property: means real or personal property within the District Boundaries that is subject to *ad valorem* taxes.

Town: means the Town of Castle Rock, Colorado.

Town Code: means the Municipal Code of the Town of Castle Rock, Colorado, inclusive of the Town's technical design criteria manuals, as the same may be amended from time to time.

Town Council: means the Town Council of the Town of Castle Rock, Colorado.

Town Land Use Approvals: means a Preliminary Development Plan for the Project, or other agreement with the Town which identifies, among other things, Public Improvements necessary for facilitating development for property within the Project, as approved by the Town pursuant to the Town Code, which approval shall not be unreasonably withheld by the Town, and as may be amended pursuant to the Town Code from time to time.

III. BOUNDARIES

The area of the Initial District Boundaries includes approximately _____ acres and the total area proposed to be included in the Inclusion Area Boundaries is approximately ____ acres. A legal description of the Initial District Boundaries is attached hereto as **Exhibit A-1**, and a legal description of the Inclusion Area Boundaries is attached hereto as **Exhibit A-2**. An Initial District

Boundary Map is attached hereto as **Exhibit B-1**, and a map of the Inclusion Area Boundaries is attached hereto as **Exhibit B-2**. A vicinity map is attached hereto as **Exhibit C**. It is anticipated that the District's boundaries may change from time to time as it undergoes inclusions and exclusions pursuant to Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., subject to the limitations set forth in Article V.A.6 below.

IV. PROPOSED LAND USE/ POPULATION PROJECTIONS/ ASSESSED VALUATION

The Service Area consists of approximately ___ acres of vacant land, which land is designated for _____ development. The projected population of the Service Area is expected to be _____. The current and projected assessed valuations of the Service Area are set forth in the Financial Plan attached hereto as **Exhibit F**. At build-out, the projected assessed valuation is expected to be sufficient to reasonably discharge the Debt under the Financial Plan.

Approval of this Service Plan by the Town does not imply approval of the development of a specific area within the District, 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 Town Land Use Approvals.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the District and Service Plan.

The District shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the District, 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. The District may provide the following services: parks and recreation, water and sanitary sewer service (including stormwater management services and improvements), and street improvements, subject to the limitations set forth herein and the limitations of the ballot questions approved by the voters of the District in substantially the form as set forth in **Exhibit G** hereto, and as may be approved by the voters of such District in the future.

1. Operations and Maintenance Limitation. The purpose of the District is to plan for, design, acquire, construct, install, relocate, redevelop, and finance the Public Improvements. The District is authorized to implement the Capital Plan and Financial Plan within and without its boundaries. The District shall dedicate the Public Improvements to the Town, or other appropriate jurisdiction or owners' association, in a manner consistent with the Town Land Use Approvals and other rules and regulations of the Town and applicable provisions of the Town Code. The District shall not be authorized to operate and maintain any part or all of the Public Improvements unless the provision of such operation and maintenance is pursuant to an intergovernmental agreement with the Town.

2. Fire Protection Limitation. The District shall not be authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities or services, unless such facilities and services are provided pursuant to an

intergovernmental agreement with the Town. The authority to plan for, design, acquire, construct, install, relocate, redevelop or finance fire hydrants and related improvements installed as part of the water system shall not be limited by this provision. The Project will obtain its fire protection and emergency response services from the Town.

3. Construction Standards Limitation. The District will ensure that Public Improvements are designed and constructed in accordance with the standards and specifications of the Town, and of any other federal, state, or local governmental entities having proper jurisdiction, including the Colorado Department of Public Health and Environment. The District will obtain the Town's approval of civil engineering plans and will obtain applicable permits for the construction and installation of Public Improvements prior to performing such work.

4. Dominant Eminent Domain Limitation. The District shall not be authorized to utilize the power of dominant eminent domain against Town-owned property or Town-leased property without the prior written consent of the Town.

5. Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt, the District will obtain the certification of an External Financial Advisor substantially as follows:

We are [I am] an External Financial Advisor within the meaning of the District's Service Plan.

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) 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.

For purposes of this Section, "privately placed debt" includes any Debt that is sold to a private entity, including financial institutions, developers, or other private entities, and which no offering document related to such sale is required.

6. Inclusion Limitation. The District shall not include within its boundaries any property outside the Service Area without the prior written consent of the Town. The District shall not include within any of its boundaries any property inside the Inclusion Area Boundaries without the prior written consent of the Town, except upon petition of the fee owner or owners of one hundred percent (100%) of such property as provided in Section 32-1-401(1)(a), C.R.S.

7. Overlap Limitation. The boundaries of the District shall not overlap a previously formed metropolitan district providing the same services as the District unless the aggregate mill levy for payment of Debt of the District and the overlapping District will not at any time exceed the Maximum Debt Mill Levy of the District. Additionally, the District shall not

consent to the overlap of boundaries for a subsequently formed metropolitan district providing the same services as the District 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 District.

8. Initial Debt Limitation. On or before the effective date of Town Land Use Approvals, the District shall not, without the written consent of the Town: (a) issue any Debt or Developer Debt; nor (b) impose a mill levy for the payment of Debt or Developer Debt by direct imposition, or by transfer of funds from the operating fund to the Debt service funds; nor (c) impose and collect any Development Fees used for the purpose of repayment of Debt or Developer Debt.

9. Total Debt Issuance Limitation. The District shall not issue Debt in excess \$[_____], which is based on not more than 95% of the estimated Public Improvements plus estimated costs of issuance, any estimated reserve fund requirements and capitalized interest, as deemed reasonable by the Town. The Total Debt Issuance Limitation shall not apply to bonds, loans, notes or other instruments issued for the purpose of refunding, refinancing, reissuing or restructuring outstanding Debt, so long as the principal amount of the Debt after such refunding or restructuring does not exceed the principal amount of the Debt that was refunded.

The District shall not be permitted to issue Debt, nor refinance any Debt, without first submitting the proposed financing to the Town for review and comment pursuant to Section 11.02.110 of the Town Code, as may be amended from time to time.

Notwithstanding anything herein to the contrary, any obligation of a District for the repayment of Developer Debt shall be included in the debt issuance limitation set forth above.

10. Fee Limitation. The District may impose and collect a Development Fee as a source of revenue for repayment of Debt and/or capital costs; provided, however, that no Development Fee shall be authorized to be imposed upon, nor collected from, Taxable Property owned or occupied by an End User which has the effect, intentional or otherwise, of creating a capital cost payment obligation in any year on any Taxable Property owned or occupied by an End User. Notwithstanding any of the foregoing, the restrictions in this section shall not apply to any fee imposed upon or collected from Taxable Property for the purpose of funding operation and maintenance costs of the District.

11. Monies from Other Governmental Sources. The District shall not apply for nor accept Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities that the Town is eligible to apply for, except pursuant to an intergovernmental agreement with the Town. In the event the District collects any of the aforementioned funds, it shall remit any and all monies collected to the Town within forty-five (45) days of receipt.

This Section shall also apply to specific ownership taxes which have been distributed to the District by the County. The District shall remit any and all specific ownership tax revenues it receives to the Town within forty-five (45) days of receipt. In addition, there shall be submitted a

ballot question to authorize the annual obligation of the District to remit such revenues to the Town at the District's organizational election.

12. Consolidation Limitation. The District shall not file a request with any court to consolidate with another Title 32 district without the prior written consent of the Town.

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, Maximum Debt Mill Levy Imposition Term and the Development Fee, have been established under the authority of the Town to approve the Service Plan with conditions pursuant to Section 32-1-204.5, C.R.S. 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 non-bankruptcy law," as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

14. Service Plan Amendment Requirement. This Service Plan has been designed with sufficient flexibility to enable the District to provide required services and facilities under evolving circumstances without the need for numerous amendments. To the extent permitted by law, the District may seek formal approval in writing from the Town of modifications to this Service Plan which are not material, but for which the District may desire a written amendment and approval by the Town. Such approval may be evidenced by any instrument executed by the Town Manager, Town Attorney, or other designated representative of the Town as to the matters set forth therein and shall be conclusive and final.

Any Debt issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term, shall be deemed a material modification of this Service Plan pursuant to Section 32-1-207, C.R.S.

B. Preliminary Engineering Survey.

The District 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 District. 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 preliminary zoning on the property in the Service Area and is approximately _____. The Capital Plan attached hereto as **Exhibit E** includes a description of the type of capital facilities to be developed by the District, an estimate of the cost of the proposed facilities, and a capital expenditure plan correlating expenditures with development. The

actual Public Improvements to be constructed will be determined by the Town Land Use Approvals, notwithstanding the Capital Plan.

All of the Public Improvements constructed by the District will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of the Town and shall be in accordance with the requirements of the Town Land Use Approvals. All construction cost estimates are based on the assumption that construction conforms to applicable local, State or Federal requirements.

C. Other Powers.

The District shall also have the following authority:

1. Service Plan Amendments. To amend the Service Plan as needed, subject to the appropriate statutory procedures and Town Code.

2. Phasing, Deferral. Without amending this Service Plan, to defer, forego, reschedule, or restructure the financing parameters as anticipated in the Financial Plan, attached hereto as **Exhibit F**, to better accommodate capital market conditions relating to the issuance of Debt, the pace of growth, resource availability, and potential inclusions of property within the District; provided, however, that any such rescheduling or restructuring shall not include any changes or modifications to the Maximum Debt Mill Levy or Mill Levy Imposition Term.

3. 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.

D. Facilities to be Constructed and/or Acquired.

The District proposes to provide and/or acquire Public Improvements necessary for the Project as set forth in the Town Land Use Approvals. The Capital Plan, attached hereto as **Exhibit E**, provides a general description and preliminary engineering survey, as appropriate, of the currently anticipated on-site or off-site improvements. The Public Improvements generally depicted and described in the Capital Plan have been presented for illustration only, and the exact design, sub-phasing of construction and location of the Public Improvements will be determined at the time of Town Land Use Approvals and Town Public Works Department approvals. Such decisions shall not be considered to be material modifications of the Service Plan.

Notwithstanding anything herein to the contrary, the District shall have the authority to enter into any intergovernmental agreements deemed necessary to effectuate the long-term plans of the District without further approval from the Town, so long as such intergovernmental agreements are consistent with the provisions of this Service Plan. In addition, the District shall have the authority to seek electorate authorization to effectuate all purposes set forth in this Service Plan in order to comply with all applicable constitutional and statutory requirements.

VI. FINANCIAL PLAN

A. General.

The District shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenues and by and through the proceeds of Debt to be issued by the District. A Financial Plan is attached hereto as **Exhibit F**, which provides preliminary projections demonstrating that the District can reasonably discharge the proposed Debt, consistent with the requirements of the Special District Act. The District intends to issue only such Debt as the District can reasonably pay within the Maximum Debt Mill Levy Imposition Term from revenues derived from the Maximum Debt Mill Levy, the Development Fee and other legally available revenues. The total Debt that the District shall be permitted to issue shall not exceed the Total Debt Issuance Limitation set forth in Section V.A.9. above, which Debt shall be issued on a schedule and in such year or years as the District determines shall meet the needs of the Financial Plan referenced above and shall be phased to serve development as it occurs.

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. In the event of a default, the proposed maximum interest rate on any Debt is not expected to exceed eighteen percent (18%). The proposed maximum underwriting discount will be five percent (5%). 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. Maximum Debt Mill Levy.

The “Maximum Debt Mill Levy” shall be the maximum mill levy the District is permitted to impose upon the taxable property within such District for payment of Debt, and shall be determined as follows: The Maximum Debt Mill Levy shall not exceed 50.000 mills, subject to future Assessed Valuation Adjustments. Each Assessed Valuation Adjustment shall be determined by the Board in good faith with such determination to be binding and final. The Maximum Debt Mill Levy shall not apply to the assessment of mill levies to recoup or pay County imposed refunds or abatements.

To the extent that the District is composed of, or subsequently organized into, one or more subdistricts as permitted under Section 32-1-1101, C.R.S., the term “District” as used herein shall be deemed to refer to the District and to each such subdistrict separately, so that each of the subdistricts shall be treated as a separate, independent district for purposes of the application of this definition.

For the portion of any aggregate Debt which is equal to or less than 50% of the District’s assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the debt service on such Debt, without limitation of rate.

For purposes of the foregoing, once Debt has been determined to be within 50% debt ratio as specified above, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, the District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in the District's Debt to assessed ratio. All Debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State law.

D. Maximum Debt Mill Levy Imposition Term.

The District shall not impose a levy for repayment of any and all Debt (or use the proceeds of any mill levy for repayment of Debt) on any single property developed for residential uses which exceeds thirty-five (35) years after the year of the initial imposition of such mill levy unless a majority of the Board of Directors of the District imposing the mill levy are End Users and have voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, *et seq.*, C.R.S.

Notwithstanding the above, any Debt instrument incurred by the District, including bonds, loans, or other multiple-fiscal-year financial obligations, and any refunding Debt instrument evidencing the District's repayment obligations, shall provide that the District's obligations thereunder shall be discharged forty (40) years after the date such Debt is issued or such obligation is entered into, regardless of whether the Debt or obligations are paid in full. This Debt discharge date may be extended by approval by the District if, at such time, a majority of the Board are End Users.

E. Debt Repayment Sources.

The District 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 District may also rely upon various other revenue sources authorized by law. In no event shall the debt service mill levy in the District exceed the Maximum Debt Mill Levy or the Maximum Debt Mill Levy Imposition Term, except pursuant to an intergovernmental agreement between and District and the Town, or unless as provided in Section (D) above.

The District may also collect a Development Fee, imposed for repayment of Debt and capital costs, which Development Fee shall be in an amount as determined at the discretion of the Board, but in no event to exceed [amount provided by Developer and approved by Town] per unit, plus a one percent (1%) cost of living adjustment from the date of this Service Plan forward.

F. Security for Debt.

The District shall not pledge any revenue or property of the Town as security for the indebtedness. Approval of this Service Plan shall not be construed as a guarantee by the Town of payment of any of the District's obligations, nor shall anything in the Service Plan be construed so as to create any responsibility or liability on the part of the Town in the event of default by the District in the payment of any such obligation.

G. 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 of the District.

A substantially similar statement 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 District. If no offering documents are used, then the District shall deliver the statement to any prospective purchaser of such Debt. The Town may, by written notice to the District, require modifications to the form of this disclosure statement.

H. TABOR Compliance.

The District will comply with the provisions of TABOR. In the discretion of the Board, the District may set up other qualifying entities to manage, fund, construct and operate facilities, services, and programs. To the extent allowed by law, any entity created by a District will remain under the control of the District's Board.

I. District's Operating Costs.

The cost of planning services, engineering services, legal services and administrative services, together with the costs of the District's organization and initial operations, are estimated to be \$ _____, which will be eligible for reimbursement from Debt proceeds subject to applicable requirements of federal law.

The first year's operating budget for the District is estimated to be \$ _____, which amount is anticipated to be derived from property taxes and other legally available revenues, including developer advances or other payments.

The District shall be authorized to impose a mill levy to pay or offset the District's operating costs. The Maximum Aggregate Mill Levy that the District is permitted to impose shall not exceed 60.000 mills, subject to future Assessed Valuation Adjustments. Each Assessed Valuation Adjustment shall be determined by the Board in good faith, with such determination to be binding and final. The limitations described above shall not apply to the assessment of mill levies to recoup or pay County-imposed refunds or abatements.

J. Regional Mill Levy.

At any time the District imposes a mill levy for Debt, the District shall also impose a Regional Mill Levy. There shall be submitted a ballot question to authorize the annual imposition of the Regional Mill Levy at the District's organizational election. The District's obligation to impose and collect the revenues from the Regional Mill Levy shall begin when the District first

imposes a mill levy for Debt, and shall continue to be imposed by the District until such time as the District no longer imposes a mill levy for any purpose or, subject to the limitations set forth in Section VIII below, is otherwise dissolved, whichever shall last occur. The District's imposition of the Regional Mill Levy shall be memorialized in the intergovernmental agreement required by Section XI below. The revenues received from the Regional Mill Levy shall be remitted to the Town on an annual basis by no later than December 1. The failure of the District to levy the Regional Mill Levy or remit the revenues generated by the Regional Mill levy to the Town within the timeframe required above shall constitute and be deemed a material departure from, and unapproved modification to, this Service Plan. The Town may enforce this provision of the Service Plan pursuant to applicable State statutes and exercise all such other available legal and equitable remedies in the event of such departure and unapproved modification, including those provided in the Town Code.

K. Developer Debt.

Developer Debt shall be subordinate to other debt of the District and shall be included in the Total Debt Issuance Limitation set forth in Section V.A.9. above. Developer Debt shall expire and be forgiven by no later than 20 years after the initial date of the Developer Debt, unless otherwise provided pursuant to an intergovernmental agreement with the Town. The interest rate on Developer Debt shall not exceed the Municipal Market Data (MMD) "AAA" General Obligation Yield Curve, 30-Year constant maturity, published by Refinitiv at www.tm3.com, plus 650 basis points and interest on such Developer Debt shall bear interest at a simple rate and shall not compound.

VII. ANNUAL REPORT

A. General.

The District shall be responsible for submitting an annual report to the Town Clerk at the Town's administrative offices by no later than September 1st of each year following the year in which the Order and Decree creating the District has been issued. The annual report shall reflect activity and financial events of the District through the preceding December 31st (the "Report Year").

B. Reporting of Significant Events.

In addition to the information required to be provided by Section 32-1-207(3)(c)(II), C.R.S., the annual report shall include the following:

1. A narrative summary of the progress of the District in implementing the Service Plan for the Report Year;

2. Unless disclosed within a separate schedule to the audited financial statements required by Section 32-1-107(3)(c)(II)(I), C.R.S., a summary of the capital expenditures incurred by the District in development of public facilities in a Report Year, as well as any capital improvements or projects proposed to be undertaken in the five (5) years following the Report Year;

3. Unless disclosed within a separate schedule to the audited financial statements required by Section 32-1-107(3)(c)(II)(I), C.R.S., a summary of the financial obligations of the District at the end of the Report Year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the Report Year, the amount of payment or retirement of existing indebtedness of the District in the Report Year, the total assessed valuation of all taxable properties within the District as of January 1 of the Report Year, and the current mill levy imposed by the District for payment of Debt in the Report Year;

4. A summary of residential and commercial development which has occurred within the District for the Report Year;

5. A summary of all fees, charges and assessments imposed by the District as of January 1 of the Report Year;

6. Certification of the Board that no action, event or condition enumerated in Section 11.02.060 of the Town Code has occurred in the Report Year; and

7. The name, business address and telephone number of each member of the Board and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the Board.

C. Additional Reporting Requirements

The District shall procure and maintain both a District website and email listserv for the purpose of periodically updating residents on matters involving the District including, but not limited to, the information required by Section 32-1-104.5(3)(a), C.R.S., and any other information that would benefit the residents of and the owners of property within the District.

A copy of the written notice for every regular or special meeting of the District will be delivered to the Town Clerk pursuant to section 11.02.150.F.9 of the Town Code.

VIII. DISSOLUTION

Upon an independent determination of the Town Council that the purposes for which the District was created have been accomplished, the District agrees to file a petition in the appropriate District Court for dissolution, pursuant to the applicable State statutes. In no event shall a dissolution occur until the District has provided for the payment or discharge of outstanding indebtedness, Debt, and other financial obligations as required pursuant to State statutes, or without the written consent of Town Council.

IX. DISCLOSURE TO PURCHASERS

The District will use reasonable efforts to assure that each owner of real property located within the District who sells real property that includes a newly-constructed residence provide to the purchaser of such property such disclosure as is required by Section 38-35.7-110, C.R.S. The form of notice shall be filed with the Town prior to the initial issuance of District Debt and the imposition of the District mill levy.

X. INTERGOVERNMENTAL AGREEMENT

The form of the intergovernmental agreement between the Town and the District, relating to the limitations imposed on the District's activities, is attached hereto as **Exhibit D**. The District shall approve the intergovernmental agreement at its first Board meeting after its organizational election, but in no event later than 90 days following the date on which the Douglas County District Court has entered its order and decree declaring the District organized. The Town Council shall approve the intergovernmental agreement at the public hearing approving the Service Plan.

XI. CONCLUSION

It is submitted that this Service Plan for the District, as required by Section 32-1-203(2), C.R.S., 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 proposed boundaries;
4. The area to be 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 Town or 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 is compatible with the facility and service standards of the Town;
7. The proposal is in substantial compliance with the Town's comprehensive master plan;
8. The proposal is in compliance with any duly adopted Town, regional or state long-range water quality management plan for the area; and
9. The creation of the District is in the best interests of the area proposed to be served.