

**THREE SPRINGS METROPOLITAN DISTRICT NO. 2**

**DURANGO, COLORADO**

**JANUARY \_\_, 2006**

**THREE SPRINGS METROPOLITAN DISTRICT NO. 2**

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**SERVICE PLAN FOR  
THREE SPRINGS METROPOLITAN DISTRICT NO. 2**

**I. INTRODUCTION**

This Service Plan for Three Springs Metropolitan District No. 2 (“District No. 2”) in the City of Durango (“City”), Colorado (“State”), is submitted by GRVP, LLC (“Organizer”) pursuant to the requirements of the Special District Act, Section 32-1-101, et seq., C.R.S. (“Special District Act”), and more particularly Section 32-1-204.5, C.R.S. This Service Plan is being submitted in connection with the planning and development of the mixed-use development project known as “Three Springs”, consisting of 681 acres of land developable for mixed uses, park, greenbelts and open space within Tracts 1-5 of the Three Springs Minor Subdivision Plat as filed of record (“Development”). The Organizer is the owner and master developer of all property within the Development, except for the regional hospital, acute treatment center and medical office building as specified in Part III. References in this Service Plan to a developer apply to the Organizer, any affiliated or related entity, and any successor developer or an affiliated or related entity thereof.

**II. PURPOSES OF DISTRICT**

District No. 2 will be a metropolitan district organized to provide certain parks, recreation and drainage facilities pursuant to the Special District Act in conjunction with two other metropolitan districts, Three Springs Metropolitan District No. 3 (“District No. 3”), which will manage, control and coordinate the financing, acquisition, construction, completion and operation of all public infrastructure and services required for the Development, and Three Springs Metropolitan District No. 2 (“District No. 2”; District No. 1, District No. 2 and District No. 3 collectively, the “Districts”). District No. 1 is now expected to contain all property within Village I of the Development (except the regional hospital, acute treatment center and medical office building), and District No. 2 is now expected to contain all property within Village II of the Development. It was anticipated that the Districts would be established in accordance with the terms of Section 6.05 of the Three Springs Development Agreement dated March 30, 2005 (“Development Agreement”) between the Organizer and the City. No property in the Development will be included into more than one District, except possibly for an overlap parcel located in each District owned by the Organizer in which the initial directors of the District will have a qualifying interest.

As the management and control district, District No. 3 will be responsible for managing, implementing and coordinating the financing, acquisition, construction, completion and operation of certain public infrastructure and services throughout the Development, including parks, recreation and related drainage facilities (all of which

public improvements are referred to herein generally as the "Improvements", and are more particularly described in Parts V and VI). The Improvements will be completed for the collective use and benefit of the property owners within, and residents of the Districts, as well as for all citizens of the City and the State. Upon completion, it is anticipated that District No. 3 will dedicate and transfer certain of the Improvements to the City or another governmental entity if appropriate. District No. 3 will operate and maintain all other Improvements within the Development consistent with the Development Agreement.

It is anticipated that the developer will make advances to District No. 3 as necessary to fund the costs of acquisition, construction and completion of the Improvements until such time as District No. 3 can issue bonds. Alternatively, District No. 3 may, if feasible, issue bonds immediately to fund the costs of the Improvements and to pay back any developer advances. It is expected that District No. 1 and District No. 2 will pay over all tax collections and other revenue to District No. 3, which revenue will be applied to the payment of debt service on bonds and the costs of administration, operation and maintenance of the Improvements which are not transferred to the City.

The arrangements for financing, acquiring, constructing, completing, operating and maintaining the Improvements will be set forth in an intergovernmental agreement among the Districts (the "Inter-District IGA"). The Districts will cooperate and enter into the Inter-District IGA to implement both the intent and terms of this Service Plan. Because of the lengthy build-out period of the Development, the use of District No. 3 as the management district in cooperation with the two taxing Districts will ensure that the Improvements are financed and constructed in coordination with the various phases of the Development and not sooner. This phased financing approach will also ensure that property owners within the Districts are not taxed unnecessarily for Improvements before they are needed and will reduce the costs of financing generally.

The Development is not presently served with the facilities or services to be provided by the Districts, nor does the City or any other special district have any plans to provide such facilities or services within a reasonable time and on a comparable basis. The Districts may, however, enter into an intergovernmental agreement with the City with respect to the provision of services and facilities within the Development. The use of the Districts to finance, acquire, construct, complete, operate and maintain the Improvements which are not transferred to the City, will assure the provision of requisite public infrastructure and other attractive public amenities within the Development and the vicinity and will generally promote the public welfare of the City. Thus, the organization of the Districts will promote both the interests of present and future residents, property owners and taxpayers within the Districts as well as the general interests of the City.

### **III. PROPOSED DISTRICT BOUNDARIES/SERVICE AREA**

It is anticipated that District No. 2 will contain all improved property within Village II of the Development. The boundaries of District No. 2 are located entirely within the City, as more particularly described in the legal description of the initial boundaries of District No. 2 attached hereto and incorporated herein as **Exhibit A**, and are also shown on the boundary map attached hereto and incorporated herein as **Exhibit B**. The property described in **Exhibit A** may be included into and overlap the boundaries of the other Districts. The boundaries of District No. 1 (Village I of the Development) and District No. 3 are also located entirely within the City and will include only property generally depicted in **Exhibit C** attached hereto and incorporated herein (the "Inclusion Area"), containing approximately 620 developable acres. It is not presently anticipated that the properties upon which the regional hospital, acute treatment center or medical office building (collectively, the "Medical Campus") are constructed will be included into the Districts.

The service area of District No. 2 will consist of all property that is included into its boundaries and the boundaries of District No. 1 and District No. 3, as well as any areas in which off-site Improvements will be completed (together, the "Service Area"), all of which Service Area is generally depicted in **Exhibit D** attached hereto and incorporated herein. The Medical Campus is located within the Service Area because it is presently anticipated that services and facilities will be provided to the area under a fee agreement. The Service Area may be enlarged only with the prior written approval of the City Manager.

#### **IV. PERMITTED LAND USES / POPULATION PROJECTIONS / ASSESSED VALUATION**

The Development will offer a mix of residential and commercial uses, which will include office and retail space, for-rent and for-sale residential housing, including affordable units, restaurants and entertainment facilities. A land use map is attached as **Exhibit E** and incorporated herein. The developer will provide all permit and other applications and/or submissions to the City as are required for each particular phase of development. The Development will be subject to all City zoning, subdivision and building codes, other land use regulations, and all other laws, rules and regulations. The estimated permanent population of District No. 2 at full build-out is approximately five thousand (5,000). The estimated permanent population of the Districts at full build-out is approximately five thousand (5,000) people. The current assessed value of all property within the boundaries of the Districts is approximately \$172,876. The estimated future assessed valuation of all property within District No. 3 is expected to be \$56,000,000, and the combined assessed value of all property within the Districts at full build-out (which is anticipated to occur in 2022) is estimated to be \$104,000,000 (excluding the Medical Campus).

#### **V. DESCRIPTION OF DISTRICT POWERS, SERVICES AND IMPROVEMENTS**

District No. 3 will manage, implement and coordinate the financing, acquisition, construction, completion, operation and maintenance of the Improvements, some of which will be transferred to the City, and the provision of related services within and without the boundaries of the Districts in accordance with the terms of the Inter-District IGA. A general description of District No. 2's powers and authorities, the services that it will provide, and the Improvements that it will acquire or construct in cooperation with the other Districts and in accordance with the terms of the Inter-District IGA follows.

A. Services and Improvements.

1. Park and Recreation Improvements. District No. 2 shall have the power and authority to provide for the acquisition, construction, installation, completion, operation and maintenance of parks and recreation improvements and programs as authorized by the Special District Act, including without limitation pedestrian plazas, parks (except City community parks as provided in the Development Agreement), multi-modal trails and bridges, open space, landscaping, hardscape, signage, entry and architectural features, a community center, recreational facilities, irrigation, art and cultural activities, together with all necessary, incidental and appurtenant facilities, land and easements, and all extensions of and improvements to such facilities within and without the boundaries of the Districts. All park and recreation improvements will be designed and constructed in accordance with any applicable specifications of the City. The Districts will own, operate and maintain certain park and recreation improvements, and other park and recreation improvements will be transferred to the City, as approved by the City Manager. The Districts will not operate the community center in a manner that competes with the City Recreation Center and will cooperate with the Director of City Parks and Recreation to implement this condition. The Districts may transfer the park and recreation improvements or delegate the operation and maintenance thereof to a governmental entity other than the City only with the prior written approval of the City Manager.

2. Drainage Improvements. District No. 2 shall have the power and authority to provide for the acquisition, construction, installation, completion, operation and maintenance of a drainage system in connection with the park and recreation improvements, as authorized by the Special District Act, including without limitation stormwater sewer, flood and surface drainage facilities and systems, detention/retention ponds and associated drainage facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all extensions of and improvements to such facilities within and without the boundaries of the Districts. All drainage improvements will be designed and constructed in accordance with the standards and specifications of the City and any other applicable State or federal agencies. Upon completion and the City's acceptance, the drainage improvements will be transferred to the City for ownership, operation and maintenance, except as otherwise determined by the City Manager. The Districts will own, operate and maintain any drainage

improvements that are not transferred to the City. The Districts may transfer the drainage improvements or delegate the operation and maintenance thereof to a governmental entity other than the City only with the prior written approval of the City Manager.

The various activities of the Districts shall be subject to City zoning, subdivision, building codes, land use regulations, and other applicable City laws, rules, and regulations, so that the facility and service standards of the Districts will be compatible with those of the City. The location and installation of the Improvements authorized in this Service Plan and constructed in accordance with plans and permits approved by the City shall be exempt from the provisions of Section 31-23-209, C.R.S. The Districts will not construct any Improvements or provide any services other than the types described herein without the prior written approval of the City Manager. The City shall not be responsible for assuming the costs of any of the Improvements. The developer of the property will be responsible for any costs of the Improvements needed for the Development that exceed the amount of bonds issued or other revenues available to the Districts for such purposes.

**B. Other Powers.**

District No. 2 shall have all powers and authorities granted to metropolitan districts under the Special District Act, which may be exercised to provide for the acquisition, construction, completion, operation and maintenance of the Improvements and the provision of services as authorized in and subject to the limitations set forth in this Service Plan and the Inter-District IGA. In addition to the enumerated powers and authorities, the Board of Directors of District No. 2 shall also have the following authorities:

1. Service Plan Amendments. To amend this Service Plan as needed, subject to compliance with appropriate statutory procedures as set forth in this Service Plan or the Special District Act.
2. Construction and Financing Phasing. Without having to amend this Service Plan, except as otherwise expressly required herein, to defer, delay, reschedule, rephase or restructure the financing and/or construction of the Improvements in order to better accommodate the pace of growth within the Development, resource availability, and the funding capability of the Districts.
3. Additional Services / Services District Will Not Provide. Except as specifically prohibited herein, to provide such additional services and exercise such powers and authorities as are expressly or impliedly granted in the Special District Act or by State law; provided, however, that before District No. 2 assumes obligations related to (i) the incurrence of debt or (ii) the construction, operation and maintenance of infrastructure improvements beyond those described in this Service Plan, District No. 2 shall obtain the prior written approval of the City Manager. Ongoing services of the



Districts shall be restricted to services not provided within the Districts by the City. The Districts shall not provide the following services: fire protection and other public safety services, streets, operation of traffic control devices in City streets, water, sanitation or television relay and translation services.

4. Land Acquisition. The Districts shall not be authorized to condemn property or easements without the prior approval of the City Manager. Land, easements and facilities proposed for conveyance to the City shall be free and clear of all liens, encumbrances and easements, unless otherwise approved by the City. All conveyances shall be by special warranty deed, shall be done at no cost to the City, and shall include a title policy issued to the City.

## **VI. ESTIMATED COSTS OF IMPROVEMENTS**

The estimated (uninflated) costs of the Improvements, which may be financed, acquired, constructed and completed by the Districts, are presently \$22,092,357 as set forth in **Exhibit F** attached hereto and incorporated herein. **Exhibit F** lists the cost summaries by type of Improvement. Maps of the anticipated location and phasing of the Improvements are attached hereto as **Exhibit G** and incorporated herein.

The design, phasing of construction, location and completion of the Improvements will be determined by District No. 3 to coincide with the phasing and development of the Development and the availability of funding sources. In accordance with the terms of the Inter-District IGA, District No. 3 may, in its discretion, phase the construction, completion, operation and maintenance of the Improvements or defer, delay, reschedule, rephase, restructure or determine not to proceed with the construction, completion, operation and maintenance of the Improvements based upon the best interests of the present and future residents, property owners and taxpayers of the Districts, and such actions or determinations shall not constitute material modifications of this Service Plan. The anticipated phasing of construction of the Improvements is set forth in **Exhibit F**.

The estimated costs of organization of the Districts are \$85,000.

## **VII. ESTIMATED COSTS OF OPERATIONS AND MAINTENANCE**

The Districts' primary operation and maintenance obligations, which will be performed by District No. 3 in accordance with the terms of the Inter-District IGA, shall include maintaining all Improvements located behind the street curb (except trees within tree lawns), including without limitation any parks, recreation and drainage facilities, the community center, pedestrian plazas, bridges and sidewalk system, landscaping (including all plant material), hardscape, irrigation systems, art, signage and repair of the Districts' property. **Exhibit H** attached hereto and incorporated herein identifies the parks, open space, recreational and drainage improvements that will be maintained by the City or District No. 3; the various responsibilities thereunder may be changed from time

to time with the written approval of the City Manager. District No. 3 will also manage the sustainable community program under the Development Agreement consistent with any City policy or program. Additional costs may include engineering (not accounted for in the design of Improvements), legal, audit and administrative services, utilities, and other expenses related to the administration and operation of the Districts. See Part VIII.F and **Exhibit L** of this Service Plan for the estimated costs for the initial consolidated operations of the Districts.

The budgets adopted by the Districts will authorize expenditures for administration and the operation and maintenance of Improvements that have not been transferred to the City or another jurisdiction for ownership and maintenance. The Districts shall not have the authority to provide maintenance of any Improvement transferred to the City without the prior written approval of the City Manager. Fees and charges may be imposed within the Service Area and collected by the Districts for transfer to District No. 3 to the extent necessary to supplement other District revenues available for such purpose, subject to the terms of the Inter-District IGA.

Owners' associations may be formed by the developer to assume some of the operation and maintenance functions for the Development. In the event that an owners' association is formed, the operation and maintenance obligations of the Districts may be reduced. The Districts shall obtain the prior written consent of the City Manager before delegating any operation and maintenance duties to an owners' association.

### **VIII. FINANCING PLAN / PROPOSED INDEBTEDNESS**

This part of the Service Plan describes the nature, basis, method of funding and financing limitations associated with the acquisition, construction, completion, operation and maintenance of the Improvements. The Financing Plan will be coordinated and implemented by District No. 3 in accordance with the terms of the Inter-District IGA, subject to all limitations set forth herein.

#### **A. Financing Plan.**

The Financing Plan, which is attached as **Exhibit I** and incorporated herein, is the consolidated financing plan for the Districts and includes the estimated property tax revenue of the Districts, revenue available from specific ownership taxes, facility fees and other sources, and amounts available for payment of debt service on the Districts' bonds and for operations and maintenance expenses. The Financing Plan projects the issuance of District No. 3's bonds and anticipated debt repayment based on the development assumptions and absorptions for property within the Districts as prepared by the Organizer and its economic and planning consultants. The Financing Plan anticipates that in accordance with the terms of the Inter-District IGA, District No. 3 will act as the management district issuing all bonds and completing all Improvements within the Service Area, including repaying any developer advances, while District No. 1 will tax all

property within its boundaries, and District No. 2 will tax all property within its boundaries. District No. 1 and District No. 2 are expected to have property tax levies of thirty (30) mills for both debt service and operations. All District No. 1 and District No. 2 tax collections will be remitted to District No. 3 to repay bonds, developer advances and other obligations in accordance with the terms of the Inter-District IGA; provided, however, that the actual bond financing plan of the Districts will be determined by District No. 3 as required by the phasing and build-out of the Development itself. Alternatively, District No. 1 and District No. 2 may, at the direction of District No. 3 pursuant to the Inter-District IGA, issue bonds directly as discussed in subpart VIII.B below. The Financing Plan demonstrates that, at various projected levels of development, the Districts have the ability to finance the Improvements and will have the financial ability to discharge all debt on a reasonable basis.

**B. Bond Issuance and Developer Advances.**

Currently, it is anticipated that the developer will make advances to District No. 3 as necessary to fund all or a portion of the costs of the Improvements, and District No. 3 in turn will issue revenue notes or bonds to the developer, which will be repaid from bond proceeds received when District No. 3 issues bonds at a time when adequate property tax revenues are available from District No. 1 and District No. 2 to repay such bonds. The Financing Plan sets forth one bond issuance scenario in which District No. 3 will issue multiple series of bonds totaling approximately \$32,118,000. Without having to amend this Service Plan, alternate bond financing plans that meet or improve the models in the Financing Plan may also be implemented by the Districts, including without limitation having District No. 1 and District No. 2 issue bonds directly in accordance with the terms of the Inter-District IGA and paying the proceeds thereof to District No. 3 for purposes of discharging developer advances and/or funding the costs of the Improvements. The Districts may enter into multiple-fiscal year financial obligations of any nature, including without limitation intergovernmental agreements and acquisition, reimbursement and funding agreements with the developer to accomplish any of the various purposes authorized in this Service Plan. Refunding bonds may be issued by the Districts to defease original issue bonds in compliance with subpart VIII.D below and all applicable State and federal laws.

District No. 3 will not issue unlimited general obligation bonds or impose any property tax levy on property within its boundaries, unless otherwise approved in writing by the City Manager. It is anticipated that initially the developer will advance funds to District No. 3 to pay operating as well as capital costs, which advances will be repaid from bond proceeds or property tax collections from District No. 1 and District No. 2 as development progresses. Interest on developer advances will be set at competitive market rates but will be capped at eight percent (8%) per annum, unless a higher interest rate is approved in writing by the City Manager. Interest on developer advances will be compounded no more than annually. Interest rates on developer advances are projected

at seven and 7/8ths percent (7.875%) in the Financing Plan. Net effective interest rates on bonds are projected at four percent (4%) and assume some form of credit enhancement through the Organizer.

C. Debt Authorization.

At the organizational election, each of the Districts shall seek authority to issue revenue or general obligation indebtedness, including bonds and other multiple-fiscal year financial obligations such as intergovernmental agreements and acquisition, reimbursement and funding agreements, in the amounts of \$38,000,000. Since each District must vote its own debt authorization for each of the categories of Improvements to be constructed within the Service Area, each District must by law have the full debt authorization available to it in the event that any one of the other Districts finances, acquires, constructs and completes the Improvements and/or the other Districts enter into intergovernmental agreements to repay the costs thereof.

It is anticipated that District No. 3 will utilize its debt authorization to issue limited property tax supported revenue bonds and/or notes to the developer, and District No. 1 and District No. 2 will use their debt authorization to enter into intergovernmental agreements with District No. 3 to pay over their property tax revenue in support of the repayment of such notes and bonds (or to issue general obligation bonds directly for such purposes). Initially, District No. 1 and District No. 2 will have the full \$38,000,000 in debt authorization available to each of them, but the aggregate debt of the Districts for funding the capital costs of the Improvements shall not exceed \$38,000,000, unless otherwise approved in writing by the City Manager. The total principal amount of debt authorization to be voted by each of the Districts exceeds the projected capital costs of the Improvements to allow for unforeseen contingencies and increases in construction costs due to inflation and to cover all organizational and bond issuance costs, including capitalized interest, reserve funds, credit enhancement, discounts, legal and other consulting fees, and other incidental costs of issuance.

D. Parameters for Debt Issuance.

Unless otherwise approved in writing by the City Manager, all bonds or notes issued or obligations incurred by each of the Districts shall be subject to the following restrictions and limitations in the Inter-District IGA:

1. General obligation or revenue bonds issued by any of the Districts will mature in not more than thirty (30) years per series from the date of issuance with the first maturity being not later than three (3) years from the date of issuance.
2. For any bonds other than those sold to developers or other related parties, the maximum voted interest rate will be eighteen percent (18%) and the maximum discount will be five percent (5%). The exact interest rates and discounts will

be determined at the time that bonds are sold and will reflect market conditions at the time of sale. Such bonds will be structured to obtain competitive rates.

3. All bonds will contain adequate call provisions to allow for the prior redemption or refinancing of such bonds. Bonds sold to developers or other related parties shall be callable after five (5) years and have maturity dates of thirty (30) years or less.

4. No uninsured or non-credit enhanced bonds shall be issued which contain provisions permitting acceleration of the bonds upon default.

5. If variable rate bonds having a mode of less than one (1) year are issued, a debt service reserve if required by the underwriter, will be funded at issuance and maintained throughout the life of the bonds, except for developer-owned or secured bonds or notes.

6. Interest rates on bonds or notes sold to developers or other related parties shall be subject to an opinion as to the reasonableness of the interest rate and terms, which opinion shall be prepared by a local Red Book investment bank or bond counsel and provided to the City. The total of all annual debt service payments on the bonds (including scheduled compounding interest, if applicable) shall not exceed the Limited Mill Levies (as defined below).

7. The Districts will comply with all applicable State, Securities and Exchange Commission and U.S. Treasury or Internal Revenue Service rules and regulations and laws.

8. District No. 3 will inform the City Manager within three (3) days after a debt service payment date if such payment is not made in full by any of the Districts.

9. No new money obligations (e.g. bonds and certificated leases) shall be incurred in the event that any of the Districts has previously undertaken to do a refunding of outstanding obligations for the purpose of avoiding a default without obtaining the prior written approval of the City Manager after providing evidence satisfactory to the City Manager either that (i) such District is then capable of discharging its debts as they come due or (ii) such refunding obligations themselves are no longer outstanding, notwithstanding anything in the Service Plan to the contrary.

10. All bonds issued by any of the Districts for which a property tax is pledged to pay debt service shall meet the requirements of all applicable State statutes; provided, however, that any unlimited tax general obligation bonds issued by such District shall, together with all other outstanding unlimited tax general obligation bonds previously issued, be equal to or less than fifty percent (50%) of such District's assessed

valuation for all taxable property within such District, except to the extent that such debt complies with the provisions of Section 32-1-1101(6)(a), C.R.S. If such bonds are sold to natural persons, such persons must meet the definition of "accredited investor" as that term is used in Section 11-59-110, C.R.S., or the bonds must be sold in minimum denominations of \$500,000 with additional increments in multiples of \$1,000.

11. Any general obligation bonds issued by any of the Districts, together with all outstanding unlimited property tax general obligation bonds previously issued, if greater than fifty percent (50%) of such Districts' assessed valuation and not secured by a credit facility as described in Section 32-1-1101(6)(a)(III), C.R.S., shall be issued as limited tax general obligation bonds. Such District's obligation for repayment of each series of such bonds will be limited to the imposition and collection of a property tax levy not to exceed fifty (50) mills for both (i) debt service (inclusive of any mill levy required for the payment of any and all general obligation bonds) and (ii) operation and maintenance costs (together, the "Limited Mill Levies"), subject to certain adjustments as provided herein. The Limited Mill Levies may be adjusted by the Board of Directors of each District to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation (as of the date of this Service Plan), so that to the extent possible, the actual revenues generated by the Limited Mill Levies are neither diminished nor enhanced as a result of such changes. Among other adjustments, a change in the ratio of actual valuation of assessable property shall be deemed a change in the method of calculating assessed valuation. The Limited Mill Levies will remain in effect for such series of general obligation bonds until such time as the assessed valuation of the taxable property within the boundaries of the Districts whose mill levies were pledged or obligated for that particular series of bonds is equal to or exceeds two (2) times the outstanding unlimited general obligation debt of such Districts, together with the series of general obligation bonds proposed for release from the Limited Mill Levies, or until a credit facility is secured as described in Section 32-1-1101(6)(a)(III), C.R.S.

12. The Districts shall not pledge as security for any bonds the repayment of notes or other obligations any funds, Improvements or land to be transferred to the City.

13. District No. 3 shall notify the City Manager in writing before participating in or approving the creation of any corporate authority or other entity to act on the Districts' behalf, or obtaining financing through such an entity. The City Manager may require documentation showing material compliance with all provisions of this Part VIII before District No. 3 participates in or creates such corporate authority or entity, or obtains financing through such corporate authority or entity.

14. District No. 3 or any of the other Districts, if issuing bonds directly, shall provide the City with notification and substantially final bond documents twenty (20) days prior to any bond sale date so that the City can determine whether such bonds are being issued in accordance with the Service Plan and any related intergovernmental

agreement. All reasonable consulting, legal and other costs incurred by the City for the review of the associated bond documents shall be paid by such District within thirty (30) days of receipt of invoice, regardless of whether the transaction closes.

E. Revenue Sources.

For so long as District No. 3 acts as the management and control district for all Districts within the Development, it is expected to rely primarily on developer advances and tax revenues from District No. 1 and District No. 2 received pursuant to the Inter-District IGA. Other sources of revenue available to the Districts may include without limitation earnings derived from the reinvestment of bond funds, capitalized interest, property tax, and specific ownership tax revenues and other fees and charges collected by the Districts and transferred to District No. 3 pursuant to the terms of the Inter-District IGA. The Districts may establish a system of rates, fees and charges in accordance with the Special District Act in order to generate additional revenue for the payment of operating costs as needed. The Districts may receive fees in lieu of taxes from property within the Medical Campus pursuant to agreements between the parties. The Districts will not, without the prior written approval of the City Manager, apply for Conservation Trust Funds, Great Outdoors Colorado funds, or other funds available from or through governmental or nonprofit entities for which the City is eligible to apply.

The anticipated revenue sources will be sufficient to retire the Districts' proposed indebtedness if growth occurs as projected. Variations in assessed valuation projections or in the phasing of private improvements may affect the mill levy and the level of fees, rates and charges upward or downward from those set forth in the Financing Plan. No funds or assets of the City will be pledged as security for the repayment of any obligation of the Districts. The property tax levies of each of the Districts will not exceed the Limited Mill Levies, subject to certain adjustment as authorized in Part VIII.D.

F. Operations, Maintenance and Administration.

District No. 3 will, pursuant to the Inter-District IGA, coordinate and manage all operations and maintenance functions for all Improvements, the costs of which will increase as property within the Service Area is developed. The Districts will need sufficient funds to operate and maintain all Improvements, until such time as the Improvements are transferred to the City or other appropriate entities, and ongoing operation and maintenance costs for those Improvements that the Districts retain ownership in accordance with this Service Plan. In addition, the Districts will incur costs for various administrative functions, including legal, engineering, accounting and compliance. At full build-out, a property tax of five (5) mills levied within District No. 1 and District No. 2 is anticipated to be sufficient to operate the Districts and to maintain the Improvements not transferred to the City, but in the early years until assessed valuation increases with development, a higher operating mill levy (subject to the Limited Mill Levies) may be required to adequately fund operations and maintenance

expenses of the Districts. The preliminary consolidated budget of the Districts for the first three (3) fiscal years is attached as **Exhibit J** and incorporated herein.

#### **IX. INCLUSIONS / EXCLUSIONS**

The Districts may include or exclude any property within the Inclusion Area as depicted in **Exhibit C** into or from one of the other District without the prior consent of the City. It is anticipated that all improved property within Village I of the Development (except property within the Medical Campus) will be included into District No. 1, and all improved property within Village II of the Development will be included into District No. 2. No property in the Development will be included into more than one District, except as otherwise authorized herein. The Districts' boundaries will be adjusted to accomplish the objectives set forth herein, and any inclusion or exclusion in compliance therewith will not constitute a material modification of this Service Plan. The inclusion of any property into any of the Districts that is not located within the Inclusion Area as depicted in **Exhibit C** or into more than one District, except as otherwise authorized herein, shall require the prior written approval of the City Council. Inclusion and/or exclusion proceedings shall be conducted in accordance with Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., as applicable.

#### **X. DISSOLUTION / CONSOLIDATION**

The Districts may, after first providing written notice to the City Manager at least forty-five (45) days before the adoption of any resolution, pursue consolidation of their boundaries or dissolution in accordance with Parts 6 or 7 respectively of the Special District Act. The approval of the City Council will be required prior to the consolidation of any one of the Districts with any special district other than a consolidation between or among the Districts.

District No. 2 will dissolve the later of (i) thirty (30) years after the date of its organization, or (ii) when there are no operation or maintenance obligations, financial obligations, outstanding bonds or other obligations, or (iii) upon a determination of the City Council that all of the purposes for which District No. 2 was created have been accomplished and that all of its financial obligations have been defeased or secured by escrowed funds or securities meeting the investment requirements in Part 6 of Article 75 of Title 24, C.R.S. District No. 2's dissolution prior to payment of all debt shall be subject to the approval of a plan of dissolution in the District Court pursuant to Section 32-1-704, C.R.S.

#### **XI. REQUIRED DOCUMENTATION AND COORDINATION WITH CITY**

At least annually following the year of its organization, District No. 2 shall provide notice by publication of its existence and of the next scheduled public meeting of its Board of Directors. Such meeting shall occur at least thirty (30) days and not more



than sixty (60) days following the date of publication. Such notice shall include the address of the District office where the names and addresses of its Board of Directors and officers and the address, telephone number, fax number, and email address of the Districts may be obtained and shall also include reference to the existence of a District file maintained by the City as described below.

District No. 2 shall provide to the City the following information and documents on an annual basis: (i) the current fiscal year budget; (ii) construction schedules and capital improvement programs for the current fiscal year; (c) audited financial statements for the prior fiscal year; (iv) total debt authorized and total debt issued and remaining debt authorized and intended to be issued; and (v) the name and address / telephone number of the Districts' contact person and the names and terms of members of the Board of Directors and its officers; and the following information and documents shall be provided with such annual filing following their adoption or any amendment thereof: (vi) any bylaws, rules and regulations of the District regarding bidding, conflict of interest, contracting and other governance matters; (vii) intergovernmental agreements; (viii) official statements of outstanding bonded indebtedness, if not already received by the City; and (ix) the Service Plan.

The following events shall be reported to the City Manager within thirty (30) days of such occurrence, to the extent such information is known and available to District No. 2: (i) a negative change in any bond rating or the failure of a credit facility; (ii) a change, if known, in any development assumption that materially and negatively impacts the bond financing projections; or (iii) a change in use of a particular property (i.e., from commercial to residential use) that materially and negatively impacts District No. 2's ability to discharge indebtedness.

District No. 3 shall require the developer to provide a written disclosure to the first resident buyers of residential lots within the Development regarding (i) the name of the District in which such lot is located, (ii) the current and maximum property tax levy of such District, and (iii) the name and address of a District contact person. This disclosure shall be provided by District No. 3 or the developer prior to the sale of any residential lot to the first residential buyer.

## **XII. MODIFICATIONS AND OTHER APPROVAL REQUIREMENTS**

The following actions or changes to this Service Plan shall require the identified approvals prior to the undertaking of such action but without having to amend this Service Plan: (i) inclusion of any property into any one of the Districts that is not located within the Inclusion Area as depicted in **Exhibit C** will require the prior approval of the City Council; (ii) consolidation of any one of the Districts with any special district other than a consolidation between or among the Districts will require the prior approval of the City Council; (iii) a material change in the type of revenue sources used for bonded indebtedness, other than as authorized in Part VIII, will require the prior written approval

of the City Manager; (iv) formation of separate corporations, authorities or other entities, other than an enterprise established under TABOR, shall require the prior written approval of the City Manager, except as otherwise authorized herein; (v) incurrence of debt in any material amount or type or at any time not authorized by the Service Plan shall require the prior written approval of the City Manager; (vi) construction of any public improvements or the provision of any services other than the Improvements described in this Service Plan shall require the prior written approval of the City Manager; (vii) acquisition of land or easements that would otherwise be dedicated to the City will require the prior written approval of the City Manager; (viii) condemnation of property or easements will require the prior written approval of the City Manager; (ix) dissolution of District No. 2 prior to the repayment of all debt will require the prior approval of the City Council; and, if so required by the City Manager, failure of District No. 2 to timely approve and execute an intergovernmental agreement with the City implementing certain provisions of this Service Plan will require the prior approval of the City Council.

### **XIII. CONCLUSION**

This Service Plan establishes that:

- A. There is sufficient existing and projected need for organized service in the area to be served by District No. 2;
- B. The existing service in the area to be served by District No. 2 is inadequate for present and projected needs within the Development;
- C. District No. 2 (acting in cooperation with the other Districts) is capable of providing economical and sufficient service to the area within its proposed boundaries;
- D. The area to be included in District No. 2 (and the other Districts) does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;
- E. Adequate service is not, and will not be, available to the area through the City or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis;
- F. The facility and service standards of District No. 2 are compatible with the facility and service standards of the City;
- G. The proposal is in substantial compliance with the City comprehensive plan;
- H. The proposal is in compliance with any duly adopted City, regional, or state long-range water quality management plan for the area; and

I. The organization of District No. 2 is in the best interests of the area proposed to be served.

**EXHIBIT A**  
**LEGAL DESCRIPTION OF DISTRICT BOUNDARIES**

# EXHIBIT A

## THREE SPRINGS METRO DISTRICT 2 DESCRIPTION:

The purpose of this description is to describe a Metropolitan District for tracts of land subdivided by the Three Springs Minor Subdivision Plat and as amended on the Three Springs First Amendment Plat, being recorded in the office of the La Plata County Colorado, Clerk and Recorder under Reception Numbers 883523 and 922613 respectively, hereafter to be referred to as Three Springs Metro District 2 and being more particularly described as follows, to wit:

Beginning at the Southwest corner of Section 35, Township 34 1/2 North, Range 9 West N.M.P.M., being a 3 1/4" diameter aluminum cap stamped BLM 1957-88;

Thence N 04°28'43" E along the westerly line of said Section 35, a distance of 1314.40 feet,

to the Southwest corner of Lot 4 of said Section 35;

Thence N 04°28'43" E along the westerly line of said Section 35, a distance of 1543.59 feet to the Northwest corner of said Section 35, Township 34 1/2 North, Range 9 West, being a 2" diameter aluminum cap stamped Gibbons LS 23498;

Thence S 88°42'01" E along the north line of said Section 35, a distance of 1312.51 feet, to the west one-sixteenth corner of said Section 35, Township 34 1/2 North, Range 9 West, and Section 35, Township 35 North, Range 9 West, being a 2" diameter aluminum cap stamped Bechtolt Eng LS 27937;

Thence S 88°42'01" E along the north line of said Section 35, a distance of 1312.51 feet to the north one-quarter corner of said Section 35, Township 34 1/2 North, Range 9 West, being a original stone marked 1/4;

Thence S 88°45'08" E along the north line of said Section 35, a distance of 2643.04 feet to the Northeast corner of said Section 35, being a 2" diameter aluminum cap stamped Gibbons LS 23498;

Thence S 01°53'58" W along the east line of said Section 35, a distance of 2398.51 feet, along the easterly line of Tract 5 of the Three Springs Subdivision First Amendment Plat, recorded in the office of the La Plata County, Colorado, Clerk and Recorder under Reception Number 922613;

Thence S80°37'39"W, 3834.32 feet;

Thence N54°22'27"W, 104.92 feet;

Thence S80°38'14"W, 208.15 feet to the westerly line of said Tract 5;


Thence N02°46'11"E, 260.61 feet along the westerly line of said Tract 5,

Thence N89°56'04"W, 1351.19 feet along said Tract 5 to the Point of Beginning

Containing 341.51 acres, more or less.

SUBJECT TO all easements of public record, or otherwise established.

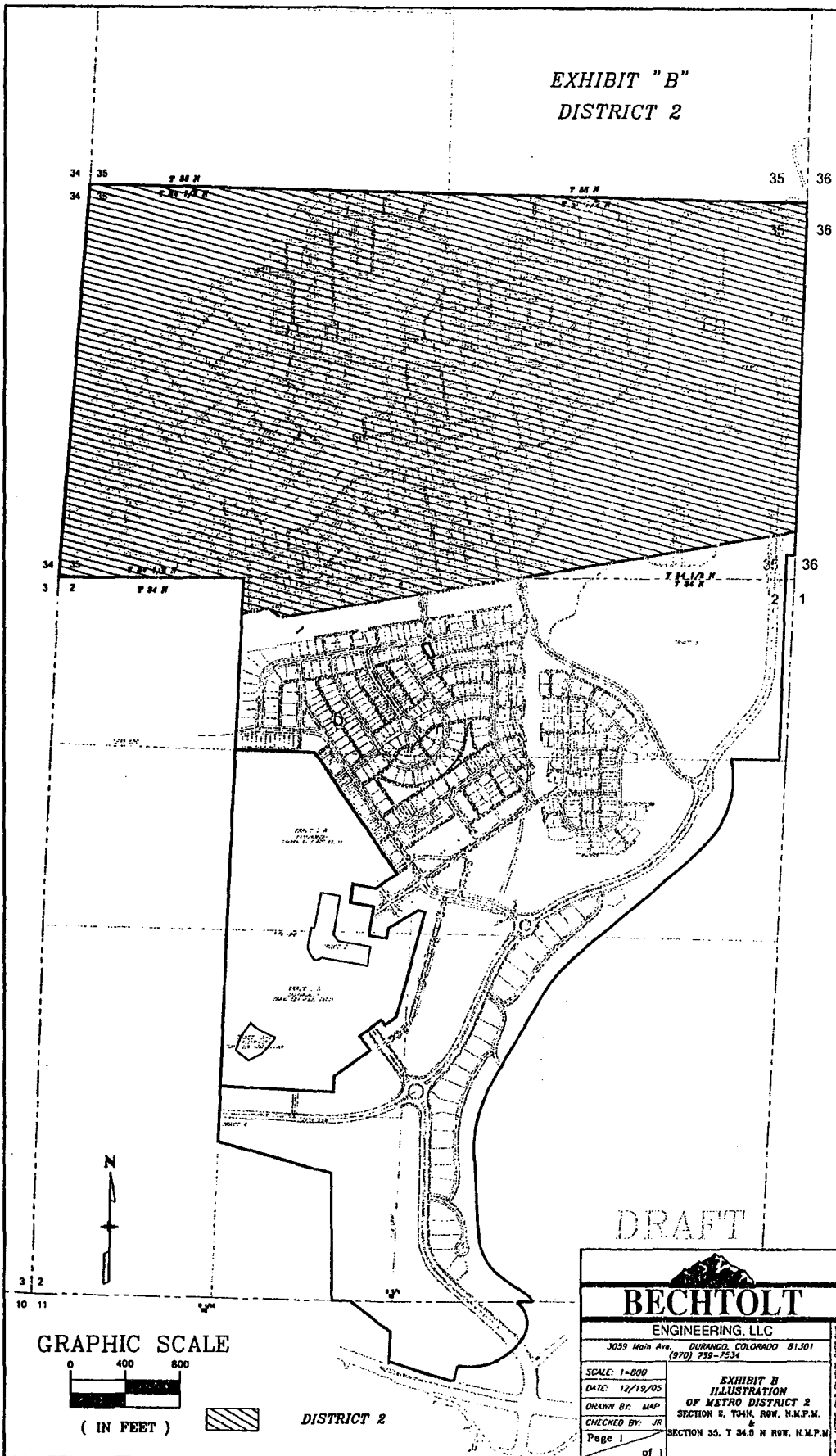
DRAFT

 <b>BECHTOLT</b> ENGINEERING, LLC	
3039 Main Ave. DURANGO, COLORADO 81301 (970) 252-7334	
SCALE: 1"=1/4"	<b>EXHIBIT A</b> <b>DISTRICT DESCRIPTION</b> SECTION 2, T34N, R9W, N.M.P.M. & SECTION 35, T 34.5 N R9W, N.M.P.M.
DATE: 12/20/05	
DRAWN BY: MAP	
CHECKED BY: JH	
Page 1 of 1	

DATE PLOTTED: 12/20/05 10:00 AM

**EXHIBIT B**  
**MAP OF DISTRICT BOUNDARIES**

EXHIBIT "B"  
DISTRICT 2



DRAFT

**BECHTOLT**

ENGINEERING, LLC

3059 Main Ave. DURANGO, COLORADO 81301  
(970) 739-7534

SCALE: 1"=800'

DATE: 12/19/05

DRAWN BY: MAP

CHECKED BY: JR

Page 1

EXHIBIT B  
ILLUSTRATION  
OF METRO DISTRICT 2  
SECTION 2, T34N, R34W, N.M.P.M.  
&  
SECTION 35, T 34.5 N R34W, N.M.P.M.

GRAPHIC SCALE



( IN FEET )



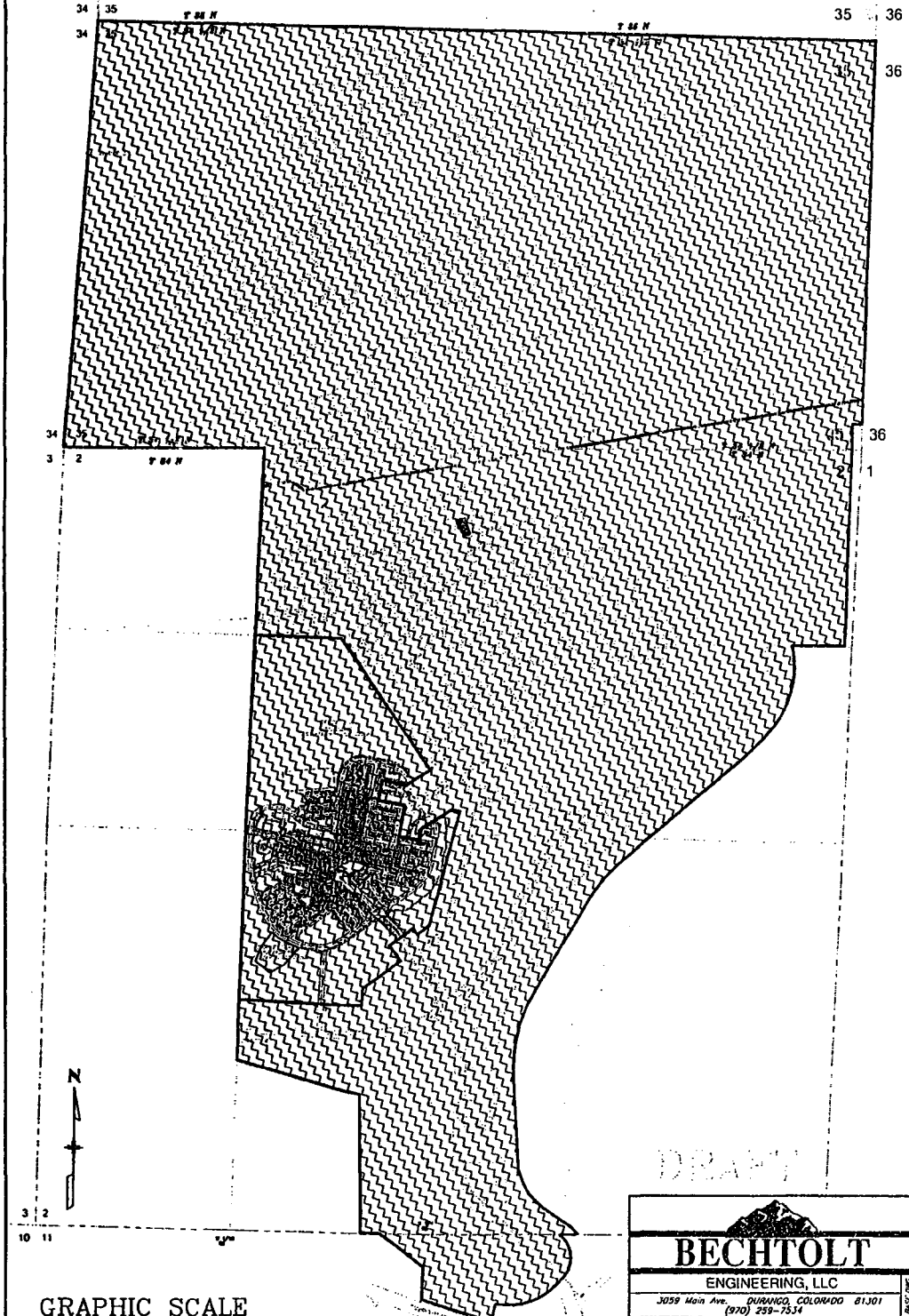
DISTRICT 2

of 1

**EXHIBIT C**  
**MAP OF INCLUSION AREA**



EXHIBIT "C"  
DISTRICT  
INCLUSION AREA



GRAPHIC SCALE



( IN FEET )



INCLUSION AREA

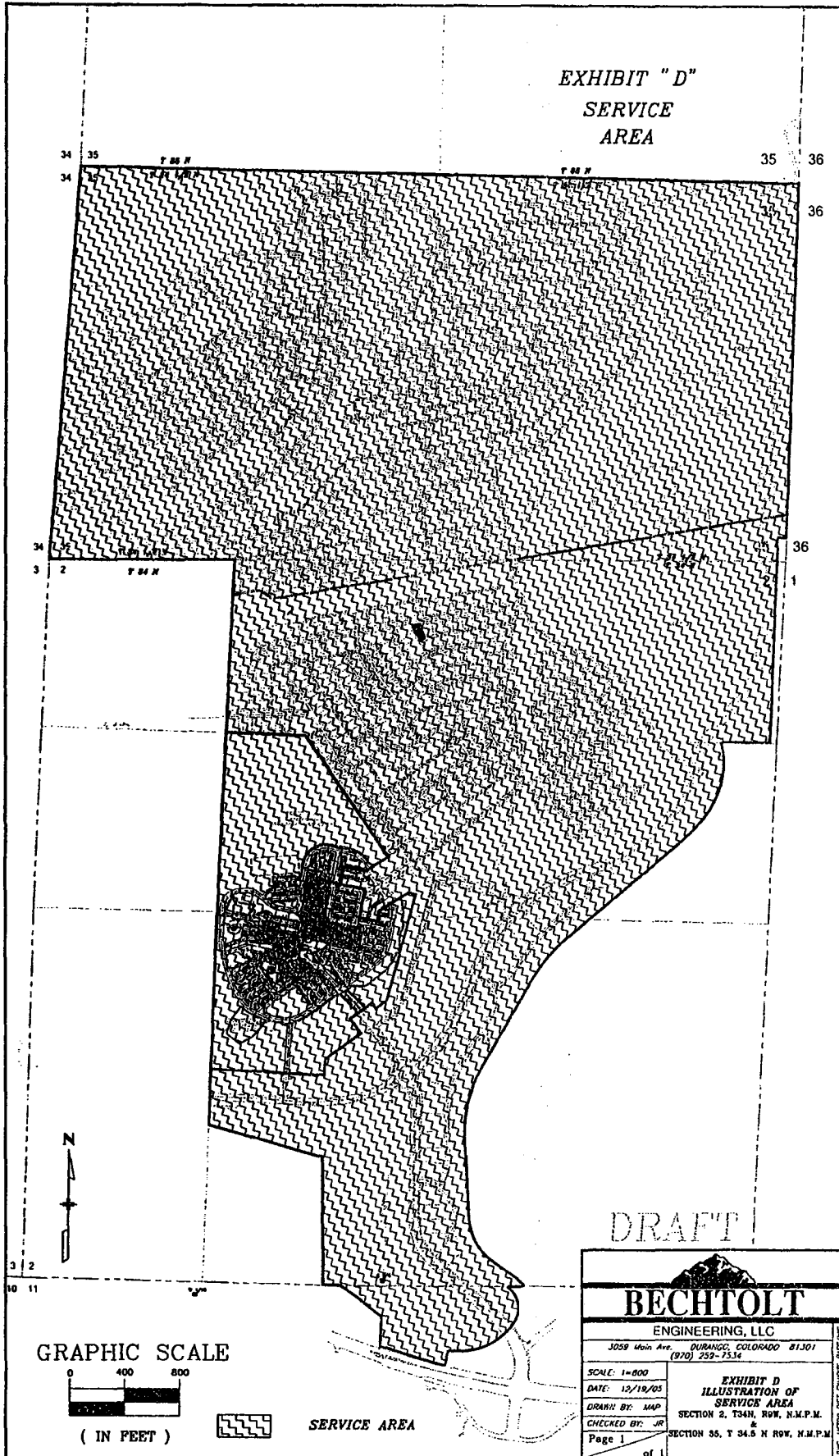
DRAFT

 <b>BECHTOLT</b> ENGINEERING, LLC 3059 Main Ave. DURANGO, COLORADO 81301 (970) 259-7534	
SCALE: 1"=800	EXHIBIT C ILLUSTRATION OF DISTRICT INCLUSION AREA SECTION 2, T34N, R9W, N.M.P.M. & SECTION 35, T 34.5 N R9W, N.M.P.M.
DATE: 12/19/05	
DRAWN BY: MAP	
CHECKED BY: JR	
Page 1 of 1	

DATE: 12/19/05 08:57 AM

**EXHIBIT D**  
**MAP OF SERVICE AREA**

EXHIBIT "D"  
SERVICE  
AREA



DRAFT

GRAPHIC SCALE



( IN FEET )

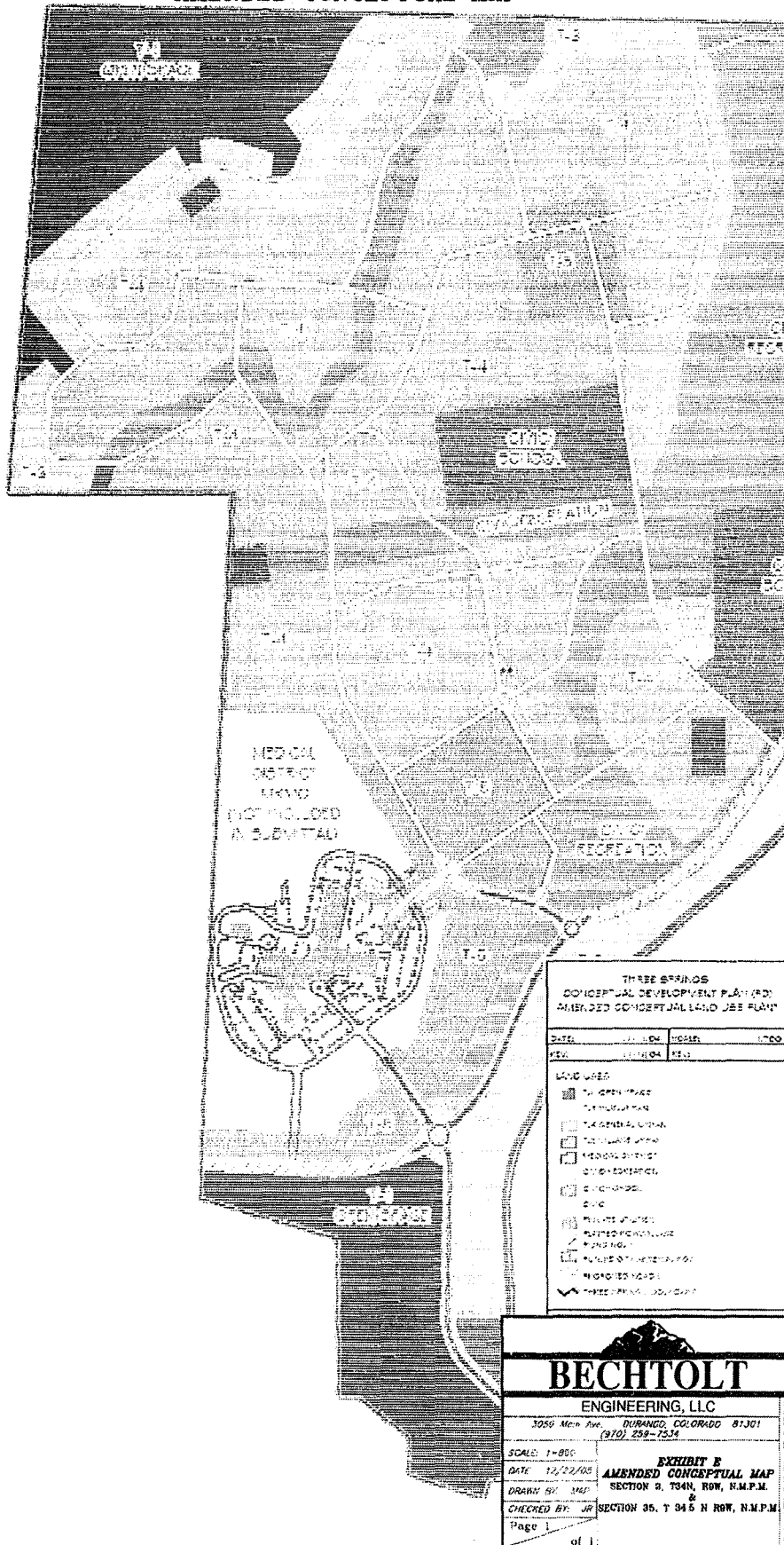


SERVICE AREA

<b>BECHTOLT</b>	
ENGINEERING, LLC	
3029 Main Ave. DURANGO, COLORADO 81301 (970) 259-7534	
SCALE: 1=800	EXHIBIT D ILLUSTRATION OF SERVICE AREA SECTION 2, T34N, R09W, N.M.P.M. & SECTION 35, T 34.5 N R09W, N.M.P.M.
DATE: 12/19/05	
DRAWN BY: MAP	
CHECKED BY: JR	
Page 1 of 1	DATE PLOTTED: 01/10/06

**EXHIBIT E**  
**LAND USE AND PHASING MAP**

**EXHIBIT "E"**  
**AMENDED CONCEPTUAL MAP**



THREE SPRINGS  
CONCEPTUAL DEVELOPMENT PLAN (CDP)  
AMENDED CONCEPTUAL LAND USE PLAN

DATE	BY	FOR	PROJECT	SCALE
12/22/05	JR	SECTION 35, T 34 S N R 0 W, N.M.P.M.		1"=800'

**LAND USES**

- OPEN SPACE
- GENERAL OFFICE
- GENERAL COMMERCIAL
- MEDICAL OFFICE
- OTHER MEDICAL
- RESIDENTIAL
- PUBLIC UTILITIES
- RECREATION USE
- PARKING
- HIGHWAYS/INTERCHANGES
- HIGHWAYS
- THREE SPRINGS DEVELOPMENT

**BECHTOLT**  
ENGINEERING, LLC

3050 Main Ave. DURANGO, COLORADO 81301  
(970) 258-7534

SCALE: 1"=800'  
DATE: 12/22/05  
DRAWN BY: JMS  
CHECKED BY: JR

**EXHIBIT E**  
**AMENDED CONCEPTUAL MAP**  
SECTION 35, T 34 S N, R 0 W, N.M.P.M.  
&  
SECTION 35, T 34 S N R 0 W, N.M.P.M.

Page 1  
of 1

DIP. METR. DIST. CONCEPTUAL BASELINE

**EXHIBIT F**  
**COST ESTIMATES OF IMPROVEMENTS**

***Three Springs Metropolitan Districts***

**Summary of District Funded Capital Improvements**

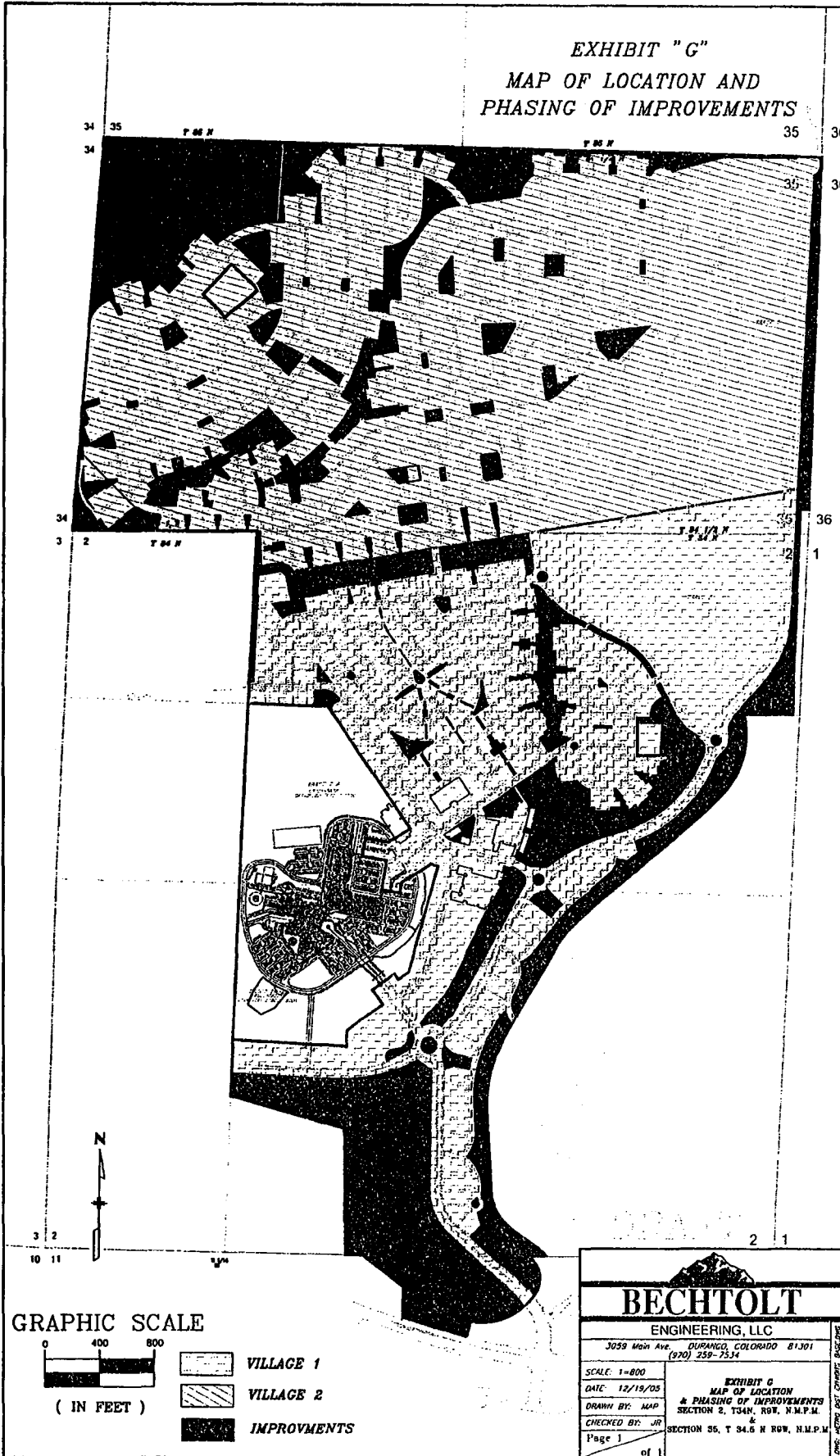
Presented: December 14, 2005

<b>Expenditures Items</b>	<b>Estimated (Un-Inflated)</b>	<b>Estimated (Inflated)</b>	<b>Notes</b>
Design & Engineering	\$ 1,268,417	\$ 1,352,471	(Design/Engineering for items listed below)
Ground Structures	\$ 1,107,814	\$ 1,198,371	(Underpasses for trail system)
Storm Drainage Systems	\$ 3,451,458	\$ 3,494,729	(Park/Open Space areas only)
Landscaping & Entrances	\$ 4,108,865	\$ 4,712,894	(Landscape/Signage in ROW / other public areas)
Amenities & Parks	\$ 12,155,803	\$ 14,522,395	(Includes Neighborhood Center, Neighborhood Parks, Trails, Open Space, Pocket Parks)
<b>Total*</b>	<b>\$ 22,092,357</b>	<b>\$ 25,280,860</b>	

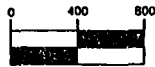
\*Note: No contingency has been included in the above estimated expenditures.

**EXHIBIT G**  
**MAP OF LOCATION AND PHASING OF IMPROVEMENTS**

EXHIBIT "G"  
 MAP OF LOCATION AND  
 PHASING OF IMPROVEMENTS



GRAPHIC SCALE



( IN FEET )

-  VILLAGE 1
-  VILLAGE 2
-  IMPROVMENTS

**BECHTOLT**

ENGINEERING, LLC

3059 Main Ave. DURANGO, COLORADO 81301  
 (970) 259-2534

SCALE: 1=800  
 DATE: 12/19/03  
 DRAWN BY: MAP  
 CHECKED BY: JR  
 Page 1 of 1

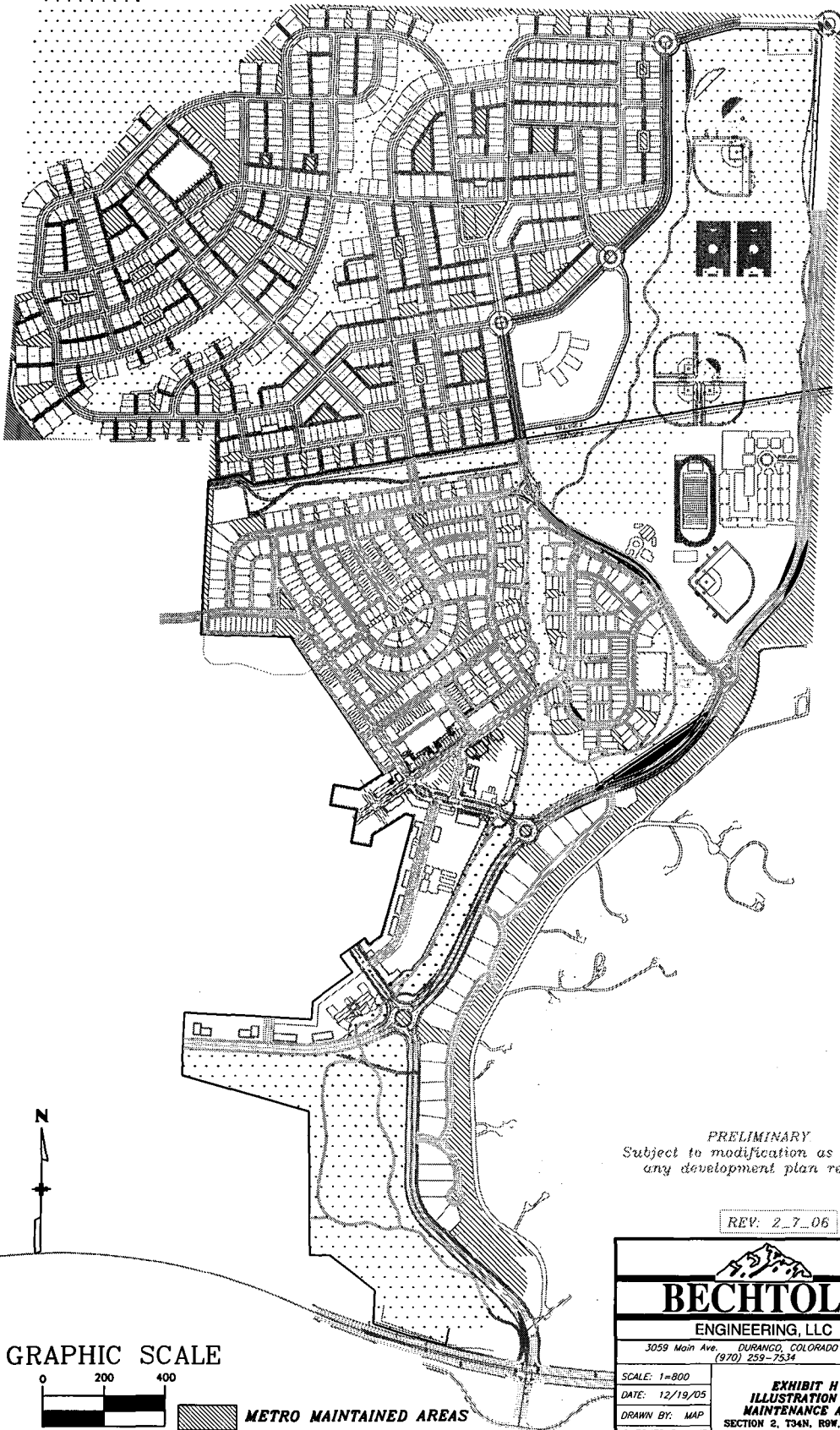
EXHIBIT G  
 MAP OF LOCATION  
 & PHASING OF IMPROVEMENTS  
 SECTION 8, T34N, R87, N.M.P.14  
 &  
 SECTION 56, T 34.6 N ROW, N.M.P.14

ENGINEERING, LLC COMPANY: BECHTOLT



**EXHIBIT H**  
**MAP OF MAINTENANCE AREAS**

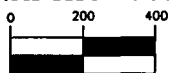
**EXHIBIT "H"  
MAINTENANCE AREAS**



*PRELIMINARY  
Subject to modification as part of  
any development plan review*

REV. 2\_7\_06

**GRAPHIC SCALE**



( IN FEET )



**METRO MAINTAINED AREAS**



**CITY MAINTAINED AREAS**

 <b>BECHTOLT</b> ENGINEERING, LLC	
<small>3059 Main Ave. DURANGO, COLORADO 81301 (970) 259-7534</small>	
<small>SCALE: 1=800 DATE: 12/19/05 DRAWN BY: MAP CHECKED BY: JR Page 1</small>	<small>EXHIBIT H ILLUSTRATION OF MAINTENANCE AREAS SECTION 2, T34N, R9W, N.M.P.M. &amp; SECTION 35, T 34.5 N R9W, N.M.P.M.</small>
<small>of 1</small>	

DWG: METRO DIST EXHIBITS BASE.DWG

**EXHIBIT I**  
**FINANCING PLAN**

**Three Springs Metropolitan District  
Analysis of Bond Capacity and Timing**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Market Value (Residential-Village One)	\$ -	\$ 22,220,634	\$ 51,511,323	\$ 89,014,859	\$ 131,785,342	\$ 176,090,641	\$ 179,812,454	\$ 183,204,703	\$ 186,868,797	\$ 190,606,173	\$ 194,418,297	\$ 198,306,662	\$ 202,272,796	\$ 206,318,252
Market Value (Residential-Village Two)	\$ -	\$ 22,220,634	\$ 51,511,323	\$ 89,014,859	\$ 131,785,342	\$ 175,090,541	\$ 224,805,700	\$ 274,634,065	\$ 324,471,577	\$ 374,319,189	\$ 424,176,801	\$ 474,034,413	\$ 523,892,025	\$ 573,749,637
Assessment Rate	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796
AV Residential-Cumulative	\$ -	\$ 1,768,762	\$ 4,100,301	\$ 7,082,583	\$ 10,490,193	\$ 14,016,813	\$ 17,454,834	\$ 21,060,872	\$ 26,498,134	\$ 31,331,202	\$ 36,589,565	\$ 41,657,777	\$ 47,111,129	\$ 52,244,740
Market Value (Commercial-Village One)	\$ -	\$ 12,248,993	\$ 32,659,684	\$ 54,240,730	\$ 62,420,367	\$ 63,668,775	\$ 68,457,128	\$ 69,826,271	\$ 78,011,072	\$ 79,571,293	\$ 88,225,240	\$ 97,104,582	\$ 99,046,673	\$ 101,027,607
Market Value (Commercial-Village Two)	\$ -	\$ 12,248,993	\$ 32,659,684	\$ 54,240,730	\$ 62,420,367	\$ 63,668,775	\$ 68,457,128	\$ 69,826,271	\$ 78,011,072	\$ 79,571,293	\$ 88,225,240	\$ 97,104,582	\$ 99,046,673	\$ 101,027,607
Assessment Rate	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
AV Commercial-Cumulative	\$ -	\$ 3,552,238	\$ 9,471,308	\$ 15,729,812	\$ 18,101,907	\$ 18,463,442	\$ 19,852,267	\$ 20,249,819	\$ 22,623,211	\$ 24,089,802	\$ 26,619,729	\$ 27,270,525	\$ 30,875,939	\$ 31,493,454
Medical Office Building	\$ 16,875,000													
Assessment Rate	0.29													
Total Assessed Value-Cumulative	\$ 4,893,750	\$ 4,991,625	\$ 5,491,458	\$ 5,193,287	\$ 5,297,152	\$ 5,403,095	\$ 5,511,157	\$ 5,621,380	\$ 5,733,808	\$ 5,848,484	\$ 5,965,454	\$ 6,084,763	\$ 6,206,458	\$ 6,310,587
Mill Levv Rate at 30 Mills	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93
Projected Ad Valorem Revenue	\$ 146,813	\$ 309,378	\$ 559,892	\$ 840,260	\$ 1,016,678	\$ 1,136,316	\$ 1,297,748	\$ 1,431,956	\$ 1,645,295	\$ 1,838,885	\$ 2,075,242	\$ 2,340,392	\$ 2,525,812	\$ 2,702,063
Specific Ownership @ 6 percent	8,809	18,583	33,554	50,416	61,001	68,191	77,855	85,917	98,718	110,321	124,515	140,424	151,549	162,124
Total Revenue	\$ 155,622	\$ 327,961	\$ 593,446	\$ 890,676	\$ 1,077,679	\$ 1,204,707	\$ 1,375,613	\$ 1,517,873	\$ 1,744,012	\$ 1,949,006	\$ 2,199,757	\$ 2,480,815	\$ 2,677,360	\$ 2,864,187
Collection Fees @ 3 percent	(4,669)	(9,838)	(17,805)	(26,720)	(32,330)	(36,141)	(41,268)	(45,536)	(52,322)	(58,470)	(65,993)	(74,424)	(80,321)	(85,926)
District Maintenance Fees	(325,000)	(331,500)	(338,130)	(344,893)	(351,790)	(358,826)	(366,003)	(373,323)	(380,789)	(388,405)	(396,173)	(404,092)	(412,179)	(420,422)
Net Revenue Available for Debt Service	\$ (174,047)	\$ (13,998)	\$ 237,551	\$ 519,063	\$ 693,557	\$ 809,739	\$ 968,341	\$ 1,099,014	\$ 1,310,903	\$ 1,502,130	\$ 1,737,894	\$ 2,002,294	\$ 2,184,861	\$ 2,357,839
Maximum 1st Year Bond Support at 4%	\$ -	\$ -	\$ 5,938,774	\$ 12,976,579	\$ 17,338,935	\$ 20,243,478	\$ 24,208,536	\$ 27,475,361	\$ 32,772,565	\$ 37,553,262	\$ 43,439,777	\$ 50,057,359	\$ 54,621,525	\$ 58,945,987
NPV of Ad Valorem Taxes at 4%		\$ 541,979,711												

**Three Springs Metropolitan District  
Analysis of Bond Capacity and Timing**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Market Value (Residential-Village One)	\$ 210,444,617	\$ 214,653,509	\$ 218,946,579	\$ 223,325,511	\$ 227,752,021	\$ 232,347,861	\$ 236,994,819	\$ 241,734,715	\$ 246,569,409	\$ 251,500,797	\$ 256,530,813	\$ 261,661,430	\$ 266,894,658	\$ 272,232,551
Market Value (Residential-Village Two)	\$ 504,475,036	\$ 545,356,225	\$ 581,164,824	\$ 604,991,933	\$ 626,683,722	\$ 647,017,447	\$ 661,557,796	\$ 674,439,752	\$ 687,518,347	\$ 699,868,714	\$ 711,516,902	\$ 722,493,326	\$ 732,843,226	\$ 742,594,193
Assessment Rate	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796
AV Residential-Cumulative	\$ 56,907,525	\$ 65,496,775	\$ 73,686,859	\$ 81,500,249	\$ 89,226,273	\$ 96,854,679	\$ 104,395,274	\$ 111,854,692	\$ 119,241,385	\$ 126,566,613	\$ 133,840,545	\$ 141,073,964	\$ 148,276,464	\$ 155,448,442
Market Value (Commercial-Village One)	\$ 103,048,159	\$ 105,109,122	\$ 107,211,305	\$ 109,365,531	\$ 111,542,641	\$ 113,773,494	\$ 116,048,964	\$ 118,369,943	\$ 120,737,342	\$ 123,152,089	\$ 125,615,131	\$ 128,127,433	\$ 130,689,982	\$ 133,303,782
Market Value (Commercial-Village Two)	\$ 15,366,820	\$ 31,172,875	\$ 31,798,332	\$ 32,437,288	\$ 33,080,904	\$ 33,743,522	\$ 34,417,372	\$ 35,105,720	\$ 35,807,634	\$ 36,523,991	\$ 37,254,471	\$ 37,999,560	\$ 38,759,551	\$ 39,534,742
Assessment Rate	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
AV Commercial-Cumulative	\$ 34,340,286	\$ 39,521,779	\$ 40,312,215	\$ 41,118,492	\$ 41,940,828	\$ 42,779,645	\$ 43,625,238	\$ 44,507,242	\$ 45,398,101	\$ 46,306,663	\$ 47,232,184	\$ 48,176,828	\$ 49,140,369	\$ 50,123,172
Medical Office Building														
Assessment Rate	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Total Assessed Value-Cumulative	\$ 97,705,010	\$ 106,604,897	\$ 110,719,152	\$ 113,873,119	\$ 116,150,591	\$ 118,473,593	\$ 120,843,065	\$ 123,259,926	\$ 125,725,135	\$ 128,239,627	\$ 130,804,420	\$ 133,420,508	\$ 136,088,918	\$ 138,810,697
Mil Levv Rate at 30 Mills	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Projected Ad Valorem Revenue	\$ 2,931,150	\$ 3,198,147	\$ 3,321,575	\$ 3,416,194	\$ 3,484,517	\$ 3,554,208	\$ 3,625,292	\$ 3,697,798	\$ 3,771,754	\$ 3,847,189	\$ 3,924,133	\$ 4,002,615	\$ 4,082,668	\$ 4,164,321
Specific Ownership @ 6 percent	175,869	161,895	199,294	204,972	209,071	213,252	217,518	221,868	226,305	230,831	235,448	240,157	244,960	249,859
Total Revenue	\$ 3,107,019	\$ 3,390,036	\$ 3,520,869	\$ 3,621,165	\$ 3,693,588	\$ 3,767,460	\$ 3,842,809	\$ 3,919,666	\$ 3,998,059	\$ 4,078,020	\$ 4,159,581	\$ 4,242,772	\$ 4,327,628	\$ 4,414,180
Collection Fees @ 3 percent	(93,211)	(101,701)	(105,626)	(108,635)	(110,808)	(113,074)	(115,364)	(117,690)	(119,942)	(122,221)	(124,527)	(126,860)	(129,220)	(131,607)
District Maintenance Fees	(428,831)	(437,407)	(446,155)	(455,028)	(464,180)	(473,464)	(482,833)	(492,397)	(502,143)	(512,072)	(522,185)	(532,481)	(542,960)	(553,623)
Net Revenue Available for Debt Service	\$ 2,584,977	\$ 2,850,927	\$ 2,969,088	\$ 3,057,492	\$ 3,119,601	\$ 3,180,972	\$ 3,244,592	\$ 3,309,484	\$ 3,375,674	\$ 3,443,187	\$ 3,512,021	\$ 3,582,292	\$ 3,654,028	\$ 3,727,017
Maximum 1st Year Bond Support at 4%	\$ 64,624,453	\$ 71,273,186	\$ 74,227,190	\$ 76,436,294	\$ 77,965,020	\$ 79,524,320	\$ 81,114,807	\$ 82,737,103	\$ 84,391,845	\$ 86,079,682	\$ 87,801,276	\$ 89,557,301	\$ 91,348,447	\$ 93,175,416
NPV of Ad Valorem Taxes at 4%														

**Three Springs Metropolitan District  
Analysis of Bond Capacity and Timing**

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2044	2045
Market Value (Residential-Village One)	\$ 277,677,202	\$ 283,230,746	\$ 286,895,361	\$ 294,673,269	\$ 300,566,734	\$ 305,578,069	\$ 312,709,630	\$ 318,963,823	\$ 325,343,099	\$ 331,849,961	\$ 338,486,960
Market Value (Residential-Village Two)	\$ 751,734,077	\$ 766,768,758	\$ 782,104,177	\$ 797,746,216	\$ 813,701,140	\$ 829,975,163	\$ 846,574,666	\$ 863,506,160	\$ 880,776,283	\$ 898,391,805	\$ 916,359,645
Assessment Rate	\$1,029,411,279	\$1,049,999,505	\$1,070,999,495	\$1,092,419,485	\$1,114,267,874	\$1,136,553,232	\$1,159,284,297	\$1,182,469,982	\$1,206,119,382	\$1,230,241,777	\$1,254,846,605
AV Residential-Cumulative	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796
Market Value (Commercial-Village One)	\$ 81,241,138	\$ 83,379,961	\$ 85,251,560	\$ 86,956,591	\$ 88,695,723	\$ 90,469,637	\$ 92,279,030	\$ 94,124,611	\$ 96,007,103	\$ 97,927,245	\$ 99,883,790
Market Value (Commercial-Village Two)	\$ 135,969,857	\$ 138,689,254	\$ 141,463,040	\$ 144,292,300	\$ 147,178,146	\$ 150,121,709	\$ 153,124,143	\$ 156,186,626	\$ 159,310,359	\$ 162,496,564	\$ 165,746,497
Assessment Rate	\$ 40,325,437	\$ 41,131,946	\$ 41,954,585	\$ 42,793,677	\$ 43,649,550	\$ 44,522,541	\$ 45,412,992	\$ 46,321,252	\$ 47,247,677	\$ 48,192,631	\$ 49,156,483
AV Commercial-Cumulative	\$ 176,295,295	\$ 179,821,200	\$ 183,417,624	\$ 187,085,977	\$ 190,827,697	\$ 194,644,250	\$ 198,537,135	\$ 202,507,878	\$ 206,558,036	\$ 210,689,196	\$ 214,902,980
Medical Office Building	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Assessment Rate	\$ 51,125,635	\$ 52,148,148	\$ 53,191,111	\$ 54,254,933	\$ 55,340,634	\$ 56,446,833	\$ 57,575,769	\$ 58,727,265	\$ 59,901,830	\$ 61,099,867	\$ 62,321,864
Total Assessed Value-Cumulative	\$ 8,520,137	\$ 8,690,540	\$ 8,864,351	\$ 9,041,638	\$ 9,222,471	\$ 9,406,970	\$ 9,595,058	\$ 9,786,959	\$ 9,982,699	\$ 10,182,351	\$ 10,386,200
Mill Levy Rate at 30 Mills	\$141,586,910	\$144,418,649	\$147,307,022	\$150,253,162	\$153,258,225	\$156,323,390	\$159,449,858	\$162,638,855	\$165,891,632	\$169,209,464	\$172,593,654
Projected Ad Valorem Revenue	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Specific Ownership @ 6 percent	\$ 4,247,607	\$ 4,332,559	\$ 4,419,211	\$ 4,507,595	\$ 4,597,747	\$ 4,689,702	\$ 4,783,496	\$ 4,879,166	\$ 4,976,749	\$ 5,076,284	\$ 5,177,810
Total Revenue	254,856	259,854	265,153	270,456	275,855	281,382	287,010	292,750	298,605	304,577	310,660
Collection Fees @ 3 percent	\$ 4,502,464	\$ 4,592,513	\$ 4,684,363	\$ 4,778,051	\$ 4,873,612	\$ 4,971,084	\$ 5,070,505	\$ 5,171,916	\$ 5,275,354	\$ 5,380,861	\$ 5,488,478
District Maintenance Fees	(135,074)	(137,775)	(140,531)	(143,342)	(146,208)	(149,133)	(152,115)	(155,157)	(158,261)	(161,426)	(164,654)
Net Revenue Available for Debt Service	(565,833)	(577,150)	(588,693)	(600,466)	(612,428)	(624,725)	(637,220)	(649,964)	(662,963)	(676,223)	(689,747)
Maximum 1st Year Bond Support at 4%	\$ 3,601,537	\$ 3,877,588	\$ 3,955,140	\$ 4,034,243	\$ 4,114,928	\$ 4,197,226	\$ 4,281,171	\$ 4,366,794	\$ 4,454,130	\$ 4,543,212	\$ 4,634,077
NPV of Ad Valorem Taxes at 4%	\$ 95,038,924	\$ 96,939,703	\$ 98,878,497	\$ 100,856,067	\$ 102,873,188	\$ 104,930,652	\$ 107,029,265	\$ 109,169,850	\$ 111,353,247	\$ 113,580,312	\$ 115,851,918

Three Springs Metropolitan District

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Costs Advanced by Developer</b>	\$ 2,440,917	\$ 4,787,631	\$ 3,836,763	\$ 1,983,525	\$ 973,374	\$ 496,045	\$ 2,210,426	\$ 962,231	\$ 24,368	\$ 36,217
<b>Accrued Interest on Developer Notes</b>										
Accrued Interest on Notes - 2005										
Accrued Interest on Notes - 2006	\$ 192,222	\$ 188,513								
Accrued Interest on Notes - 2007	\$ 207,360	\$ 391,871	\$ 151,073							
Accrued Interest on Notes - 2008	\$ 223,689	\$ 422,731	\$ 314,042	\$ 78,101						
Accrued Interest on Notes - 2009	\$ 241,305	\$ 456,021	\$ 338,773	\$ 162,353	\$ 38,327					
Accrued Interest on Notes - 2010	\$ 260,308	\$ 491,933	\$ 365,451	\$ 175,138	\$ 79,671	\$ 19,532				
Accrued Interest on Notes - 2011		\$ 400,179	\$ 296,202	\$ 188,931	\$ 85,946	\$ 40,602	\$ 87,036			
Accrued Interest on Notes - 2012			\$ -	\$ 203,809	\$ 92,714	\$ 43,799	\$ 180,925	\$ 37,888		
Accrued Interest on Notes - 2013			\$ -	\$ 213,708	\$ -	\$ -	\$ 119,929	\$ 77,254	\$ 944	
Accrued Interest on Notes - 2014			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Interest on Notes - 2015			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Notes Plus Accrued Interest</b>	\$ 3,565,801	\$ 7,138,879	\$ 5,302,304	\$ 3,005,565	\$ 1,270,031	\$ 599,977	\$ 2,598,316	\$ 1,077,373	\$ 25,312	\$ 36,217
<b>Bonds Issued By District</b>										
<b>Year of Bond Issuance</b>										
2010	\$ (3,565,801)	\$ (2,325,514)								
2011		\$ (4,813,365)	\$ (2,179,951)							
2012			\$ (3,122,352)	\$ (1,215,203)						
2013			\$ -	\$ (1,790,362)	\$ (1,091,898)	\$ (21,838)	\$ (437)	\$ (9)	\$ (0)	\$ (0)
2014			\$ -	\$ -	\$ (178,134)	\$ (578,140)	\$ (2,597,879)	\$ (598,688)	\$ (11,974)	\$ (239)
2015			\$ -	\$ -	\$ -	\$ -	\$ -	\$ (478,677)	\$ (13,339)	\$ (35,978)
2016			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Bonds Issued</b>	\$ (3,565,801)	\$ (7,138,879)	\$ (5,302,304)	\$ (3,005,565)	\$ (1,270,031)	\$ (599,977)	\$ (2,598,316)	\$ (1,077,373)	\$ (25,312)	\$ (36,217)

Three Springs Metropolitan District

	2015	2016	2017	2018	2019	2020	2021	Total
<b>Costs Advanced by Developer</b>	\$ 985,833	\$ 38,051	\$ 945,949	\$ 74,440	\$ 4,410,295	\$ 42,001	\$ 1,002,364	\$ 25,250,430
<b>Accrued Interest on Developer Notes</b>								
Accrued Interest on Notes - 2005								
Accrued Interest on Notes - 2006								
Accrued Interest on Notes - 2007								
Accrued Interest on Notes - 2008								
Accrued Interest on Notes - 2009								
Accrued Interest on Notes - 2010								
Accrued Interest on Notes - 2011								
Accrued Interest on Notes - 2012								
Accrued Interest on Notes - 2013								
Accrued Interest on Notes - 2014								
Accrued Interest on Notes - 2015	\$ -							
<b>Total Notes Plus Accrued Interest</b>	\$ 985,833	\$ 38,051	\$ 945,949	\$ 74,440	\$ 4,410,295	\$ 42,001	\$ 1,002,364	\$ 32,118,709
<b>Bonds Issued By District</b>								
<b>Year of Bond Issuance</b>								<b>Issuance Totals</b>
2010								\$ (5,891,315)
2011								\$ (6,993,316)
2012								\$ (4,337,556)
2013	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ -	\$ -	\$ -	\$ (2,904,543)
2014	\$ (5)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (3,965,058)
2015	\$ (985,828)	\$ (38,051)	\$ (945,949)	\$ (74,440)	\$ (680,672)	\$ (13,613)	\$ (272)	\$ (3,266,819)
2016	\$ -	\$ -	\$ -	\$ -	\$ (3,729,623)	\$ (28,388)	\$ (1,002,092)	\$ (4,760,102)
2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Bonds Issued</b>	\$ (985,833)	\$ (38,051)	\$ (945,949)	\$ (74,440)	\$ (4,410,295)	\$ (42,001)	\$ (1,002,364)	\$ (32,118,709)



**EXHIBIT J**  
**PRELIMINARY CONSOLIDATED OPERATING BUDGET**  
**FOR FIRST THREE FISCAL YEARS**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
BEGINNING FUNDS AVAILABLE	\$ 0	\$ 0	\$ 0
REVENUE			
Developer Advances	\$86,000	\$183,500	\$275,150
Property Taxes	\$ 0	\$ 0	\$ 50,000
Specific Ownership Taxes	\$ 0	\$ 0	\$ 5,000
Total Revenue	\$86,000	\$183,500	\$330,150
EXPENDITURES			
Accounting	\$ 9,000	\$ 18,000	\$ 18,000
Audit	\$ 500	\$ 7,500	\$ 7,500
Admin/Staffing/Programming	\$ 40,000	\$ 80,000	\$125,000
Director Fees	\$ 0	\$ 0	\$ 0
Insurance	\$ 1,500	\$ 3,000	\$ 3,000
Landscape/Grounds/Maintenance	\$ 0	\$ 25,000	\$ 75,000
Legal	\$ 35,000	\$ 50,000	\$ 50,000
Treasurer's Collection Fee (3%)	\$ 0	\$ 0	\$ 1,650
Utilities/Bldg Operation Expenses (Community Center, etc.)	\$ 0	\$ 0	\$ 50,000
Total Expenditures	\$ 86,000	\$183,500	\$330,150
ENDING FUNDS AVAILABLE	\$ 0	\$ 0	\$ 0

NOTE: District No. 3 is the Management District and will be responsible for the provision of services and paying all administrative and operating costs of District No. 1 and District No. 2.